

I Mina'Trentai Kuáttro Na Liheslaturan
BILL STATUS

BILL NO.	SPONSOR	TITLE	DATE INTRODUCED	DATE REFERRED	CMTE REFERRED	PUBLIC HEARING DATE	DATE COMMITTEE REPORT FILED	FISCAL NOTES	NOTES
15-34 (COR) As corrected by the Prime Sponsor.	B. J.F. Cruz	AN ACT TO REQUIRE THAT A COMPREHENSIVE COST-BENEFIT AND SPACE UTILIZATION STUDY BE CONDUCTED BY THE GOVERNMENT OF GUAM PRIOR TO THE AUTHORIZATION, FUNDING, OR CONSTRUCTION OF A UNIFIED GOVERNMENT OFFICE FACILITY.	2/1/17 10:17 a.m. AS CORRECTED 02/8/17 12:22 p.m.	02/09/17	Committee on Appropriations and Adjudication	3/16/17 2:00 p.m.	4/17/17 4:21 p.m.	Fiscal Note Request 2/9/17 Fiscal Note 2/23/17	



SPEAKER BENJAMIN J.F. CRUZ

Committee on Appropriations and Adjudication
senator@senatorbjcruz.com | www.senatorbjcruz.com


I Mina'trentai Kuåtro na Liheslaturan Guåhan

THE 34TH GUAM LEGISLATURE

163 Chalan Santo Papa, Hagåtña, Guam 96910

T: (671) 477-2520/1 | F: (671) 477-2522

April 11, 2017

The Honorable Michael F.Q. San Nicolas 
Chairman
I Mina'trentai Kuåtro na Liheslaturan Guåhan
34th Guam Legislature
Guam Congress Building
163 Chalan Santo Papa
Hagåtña, Guam 96910

2017 APR 17 PM 4: 21



RE: Committee Report on Bill No. 15-34 (COR), As Corrected by the Prime Sponsor

Dear Chairman San Nicolas:

Transmitted herewith is the Report of the Committee on Appropriations and Adjudication on **Bill No. 15-34 (COR)**, As Corrected by the Prime Sponsor - B. J.F. Cruz - "An act to require that a Comprehensive Cost-Benefit & Space Utilization Study be conducted by the Government of Guam prior to the authorization, funding, or construction of a unified government office facility."

Committee votes are as follows:

- 3 TO DO PASS
- TO NOT PASS
- 2 TO REPORT OUT ONLY
- TO ABSTAIN
- TO PLACE IN INACTIVE FILE

Sincerely,


BENJAMIN J.F. CRUZ
Chairman

COR
received
4/11/17 3:16 pm 

SPEAKER BENJAMIN J.F. CRUZ
Committee on Appropriations and Adjudication
senator@senatorbjcruz.com | www.senatorbjcruz.com



I Mina'trentai Kuåtiro na Liheslaturan Guåhan
THE 34TH GUAM LEGISLATURE
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COMMITTEE REPORT

**Bill No. 15-34 (COR),
As Corrected by the Prime Sponsor**

“An act to require that a Comprehensive Cost-Benefit & Space Utilization Study be conducted by the Government of Guam prior to the authorization, funding, or construction of a unified government office facility.”



MEMORANDUM

TO: All Members

FROM: Speaker Benjamin J.F. Cruz
Chairman, Committee on Appropriations and Adjudication

SUBJECT: Committee Report on Bill No. 15-34 (COR), As Corrected by the Prime Sponsor


Transmitted herewith for your consideration is the Committee Report on **Bill No. 15-34 (COR)**, As Corrected by the Prime Sponsor – B. J.F. Cruz – “An act to require that a Comprehensive Cost-Benefit & Space Utilization Study be conducted by the Government of Guam prior to the authorization, funding, or construction of a unified government office facility.”

This report includes the following:

- COR Referral of Bill No. 15-34 (COR), As Corrected by the Prime Sponsor
- Notices of Public Hearing
- Public Hearing Agenda
- Public Hearing Sign-In Sheet
- Copies of Submitted Testimony and Supported Documents
- Committee Vote Sheet
- Bill No. 15-34 (COR), As Introduced
- COR Pre-Referral Checklist
- Bill No. 15-34 (COR), As Corrected by the Prime Sponsor
- Fiscal Note Requirement and Funding Availability Note Waiver
- Related News Reports

Please take the appropriate action on the attached voting sheet. Your attention to this matter is greatly appreciated. Should you have any questions or concerns, please do not hesitate to contact me.

Sincerely,


BENJAMIN J.F. CRUZ
Chairman



COMMITTEE ON RULES

Senator Michael F.Q. San Nicolas, *Chairman*
I Mina'Trentai Kuåttro na Liheslaturan Guåhan • 34th Guam Legislature



MEMO

To: **Rennae Meno**
Clerk of the Legislature

Attorney Julian Aguon
Legislative Legal Counsel

From: **Senator Michael F.Q. San Nicolas**
Chairman of the Committee on Rules

Date: **February 9, 2017**

Re: **Referral of Bill No. 15-34 (COR), as corrected by the Prime Sponsor**

Buenas yan Háfa adai.

Please be advised that **Bill No. 15-34 (COR)** was returned to its Prime Sponsor due to its noncompliance with the Standing Rules (see (A)(1) of the pre-referral checklist) on January 24, 2017. The Prime Sponsor has made the necessary corrections to the subject bill, in accordance with the opinion of Legal Counsel.

As per my authority as Chairman of the Committee on Rules and subject to § 6.01(d)(1), Rule VI of our Standing Rules (see (B)(2), and (B)(3) of the pre-referral checklist), I am forwarding the subsequent referral of **Bill No. 15-34 (COR), as corrected by the Prime Sponsor**.

Please ensure that the subject bill, indicated with "As Corrected by the Prime Sponsor", is referred, in my name, to **Speaker Benjamin J.F. Cruz, Chairperson of the Committee on Appropriations and Adjudication**. I also request that the same be forwarded to the prime sponsor of the subject bill.

After committee review, the subject bill may be further referred by the Committee on Appropriations to the Principal Committee of subject matter jurisdiction, pursuant to § 6.01(d)(1), Rule VI of our Standing Rules.

Attached, please see the COR pre-referral checklist for your information, which shall be attached as a committee report item to the bill.

If you have any questions or concerns, please feel free to contact Christian Valencia, Committee on Rules Director, at 472-6453.

Thank you for your attention to this important matter.

Respectfully,


Senator Michael F.Q. San Nicolas
Chairman of the Committee on Rules

I Mina'Trentai Kuátro Na Liheslaturan
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Hermina Certeza <hermina.certeza@senatorbjcruz.com>

FIRST NOTICE of Public Hearing - Thursday, March 16, 2017

Hermina Certeza <hermina.certeza@senatorbjcruz.com>

Thu, Mar 9, 2017 at 4:58 PM

To: PH Notice <phnotice@guamlegislature.org>, phmaterials@guamlegislature.org

Cc: Committee on Rules Guam Legislature <corguamlegislature@gmail.com>, Clerks <clerks@guamlegislature.org>, "Sergeant-at-Arms (Legislature)" <sgtarms@guamlegislature.org>, Joe San Agustin <protocol@guamlegislature.org>, Management Information System <mis@guamlegislature.org>, "Speaker Benjamin J.F. Cruz / Media" <media@senatorbjcruz.com>

Bcc: Sarah Elmore <sarah.elmore@senatorbjcruz.com>, "Carlo J. Branch" <carlo.branch@senatorbjcruz.com>

March 09, 2017

MEMORANDUM

To: All Members / All Senators

From: Speaker Benjamin J.F. Cruz, Chairman

Re: **FIRST NOTICE of Public Hearing - Thursday, March 16, 2017**

Håfa Adai! The Committee on Appropriations and Adjudication will conduct a Public Hearing beginning at **2:00 PM** on **Thursday, March 16, 2017**, in the **I Liheslatura Public Hearing Room, Guam Congress Building** with the following schedule:

Bill No. 15-34 (COR) As Corrected by Primary Sponsor - B.J.F Cruz - An act to require that a Comprehensive Cost-Benefit & Space Utilization Study be conducted by the Government of Guam prior to the authorization, funding, or construction of a unified government office facility.

Bill No. 21-34(COR) - B.J.F. Cruz - An act to *ADD* § 4302(f)(1) to Chapter 4, Title 4 Guam Code Annotated, relative to requiring that all private hospitals be covered under the Government of Guam health insurance contract.

Testimonies may be submitted via hand delivery to the Office of Speaker Benjamin J.F. Cruz at the Guam Legislature; via postal mail to Guam Congress Building, 163 Chalan Santo Papa,

Hagåtña Guam 96910; or via e-mail to senator@senatorbjcruz.com. Please submit testimonies at least one day prior to the date of the hearing.

All government activities, programs, and services are accessible for people with disabilities in compliance with Title II of the Americans with Disabilities Act (ADA). Should you or interested parties require assistance or special accommodations to fully participate in this public hearing, please contact Mr. Carlo J. Branch at the Office of the Speaker at 477-2520/1 or via e-mail at carlo.branch@senatorbjcruz.com.

We look forward to your attendance and participation.

cc: COR
Sgt-at-Arms
MIS
Clerks
Media
Protocol

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Si Yu'os ma'åse'

Hermina R. B. Certeza

THE OFFICE OF SPEAKER BENJAMIN J.F. CRUZ

Committee on Appropriations and Adjudication

Guam Congress Building | 163 Chalan Santo Papa, Hagatna, GU 96910

Phone: 477-2520/1 | Fax: 477-2522

hermina.certeza@senatorbjcruz.com | www.senatorbjcruz.com

3 attachments

 **FIRST NOTICE MEMO PH 031617 (2).pdf**
197K

 **FIRST NOTICE PR PH 031617 .pdf**
2955K

 **PUBLIC HEARING AGENDA 031617.pdf**
221K



FOR IMMEDIATE RELEASE

March 09, 2017

FIRST NOTICE OF PUBLIC HEARING

In accordance with the Open Government Law, P.L. 24-109, relative to notice for public meetings, let this release serve as five (5) days' notice for a Public Hearing by the Committee on Appropriations and Adjudication scheduled on **Thursday, March 16, 2017** in the **Public Hearing Room** at the **Guam Congress Building** in Hagåtña, on the following:

2:00 PM - PUBLIC HEARING

Bill No. 15-34 (COR) As Corrected by Primary Sponsor - B.J.F Cruz - An act to require that a Comprehensive Cost-Benefit & Space Utilization Study be conducted by the Government of Guam prior to the authorization, funding, or construction of a unified government office facility.

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Individuals requiring assistance or special accommodations should contact Mr. Carlo J. Branch at the Office of the Speaker at 477-2520/1, or by e-mail at carlo.branch@senatorbjcruz.com.

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March 09, 2017

MEMORANDUM

To: All Members / All Senators
From: Speaker Benjamin J.F. Cruz, Chairman

Re: **FIRST NOTICE of Public Hearing - March 16, 2017**

Håfa Adai! The Committee on Appropriations and Adjudication will conduct a Public Hearing beginning at **2:00 PM on Thursday, March 16, 2017**, in the **I Liheslatura Public Hearing Room, Guam Congress Building** with the following schedule:

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We look forward to your attendance and participation.



Hermina Certeza <hermina.certeza@senatorbjcruz.com>

SECOND NOTICE of Public Hearing - Thursday, March 16, 2017

Hermina Certeza <hermina.certeza@senatorbjcruz.com>

Tue, Mar 14, 2017 at 8:00 AM

To: PH Notice <phnotice@guamlegislature.org>, phmaterials@guamlegislature.org

Cc: Committee on Rules Guam Legislature <comrules@guamlegislature.org>, Clerks <clerks@guamlegislature.org>, "Sergeant-at-Arms (Legislature)" <sgtarms@guamlegislature.org>, Management Information System <mis@guamlegislature.org>, Joe San Agustin <protocol@guamlegislature.org>, "Speaker Benjamin J.F. Cruz / Media" <media@senatorbjcruz.com>

Bcc: hrbcerteza@gmail.com, senator@senatorbjcruz.com, christine.baleto@doa.guam.gov, dfbrooks@guamopa.com, glenn.leonguerrero@dpw.guam.gov, governor@guam.gov, mark.calvo@guam.gov, jtcavlo@midpacguam.com, jppreservation@guam.net, jay.rojas@investguam.com, johnny.sablan@dca.guam.gov, sarah.elmore@senatorbjcruz.com, carlo.branch@senatorbjcruz.com, joey.calvo@bbmr.guam.gov, iallymd@gmail.com, doctorshieh@yahoo.com, ebanderson@guamag.org, eric.plinske@grmc.gu, fcampillo@calvos.com, jeff.larsen@takecareasia.com, mmoylan@moylans.net, fesantos57@gmail.com, agmendiola@staywellguam.com, movillarin@staywellguam.com, peterjohn.camacho@gmha.org

March 14, 2017

MEMORANDUM

To: All Members / All Senators

From: Speaker Benjamin J.F. Cruz, Chairman

Re: **SECOND NOTICE of Public Hearing - Thursday, March 16, 2017**

Håfa Adai! The Committee on Appropriations and Adjudication will conduct a Public Hearing beginning at **2:00 PM on Thursday, March 16, 2017**, in the **I Liheslatura Public Hearing Room, Guam Congress Building** with the following schedule:

Bill No. 15-34 (COR) As Corrected by Primary Sponsor - B.J.F Cruz - An act to require that a Comprehensive Cost-Benefit & Space Utilization Study be conducted by the Government of Guam prior to the authorization, funding, or construction of a unified government office facility.

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We look forward to your attendance and participation.

cc: COR
Sgt-at-Arms
MIS
Clerks
Media
Protocol

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Si Yu'os ma'åse'

Hermina R. B. Certeza

THE OFFICE OF SPEAKER BENJAMIN J.F. CRUZ

Committee on Appropriations and Adjudication

Guam Congress Building | 163 Chalan Santo Papa, Hagatna, GU 96910

Phone: 477-2520/1 | Fax: 477-2522

hermina.certeza@senatorbjcruz.com | www.senatorbjcruz.com

3 attachments

 **PUBLIC HEARING AGENDA 031617 - Copy.pdf**
221K

 **SECOND NOTICE MEMO PH 031617 .pdf**
289K

 **SECOND NOTICE PR PH 031617.pdf**
430K



FOR IMMEDIATE RELEASE

March 14, 2017

SECOND NOTICE OF PUBLIC HEARING

In accordance with the Open Government Law, P.L. 24-109, relative to notice for public meetings, let this release serve as two (2) days' notice for a Public Hearing by the Committee on Appropriations and Adjudication scheduled on **Thursday, March 16, 2017** in the **Public Hearing Room** at the **Guam Congress Building** in Hagåtña, on the following:

2:00 PM - PUBLIC HEARING

Bill No. 15-34 (COR) As Corrected by Primary Sponsor - B.J.F Cruz - An act to require that a Comprehensive Cost-Benefit & Space Utilization Study be conducted by the Government of Guam prior to the authorization, funding, or construction of a unified government office facility.

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March 14, 2017

MEMORANDUM

To: All Members / All Senators
From: Speaker Benjamin J.F. Cruz, Chairman

Re: **SECOND NOTICE of Public Hearing - March 16, 2017**

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We look forward to your attendance and participation.

SPEAKER BENJAMIN J.F. CRUZ
Committee on Appropriations and Adjudication
senator@senatorbjcruz.com | www.senatorbjcruz.com



I Mina'trentai Kuåttro na Liheslaturan Guåhan
THE 34TH GUAM LEGISLATURE
Guam Congress Building | 163 Chalan Santo Papa, Hagåtña
T: (671) 477-2520/1 | F: (671) 477-2522

Public Hearing Agenda

Thursday, March 16, 2017

Guam Legislature Public Hearing Room • Guam Congress Building
163 Chalan Santo Papa, Hagatna, GU 96910

2:00 PM

Bill No. 15-34 (COR) As Corrected by Primary Sponsor - B.J.F Cruz - An act to require that a Comprehensive Cost-Benefit & Space Utilization Study be conducted by the Government of Guam prior to the authorization, funding, or construction of a unified government office facility.

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SPEAKER BENJAMIN J.F. CRUZ

Committee on Appropriations and Adjudication
 senator@senatorbjcruz.com | www.senatorbjcruz.com



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THE 34TH GUAM LEGISLATURE
 Guam Congress Building | 163 Chalan Santo Papa, Hagåtña
 T: (671) 477-2520/1 | F: (671) 477-2522

PUBLIC HEARING SIGN IN SHEET

2:00 PM • Thursday, March 16, 2017

Guam Legislature Public Hearing Room | Guam Congress Building

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NAME	AGENCY OR ORGANIZATION	POSITION		TESTIMONY		PHONE NO.	EMAIL ADDRESS
		SUPPORT	OPPOSE	WRITTEN	ORAL		
Luis Flores Brooks	OPA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
Hendyn Terloje	OPA	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
Jerrick Hernandez	OPA	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
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PUBLIC HEARING SIGN IN SHEET

2:00 PM • Thursday, March 16, 2017

Guam Legislature Public Hearing Room | Guam Congress Building

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NAME	AGENCY OR ORGANIZATION	POSITION		TESTIMONY		PHONE NO.	EMAIL ADDRESS
		SUPPORT	OPPOSE	WRITTEN	ORAL		
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
Johnny Sablan	HRRA	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	675-4278	johnny.sablan@hrra.gu
Zenon E. Belonger	HRRA	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	687-9225	zba@guam.net
Joseph C. Santos	HRRA	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	475-4281	joseph.santos@hrra.gu
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
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BILL NO. 15-34 (COR)
Speaker Benjamin J.F. Cruz

Why Was Bill Introduced?

- **Need for Clarity**
 - OPA Report [No. 17-002] indicated that annual lease expenses have **nearly doubled over the past decade**.
 - Wrote Public Auditor in letter on February 1, 2017:
 - According to report, approx. **\$11.7 million** is spent annually on commercial office space by various government entities
 - According to our analysis, **only \$5.2 million** appears to be potentially available when considering a transition to new government space
- **Answers OPA's Call**
 - Report stated: "since 2005, OPA urged the Legislature to begin evaluating whether or not it is feasible to initiate a long-term planning to acquire or build facilities to house government entities in the future" (p. 5).

What Bill No. 15-34 Does:

- Requires that a detailed cost-benefit analysis and space utilization study be completed prior to the authorization, funding, or construction of new government office building.
- Ensures that the construction of the unified government building in Hagåtña is **both cost-effective for Guam's taxpayers and done right the first time.**
- Mandates the study be funded in FY18 Budget Act



February 1, 2017

Transmitted via Hand Delivery and Electronic Mail
dfbrooks@guamopa.com

The Honorable Doris Flores Brooks
Public Auditor of Guam
238 Archbishop Flores Street
Suite 401, DNA Building
Hagatna, GU 96910

Re: Clarification on OPA Report No. 17-02, Analysis of Government of Guam Leases

Dear Public Auditor Brooks:

Håfa adai! I have spent a great deal of my life supporting the restoration of Hagåtña, the efficient and cost-effective use of government buildings, and the hope that we can clearly plan for tomorrow so we are not continually playing catch-up today.

That is why I appreciated the Office of Public Accountability's (OPA) work in issuing OPA Report No. 17-02. Unfortunately, some have characterized that document as an immediate call for the construction of government office buildings, backed by an alleged \$14 million in avoided lease payments—a number which is not mentioned a single time in either your audit or its supporting documents.

Rather, and as you have made abundantly clear, the government's commercial lease costs are about \$11.7 million—a full \$2.3 million less than the number represented by other government officials.

While I support the construction of government office buildings—especially as a means to avoid lease arrangements which may cost far more, none of this can be determined without a detailed analysis—a point you clearly make in OPA Report 17-02. The report reads, in relevant part:

“Since 2005, OPA urged the Legislature to **begin evaluating** whether or not it is feasible to initiate long-term planning to acquire or build facilities to house government entities in the future. In the audit report, OPA stated that the amount of money spent on leases could be used to purchase or build office space to house government entities” (p. 5, *emphasis added*).

Upon reading your report, I am forced to admit that the Legislature should have heeded your advice long ago—evaluating for ourselves the various factors which will impact this decision.

For example, based on my Office’s review of the available data, while the \$11.7 million figure cited in your report may represent the total government cost of commercial office leases, it may not represent the total amount available to offset any financing mechanism such as debt service for borrowing.

As outlined in the chart below, that amount is approximately \$5.2 million—a figure which is far less than half of the amount OPA Report No. 17-02 considers. This is because several of the entities contained in your review are either outside of Executive Control or required to serve the areas, villages or regions in which they are presently located.

Agency/Division Offices Likely To Move

Agency/Division	Annual Rental Cost	Approx. Sq. Ft.
Civil Service Commission	66,096	3,672
Department of Administration	474,926	20,296
Department of Chamorro Affairs	127,894	5,761
Department of Integrated Services for Individuals with Disabilities	364,344	15,181
Department of Labor	623,772	21,690
Department of Revenue and Taxation	978,588	50,094
Guam Behavioral Health & Wellness Center	300,272	14,694
Guam Board of Registration for Professional Engineers, Architects & Land Surveyors	17,500	860
Guam Developmental Disabilities Council	25,200	1,000
Guam Economic Development Authority	252,672	8,607
Guam Environmental Protection Agency	96,000	8,000
Guam Fire Department	114,000	5,000
Guam Housing Corporation	99,744	4,156
Guam Police Department	172,200	7,000
Office of the Attorney General	1,528,740	42,465
Subtotal	5,241,948	208,476

Agency/Division Offices Not Likely To Move

Agency/Division	Annual Rental Cost	Approx. Sq. Ft.
Legislative Offices	284,280	16,297
Alternate Public Defender	65,424	2,726
Department of Land Management	774,062	27,449
Department of Public Health and Social Services	1,031,881	48,321
Guam Board of Accountancy	23,868	1,050
Guam Customs & Quarantine Agency	2,787,045	54,347
Guam Department of Education	55,440	4,000
Guam Election Commission	130,350	3,802
Guam Legislature - Central Office	252,000	20,533
Guam Police Department	364,565	33,480
Guam Power Authority	53,935	2,043
Mayor's Council of Guam - Administration Office	57,834	2,754
Mayor's Council of Guam - Inarajan Mayor's Office	31,200	6,000
Mayor's Council of Guam - Piti's Mayor's Office	24,000	1,200
Office of Public Accountability	107,723	3,932
Public Defender Service Corporation	300,000	12,000
Public Utilities Commission of Guam	27,044	967
Superior Court of Guam/Judiciary of Guam	173,700	7,500
Subtotal	6,544,351	248,401

Because of these details – and the errant use of the aggregate lease amount as a starting point – the evaluation called for in your report is extremely important. And, coincidentally, it is not without precedent.

When the Consolidated Commission on Utilities (CCU) began to meaningfully consider the construction of the GPA-GWA Multipurpose Facility in Fadian, an experienced consultant performed a *Space Utilization and Financial Analysis Report* long before other financial resources were ultimately committed.

This financial analysis, conducted by RIM Architects analyzed whether it was more cost-beneficial to continue to lease its existing government offices or build a new facility.

This nearly 70-page *Space Utilization and Financial Analysis Report* only involved two government of Guam agencies, yet achieved an in-depth comparison of the lease expenses paid by the Guam Power Authority (GPA) and the Guam Waterworks Authority (GWA).

The analysis also considered a comprehensive study of two options: (1) Leasing Offices at Various Locations and (2) the Construction of the New Administration Building Complex at Fadian. These two options were not only exhaustively analyzed from a lease cost perspective, but also considered a detailed, empirical review of the following:

1. How Much Space Was Actually Required
2. Available Lease Spaces and Market Lease Rates
3. On-going Operating and Maintenance Costs
4. One-time Costs upon Office Relocation
5. Lease Periods
6. Expected Price Escalation Factors
7. Construction Costs
8. Construction and New Building Operating Periods
9. Costs Projection
10. Residual Value of Buildings after the 30-Year Bond Period

The evaluation of these two options further involved a cost-benefit analysis of each approach and a “Do Nothing Scenario.” These approaches were then summarized in light of cost considerations, potential benefits, and possible limitations and drawbacks.

Moreover, this *Space Utilization and Financial Analysis Report* proposed and analyzed various Financing Alternatives prior to the potential construction of the new Multipurpose Facility. The financial alternatives considered included: Bond Issuance, a Commercial Bank Loan, or a Design, Build, Operate and Transfer financing and construction mechanism.

I take great lengths to explain what this *Space Utilization and Financial Analysis Report* contained because I fear that OPA Report No. 17-02 is being unfairly substituted for the meaningful and evidenced-based approach you recommend.

While I am joined in principle to the goal of a Capitol Building in Hagåtña – unifying all our government agencies under a shared roof—our history is replete with examples of doing it wrong the first time. For me, and for the worthiness of this investment, this is something we should get right from day one.

To this end, I hope that you will join me in clarifying that your report is not a substitute for a detailed *Utilization and Financial Analysis Report*. Additionally, given the data I presented above,

Clarification on OPA Report No. 17-02, Analysis of Government of Guam Leases
Public Auditor Brooks
February 1, 2017
Page 5 of 5

I also hope that you will agree that the total \$11.7 million lease expense considered in your report, or even the \$14 million cited by other government officials is absolutely not the appropriate amount **available** to offset against the payment toward a proposed or planned financing mechanism.

And finally, I hope that you will join me in seeking the detailed evaluation you have so rightly commended to the Legislature.

Si Yu'os ma'ãse',



Benjamin J.F. Cruz

Enclosed for your reference: *GPA-GWA Multipurpose Facility Space Utilization and Financial Analysis Report* - December 8, 2010

1 **D GRAHAM BOTHA, ESQ.**
2 **Legal Counsel**
3 **Guam Power Authority**
4 **1911 Army Drive, Suite 227**
5 **Harmon, Guam 96913**
6 **Ph: (671) 648-3203/3002**
7 **Fax: (671) 648-3290**

8 **BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

9 **IN THE MATTER OF:**) **GPA DOCKET NO. 11-14**
10)
11 **Guam Power Authority's Request to Use Bond**) **PETITION FOR USE OF 2010 BOND**
12 **Proceeds for the Fadian Office Complex**) **PROCEEDS ON THE FADIAN OFFICE**
13) **COMPLEX PROJECT**
14)

15 **COMES NOW**, the GUAM POWER AUTHORITY (GPA), by and through its counsel
16 of record, D. GRAHAM BOTHA, ESQ., and hereby files GPA's Petition for the Public Utilities
17 Commission of Guam to review and approve GPA's request for use of 2010 Bond Proceeds for
18 the Fadian Office Complex project, as follows:

19 **BACKGROUND**

20 Guam Power Authority previously requested PUC approval for 2010 bond financed
21 projects in GPA Docket 10-01. On June 3, 2010, the PUC approved the 2010 GPA Revenue
22 bond and Subordinate Bond issuance. One of the projects financed under the 2010 GPA
23 Revenue bonds was the Fadian Office Complex. P.L. 31-77, §31, Transfer of Property, provides
24 that Lot No. 5412-2, situated in Fadian, Mangilao, is transferred to GPA in fee simple. Pursuant
25 to the PUC Order, GPA now requests that the PUC approve the use of bond proceeds for the
26 Fadian Office project.

27 **DISCUSSION**

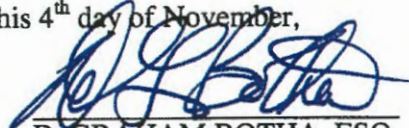
28 GPA hereby petitions the PUC, pursuant to the Contract Review Protocol for the Guam
Power Authority to review and approve the use of bond proceeds for the Fadian Office Complex
project. In support of this Petition, GPA hereby provides the PUC with Consolidated
Commission on Utilities (CCU) Resolution No. 2010-65, which authorizes the General Manager

1 to petition the PUC to allow for the use of bond proceeds for the construction of the Fadian
2 Office complex. Said resolution and its exhibits are attached herein as Exhibit A, and
3 incorporated by reference herein as if fully set forth. The PUC Order provides that GPA must
4 obtain prior approval of the projects before bond proceeds can be expended or committed on
5 them.

6 **CONCLUSION**

7 The PUC should approve GPA's request for approval of the use of bond funds for the
8 construction of the Fadian Office project, pursuant to the PUC Order, as the proposed use of
9 bond funds is reasonable, prudent, and necessary.

10 **RESPECTFULLY SUBMITTED** this 4th day of November,

11 
12 D. GRAHAM BOTHA, ESQ.
13 GPA Legal Counsel
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1 an endorsement, the applicant must provide evidence of the successful
2 completion of fifteen (15) credit hours in the field. There will be an
3 additional charge for the endorsement which will last the term of the existing
4 certificate. Specialty areas for consideration are instructional technology,
5 visually impaired, orientation and mobility, deaf and hearing impaired,
6 media specialist, or other specialty areas as approved by GCEC.”

7 **Section 30.** §8107 of Chapter 8 of Title 5A, Guam Administrative Rules
8 and Regulations, is hereby *amended* to read as follows:

9 **“§8107. Certificates for Preschool Teachers.** (a) Basic
10 Educator Preschool Certificate.

11 (1) Minimum Requirements. An associate degree in early
12 childhood education; or an associate degree in a field related with equivalent
13 to a major relating to early childhood education, with one (1) year
14 experience teaching preschool-age children, or a baccalaureate degree or
15 advanced degree in early childhood education, and has not taken and /or
16 passed the PRAXIS I, or a baccalaureate or advanced degree in a related
17 field and coursework equivalent to a major related to early childhood
18 education and with one (1) year experience teaching preschool-aged children
19 and has not taken and/or passed PRAXIS I.”

20 **Section 31. (a) Transfer of Property.** To provide necessary land for the
21 development of a Consolidated Central Office, there is hereby transferred to the
22 Guam Power Authority (GPA), in fee simple, the following described parcel of
23 real property, determined to be necessary and related to GPA's immediate need for
24 the Consolidated Central Office. A parcel of government of Guam land more
25 particularly described as Lot No. 5412-2 (property), situated in *Fadian, Mangilao*,
26 containing an area of 60,759± square meters as shown on the map recorded in the

1 Department of Land Management on November 30, 2006 under Document
2 Number 746393.

3 (b) **Rezoning.** Lot No. 5412-2, municipality of *Mangilao*, is hereby
4 rezoned from Agricultural (A) to Public Facility (PF) for the purpose of
5 constructing a Consolidated Central Office.

6 (c) **Title and Ownership.** Title and ownership of the property must
7 remain with GPA for a period of *at least* ten (10) years. The property transferred
8 to the Guam Power Authority may *not* be sold, leased, or otherwise encumbered by
9 GPA and *shall* be transferred back to the *Chamorro* Land Trust Commission if
10 GPA *no* longer needs the use of it to fulfill its mission.

11 **Section 32. Funding for the *Chamorro* Land Trust Commission.**

12 Effective October 1, 2012, the sum of Eight Hundred Seventy-Five Thousand
13 Dollars (**\$875,000**) is appropriated every fiscal year from the Autonomous
14 Agencies Collection Fund (AACF) to the *Chamorro* Land Trust Commission. The
15 appropriations made in this Section *shall* be continuous and *shall not* be subject
16 to a ny transfer authority by *I Maga 'lahi* (the Governor).

17 **Section 33. Authorization for Payment of Prior Year Obligation.** The

18 sum of Twenty Five Thousand Seventy-Two Dollars and Forty-Eight Cents
19 (**\$25,072.48**) is hereby authorized to be expended by the Department of
20 Corrections from its Base Operational Appropriations in Section 1(o) of Chapter V
21 of this Act, to satisfy the outstanding debt balance owed for medical x-ray services
22 rendered to DOC inmates by X-Ray Pro, which were performed between FY 2004
23 through FY 2008. *I Maga'låhen Guåhan* is also authorized to transfer *up to*
24 Twenty Five Thousand Seventy-Two Dollars and Forty-Eight Cents (**\$25,072.48**)
25 from any agency's appropriation in Chapter V, to the Department of Corrections,
26 to satisfy the outstanding debt balance herein.



**CONSOLIDATED
COMMISSION ON UTILITIES**

Guam Power Authority • Guam Waterworks Authority
P.O. BOX 2977 • Agana, Guam 96932

4 **RESOLUTION NO. 2010-65**
5 **RELATIVE TO AUTHORIZING THE GUAM POWER AUTHORITY TO SEEK APPROVAL FROM THE**
6 **PUBLIC UTILITIES COMMISSION FOR THE USE OF 2010 BOND FUNDS FOR THE FADIAN GPA-**
7 **GWA MULTIPURPOSE FACILITY**

8 **WHEREAS**, the Guam Power Authority previously received CCU and PUC approval to
9 issue bonds for the purpose of financing new capital improvement projects; and

10 **WHEREAS**, included in the list of capital improvement projects to be undertaken is
11 \$35,000,000 for the GPA-GWA multipurpose facility; and

12 **WHEREAS**, as part of the PUC mandated Contract Review Protocol, and the Exhibit A
13 Debt Order for the bond proceeds, GPA is required to obtain PUC approval and provide the PUC
14 with contract review justifications prior to procurement or expending bond funds; and

15 **WHEREAS**, GPA has contracted with RIM Architects to perform a space allocation study,
16 generate a site development plan and conduct a financial analysis of the Fadian site for the
17 GPA-GWA multipurpose facility; and

18 **WHEREAS**, the financial analysis indicates the new consolidated Fadian facility is more
19 cost beneficial over leasing multiple facilities; and

20 **WHEREAS**, the attached contract review justification and financial analysis has been
21 developed for this project; and

22 **WHEREAS**, GPA management has determined executing this capital improvement
23 project to be in the best interest of the Authority.

24 **NOW, THEREFORE, BE IT RESOLVED**, by the Consolidated Commission on Utilities as
25 follows:

- 26 1. After careful review of the attached documents, the Consolidated Commission
27 on Utilities finds the Fadian GPA-GWA Multipurpose Facility to be reasonable,
28 prudent and necessary for the use of 2010 bond funds.
- 29 2. The General Manager is authorized to submit a petition to the Public Utilities


30 Commission for the purpose of receiving approval for the above mentioned use
31 of 2010 bond funds.

32 **RESOLVED**, that the Chairman certifies and the Secretary attests to the adoption of this
33 Resolution.

34
35 **DULY AND REGULARLY ADOPTED** this 14th day of December 2010.
36

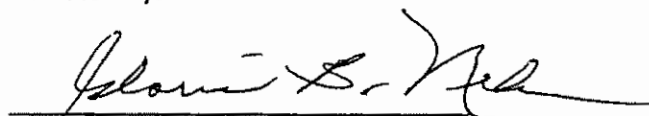
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Certified by:



SIMON A. SANCHEZ II
Chairman

Attested by:



GLORIA NELSON
Secretary

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SECRETARY'S CERTIFICATION

I, GLORIA B. NELSON, Secretary, Consolidated Commission on Utilities, hereby certifies as follows;

The foregoing is a full, true, and correct copy of a resolution duly adopted at a regular meeting of the members of the Consolidated Commission on Utilities of the Guam Power Authority duly and legally held at the meeting place thereof on December 14, 2010, at which meeting all of the said members had due notice and at which at least a majority thereof were present.

At said meeting, said resolution was adopted by the following vote:

Ayes 5

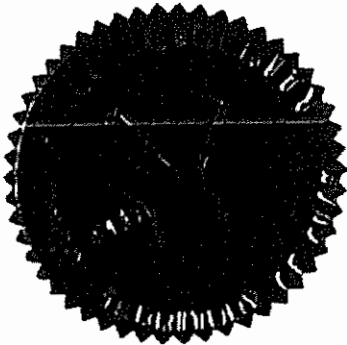
Nays 0

Abstain 0

Absent 0

Said original resolution has not been amended, modified, or rescinded since the date of its adoption, and the same is now in full force and in effect.

SO CERTIFIED this 14th day of December 2010.



A handwritten signature in black ink, appearing to read "Gloria B. Nelson", is written over a horizontal line.

GLORIA B. NELSON
Secretary, Consolidated Commission on Utilities

GPA-GWA Multipurpose Facility

Mangilao, Guam
08 December 2010



Space Utilization and Financial Analysis Report



GUAM WATERWORKS AUTHORITY





ALASKA · CALIFORNIA · **GUAM** · HAWAII

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December 08, 2010

Guam Power Authority
PO Box 2977
Hagåtña, Guam 96932-2977

Attn: Joaquin C. Flores, P.E./General Manager

**Re: Space Utilization and Financial Analysis Report (GPA-RFP-06-005)
RIM Project No. 09.445**

Dear Mr. Flores,

We are pleased to submit this space utilization and financial analysis report which summarizes the findings of our assessment of the various facilities occupied by GPA and GWA. We have created a two part report that addresses the space requirements within the administrative divisions and the options for financing the project.

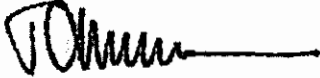
Part I is a brief summary outlining the objectives and scope for the project. It gives an overview of the working conditions and space requirements within the various divisions at GPA and GWA. It also explains the methodology and process used to produce the space utilization analysis. We have carefully analyzed the current operations with our design team of Winzler & Kelly Civil & Structural Engineers, EMC² Mechanical Engineers, and Wixon & Associates Electrical Engineers. We have created a concept design that addresses management and space requirements. The design provides you with an opportunity to consolidate GPA and GWA into one central location. We made every attempt to provide a concept design that is environmentally sensitive, energy efficient and sustainable.

Part II is a financial plan prepared by Deloitte & Touche. The financial plan provides you with a look at the current operating expenses of both GPA and GWA. Financial models were created to provide you with a cost comparison between leasing commercial space and constructing a new Fadian complex. We have also noted advantages and disadvantages for each of the options. Finally, the plan further presents you with financing alternatives should GPA decide to pursue the construction of a new Fadian complex.

We thank you for allowing us to work alongside the staff and management of GPA and GWA. We hope that the information presented in this report will provide you with the resources to help you meet your goals. We are on standby to answer any questions that you or the committee may have regarding the information presented herein. Thank you again, for the opportunity to work with GPA and GWA.

Sincerely,

RIM Architects (Guam), LLC

A handwritten signature in black ink, appearing to read 'T. Armour', with a long horizontal line extending to the right.

Timothy L. Armour, CDT, LEED AP
Managing Principal



GUAM POWER AUTHORITY

ATURIDÁT ILEKTRESEDÁT GUAHAN
P.O.BOX 2977 • AGANA, GUAM U.S.A. 96932-2977

FADIAN GPA-GWA MULTIPURPOSE FACILITY

I. PROJECT DESCRIPTION

This project will construct a consolidated central office facility for both Guam Power Authority and Guam Waterworks Authority known as the Fadian GPA-GWA Multipurpose Facility. The project will reduce costs for leasing and renovating existing facilities, thereby streamlining utility operations and increasing efficiencies. The new Fadian Administration and Operations Center will be designed and constructed in accordance with LEED standards to lower the adverse impact of GPA and GWA operations on the island by having less electrical demand, less water and sewer demand, and less stress on the landfill while reducing maintenance costs. LEED certification will also improve the quality of the work environment for both employees and customers at Fadian by addressing occupational safety requirements, life safety concerns, and complying with the American Disabilities Act (ADA) codes and standards.

Building size:	Main	= 123,200 square feet
	Facilities	= 2,480 square feet
Employees:	GPA	= 237
	GWA	= 137

II. JUSTIFICATION

A new central office will address current and future space needs of GPA and GWA as both agencies have already outgrown their current facilities and parking spaces are inadequate making customer visits inconvenient. Furthermore, an investment in a GPA-owned facility will protect GPA and GWA from rising rental market prices and will provide opportunities for consolidation between GPA and GWA, taking advantage of economies of scale, and gaining efficiencies by eliminating duplication of efforts between the two agencies. The new central office facility will also enable the GPA dispatch control center to relocate from Cabras into a storm proof environment and allow GWA dispatch to expand and modernize technical capabilities to coexist with GPA into one central dispatch.

III. ALTERNATIVES

ALTERNATIVE 1: This alternative is to do nothing regarding the current operational inefficiencies and to continue operating at the existing locations under the current working conditions. While there would be no requirement for capital investment or moving costs, each division would continue to run operations inefficiently. There would be limited or no opportunity for growth and GPA would be subject to real estate market conditions as current leases expire.

ALTERNATIVE 2: This alternative considers office lease space at 6 various locations. The

separation of Divisions is governed by best fit efforts considering available lease space on the market and not on optimization of Authority functions. Because divisions will be spread out over multiple sites, efficient operations will not be maximized and costs will still be subject to real estate market conditions.

IV. REVIEW OF SELECTED ALTERNATIVE

Construction of a new multipurpose facility at Fadian will offer the best return value on the basis of cost per square footage and provide both quantifiable and intangible benefits to GPA, GWA, and their ratepayers. GPA and GWA will see improved operational efficiencies along with cost savings.

V. BENEFIT COST ANALYSIS

	Do Nothing	Lease Multiple Sites	Fadian Facility
Cost per Square Foot	1.88	1.95	1.53

This analysis is based on a 30-year useful life of the project. Please see consultant's report.

VI. COST ESTIMATE

A/E, Permitting, LEED certification	\$ 3,600,000
Construction	\$30,700,000
Project Management/Relocation	<u>\$ 700,000</u>
TOTAL	\$35,000,000

VII. FUNDING

GPA 2010 Bond Funds will be utilized for this project.

ATTACHMENT: GPA-GWA Multipurpose Facility Consultant's Report

GPA-GWA Multipurpose Facility

Mangilao, Guam
05 November 2010




GUAM WATERWORKS AUTHORITY

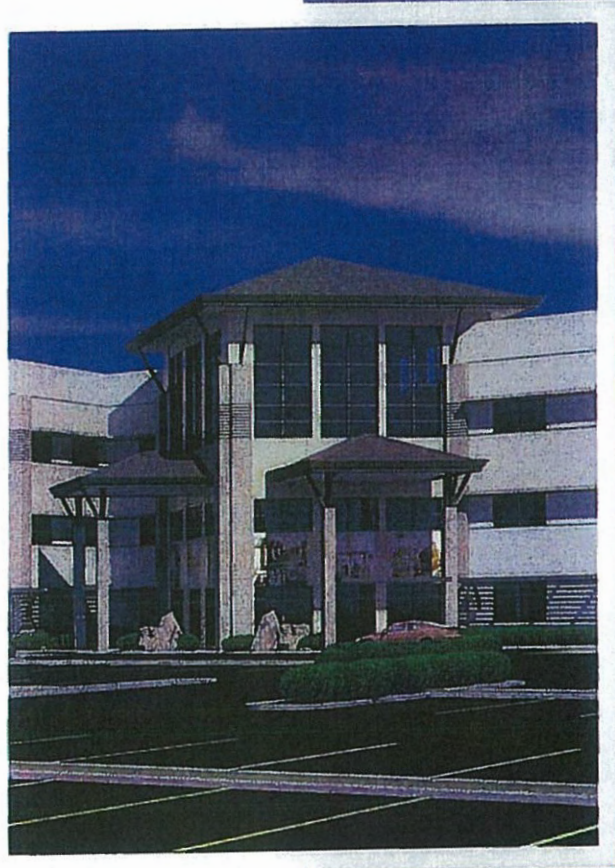


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SECTION I INTRODUCTION



GUAM WATERWORKS AUTHORITY



ABSTRACT

The goal of this project was to develop a long range plan to consolidate GPA and GWA facilities into a central location on land in Fadian. The priorities for consolidation were to improve customer service, provide a safe and healthy working environment for employees, and ultimately create a facility that would set a precedence among Government of Guam agencies for an environmentally responsible approach to building.

After an exhaustive series of space studies and interviews with the management of the CCU, GPA and GWA agencies, a 124,000 square-foot GPA/GWA Fadian Multi Purpose Complex has been proposed. This facility will consolidate the administrative offices from GPA and GWA, and will take advantage of opportunities to build a central dispatch center and enhance employee training capabilities.

Due to existing issues with lack of space, GPA and GWA operations are currently dispersed throughout many facilities. The current situation leads to inefficiency as additional time and expense is needed to effectively operate from numerous locations. Other inefficiencies identified in the report include, inadequate parking that has caused an inconvenience to customers and frustration among employees, and archive storage which has become dependent on old shipping containers placed on site. Existing buildings are substandard and subject customers and employees to unsafe conditions. There are existing facilities that do not comply with the most recent Life Safety and Building Code requirements. Code deficiencies include inadequate fresh air exchange in the HVAC systems, inadequate emergency egress and work areas and restrooms that do not meet requirements for the Americans with Disabilities Act (ADA). Due to the age of some of the existing buildings maintenance has become a significant expense.

The proposed central facility will address current and future space needs of GPA and GWA as both agencies have already outgrown their current locations. GPA's Power Systems Control Center has also been identified as a critical facility by both Guam and the U.S. Department of Homeland Security. The new central office facility will create a central dispatch for GPA and GWA. GPA would be able to relocate its control center from Cabras into a storm proof environment and GWA can expand and modernize its technical dispatch capabilities to coexist into one shared facility.

The new office and training facility will be designed and constructed in accordance with LEED (Leadership in Energy and Environmental Design) standards. LEED compliance will lower the environmental impact by having less electrical demand, less water and sewer demand, and less stress on the landfill while reducing maintenance costs over the long term. The facility will improve the quality of the work environment for both employees and customers.

As an alternative to a new facility we made three comparisons. The first option was to take "No Action" and would maintain the GPA and GWA facilities spread throughout the island on both leased and government owned properties. The second option would lease office space from various locations to meet the recommended space requirements. In both options there would continue to be inefficiencies of dispersed locations and would also result in high operations and maintenance costs.

Construction of a new consolidated Administration Facility at Fadian will meet the project objectives and improve operational efficiencies for both GPA and GWA. It is a cost effective way to achieve a sustainable and efficient building that would serve the customers and employees of GPA and GWA.

I. INTRODUCTION

A. Background

The Consolidated Commission on Utilities (CCU) is responsible for overseeing the power and water utilities of Guam. Under the management of the CCU the Guam Power Authority (GPA) is responsible for generation and distribution of power on the island. The Guam Waterworks Authority (GWA) is responsible for the distribution of safe and reliable water on the island. Historically, GPA has leased space for its administrative offices and over the years has shifted to various locations to meet customer demands and operational needs. GWA is housed primarily in Government of Guam buildings and has also struggled to acquire adequate space to run daily operations and satisfy administrative requirements. Aging facilities, population growth, natural disasters, and the increase in utility demands have challenged the operational capacities of both agencies and have pushed them to expand beyond their existing space.

Consequently, a measure was proposed in 2006 to create a consolidated central location that would provide adequate service space for both utility agencies on a single site. The centralized location would collocate administrative and operations divisions, thus maximizing management efficiencies that would ultimately better serve employees and consumers.

GPA had initially taken its first step toward achieving this process in 1994, and contracted Juan C. Tenorio & Associates (JCTA) to develop a long range space requirement program and master plan for a proposed consolidated GPA facility. The 1994 long range plan developed by JCTA identified various GPA divisions to be consolidated at a central location at the Fadian, Mangilao area of Guam. However, economic constraints along with numerous natural disasters refocused the agency's priorities forcing them to delay the implementation of this plan.

In August 2008, GPA contracted the Design and Programming team of RIM Architects to update the JCTA report to meet the current facility standards and develop a 10 year space planning program for GPA & GWA. The emphasis of this report is focused on developing a Master Plan to centralize the administrative and operations functions for both utility agencies that would in turn, optimize space within each respective division noted in this program, and includes herein, a space utilization analysis, a new schematic design for the Fadian location, and a financial resource plan.

This report is a combined effort by the staff and management from the CCU, GPA and GWA along with RIM's design team including Winzler & Kelly Civil & Structural Engineers, EMC² Mechanical Engineers, Wixon & Associates Electrical Engineers, and Deloitte & Touche Financial Consultants.

B. Executive Summary

This is a comprehensive plan detailing the space utilization and requirements for the Consolidated Commission on Utilities (CCU) along with selected Divisions from the Guam Power Authority (GPA) and the Guam Waterworks Authority (GWA). The key findings are highlighted in this summary to address staffing requirements in relation to space utilization, site requirements and constraints, and financing options for achieving a consolidated headquarters facility.

1. Staffing Projections:

- a. CCU: No projected staff growth is anticipated as it is assumed that the existing six personnel including the General Manager and supporting staff will be consolidated at one location, and will remain attached to the GPA and GWA offices. Additional administrative support if required can be shared by Executive personnel from GPA or GWA.

- b. GPA: Discussions with the management indicated no additional staffing positions for the Guam Power Authority from the year 2010-2020 based on the recent management audit completed in 2009. Operational efficiencies influenced by technological trends were noted as primary contributing factors for no growth. However, because of the unpredictable timelines associated with the military build-up, population increase, uncertainties with adapting new technology, and potential expansion of satellite offices we have allowed an insignificant growth of three additional positions for Administrative operations. This is also due to the 92% average retention rate that GPA maintains for filling administrative positions. GPA Administration will maintain a staffing of 227 positions, which will increase to 230 by the year 2020 and will include the Power Systems Control Center (PSCC) Division.

Other departments such as the Human Resources Training section, Customer Service, Planning & Regulatory, Computer Services, and the Safety & Homeland Security divisions could see a minute growth, although new hires would most likely fill existing vacant positions and could be staffed by shifting personnel from other departments. Staffing projections do

not include the Generation Division and satellite offices as they were not included in the space analysis.

- c. GWA: A management audit study was being conducted at the time of this assessment for the Guam Waterworks Authority and the conclusions of the report were not available for reference. However, because of the ongoing issues facing GWA and input from management personnel, we have allowed for a more significant growth of 13% for the Administrative divisions and Dispatch operations, which we anticipate to grow from a staff of 137 to 155 by the end of 2015 and maintain those positions up to 2020. Federal regulations including those inspected by the Environmental Protection Agency (EPA), adaption of a new Supervisory Control and Data Acquisition (SCADA) system, deadlines associated with Capital Improvement Projects, replacement/adaptation of a new metering system, potential satellite offices, and the implementation of the new on-line billing are influencing factors for the growth of GWA. Staffing projections do not include the Wastewater Division, Compliance & Safety Lab or water treatment plants as these sections were not included in the space analysis.
- d. The proposed GPA-GWA Multi Purpose Facility at the Fadian, Mangilao location will support a combined administrative staffing of 364 personnel which will increase by 19 personnel by 2015 and then 2 more personnel by 2020. From 2010 to 2020 the combined projected increase would be 5.7% over a ten year span or 385 total personnel by 2020. This will be a consolidated administrative headquarters for the CCU, GPA and GWA. Facilities and Maintenance personnel from GPA will also occupy the site with a staff of 10 personnel. The consolidation of the three entities would mitigate the need to grow the Facilities and Maintenance Division. An estimated 395 staff will occupy the Fadian location by the year 2020.

These staffing projections are not intended to contradict the management audit studies conducted by GPA and GWA under a separate contract but to identify current space deficiencies as well as future space requirements.

2. Space Utilization:

- a. A total of 11 GPA facilities were surveyed from various locations including Harmon, Cabras, Tamuning, and Dededo. A total of 3 GWA facilities plus the Engineering Division located in

the Department of Public Works (DPW) building in Tumon were also surveyed. The details of this analysis are primarily focused on the GPA/GWA Administration, Facilities & Maintenance and PSCC Divisions in Harmon, Tumon, Dededo and Cabras. Further details covering the other facilities surveyed are explained in the Tasking Summary.

- b. The CCU currently occupies approximately 1,869 net square feet (NSF) of area from a combined two locations at the GPA Harmon and GWA Administration buildings, although no significant space would be gained by consolidating at one of the existing locations due to the limited space at each facility.

- c. GPA's Main administrative facility in Harmon has approximately 31,576 NSF of functional space. The facility creates inefficiencies with the current operations because it was initially intended to function as a supermarket but was converted to an office building. Improving the building efficiency to meet GPA's requirements would be difficult and not cost effective because the space is restricted to the existing conditions and footprint of the building. Optimum space efficiency cannot be achieved due to the long corridors required to provide access to restrooms that are shared with customers. Spaces for private offices are also inconsistently sized to adapt to the existing layout, and dead space is created by the existing escalator which is not operational. Careful planning will be critical for any changes to the functional layout as the introduction of new technology and mechanical equipment would require additional space for equipment, wiring and accessories. The Cabras facility utilizes 9,968 NSF of functional space and would become more efficient by removing unused equipment. The Facilities & Maintenance Division in Dededo has 1,382 NSF of space which is inadequate for conducting repair and maintenance work on equipment. As a result, most work is done outside the building. This is primarily due to shared space with the supply warehouse and the construction of an administrative office within a warehouse space, which tends to create dead space. All three GPA facilities at Harmon, Cabras and Dededo are considered to have a low building efficiency of usable space.

- d. The GWA Administration building in Tumon has 8,940 NSF of usable area serving approximately 110 employees. This facility is highly inefficient because of overcrowding in the work area contributing to a lack of circulation. Lack of space has caused work areas to overlap and aisles or corridors to be used as storage space. The existing lobby is also inadequate and overcrowded during peak times impeding the required egress circulation on

the first floor level. Lack of circulation routes and mechanical systems, non-compliance with modern building codes and life safety requirements are other factors that should be evaluated for determining the proper use of space for this building.

- e. The proposed new GPA-GWA Multi Purpose Facility at Fadian will be designed to meet optimum efficiencies for GPA and GWA. A combined total of 87,348 NSF for GPA and GWA will meet their current space requirements, which will grow to 90,395 NSF by the year 2015. This allows for 3,047 NSF of increased space to accommodate new technology and staff growth. By 2020 only a minimal growth below 1% would be expected with an area of 90,550 NSF. Additionally, GPA and GWA will save over 5,000 net square feet of space by consolidating administrative functions based on their required needs vs. separation of the two agencies. This will eliminate redundant space for the CCU and other areas such as lobbies, reception areas, conference rooms, break rooms, restrooms and corridors.
- f. Should GPA fill their current vacant administrative positions then the existing Harmon facility will be inadequate to meet their space requirements. An additional 17,635 NSF will be required to meet the administrative staffing needs of GPA and the CCU. Most of GWA's administrative staff positions are filled, although the workspace environment is considered substandard and requires an additional 16,739 NSF of space to meet modern office space standards.

Site:

- g. The GPA Harmon Facility services approximately 763 customers daily. Parking for the GPA Harmon facility is significantly inadequate to service the current number of employees and customers requiring approximately 409 parking stalls. The existing location provides less than 200 parking stalls, which forces employees to park in undesignated parking areas in or around adjacent properties. To meet the minimum demand for parking space an additional 233 parking stalls or an area of 1.6 acres is required. This will ensure adequate parking space for employees, customers and GPA vehicles, and reduce the heavy traffic congestion during peak hours. However, expansion would not be cost effective as the existing building and parking structure have already maximized the use of the site and further expansion would most likely occur beyond the surrounding access roads or adjacent properties.

- h. The GWA Administrative building services approximately 540 customers daily. A total of 261 parking stalls are required to meet customer and employee demands during peak times, although only 38 customer parking stalls are provided. The open lot on the south side provides unmarked parking for approximately 120 employee and GWA vehicles. The GTA lot on the north side is used as overflow parking by customers during peak hours. An additional 103 parking stalls is needed to satisfy the peak demand periods.
- i. By consolidating GPA and GWA at the Fadian location heavy traffic congestion in and around the parking area would be eliminated as there would be adequate parking and a distinct separation between customer parking and employee parking. Consolidated drop-off areas, service areas, equipment maintenance areas would also result in additional space savings on the site. Parking requirements were based on discussions with the general management, wherein it was agreed that the Fadian location would support one-third of the current 1,327 walk-in customers from the Harmon and Tumon locations or approximately 442 customers daily. Other satellite offices would be expected to service all other walk-in customers. As a result of this, 110 parking stalls are required for walk-in customers during peak times and 328 parking stalls are required for employees and GPA/GWA vehicles. A total of 438 parking stalls are required, although 463 parking stalls will be provided to allow for 5.7% growth. Undisturbed property on the north side of the building will allow further expansion to support additional parking requirements if needed.

3. Financial Plan:

- a. A financial plan was developed to analyze the Operating & Maintenance (O&M) costs for the existing facilities and present options to GPA and GWA for consolidating administrative functions. There are four major parts to the financial plan. The first part addresses the existing O&M costs, which was used as a basis for studying costs and benefits in the financing models. The second part offers Options for Consideration as a result of consolidating administrative functions. The third part evaluates the potential benefits and drawbacks of the Options for Consideration. The fourth part presents financing alternatives for construction of a new GPA-GWA Multi Purpose facility.
- b. The O&M costs are derived from facilities and administrative functions selected as potential candidates for the Fadian location. After discussions with management it was determined

that the Harmon facility, PSCC building at Cabras, and the Facilities and Maintenance Division in Dededo would be GPA's selected candidates for the Fadian location. The GWA selected candidate facilities include the Tumon Main Administration building, the Engineering Department at DPW, and the dispatch office at the Tumon Supply Warehouse building.

The total O&M costs for the Harmon, Cabras and Dededo facilities in FY2009 was \$1.48 million, of which 50% was rental expense and 34% was utilities charges. Other costs included subcontracted services for security and maintenance. The average cost per month for the three locations is \$1.79/SF covering a gross area of 68,848 square feet. The annual O&M costs for GWA's Main Administration building, Engineering Department, and Dispatch office was \$0.38 million mainly including utilities charges, depreciation expenses for the buildings, security and communication services. The average cost per month was \$2.32/SF covering a gross area of 13,705 square feet. The total combined costs for GPA and GWA in FY2009 was \$1.857 million for a combined gross area of 82,553 square feet. The weighted average cost was \$1.87/SF per month.

- c. The "Options for Consideration" explores two alternatives that studies cost and benefits for consolidating administrative functions from GPA and GWA. The consolidation of the administrative functions from both utility agencies was used as the primary basis for developing the financial models presented in the report as it was important to create a fair comparison between the two options.

Option 1 considers office lease space at 6 various locations. The number of lease spaces was determined after researching the available types of commercial rentable space throughout the central locations on Guam. Notably, our research indicated a low probability for renting space on Guam over 20,000 square feet that would meet all necessary building and site requirements. The best probability was found to be between 4,500 square feet to 10,000 square feet. It was determined that 6 locations presented the best practical solution for dividing the 90,550 NSF required to satisfy the building workspace requirements. The GPA Harmon facility was excluded from the model because of the site restrictions and inadequate parking, which would not meet their requirements. In addition, the general size of the building offers an advantage to the landlord for negotiating the renewal of the lease agreement, which was another factor for excluding this building from the model. The GWA administration building was also excluded from the model because of the existing building

constraints and unknown requirements for upgrading the facility. In addition, the Facilities and Maintenance Division will not relocate but all other costs associated with modernizing the existing facility and servicing the other 6 locations is included in this option. The total area required to meet the space requirements of 6 office locations increased to 99,143 NSF as a result of redundant common spaces such as lobbies, conference rooms and break rooms. The annual costs for operating at 6 six locations after a two year transition period beginning in FY2013 will be \$4.1 million increasing to \$6.4 million annually by FY2042.

Option 2 considers the construction of a new Fadian Complex to include a consolidated Administration Facility and a Facilities and Maintenance building along with all supporting structures. While this option requires a smaller net area than the leasing option, it will require a gross area of 123,000 square feet to accommodate incidental space such as mechanical rooms, restrooms, cafeteria, fitness/training rooms, and electrical rooms. The CCU and GPA will occupy 65% of the Administrative Facility, whereas, GWA will occupy 35% of the total required net space. The overall construction cost for the Fadian site will be \$32.5 million. This option allows for 20%-50% savings on utility charges from energy efficient systems and provides an opportunity for a returned investment from subleased spaces. The expected net book value for the buildings after 30 years will be \$13.7 million.

A "Do Nothing" scenario would allow GPA and GWA to continue operating at their existing locations under the current working conditions. There would be no requirement for Capital investment or moving costs. Each division would continue to run operations with continued deficiencies and there would be limited or no opportunity to gain savings from energy efficient systems. GPA would also be subject to a rate increase for leasing the Harmon location upon renewal of their lease agreement. The cost per square foot is based on the gross area of the building for the Harmon, Cabras and Tumon locations as GPA and GWA are the sole occupants of each of their respective buildings. The Facilities and Maintenance Division shares the same building with the supply warehouse and only the area they occupy is accounted for in the analysis.

Table 3a provides a summary of the various options for consideration and Financing Alternatives for potential consolidation of GPA and GWA.

TABLE 3A. GPA - GWA Multi Purpose Facility
Summary of Options under Consideration
 (Unit: USD'000)

	Option 1			Option 2			Do Nothing - current cost 2009		
	GPA	GWA	Total	GPA	GWA	Total	GPA ¹	GWA ¹	Total ¹
Present value of costs (USD'000)									
Construction cost & capitalized interest									
2-Year lease during construction	2,829	737	3,566	2,829	737	3,566			
One-time cost	3,786	1,973	5,739	337	127	464			
Total initial costs	6,595	2,710	9,305	34,776	864	35,640			
OPEX, Maintenance, CAPEX (30 years)									
Sublease income (GWA)	-	-	-	(19,651)	-	(19,651)			
Sublease income (cafeteria & fitness center)	-	-	-	(1,283)	-	(1,283)			
Total on-going costs	41,726	23,380	65,106	19,944	19,651	39,594			
Total	48,321	28,090	74,411	54,720	20,514	75,234			
Others:									
Travelling time and fuel expenses	980	483	1,463	-	-	-			
Residual value of building	-	-	-	(2,610)	-	(2,610)			
Total	980	483	1,463	(2,610)	-	(2,610)			
Net	49,301	26,573	75,874	52,110	20,514	72,625			
FY 2009 O&M costs at Current Locations							1,475	382	1,857
Area (sf)	68,191	33,052	101,243	80,102	43,132	123,234	68,848	13,705	82,553
PV cost per sf per month* (USD / sf / mth):									
Total initial costs	0.25	0.21	0.24	1.13	0.05	0.75			
Total on-going costs	1.59	1.84	1.67	0.65	1.19	0.84			
Total	1.85	2.06	1.91	1.78	1.24	1.59			
Others	0.04	0.04	0.04	(0.06)	-	(0.06)			
Net	1.88	2.09	1.95	1.69	1.24	1.53	1.79	2.32	1.88

Note: * PV cost per sf per month = [Total cost in present value term divided by area size (sf)] and divided by 384 months (32 years x 12 months)

1. Building areas for the "Do Nothing Option" are Gross Areas as GPA and GWA are the only occupants of each existing building.

Financing alternative	Description	% p.a. USD'000		at USD / sf / mth	
		Financing Cost / Costs**	Area	Area	PV Cost / sf ***
1	Bond issue (Option 2)	5.32%	75,234	123,234	1.59 discount at 5.32%
2	Commercial bank loan	8.00%	87,010	123,234	1.84 discount at 5.32%
3	Build, 20-Yr Lease and Transfer	8.77%	51,277	123,234	1.73 discount at 5.32%

Note:

** PV costs for bond issue alternative (Option 2) and commercial bank loan alternative are net of sublease income.

*** PV cost per sf per month = [Total cost in present value term divided by area size (sf)] and divided by 384 months (32 years x 12 months)

- d. The evaluation of both options compares leasing to new construction. In Option 1 the present value costs for 6 office locations scattered throughout various locations will be \$75.8 million after a 32 year projection period. The advantage of this option is minimal upfront capital investment is required. In Option 2 the present value costs for new construction at Fadian will amount to \$72.63 million after a 32 year projection period. The potential benefits include less demand for utilities and a new space that will meet the objectives for consolidating administrative functions from GPA and GWA. Another option would be to do nothing and continue operating at all existing locations, which would require no upfront capital investment. The option to do nothing would require GPA and GWA to accept risks by operating under substandard conditions creating inconveniences not conducive to a healthy and friendly environment for both customers and employees. Among some of the main concerns cited by the management include exposing the PSCC facility to weather extremes and storm surges as this building was identified as a critical facility by both the Guam and U.S. Department of Homeland Security. Substandard work space and non-compliance with life safety and modern building codes also continue to create day to day challenges for patrons and personnel at the GWA Administration building.
- e. Considering these options, Option 2 would offer the best return value on the basis of a cost per square footage. Quantifiable and intangible benefits are more apparent with Option 2. This option would meet the objectives of GPA and GWA for the consolidation of their facilities that would ultimately result in better customer and employee satisfaction and greater operational efficiencies. Therefore, the financing alternatives are based on the new construction at the Fadian location.
- Three financing alternatives are proposed - Bond Issuance, Commercial Bank Loan, and a Design, Build, Operate and transfer alternative. Our analysis indicated that the Bond Issuance provided the least cost for the financing of the Fadian Complex with a 5.32% p.a., while the Commercial Bank Loan provided an 8.00% p.a., and the Design, Build, and Transfer alternative offered an 8.77% p.a.
- f. Our team recognizes that workspace plays a pivotal role in an organization's productivity and individual employee performance. Based on the results of our studies we are optimistic that the proposed Fadian facility will resolve many of the current spatial concerns with GPA and GWA, thus maximizing their management capabilities. A survey conducted by Gensler

- Develop a design to consolidate all the above mentioned facilities at the Fadian location. Identify best potential use for Fadian location.
- Prepare documents that GPA can utilize to proceed with construction of proposed new facilities. Provide drawings and specifications suitable for a "Design Build" project.
- Identify various financing options and recommendations for building the facility. Review current and potential future maintenance & operating costs, and capital expenses.
- Develop a schedule outlining specific tasks to be performed, sources of data to be used, and a timeline with progress milestones identified.

D. Tasking Summary

Six tasks were developed to carry out the work efforts necessary to produce a consolidated master plan that would address the staff and space requirements, produce a design concept for the Fadian location, and provide financing options for the proposed new buildings at the Fadian location.

Task 1: Start up Team Meetings with the Fadian Committee

GPA was identified during this task as the lead utility agency for managing the project. This task was also intended to identify key staff to participate in the survey and personnel involved in the gathering of information. Schedules and milestones were established for each task to be completed. Facilities that were required to be surveyed for the space utilization analysis were identified and include the following:

GPA:

- a. Main Administration Building, Harmon
- b. Transportation Building, Tamuning
- c. Power Systems Control Center (PSCC), Cabras
- d. Transmission & Distribution (T&D) Administration Building, Dededo
- e. Transmission & Distribution (T&D) Meter/Relay, Dededo
- f. Transmission & Distribution (T&D) Substation Warehouse #1, Dededo
- g. Transmission & Distribution (T&D) Substation Warehouse #2, Dededo

- h. Supply Main Warehouse, Dededo
- i. Warehouse #1A/Facility, Dededo
- j. Warehouse #1B, Dededo
- k. Warehouse #2, Dededo

GWA:

- a. Administration Building, Tumon
- b. Engineering Office (DPW Bldg), Tumon
- c. Supply Management Warehouse, Tumon
- d. Maintenance & Operations/Transportation Building, Tumon

Task 2: Survey Existing Conditions and Requirements

During this task data was collected and analyzed to gain in depth understanding of the existing building layouts, division missions & goals, organizational structure, and policies & procedures for both utility agencies. After reviewing all the data the design team toured each of the existing facilities to verify the operations and space conditions. The design team also toured the Fadian property to gain a comprehensive understanding of the site conditions surrounding the 15 acre property owned by GPA. However, some areas on the lot were not confirmed during the visit as it was discovered that squatters had set up residential structures on the property.

RIM Architects created and distributed questionnaires to division managers. Follow-up interviews were then conducted with the division managers and key staff to encourage participation and gather additional information. The information collected was compared to the data in the JCTA report and used to develop a space requirement.

Task 3: Analysis and Recommendations

Various case studies were made to determine the best methodology for achieving a synergism and economies of scale as proposed in the JCTA report. The initial goal attempt studied various schemes for relocating all the divisions from each facility visited in Task 1. After analyzing each scheme it was determined that the space requirements needed to relocate all the divisions listed in Task 1 congested the Fadian property posing potential safety risks to customers and employees. The site assessment that was conducted also revealed that the Fadian property would not be the best location for each Division.

As a result of the case studies, it was determined that the best use for the Fadian property would be to provide an Administration Building that would collocate the divisions from the following existing facilities:

GPA:

- a. Main Administration Building, Harmon
- b. Power Systems Control Center (PSCC), Cabras

GWA:

- a. Administration Building, Tumon
- b. Engineering Office (DPW Bldg), Tumon
- c. Maintenance & Operations - Dispatch only, Tumon

After discussions with the general management and further review of the case studies it was decided that the Facilities Division should also be relocated from the T&D location in Dededo to the Fadian area in Mangilao as a separate facility. This new concept would create a synergism of administrative activities by allowing the two autonomous agencies to coexist in one central location, while affording them the opportunity to potentially consolidate in the future.

Task 4: Schematic Design

Two schematic designs for the Fadian area were proposed to address potential civil, architectural, structural, mechanical and electrical concerns. The first schematic design was a preliminary concept intended to assist GPA in obtaining approval for financing the project, and it was the design team's attempt at addressing the site issues, functional relationship of spaces, and overall aesthetic appearance through a modern and contemporary design.

After several reviews and recommendations by the GPA design review committee The second schematic design was developed to meet GPA's and GWA's objectives. It was also a pivotal milestone in moving forward with the project as it received approval from the Consolidated Commission on Utilities (CCU). This finalized the objectives for the Fadian property and established a centralized location for a "GPA-GWA Multi Purpose Facility".

It was determined that the new GPA-GWA Multi Purpose Facility would be designed to meet a modern/tropical theme. It was also the desire of the utility agencies to explore sustainable methods

for constructing a “green” facility. The design team reviewed potential sustainable strategies with an approved end goal of obtaining a Leadership in Energy & Environmental Design (LEED) *Silver* rating, which would be expected to generate a 40% cost saving on utilities for the new facility.

Task 5: Cost Estimate and Financial Report

During this task it was confirmed that GPA would be the principal financing agency for the project. Financing goals were based on the potential opportunity to consolidate GPA and GWA administrative operations on a single site. Probable cost estimates were evaluated to establish a reasonable budget for the project. With the assistance of Deloitte & Touche a cost benefit analysis was developed to analyze leasing options as opposed to the construction of a new facility.

Several meetings with the management were necessary to understand GPA's financing plan to fund the project thru bond revenues. Other financing options were then explored and presented to the management for final approval by the Public Utilities Commission (PUC).

Task 6: Final Report

This report is a summarized wide spectrum review of the existing administrative and operations facilities listed in Task 1. It is intended to be a working tool for establishing work space standards that would create efficient operations for GPA and GWA. It includes a comprehensive collection of data from sixty-one (61) separate interviews from twenty-six (26) Divisions within the CCU, GPA & GWA. It includes design concepts, space and cost analysis, and necessary documentation for GPA to solicit proposals to design and construct a new Multi-Purpose Facility at the Fadian, Mangilao location.

SECTION I-E SCHEMATIC DESIGN




GUAM WATERWORKS AUTHORITY





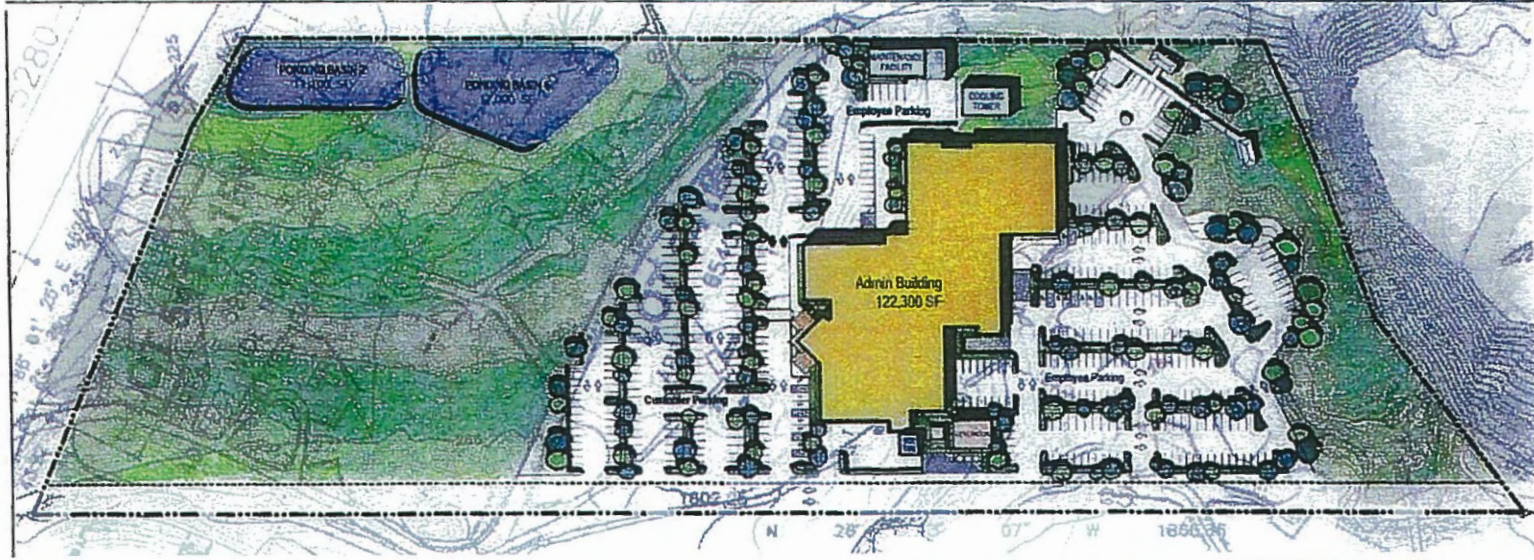
SCHEMATIC DESIGNS



Site Plan

GPA – GWA Multi Purpose Facility

Route 15

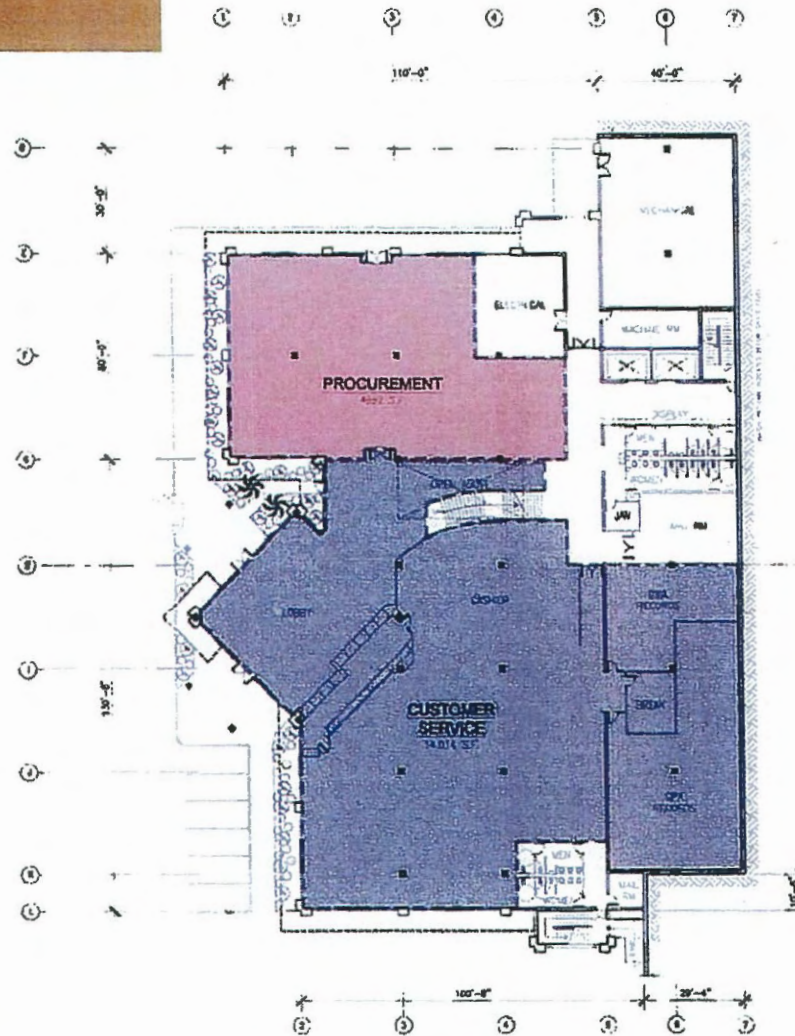


First Floor Level

Area: 28,170 SF

Legend:

- Procurement
- Customer Service
 - Lobby
 - Central Files
 - Cashiers



Second Floor Level

Area: 43,416 SF

Legend:

-  GPA/GWA Engineering
-  Customer Service
 - Meter Readers
 - Disconnect/Reconnect
-  Fitness/Training
-  Computer Services
-  Cafeteria
-  Human Resources
-  HR Training



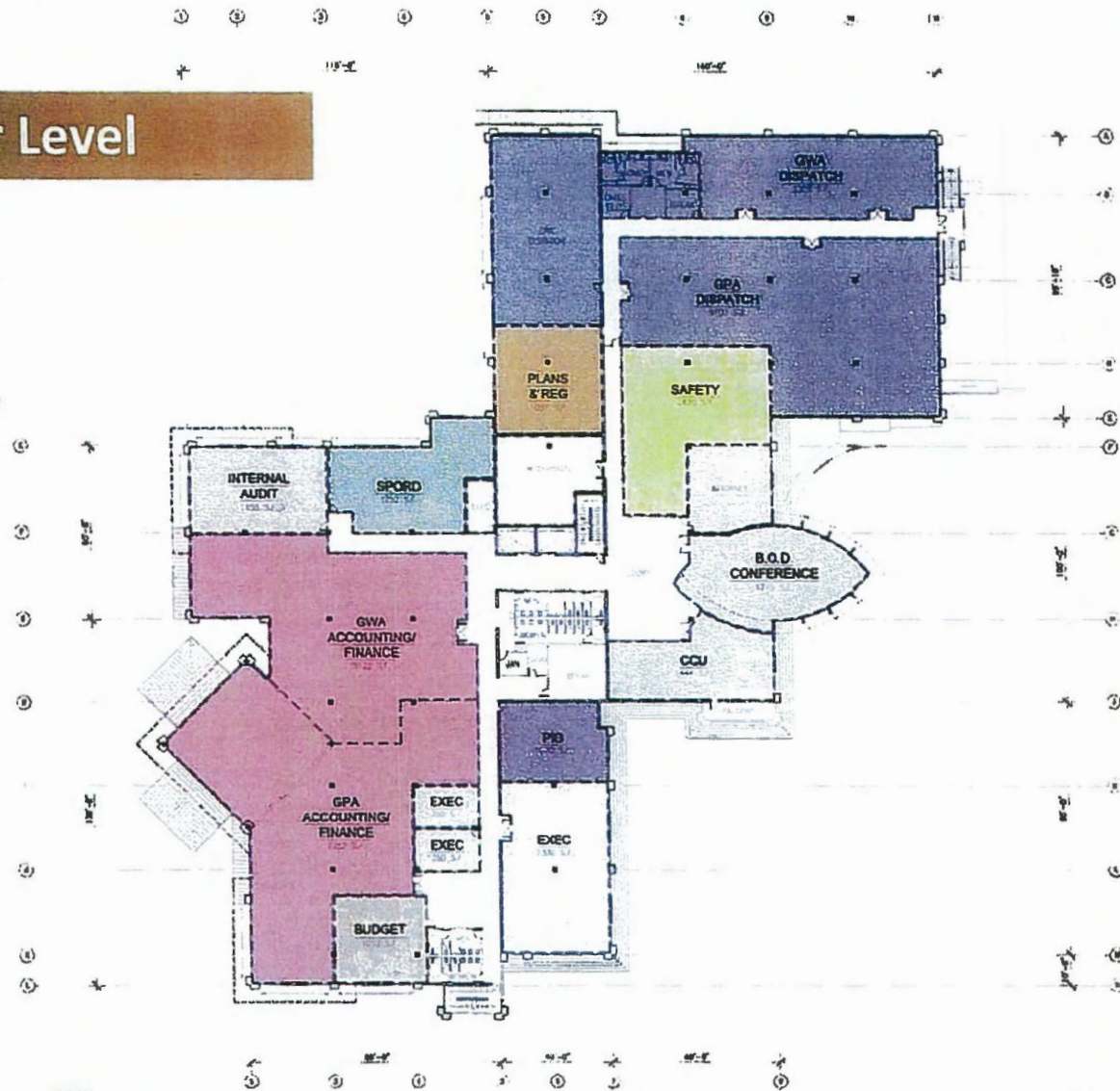
GPA – GWA Multi Purpose Facility

Third Floor Level

Area: 50,742 SF

Legend:

-  CCU/B.O.D Conference
-  Executives
-  Accounting/Finance
-  Internal Audit
-  Plans & Regulations
-  Dispatch
-  Safety
-  PIO
-  SPORD
-  Budget



GPA – GWA Multi Purpose Facility

Rendering



North View

GPA – GWA Multi Purpose Facility

Rendering

GPA – GWA Multi Purpose Facility



Rear View



Rendering

GPA – GWA Multi Purpose Facility



SECTION II FINANCIAL PLAN



GUAM WATERWORKS AUTHORITY



II. FINANCIAL PLAN

A. Operating and Maintenance Costs at Existing Facilities

To provide the base line for cost and benefits comparison among the considered options, we begin the study with an understanding of the current cost structure at the existing locations of GPA and GWA. The results of the study on the current cost structure was then used as the basis for estimation of future operating and maintenance costs both at the new leased offices and the new Fadian Complex. This section describes the office space and related operating and maintenance cost structure of the current facilities of GPA and GWA that are being considered for relocation.

a. Existing office space

From the study on staff/space requirements as mentioned in the previous sections, the offices of GPA being considered for relocation to the new office at Fadian include the main administration at Harmon, Power System Control Center ("PSCC") at Cabras and the Facilities and Maintenance at Dededo. The functions of GWA under relocation consideration include main administration, the engineering and the dispatch unit at Tumon. Total areas in use at the existing locations of GPA and GWA are 68,848 sf and 13,705 sf, respectively.

Table 1
Offices Under Relocation Consideration and Existing Areas (Unit: sf)

GPA	Location	Area (sf)
Main administration	Harmon	50,248
Power System Control Center (PSCC)	Cabras	16,500
Facilities & maintenance	Dededo	2,100
Total		68,848

GWA	Location	Area (sf)
Main administration	Tumon	10,125
Engineering	Tumon	3,290
Dispatch unit	Tumon	290
Total		13,705

The main administration office of GPA at Harmon is subject to a 3-year lease contract while the other offices are located at buildings owned by GPA and GWA.

b. Current operating costs

In evaluating the potential options regarding office relocation/consolidation, total operating costs of the existing offices were considered. Total operating costs for the above offices at GPA and GWA in FY2009 were \$1.86 million, consisting of \$1.48 million at GPA offices (approximately \$1.79 per sf per month) and \$0.38 million at GWA offices (approximately \$2.32 per sf per month). Such operating costs were based on contracted office lease at Harmon, depreciation expenses of GWA offices, contracted maintenance services and estimated internal costs for services performed by the staff of GPA or GWA.

**Table 2
FY2009 Operating Costs (\$'000 and \$ per sf per month)**

	Operating Costs (\$'000)	Area (sf)	Cost per sf (\$/sf per month)
GPA	1,475	68,848	1.79
GWA	382	13,705	2.32
Total	1,857	82,553	1.87

As presented in the following table, major operating costs can be categorized into spatial costs, utilities charges, contracted services, communication charges and other costs.

**Table 3
Breakdown of FY2009 Operating costs (Unit: \$'000)**

	GPA			Total	GWA Tumon ³
	Harmon ¹	Cabras ²	Dededo ²		
<u>Spatial costs:</u>					
Office lease	541	-	-	541	-
Depreciation expense	-	178	23	201	49
<u>Utilities charges:</u>					
Electricity charges	359	118	15	492	189
Water charges	5	1	0.2	6	3
<u>Contracted / in-house service charges:</u>					
Security services	86	28	4	118	73
Janitorial service	31	10	1	42	-
Lawn service	5	1	0.2	6	-
Trash removal	4	1	0.2	5	4
<u>Communication and system charges:</u>					
Primary rate interface	16	5	0.7	22	21
Web & Email Hosting	11	4	0.5	16	35
Telephone (PDS / GTA land line)	9	3	0.4	12	-
Telephone Service (POTS)	5	2	0.2	7	-
Data Network Communication	3	0.8	0.1	4	-
Internet charge	2	0.7	0.1	3	-
Air conditioning	-	-	-	-	10
Total costs	1,076	354	45	1,475	382

Notes:

¹ Operating and maintenance costs at Harmon office in FY2009

² Estimated from actual costs per square foot at Harmon office in FY2009

³ Including Administration, Engineering and Dispatch offices

Sources: GPA and GWA

Due to limited costing information, actual expenses incurred by PSCC at Cabras and the facilities and maintenance office at Dededo could not be determined. However, for the purpose of this study, depreciation expenses and other operating costs presented in the above table for Cabras and Dededo were estimated based on cost per square foot at the Harmon office.

Current Operating Costs at GPA offices

Based on FY2009, total operating costs at the three locations of GPA was \$1.48 million, of which 50% was office rental expense (including estimated depreciation expenses for Cabras and Dededo) and 34% was utilities charges. Other costs included subcontracted services for security and maintenance services.

Explanation of major cost items at GPA offices are summarized below:

- The main administration office at Harmon is under a 3-year lease which will expire on 31 December 2012. The total rental rate is fixed at \$45,110 per month or \$0.54 million per year throughout the lease term.
- Utility charges included electricity and water bills, which were based on actual bills in FY2009. Actual consumption varied with the number of office staff and the number of customers served.
- Contracted services included security services which consisted of security guard service, armored security, and CCTV monitoring, along with other contracted services such as janitorial, lawn and trash removal services.
- Other charges included data communication and telephone systems.

Current Operating Costs at GWA Offices

Total operating costs of GWA at all three departments in Tumon in FY2009 was \$0.38 million, mainly including utilities charges, depreciation expenses of the buildings, estimated costs of security services, and other communication charges.

Explanation of major cost items at GWA offices are summarized below:

- Spatial costs of the offices at GWA can be represented by depreciation expenses of the building allocated to each of the three offices based on the area in use, which was approximately \$0.49 million per year.
- Utility charges included electricity and water bills, which were based on actual bills in FY2009. Actual consumption varied with the number of office staff and the number of customers served.
- Internal costs of services included estimated cost of security services and cleaning services performed by GWA's staff.
- Other charges included allocated costs for data communication, telephone systems and air-conditioning maintenance.

B. Options for Consideration

For the study of costs and benefits for the consolidation of the administrative and customer service functions of GPA and GWA, two options have been considered. Under each option, certain departments of GPA and GWA will move out of the existing facilities to new locations, either through leasing new office space or construction of a new building complex.

In Option 1, GPA and GWA will combine the common functions and lease office space that can accommodate the needs for each function / division, such as car parking for customer services divisions, spatial requirements for the work area of staff, etc. In Option 2, the construction of a new administration center at Fadian is considered.

Costs of office leases, construction costs and on-going operating costs as applicable to each option have been estimated based on the current costs at the existing facilities and estimation from experienced architect and engineer, and adjusted with market lease rates and expected future economic conditions in Guam such as inflation rates and utilities rate increases. For the purpose of the study, these costs were projected out 30 years and were discounted back to the current period, then were compared each alternative costs and costs per square feet, including cost at current facilities. The projection period is based on the life of the bond. We implied the cost of bond of which was recently issued for GPA at 5.32% as a discounted rate. Intangible benefits and potential limitations of each option have also been considered.

1. Option 1: Office leases at various locations

In considering the total costs for this option, we have considered the availability of spaces for rent at various locations in the central areas of Guam, the market lease rates, on-going operating and maintenance costs and one-time relocation costs to the new offices. The costs have been adjusted by appropriate inflation rates or price escalation factors over the assumed lease period of 30 years.

The cost study for this option is based on the key assumptions that only the Facilities and Maintenance Department of GPA at Dededo will remain at the existing location, and all of the other five offices of GPA and GWA as listed in Table 1 in the previous section will move from the existing facilities and that the common functions or similar divisions of GPA and GWA will be relocated together in the new office layouts.

With an understanding that large-scale leasable office spaces in the central areas of Guam are very limited or rarely available, the objective to lease a single location that can accommodate the staff of GPA and GWA from six offices (approximately 99,000 sf) may not be achievable.

Therefore, for the purpose of the cost study for this option with consideration on the limitation of the availability of leasable areas in the central areas of Guam, the combined offices have been reorganized into six separate locations, with a maximum area of approximately 25,000 sf per location.

Since the office relocation option does not require a large capital investment, all on-going costs are expected to be financed by the internal funds of GPA and GWA and external financing is not required for this option.

a. Space requirements

Based on the survey and analysis on staff and space requirements from each department, with consideration on additional space required as a result of scattered locations, parking space required for client service and staff as well as the possibility that GPA and GWA are required to lease all available space of the leasable properties, total office space requirements for GPA and GWA to lease is approximately 99,143 sf. As mentioned earlier, there are limitations on available commercial lease space in the central areas of Guam, the total office space requirements have

therefore been reorganized into six locations based on the commonality of functions or divisions of GPA and GWA, with a constraint of the maximum available lease space of 25,000 sf per location. The GPA Harmon facility was not considered as a candidate facility because of inadequate parking. The existing site restrictions would also limit their ability to expand beyond their boundaries to meet the necessary space requirements for parking. Should only a portion of the Harmon facility be leased then GPA and GWA would share parking space with other tenants making the space less desirable to service their needs and no significant gains would be achieved over leasing at other locations.

In analyzing possible scenarios for office area reorganization for office leases, we have considered both sub-dividing the locations into smaller sizes at more than six locations, and combining some common functions which resulted in larger sizes at fewer than six locations.

The leased office spaces may be reorganized into smaller size at more than six locations. However, the aggregate space requirement may be greater than the current analysis for six locations due to lower economies of scale from smaller separate offices. In addition, on-going costs as well as traveling time and expenses of staff are expected to be higher if the offices are located in multiple locations.

The leased office spaces may be reorganized into larger sizes at fewer than six locations. However, the results of the market research on the property market in the central areas of Guam indicated that large scale office spaces have limited availability. Therefore, the reallocation of area into six leased offices is the most likely practical scenario, considering the limitations of the property market in Guam.

The total office space requirements at the six leased offices and another office for Facilities and Maintenance at GPA's own building have been summarized below.

Table 4
Office Space Requirement by Location (Unit: sf)

Location	GPA area	GWA area	Total area
1	17,449	7,127	24,576
2*	8,250	8,250	16,500
3*	11,590	7,410	19,000
4	3,359	1,242	4,601
5	14,225	6,391	20,616
6	11,219	2,632	13,850
Total leased area	66,091	33,052	99,143
Facilities & Maintenance at Dededo	2,100	-	2,100
Total area	68,191	33,052	101,243

Note: *Location 2 and 3 originally required 13,838 sf and 18,029 sf respectively. However due to the limited availability of the leasable area for large-scale office and since the area required is almost as large as the total area available for lease (location 2 and 3) the above area required for location 2 and 3 already reflect this constraint.

With the above space requirement by division, the minimum area required is approximately 4,600 sf and the maximum area required is approximately 25,000 sf per location. The above allocation has taken account of additional space requirement for the common area due to lower economies of scale of scattered locations, car parking spaces, and the probability that some locations may

require GPA/GWA to lease the whole building or the entire floor if the area required is almost as large as the total area available for lease.

b. Available lease spaces and market lease rates

Based on the market research of available building spaces for lease in the central areas of Guam, including Tamuning, Hagatna, Dededo, Barrigada, Tumon, Mangilao, MongMong-Toto-Maite and Sinajana, over 158 advertisements for spaces available for lease at 58 locations were found. However, most of the leasable spaces available at each location are under 4,500 sf. These smaller size spaces have been excluded from the list of targeted lease spaces for GPA and GWA. Therefore, the remaining samples with available lease area of over 4,500 sf consist of 9 buildings for office space and 3 buildings for retail space. This finding confirms our understanding on the limited availability of large-scale leasable spaces.

The table below summarizes available commercial lease rates in the central areas of Guam as of July 2010 as advertised on the website of Public MLS Listings, classified by range of area available.

Table 5
Summary of Commercial Lease Rates in Central Guam (Unit: \$ per sf per month)

Area range (sf)	Office				Retail				Overall			
	No.	High	Low	Median	No.	High	Low	Median	No.	High	Low	Median
Below 4,500	34	2.77	1.00	1.41	12	4.75	1.00	1.28	46	4.75	1.00	1.33
4,500 – 10,000	6	3.00	1.11	1.43	1	1.25	1.25	1.25	7	3.00	1.11	1.35
10,001 – 20,000	2	1.91	1.25	1.58	1	3.08	3.08	3.08	3	3.08	1.25	1.91
Over 20,000	1	4.00	4.00	4.00	1	1.25	1.25	1.25	2	4.00	1.25	2.63
Total	43	4.00	1.00	1.45	15	4.75	1.00	1.25	58	4.75	1.00	1.36

Note: Commercial lease rates were as of July 2010. Locations covered included Tamuning, Hagatna, Dededo, Barrigada, Tumon, Mangilao, MongMong-Toto-Maite and Sinajana.
Source: Public MLSListings Website

In applying the appropriate market lease rate to each of the six locations, specific requirements for each division were also considered such as adequate car parking for customers and staff, ease of customer accessibility at low-rise versus high-rise buildings, etc. The median lease rates obtained from the market searches, which ranges from \$1.25 – \$4.00 per sf per month, have been added by 10% for common area charges and applied to the six leased locations according to space requirements and consideration of special factors for each division. The market lease rates applied for each division of GPA and GWA before adjusting for inflation rates can be summarized below.

**Table 6
Applied Market Lease Rates (Unit: \$ per sf per month)**

Location	Commercial Lease Rates ¹		Adjusted for Common Area Charges (10%)		
	GPA	GWA	GPA	GWA	Total
1	4.00	4.00	4.40	4.40	4.40
2	1.91	1.91	2.10	2.10	2.10
3	1.25	1.25	1.38	1.38	1.38
4	1.35	1.35	1.49	1.49	1.49
5	1.25	1.25	1.38	1.38	1.38
6	3.08	3.08	3.39	3.39	3.39
Weighted Average Lease Rates²	2.37	2.16	2.61	2.37	2.53

Note: ¹ Commercial lease rates were as of July 2010.

² Weighted average lease rates were calculated from office space requirement by location (Table 4) and the above commercial lease rates at each location.

Weighted average lease rate of both GPA and GWA is approximately \$2.53 per sf per month, before adjusting for inflation.

c. On-going operating and maintenance costs

In addition to the rental costs, on-going operating costs such as utilities, services charges and other charges have also been considered, which were estimated based on actual cost per sf at the existing facilities in FY2009 and escalated at appropriate inflation rates for each cost item.

**Table 7
On-going Operating Costs (Unit: \$ per sf per month)**

	GPA	GWA	Weighted Average
Electricity charges	0.61	1.18	0.71
Water charges	0.01	0.02	0.01
Security and cleaning service charges ¹	0.21	0.47	0.26
Communication and system charges ²	0.08	0.41	0.14
Total	0.91	2.08	1.12

Notes:

¹ Including security services, lawn, janitorial and trash removal services

² Including internet and communication services

Moreover, building life cycle costs such as periodic renovations, electrical and system maintenance, and replacement of equipment were also estimated based on average cost per sf estimated for Fadian complex since historical costs at the existing facilities of GPA and GWA were not available. Average cost per sf and maintenance cycle for each cost item has been summarized below.

**Table 8
Building Life Cycle Costs (Unit: \$ per sf)**

	Estimated Cost	Maintenance Cycle
Electrical, systems and building maintenance	0.16	Annually
Exterior renovation	0.08	Every 15 years
Interior renovation	0.16	Every 8 years
Heating and air conditioning systems	6.20	Every 17 years
Total	6.60	
Renovation of Facility & Maintenance Office at Dededo	19.52	Every 5 years

d. One-time costs upon office relocation

Apart from recurring office leases, on-going operating and maintenance costs and building life cycle costs, initial costs incurred at the time of the relocation period should also be considered.

In Option 1, one-time costs incurred upon the office relocation include decoration cost at various offices, moving and restoration cost for the existing offices. Office decoration or fit-out costs have been estimated at \$69.12 per sf of the new leased spaces. Moving cost and restoration cost have been estimated at \$1.70 per sf and \$0.90 per sf of the existing office spaces, respectively.

**Table 9
Option 1: Office Leases at Various Locations
Estimated One-time Cost at Relocation (Unit: \$ per sf)**

	Estimated Cost
Decoration cost (fit-out costs)	69.12
Relocation cost (moving cost)	1.70
Restoration cost	0.90
Total	71.72

Total one-time cost upon office relocation is estimated to be \$6.37 million, consisting of \$4.18 million for GPA and \$2.19 million for GWA.

e. Lease period

For the purpose of cost comparison with Option 2 for construction of a new building complex at Fadian, the lease period under consideration for Option 1 will span 30 years, commencing FY2013 and ending FY2042. GPA and GWA are expected to stay at their existing office facilities until FY2012.

Hence, total cost projection period is 32 years, including 2 years prior to moving to the new locations and 30 years at the new locations.

f. Expected price escalation factors

The commencement of the new lease period is expected to take place in the next 3 years from the current fiscal year, which is in line with the expected commencement of the new building complex at Fadian. In addition, economic expansion in Guam over the next 3-5 years can be expected as a result of the military buildup program. Therefore, future prices of products and services prices may be higher from current levels.

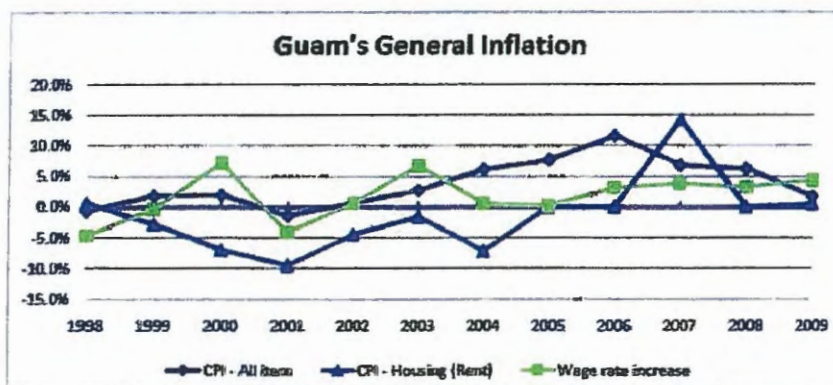
With the expectation of significant economic expansion and consequential inflation in Guam over the next 3-5 years and since most of the cost information and price assumptions are based on FY2009, year-to-date accounts of FY2010, and market prices up to July 2010, price escalation factors or inflation rates have been considered in the cost estimation.

Based on the cost structure for leasing office spaces, we have considered short-term inflation (over next 3-5 years) and long-term inflation for three major categories: (1) market lease rates (2) utilities charges and (3) other operating and maintenance costs.

From the review of the historical consumer price index in Guam over 1998 – 2009, the Consumer Price Index of all product items (“CPI all Items”) already reflected inflation rates of utilities such as electricity and water charges. However, electricity and water prices in Guam over the next 4 years are expected to increase according to the proposed or approved base rate increase plans of GPA and GWA, which have been separately factored in the assumptions for utilities prices in the cost study. Therefore, using historical CPI all items index to represent the general inflation rate may duplicate the effects of electricity and water base rate increases in the cost projection. As such, expected inflation rates for utilities charges applied in the short-term projection are based on GPA’s and GWA’s latest base rate increase plan while expected inflation rates for market lease areas and other operating and maintenance costs are based on short-term and long-term expectation of inflation rates.

The following chart and table summarize average inflation rates in Guam over the past 5 years (2005-09) and 10 years (1998-2009) for CPI all items, CPI for housing rents and average wage rate increase.

**Table 10
Historical Inflation Rates in Guam (1998 – 2009)**



	5Y Avg (2005-09)	10Y Avg (1998-2009)
CPI – all items	6.8%	3.8%
CPI – Housing (Rent)	2.9%	(1.4%)
Wage rate increase	3.0%	1.7%

Sources: Guam Consumer Price Index Report dated 8 January 2010 by the Bureau of Statistics and Plans; Weekly Wage Rate Increase by Department of Labor

Average housing rent inflation rate over the past 5 years was 2.9% p.a. while that of the past 10 years was minus 1.4%. Average wage rate increase over the past 5 years was 3.0% p.a. and that of the past 10 years was 1.7% p.a.

With an expectation that the property market in Guam (both residential and commercial segments) will be likely to expand in response to the expected economic expansion as a result of the military buildup program, short-term inflation rate for the market lease rates is expected to be relatively higher than the long-term inflation rate. As a result, an inflation rate of 3.0% p.a. has been applied for short-term inflation rate for the market lease rates based on the historical 5-year average housing rent inflation rate, which is also consistent with the historical 5-year average wage rate increase during the same period.

Expected long-term inflation rate for market lease rates as well as operating and maintenance cost items is expected to be 1.5% p.a., based on the historical 10-year average wage rate increase.

Inflation rates for electricity charge and water charge up to FY2014 are based on GPA's proposed rate increase as of May 2010 and GWA's approved rate increase as of July 2009. Long-term inflation on electricity and water charges are expected to be 1.5% p.a.

The table below summarizes the inflation assumptions applied in the cost projection.

Table 11
Expected Price Escalation Factors (Unit: % p.a.)

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015-42
Market lease rates	-	3.0%	3.0%	3.0%	1.5%	1.5%
Electricity charges	-	2.4%*	2.4%	2.3%	5.6%	1.5%
Water charges	14.0%	8.0%	4.9%	8.0%	1.5%	1.5%
Service and other charges	-	1.5%	1.5%	1.5%	1.5%	1.5%
Maintenance costs	-	1.5%	1.5%	1.5%	1.5%	1.5%
Capital expenditures	-	1.5%	1.5%	1.5%	1.5%	1.5%

Note: *Adjusted to reflect base rate increases from calendar year to fiscal year

Sources: Guam Consumer Price Index Report dated 8 January 2010 by the Bureau of Statistics and Plans; Weekly Wage Rate Increase by Department of Labor; GPA's proposed base rate increases as of May 2010; GWA's approved water rate increases as of July 2009

1. Three levels of GPA's and GWA's personnel will need to travel between the leased offices and the facility and maintenance office at Dededo. Managers and Supervisors regularly travel for meetings and general operations while maintenance crews travel for maintenance services. Number of staff that are expect to have regular travelling have been presented in the following table.

Table 13
Summary of Staff Travelling between Locations (Unit: Persons)

	Manager	Supervisor	Maintenance crew
GPA	16	9	8
GWA	13	6	-
Total	29	15	8

2. Each manager and supervisor are expected to travel twice per week. Maintenance crews are expected to travel 6 times per week for maintenance services. Calculation for each of these staff trips per week are presented in the following table

Table 14
Summary of Travelling Trips per Staff per Week

	Manager	Supervisor	Maintenance crew
Frequency	2	2	6
Round trip	2	2	2
Total trips	4	4	12

3. An average travel distance per trip is estimated to be 3.35 miles per trip, which was derived from the average of approximated distances of various locations located in central areas of Guam that are in the vicinity areas of the leased offices and the facility and maintenance office. Details are presented in the following table.

Table 15
Estimated Travelling Distance per Trip (Unit: miles)

From	To	Distance
Route 4 - Sinajana	Route 1 - Agana	1.23
Route 1 - Agana	Route 1 - Tamuning	2.00
Route 1 - Tamuning	Route 1 - Tumon	3.35
Route 1 - Tumon	Route 1 - Dededo	2.62
Route 1 - Tumon	Route 16 - Harmon	0.89
Route 1 - Dededo	Route 10 - Mangilao	7.87
Route 4 - Sinajana	Route 10 - Mangilao	4.00
Route 1 - Tumon	Route 16 - Barrigada	4.30
Route 16 - Barrigada	Route 4 - Mangilao	2.24
Route 1 - Agana	Route 1 - Cabras	4.95
Average travelling distance per trip		3.35

4. Other assumptions includes

- Average salary per hour for manager, supervisor and maintenance crew are \$38.00, \$24.93 and \$18.81, respectively
- Average travelling time is estimated to be 3 minutes per mile
- Average fuel consumption is estimated to be 19 miles per gallon
- Average fuel price is \$3.74 per gallon, based on fuel price in July 2010

From the above assumptions, calculations of weekly travelling time and travelling expenses are presented in the following tables.

Table 16
Summary of Travelling Time Cost

	Unit	Manager	Supervisor	Maintenance Crew
Average travelling time per trip*	Minutes	10.05	10.05	10.05
Trips per staff per week	Trips	4	4	12
Total travelling time per staff per week	Minutes	40.20	40.20	120.60
Total travelling time per staff per week	Hours	0.67	0.67	2.01
Average salary per hour	\$/hour	38.00	24.93	18.81
Travelling time cost per staff	\$/week	25.46	16.70	37.81
No. of GPA staff	Persons	16	9	8
Total travelling time cost for GPA	\$/week	407.36	150.30	302.48
No. of GWA staff	Persons	13	6	-
Total travelling time cost for GWA	\$/week	330.98	100.20	-
Total travelling time cost	\$/week	738.34	250.50	302.48

Note: *An average travelling time per trip of 10.5 minutes was calculated by multiplying average travelling distance per trip of 3.35 miles with average travelling time of 3 minutes per mile.

Travelling time costs per week per person for managers, supervisors and maintenance crews are estimated to be \$25.46, \$16.70 and \$37.81, respectively, totaling \$738.34, \$250.50 and \$302.48 per week, respectively.

**Table 17
Summary of Travelling Expenses**

	Unit	Manager	Supervisor	Maintenance crew
1) Fuel cost				
Average travelling distance per trip	Miles	3.35	3.35	3.35
Trip per staff/team per week	Trips	4	4	12
Total travelling distance per staff/team per week	Miles	13.40	13.40	40.20
Average fuel consumption	Miles/Gallon	19.00	19.00	19.00
Average fuel used per week	Gallons	0.71	0.71	2.12
Fuel price in Guam	\$/Gallon	3.74	3.74	3.74
Fuel cost per week	\$/week	2.66	2.66	7.93
Average Fuel cost	\$/Mile	0.20	0.20	0.20
2) Other automobile expenses**	\$/Mile	0.35	0.35	0.35
Total travelling expenses (1) + (2)	\$/Mile	0.55	0.55	0.55
No. of GPA staff or team	Staff or team	16	9	4*
Total travelling expenses for GPA	\$/week	117.60	66.15	88.00
No. of GWA staff or team	Staff or team	13	6	-
Total travelling expenses for GWA	\$/week	95.55	44.10	-
Total travelling expenses per week	\$/week	213.15	110.25	88.00

Note: *Maintenance crew will be separated into 4 two-man teams

**Other automobile expenses consist of car insurance, registration, maintenance and wear and tear

Average fuel cost per week per person (team) for managers, supervisors and maintenance crews are estimated to be \$2.66, \$2.66 and \$7.93, respectively, or approximately \$0.20 per mile. Additional cost for automobile expenses are estimated to be \$0.35 per mile.

Total weekly travelling expenses including fuel cost and other automobile expenses are estimated to be \$213.15, \$110.25 and \$88.00 per week for managers, supervisors and maintenance crews, respectively.

Based on the above assumption, the table below summarizes estimated weekly cost for travelling time and fuel costs for GPA and GWA.

**Table 18
Total Weekly Cost (Unit: \$ per week)**

	Manager	Supervisor	Maintenance crew	Total
Travelling time cost for GPA	407.36	150.30	302.48	860.14
Automobile expenses for GPA	117.60	66.15	88.00	271.75
Travelling time and automobile expenses for GPA	524.96	216.45	390.48	1,131.39
Travelling time cost for GWA	330.98	100.20	-	431.18
Automobile expenses for GWA	95.55	44.10	-	139.65
Travelling time and automobile expenses for GWA	426.53	144.30	-	570.83

From the above weekly cost, annual travelling time and automobile expenses for GPA and GWA are estimated to be approximately \$58,858 for GPA and \$29,683 for GWA.

Table 19
Total Annual cost (Unit: \$'000 p.a.)

	Manager	Supervisor	Maintenance crew	Total
Travelling time and fuel cost for GPA*	27	11	20	59
Travelling time and fuel cost for GWA*	22	7	-	30
Total travelling time and fuel cost	49	19	20	89

Note: *Assume 52 weeks per year.

The above cost estimation is based on the current price level in FY2010 before adjusting for long-term inflation at 1.5% p.a. for both salaries and fuel.

2. Option 2: Construction of a new administration building complex (Fadian Complex)

In considering the total costs for this option, we have considered the total area of the new building and space allocation between GPA and GWA, estimated construction costs, on-going operating and maintenance costs, and one-time relocation costs to Fadian Complex. The cost of building construction is assumed to be fully financed by bond issue. The costs have been adjusted by appropriate inflation rates or price escalation factors over the bond period of 30 years.

The cost analysis for this option is based on the assumption that GPA will own and maintain the building, and rent office space to GWA and outside vendors to operate cafeteria and fitness center. Rental rates charged to GWA are expected to proportionally cover on-going operating costs, depreciation and amortization charges and financial costs for construction financing. Rental rates charged to outside vendors are based on the median of commercial rental rates for the similar area size.

a. Building area

According to the survey of staff and space requirements as well as discussions with GPA and GWA, total area to be occupied by GPA will be 65% of total (excluding cafeteria and fitness center at the main administration building which will be subleased to outside vendors) and the remaining 35% of the total area will be occupied by GWA. This 65:35 area occupancy ratio will be further used to allocate on-going costs between GPA and GWA.

Table 20
Building Area at Fadian Complex (Unit: sf)

	GPA	GWA	Cafeteria & Fitness	Total
Main administration building	76,618	41,256	4,126	122,000
Facilities and maintenance building	1,612	868	-	2,480
Genset House	780	420	-	1,200
Pavilions	1,092	588	-	1,680
Total area	80,102	43,132	4,126	127,360
<i>% of area occupied</i>	<i>65%</i>	<i>35%</i>		

b. Construction costs

Total construction cost of the Fadian Complex, including main administration building, facilities and maintenance building, Genset house and two pavilions, are estimated to be \$32.59 million, as estimated by RIM Architects.

Direct costs mainly include civil, architectural, structural, HVAC (“Heating, Ventilating, and Air Conditioning”) and electrical costs. These direct costs have been added with Overhead & Profit (“OH & P”) and contingency cost totaling at 17.0% of total direct costs. In addition to the construction cost, additional costs for special items such as A/E design fee, LEED silver certification, performance bond, building permit and insurance (BAR) have been estimated to be 13.0% of the construction costs (excluding Pavilions). Guam Real estate Tax (“GRT”) has been estimated at 4.2% of total costs and Photovoltaics cost of \$0.42 million has been estimated and added to the administration building cost. From the above estimation, total estimated cost of administration, facility, Genset and Pavilion buildings are \$31.71 million, \$0.46 million, \$0.19 million and \$0.23 million, respectively. Details are as follows.

Table 21
Estimated Construction Cost of Fadian Complex (Unit: \$’000)

		Admin	Facility	Genset	Pavillon	Total
Civil		4,354	-	-	-	4,354
Landscaping		43	-	-	-	43
Architectural		4,242	121	40	57	4,459
Structural		8,015	143	66	92	8,316
HVAC		1,542	12	5	-	1,558
Plumbing		518	14	5	7	544
Fire Protection including water tank		371	1	1	-	373
Electrical		3,592	42	20	29	3,683
Total Direct cost		22,676	332	138	185	23,331
OH & P	15.0% ¹	3,401	50	21	28	3,500
Contingency	2.0% ¹	454	7	3	4	467
Total construction cost		26,530	389	162	216	27,297
Special items:						
A/E Design Fee	6.0% ²	1,592	23	10	-	1,625
LEED Silver Certification	4.0% ²	1,061	16	6	-	1,083
Performance Bond	2.0% ²	531	8	3	-	542
Building Permit	0.5% ²	133	2	1	-	135
Insurance (BAR)	0.5% ²	133	2	1	-	135
GLUC		25	-	-	-	25
Geo Tech Services		20	-	-	-	20
Survey		15	-	-	-	15
Total special items		3,509	51	21	-	3,580
Total cost		30,039	439	183	216	30,877
GRT	4.2% ³	1,250	18	8	9	1,284
Photovoltaics cost		424	-	-	-	424
Grand total		31,713	457	190	225	32,586

Notes:

¹As percentage of total direct costs

²As percentage of total construction costs

³As percentage of total construction costs and special items

Total construction is expected to be completed in 24 months and the above estimated construction cost does not include construction management fees during the construction period nor the costs of new furniture and fixtures, and is before capitalized interest during construction.

c. On-going operating and maintenance costs

On-going operating and maintenance costs at Fadian Complex are estimated based on current cost structure and cost per sf at the existing facilities and adjusted with factors that reflect special design or characteristics of Fadian Complex such as:

- Expected power savings as a result of energy efficient building design
- Expected reduction in water use and sewage demand as a result of consolidating customer service units
- Expected savings in fixed maintenance costs from eliminating redundant functions
- Longer life span of building systems which reduced maintenance and replacement costs
- Expected increase in numbers of staff and customers served

The estimated power savings were based on a conservative factor of 20% while the LEED building design is expected to save power consumption by 20-50%. Expected increases in utilities consumption were estimated to reflect both expected increases in numbers of staff and customers served. Other fixed costs such as security services and cleaning services were estimated to increase with the square footage although some costs may be saved from economies of scale. This provides a conservative estimate for operating costs for the new building complex.

The following table summarizes on-going operating costs at Fadian Complex which were estimated separately for the main administration building and the facilities building, based on current costs at the existing facilities and adjusted with expected cost savings and increase in numbers of staff and customers served. Operating costs for the genset house and the two pavilions are not expected to be significant and have been considered in the cost at the main administration building.

Table 22
Estimated On-going Operating Costs at Fadian Complex
(Unit: \$ per sf per month)

	Admin ¹	Facility	Overall
Electricity charges	0.51	0.41	0.50
Water charges	0.01	0.02	0.01
Security and cleaning service charges ²	0.23	0.10	0.22
Communication and system charges ³	0.05	0.07	0.05
Total	0.80	0.60	0.78

Notes:

¹ Including costs for genset house and two pavilions

² Including security services, lawn, janitorial and trash removal services

³ Including internet and communication services

Moreover, building life cycle costs such as periodic renovations, electrical and system maintenance, and replacement of equipment were also estimated based on specifications of buildings and equipment used at Fadian Complex. Average cost per sf and maintenance cycle for each cost item is similar to those applied to Option 1, which have been reproduced in the following table.

**Table 23
Building Life Cycle Costs (Unit: \$ per sf)**

	Estimated Cost	Maintenance Cycle
Electrical, systems and building maintenance	0.16	Annually
Exterior renovation	0.08	Every 15 years
Interior renovation	0.16	Every 8 years
Heating and air conditioning systems	6.20	Every 17 years
Total	6.60	

The above on-going operating and building life cycle cost estimates will be further adjusted for inflation.

d. One-time costs upon office relocation

In addition to on-going operating and maintenance costs and building life cycle costs, initial costs incurred at the time of the building construction and relocation period should also be considered.

In Option 2, one-time costs incurred during the building construction and office relocation include construction management fee, moving cost and restoration cost for the existing offices. Construction management fee has been estimated at \$0.15 million p.a. for the 2-year construction period (approximately \$2.36 per sf). Moving cost and restoration cost have been estimated at \$1.70 per sf and \$0.90 per sf of the existing office spaces, respectively.

**Table 24
Option 2: Construction of Fadian Complex
Estimated One-time Cost at Relocation (Unit: \$ per sf)**

	Estimated Cost
Construction management fee	2.36
Relocation cost (moving cost)	1.70
Restoration cost	0.90
Total	4.96

Total one-time cost upon office relocation is estimated to be \$0.51 million, consisting of \$0.37 million for GPA and \$0.14 million for GWA.

e. Additional income from subleases

GPA intends to own Fadian Complex but will share 35% of the total area to be occupied by GWA and sublease the cafeteria and the fitness center area to outside vendors. Additional income from leasing office space to GWA and the outside vendors is expected to provide additional sources of income to GPA.

Charges to GWA are expected to cover on-going costs and building depreciation charges proportional to the area occupied by GWA, which include:

- On-going operating costs
- Building life cycle maintenance and capital expenditures
- Depreciation and amortization of building construction costs and capitalized interest
- Interest expenses

Charge to outside vendors based on the current price level for commercial lease rate of the similar size (2,000 – 4,500 sf) is assumed at \$1.50 per sf per month before adjusting for inflation (based on the median rate of \$1.38 per sf per month and adjusted with 10% common area charge, similar to the office lease rates).

Table 25
Option 2: Construction of Fadian Complex
Additional Income from Subleases (Unit: \$ per sf per month)

	Basis	Monthly rate per sf (FY2013)
Charges to GWA ¹	35% of total costs	2.81
Charges to outside vendors ²	Fixed monthly rate	1.64

Note:

¹ Based on estimated costs in FY2013

² Adjusted for inflation at 3.0% p.a. for FY2011-13

f. Construction and new building operating periods

The construction of Fadian Complex is expected to be completed in 24 months and the construction cost will be financed by a 30-year bond issued by GPA. Therefore, for the purpose of cost study, the operating period of Fadian Complex will spread over the bond life of 30 years, commencing FY2013 and ending FY2042. GPA and GWA are expected to utilize their existing office facilities until FY2012.

Interest expense during the building construction period will be capitalized and amortized over the operating period.

g. Expected price escalation factors

As mentioned in the previous section, the commencement of Fadian Complex is expected to take place in the next 3 years from the current fiscal year and that economic expansion in Guam over the next 3-5 years can be expected as a result of the military buildup program. Therefore, future prices of products and services prices may be higher from the current price level.

Expected price escalation factors are the same as those applied to Option 1. That is, short-term inflation over the next 3 years applied for lease rate for cafeteria and fitness center is 3.0% p.a. and long-term inflation rate is assumed at 1.5% p.a. beginning from FY2014 and onward. Inflation rates for electricity and water charges are based on GPA's and GWA's base rate increase plan over the next 4 years and 1.5% p.a. afterwards.

h. Costs projection

Based on the above key assumptions on area allocation between GPA and GWA, estimated building construction costs, on-going operating and maintenance costs, on-time costs during construction and office relocation, and expected inflation rates, projected costs for the construction of Fadian Complex option have been set out in the following table.

Table 26
Option 2: Construction of Fadian Complex
Costs projection (Unit: \$'000)

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
GPA	1,487	16,514	20,668	1,480	1,513	1,525	1,537	1,549	1,562	1,574	1,603	1,600	1,613
GWA	384	391	546	1,456	1,474	1,481	1,488	1,496	1,503	1,510	1,526	1,526	1,533
Total	1,872	16,905	21,214	2,936	2,988	3,007	3,026	3,045	3,065	3,085	3,129	3,125	3,146

	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
GPA	1,624	1,608	1,590	1,571	1,558	1,545	2,175	1,476	1,448	1,417
GWA	1,540	1,532	1,523	1,514	1,508	1,501	1,841	1,466	1,452	1,436
Total	3,165	3,140	3,114	3,085	3,066	3,046	4,016	2,943	2,900	2,854

	FY2033	FY2034	FY2035	FY2036	FY2037	FY2038	FY2039	FY2040	FY2041	FY2042
GPA	1,385	1,350	1,313	1,293	1,185	1,091	992	887	776	804
GWA	1,419	1,402	1,382	1,373	1,315	1,266	1,214	1,158	1,099	1,115
Total	2,804	2,751	2,695	2,666	2,500	2,357	2,206	2,045	1,875	1,919

Notes:

- FY2010-12 costs during the construction period are based on current costs at the existing locations.
- FY2012 costs include one-time costs for office relocation.
- FY2013-42 costs are based on estimated on-going costs at Fadian Complex.
- Costs for GPA are net of additional income from subleases.

The above cash flow expenditures for GPA are net of additional income from charges to GWA and subleases to outside vendors for the cafeteria and the fitness center.

Movements in costs over the years are mainly due to inflation of the costs and expenditures, timing of building life cycle costs, and declining interest expenses as the bond principals are amortized over time. Total construction costs paid by GPA are cash outflows in FY2011-12 during the construction period while office space charge to GWA is fixed based on annual depreciation and amortization expenses and spread over 30 years.

Additional income from subleases to outside vendors is approximately \$0.08 million in FY2013 before adjusting for inflation.

Table 27
Option 2: Construction of Fadian Complex
Expected Income from Subleases to Outside Vendors (Unit: \$'000)

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Cafeteria	46	47	47	48	49	50	50	51	52	53
Fitness center	35	36	36	37	37	38	38	39	40	40
Total	81	82	84	85	86	87	89	90	91	93
	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
Cafeteria	53	54	55	56	57	58	58	59	60	61
Fitness center	41	41	42	43	43	44	45	45	46	47
Total	94	96	97	98	100	101	103	105	106	108
	FY2033	FY2034	FY2035	FY2036	FY2037	FY2038	FY2039	FY2040	FY2041	FY2042
Cafeteria	62	63	64	65	66	67	68	69	70	71
Fitness center	47	48	49	49	50	51	52	52	53	54
Total	109	111	113	114	116	118	120	121	123	125

i. Residual value of building after 30-year bond period

Residual value of the building at the end of the 30-year cost projection period is estimated from the remaining net book value of the building cost and capitalized interest at the end of Year 30 based on an assumption of 50-year economic useful life of the building and straight-line depreciation method.

Assuming that Fadian Complex is well maintained, at the end of the 30-year bond period, the net book value of the building cost and capitalized interest with 50-year estimated useful life will be approximately \$13.7 million. Specifically for this case, we conservatively excluded the value appreciation of the property and implied the net book value as residual value.

C. Evaluation of Options

To compare and evaluate the overall costs between the two options as well as to account for timing difference of the future cash outflows and costs, future costs during the projection period over the next 32 years have been discounted to present value terms at the end of fiscal year 2010 (30 September 2010). The discount rate applied to the present value calculation is 5.32% p.a. based on the weighted average coupon rate of the recently issued 2010 Senior Bonds of GPA.

In addition, since the two options are of different areas, the total present values of future costs may not account for the difference in the office areas. Thus, cost per square footage has been calculated for each option, based on their present values of the future costs and the total areas.

This cost per square footage can also be used to compare with the cost of the existing facilities to evaluate whether the two options are better off than staying at the existing facilities.

1. Summary of Option 1 costs and benefits

In the scenario that GPA and GWA decide to move their offices to various locations through leases of office spaces, total direct costs such as one-time costs upon relocation and future on-going costs have been considered. Moreover, with scattered office locations, indirect costs such as travelling time and expenses have also been estimated. All direct and indirect costs have been considered in present value terms.

a. Costs consideration

Based on the above cost assumptions and the assumed discount rate, total present value of future leasing costs and on-going maintenance costs of the leased offices over the 32-year projection period is expected to be \$74.41 million, consisting of \$48.32 million for GPA offices and \$26.09 million for GWA offices.

In addition, since the offices are scattered at various locations, total present value of the travelling time and expenses based on average hourly salary rates, travelling frequency, travelling time and distance and automobile expenses for the travelling staff is expected to be \$1.46 million, consisting of \$0.98 million for GPA offices and \$0.48 million for GWA offices.

Total present value of future costs of leases and maintenance and expected travelling expenses is \$75.87 million, consisting of \$49.30 million for GPA offices and \$26.57 million for GWA offices.

Table 28
Option 1: Office Leases at Various Locations
Present Value of Total Direct and Indirect Costs (Unit: \$'000)

	GPA	GWA	Total
Leases and maintenance costs ¹	48,321	26,090	74,411
Travelling expenses ²	980	483	1,463
Total	49,301	26,573	75,874

Notes:

¹ Discounted at the average cost of GPA's new bond issue at 5.32%

² Including estimated time cost and fuel cost

Average cost per square footage of present value of offices and maintenance costs is \$1.85 per sf per month for GPA offices and \$2.06 per sf per month for GWA offices, resulting in an overall cost of \$1.91 per sf per month for the two entities combined.

Table 29
Option 1: Office Leases at Various Locations
Present Value of Cost per Square Footage (Unit: \$ per sf per month)

	<i>Unit</i>	GPA	GWA	Total
Office area	<i>sf</i>	68,191	33,052	101,243
Present value of initial costs ¹	<i>US\$'000</i>	6,595	2,710	9,305
Present value of leases and maintenance costs	<i>US\$'000</i>	41,726	23,380	65,106
Total	<i>US\$'000</i>	48,321	26,090	74,411
Average cost per square footage²	<i>\$/sf/month</i>	1.85	2.06	1.91
Present value of travelling expenses	<i>US\$'000</i>	980	483	1,463
Average cost per square footage²	<i>\$/sf/month</i>	0.04	0.04	0.04

Notes:

¹ Including lease costs during 2-year construction period and one-time costs upon office relocation

² Average cost per square footage per month over 32-year projection period (384 months)

b. Potential benefits

Potential benefits of leasing offices at various locations include:

- No requirement for upfront capital investment for building construction
- Less debt burden for GPA since the capital investment, if required for building construction, is expected to be financed with debt
- Flexibility for moving to new locations when the leased buildings are aged
- Building maintenance services are provided by lessors
- Geographical diversification
- Lower asset base which will result in better return on asset ratios

c. Potential limitations and drawbacks

Potential limitations and drawbacks of leasing offices at various locations include:

- Difficulty in finding large leasable areas in central areas of Guam since most of the spaces available are considered small for GPA and GWA offices (most are below 4,500 sf)
- Limited parking space at the leasable offices, especially when considering the locations for customer service departments of GPA and GWA
- Possibility that lessors may require GPA and GWA to lease the entire building if the spaces leased by GPA and GWA cover most of the building area – this would incur additional lease costs for GPA and GWA
- Less economies of scale from scattered office locations
- More travelling time and travelling expenses for executives and maintenance crew
- Insecurity from short-term rents of government offices
- Limited protection from future increases in market lease rates, especially as a result of higher demand for properties from the expected military buildup programs

2. Summary of Option 2 costs and benefits

Under the scenario that a new office building complex at Fadian is constructed, total direct costs such as construction costs, one-time costs upon relocation and future on-going costs have been considered. On-going costs and building depreciation charges have been allocated between GPA and GWA based on the area occupied.

Moreover, with the building design to have a cafeteria and a fitness center at Fadian Complex for staff benefits, the cafeteria and fitness center area can be subleased to outside vendors to operate. GPA as the owner of the building can expect to generate additional income to partially compensate for the costs of the building construction and maintenance costs.

In addition, the building is expected to have an economic useful life of 50 years. Therefore, at the end of 30 years of operating period, the net book value of the building has also been considered.

All direct costs, expected additional income from subleases and the net book value of the building at the end of 30 years of the operating period have been considered in present value terms.

a. Costs consideration

Based on the above cost assumptions and the assumed discount rate, total present value of building construction costs, lease costs during 2-year construction, future on-going maintenance costs over the 30-year operating period is expected to be \$75.23 million, consisting of \$54.72 million for GPA offices and \$20.51 million for GWA offices.

In addition, since the expected economic useful life of the building is 50 years, the present value of the net book value of the building at the end of the 30th year of the operation is approximately \$2.61 million.

Total present value of the construction costs and future on-going costs net of the present value of the net book value of the building at the end of the 30th year is \$72.63 million, consisting of \$52.11 million for GPA and \$20.51 million for GWA.

Table 30
Option 2: Construction of Fadian Complex
Present Value of Total Costs (Unit: \$'000)

	GPA	GWA	Total
Construction costs and capitalized interest ¹	31,610	-	31,610
Operating and maintenance costs ^{2,3}	23,110	20,514	43,624
Total construction and on-going costs	54,720	20,514	75,234
Residual value of building ⁴	(2,610)	-	(2,610)
Total	52,110	20,514	72,625

Notes:

¹ Capitalized at the average cost of GPA's new bond issue at 5.32% during 2-year construction period

² Discounted at the average cost of GPA's new bond issue at 5.32%

³ Including costs at the existing facilities during the first two years and one-time cost upon relocation, and net of other income from office leases to GWA, and cafeteria and fitness center vendors

⁴ Based on 50-year economic useful life

Average cost per square footage of present value of construction costs and future on-going costs is \$1.78 per sf per month for GPA and \$1.24 per sf per month for GWA, or an overall cost of \$1.59 per sf per month for the consolidated office.

Table 31
Option 2: Construction of Fadian Complex
Present Value of Cost per Square Footage (Unit: \$ per sf per month)

	<i>Unit</i>	GPA	GWA	Total
Office area	<i>sf</i>	80,102	43,132	123,234
Present value of initial costs ¹	<i>US\$'000</i>	34,776	864	35,640
Present value of construction & maintenance costs ²	<i>US\$'000</i>	19,944	19,651	39,594
Total	<i>US\$'000</i>	54,720	20,514	75,234
Average cost per square footage	<i>\$/sf/month</i>	1.78	1.24	1.59
Present value of net book value of building	<i>US\$'000</i>	(2,610)	-	(2,610)
Average cost per square footage³	<i>\$/sf/month</i>	(0.08)	-	(0.06)

Notes:

¹ Including lease costs during 2-year construction period, construction costs and capitalized interest, and one-time costs upon office relocation

² GPA's cost is net of additional income from sublease of space for cafeteria and fitness center.

³ Average cost per square footage per month over 32-year projection period (384 months)

b. Potential benefits

Tangible benefits from constructing Fadian Complex include:

- Meeting objectives of GPA and GWA to consolidate the facilities
- Allowing GPA to invest in GPA-own facility
- Protecting GPA and GWA from rising market lease rates
- Capitalizing the rental costs into fixed assets
- Economies of scale from the consolidation of GPA and GWA functions by elimination of duplicated tasks and minimizing area requirement such as common areas, training facilities, central files areas, parking spaces for customer visits, etc.
- Cost reduction from higher building efficiencies through energy savings as a result of the new building design and construction in accordance with LEED standards such as:
 - less demand for electricity as much as 20-30%
 - less demand for water and sewer as much as 40-50%
 - less stress on the landfill as a result of clean construction methods
 - lower on-going building maintenance and replacement costs as a result of longer life span of systems and equipment used
- Meeting future space requirements of GPA and GWA as both agencies have outgrown their existing facilities
- Adequate parking spaces for customers and employees as the parking spaces at the current facilities are inadequate to serve customer visits and employees
- Enabling the dispatch control center of GPA to relocate from Cabras into a storm proof environment which will reduce maintenance costs around the dispatch facility
- Allowing GWA dispatch to expand and move into one central dispatch location with GPA

- Flexibility for future building expansion to cope up with the growth of GPA and GWA

In addition to the above tangible benefits, intangible benefits from constructing Fadian Complex include:

- Improving quality of work environment for both employees and customers by addressing safety requirement, life safety concerns, and complying with the American Disabilities Act codes and standards
- Improving work efficiency of employee from better work environment and expected reduction in sick days due to asthma or allergies from:
 - more building exposure to natural light
 - use of non-toxic materials
 - improved air exchange in the mechanical system
- Higher productivity from less absenteeism
- Improving quality of life for the employees

c. Potential limitations and drawbacks

Potential limitations and drawbacks of constructing Fadian Complex include:

- Need for high capital investment by GPA
- Potential construction delays and cost overruns

3. Summary of Do Nothing Scenario

The Do Nothing Scenario would be if no changes were made and both agencies continue as is at the same cost.

a. Potential benefits

- No requirement for upfront Capital Investment.
- No moving costs.
- Convenient location for customers.

b. Potential limitations and drawbacks

- Leases subject to increase during every negotiation for renewal.
- Government owned buildings are beyond their life span. Cost of renovation and repair will be significant.
- Existing facilities are grossly inadequate for space requirements.
- Archive storage for valuable documents is unsatisfactory.
- Departments are split or housed in separate buildings discouraging efficiency and continuity of work.
- Buildings do not meet code for health or life safety.
- Power Systems Control Center is housed in a vulnerable location on Cabras Island. High maintenance cost will be incurred due to acidic and harmful environment.
- Customer service areas are often crowded with long queues.
- Parking is inadequate for employees and customers.
- Less efficient use of resources. Electrical use will remain high and water and sewer demand will not be reduced.
- No opportunity to consolidate redundancies between GPA and GWA, such as dispatch center, computer services, and customer service.
- CCU General Manager and staff will continue to operate from two locations creating inefficiency of space and management operations.
- Facilities and Maintenance Personnel will continue to operate in an unsuitable workshop environment.
- No opportunity to consolidate maintenance personnel & equipment.

4. Cost comparison and conclusion

Considering the costs associated with the two options on the basis of cost per square footage in present value terms Option 2: Construction of the Fadian Complex has a lower operating cost option as on-going costs are expected to be saved from LEED standard building design and comparative rental expenses can be capitalized into fixed assets. In addition to the quantifiable benefits, intangible benefits are more apparent for Option 2 and are expected to provide benefits to both customers and employees of GPA and GWA, as well as meeting the main objective of GPA and GWA for the consolidation of the facilities and gaining security from operating at the government-owned facility.

D. Financing Alternatives

In April 2010, the meeting of the Consolidated Commission on Utilities (“CCU”) resolved to approve the issuance of GPA revenue bonds up to the amount of \$155 million for the purposes of financing capital projects and up to the amount of \$65 million for working capital funding. The capital projects include implementation of the Smart Grid project and system improvements for GPA’s generation, transmission and distribution facilities as well as the construction of a new administration building or Fadian Complex. The bonds were ultimately issued at \$150.44 million and \$56.12 million for capital projects financing and working capital funding, respectively, and were marketed and sold in June 2010 with effective delivery date on 1 July 2010.

Setting aside the bond issuance, financing alternatives of GPA are quite limited by accessibility to capital markets as local bond market or equity market is not available in Guam. Using cash or internal funds of GPA to finance the construction may not be feasible as most of the cash accounts are mainly reserved for existing bond obligations and working capital requirements. In addition, new equity contribution will be subject to the government’s policies and available sources of funds. Alternatively, GPA may set up a special purpose vehicle to own and maintain the building, but the financing methods of the subsidiary still remains.

With these limitations, potential financing alternatives for GPA are bond issuance, commercial bank loan and construction finance provided by the contractor (through build-and-lease-back financing).

The following sections summarize key terms and conditions of the latest bonds issued by GPA and the other two financing alternatives, and comparison of overall financing costs of each alternative.

1. Alternative 1: Bond issuance

Considering that GPA is a government agency and engages in the infrastructure business which generally provides stable sources of revenue, income generating capacity of GPA can be considered relatively secured. Subsequent to public announcements in early 2010 on the proposed base rate increase plan over the next 4 years together with the expected increase in electricity consumption as a result of economic expansion associated with the military buildup program, credit ratings of the previous bonds series of GPA were upgraded to reflect the rating agencies’ increasing confidence in future revenues generating capacity and credit quality of GPA. This provides support to GPA for the timing of additional bond issuance.

In addition, according to the Market Update and Financing Options report dated 22 December 2009 by Morgan Stanley in support of the new bond issue of GPA, the researches indicated that U.S. treasury rates were near historical low records and it would be a good time for GPA to lock in the interest rates.

As a result, the CCU and GPA had considered a bond issue plan for GPA to support the capital projects for system and efficiency improvements and the construction of the new Fadian Complex as well as to partially refinance the existing debts and to reserve some working capital. The meeting of the CCU resolved in April 2010 to approve the bond issuance of up to \$155 million for capital projects financing and up to \$65 million for working capital and partial debt refinancing. The bond was marketed and sold in June 2010, and the issuance was effective on 1 July 2010.

a. General bond information

The latest 2010 GPA bonds series issued on 1 July 2010 consists of (1) \$150.44 million senior revenue bonds ("2010 Senior Bonds") for funding facilities and system development projects, which included \$35.00 million for the new administration building complex at Fadian, and (2) \$56.12 million subordinate revenue bonds ("2010 Subordinate Bonds") for funding working capital requirement and refinancing the existing short-term loan.

The 2010 Senior Bonds are secured by a pledge of revenues, bond proceeds and bond reserve fund accounts, and are guaranteed under an insurance policy by Assured Guaranty Municipal Corp. The 2010 Subordinate Bonds are also secured by a pledge of revenues subject to prior pledge of revenues securing the senior bonds, bond proceeds and bond reserve fund accounts, but guarantee is not provided.

The bond covenants require that GPA maintain its debt service coverage ratios of at least 1.30 times for 2010 Senior Bonds and at least 1.20 times for 2010 Subordinate Bonds.

As of 23 June 2010, credit ratings of 2010 Senior Bond are nearly at investment grade while the credit ratings of 2010 Subordinate Bonds are slightly below investment grade. Credit ratings at bond issuance have been summarized below.

**Table 32
Credit Ratings of 2010 Bonds**

Rating Agency	2010 Senior Bonds	2010 Subordinate Bonds
Moody's Investors Service	Ba1	Ba2
Standard & Poor's Ratings Services	BBB	BBB-
Fitch Ratings	BBB-	BB+

Source: Official Statements of GPA's 2010 Bonds dated 23 June 2010

b. Average coupon rates of 2010 Senior Bonds

Since each of the 2010 bond series was issued with specific purpose of uses, the 2010 Senior Bonds (\$150.4 million) which will be used to finance the Fadian Administration and Operations Center are considered for comparison with the other potential financing alternatives.

The 2010 Senior Bonds will be amortized over the 30-year maturity period according to the repayment schedules of each series. The following table summarizes principal amounts, maturity dates and coupon rates of the 2010 Senior Bonds series.

**Table 33
Summary of 2010 Senior Bonds (Unit: \$'000 and % p.a.)**

Maturity date	Principal (\$'000)	Coupon (% p.a.)
1 October 2030	38,980	5.50%
1 October 2037	55,000	5.00%
1 October 2040	56,460	5.50%
Total	150,440	5.32%*

Note: *Weighted average by principal amount

Source: Official Statements of GPA's 2010 Bonds dated 23 June 2010

Coupon rates of the 2010 Senior Bonds range from 5.00% p.a. to 5.50% p.a. Weighted average coupon rate by principal amount is 5.32% p.a.

The U.S. treasury bond yield for 30-year maturity as of 30 June 2010 was 3.91% p.a. The weighted average coupon rate of the 2010 Senior Bonds is 5.32% p.a., which is 141 basis points above the U.S. treasury bond yield.

2. Alternative 2: Commercial bank loan

As mentioned above, with limited access to the local public capital market in Guam, one potential financing alternative for GPA apart from bond issuance can be commercial bank loan, which will also allow GPA to own the assets and provide protection against increases in future market lease rates similar to bond financing alternative. However, key consideration factors on financing by commercial bank loan include bank's lending limits, GPA's debt repayment capacity versus maximum loan period, mortgage of the building or other types of loan securities, and debt covenants.

Total construction cost including capitalized interest during construction would constitute to approximately \$35 million. The amount can be considered relatively large or may even exceed the lending limit of a small-capitalized commercial bank. As such, the loan may be structured in form of a syndicated loan financed by two or more commercial banks. Loan terms and conditions must meet the criteria and policies of all lending parties, which would take time for terms, negotiations, and loan approval process.

Moreover, in comparing with other potential financing alternatives, general commercial terms and conditions of bank loans as well as estimated loan interest rate should also be considered.

a. General terms and conditions of commercial bank loan

Loan period and repayment term: Typical maturity for long-term corporate loan can be up to 20 years, with equal annual repayment installments.

Loan security: Loan security that may be required to secure bank loans include mortgage of the property, pledge of revenues or receivables, pledge of deposits or reserve accounts, or guarantee.

Debt covenants: Key debt covenants on financial ratios include maintenance of minimum interest coverage ratios and/or minimum debt service coverage ratios, maximum leverage ratio, etc.

For the purpose of comparing borrowing costs among the available potential financing alternatives, it is assumed that the loan period can be negotiated for an extension up to 30 years, and loan security and debt covenants are as required by the 2010 bonds.

b. Average cost of borrowing

As stated in the notes to financial statements of FY2009, interest rate on the outstanding short-term commercial paper (3-year maturity, \$20 million principal) was charged at the bank's prime rate plus 5.00% but no lower than 6.50%, which was 8.25% as of 30 September 2009. With the average

prime rate of top 25 banks at 3.25% p.a. as of 30 June 2010 (Source: Bloomberg), total interest rate charge based on the existing commercial paper terms would be 8.25% p.a.

From the review of GPA's historical financial performance, the existing bond obligations and covenants (for bonds issued prior to 2010 bonds) as well as the current bond credit ratings, it is expected that GPA may be able to borrow at a loan rate of approximately 8.00% p.a.

3. Alternative 3: Design, build, operate and transfer

Another financing alternative can be construction finance or capital lease provided by the construction contractor in form of design-build-and-lease-back financing. We did check with international vendors on this type of project, with no name basis. The contractors will design and build the building through self financing. After the construction is completed, the contractor will lease the building to GPA for a typical lease period of 20 years.

In estimating the financing cost, key consideration factors include accessibility to funding sources and credit quality of the contractor which will have impact on its cost of financing and required operating profits.

a. Potential terms and conditions of build-and-lease-back financing

Based on preliminary information from international construction contractors operating in Guam, average borrowing cost is LIBOR + 2%. From an observation of historical LIBOR rates, average LIBOR in the past 10 and 20 years were 3.53% and 4.56% p.a., respectively, and LIBOR as of 30 June 2010 was 1.17% p.a. (Source: Bloomberg). In estimating potential borrowing cost of a construction contractor, a conservative range of LIBOR at the current market of 1.00% (rounded from the rate as of 30 June 2010) was applied in the model. Therefore, total borrowing cost of a construction contractor is estimated to be 3.00% p.a. (1.00% + 2.00%).

In addition, it is also expected that the contractor will require some operating profit for the on-going maintenance of the building as well as compensation for the tax on the property lease income. The table below summarizes the potential terms and conditions of build-and-lease-back financing alternative.

Table 34
Summary of Potential Terms and Conditions of Build-and-Lease-Back Financing

	Assumption	Rationale
Contractor's cost of financing	3.00% p.a.	LIBOR + 2% (preliminary information from international construction contractors)
Operator's profit margin	7.00% of operating and maintenance costs	Estimated normal range of profit margin required by building operators
Tax on property lease income	4% of income from property lease and grossed up	Tax on property lease income in Guam
Lease period	20 years	General lease period provided by contractors

The construction cost and other cost considerations such as one-time cost upon office relocation and future on-going operating and maintenance costs are based on the assumptions applied to the study of Option 2: Construction of Fadian Complex since the subject property is the same. Rental charge for the office space is based on annual depreciation and amortization of the building cost and capitalized interest over the 20-year lease period.

Table 35
Cost Projection for Build-and-Lease-Back Financing Alternative (Unit: \$'000)

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Total O&M cots, CAPEX	1,284	1,337	1,357	1,377	1,398	1,419	1,440	1,485	1,483	1,506
Depreciation and amortization	1,677	1,677	1,677	1,677	1,677	1,677	1,677	1,677	1,677	1,677
Interest expenses	978	929	880	831	782	733	684	635	587	538
Operator's profit	276	276	274	272	270	268	266	266	262	260
Operator's property lease tax	176	176	174	173	172	171	169	169	167	166
Total lease payments	4,389	4,394	4,361	4,330	4,298	4,267	4,236	4,233	4,176	4,146

	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
Total O&M cots, CAPEX	1,528	1,551	1,574	1,598	1,635	1,673	2,705	1,696	1,721	1,747
Depreciation and amortization	1,677	1,677	1,677	1,677	1,677	1,677	1,677	1,677	1,677	1,677
Interest expenses	489	440	391	342	293	244	196	147	98	49
Operator's profit	259	257	255	253	252	252	320	246	245	243
Operator's property lease tax	165	164	162	161	161	160	204	157	156	155
Total lease payments	4,117	4,088	4,059	4,031	4,018	4,006	5,101	3,923	3,896	3,871

b. Average cost of financing

In calculating the average cost of financing from the build-and-lease-back financing, we calculated the internal rate of return on the project over 20-year lease period after applying the above financing conditions and operating cost projections.

Internal rate of return based on the total construction cost and capitalized interest of approximately \$34.05 million and the above cost projection over the 20-year lease period is 8.77% p.a.

4. Comparison of financing alternatives

The following table compares the average financing cost of each financing alternative.

Table 36
Summary of Financing Cost of Each Financing Alternative

Financing alternative	Financing cost (% p.a.)	Period (Years)
1. Bond issue	5.32%	30
2. Commercial bank loan	8.00%	30
3. Build, lease back and transfer	8.77%*	20

Note: *Internal rate of return over the 20-year lease period compared to total construction cost at Fadian

Based on the above assumptions and calculations, the 2010 bond issue provided the least cost for the financing of the construction of Fadian Complex.

E. Financial Projection Tables

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BUREAU OF BUDGET & MANAGEMENT RESEARCH

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DEPUTY DIRECTOR

MAR 15 2017

Speaker Benjamin J.F. Cruz
Chairman, Committee on Appropriations and Adjudication
I Mina'Trentai Kuáttro Na Liheslaturan Guåhan
34th Guam Legislature
155 Hesler Place, Suite 107
Hagatna, Guam 96910

Speaker Benjamin J.F. Cruz

MAR 17 2017
Time: 12:55 PM File No. _____
Received By: _____

RE: Bill 15-34 (COR)

Hafa Adai Speaker Cruz:

On behalf of the Bureau of Budget and Management Research (BBMR) I would like to thank you for the opportunity to provide comments on Bill No. 15-34:

“AN ACT TO REQUIRE THAT A COMPREHENSIVE COST-BENEFIT & SPACE UTILIZATION STUDY BE CONDUCTED BY THE GOVERNMENT OF GUAM PRIOR TO THE AUTHORIZATION, FUNDING, OR CONSTRUCTION OF A UNIFIED GOVERNMENT OFFICE FACILITY.”

As a requirement prior to any further authorization for construction of any government office space within the municipality of Hagåtña for the Executive Branch, Bill No. 15-34, if passed, will require that a Comprehensive Cost-Benefit and Space Utilization Study (the “Study”) be conducted. This Study, to be funded in FY2018, would determine if it is cost-beneficial to the government of Guam to relocate certain government of Guam agencies currently leasing or renting office space to a new government facility in Hagåtña as compared to continuing to lease or rent such office space under either their current terms or reasonably re-negotiated terms.

The Government of Guam AS400 Financial Management Information System as of February 15, 2017 reflects total expenditures of \$10,430,577 for office lease/rental in FY2015.

The Office of Public Accountability Performance Audit for the period October 2014 through September 2015 (FY2015) OPA Report No. 17-02 dated January 2017, indicates that the annual cost for leasing commercial space (office and other) for the Government of Guam was \$12.5M in FY2015.

While the expenditure data varies for office lease/rental and can be attributed to raw data (AS400) vs interpreted data (OPA) the basic premise that the government of Guam can achieve significant cost savings by constructing its own facilities in Hagåtña is acknowledged by both Governor Calvo and the Public Auditor.

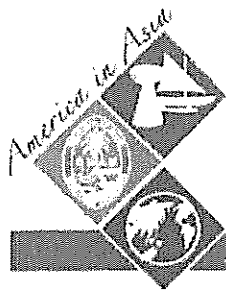
Section 2 provides that I Liheslaturan Guåhan must identify a funding source and appropriation authorization in the FY 2018 Budget Act, and also provides that transfer authority by I Maga'låhen Guåhan in FY 2017 may be used for this purpose. It should be noted that since this is an unbudgeted item for FY 2017, the use of the transfer authority is subject to the availability of funding after all current fixed costs and other current operational expenses are funded and therefore may not be immediately available. The Bureau notes that the Governor submitted the FY 2018 Executive Budget Request to I Liheslaturan Guåhan on January 31, 2017, which is a request for full appropriation of the projected revenues and this proposed Study was introduced via Bill 15-34 on February 1, 2017.

The Bureau also notes that Bill 15-34 does not contain any citation of the Guam Code Annotated under which this measure, if passed, would be codified under. The Bureau suggests that the author amend Bill 15-34 accordingly.

In closing, given the potential savings the government of Guam could begin to realize the Bureau encourages that the funding of this measure be identified by the legislature as soon as possible. Thank you Mr. Speaker.

Senseramente,


JOSE S. CALVO



GEDA

Guam Economic Development Authority

Aturidad Inadilanton Ikurumihan Guahan

EDDIE BAZA CALVO

IMAGALAHEN GUAHAN

RAY TENORIO

ISERUNDO NA MAGALAHEN GUAHAN

JAY ROJAS

ADMINISTRADOR

MANA SILVA TAJERON

SIGUNDO NA ADMINISTRADOR

March 16, 2017

Speaker Benjamin J.F. Cruz
Chairman; Committee on Appropriations and Adjudication
I Mina'trentai Kuattro Na Liheslaturan Guahan
155 Hesler Place
Hagatna, Guam 96910

RE: Testimony in **Support of Bill 15-34: AN ACT TO REQUIRE THAT A COMPREHENSIVE COST-BENEFIT & SPACE UTILIZATION STUDY BE CONDUCTED BY THE GOVERNMENT OF GUAM PRIOR TO THE AUTHORIZATION, FUNDING, OR CONSTRUCTION OF A UNIFIED GOVERNMENT OFFICE FACILITY**

Mr. Chairman and Members of the Committee,

Buenas yan Hafa Adai!

The Guam Economic Development Authority (GEDA) hereby submits this written testimony in support of Bill 15-34.

The January 2017 Performance Audit of the Government of Guam leases by the Office of Public Accountability (OPA) states that the Government of Guam (GovGuam) has spent \$12.5M on commercial space leasing for office and other spaces in Fiscal Year 2015, nearly double the amount GovGuam spent a decade ago. Due to the high and increasing cost of leasing spaces the OPA also recommends that the amount of funds spent on lease expenses should instead be used to purchase or build office spaces. It is also mentioned that since 2005 the OPA has urged the Legislature to begin evaluating the feasibility of initiating a long-term plan to acquire or build facilities to house government entities.

Bill 15-34 is a well-intended first step and will address the recommendation from the OPA for a long-term plan by requiring an estimated cost-benefit analysis to better approach the construction of facilities for GovGuam entities as well as determine actual space needed to effectively house each entity and explore various potential financing options. Although the bill does not identify funding for the study, GEDA has always been a supporter of careful consideration before action. We thank you for the opportunity to present this testimony in favor of Bill 15-34.

Sincerely,

MANA SILVA TAJERON
Deputy Administrator

Speaker Benjamin J.F. Cruz

MAR 16 2017

Time: 11:27 AM (1) PM File No. _____
Received By: *DMT*





OFFICE OF PUBLIC ACCOUNTABILITY
Doris Flores Brooks, CPA, CGFM
Public Auditor

March 15, 2017

Honorable Benjamin J.F. Cruz
Speaker
Chairman, Committee on Appropriations and Adjudication
34th Guam Legislature
Guam Congress Building
163 Chalan Santo Papa
Hagatna, GU 96910

RE: Bill 15-34 – An Act to require that a Comprehensive Cost-Benefit & Space Utilization Study be conducted by the Government of Guam prior to the authorization, funding, or construction of a unified government office facility.

Hafa Adai Speaker Cruz,

OPA submits its support for the passage of Bill 15-34.

In OPA Report No. 17-02, Analysis of Government of Guam (GovGuam) leases, issued in January 2017, we found that in just a little over a decade, GovGuam nearly doubled its annual cost for leasing commercial space (office and other), going from \$6.8 million (M) for 493,701 square feet (sq.ft.) in fiscal year (FY) 2004 to \$12.5M for 493,097 sq.ft. in FY 2015. Majority of GovGuam's commercial leases were for office space at \$11.8M, while other commercial lease space was \$692 thousand (K) in FY 2015.

In 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 the Hagåtña Restoration and Redevelopment Authority and Guam Preservation Trust 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.

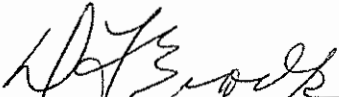
Since 2005, OPA urged the Legislature to begin evaluating whether or not it is feasible to initiate long-term planning to acquire or build facilities to house government entities for the future.

Bill 15-34 would require GovGuam conduct a Comprehensive Cost-Benefit & Space Utilization Study, which would be in line with OPA's initial 2005 recommendation. A similar study was conducted by the Guam Power Authority (GPA) and Guam Waterworks Authority (GWA) prior to the construction of the Gloria B. Nelson Public Service Building, which you brought to our attention after the release of our audit. If OPA had known of the study done by GPA/GWA, we would have mentioned it in our audit report.

As such, while there are current plans for construction of a new government building, OPA fully supports the passage of Bill 15-34 to ensure GovGuam is utilizing government funds in the most efficient and economic manner.

Thank you for giving me the opportunity to testify in support of this very important bill.

Senseramente,



Doris Flores Brooks, CPA, CGFM
Public Auditor



GUAM PRESERVATION TRUST

INANGOKKON INADAHI GUAHAN

P.O. Box 3036 • Agana, Guam 96932
Tel: (671) 472-9439/40 • Fax: (671) 477-2047

March 13, 2017

Speaker Benjamin J.F. Cruz

The Honorable Benjamin J.F. Cruz
Speaker, I Mina'trentai Kuattro na Liheslaturan Guahan
Guam Congress Building
163 Chalan Santo Papa
Hagåtña GU 96910

MAR 13 2017
Time: 4:05 [] AM [] PM File No. _____
Received By: _____

Hafa Adai Speaker Cruz,

Thank you for your March 10, 2017 letter inviting me to submit testimony on Bill No. 15-35 (COR) relative to requiring a comprehensive cost-benefit and space utilization study prior to construction of a government office facility. As requested in your letter, I am pleased to submit written testimony regarding this bill.

As you are aware, the Guam Preservation Trust (GPT) is primarily tasked to preserve and protect Guam's cultural heritage, especially our island's historic sites, culture, and perspectives for the benefit of our people and our future. With the village and capital of Hagåtña encompassing many historic sites, working with many partners, such as the Mayor of Hagåtña, the Hagåtña Restoration and Redevelopment Authority (HRRA), as well as *I Liheslatura*, among the many other stakeholders, we have preserved many historic sites, and most recently the Historic Guam Congress Building.

For the various projects that GPT undertakes, documentation and studies are key as to determine the integrity, significance, and cost analysis of the site. These studies include registration in the Guam and/or National Register of Historic Places, Historic Structure Reports, Historic Structure Assessments, feasibility and architecture and engineering design. Furthermore, membership of our board include disciplines in architecture, archaeology, Chamorro culture, history, and planning, allowing each project to be scrutinized from various historic preservation lenses resulting with the positive outcome in protecting our cultural heritage. It is in this regard that we support the intent of *I Liheslatura* to ensure that studies are conducted and in this particular instance, as the building will be in the municipality of Hagåtña, we would like to offer our assistance to the organization that will conduct the study since we have completed some preliminary work regarding the feasibility of reconstructing the former Palacio (*Palåsyu*) at the Plaza de España.

I must stress that the information contained in our feasibility study on the reconstruction of the former Palacio reflects only the priority and scope that GPT authorized. In the study, the emphasis was to provide a feasibility study for the reconstruction which will conform to the overall historical integrity of the Plaza de España; house the Department of Administration and the offices of the Governor and the Lt. Governor of Guam; the Palacio may house some functions of the Department of Chamorro Affairs and other cultural and historical non-government organizations; may include the former Governor's Office located in the [former] Department of Administration Building; and the Palacio may be a revenue generating unit of the Government of Guam.

The Honorable Benjamin J.F. Cruz
March 13, 2017
Page 2

Furthermore, the scope was to: based on the existing Historic planning documents, existing assessments, and drawings of the overall Plaza de España, prepare and document existing conditions of the Palacio site; develop three alternative plans for reuse of the Palacio; convey the following: a.) A detailed space program for respective alternative; and b.) Adaptive uses that could be located in the Palacio; Develop an outline and budget of the soft costs necessary to complete the project (A/E construction documents fees, archaeological survey, soils, legal costs, etc.); reflect the site plan with improvements in parking, access, landscape, etc. These alternatives should reflect variations on the interface with ancillary structures (i.e. armory, kusina, etc.); Identify impact of potential uses for the Palacio; Assist the Guam Preservation Trust in establishing funding strategies for the reconstruction of the Palacio.

GPT procured the services of Architects Laguana who met the scope of work as well as provided schematics of ancillary buildings around the Palacio to include additional government office space. The feasibility study was then provided to HRRA who adopted the schematics as part of their overall master plan.

In closing, we have always worked with members of our community to connect with our vision that historic preservation on Guam is a public responsibility that is shared through education, cooperation, and advocacy all linking to Guam's cultural heritage, and it is in this regard, we offer our assistance to those requiring information that ensure the protection of our cultural heritage. The proposed bill also is in harmony with our mission and vision, and it is our hope that the information obtained is used to make sound planning and policy decisions.

I look forward to working with you, our leaders in *I Liheslaturan Guahan* and our community in this regard, and should you have any questions, please feel free to contact me at (671) 472-9439 or by e-mail at jqpreservation@guam.net

Si Yu'os Ma'ase,



JOE QUINATA
Chief Program Officer

GUAM PRESERVATION TRUST

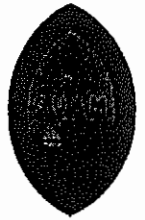
INANGOKKON INADAHÍ GUA'HAN



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Commissioner Rob S. Limtiaco
Executive Director Johnny G. Sablan

The Honorable Edward J.B. Calvo
Governor of Guam

The Honorable Raymond S. Tenorio
Lieutenant Governor of Guam



March 14, 2017

The Honorable Speaker Benjamin J.F. Cruz, Chairperson, Committee on Appropriations and Adjudication
34TH I Liheslaturan Guåhan
155 Hessler Street
Hagåtña, Guam 96910

Subject: HRRRA Position on Bill 15-34 (COR) *"An Act To Require That A Comprehensive Cost-Benefit And Space Utilization Study Be Conducted By The Government Of Guam Prior To The Authorization, Funding, Or Construction Of A Unified Government Office Facility."*

Buenas yan Håfa Adai Chairperson Speaker Cruz and Committee Members on Appropriations and Adjudication. The HRRRA Board of Commissioners supports the intent of this bill and provides the following.

The HRRRA with its contractor Matrix Design Group Inc., has worked closely with *I Liheslaturan Guåhan* to restore and redevelop our Capital City and concurs that a fund source should be identified for the construction of new government of Guam buildings. However, studies and reports have already been resourced for a comprehensive cost-benefit and space utilization study. Those studies and reports are:

1. *The Executive Branch FY1995 Government of Guam Office Space Lease Analysis Study;*
2. *The Guam Preservation Trust's 2015 Palacio Reconstruction and Site Feasibility Study; and*
3. *The OPA's 2005 and 2017 Update Analysis of Government of Guam Leases' Report 17-02.*

Moreover, HRRRA is already conducting comprehensive planning compared to other entities on Guam using the studies and reports previously noted to provide a complete and inclusive government building site blueprint for the Hagåtña area. Additionally, there is encouraging and positive momentum that our people have come to appreciate and accept – the transformation finally of our Capital City to a viable and working city. The *I Liheslaturan Guåhan* is a big part of and continually provides the fortitude and determination to restore and redevelop our City of Hagåtña. The HRRRA request continued support from *I Liheslaturan Guåhan* that HRRRA continues to focus on redeveloping without the constraint of slower processes. The final Hagåtña Masterplan provides implementation schedule and fund source alternatives for already approved projects within HRRRA's area of control. Government of Guam buildings and offices within Hagåtña are already a part of HRRRA approved projects.

As a part of HRRRA's efforts to provide a sustainable and feasible Hagåtña Masterplan, the planned Hagåtña area is divided into four (4) distinct economic development districts emphasizing the district's prominent features. The Hagåtña City Center District would house most if not all of the government line agencies and the branches of the government of Guam. Usable public lands are limited, therefore, planning and designing for government offices must be quantified and specified with construction cost a dynamic factor in the building of government of Guam offices.

March 14, 2017

The Honorable Speaker Benjamin J.F. Cruz, Chairperson, Committee on Appropriations and Adjudication, 34TH I Liheslaturan Guåhan

Subject: HRRRA Position on Bill 15-34 (COR) *"An Act To Require That A Comprehensive Cost-Benefit And Space Utilization Study Be Conducted By The Government Of Guam Prior To The Authorization, Funding, Or Construction Of A Unified Government Office Facility."*

Page 2

HRRRA has pending projects and requires dedicated personnel and support to:

1. Settle HRRRA's dedicated funding source.
2. Provide continued engagement with the United States Army Corps of Engineers on hydrology actions to stimulate economic development & growth by channeling the Hagåtña River and providing coastal shoreline protection measures.
3. Complete the Hagåtña Masterplan along with the Zoning Code & Standards of Development regulation along with the supporting Implementation & Sustainability Plans.
4. Prepare for & implement the four (4) District Economic Development Plans: Hagåtña City Center District; Hagåtña River-walk District; Hagåtña Bay Waterfront District; and the West Hagåtña Residential District.
5. Apply for and finance the HRRRA Comprehensive Economic Development Strategy (CEDS) projects that would facilitate and stimulate economic development and growth of our Capital City.

The HRRRA Board of Commissioners echoes the sentiment provided in this testimony and reiterates that the HRRRA does not approach its responsibilities of restoration and redevelopment of our capital city haphazardly, but with due diligence and calculated deliberation to provide the highest and best use possible with the limited land space available in our Capital City. Just like *I Liheslaturan Guåhan*, HRRRA pursues the vision of the greater good for the people of Guam to provide *"a vibrant Hagåtña as the center of cultural, civic, political, sports, and economic vitality for Guam and the Western Pacific"*.

Please contact us at 475-4281 for any additional comments or concerns. We appreciate your judicious and careful review of this bill.

Senseramente,



ZENON E. BELANGER, P.E.

Vice-Chair

Hagåtña Restoration and Redevelopment Authority

Courtesy Copy:

1. The Executive Branch FY1995 Government of Guam Office Space Lease Analysis Study
2. The Guam Preservation Trust's 2015 Palacio Reconstruction and Site Feasibility Study
3. The OPA's 2005 and 2017 Update Analysis of Government of Guam Leases Report 17-02
4. Guam Comprehensive Economic Development Strategy Abstract – Hagåtña Projects



Hermina Certeza <hermina.certeza@senatorbjcruz.com>

RE: Bill No. 15-34 Testimony Supplemental documents

Hermina Certeza <hermina.certeza@senatorbjcruz.com>

Fri, Mar 17, 2017 at 9:37 AM

To: "joseph.santos@hrra.guam.gov" <joseph.santos@hrra.guam.gov>

Cc: Sarah Elmore <sarah.elmore@senatorbjcruz.com>, Edward Pocaigue <epocaigue@senatorbjcruz.com>

Hafa Adai Mr. Santos:

I would like to followup on the documents stated on HRRRA's Testimony on Bill 15-34 to be submitted to the Committee on Appropriations and Adjudication. Documents can be sent electronically to senator@senatorbjcruz.com or DropBox hermina.certeza@senatorbjcruz.com

Documents to be submitted as stated: .

- The Executive Branch FY1995 Government of Guam Office Space Lease Analysis Study
- The Guam Preservation Trust's 2015 Palacio Reconstruction and Site Feasibility Study
- The OPA's 2005 and 2017 Update Analysis of Government of Guam Leases Report 17-02
- Guam Comprehensive Economic Development Strategy Abstract - Hagatna Projects

Please confirm receipt of this email. Thank You!

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*Si Yu'os ma'åse'***Hermina R. B. Certeza****THE OFFICE OF SPEAKER BENJAMIN J.F. CRUZ**

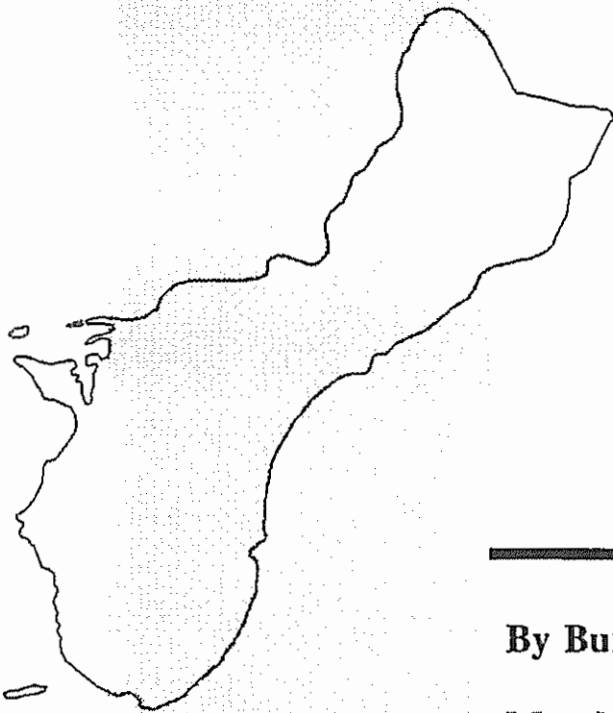
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*Executive Branch
Fiscal Year 1995
Office Space Lease Analysis*



Bureau of Planning

By Bureau of Planning

March 1995

**Executive Branch
Office Space Lease Analysis**

Fiscal Year 1995

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**Executive Branch
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Executive Summary

In the late 1950's the Government of Guam consisted of fourteen departments and agencies within the Executive Branch. The staff and size of these agencies were small, making it possible to house all these agencies in the Administration Building. All departments and agencies were centrally located for the convenience of the general public.

Since then, however, the Government of Guam has expanded adding more than thirty-eight (38) new agencies and departments, making it necessary for the government to construct new buildings and lease private office space to adequately meet the demands of the general public as well as to sufficiently accommodate its staff.

Today, there are thirty-five (35) nonautonomous and autonomous agencies within the Executive Branch that are leasing 460,557.00 square feet of office space.

The data presented in this analysis was derived from an annual fiscal year office space survey instrument. The survey instruments are distributed to and collected from each agencies within the Executive Branch every year. The data and information from the survey instrument was compiled and used to develop the Executive Branch Fiscal Year 1995 Office Space analysis.

**Executive Branch
Office Space Lease Analysis
Fiscal Year 1995**

**Executive Branch
Office Space Lease Analysis**

Fiscal Year 1995

In Fiscal Year 1995, thirty-one (31) Executive Branch entities leased office space. Of those entities leasing space, twenty-six (26) were nonautonomous agencies and five (5) were autonomous agencies. During Fiscal Year 1995, the Executive Branch leased a total of 460,557 square feet of office space, a four (4) percent increase over Fiscal Year 1994. Table 1 shows the total amount of office space leased by the Executive Branch from Fiscal Year 1993 through Fiscal Year 1995.

Table 1 Leased Executive Branch Office Space: Fiscal Years 1993-1995

AGENCY TYPE	AMOUNT OF SPACE LEASED BY FISCAL YEAR			PERCENT CHANGE BY FISCAL YEAR		
	1993	1994	1995	1993	1994	1995
Nonautonomous	196,084.25	231,264.25	280,587.65	BASE	18%	21%
Autonomous	246,828.50	213,015.00	179,969.35	BASE	-13%	-16%
Total	442,912.75	444,279.25	460,557.00	BASE	.3%	4%

This increase in office space usage can primarily be attributed to the increase in office space usage by nonautonomous agencies. Table 2 shows those Executive Branch entities leasing new office space in Fiscal Year 1995.

**Table 2 Executive Branch Entities Leasing New Office Space:
Fiscal Year 1995**

EXECUTIVE BRANCH AGENCIES LEASING NEW OFFICE SPACE			
AGENCY	TOTAL SQ. FT.	OFFICE USAGE	NOTE
Retirement Fund	7,438	Office Use	Retirement Fund Building was damaged by fire in 1994; Retirement Fund and CAHA relocated.
Department of Revenue and Taxation	4,132	Storage Use	Leasing storage space in two commercial warehouses in different locations.
Department of Land Management	1,200	Office Use	Acquired additional office space.
Department of Education	26,000	Office Use	<ul style="list-style-type: none"> • No longer leasing warehouse space in Agat. • The conversion of Chief Brodie Memorial to an elementary school resulted in the relocation of the Special Education Division.
Customs and Quarantine	4,194	Office Use	Customs and Quarantine, a newly created line agency, separated from the Department of Commerce.
Public Auditor	1,152	Office Use	A new independent agency created under the Executive Branch.
Guam Power Authority	20,100	Office Use	Leasing two new offices for its Planning Division and Management Division; and is leasing additional office space for its Engineering Division.

Nonautonomous Agencies:

Twenty-six (26) nonautonomous agencies leased a total of 280,587.65 square feet of office space in Fiscal Year 1995. This is an increase of twenty-one (21) percent over Fiscal Year 1994. This increase is attributed to:

- The relocation of the Department of Education's Special Education Division from Chief Brodie Memorial School to enable the creation of a new school;
- The relocation of the Retirement Fund from their building due to fire damage;
- The separation of Customs and Quarantine from the Department of Commerce and the creation of a new agency;
- The Department of Land Management leasing additional office space;
- The Department of Revenue and Taxation leasing two additional office space areas for storage; and
- The creation of the Public Auditor.

Autonomous Agencies:

Five (5) autonomous agencies leased a total of 179,969.35 square feet of office space, a decrease of sixteen (16) percent from Fiscal Year 1994. This decrease is attributed to:

- The Guam Visitor Bureau moving into their new building and no longer leasing 5,432 square feet of office space; and
- The Guam Power Authority moving into their new warehouse building and no longer leasing 50,000 square feet of warehouse space.

While overall there was a decrease in the total square footage of office space leased by autonomous agencies, the Guam Power Authority acquired an additional 20,100 square feet of office space. (See Table 2.)

Office Space Lease Expenditures:

In Fiscal Year 1995, the Executive Branch expended \$7,458,836.66 on office space rental, an increase of twenty-seven (27) percent over Fiscal Year 1994. Of the \$7,458,836.66 expended on office space rental, \$5,882,826.50 or (79) percent was expended by nonautonomous agencies, and \$1,576,010.16 or (21) percent was expended by autonomous agencies. Federal cost represented nine (9) percent or \$677,223.72 of the total lease expenditure; and local cost represented ninety-one (91) percent or \$6,763,378.94 of the total lease expenditure. Table 3

shows the Government of Guam's Fiscal Year 1993 through Fiscal Year 1995 expenditures for leased office space.

Table 3 Executive Branch Office Lease Expenditures: Fiscal Years 1993 - 1995

AGENCY TYPE	OFFICE SPACE EXPENDITURE BY FISCAL YEAR			PERCENT CHANGE BY FISCAL YEAR		
	1993	1994	1995	1993	1994	1995
Nonautonomous	\$3,679,378.82	\$4,457,493.16	\$5,882,826.50	BASE	21%	32%
Autonomous	\$1,249,468.80	\$1,406,755.91	\$1,576,010.16	BASE	13%	12%
Total	\$4,928,847.62	\$5,864,249.07	\$7,458,836.66	BASE	11%	27%

Fiscal Year 1995 expenditures by nonautonomous agencies for leased office space increased thirty-two (32) percent over Fiscal Year 1994 expenditures. Expenditures by autonomous agencies increased twelve (12) percent for the same period. GPA is the cause for the expenditure increase by autonomous agencies. Nonautonomous agencies paid an average cost of \$1.97 per square foot for leased office space; while, autonomous agencies paid an average cost of \$1.54 per square foot.

It is important to note that for most entities leasing office space, costs such as utilities, maintenance, janitorial, security, insurance, commercial sanitation services and common area charges are factored into the cost per square foot and cannot be isolated. Because these costs are built into the charges, the true cost of leasing office space cannot be determined.

**Executive Branch
Office Space Lease Analysis Update
Expiration Date**

Fiscal Year 1995

**Executive Branch
Office Space Lease Analysis Update
Expiration Date**

Fiscal Year 1995

NONAUTONOMOUS AGENCIES

There are twenty-six nonautonomous agencies leasing office space under thirty four separate leases. Department of Land Management leases two office spaces, Retirement Fund leases two office spaces, Department of Law leases three office spaces and Department of Revenue and Taxation leases five office spaces.

Expiration Dates of 1995 Leases:

- Five agencies have month-to-month leases.
 - Bureau of Planning - Compact Impact
 - Chamorro Language Commission
 - Guam Energy Office
 - Department of Revenue and Taxation
 - Public Auditor
- Two leases expire on March 31, 1995.
 - Guam Environmental Protection Agency
 - Vocational Rehabilitation
- Department of Education's lease expires on July 31, 1995.
- Retirement Fund's leases expire on August 31, 1995.
- Department of Land Management's leases expires on September 30, 1995 and September 30, 1996.
- Fourteen agencies have leases that expire on September 30, 1995.
 - Bureau of Planning - Territorial Planning Council
 - Agency for Human Resources and Development
 - Civil Service Commission
 - Department of Commerce
 - Department of Customs and Quarantine
 - Department of Law
 - Department of Land Management
 - Department of Labor
 - DPHSS

- Election Commission
- Guam Energy Office
- Passport Office
- Guam Health Planning and Development Agency
- Department of Revenue and Taxation

- Department of Law's lease expires on October 10, 1995.
- Department of Revenue and Taxation's lease expires on October 31, 1995.

Expiration Dates of 1996 - 1999 Leases:

- Department of Parks and Recreation's lease expires on February 29, 1996.
- Department of Revenue and Taxation's lease expires on August 11, 1996.
- Department of Revenue and Taxation's lease expires on August 14, 1996.
- Public Defender Corporation's lease expires on August 31, 1996.
- Two agencies' leases expire on September 30, 1996.
 - Department of Law
 - Guam Police Department
- Guam Fire Department's lease expires on May 30, 1999.

Cancellation or Early Termination Clause:

AHRD

- Fujita Property Guam, Inc.

Tenant needs to provide a sixty (60) day written notification to the landlord prior to the expiration of the lease to renew or terminate the lease contract.

Department of Commerce

- Fujita Property Guam, Inc.

Renewal of lease is subject to the approval of the Department of Commerce budget appropriation through law.

Renewal of lease will be negotiated thirty (30) days before the Fiscal Year 1996 budget preparations.

Customs and Quarantine

- Fujita Property Guam, Inc.

Tenant needs to provide a ninety (90) day written notification to the landlord prior to the expiration of the lease to renew or terminate the lease contract.

Department of Labor

- Fujita Property Guam, Inc.

Renewal of lease is subject to availability of funds.

Tenant needs to provide a sixty (60) day written notification to the landlord prior to the expiration of the lease to renew or terminate the lease contract.

Department of Law

- Superior Court of Guam

Tenant has the right to terminate this lease at any time by giving at least ninety (90) days notice in writing to LESSOR and no rental shall accrue after the effective date of termination.

- Chang Ku Lee, dba: New Snack Town Restaurant

In accordance with 5 GSC Section 22401, Government Code, and Executive Order 87-2, this Lease is at all times subject to appropriation and availability of government funds.

A written notice of cancellation will be provided to landlord, however, the number of days is not given.

- Okada International Corporation

Tenant needs to provide a six (6) months written notification to the landlord prior to the expiration of the lease to renew or terminate the lease contract.

In accordance with Section 6118, Government Code, and Executive Order 87-2, this Lease is at all times subject to appropriation and availability of government funds.

Guam Health Planning and Development Agency

- Unity Development Corporation

Either tenant or owner may terminate this lease at any time by giving notice to the other party at least thirty days in advance of termination.

GEPA

- IT&E Overseas, Inc.

Sixty Day extension on Lease Agreement, Lease terminates on March 31, 1995.

Department of VOCREHAB

- IT&E Overseas, Inc.

Tenant needs to provide a thirty (30) day written notice to the landlord to terminate the lease agreement. Lease terminates on March 31, 1995.

Department of Education

- James Ji Enterprises, Inc.

Tenant needs to provide a sixty (60) day written notification to the landlord prior to the expiration of the lease to renew or terminate the lease contract. DOE leases expires July 31, 1995, however they have the option to renew their lease for an additional four (4) years. It is unknown if they have renewed their lease agreement with James Ji Enterprises, Inc.

In accordance with Section 6118, Government Code, and Executive Order 87-2, this Lease is at all times subject to appropriation and availability of government funds.

Guam Passport Office

- James Ji Building

Tenant needs to provide a thirty (30) day written notification to the landlord prior to the expiration of the lease to renew or terminate the lease contract.

In accordance with Section 6118, Government Code, and Executive Order 87-2, this Lease is at all times subject to appropriation and availability of government funds.

Guam Council on the Arts and Humanities Agency

- Guam Capital Investment Corporation

Option to renew is subject to the availability of funds.

Guam Election Commission

- Guam Capital Investment Corporation

Did not see any option to renew cited in lease contract.

Public Defender Service Corporation

- Superior Court of Guam

Tenant has the right to terminate this lease at any time by giving at least ninety (90) days notice in writing to LESSOR and no rental shall accrue after the effective date of termination.

Department of Parks and Recreation

- Jones & Guerrero Company, Inc.

Tenant needs to provide a written notification to the landlord during the three (3) month period commencing six (6) months before the expiration of the original lease to renew or terminate the lease.

Department of Revenue and Taxation

- A.B.C. Storage, Inc

Tenant needs to provide a thirty (30) day notice to the landlord prior to expiration of lease contract to renew or terminate the lease contract.

- Harmon Public Storage

Month to month lease agreement

- Marciano V. Pangelinan

Should tenant be unable to meet its obligations hereunder due to the unavailability of government funds then either party may terminate this lease upon fifteen (15) days written notice to the party.

In accordance with Section 6118, Government Code, and Executive Order 87-2, this Lease is at all times subject to appropriation and availability of government funds.

- Herbert S. Fukuda and Yoko T. Fukuda

Tenant needs to provide a ninety (90) day written notification to the landlord prior to the expiration of the lease to renew or terminate the lease contract.

Should tenant be unable to meet its obligations hereunder due to the unavailability of government funds then either party may terminate this lease upon fifteen (15) days written notice to the party.

In accordance with Section 6118, Government Code, and Executive Order 87-2, this Lease is at all times subject to appropriation and availability of government funds.

- Calvo Commercial Center

Tenant needs to provide a ninety (90) day written notification to the landlord prior to the expiration of the lease to renew or terminate the lease contract.

Should tenant be unable to meet its obligations hereunder due to the unavailability of government funds then either party may terminate this lease upon fifteen (15) days written notice to the party.

In accordance with Section 6118, Government Code, and Executive Order 87-2, this Lease is at all times subject to appropriation and availability of government funds.

Territorial Planning Council

- Radhi P. Hemlani

Tenant needs to provide a sixty (60) day written notification to the landlord prior to the expiration of the lease to renew or terminate the lease contract.

Renewal of lease is subject to the availability of funds.

Chamorro Language Commission

- Bank of Guam

Month to month lease agreement

Department of Land Management

- Calvo Enterprises, Inc.

Should tenant be unable to meet its obligations hereunder due to the unavailability of government funds then either party may terminate this lease upon fifteen (15) days written notice to the party.

In accordance with Section 6118, Government Code, and Executive Order 87-2, this Lease is at all times subject to appropriation and availability of government funds.

- Radhi P. Hemlani

Tenant needs to provide a thirty (30) day written notification to the landlord prior to the expiration of the lease to renew or terminate the lease contract.

Should tenant be unable to meet its obligations hereunder due to the unavailability of government funds then either party may terminate this lease upon fifteen (15) days written notice to the party.

In accordance with Section 6118, Government Code, and Executive Order 87-2, this Lease is at all times subject to appropriation and availability of government funds.

Department of Public Health and Social Services

- Edward and Shirley Terlaje

A written notification needs to be provided to the tenant to renew or terminate the lease. Number of days notification is not indicated.

Renewal of lease is subject to availability of funds.

Guam Retirement Fund

- ASPAC Finance Company

Tenant needs to provide a ninety (90) day written notification to the landlord prior to the expiration of the lease to renew the lease on a month to month basis or to terminate the lease contract.

Guam Energy Office

- James Ji Enterprises, Inc.

Month to month lease contract.

Civil Service Commission

- Unity Development Corporation

Renewal of lease is subject to availability of funds; contract will automatically expire at the end of the existing Fiscal Year, and with no further liability to the Government.

Tenant needs to provide a sixty (60) day written notification to the landlord prior to the expiration of the lease to renew or terminate the lease contract.

Compact Impact Information & Education

- University of Guam

Month to month lease contract.

Guam Fire Department

- Pacific Sunny Development, Corp.

Tenant needs to provide a ninety (90) day written notification to the landlord prior to the expiration of the lease to renew or terminate the lease contract.

Should tenant be unable to meet its obligations hereunder due to the unavailability of government funds then either party may terminate this lease upon fifteen (15) days written notice to the party.

In accordance with Section 6118, Government Code, and Executive Order 87-2, this Lease is at all times subject to appropriation and availability of government funds.

Guam Police Department

- Maria T. Martinez Trust

Should tenant be unable to meet its obligations hereunder due to the unavailability of government funds then either party may terminate this lease upon ten (10) days written notice to the party.

In accordance with Section 6118, Government Code, and Executive Order 87-2, this Lease is at all times subject to appropriation and availability of government funds.

Public Auditor

- Guam Capital Investment Corporation

Month to month lease agreement.

AUTONOMOUS AGENCIES

There are five autonomous agencies leasing office space. Guam Telephone Authority leases two office spaces, Guam Community College leases two office spaces for class rooms, and Guam Power Authority leases eight office spaces.

Expiration of Leases:

- GPA has eight leases that have different expiration dates. The expiration dates are as follows:
 - Month-to-Month Lease
 - February 28, 1995
 - March 31, 1996
 - May 15, 1996
 - Two leases expire on April 14, 1997
 - June 30, 1997
 - October 31, 2001
- Guam Housing Corporation's lease expires in September 30, 1995.
- Guam Community College's leases expire on September 30, 1995.
- GTA's lease expires on March 31, 1995.
- Guam Economic Development Authority's lease expires on June 14, 1997.
- GTA's lease expires on June 19, 1997.

Cancellation or Early Termination Clause:

It should be noted that of the nine (9) leases, two (2) leases have a termination clause in their lease, and seven (7) leases have to provide a 60-90 written notification to the landlord prior to the expiration of the lease to renew or terminate the lease contract. In addition to the nine (9) leases, none of the leases cited Section 6118, Government Code, and Executive Order 87-2, all leases are at all times subject to the appropriation and availability of government funds.

GEDA:

- Tenant needs to provide a ninety (90) day written notification to the landlord prior to the expiration of the lease to renew or terminate the lease contract. However, should tenant fail to provide proper notification to the landlord and tenant terminates the lease, the tenant is still obligated to pay the full cost of the lease until the expiration date.

GHC:

- Tenant needs to provide a written notification to the landlord at least sixty (60) days prior to the expiration of the lease to renew or terminate the lease contract.

GTA:

- Fletcher Pacific Construction Co

Tenant needs to provide a sixty (60) day notice to the landlord prior to expiration of lease contract to renew or terminate the lease contract.

- Guam Sasaki Corporation

Tenant needs to provide a ninety (90) day notice to the landlord prior to the expiration of the lease to renew or terminate the lease contract.

GPA:

- GEDA

Tenant needs to provide a ninety (90) day written notification to the landlord prior to the expiration of the lease to renew or terminate the lease contract.

- Calvo Enterprises, Inc.

Tenant shall have the right to terminate this Lease during any of the extended period upon providing Landlord with not less than five (5) months advance written notice.

- Pacific Sunny Development, Inc.

Tenant shall have the right to terminate this Lease on service of six (6) months notice in writing to the Landlord.

- George M. Gabriel

Tenant needs to provide a ninety (90) day written notification to the landlord prior to the expirations of the lease to renew or terminate the lease contract.

The tenant may without the landlord's consent sell, assign and transfer this Lease Agreement or sublease all or any part of the leases property.

If the tenant shall remain in possession after the expiration of the term of this Lease Agreement or any renewal or extension thereof, the Tenant shall be a tenant at will on a month-to-month basis and there shall be no renewal of this Lease Agreement by operation of law.

- Joint Venture

Tenant needs to provide a ninety (90) days written notification to the landlord prior to the expiration of the lease to renew or terminate the lease contract.

- Liberty Development Corporation

Tenant needs to provide a sixty (60) days written notification to the landlord prior to the expiration of the lease to renew or terminate the lease contract.

- Hubert Pacific Development Corporation

One lease is on a month to month lease contract.

GCC:

- Tenant needs to provide a sixty (60) day written notification to the landlord prior to the expirations of the lease to renew or terminate the lease contract.

GOVERNMENT OF GUAM
EXECUTIVE BRANCH
FISCAL YEAR 1995 OFFICE LEASE INFORMATION

AGENCY	TYPE	REVENUE	BLDGNAME	VILLAGE	TOTAL SQ FT	COST SQ FT	LEASE COST	LOCAL AMOUNT	FEDERAL AMOUNT	LEASE TERM	LEASE START DATE	LEASE EXPIRATION DATE	OFFICE USE	OTHER USE	NOFTE
BOP-TPC	STAFF	N	REFLECTION CENTER	AGANA	1,200.00	3.00	43,200.00	43,200.00	0.00	YEARLY	01-Oct-94	30-Sep-95	Y		4
11 BOP-COMPACT IMPACT	STAFF	N	UOG DEAN CIRCLE	MANGILAO	1,050.00	0.95	12,000.00	0.00	12,000.00	MONTHLY			Y	MEETING RM	3
AHRD	LINE	N	GITC	TAMUNING	6,545.00	1.50	117,810.00	0.00	117,810.00	YEARLY	01-Oct-94	30-Sep-95	Y	CLASSROOM	33
CIVIL SERVICE	LINE	N	CENTURY PLAZA	TAMUNING	4,709.00	1.50	84,762.00	84,762.00	0.00	YEARLY	01-Oct-94	30-Sep-95	Y		20
DEPT OF COMMERCE	LINE	N	GITC BLDG	TAMUNING	6,878.00	1.60	156,818.40	156,818.40	0.00	YEARLY	01-Oct-94	30-Sep-95	Y		46
CHAMORRO LANGUAGE	LINE	Y	BANK OF GUAM	AGANA	2,063.40	2.20	66,821.76	66,821.76	0.00	MONTHLY			Y	CLASSROOM	3
CUSTOMS & QUARANTIN	LINE	N	ITC	TAMUNING	4,194.00	1.50	75,492.00	76,000.00	0.00	YEARLY	01-Dec-94	30-Sep-95	Y		20
21 DEPT OF LAW	LINE	N	JUDICIAL BUILDING	AGANA	14,355.00	2.85	490,776.36	490,776.36	0.00	5 YEARS	01-Aug-91	30-Sep-96	Y		92
DEPT OF LAW	LINE	N	PDN BLDG	AGANA	10,500.00	2.53	319,208.80	121,299.76	197,909.04	5 YEARS	01-Oct-90	30-Sep-95	Y		64
DEPT OF LAW	LINE	N	NEW SNACK TOWN REST.	AGANA	548.00	2.46	16,117.92	16,117.92	0.00	YEARLY	10-Oct-94	10-Oct-95	N	BOOKS	0
DEPT OF PARKS & REC	LINE	Y	J&G WAREHOUSE	MAITE	10,600.00	1.25	150,000.00	150,000.00	0.00	3 YEARS	01-Mar-93	29-Feb-96	N	MAINTENANCE	60
DOE	LINE	N	JAMES JI BLDG	MAITE	26,000.00	1.49	464,880.00	464,880.00	1/	YEARLY	01-Aug-94	31-Jul-95	Y		360
DLM	LINE	N	MARKET WHOLESAL	MAITE	7,200.00	1.38	213,017.28	213,017.28	0.00	YEARLY	26-Nov-90	30-Sep-96	Y		27
DLM	LINE	N	REFLECTION CENTER	AGANA	1,200.00	3.00	43,200.00	43,200.00	0.00	YEARLY	01-Apr-94	30-Sep-95	Y		9
DOL	LINE	N	GITC BUILDING	TAMUNING	38,117.00	1.98	436,572.18	406,596.18	29,976.00	YEARLY	01-Oct-94	30-Sep-95	Y		99
DPHSS	LINE	N	UNION BANK BLDG	AGANA	12,300.00	2.25	332,100.00	268,377.12	63,722.88	YEARLY	01-Oct-94	30-Sep-95	Y		89
ELECTION COMMISSION	LINE	N	GCIC	AGANA	2,252.25	2.06	57,410.00	57,410.00	0.00	2 YEARS	01-Oct-94	31-Oct-94	Y		8
ELECTION COMMISSION	LINE	N	GCIC	AGANA	0.00	2.13					01-Nov-94	30-Sep-95			0
GUAM ENERGY OFFICE	LINE	N	JAMES JI BLDG	MAITE	3,000.00	1.87	67,200.00	0.00	67,200.00	MONTHLY	01-Jan-94	30-Sep-95	Y		8
GEPA	LINE	N	IT&E HARMON PLAZA	HARMON	9,768.00	1.57	163,936.00	101,180.00	82,783.00	5 YEARS	01-Feb-90	31-Mar-95	Y	LABORATORY	45
PASSPORT OFFICE	LINE	N	JAMES JI BLDG	MAITE	1,000.00	2.00	24,000.00	22,118.00	0.00	YEARLY	01-Oct-94	30-Sep-95	Y		6

SOURCE: BUREAU OF PLANNING, MARCH 1995

GOVERNMENT OF GUAM
EXECUTIVE BRANCH
FISCAL YEAR 1995 OFFICE LEASE INFORMATION

AGENCY	TYPE	REVENUE	BLDGNAME	VILLAGE	TOTAL SQ FT	COST SQ FT	LEASE COST	LOCAL AMOUNT	FEDERAL AMOUNT	LEASE TERM	LEASE START DATE	LEASE EXPIRATION DATE	OFFICE USE	OTHER USE	NOFTE
GCAHA	LINE	N	GCIC	AGANA	1,400.00	2.80	48,400.00	28,480.00	0.00	7 MONTHS	01-Oct-94	30-Apr-94	Y	GALLERY	10
GHPDA	LINE	N	CENTURY PLAZA	TAMUNING	1,245.00	1.65	24,651.00	24,651.00	0.00	YEARLY	01-Oct-94	30-Sep-95	Y		6
GPD	LINE	N	PEDRO'S PLAZA	AGANA	43,050.00	1.57	660,000.00	660,000.00	0.00	3 YEARS	01-Oct-94	30-Sep-96	Y		227
GFD	LINE	N	SUNNY PLAZA	TAMUNING	7,200.00	1.85	159,840.00	159,840.00	0.00	5 YEARS	01-May-94	30-May-99	Y		32
REV & TAX	LINE	Y	INT'L GIFT CENTER	TAMUNING	16,000.00	2.00	384,000.00	384,000.00	0.00	3 YEARS	12-Aug-93	11-Aug-95	Y		108
REV & TAX	LINE	Y	SINAJ SHOPPING MALL	SINAJANA	9,138.00	3.03	344,309.40	344,309.40	0.00	3 YEARS	15-Aug-93	14-Aug-96	Y		60
REV & TAX	LINE	Y	CALVO COMMERCIAL CTR	HARMON	13,585.00	2.34	385,288.00	385,288.00	0.00	3 YEARS	01-Nov-92	31-Oct-95	Y		60
REV & TAX	LINE	Y	ABC STORAGE INC	TAMUNING	3,132.00	1.33	49,841.04	49,814.04	0.00	YEARLY	01-Oct-94	30-Sep-95	N	WAREHOUSE	0
REV & TAX	LINE	Y	HARMON PUB STORAGE	HARMON	1,000.00	0.90	10,800.00	10,800.00	0.00	MONTHLY			N	WAREHOUSE	0
RETIREMENT FUND	LINE	N	ASPAC IND PARK	HARMON	3,838.00	1.00	46,056.00	46,056.00	0.00	YEARLY	01-Sep-94	31-Aug-95	Y		24
RETIRMENT FUND	LINE	N	ASPAC IND PARK	HARMON	3,600.00	1.00	43,200.00	43,200.00	0.00	YEARLY	01-Sep-94	31-Aug-95	Y		19
VOCREHAB	LINE	N	IT&E HARMON PLAZA	HARMON	5,600.00	2.00	134,400.00	28,627.20	105,772.80	18 MONTHS	01-Oct-93	31-Mar-95	Y		32
PUBLIC AUDITOR	EXEC-IND	N	GCIC BLDG	AGANA	1,152.00	1.61	22,266.36	22,266.36	0.00	MONTHLY			Y		12
3\ PUBLIC DEFENDER	JUDICIAL	Y	JUDICIAL CTR ANNEX	AGANA	7,770.00	2.30	214,452.00	214,452.00	0.00	5 YEARS	31-Aug-92	31-Aug-95	Y		44
GCC	AUTONOMOUS	Y	CHILD DEV. CENTER-A	MANGILAO	1,320.00	0.91	14,400.00	14,400.00	0.00	YEARLY	01-Oct-94	30-Sep-95	N	CLASSROOM	8
GCC	AUTONOMOUS	Y	CHILD DEV. CENTER-B	MANGILAO	1,650.00	0.72	14,400.00	14,400.00	0.00	YEARLY	01-Oct-94	30-Sep-95	N	CLASSROOM	4
GEDA	AUTONOMOUS	Y	ITC BUILDING	TAMUNING	6,105.00	1.60	117,216.00	117,216.00	0.00	3 YEARS	15-Jun-94	14-Jun-97	Y		25
GHC	AUTONOMOUS	Y	CENTURY PLAZA	TAMUNING	8,738.60	1.65	173,024.00	173,024.00	0.00	YEARLY	01-Oct-94	30-Sep-95	Y		43
GPA-CUSTOMER SVC	AUTONOMOUS	Y	GABRIEL BLDG	AGANA	15,750.00	0.63	119,098.36	119,098.36	0.00	10 YRS	15-May-88	15-May-98	Y		85
GPA-TRANSPORTATION	AUTONOMOUS	Y	E.T. CALVO MEMORIAL	TAMUNING	93,368.00	0.01	12,000.00	12,000.00	0.00	12 YRS	01-Nov-89	31-Oct-01	Y	SHOP/YARD	17
GPA-ENG/PROCURE	AUTONOMOUS	Y	IT&E	HARMON	15,600.00	1.69	316,801.80	316,801.80	0.00	MONTHLY			Y		97

SOURCE: BUREAU OF PLANNING, MARCH 1995

GOVERNMENT OF GUAM
EXECUTIVE BRANCH
FISCAL YEAR 1995 OFFICE LEASE INFORMATION

AGENCY	TYPE	REVENUE	BLDGNAME	VILLAGE	TOTAL SQ FT	COST SQ FT	LEASE COST	LOCAL AMOUNT	FEDERAL AMOUNT	LEASE TERM	LEASE START DATE	LEASE EXPIRATION DATE	OFFICE USE	OTHER USE	NOFTE
GPA-CUSTOMER SVC	AUTONOMOUS	Y	ATLANTICA BLDG	UPPER TUMON	1,300.00	2.12	33,000.00	33,000.00	0.00	6 MONTH	01-Apr-91	28-Feb-95	Y		8
GPA-CUSTOMER SVC	AUTONOMOUS	Y	LIBERTY ARCADE	UPPER TUMON	1,400.00	1.49	36,060.00	39,960.00	0.00	4 YEARS	15-Mar-92	31-Mar-96	Y		23
GPA-PLANNING & REG	AUTONOMOUS	Y	1ST SAVINGS & LOAN	TAMUNING	2,800.00	2.75	92,400.00	92,400.00	0.00	3 YEARS	01-Jul-94	30-Jun-97	Y		12
GPA-MGMT OFFICES	AUTONOMOUS	Y	SUNNY PLAZA	TAMUNING	9,500.00	1.95					15-Apr-94	14-Apr-97	Y		34
GPA-MGMT OFFICES	AUTONOMOUS	Y	SUNNY PLAZA	TAMUNING	6,000.00	2.25	319,500.00	319,500.00	0.00	3 YEARS	15-Apr-94	14-Apr-97	Y		24
GTA	AUTONOMOUS	Y	JULALE SHOPPING CTR	AGANA	5,937.75	2.49	164,010.00	164,010.00	0.00	3 YEARS	20-Jun-94	19-Jun-97	Y		7
GTA	AUTONOMOUS	Y	CW WAREHOUSE	HARMON	10,500.00	1.30	163,200.00	163,200.00	0.00	YEARLY	01-Apr-94	31-Mar-95	N	WAREHOUSE	11
NON AUTONOMOUS:					280,587.65		\$5,882,826.50	\$5,184,368.78	\$677,223.72						
AUTONOMOUS:					179,969.35		\$1,576,010.16	\$1,579,010.16	\$0.00						
TOTAL:					460,557.00		\$7,458,836.66	\$6,763,378.94	\$677,223.72						

Notes:

- 1/ LEASING SPACE IN A GOVERNMENT OF GUAM OWNED BUILDING - UNIVERSITY OF GUAM
- 2/ LEASING SPACE IN GOVERNMENT OF GUAM OWNED BUILDING - SUPERIOR COURT
- 3/ LEASING SPACE IN A GOVERNMENT OF GUAM OWNED BUILDING - JUDICIAL CENTER ANNEX
- 4/ DOE. One year lease contract with option to renew for an addition four years; Should tenant desire to exercise an option period then tenant shall written notice to landlord a minimum of 60 days prior to expiration of preceding lease.



PALACIO RECONSTRUCTION AND SITE FEASIBILITY STUDY

**FINAL SUBMITTAL
JUNE 1, 2015**

**GUAM
INANGOKKON
PRESERVATION
INADAHI GUAHAN
TRUST**

**SUBMITTED BY:
ARCHITECTS LAGUANA, LLC
446 EAST MARINE CORPS DRIVE
SUITE 200
HAGATNA, GUAM 96910**

ARCHITECTS LAGUAÑA, LLC

ARCHITECTURE • PLANNING • INTERIORS

June 1, 2015

Mr. Joseph E. Quinata, Chief Program Officer
Guam Preservation Trust
167 Padre Palomo Street
Hagatña, Guam 96910

Re: **FINAL SUBMITTAL**
Palacio Reconstruction and Site Feasibility Study

Dear Mr. Quinata,

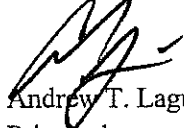
Hafa Adai! We are pleased to submit the final package for the Palacio Reconstruction and Site Feasibility Study.

This submittal is a result of several collaborative discussions we have had with the Guam Preservation Trust and the exploration of countless opportunities and ideas surrounding the Palacio. It addresses the many issues and concerns surrounding the reconstruction of the Palacio and the development of its environs. While not exhaustive, the study will serve as a sound guide to the immediate next step of bringing the Palacio back to life through its reconstruction.

We have addressed the most critical issues related to the Palacio, from the construction of the Palacio itself and its potential uses, to the planning of the areas surrounding the Palacio, rough-order-of-magnitude costs, and exploration of funding and financing options.

We would like to take this opportunity to thank the Guam Preservation trust and its committee for allowing us to be a part of the planning for this important project.

Thank you and Si Yu'os ma'ase,



Andrew T. Laguaña, FAIA
Principal

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HISTORY:

The village of Hagåtña, the principal village of our island, has always been the seat of government. Formerly known as Agana, our capital city was the seat of the Spanish government during the colonial Spanish days up until 1898.

After the Spanish-American War when the United States acquired Guam, Hagåtña then became the seat of the American Naval government. During World War II, it was the headquarters for the Japanese administration. After the war, control of Hagåtña reverted back to the US Naval government.

Through these various periods of occupancy Hagåtña was the center of government, commerce, and trade.

As our capital city today, however, Hagåtña has not been the seat of our local government for a number of decades now. The governor's office is located in Adelup and the legislature is located outside of the Capitol District. Most if not all of the Government of Guam's agencies are spread out in leased spaces outside of Hagåtña. To be truly a capital city and a capitol district, efforts are now being made by the Guam Preservation Trust along with the Hagåtña Restoration and Redevelopment Authority to revitalize, preserve, and protect the heritage and economic vitality of our city.

In pursuit of those efforts, following the renovation and restoration of the legislature, the reconstruction of the Palacio will be another major step towards bringing back the seat of power and the agencies/departments critical to central government operations and commerce to their rightful place in the Capitol District.

PURPOSE:

The purpose of the study is to determine the feasibility of reconstructing the pre-Spanish-American War period Palacio Building. Preliminary drawings of the building have been prepared. For purposes of future development, the remaining grounds within the Plaza De Espana and Palacio block are included in the study to determine office space density potentials as a government center.

Although cultural and tourism related uses should be considered, the space densities proposed cannot be comfortably accommodated. The amount of space available in one of the denser options proposed can barely accommodate those agencies that should probably be located in the district.

Alternatively, ground floor space should be made available for small commercial uses such as restaurants, convenience stores, coffee shops that would greatly benefit both the workers and the tourists that will be visiting the district.

PALACIO:

It is recommended that the reconstructed Palacio building be used as the offices of the Governor, the Lieutenant Governor and their immediate staff.

The new structure as proposed will be a structurally hardened concrete envelope to withstand typhoon strength winds. Architectural features such as window and door frames, exterior balusters and other architectural details will maintain the look and construction of the original Palacio. All will be of solid hard woods.

Interior finishes such as walls, ceilings, and floors will again be of the same period wood finishes.

In short, as much as possible, wood finishes will be utilized where practical for Guam's climate and environment.

An elevator for ADA access to the second floor will be provided.

All electrical systems and communication lines will be modern and code compliant.

New toilets to accommodate the staff and public will be included. Air conditioning systems will be integrated with the architectural style and original aesthetics of the Palacio, combining central ducted cooling units for conditioned outside ventilation air, and individual cooling units in each room for comfort cooling and temperature control. The individual units will be concealed in ceiling spaces or walls so as not to conflict with the architectural features or interior finishes. The use of natural ventilation, shading, ceiling fans, and other sustainable design features should also be integrated into the architectural design for use when appropriate conditions allow.

A fire sprinkler system is not required by code, but should be highly considered for the protection of all the wood finishes that will be utilized within the Palacio's interiors.

Although geological reports have not been done at this point in time, pile foundations may not be required as they are required at the nearby Museum. The entire envelope structure will be of current and conventional construction methods of cast in place concrete. The floor of the second level will be of wooden flooring and framing.

Exterior walls and support columns, including outdoor balconies will be of concrete.

Roofs will be clad in period clay tiles with foam insulation underneath. They will be attached to the concrete roofs via high strength adhesives.

Rough order of magnitude for construction costs of the Palacio are as outlined in the later pages of this study.

THE REMAINING PALACIO GROUNDS:

In order to facilitate construction of the Palacio, a portion of the existing DOA building must be demolished as the westernmost footprint of the proposed Palacio structure extends into it. Due consideration must be given as to whether or not to demolish the remaining structure

south of the Palacio building. What remains, if prudent and economically viable for restoration, will provide minimal space for reuse. This study looks at what options there are for future structures within the surrounding area of the Palacio grounds.

In pursuit of the goals of the Trust and of HRRA to develop a capital district other structures are proposed to accommodate government offices and enhancements to the area. It is proposed that the scale of buildings be complementary and harmonious to the Palacio's architecture and to the grounds and landscape of the Plaza de España.

PROPOSED DEVELOPMENT:

With the exception of an option for three stories (Option 4) on the GPD block, buildings proposed are all of two stories. The proposed development assumes that the DOA building will be demolished to make way for the proposed development.

As a goal, the Guam Preservation Trust proposes to replace the 50's design of the DOA building with structures that are more in keeping with the Palacio period architecture of sloped roofs with clay tiles, punched windows with balconies, and railings with covered walkways paved with stone pavers.

Three options explore, delineate, and examine optional locations for new structures, and their integration within the Palacio grounds.

THE OTHER BLOCKS:

In the study, the block currently occupied by the Guam Police Department's detention facility and the DOA's Data Processing Division is included as part of the feasibility and development.

For the project to be as viable as possible, it is proposed that the detention facility must be relocated to develop and enhance the streetscape and building environment conducive to pedestrian-related activities.

With the upcoming construction and opening of both the Guam Museum later this year and the legislature building early next year, Hagåtña will again be teeming with pedestrian life and activity, just as it was when the Palacio was the center of Guam's government in the colonial eras.

To that end, all uses that will further enhance that activity must be explored and accommodated. The detention center facility is an incompatible use for such a setting.

The study proposes to limit the amount of new building footprints within the Palacio block and expand on other available adjacent land.

The only other available block for further development is the post office block.

Plans for that block are as described in the proposed Hagåtña master plan and its development is not included in the study at this time.

AUTOMOBILE ACCESS AND CIRCULATION:

In most state capitals, streets leading to the capital building/district are well defined. They are typically lined with stately trees; some have grassy islands down the middle with sidewalks and plantings.

Access to the Palacio, or Capitol District will be via Aspinall Avenue off of Marine Corps Drive from the north, West O'Brien along the south side off of Route 4 and Chalan Santo Papa from the east, again off of Route 4.

These routes provide several options for access into the district.

To facilitate easy access - ingress, and egress - through the area a thorough and detailed traffic study is recommended to further analyze traffic movements and to determine the need for traffic lights and other forms of directional signage and traffic control devices.

Parking:

All the development options address off-street parking. The number of parking spaces provided is calculated based on an industry standard for office space of 1 parking space for every 250 S.F. of gross floor area. This calculation provides more parking spaces than that of Guam's zoning law requirement.

UTILITIES AND INFRASTRUCTURE:

- Power Power is readily available. It is recommended that all power distribution lines be underground.
- Water Water service, typically low in most areas of the island, is available based on current project information available from the nearby museum project.
- Sewer Sewer is available. With the upgrades made to the Hagåtña Sewer Treatment Plant, there should be adequate capacity to handle the proposed development.
- Storm Water Storm water will continue to be handled primarily with shallow ponding basins within the open landscaped areas of the complex. Any storm runoff that is beyond capacity will be contained in below-grade open, but grated trenches in the surface parking lots. Hagåtña has a municipal storm drainage system in place, which should be used in combination with on-site storm water control and disposal features to maximize the beneficial use of the valuable Palacio grounds.

THE OPTIONS:

Option 1: This option only addresses the reconstruction of the Palacio building. Its 12,000 S.F. of space as recommended is to be occupied by the Governor, Lieutenant Governor and their immediate staff. It is assumed that the DOA building is to be demolished, and temporarily replaced with open space and surface parking. The front area of the Palacio will have a grand entrance drive with parking for guests and visitors. Its park-like setting with trees and shrubs will complement the adjacent Plaza. Proposed layouts for the offices and meeting areas are shown in Exhibits 1 and 2.

***Rough Order of Magnitude Cost:**

Site Development	\$350,000.00
Demolition of DOA	\$550,000.00
Surface Parking A	\$337,000.00
Surface Parking B	\$140,000.00
Palacio Building	\$3,600,000.00
Subtotal	\$4,977,000.00
Soft Costs at 10%	\$497,700.00
Grand Total	\$5,474,700.00

Option 2: This option proposes to add more density to accommodate other Government of Guam agencies that currently lease privately owned buildings. In an effort to restore Hagåtña to its pre-war setting of a bustling and vibrant city, more density is warranted. Three major buildings, each two stories in height, are proposed. Buildings 2 and 3 face the plaza and also front onto Aspinall Avenue. Across Aspinall is Building 1 with a three level parking structure behind it. With these buildings lining Aspinall they will serve to identify the Capitol district. With the 12,000 S.F. Palacio, they add another 78,260 S.F. of floor space that can accommodate government agencies that can be brought back to Hagåtña.

Adequate parking is provided within the two surface lots and at the three-level parking structure. A significant amount of landscaped open space is preserved along West O'Brien Drive. This open space serves to maintain the existing view into the Plaza area from West O'Brien Drive.

***Rough Order of Magnitude Cost:**

Site Development	\$318,000.00
Demolition of DOA	\$550,000.00
Surface Parking A	\$337,000.00
Surface Parking B	\$156,000.00
Palacio Building	\$3,600,000.00
Building 1	\$8,271,000.00
Building 2	\$4,669,000.00
Building 3	\$4,669,000.00
Parking Structure	\$7,698,000.00
Subtotal	\$30,268,000.00
Soft Costs at + 10%	\$3,026,800.00
Grand Total	\$33,294,800.00

Option 3: This option boosts the density up by adding another two-level building bringing the total available space to 101,750 S.F., 113,750 S.F. with the Palacio included. Building 4 is to be located on the existing DOA parking lot just west of AOLG's cafeteria building.

Introducing a building at this location provides maximum utilization of the available land within this block.

As it exists today, this area serves as the main parking lot for the DOA building. By default it has been a shared lot with the AOLG after hours when evening events at the school occur. This opportunity to utilize the lot after hours can continue as government operations are primarily from 8:00am to 5:00pm. The existing driveway that serves as a rear access to the school and the Cathedral will remain and will only be one way.

***Rough Order of Magnitude Costs:**

Site Development	\$180,000.00
Demolition of DOA	\$550,000.00
Surface Parking A	\$337,000.00
Surface Parking B	\$156,000.00
Surface Parking C	\$331,000.00
Parking Structure	\$7,698,000.00
Palacio Building	\$3,600,000.00
Building 1	\$8,271,000.00
Building 2	\$4,669,000.00
Building 3	\$4,669,000.00
Building 4	\$5,292,000.00
Subtotal	\$35,753,000.00
Soft Costs at +10%	\$3,575,300.00
Grand Total	\$39,328,300.00

Option 4: This option is similar to option 3 with the exception of the surface parking lot configuration. For more density another level at 10,500 S.F. is added to Building 1, bringing the total amount of space to 123,360 S.F.

***Rough Order of Magnitude Costs:**

Site Development	\$214,350.00
Demolition of DOA	\$550,000.00
Surface Parking A	\$337,000.00
Surface Parking B	\$299,000.00
Surface Parking C	\$331,000.00
Parking Structure	\$7,698,000.00
Palacio	\$3,600,000.00
Building 1	\$10,633,500.00
Building 2	\$4,669,000.00
Building 3	\$4,669,000.00
Building 4	\$5,085,000.00
Subtotal	\$38,085,850.00
Soft Costs at +10%	\$3,808,585.00
Grand Total	\$41,894,435.00

*** Rough Order of Magnitude Costs:**

- For buildings, costs exclude fixtures, furnishings, and equipment.
- Site development costs - includes hardscape and softscape.

FINANCING STRATEGIES:

The scope of work for this project included an examination of funding and financing sources that may be viable and available for the Palacio reconstruction and site development master plan selected for implementation.

Efforts to determine the funding and financing sources made clear that such sources are dependent on several factors which may have yet to be determined. These include the following.

Responsible Entity:

Who will be seeking the financing for the Palacio reconstruction and site development master plan? There are overlapping layers of responsibility and authority which may have to be worked out to establish clear responsibility for the implementation of the reconstruction and site development.

The GPT is driving the feasibility study portion of the reconstruction and site development planning; however, its role in the larger picture of implementation may change from project lead to project support, as the GPT mandate is to seek grants and donations, and to grant funds to other parties for “architectural ...history and documentation of historic structures and sites,” and “protection of historic structures and sites through ... reconstruction.” Although the GPT has the legal mandate to “acquire title to threatened Guam properties for the preservation of their historical value, whether in fee simple, by leasehold, or by easement, and whether through donation, transfer, dedication or purchase,” the Palacio does not qualify as a threatened property, and therefore acquisition by the GPT is not likely, limiting its role to grant funding.

The Legislature controls and supervises the property on which the Palacio reconstruction is located; however, it does not appear to control the entire area considered under the site development plan. The “Capitol District” does not include the area where the current police precinct, detention center, and DOA Data Processing Division building sit. The Legislature’s control over the Capitol District, as defined in the Guam Code Annotated, contemplates the development of properties within the district, perhaps even leasing of such properties, with the proceeds of any leases being deposited into the Capitol District Fund, which can only be used for “*repair, restoration, renovation or refurbishment of the Guam Congress Building or other Capitol District properties in compliance with Capitol District laws...and historic preservation laws of Guam.*” While it maintains control of the majority of the real property considered in the feasibility study and development plan prepared for GPT, the Legislature is not mandated to seek, apply for or receive grants or loans for the reconstruction of the Palacio. It is, however,

allowed to receive donations in materials, services or supplies for the maintenance and renovation of the Capitol District properties.

The Hagåtña Restoration and Redevelopment Authority (HRRA) is responsible for the restoration and redevelopment of all Hagåtña, although there may be conflicting language in the laws regarding the area within Hagåtña designated as the Capitol District. Such potential conflict notwithstanding, this restoration and redevelopment includes “the planning, development, replanning, redesign, clearance, reconstruction, or rehabilitation...of all Hagåtña, and the provision of such residential, commercial, industrial, public or other structures or spaces as may be appropriate or necessary in the interest of the general welfare..” Based on the code provisions, the express definition of Restoration and Redevelopment includes “reconstruction...of existing structures in Hagåtña” and, “Provision for ...public or private buildings, structures and improvements...and other public grounds.” So it would appear that the Palacio reconstruction and overall site development plan improvements all fall under the mandate and responsibility of the HRRA.

However, the mandates of the HRRA are specifically purposed in the enabling legislation to focus on decent housing, employment opportunities, and providing an environment for social, economic and psychological growth and well-being of all citizens. Further, a Restoration and Redevelopment plan is required to be developed, approved by both the Governor and the Legislature in order to define the “projects” which can be undertaken by the HRRA, and funded by the means available to the HRRA under enabling legislation. These funding means include issuance of bonds, securing loans (public or private sources), application for and use of grants, contributions, gifts, donations from any source, and use of real property tax on improvements under the “project” over and above real property tax on the property on which the “project” is located.

In summary, the funding and financing options available for the implementation of the Palacio reconstruction and site development plan depend greatly on who will be the “developer.” The overlapping authorities and responsibilities as they relate to the Palacio reconstruction and site development master plan should be resolved formally through the execution of a memorandum of agreement between the various parties which clarifies the duties and responsibilities of each party in moving the reconstruction activities through to completion. The Responsible Entity selected should have the structure, flexibility and authority under law to seek the widest spectrum of funding options available, including grants for all possible uses and activities within the Palacio site that are consistent with the goals of the project and master plan.

Uses of the Reconstructed Palacio and Associated Structures:

Once the leading entity has been established, the availability of grant funding for use by that entity for the reconstruction and site development may vary widely depending on the intended uses of the finished facilities. For example, such uses may include:

- Government offices
- Cultural / heritage preservation
 - Museum/exhibits
 - Performing arts
 - Cultural education
- Tourism / Economic Development
 - Palacio tours
 - Conference Center
 - Cultural/heritage products business incubation (this could also be tied to cultural education if you incorporate craftsman training e.g., blacksmith, weaver, etc.)

As an illustration, the use of the reconstructed facilities for government offices may severely limit the number of grants available, whereas the inclusion of cultural education, performing arts, or heritage product manufacturing/sale may open up a broad range of cultural and education grants for which applications may be submitted. Therefore, the determination of intended uses should be defined in order to develop viable and available grant funding alternatives for consideration as part of the implementation phase of the Palacio reconstruction and site development plan. These uses would also determine to what extent the operation of the reconstructed Palacio and other developed facilities would be revenue-generating for the responsible entity.

Funding Mechanisms and Strategy:

The funding mechanisms available to the responsible entity might be classified into two basic categories: (1) existing, more traditional mechanisms; and (2) alternative/innovative mechanisms.

The existing funding options currently would include:

- General fund appropriations: Allocations from the general funds of the government of Guam, requested as part of the budget process, subject to approval by the Legislature and made available to the responsible entity. Such funding would compete with other needs and priorities.
- Transfers or re-appropriations: Funds transferred or re-appropriated to the responsible entity by executive action.
- GPT Funds: Funds made available by the GPT for the reconstruction in accordance with the GPT mandates.

- Capitol District Funds: This may include potential funds made available to the responsible entity by the Legislature in accordance with the provisions of the Capitol District laws
- Hagåtña Restoration and Redevelopment Fund: This may include potential funds made available by the HRRRA in accordance with the mandates of the HRRRA, and the approved HRR Master Plan. The funding mechanisms which could possibly be used by the HRRRA to secure such monies include:
 - Issuance of bonds
 - Securing loans (public or private sources)
 - Application for and use of grants, contributions, gifts, donations from any source
 - Use of real property tax on improvements under the “project” over and above real property tax on the property

Alternative funding mechanisms may include:

- Public private partnerships: The use of private entities in partnership with the responsible government entity for the financing, design, development and potential leaseback of completed facilities to either private businesses, government entities, or other end users as may be identified/established.
- Grant funding based on cultural / heritage uses: Application for funding from public and private sources specifically allocated for cultural preservation and heritage projects. These may include international sources which seek to preserve the cultural patrimony associated with the Palacio and adjacent historical grounds.
- Grant funding based on educational / performing arts uses: Application for funding from public and private sources specifically allocated for the enhancement and preservation of the performing arts and arts education.

The use of any or a combination of the above mechanisms for the reconstruction and site master plan development requires additional definition of the scope, intent and organization of the project with respect to the various uses, and entities envisioned for the overall development, operation and maintenance. A phased approach may be considered which incorporates:

1. Use of available existing funds to initiate the Palacio reconstruction as a first step;
2. Further define the scope, intent and organization of the site development master plan;
3. Integrate the components of the Palacio site development with other developments in Hagåtña and the Capitol District in coordination with the HRRRA and Legislature;
4. Consider impacts to potential development, funding and future uses/activities resulting from relocation of government agencies, such as the Executive Offices (leaves Gov. Ricardo J. Bordallo complex available for redevelopment/repurposing); and
5. Develop a comprehensive funding strategy which can utilize the specifics of the refined plans developed in preceding steps.

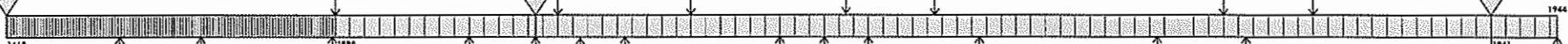
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TRUST



**PALACIO RECONSTRUCTION AND
SITE FEASIBILITY STUDY:**

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1000
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1688: Guam is established as the seat of government of the Spanish Mariana Islands.



1744
The old Palacio is built.

1807
The old Palacio is demolished.

1809
The leaking tile roof is replaced with zinc panels.

1799
The Amacion is built.

1898
The Spanish American war ends Spain's colonial presence in Guam.

TARGET PERIOD FOR RECONSTRUCTION: 1889-1898

1902
A large earthquake causes extensive damage. Partition walls destroyed. The masonry of walls, however, remain relatively undamaged.

1900
The tile roof is replaced with a corrugated iron (galvanized sheet) roof. The new roof is destroyed in a typhoon in November. Gutters are added to collect water.

1909
A large earthquake causes the damage to the Palacio.
A system of seats is installed.

1911
Barricade fights are installed.

1913
Extensive repairs and undertaken.

1918
A typhoon causes catastrophic damage to the Palacio, leaving the corrugated iron roof from the western third of the building.

1924
A permanent roof replaced the leaning, which had, in turn, replaced the fabric over the rafter (corrugated iron and wood roof).

1930s
The first floor porch are painted black.
Ventilators are added to the metal roof.
A vent is added to the gable end.
A dormer is added to the east end of the roof.

1944
The Palacio is reduced to rubble in Allied bombing.
Guam is recaptured by U.S. forces on July 21.

1889
Designed by Don Enrique Soto, a Spanish Army engineer and architect.
"Casa Gobierno" the new Palacio is constructed on the same foundation as the old Palacio.

1898: The American Period begins

1899
The Great Top of the Spanish Coat of Arms is removed and sent to the U.S. Naval Academy Museum.
Roofs is patched with new taken from an old chapel.
Palacio is victorized with painted brackets added to the porch posts.
Modern sewage system installed.
Most of the woodwork in the Palacio is painted, including the doors of the main entrance and the stairway.

1904-1905
The lower floor is ceved and painted.
Current foun are laid throughout.
Unused stairwells are converted into offices.
rust screens are installed in the bedrooms.
New concrete floor is placed on the Azotea.
2nd floor private office is converted into a dining room with 3rd floor area caving.
2nd floor clerk's office is transformed into a library parlor.
Old dining room is made into a tea and reading room.

1912
The altar is built to shade the Azotea.
The 2nd floor gallery is screened.

1916
In May of June, the Governor's office is moved temporarily to a location above Agaña's post office.
In November, the Governor moves back into the newly repaired Palacio.

1927
The building is renovated by minor repairs to the woodwork, painting the entire outside and completely renovating the Governor's quarters.

1933
Balcony wing is repaced.

Dec 1941: The Japanese Period begins

SPANISH PERIOD AMERICAN PERIOD

AMERICAN PERIOD JAPANESE PERIOD

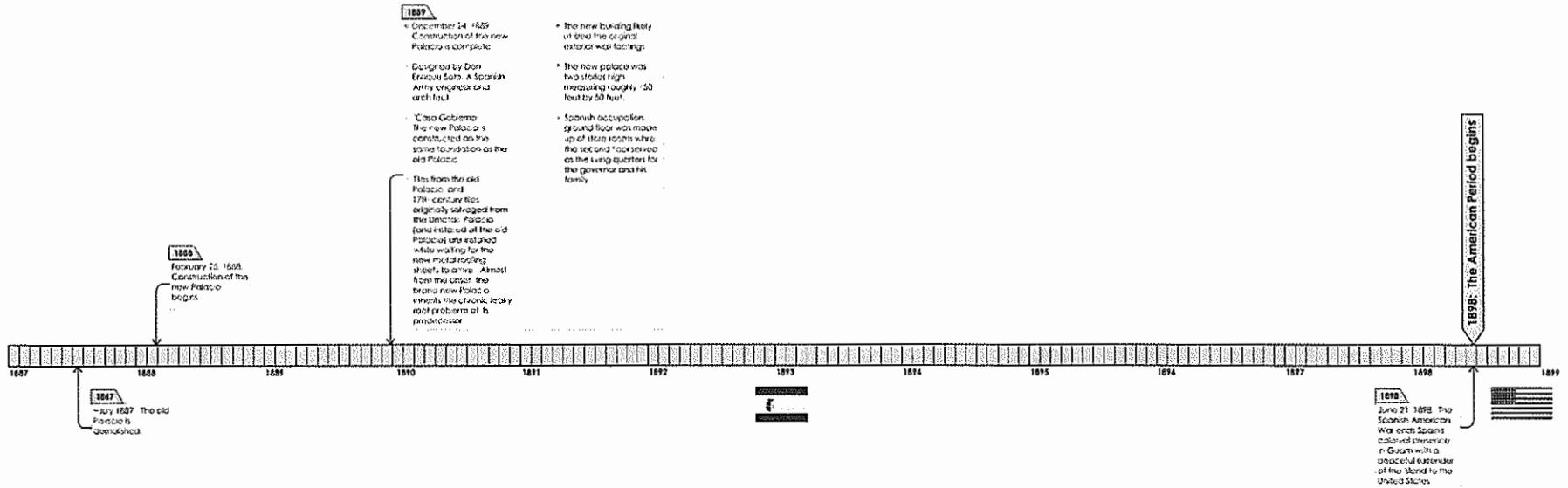
GUAM INANGOKKON PRESERVATION TRUST

EXHIBIT A: PALACIO TIMELINE - SPANISH TO JAPANESE PERIOD
HAGATÑA, GUAM
MAY 1, 2015



PALACIO RECONSTRUCTION AND SITE FEASIBILITY STUDY

ARCHITECTS LAGUANA LLC



EARLY AMERICAN PERIOD:



The actual size of the Palácio prior to 1800.



The Palácio sometime between August 1898 and January 1900. Note the fire scar, the Spanish coat of arms over the center window, and the trees on the plaza.



The Palácio in February 1900. The plaza has been cleared.



The Palácio site in 1900. The corrugated iron roof is in place.



DEPARTMENT/AGENCY	TOTAL AREA LEASED (SQ. FT.)	FY 2015 LEASE COST	COMMENTS
1 BUREAU OF BUDGET AND MANAGEMENT RESEARCH (BBMR)	-	-	
2 BUREAU OF STATISTICS AND PLANS (BSP)	-	\$21,000.00	
3 CIVIL SERVICE COMMISSION (CSC)	5,508	\$69,650.00	
4 COMMISSION ON DECOLONIZATION (COD)	240	-	Listed under the Ofc of Gov
5 CONTRACTORS LICENSE BOARD (CLB) and GUAM BUILDING CODE COUNCIL (GBCC)	2,490	-	
6 CUSTOMS AND QUARANTINE AGENCY (CQA)	66,452	-	Special Fund
7 DEPARTMENT OF ADMINISTRATION	5,320	\$474,924.00	
8 DEPARTMENT OF AGRICULTURE (AGR)	28,375	-	
9 DEPARTMENT OF CHAMORRO AFFAIRS (DCA)	22,711	\$209,113.00	Total Area inclusive of Terlaje Prof. Bldg., DNA Bldg., Chamorro Village
10 DEPARTMENT OF CORRECTIONS (DOC)	-	-	
11 DEPARTMENT OF EDUCATION (GDOE)	731,718	-	Total area includes Program Divisions and reported Elementary, Middle and High School Divisions
12 DEPARTMENT OF INTEGRATED SERVICES FOR INDIVIDUALS WITH DISABILITIES (DISID)	15,181	\$121,944.00	
13 DEPARTMENT OF LABOR (DOL)	8,850	\$201,105.00	
14 DEPARTMENT OF LAND MANAGEMENT (DLM)	18,337	\$557,106.00	
15 GUAM BEHAVIORAL HEALTH AND WELLNESS CENTER (GBHWC)	60,904	\$156,600.00	
16 DEPARTMENT OF MILITARY AFFAIRS (DMA)	-	-	
17 DEPARTMENT OF PARKS AND RECREATION (DPR)	3,809	-	
18 DEPARTMENT OF PUBLIC HEALTH AND SOCIAL SERVICES (DPHSS)	55,744	\$559,032.00	
19 DEPARTMENT OF PUBLIC WORKS (DPW)	814,243	-	
20 DEPARTMENT OF REVENUE AND TAXATION (DRT)	41,770	\$999,588.00	
21 DEPARTMENT OF YOUTH AFFAIRS (DYA)	41,516	\$0.00	
22 GUAM BOARD OF ACCOUNTANCY (GBOA)	1,050	-	Special Fund
23 GUAM COMMISSION FOR EDUCATOR CERTIFICATION (GCEC)	600	\$6,000.00	
24 GUAM COMMUNITY COLLEGE (GCC)	-	-	
25 GUAM COUNCIL ON THE ARTS AND HUMANITIES AGENCY (CAHA)	3,190	\$23,925.00	
26 GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION/PBS GUAM (GETC)	-	-	Division of Dept of Chamorro Affairs
27 GUAM ELECTION COMMISSION (GEC)	4,302	\$134,250.00	
28 GUAM ENVIRONMENTAL PROTECTION AGENCY (GEPA)	15,194	-	Special Fund
29 GUAM FIRE DEPARTMENT (GFD)	7,925	\$114,000.00	
30 GUAM MEMORIAL HOSPITAL AUTHORITY (GMHA)	-	-	
31 GUAM POLICE DEPARTMENT (GPD)	80,634	\$404,165.00	
32 GUAM PUBLIC LIBRARY SYSTEMS (GPLS)	66,000	-	
33 GUAM REGIONAL TRANSIT AUTHORITY (GRTA)	3,000	-	Total area is proposed for lease. Current location is DPW Compound. Funding from Special Funds.
34 GUAM VISITORS BUREAU (GVB)	-	-	
35 MAYORS' COUNCIL OF GUAM (MCOG)	9,954	\$111,382.00	
36 OFFICE OF PUBLIC ACCOUNTABILITY (OPA)	5,086	\$115,943.00	
37 OFFICE OF THE ATTORNEY GENERAL/DEPARTMENT OF LAW (OAG)	25,000	\$932,016.00	
38 OFFICE OF THE CHIEF MEDICAL EXAMINER (CME)	1,982	-	
39 OFFICE OF THE GOVERNOR (GOV)	7,666	\$40,000.00	
40 PUBLIC DEFENDER SERVICES CORPORATION (PDSC)	12,000	\$271,200.00	
41 REGISTRATION BOARD FOR PROFESSIONAL ENGINEERS, ARCHITECTS, AND LAND SURVEYORS (PEALS)	-	-	Special Fund
42 UNIFIED COURTS OF GUAM (JUDICIARY)	-	\$279,450.00	FY 2014 Quarter data
43 UNIVERSITY OF GUAM (UOG)	-	-	
44 VETERANS AFFAIRS OFFICE (VAO)	15,222	-	
TOTAL:	2,181,973	\$5,802,393.00	
SUBTOTAL UNDER CONSIDERATION FOR RELOCATION TO HAGATNA:	201,499	\$4,382,146.00	

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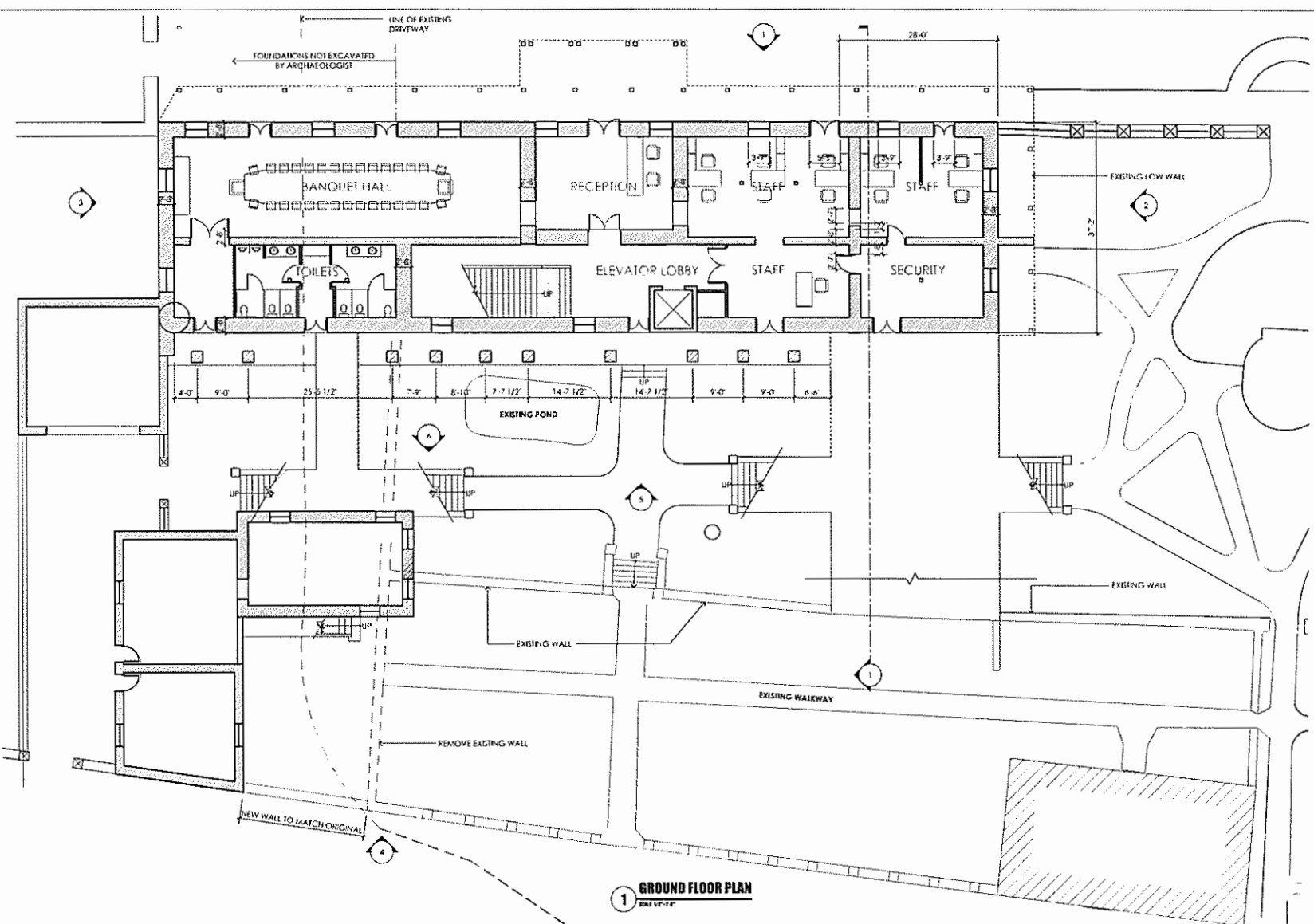
EXHIBIT C: LEASE DATA (BASED ON FY 2015 GOVGUAM AGENCY BUDGET PROCEEDINGS)

HAGATNA, GUAM
MAY 1, 2015



**PALACIO RECONSTRUCTION AND
SITE FEASIBILITY STUDY**

ARCHITECTS
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LLC



1 GROUND FLOOR PLAN
0.01 1/4" = 1'-0"

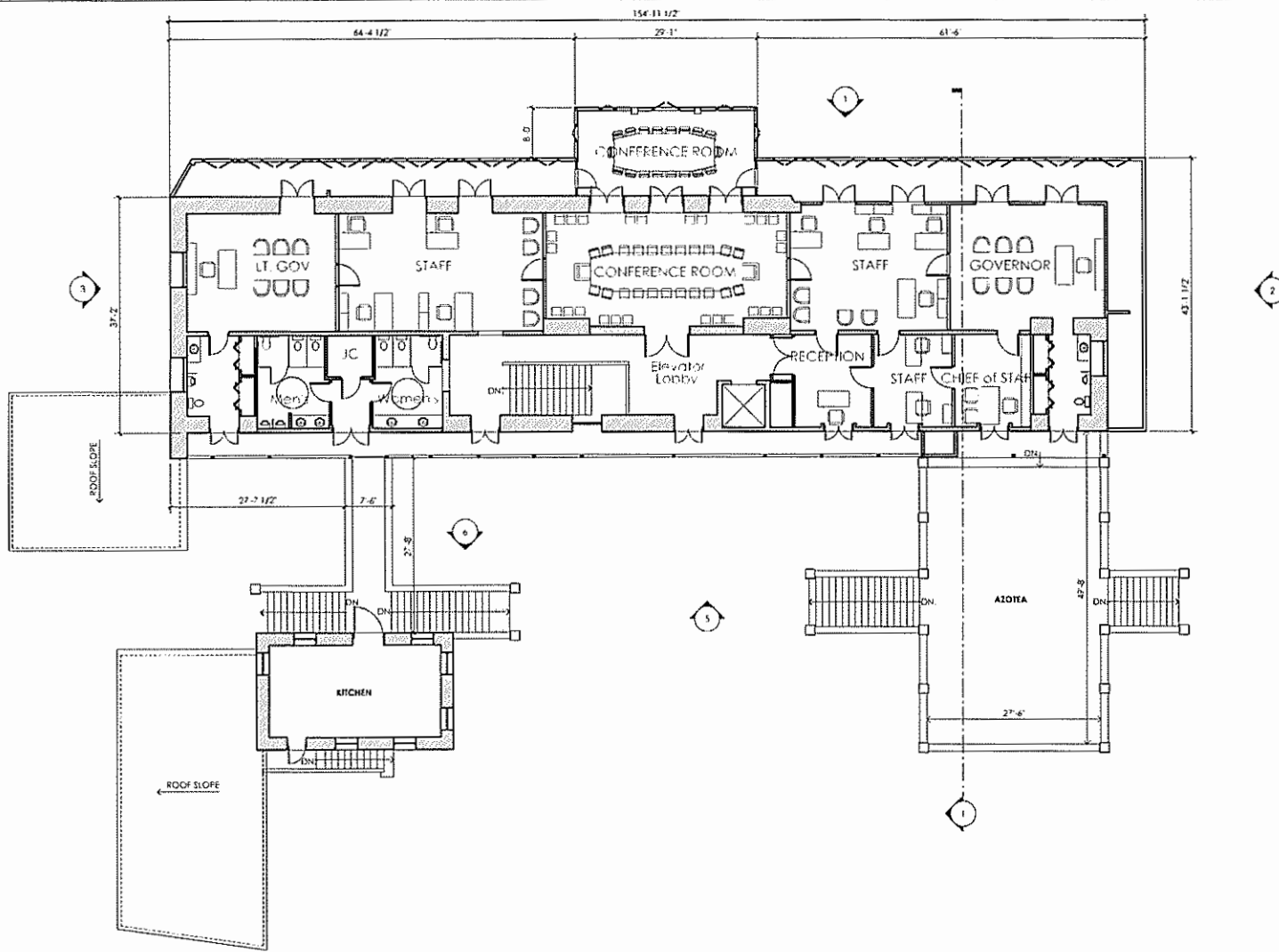
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INADAH! GUAHAN
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EXHIBIT D: GROUND FLOOR PLAN
 HAGATÑA, GUAM
 MAY 1, 2015



PALACIO RECONSTRUCTION AND
SITE FEASIBILITY STUDY

ARCHITECTS
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 LLC
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1 SECOND FLOOR PLAN
1/8" = 1'-0"

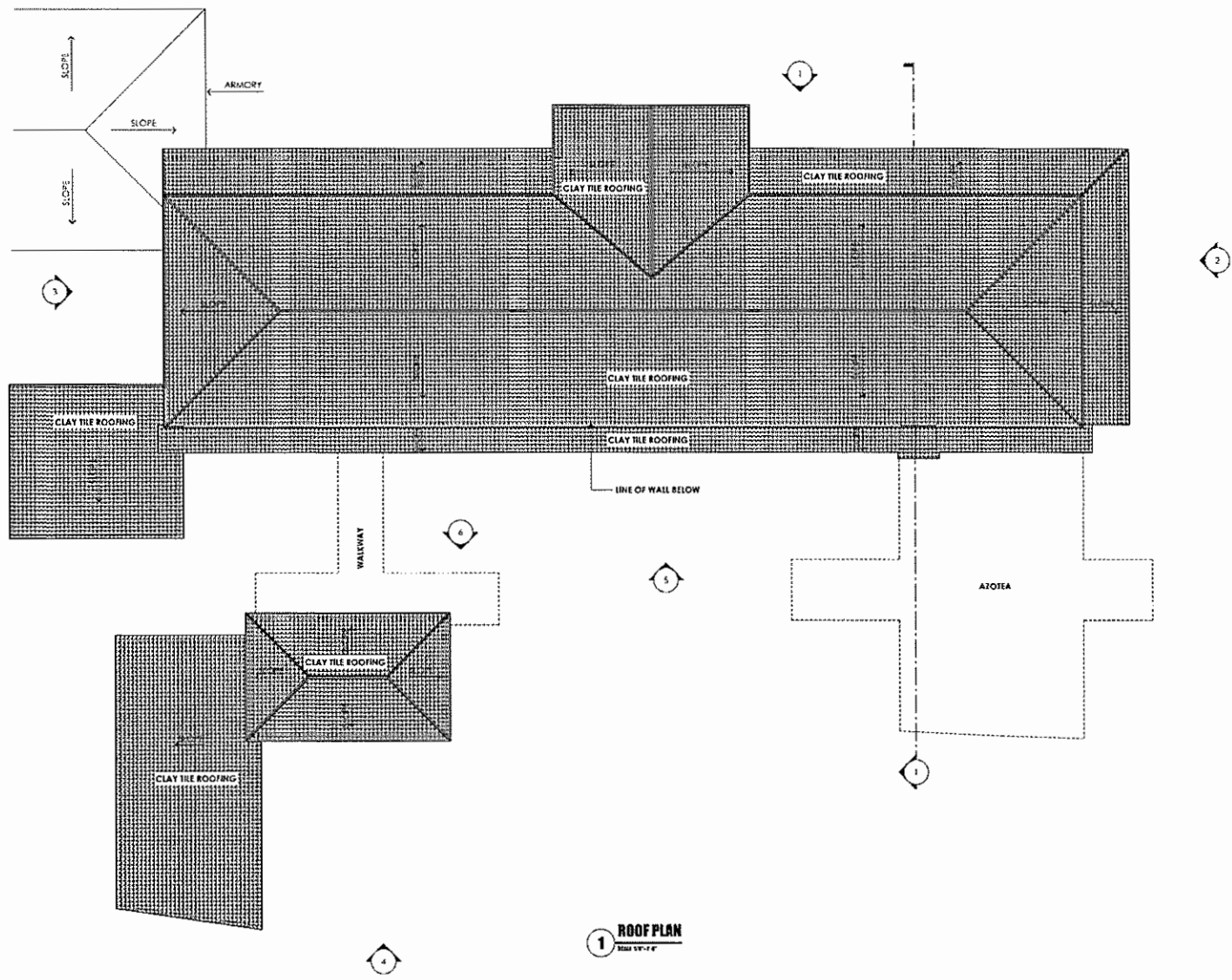
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EXHIBIT E: SECOND FLOOR PLAN
 HAGATÑA, GUAM
 MAY 1, 2015



PALACIO RECONSTRUCTION AND
SITE FEASIBILITY STUDY

ARCHITECTS
 LAGUANA
 LLC
 1000
 1000
 1000

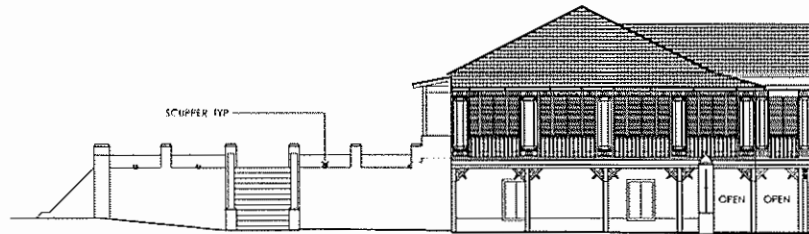


1 ROOF PLAN
Scale 1/8" = 1'-0"

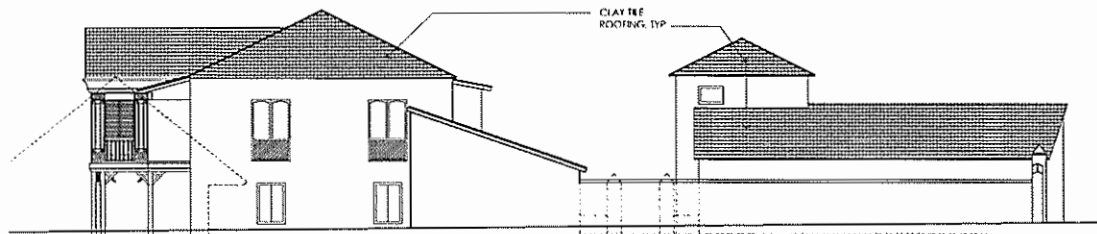




1 FRONT ELEVATION
SCALE VP-1/4"

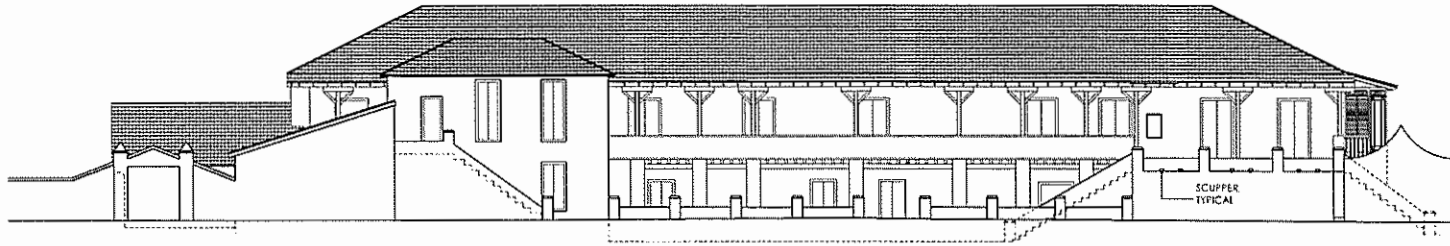


2 LEFT SIDE ELEVATION
SCALE VP-1/4"

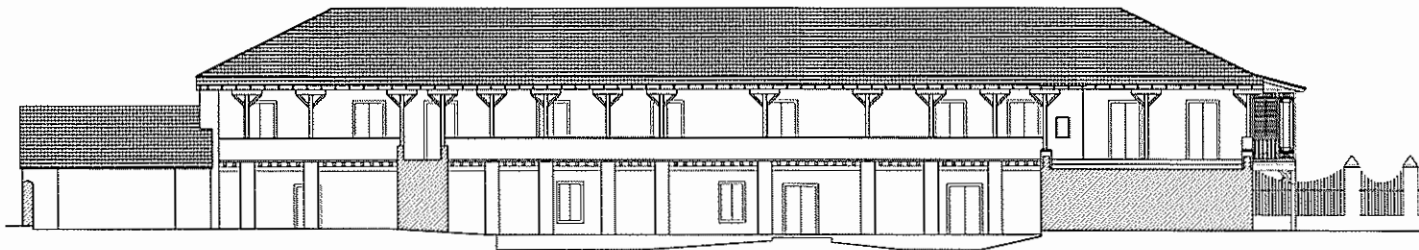


3 RIGHT SIDE ELEVATION
SCALE VP-1/4"

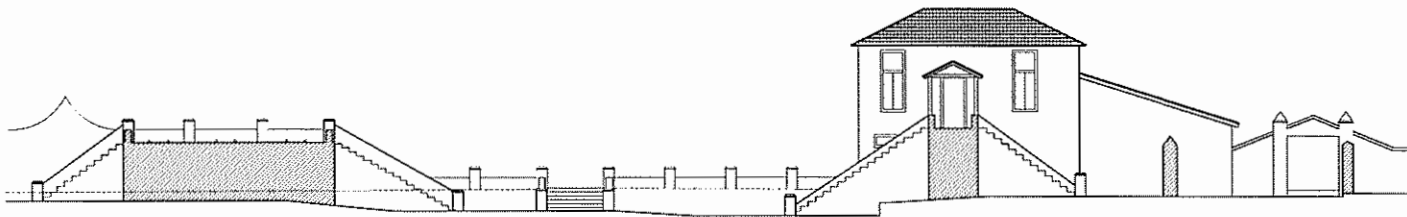




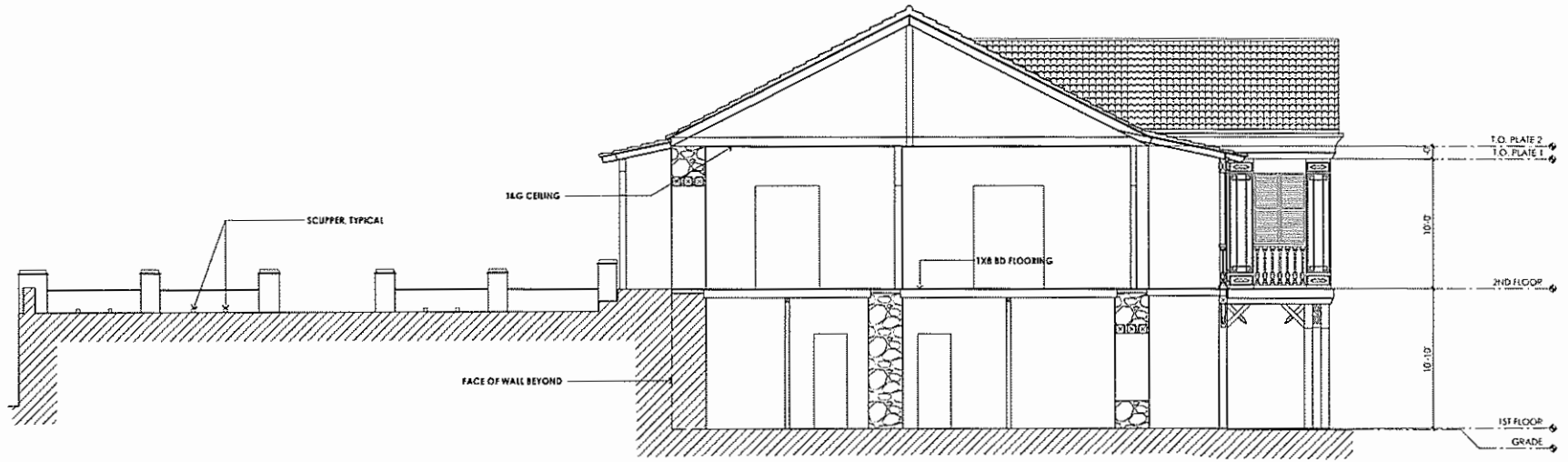
4 REAR ELEVATION
SCALE 1/8" = 1'-0"



5 REAR ELEVATION THRU AZOTEA
SCALE 1/8" = 1'-0"



6 ELEVATION - COURTYARD
SCALE 1/8" = 1'-0"



1 TRANSVERSE SECTION
SCALE: 1/4" = 1'-0"

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EXHIBIT I: BUILDING SECTION
HAGATÑA, GUAM
MAY 1, 2015



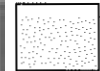
PALACIO RECONSTRUCTION AND
SITE FEASIBILITY STUDY

ARCHITECTS
LAGUANA
LLC
1000 GARDEN DRIVE
SUITE 200
AGANA, GUAM
68801

PALACIO RECONSTRUCTION:
SITE CONCEPT DESIGN



© 2010 [unreadable]



PROJECT SITE

COVERING MUNICIPALITY OF: AGANA
CURRENT ZONING: COMMERCIAL ZONE

COMMUNITY AMENITIES

1. U.S. NAVAL HOSPITAL GUAM
2. GUAM CAPITAL INVESTMENT CORPORATION (GCIC)
3. JULIAE SHOPPING CENTER
4. SIRENA PARK
5. SIRENA PLAZA
6. PASEO DE SUSANA PARK, PASEO STADIUM
7. CHAMORRO VILLAGE
8. U.S. POSTAL OFFICE
9. GUAM MUSEUM, SKINNER PLAZA (UNDER CONSTRUCTION)
10. GUAM LEGISLATURE
11. DULCE NOMBRE DE MARIA CATHEDRAL-BASILICA
12. ACADEMY OF OUR LADY OF GUAM
13. BANK OF HAWAII
14. GUAM PUBLIC LIBRARY
15. BANK OF GUAM - HEADQUARTERS
16. AGANA SHOPPING CENTER
17. GOVERNOR OF GUAM HOUSE
18. AGANA HEIGHTS ELEMENTARY SCHOOL

NOT TO SCALE

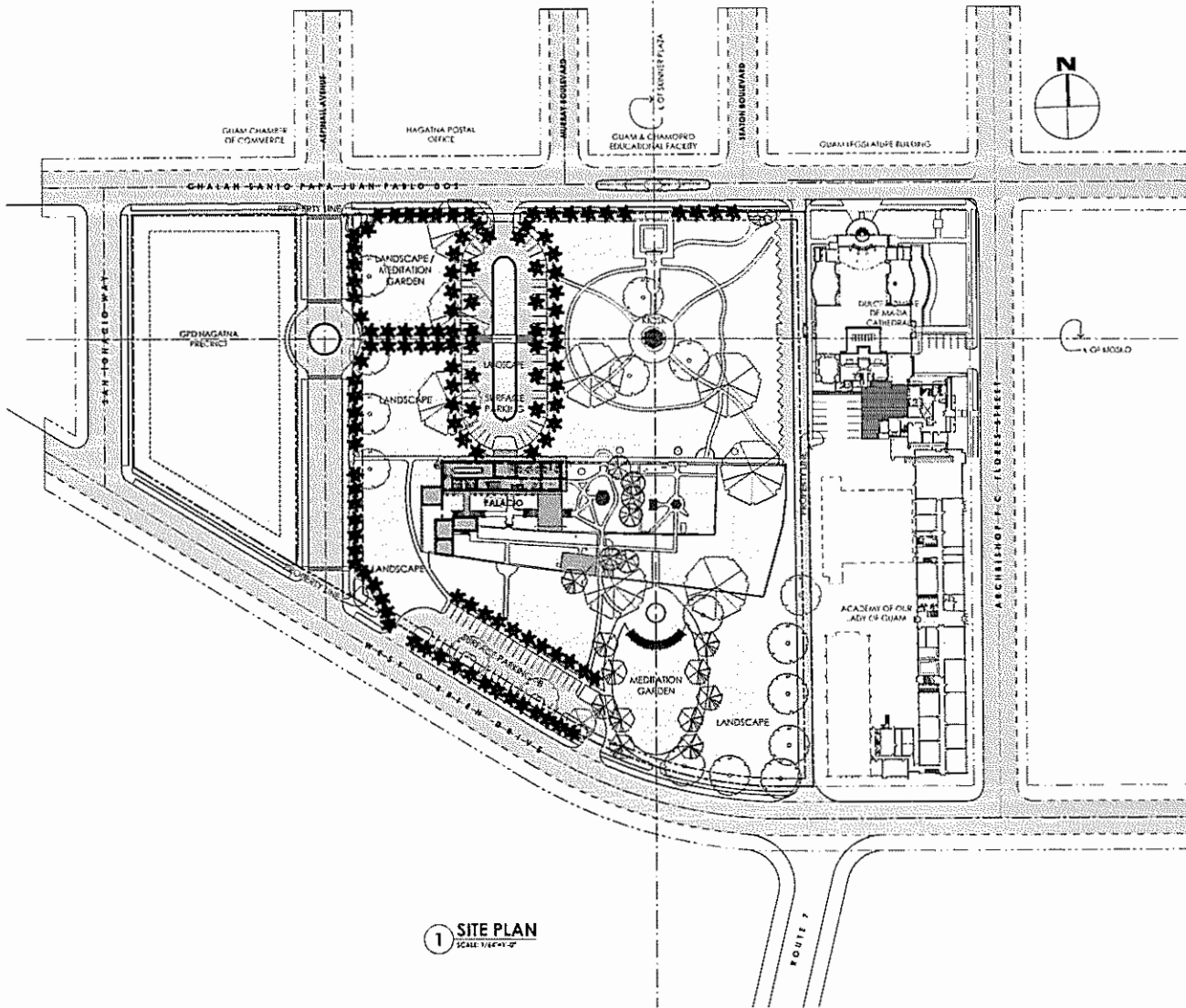
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TRUST

EXHIBIT J: PROJECT LOCATION
 MAQUETA, GUAM
 MAY 1, 2015



PALACIO RECONSTRUCTION AND
SITE FEASIBILITY STUDY

ARCHITECTS
LAGUANA
L.L.C.
 1001 TITAN ROAD
 SUITE 1000
 TITAN, GUAM
 TEL: (671) 833-1111
 FAX: (671) 833-1112
 WWW.LAGUANA.LL.C.



① SITE PLAN
SCALE: 1/4"=1'-0"

MASTER PLAN SCHEME-1				
TOTAL LAND AREA (INTERSECTING ROAD INCLUDED)		459,814 S.F.		
(W/O INTERSECTING ROAD)		439,814 S.F.		
BUILDING(NAME OR #)	TOTAL FLOOR	FLOOR	NET AREA	GROSS FLOOR AREA
PALACIO	2	1ST FLR 2ND FLR	4,000 S.F. 8,000 S.F.	12,000 S.F.
GROSS FLOOR AREA:				12,000 S.F.

PARKING ANALYSIS (REQUIRED PARKING SPACE COMPUTATION)		
GROSS FLOOR AREA / 250	REQ'D PARKING SPACES	
12,000 SF / 250 SF #	48	
	LEVEL(S)	NET SPACE(S)
SURFACE PARKING - A		42
SURFACE PARKING - B		38
GROSS PARKING SPACES:		80

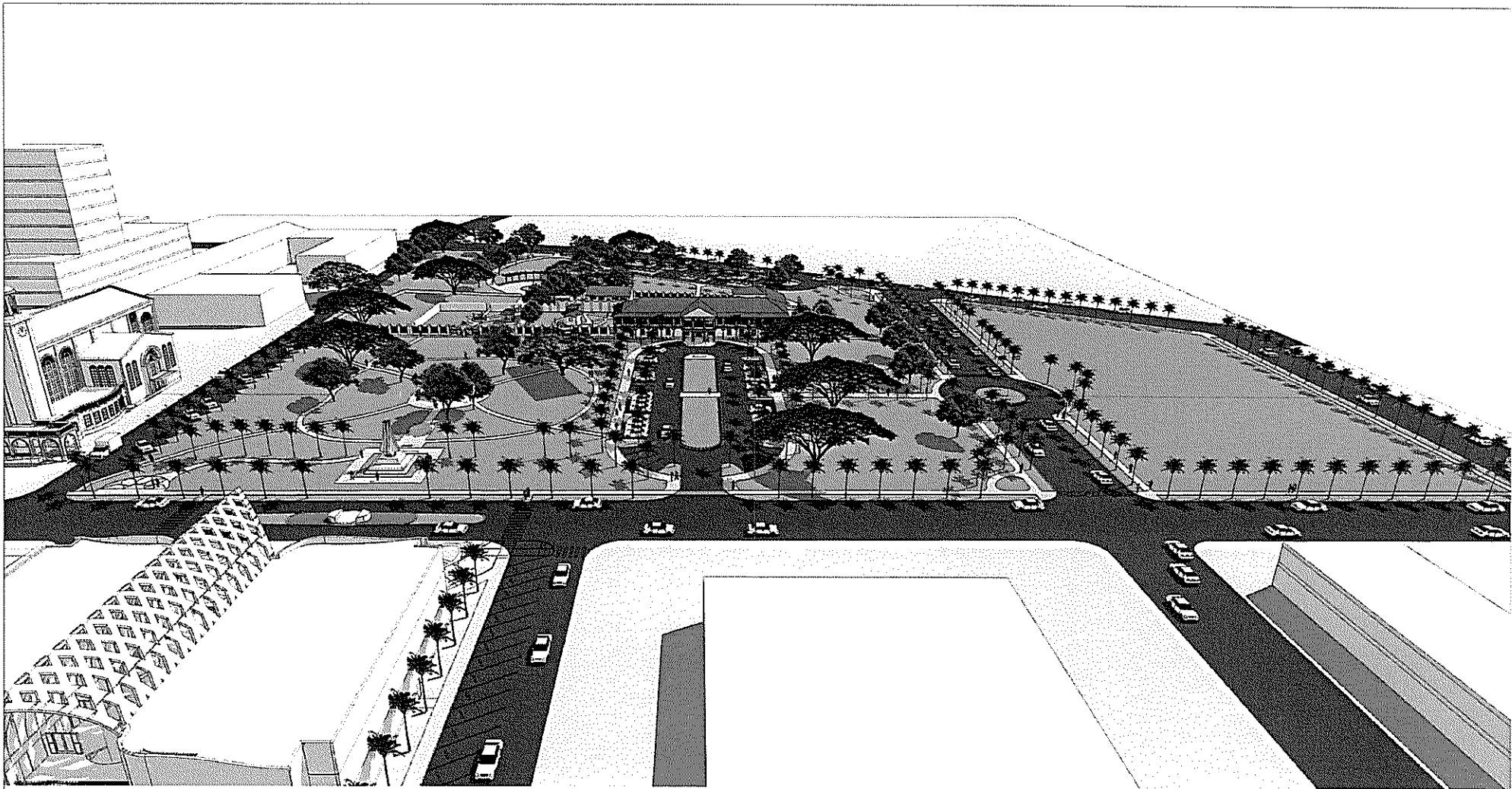
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INADAHL GUAHAN
TRUST**

EXHIBIT K: SITE PLAN
HAGATNA, GUAM
MAY 1, 2015



**PALACIO RECONSTRUCTION AND
SITE FEASIBILITY STUDY:
SITE CONCEPT DESIGN - SCHEME 1**

**ARCHITECTS
LAGUANA
LLC**
1000 N. LAUREL AVE.
SUITE 200
AGANA, GUAM



AERIAL VIEW FROM NORTH

**GUAM
INANGOKKON
PRESERVATION
INADAPHI GUAHAN
TRUST**

SITE PERSPECTIVE-1
HAGATÑA, GUAM
MAY 1, 2015



**PALACIO RECONSTRUCTION AND
SITE FEASIBILITY STUDY:
SITE CONCEPT DESIGN - SCHEME 1**

**ARCHITECTS
LAGUANA
LLC**
1000
1000
1000
1000



AERIAL VIEW FROM NORTHEAST

GUAM
INANGOKKON
PRESERVATION
INADAHI GUAHAN
TRUST

SITE PERSPECTIVE-2
 HAGATÑA, GUAM
 MAY 1, 2015



PALACIO RECONSTRUCTION AND
SITE FEASIBILITY STUDY:
SITE CONCEPT DESIGN - SCHEME 1

ARCHITECTS
LAGUAÑA
LLC
 1000 ...
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AERIAL VIEW FROM NORTHWEST

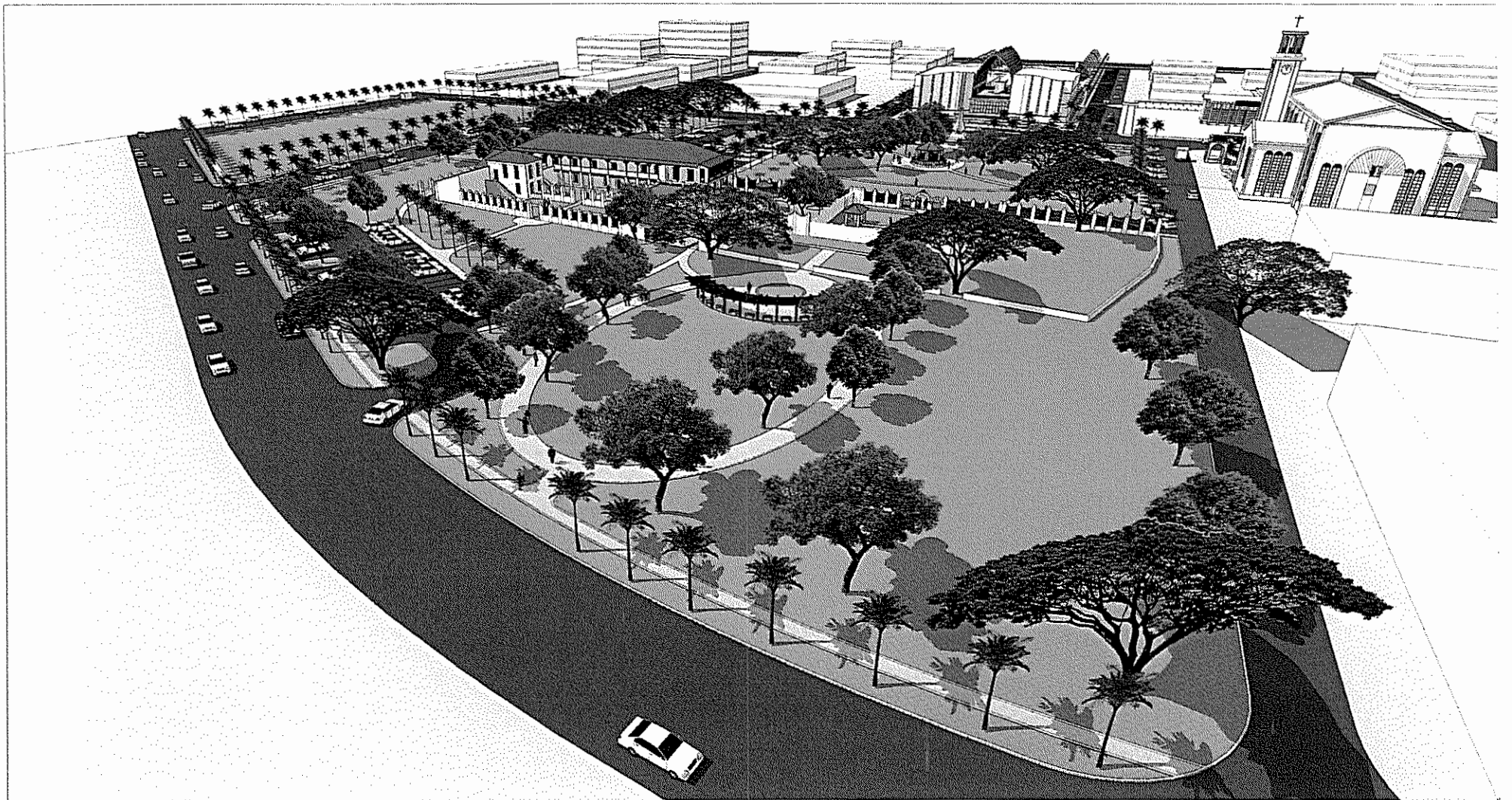
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SITE PERSPECTIVE-3
 HAGATÑA, GUAM
 MAY 1, 2015



PALACIO RECONSTRUCTION AND
SITE FEASIBILITY STUDY:
SITE CONCEPT DESIGN - SCHEME 1

ARCHITECTS
LAGUANA
LLC
 1000
 1000
 1000



AERIAL VIEW FROM SOUTHEAST

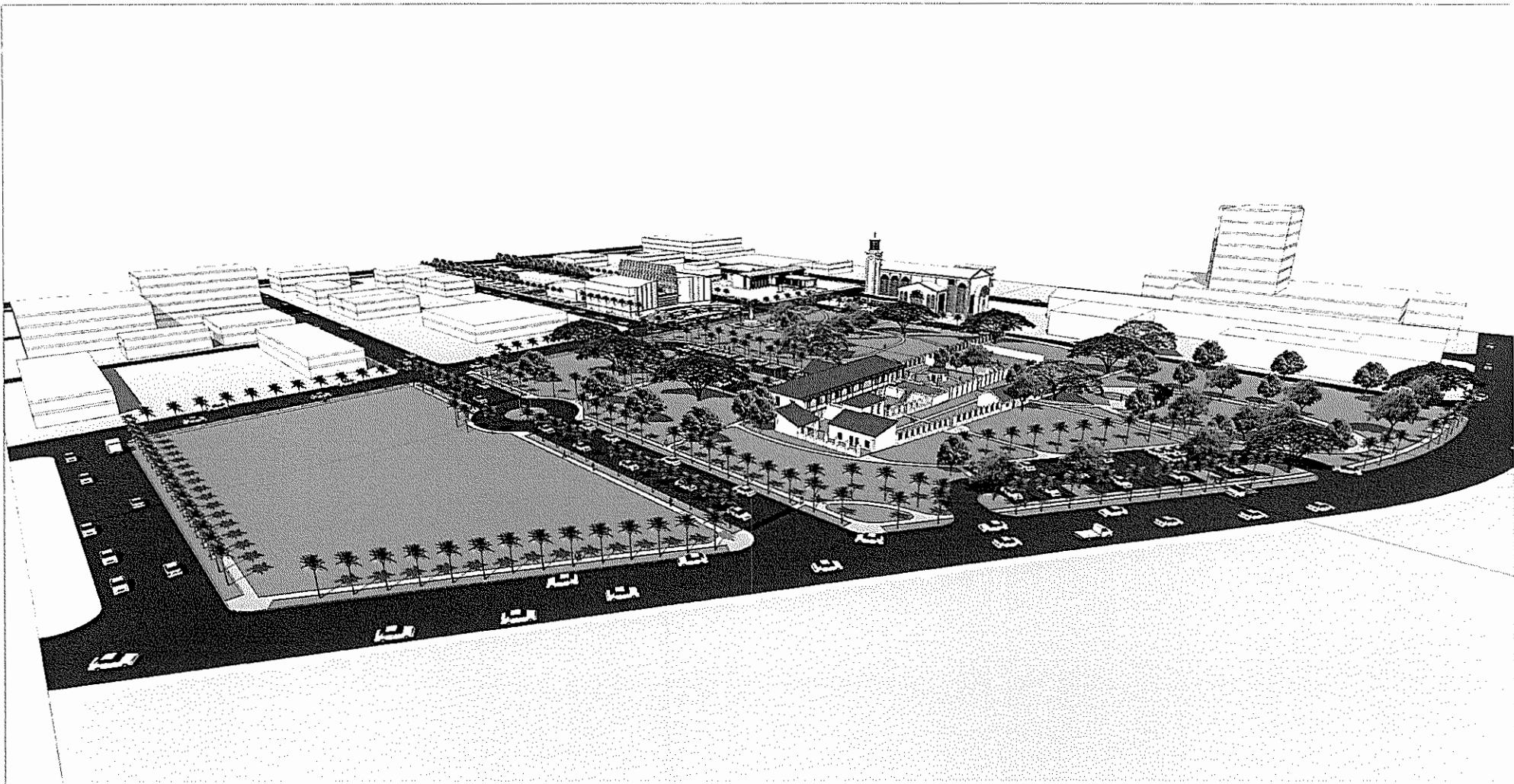
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INANGOKKON
PRESERVATION
INADAHI GUAHAN
TRUST

SITE PERSPECTIVE-4
 HAGATÑA, GUAM
 MAY 1, 2015



PALACIO RECONSTRUCTION AND
SITE FEASIBILITY STUDY:
SITE CONCEPT DESIGN - SCHEME 1

ARCHITECTS
LAGUANA
LLC
 1000
 1000
 1000



AERIAL VIEW FROM SOUTHWEST

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SITE PERSPECTIVE-5
HAGATÑA, GUAM
MAY 1, 2015



**PALACIO RECONSTRUCTION AND
SITE FEASIBILITY STUDY:
SITE CONCEPT DESIGN - SCHEME 1**

**ARCHITECTS
LAGUANA
LLC**
1000 N. W. 10th St.
Fort Lauderdale, FL 33304
Tel: 954.561.1111
Fax: 954.561.1112
www.laguanarchitects.com



MEDITATION GARDEN

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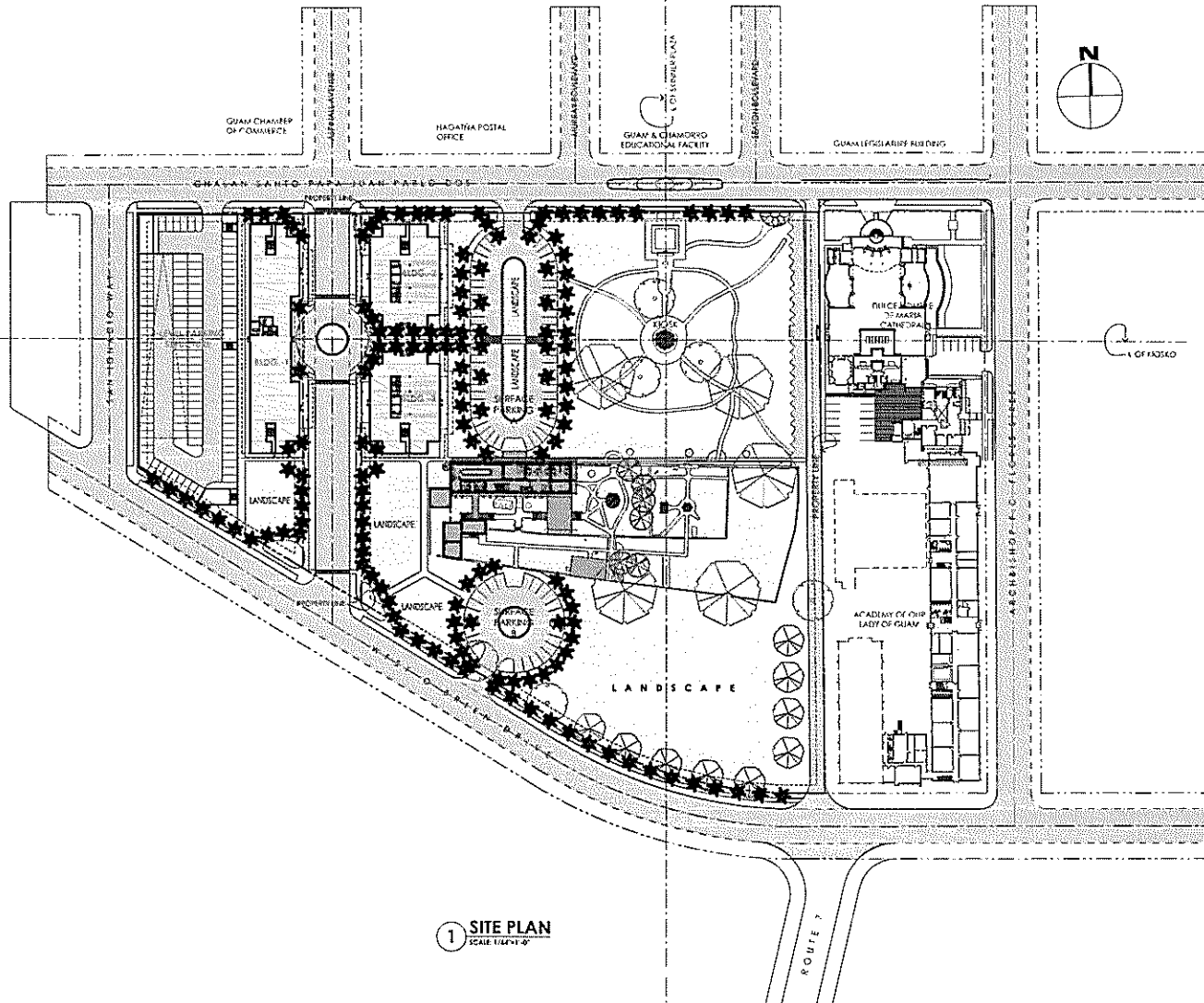
SITE PERSPECTIVE-6

HAGATÑA, GUAM
MAY 1, 2015



**PALACIO RECONSTRUCTION AND
SITE FEASIBILITY STUDY:
SITE CONCEPT DESIGN - SCHEME 1**

**ARCHITECTS
LAGUANA
LLC**
1000 GARDEN DRIVE
SUITE 100
AGANA, GUAM
767-2222



1 SITE PLAN
SCALE: 1/4"=1'-0"

MASTER PLAN SCHEME 2	
TOTAL LOT AREA (INTERSECTING ROAD INCLUDED)	2459,814 S.F.
(W/O INTERSECTING ROAD)	2439,814 S.F.

BUILDING (NAME OR #)	TOTAL FLOOR	FLOOR	NET AREA	GROSS FLOOR AREA
PALACIO	2	1ST FLR	6,000 S.F.	12,000 S.F.
		2ND FLR	6,000 S.F.	
BLDG. 3	2	1ST FLR	11,025 S.F.	20,750 S.F.
		2ND FLR	9,725 S.F.	
BLDG. 2	2	1ST FLR	11,025 S.F.	20,750 S.F.
		2ND FLR	9,725 S.F.	
BLDG. J	2	1ST FLR	16,363 S.F.	36,760 S.F.
		2ND FLR	20,416 S.F.	
GROSS FLOOR AREA OF BUILDINGS COMBINED:				90,260 S.F.

PARKING ANALYSIS (REQUIRED PARKING SPACE COMPUTATION)	
GROSS FLOOR AREA OF BUILDINGS COMBINED / 250 =	REQ'D PARKING SPACE(S)
90,260 SF / 250 SF =	362

	LEVEL(S)	NET TOTAL
SURFACE PARKING - A		42
SURFACE PARKING - B		19
PARKING STRUCTURE	5 (122'x127'+78)	329
GROSS PARKING SPACE(S) PROVIDED:		390

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INANGOKKON
PRESERVATION
INADAHI GUAHAN
TRUST**

EXHIBIT L: SITE PLAN
HAGATÑA, GUAM
MAY 1, 2015



**PALACIO RECONSTRUCTION AND
SITE FEASIBILITY STUDY:
SITE CONCEPT DESIGN - SCHEME 2**

ARCHITECTS
LAGUANA
LLC
1000 G ST
SUITE 100
AGANA, GUAM
68801



AERIAL VIEW FROM NORTH

**GUAM
INANGOKKON
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SITE PERSPECTIVE-1

HAGATÑA, GUAM
MAY 1, 2015



**PALACIO RECONSTRUCTION AND
SITE FEASIBILITY STUDY:
SITE CONCEPT DESIGN - SCHEME 2**

**ARCHITECTS
LAGUAÑA
LLC**
1000
1000
1000
1000



AERIAL VIEW FROM NORTH

**GUAM
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PRESERVATION
INADAH! GUAHAN
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SITE PERSPECTIVE-1

HAGATÑA, GUAM
MAY 1, 2015



**PALACIO RECONSTRUCTION AND
SITE FEASIBILITY STUDY:
SITE CONCEPT DESIGN - SCHEME 2**

**ARCHITECTS
LAGUAÑA
LLC**
1000
1000
1000
1000



AERIAL VIEW FROM NORTHEAST

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INANGOKKON
PRESERVATION
INADAHÍ GUAHAN
TRUST

SITE PERSPECTIVE-2
 HAGATÑA, GUAM
 MAY 1, 2015



PALACIO RECONSTRUCTION AND
SITE FEASIBILITY STUDY:
SITE CONCEPT DESIGN - SCHEME 2

ARCHITECTS
LAGUANA
LLC
 1000 ...
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AERIAL VIEW FROM NORTHWEST

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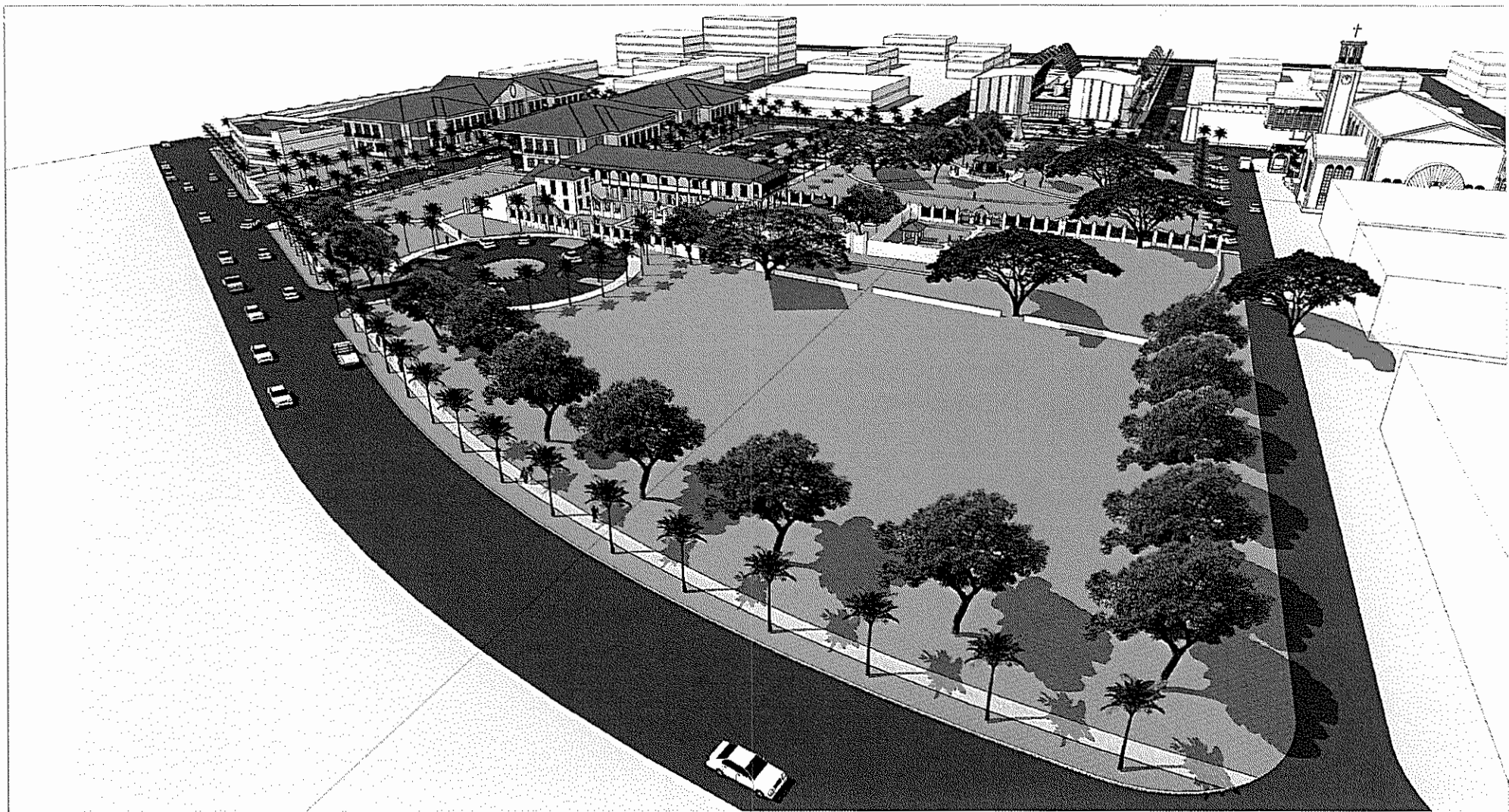
SITE PERSPECTIVE-3

RAGATÑA, GUAM
 MAY 1, 2015



PALACIO RECONSTRUCTION AND
SITE FEASIBILITY STUDY:
SITE CONCEPT DESIGN - SCHEME 2

ARCHITECTS
LAGUANA
 LLC
 1000 G ST
 SUITE 100
 AGANA, GUAM



AERIAL VIEW FROM SOUTHEAST

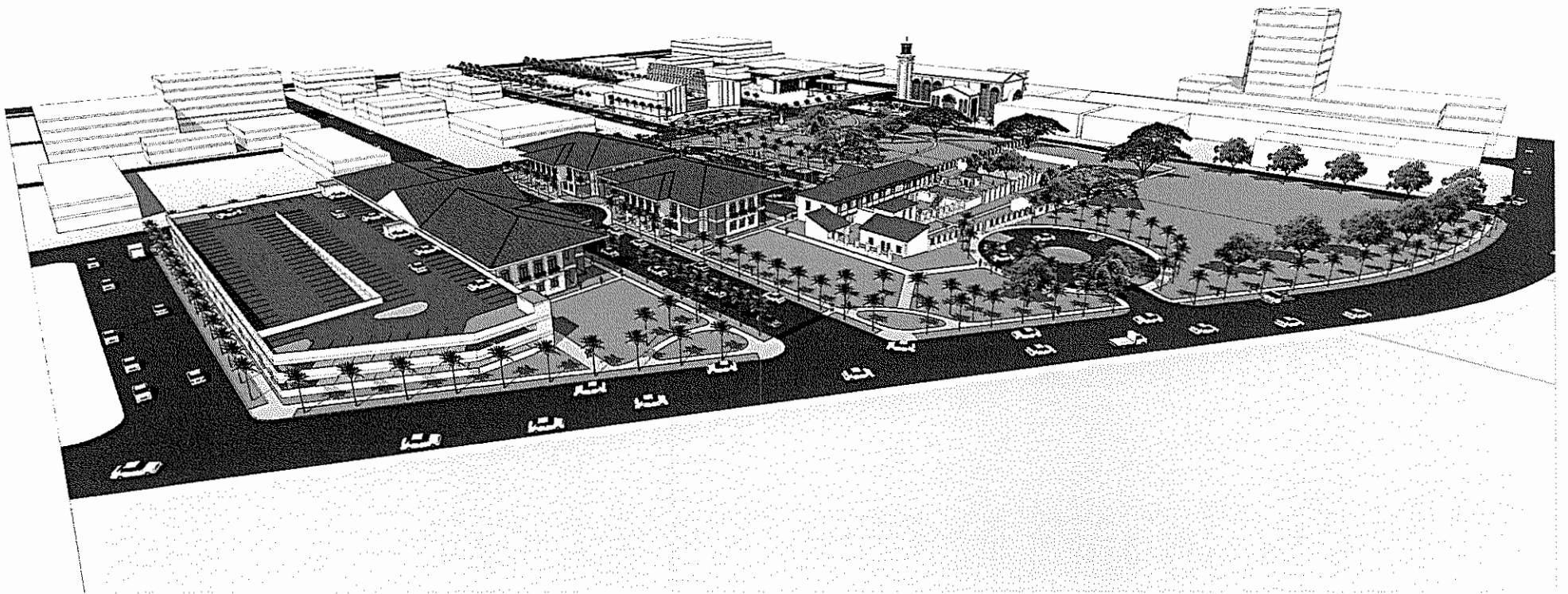
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INANGOKKON
PRESERVATION
INADAHI GUAHAN
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SITE PERSPECTIVE-4
 HAGATÑA, GUAM
 MAY 1, 2015



PALACIO RECONSTRUCTION AND
SITE FEASIBILITY STUDY:
SITE CONCEPT DESIGN - SCHEME 2

ARCHITECTS
LAGUANA
LLC
 1000 W. WARD
 SUITE 100
 HAGATÑA, GUAM
 96910



AERIAL VIEW FROM SOUTHWEST

GUAM
INANGOKKON
PRESERVATION
INADAH! GUAHAN
TRUST

SITE PERSPECTIVE-5
 HAGATÑA, GUAM
 MAY 1, 2015



PALACIO RECONSTRUCTION AND
SITE FEASIBILITY STUDY:
SITE CONCEPT DESIGN - SCHEME 2

ARCHITECTS
LAGUANA
LLC
 1000 GARDEN DRIVE
 SUITE 100
 LAS VEGAS, NV 89101
 TEL: 702.735.1111
 WWW.LAGUANAARCHITECTS.COM



VIEW FROM EAST: PLAZA DE ESPAÑA

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INANGOKKON
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SITE PERSPECTIVE-6
 HAGATÑA, GUAM
 MAY 1, 2015



PALACIO RECONSTRUCTION AND
SITE FEASIBILITY STUDY:
SITE CONCEPT DESIGN - SCHEME 2

ARCHITECTS
 LAGUANA
 LLC
 1000 N. ...
 ...
 ...



VIEW FROM EAST: PLAZA DE ESPAÑA

**GUAM
INANGOKKON
PRESERVATION
INADAHI GUAHAN
TRUST**

SITE PERSPECTIVE-7
HAGATÑA, GUAM
MAY 1, 2015



**PALACIO RECONSTRUCTION AND
SITE FEASIBILITY STUDY:
SITE CONCEPT DESIGN - SCHEME 2**

**ARCHITECTS
LAGUANA
LLC**



AERIAL VIEW FROM NORTH

GUAM
INANGOKKON
PRESERVATION
INADAH! GUAHAN
TRUST

SITE PERSPECTIVE-1
HAGATÑA, GUAM
MAY 1, 2015



PALACIO RECONSTRUCTION AND
SITE FEASIBILITY STUDY:
SITE CONCEPT DESIGN - SCHEME 3

ARCHITECTS
LAGUANA
LLC
1000 W. WASHINGTON AVE.
SUITE 200
AGANA, GUAM
6868



AERIAL VIEW FROM NORTHEAST

**GUAM
INANGORKON
PRESERVATION
INADAHI-GUAHAN
TRUST**

SITE PERSPECTIVE-2
HAGATÑA, GUAM
MAY 1, 2015



**PALACIO RECONSTRUCTION AND
SITE FEASIBILITY STUDY:
SITE CONCEPT DESIGN - SCHEME 3**

**ARCHITECTS
LAGUAÑA
LLC**
1000 ...
...
...



AERIAL VIEW FROM NORTHWEST

**GUAM
INANGORRON
PRESERVATION
INADAH! GUAHAN
TRUST**

SITE PERSPECTIVE-3

HAGATÑA, GUAM
MAY 1, 2015



**PALACIO RECONSTRUCTION AND
SITE FEASIBILITY STUDY:
SITE CONCEPT DESIGN - SCHEME 3**

**ARCHITECTS
LAGUANA
LLC**

1000 G ST
SUITE 200
AGANA, GUAM
68801



AERIAL VIEW FROM SOUTHEAST

**GUAM
INANGOKKON
PRESERVATION
INADAHI GUAHAN
TRUST**

SITE PERSPECTIVE-4

HAGATÑA, GUAM
MAY 1, 2015



**PALACIO RECONSTRUCTION AND
SITE FEASIBILITY STUDY:
SITE CONCEPT DESIGN - SCHEME 3**

**ARCHITECTS
LAGUANA
LLC**



AERIAL VIEW FROM SOUTHWEST

GUAM
INANGOKKON
PRESERVATION
INADAHI GUAHAN
TRUST

SITE PERSPECTIVE-5
HAGATÑA, GUAM
MAY 1, 2015



PALACIO RECONSTRUCTION AND
SITE FEASIBILITY STUDY:
SITE CONCEPT DESIGN - SCHEME 3

ARCHITECTS
LAGUANA
LLC
1000 G ST., SUITE 100
AGANA, GUAM
671-7777



VIEW FROM NORTH FACING MAIN ENTRY TO PALACIO

GUAM
INANGOKKON
PRESERVATION
INADAHI GUAHAN
TRUST

SITE PERSPECTIVE-6

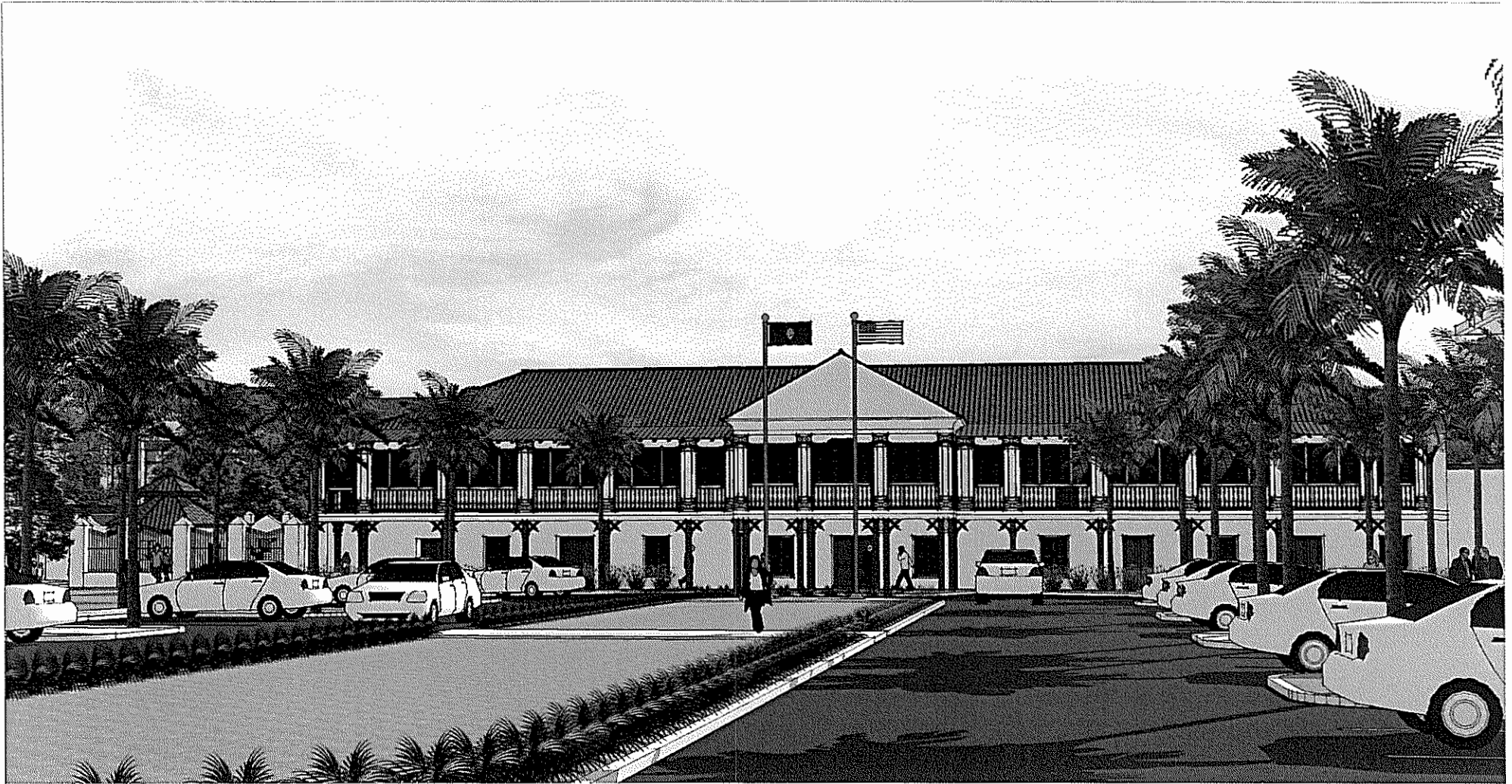
HAGATÑA, GUAM
MAY 1, 2015



PALACIO RECONSTRUCTION AND
SITE FEASIBILITY STUDY:
SITE CONCEPT DESIGN - SCHEME 3

ARCHITECTS
LAGUANA
LLC

1000 G ST
SUITE 100
AGANA, GUAM
767-2222



VIEW OF PALACIO

GUAM
INANGOKKON
PRESERVATION
INADAHÍ GUAHAN
TRUST

SITE PERSPECTIVE-7
HAGATÑA, GUAM
MAY 1, 2015



PALACIO RECONSTRUCTION AND
SITE FEASIBILITY STUDY:
SITE CONCEPT DESIGN - SCHEME 3

ARCHITECTS
LAGUANA
LLC
1000
1000
1000



ASPINAL AVENUE: VIEW FROM SOUTH 3-WAY INTERSECTION

GUAM
INANGORRON
PRESERVATION
INADAHI GUAHAN
TRUST

SITE PERSPECTIVE-8
RAGATNA, GUAM
MAY 1, 2015



PALACIO RECONSTRUCTION AND
SITE FEASIBILITY STUDY:
SITE CONCEPT DESIGN - SCHEME 3

ARCHITECTS
LAGUANA
LIC
1000
1000
1000



ASPINALL AVENUE: VIEW FROM NORTH 4-WAY INTERSECTION

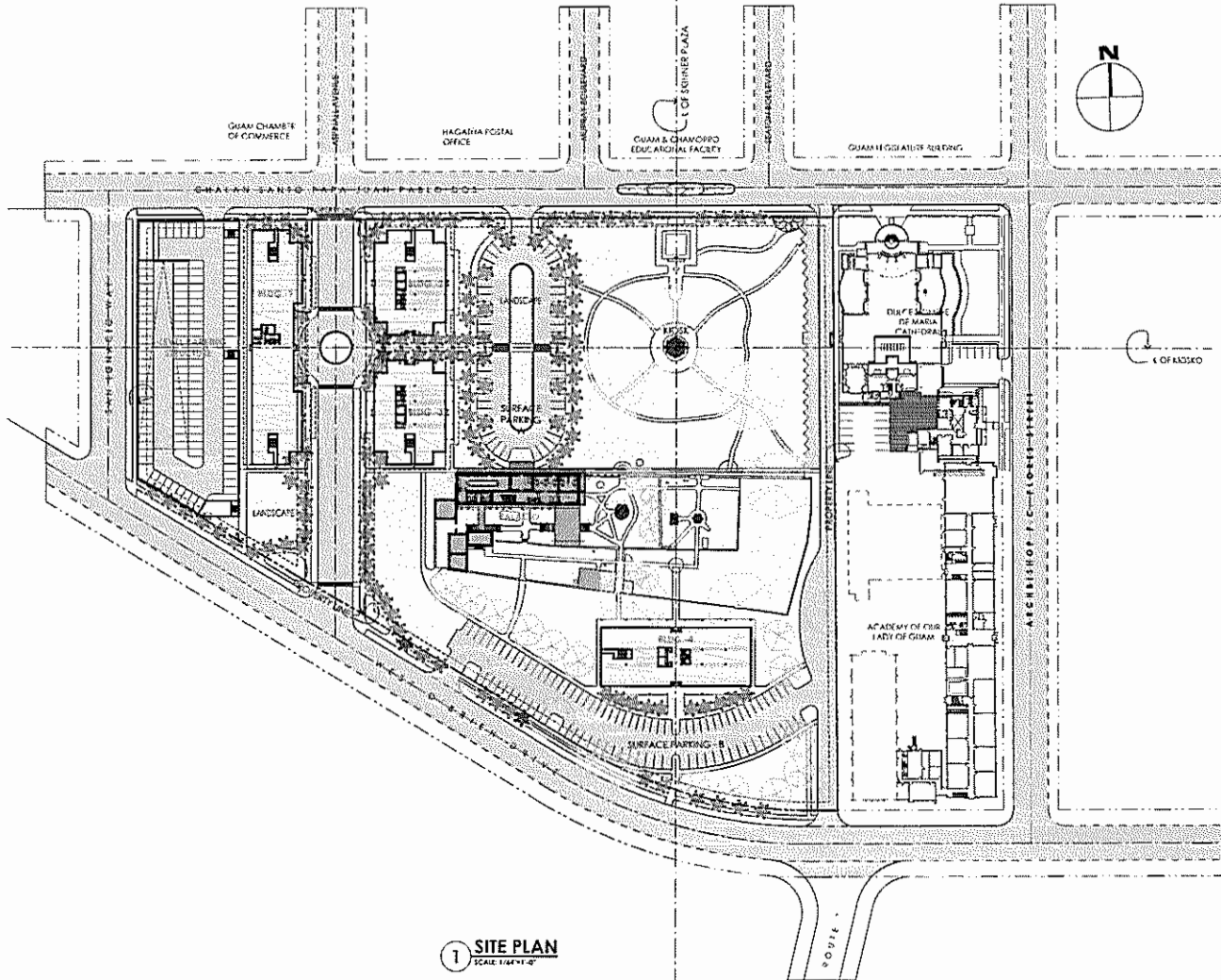
GUAM
INANGOKKON
PRESERVATION
INADAHI GUAHAN
TRUST

SITE PERSPECTIVE-9
HAGATÑA, GUAM
MAY 1, 2015



PALACIO RECONSTRUCTION AND
SITE FEASIBILITY STUDY:
SITE CONCEPT DESIGN - SCHEME 3

ARCHITECTS
LAGUANA
LLC
1000
1000
1000
1000



1 SITE PLAN
SCALE: 1/4" = 1'-0"

MASTER PLAN SCHEME-4			
TOTAL LAND AREA (INTERSECTING ROAD INCLUDED)			459,814 S.F.
(W/O INTERSECTING ROAD)			439,814 S.F.

BUILDING (NAME OR #)	TOTAL FLOOR	FLOOR	NET AREA	GROSS FLOOR AREA
PALACIO	2	1ST FLR	6,000 S.F.	12,000 S.F.
		2ND FLR	6,000 S.F.	
BLDG. 3	2	1ST FLR	11,025 S.F.	20,750 S.F.
		2ND FLR	9,725 S.F.	
BLDG. 2	2	1ST FLR	11,025 S.F.	20,750 S.F.
		2ND FLR	9,725 S.F.	
BLDG. 1	3	1ST FLR	16,350 S.F.	47,260 S.F.
		2ND FLR	20,410 S.F.	
		3RD FLR	10,500 S.F.	
BLDG. 4	2	1ST FLR	9,000 S.F.	22,600 S.F.
		2ND-3RD FLR	13,600 S.F.	
GROSS FLOOR AREA OF BUILDINGS COMBINED:				123,360 S.F.

PARKING ANALYSIS (REQUIRED PARKING SPACE COMPUTATION)		
GROSS FLOOR AREA OF BUILDINGS COMBINED / 250 SF =	REQ'D PARKING SPACES	
123,360 SF / 250 SF =	494	
	LEVEL(S)	NET SPACES
SURFACE PARKING - A		42
SURFACE PARKING - B		90
PARKING STRUCTURE	3 (122+129+78)	359
GROSS PARKING SPACE(S) PROVIDED:		491

GUAM
INANGOKKON
PRESERVATION
IN ADAHI GUAHAN
TRUST

EXHIBIT N: SITE PLAN
HAGATNA, GUAM
MAY 1, 2015



**PALACIO RECONSTRUCTION AND
SITE FEASIBILITY STUDY:
SITE CONCEPT DESIGN - SCHEME 4**

ARCHITECTS
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LLC
1000 W. ...
...
...



AERIAL VIEW FROM NORTH

GUAM
INANGOKKON
PRESERVATION
INADAH! GUAHAN
TRUST

SITE PERSPECTIVE-1
 HAGATÑA, GUAM
 MAY 1, 2015



PALACIO RECONSTRUCTION AND
SITE FEASIBILITY STUDY:
SITE CONCEPT DESIGN - SCHEME 4

ARCHITECTS
LAGUANA
LLC
 1000 G ST
 SUITE 100
 AGADUZAN, GUAM
 96910



AERIAL VIEW FROM NORTHEAST

GUAM
INANGOKKON
PRESERVATION
INADAHI GUAHAN
TRUST

SITE PERSPECTIVE-2
 HAGAÑA, GUAM
 MAY 1, 2015



PALACIO RECONSTRUCTION AND
SITE FEASIBILITY STUDY:
SITE CONCEPT DESIGN - SCHEME 4

ARCHITECTS
LAGUANA
LLC



AERIAL VIEW FROM NORTHWEST

GUAM
INANGOKKON
PRESERVATION
INADAH! GUAHAN
TRUST

SITE PERSPECTIVE-3
 HAGATÑA, GUAM
 MAY 1, 2015



PALACIO RECONSTRUCTION AND
SITE FEASIBILITY STUDY:
SITE CONCEPT DESIGN - SCHEME 4

ARCHITECTS
LAGUAÑA
IIC
 1007 W. WARD
 SUITE 100
 HAGATÑA, GUAM



AERIAL VIEW FROM SOUTHEAST

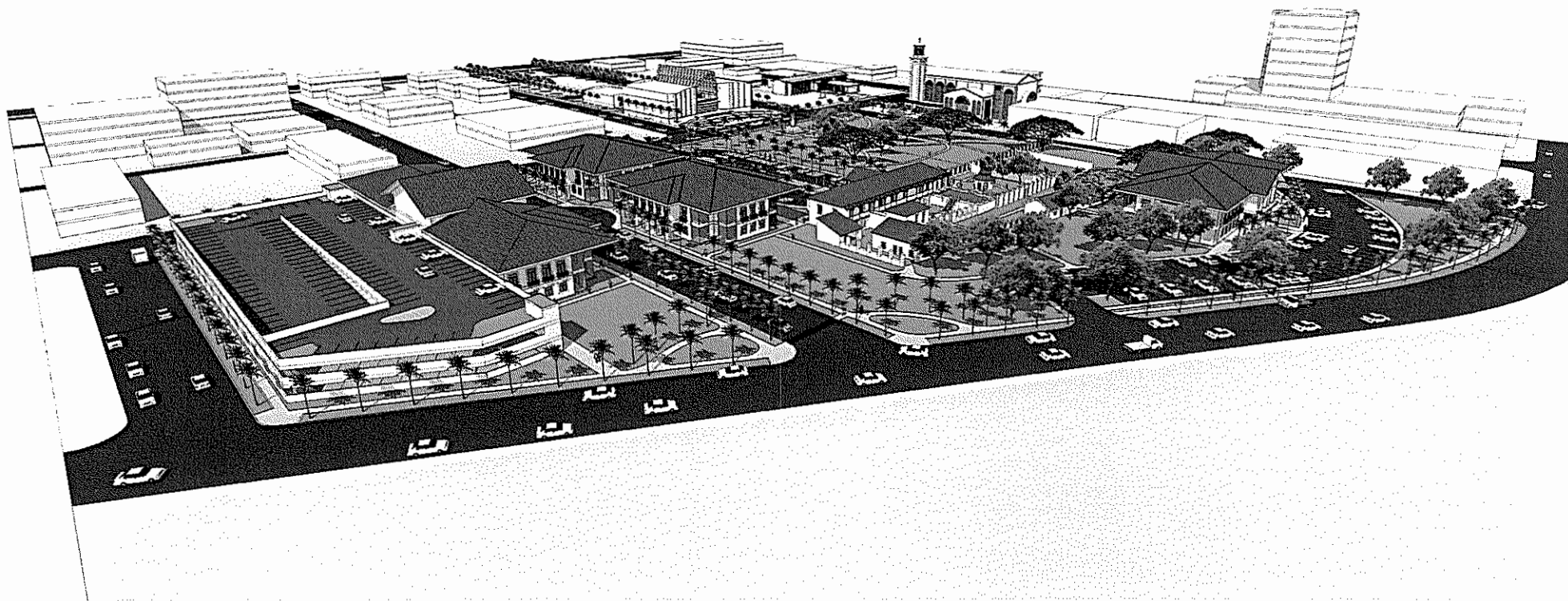
**GUAM
INANGOKKON
PRESERVATION
INADAHI GUAHAN
TRUST**

SITE PERSPECTIVE-4
HAGATÑA, GUAM
MAY 1, 2015



**PALACIO RECONSTRUCTION AND
SITE FEASIBILITY STUDY:
SITE CONCEPT DESIGN - SCHEME 4**

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LLC**
1000
MAYAGUAY
GUAM



AERIAL VIEW FROM SOUTHWEST

GUAM
INANGOKKON
PRESERVATION
INADAH! GUAHAN
TRUST

SITE PERSPECTIVE-5
HAGATÑA, GUAM
MAY 1, 2015



PALACIO RECONSTRUCTION AND
SITE FEASIBILITY STUDY:
SITE CONCEPT DESIGN - SCHEME 4

ARCHITECTS
LAGUANA
LLC
1000 W. WASHINGTON
SUITE 100
AGANA, GUAM



VIEW FROM NORTH FACING MAIN ENTRANCE TO PALACIO

**GUAM
INANGOKKON
PRESERVATION
INADAHI GUAHAN
TRUST**

SITE PERSPECTIVE-6
HAGATÑA, GUAM
MAY 1, 2015



**PALACIO RECONSTRUCTION AND
SITE FEASIBILITY STUDY:
SITE CONCEPT DESIGN - SCHEME 4**

**ARCHITECTS
LAGUANA
IIC**
1000
1000
1000
1000



VIEW OF PALACIO

GUAM
INANGOKKON
PRESERVATION
INADAHÍ GUAHAN
TRUST

SITE PERSPECTIVE-7

HAGATÑA, GUAM
MAY 1, 2015



**PALACIO RECONSTRUCTION AND
SITE FEASIBILITY STUDY:
SITE CONCEPT DESIGN - SCHEME 4**

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1000
1000
1000



VIEW OF THE PROPOSED OFFICE BUILDINGS

GUAM
INANGOKKON
PRESERVATION
INADAHI GUAHAN
TRUST

SITE PERSPECTIVE-8
 HAGATÑA, GUAM
 MAY 1, 2015



PALACIO RECONSTRUCTION AND
SITE FEASIBILITY STUDY:
SITE CONCEPT DESIGN - SCHEME 4

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 SUITE 100
 LAS VEGAS, NV 89101
 TEL: 702.735.1111
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ASPINALL AVENUE: VIEW FROM NORTH 4-WAY INTERSECTION

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PRESERVATION
INADAHI GUAHAN
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SITE PERSPECTIVE-9

HAGATÑA, GUAM
MAY 1, 2015



PALACIO RECONSTRUCTION AND
SITE FEASIBILITY STUDY:
SITE CONCEPT DESIGN - SCHEME 4

ARCHITECTS
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LLC
1000
1000
1000



AERIAL VIEW FROM WEST, ASPINALL AVENUE

GUAM
INANGOKKON
PRESERVATION
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SITE PERSPECTIVE-10
 HAGATÑA, GUAM
 MAY 1, 2015



PALACIO RECONSTRUCTION AND
SITE FEASIBILITY STUDY:
SITE CONCEPT DESIGN - SCHEME 4

ARCHITECTS
LAGUANA
 LLC
 1000 GARDEN CITY DRIVE
 SUITE 100
 GARDEN CITY, GUAM
 96913
 TEL: (671) 735-1111
 FAX: (671) 735-1112
 WWW.LAGUANAARCHITECTS.COM



AERIAL VIEW FROM NORTH WEST

**GUAM
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SITE PERSPECTIVE-11
HAGAYÑA, GUAM
MAY 1, 2015



**PALACIO RECONSTRUCTION AND
SITE FEASIBILITY STUDY:
SITE CONCEPT DESIGN - SCHEME 4**

**ARCHITECTS
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LLC**
1000 G ST
SUITE 200
AGANA, GUAM
68801



ASPINALL AVENUE: VIEW FROM NORTH WEST INTERSECTION

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SITE PERSPECTIVE-12
HAGATRA, GUAM
MAY 1, 2015



PALACIO RECONSTRUCTION AND
SITE FEASIBILITY STUDY:
SITE CONCEPT DESIGN - SCHEME 4

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1000
1000
1000



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

In just a little over a decade, the Government of Guam (GovGuam) nearly doubled its annual cost for leasing commercial space (office and other), going from \$6.8 million (M) for 493,701 square feet (sq. ft.) in fiscal year (FY) 2004 to \$12.5M for 492,303 sq. ft. in FY 2015. Correspondingly, the average cost per sq. ft. nearly doubled from \$1.15 per sq. ft. in FY 2004 to \$2.11 in FY 2015. Majority of GovGuam's commercial leases were for office space at \$11.8M, while other commercial lease space was \$692 thousand (K) in FY 2015.

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

Top 10 Agencies with the Highest Lease Cost for Office Space

Government Agencies		FY 2015			FY 2004			VARIANCE		
		Total Annual Rental Cost	Approximate Sq. Ft.	Average Rental Cost per Sq. Ft.	Total Annual Rental Cost	Approximate Sq. Ft.	Average Rental Cost per Sq. Ft.	Total Annual Rental Cost	Approximate Sq. Ft.	Average Rental Cost per Sq. Ft.
No.	Agency									
1.	CQA	\$2,787,045	54,347	\$4.27	\$1,743,820	57,916	\$2.51	\$1,043,225	(3,569)	\$1.76
2.	OAG	\$1,528,740	42,465	\$3.00	\$391,615	13,345	\$2.45	\$1,137,125	29,120	\$0.55
3.	DPHSS	\$1,031,881	48,321	\$1.78	\$492,360	26,360	\$1.56	\$539,521	21,961	\$0.22
4.	DRT	\$978,588	50,094	\$1.63	\$0	0	\$0	\$978,588	50,094	\$1.63
5.	DLM	\$774,062	27,449	\$2.35	\$77,756	5,023	\$1.29	\$696,306	22,426	\$1.06
6.	DOL	\$623,772	21,690	\$2.40	\$476,887	29,200	\$1.36	\$146,885	(7,510)	\$1.04
7.	GPD	\$536,765	40,480	\$1.11	\$517,033	55,956	\$0.77	\$19,732	(15,476)	\$0.34
8.	DOA	\$474,926	20,296	\$1.95	\$120,000	8,000	\$1.25	\$354,926	12,296	\$0.70
9.	DISID	\$364,344	15,181	\$2.00	\$165,000	11,000	\$1.25	\$199,344	4,181	\$0.75
10.	GBHWC	\$300,272	14,694	\$1.70	\$0	0	\$0	\$300,272	14,694	\$1.70
Subtotal		\$9,400,395	335,017	\$2.34	\$3,984,471	206,800	\$1.61	\$5,415,924	128,217	\$0.73
Other Entities		\$2,382,161	121,860	\$1.63	\$2,596,617	183,556	\$1.18	\$(214,456)	(61,696)	\$0.45
Grand Total		\$11,782,556	456,878	\$2.15	\$6,581,088	390,356	\$1.40	\$5,201,468	66,522	\$0.74

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

Agencies with the Highest Office Lease Costs

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

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

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

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

Disparities in Lease Rates

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

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

Newly Built or Renovated Government Buildings Decreased Lease Costs

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

Conclusion and Recommendations

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

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

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

Doris Flores Brooks, CPA, CGFM
Public Auditor

Government of Guam
Analysis of Government of Guam Leases

Performance Audit
October 2014 through September 2015

OPA Report No. 17-02
January 2017



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

**Performance Audit
October 2014 through September 2015**

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January 2017**

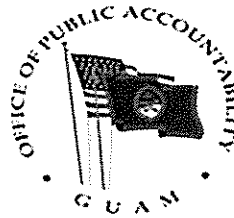
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The Office of the Attorney General (OAG) had the second highest annual lease cost for office space at \$1.5M. OAG paid \$392K in FY 2004 for a variance of \$1.1M. While OAG more than doubled its

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

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

Disparities in Lease Rates

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

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

Newly Built or Renovated Government Buildings Decreased Lease Costs

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

Conclusion and Recommendations

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

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

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

Doris Flores Brooks, CPA, CGFM
Public Auditor

Glossary of Acronyms

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



Introduction

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

The objectives of our analysis were to determine:

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

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

Background

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

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

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

in GovGuam leases are to be avoided whenever possible; and (4) GSA should have prior approval authority over all lease contracts of line entities.

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

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

Results of Audit

In just a little over a decade, GovGuam nearly doubled its annual cost for leasing commercial space (office and other), going from \$6.8 million (M) for 493,701 sq. ft in FY 2004 to \$12.5M for 492,303 sq. ft. in FY 2015. Majority of GovGuam's commercial leases were for office space at \$11.8M, while other commercial lease space was \$692 thousand (K) in FY 2015.

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

Table 1: Summary of FY 2015 Leases

Government Branches	No. of Entities	Number of Leases			Approximate Sq. Ft.			Total Lease Costs			Total Cost per Sq. Ft		
		Office	Other	Total	Office	Other	Total	Office	Other	Total	Office	Other	Total
Executive Branch													
Line Agencies ¹	20	37	14	51	331,767	12,891	344,658	\$8,513,864	\$342,223	\$8,856,087	\$2.14	\$2.21	\$2.14
Autonomous Agencies	9	7	5	12	66,055	10,222	76,277	\$2,193,289	\$142,975	\$2,336,264	\$2.77	\$1.17	\$2.55
Executive Branch Total	29	44	19	63	397,822	23,113	420,935	\$10,707,153	\$485,198	\$11,192,351	\$2.24	\$1.75	\$2.22
Legislative Branch	11	11	0	11	36,830	0	36,830	\$536,280	\$0	\$536,280	\$1.21	\$0	\$1.21
Judicial Branch	3	3	2	5	22,226	12,312	34,538	\$539,124	\$307,000	\$746,124	\$2.02	\$1.40	\$1.80
Grand Total	43	58	21	79	456,878	35,425	492,303	\$11,782,557	\$692,198	\$12,474,755	\$2.15	\$1.63	\$2.11

¹Excluded Office of the Governor

Table 2: Summary of FY 2004 Leases

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

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

Analysis of Annual Lease Costs for Office Space

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

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

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

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

Government Agencies		FY 2015			FY 2004			VARIANCE		
		Total Annual Rental Cost	Approximate Sq. Ft.	Average Rental Cost per Sq. Ft.	Total Annual Rental Cost	Approximate Sq. Ft.	Average Rental Cost per Sq. Ft.	Total Annual Rental Cost	Approximate Sq. Ft.	Average Rental Cost per Sq. Ft.
No.	Agency									
1.	CQA	\$2,787,045	54,347	\$4.27	\$1,743,820	57,916	\$2.51	\$1,043,225	(3,569)	\$1.76
2.	OAG	\$1,528,740	42,465	\$3.00	\$391,615	13,345	\$2.45	\$1,137,125	29,120	\$0.55
3.	DPHSS	\$1,031,881	48,321	\$1.78	\$492,360	26,360	\$1.56	\$539,521	21,961	\$0.22
4.	DRT	\$978,588	50,094	\$1.63	\$0	0	\$0	\$978,588	50,094	\$1.63
5.	DLM ¹	\$774,062	27,449	\$2.35	\$77,756	5,023	\$1.29	\$696,306	22,426	\$1.06
6.	DOL ²	\$623,772	21,690	\$2.40	\$476,887	29,200	\$1.36	\$146,885	(7,510)	\$1.04
7.	GPD	\$536,765	40,480	\$1.11	\$517,033	55,956	\$0.77	\$19,732	(15,476)	\$0.34
8.	DOA	\$474,926	20,296	\$1.95	\$120,000	8,000	\$1.25	\$354,926	12,296	\$0.70
9.	DISID	\$364,344	15,181	\$2.00	\$165,000	11,000	\$1.25	\$199,344	4,181	\$0.75
10.	GBHWC	\$300,272	14,694	\$1.70	\$0	0	\$0	\$300,272	14,694	\$1.70
Subtotal		\$9,400,395	335,017	\$2.34	\$3,984,471	206,800	\$1.61	\$5,415,924	128,217	\$0.73
Other Entities		\$2,382,161	121,860	\$1.63	\$2,596,617	183,556	\$1.18	\$(214,456)	(61,696)	\$0.45
Grand Total		\$11,782,556	456,878	\$2.15	\$6,581,088	390,356	\$1.40	\$5,201,468	66,522	\$0.74

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

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

Agencies with the Highest Office Lease Costs

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

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

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

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

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

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

Disparities in Lease Costs

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

One of the top 10 agencies, DISID has a lease under the DNA Building where we also identified varying lease rates in comparison to other agencies housed in the same building. The DNA Building also houses offices of OPA, APD, GFD, and various Senatorial Offices. OPA is paying \$2.28 per sq. ft., followed by DISID and APD at \$2.00 per sq. ft., and GFD at \$1.90 per sq. ft. There are five senatorial offices that pay an average of \$1.50 per sq. ft., with the lowest rate at \$1.10 per sq. ft. and the highest at \$1.83 per sq. ft.

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

Table 4: Summary of FY 2015 Leases

Government Branches	Inclusive of Utilities				Exclusive of Utilities			
	No. of Leases	Average Cost per Sq. Ft.	Approximate Sq. Ft.	No. of Entities Paying Over Average Cost per Sq. Ft.	No. of Leases	Average Cost per Sq. Ft.	Approximate Sq. Ft.	No. of Entities Paying Over Average Cost per Sq. Ft.
Executive Branch ¹	36	\$2.42	313,918	3	8	\$1.57	83,904	4
Legislative Branch	10	\$1.45	16,297	5	1	\$1.02	20,533	0
Judicial Branch	2	\$2.07	14,726	1	1	\$1.93	7,500	0
Totals	48	\$2.36	334,941	9	10	\$1.49	111,937	4

¹Excluding the Office of the Governor.

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

Table 5: Summary of FY 2004 Leases

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

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

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

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

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

Newly Built or Renovated Buildings Decreased Lease Costs

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

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

Newly Built GPA & GWA Office Space in Mangilao

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

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

Renovated GHURA Office Space in Sinajana

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

Guam Department of Education's New Central Offices in Tiyan

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

Renovated Guam Congress Building in Hagåtña

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

Plans for Construction of Future Government Buildings

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

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

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

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

New DLM Building

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

Other Matters

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

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

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

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

Conclusion and Recommendations

In just a little over a decade, GovGuam nearly doubled its annual cost for leasing commercial space (office and other), going from \$6.8M for 493,701 sq. ft in FY 2004 to \$12.5M for 492,303 sq. ft. in FY 2015. Majority of GovGuam's commercial leases were for office space at \$11.8M, while other commercial lease space was \$692K in FY 2015.

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

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

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

Classification of Monetary Amounts

	Finding Description	Questioned Costs	Potential Savings	Unrealized Revenue	Other Financial Impact
1	Analysis of Annual Lease Cost for Office Space¹	\$ -	\$ -	\$ -	\$ -
	Agencies with the Highest Office Lease Cost	\$ -	\$ -	\$ -	\$ -
	Disparities in Lease Costs	\$ -	\$ -	\$ -	\$ -
	Subtotal	\$ -	\$ -	\$ -	\$ -
2	Newly Built or Renovated Buildings Decreased Lease Cost	\$ -	\$ -	\$ -	\$ -
	Newly Built GPA & GWA Office Space in Mangilao	\$ -	\$ -	\$ -	\$ -
	Renovated GHURA Office in Sinajana	\$ -	\$ -	\$ -	\$ -
	Guam Department of Education's New Central Offices in Tiyan	\$ -	\$ -	\$ -	\$ -
	Renovated Guam Congress Building in Hagåtña	\$ -	\$ -	\$ -	\$ -
	Subtotal	\$ -	\$ -	\$ -	\$ -
3	Plans for Construction of Future Government Buildings	\$ -	\$ -	\$ -	\$ -
	Subtotal	\$ -	\$ -	\$ -	\$ -
	Totals	\$ -	\$ -	\$ -	\$ -
¹ Inclusive of the Top 10 agencies with the highest office lease cost of \$9.4M.					

Management Response and OPA Reply

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

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

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

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

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

OFFICE OF PUBLIC ACCOUNTABILITY



Doris Flores Brooks, CPA, CGFM
Public Auditor

The objectives of our analysis were to determine:

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

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

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

Methodology

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

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

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

Scope Limitation

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

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

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

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

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

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

Appendix 2:**Prior Audit Coverage**

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

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

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

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

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

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

Appendix 3: FY 2015 Office Lease Cost Highest to Lowest

Government Agencies		FY 2015			FY 2004			VARIANCE		
No.	Agency ¹	Total Annual Rental Cost	Approx. Sq. Ft.	Avr. Rental Cost per Sq. Ft	Total Annual Rental Cost	Approx. Sq. Ft.	Avr. Rental Cost per Sq. Ft	Total Annual Rental Cost	Approx. Sq. Ft.	Avr. Rental Cost per Sq. Ft
1.	CQA	\$2,787,045	54,347	\$4.27	\$1,743,820	57,916	\$2.51	\$1,043,225	(3,569)	\$1.76
2.	OAG	\$1,528,740	42,465	\$3.00	\$391,615	13,345	\$2.45	\$1,137,125	29,120	\$0.55
3.	DPHSS	\$1,031,881	48,321	\$1.78	\$492,360	26,360	\$1.56	\$539,521	21,961	\$0.22
4.	DRT	\$978,588	50,094	\$1.63	\$0	0	\$0	\$978,588	50,094	\$1.63
5.	DLM ²	\$774,062	27,449	\$2.35	\$77,756	5,023	\$1.29	\$696,306	22,426	\$1.06
6.	DOL ³	\$623,772	21,690	\$2.40	\$476,887	29,200	\$1.36	\$146,885	(7,510)	\$1.04
7.	GPD	\$536,765	40,480	\$1.11	\$517,033	55,956	\$0.77	\$19,732	(15,476)	\$0.34
8.	DOA	\$474,926	20,296	\$1.95	\$120,000	8,000	\$1.25	\$354,926	12,296	\$0.70
9.	DISID	\$364,344	15,181	\$2.00	\$165,000	11,000	\$1.25	\$199,344	4,181	\$0.75
10.	GBHWC	\$300,272	14,694	\$1.70	\$0	0	\$0	\$300,272	14,694	\$1.70
11.	PDSC	\$300,000	12,000	\$2.08	\$236,433	7,770	\$2.54	\$63,567	4,230	\$(0.45)
12.	27th & 33rd Guam Legislature Senatorial Offices ⁴	\$284,280	16,297	\$1.45	\$255,729	20,995	\$1.02	\$28,551	(4,698)	\$0.44
13.	Guam Legislature Central Office	\$252,000	20,533	\$1.02	\$285,554	20,534	\$1.16	\$(33,554)	(1)	\$(0.14)
14.	GEDA	\$248,928	8,607	\$2.41	\$189,913	12,763	\$1.24	\$59,015	(4,156)	\$1.17
15.	Judiciary of Guam	\$173,700	7,500	\$1.93	\$262,652	14,247	\$1.54	\$(88,952)	(6,747)	\$0.39
16.	GEC	\$130,350	3,802	\$2.86	\$46,800	2,252	\$1.73	\$83,550	1,550	\$1.13
17.	DCA	\$127,894	5,761	\$1.85	\$6,066	800	\$0.63	\$121,828	4,961	\$1.22
18.	GFC	\$114,000	5,000	\$1.90	\$0	0	\$0	\$114,000	5,000	\$1.90
19.	OPA	\$107,723	3,932	\$2.28	\$70,020	2,918	\$2.00	\$37,703	1,014	\$0.28
20.	GHC	\$99,744	4,156	\$2.00	\$26,263	1,765	\$1.24	\$73,481	2,391	\$0.76
21.	GEPA	\$96,000	8,000	\$1.00	\$0	5,500	\$0	\$96,000	2,500	\$1.00
22.	CSC	\$66,096	3,672	\$1.50	\$75,000	5,000	\$1.25	\$(8,904)	(1,328)	\$0.25
23.	APD	\$65,424	2,726	\$2.00	\$0	0	\$0	\$65,424	2,726	\$2.00
24.	MCOG - Administration Office	\$57,834	2,754	\$1.75	\$47,920	2,754	\$1.45	\$9,914	0	\$0.30
25.	GDOE	\$55,440	4,000	\$1.16	\$0	0	\$0	\$55,440	4,000	\$1.16
26.	GPA	\$53,935	2,043	\$2.20	\$300,000	41,435	\$0.60	\$(246,065)	(39,392)	\$1.60
27.	MCOG - Inarajan Mayor's Office	\$31,200	6,000	\$0.43	\$21,600	5,500	\$0.33	\$9,600	500	\$0.11
28.	PUC	\$27,044	967	\$2.33	\$20,544	967	\$1.77	\$6,500	0	\$0.56
29.	GDDC	\$25,200	1,000	\$2.10	\$24,600	1,800	\$1.14	\$600	(800)	\$0.96
30.	MCOG - Piti's Mayor's Office	\$24,000	1,200	\$1.67	\$0	0	\$0	\$24,000	1,200	\$1.67
31.	GBOA	\$23,868	1,050	\$1.89	\$24,760	1,250	\$1.65	\$(892)	(200)	\$0.24
32.	PEALS	\$17,500	860	\$1.70	\$14,448	860	\$1.40	\$3,052	0	\$0.30
33.	VAO	\$0	0	\$0	\$15,000	1,000	\$1.25	\$(15,000)	(1,000)	\$(1.25)
34.	OPG	\$0	0	\$0	\$16,800	784	\$1.79	\$(16,800)	(784)	\$(1.79)
35.	Government House	\$0	0	\$0	\$23,316	1,222	\$1.59	\$(23,316)	(1,222)	\$(1.59)
36.	GPO	\$0	0	\$0	\$30,240	1,260	\$2.00	\$(30,240)	(1,260)	\$(2.00)
37.	GHURA	\$0	0	\$0	\$62,959	3,180	\$1.65	\$(62,959)	(3,180)	\$(1.65)
38.	GRO	\$0	0	\$0	\$64,800	3,000	\$1.80	\$(64,800)	(3,000)	\$(1.80)
39.	Office of the Governor & Lieutenant Governor ⁵	\$0	0	\$0	\$475,200	24,000	\$1.65	\$(475,200)	(24,000)	\$(1.65)
Grand Total		\$11,782,556	456,878	\$2.15	\$6,581,088	390,356	\$1.40	\$5,201,468	66,522	\$0.74

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

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

³Inclusive of Agency for Human Resources Development lease.

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

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

Appendix 4:

FY 2015 Office Lease Inclusive of Utilities

Government Agencies	No. of Lease	Total Annual Rent Cost	Approx. Sq. Ft.	Avg. Rent Cost per Sq. Ft.
CQA	1	\$2,007,045	29,347	\$5.70
OAG	1	\$1,528,740	42,465	\$3.00
DPHSS	8	\$1,031,881	48,321	\$1.85
DRT	1	\$978,588	50,094	\$1.63
DLM	1	\$774,062	27,449	\$2.35
DOL	2	\$623,772	21,690	\$2.41
DOA	1	\$474,926	20,296	\$1.95
GPD	3	\$304,800	14,000	\$1.81
GBHWC	3	\$300,272	14,694	\$1.76
GEDA	1	\$248,928	8,607	\$3.38
GEC	1	\$130,350	3,802	\$2.86
DCA	3	\$127,894	5,761	\$1.85
GFD	1	\$114,000	5,000	\$1.90
OPA	1	\$107,723	3,932	\$2.28
GHC	1	\$99,744	4,156	\$2.00
CSC	1	\$66,096	3,672	\$1.50
MCOG - Administration Office	1	\$57,834	2,754	\$1.75
GDOE	1	\$55,440	4,000	\$1.98
PUC	1	\$27,044	967	\$2.33
GDDC	1	\$25,200	1,000	\$2.10
GBOA	1	\$23,868	1,050	\$1.89
PEALS	1	\$17,500	860	\$1.70
Executive Branch Total	36	\$9,125,708	313,918	\$2.42
33rd Guam Legislature - Senatorial Office	1	\$36,000	2,719	\$1.10
33rd Guam Legislature - Senatorial Office	1	\$36,000	1,986	\$1.51
33rd Guam Legislature - Senatorial Office	1	\$36,000	2,127	\$1.41
33rd Guam Legislature - Senatorial Office	1	\$32,280	1,500	\$1.79
33rd Guam Legislature - Senatorial Office	1	\$24,000	1,430	\$1.40
33rd Guam Legislature - Senatorial Office	1	\$24,000	1,095	\$1.83
33rd Guam Legislature - Senatorial Office	1	\$24,000	1,095	\$1.83
33rd Guam Legislature - Senatorial Office	1	\$24,000	1,095	\$1.83
33rd Guam Legislature - Senatorial Office	1	\$24,000	1,520	\$1.32
33rd Guam Legislature - Senatorial Office	1	\$24,000	1,730	\$1.16
Legislative Branch Total	10	\$284,280	16,297	\$1.45
PDSC	1	\$300,000	12,000	\$2.08
APD	1	\$65,424	2,726	\$2.00
Judicial Branch Total	2	\$365,424	14,726	\$2.07
Grand Total	48	\$9,775,412	344,941	\$2.36

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

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

Appendix 6:

FY 2015 GovGuam Office Space Leases

Executive Branch					
Agency	Location	Total Annual Cost	Approximate Sq. Ft.	Average Monthly Cost per Sq. Ft.	Responsible Party for Utility Cost
COA	Tiyan	\$234,000	7,500	\$2.60	Lessee
COA	Tiyan	\$546,000	17,500	\$2.60	Lessee
COA	Tamuning	\$2,007,045	29,347	\$5.70	Lessor
CQA Total		\$2,787,045	54,347	\$4.27	
CSC	Sinajana	\$66,096	3,672	\$1.50	Lessor
DCA	Hagåtña	\$43,068	1,940	\$1.85	Lessor
DCA	Hagåtña	\$44,178	1,990	\$1.85	Lessor
DCA	Hagåtña	\$40,648	1,831	\$1.85	Lessor
DCA Total		\$127,894	5,761	\$1.85	
DISID	Hagåtña	\$364,344	15,181	\$2.00	Lessee
DEM	Tamuning	\$774,062	27,449	\$2.35	Lessor
DOA	Tamuning	\$474,926	20,296	\$1.95	Lessor
DOL	Anigua	\$270,000	9,000	\$2.50	Lessor
DOL	Hagåtña	\$353,772	12,690	\$2.32	Lessor
DOL Total		\$623,772	21,690	\$2.40	
DPHSS	Hagåtña	\$67,135	2,869	\$1.95	Lessor
DPHSS	Mangilao	\$90,300	3,000	\$2.51	Lessor
DPHSS	Mangilao	\$226,800	10,500	\$1.80	Lessor
DPHSS	Mangilao	\$91,400	3,627	\$2.10	Lessor
DPHSS	Mangilao	\$213,180	8,500	\$2.09	Lessor
DPHSS	Hagåtña	\$175,066	7,825	\$1.86	Lessor
DPHSS	Mangilao	\$100,800	8,000	\$1.05	Lessor
DPHSS	Hagåtña	\$67,200	4,000	\$1.40	Lessor
DPHSS Total		\$1,031,881	48,321	\$1.78	
DRT	Barrigada	\$978,588	50,094	\$1.63	Lessor
GBHWC	Hagåtña	\$175,800	8,932	\$1.64	Lessor
GBHWC	Hagåtña	\$21,540	970	\$1.85	Lessor
GBHWC	Hagåtña	\$102,932	4,792	\$1.79	Lessor
GBHWC Total		\$300,272	14,694	\$1.70	
GDDC	Mangilao	\$25,200	1,000	\$2.10	Lessor
GDOE	Mangilao	\$55,440	4,000	\$1.98	Lessor
GEPA	Barrigada	\$96,000	8,000	\$1.00	Lessee
GFD	Hagåtña	\$114,000	5,000	\$1.90	Lessor
GPD	Hagåtña	\$84,000	4,000	\$1.75	Lessor
GPD	Sinajana	\$48,600	3,000	\$1.35	Lessor
GPD	Tamuning	\$172,200	7,000	\$2.05	Lessor
GPD	Tiyan	\$231,965	26,480	\$0.73	Lessee
GPD Total		\$536,765	40,480	\$1.11	
MCOG - Administration Office	Hagåtña	\$57,834	2,754	\$1.75	Lessor
MCOG - Inarajan Mayor's Office	Inarajan	\$31,200	6,000	\$0.43	Lessee
MCOG - Piti's Mayor's Office	Piti	\$24,000	1,200	\$1.67	Lessee
MCOG Total		\$113,034	9,954	\$0.95	
PEALS	Tumon	\$17,500	860	\$1.70	Lessor
PUC	Hagåtña	\$27,044	967	\$2.33	Lessor
Line Agencies Total		\$8,513,864	331,767	\$2.14	
GBOA	Tamuning	\$23,868	1,050	\$1.89	Lessor
GEDA	Tamuning	\$252,672	8,607	\$3.38	Lessor
GEC	Hagåtña	\$130,350	3,802	\$2.86	Lessor
GHC	Tamuning	\$99,744	4,156	\$2.00	Lessor
GPA	Hagatna	\$53,935	2,043	\$2.20	Lessee
OPA	Hagatna	\$107,723	3,932	\$2.28	Lessor
OAG	Tamuning	\$1,528,740	42,465	\$3.00	Lessor
Autonomous Agencies Total		\$2,197,033	66,055	\$2.77	
Total Executive Branch		\$10,710,896	397,822	\$2.24	

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

Appendix 7:

FY 2004 GovGuam Office Space Leases

Page 1 of 2

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

Appendix 7:

FY 2004 GovGuam Office Space Leases

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

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



EDDIE BAZA CALVO
Governor

RAY TENORIO
Lieutenant Governor

Office of the Governor of Guam

January 10, 2017

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

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

Hafa Adai Public Auditor Brooks!

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

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

Disparities in Lease Rates (page 2)

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

Introduction (page 3)

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

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

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

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Page 2 of 2

Also recommend the following be included in this section.

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


Conclusion and Recommendations (pages 2 and 11)

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

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

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

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 govofguam



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

ACKNOWLEDGEMENTS

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

MISSION STATEMENT

**To ensure public trust and assure good governance,
we conduct audits and administer procurement appeals,
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VISION

**The Government of Guam is the model for good governance in the Pacific.
OPA is a model robust audit office.**

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**Objectivity: To have an independent and impartial mind.
Professionalism: To adhere to ethical and professional standards.
Accountability: To be responsible and transparent in our actions.**

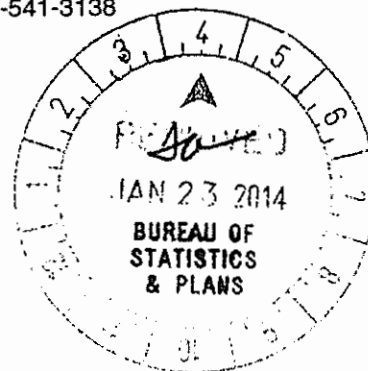
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All information will be held in strict confidence.



U.S. DEPARTMENT OF COMMERCE
Economic Development Administration
Federal Building, Room 5180
P.O. Box 50264
Honolulu, HI 96850
Fax # 808-541-3138



January 15, 2014

Ms. Lorilee Crisostomo, Director
Bureau of Statistics and Plans
Government of Guam
P.O. Box 2950
Hagatna, Guam 96932

Dear Ms. Crisostomo:

Subject: Government of Guam Comprehensive Economic Strategy 2013
Award Number 07-69-

The Economic Development Administration (EDA) has reviewed the Guam Comprehensive Economic Development Strategy 2013 that was submitted by the Guam Bureau of Statistics and Plans in December of 2013.

EDA has approved the CEDS prepared by the Guam Bureau of Statistics and Plans in conjunction with the University of Guam and supports its efforts to promote economic development in its region. We at EDA hope the CEDS will lay the groundwork for the strengthening and growth of the economic environment in the communities and villages that comprise the island of Guam.

The CEDS will be kept on file at the Seattle Regional Office, and will be current through December 31, 2018. After this date, a newly revised CEDS document, CEDS update, or CEDS report will need to be provided. Additional projects covered by the CEDS are eligible for EDA support through that date. However, there is no guarantee that a proposed project will be financially supported by EDA.

If you have any questions, or comments, you may contact Gail Fujita by phone at (808) 541-3391 or Brian Parker by phone at (206) 220-7675. Their e-mail addresses are gfujiata@eda.gov and BParker@eda.gov.

Sincerely,

Gail Fujita
Economic Development Representative, Hawaii and Pacific

cc: Kristine Skrinde
Richard Manwaring
Brian Parker

Eddie Baza Calvo
Governor of Guam

 **BUREAU OF
STATISTICS & PLANS**
SAGAN PLANU SIHA YAN EMFOTMASION



Ray Tenorio
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Lorilee T. Crisostomo
Director

FEB 9 8 2015

Ms. Gail Fujita
EDR Hawaii and Pacific
Economic Development Administration
Federal Building, Room 5180
P.O. Box 50264
Honolulu, Hawaii 96850

Subject: 2nd Year Update - 2011 Comprehensive Economic Development Strategy (CEDS) for Guam

Dear Ms. Fujita:

The Government of Guam Bureau of Statistics and Plans is submitting Guam's Second Year Update for Guam's 2011 Comprehensive Economic Development Strategy. The Bureau has reviewed the previously submitted EDA-approved Comprehensive Economic Development Strategy (CEDS) for Guam and has determined the following:

- As of March 2013, the unemployment rate in Guam was 13.3 percent, an increase of 2.6 percent from the December 2012 figure of 10.7 percent and an increase of 1.5 percentage points from the March 2012 of 11.8 percent;
- There have been no other significant changes in the economic conditions in Guam since the CEDS was approved;
- There have been no major changes in the overall vision, goals, objectives, and program priorities; and
- Guam considers the previously approved CEDS to be current and asks that EDA concur with Guam to consider the previously approved CEDS to be current through 2014.

In addition, the Bureau has reviewed the projects submitted by the agencies and request to add the following projects to the list of Guam's approved 2011 CEDS:

- **PORT AUTHORITY OF GUAM**

1. **Jose D. Leon Guerrero Commercial Port of Guam Master Plan Update 2013 Report - Capital Improvement Projects and Recommendations List.** The intent is to update the content, status, and direction of the Port Modernization Program (PMP) initiated by the Master Plan Update 2007 Report. The re-directed PMP and implementation strategy will attempt to

modernize the Port in the next 5 years; prepare for a down-sized and delayed military build-up; provide a balanced focus on improvements and long-term sustainability and strategy to secure financial self-sufficiency. The enclosed CIP and Recommendations List is requested to be included in the approved 2011 CEDS (Appendix A).

2. **Gregorio D. Perez Marina - Phase III Construction, Renovation and Site Improvements, \$2,491,200.** The proposed project in Phase III is intended to construct and renovate 508 linear feet of the existing Gregorio D. Perez Marina's deteriorated concrete and rusting sheet pilings. The primary objective is to promote long-term economic diversification and support the retention and growth of the islands marine resources. The project proposal is enclosed for your consideration (Appendix B).
 3. **Rehabilitation and Improvements to Agat Small Boat Marina, \$2,264,687.** The proposed project is intended to rehabilitate and improve deterioration of existing docks, improve security to tenants and public safety in the utilization of the boat ramp, concrete fuel and loading dock. The lack of suitable infrastructure has long been identified as the major obstacle to the successful growth of Guam's commercial, recreational and charter fishing operations. The project proposal is enclosed for your consideration (Appendix C).
- UNIVERSITY OF GUAM, GUAM SMALL BUSINESS DEVELOPMENT CENTER
Guam Manufacturing and Export Initiative: Technical Assistance and Resource Guide in further development of One-Village-One Product (OVOP) Model of Heritage Tourism, \$171,000. The objective of the Guam Manufacturing and Export Initiative is to further develop cottage industries that produce cultural products and value added agriculture products with the context of a strong integrated economic enterprise facilitation approach. The Initiative will further develop the One-Village-One Product (OVOP) concept to accomplish economic development of cottage industries at the village level on Guam. The project proposal is enclosed for your consideration (Appendix D).
 - GUAM AIRPORT AUTHORITY - To promote the creation and expansion of critical air passenger, cargo, infrastructure and related employment opportunities. The following project list is requested to be included in the approved 2011 CEDS (Appendix E).
 1. **International Arrivals Corridor with Building Seismic Upgrades, \$53,900,000.** This project will be a permanent solution to TSA mandate separating both international and domestic passenger arrivals and departures.
 2. **Hold Bag Screening Relocation, \$26,000,000.** The intent is to allow In-line screening with Baggage Handling System (BHS).

3. **Security Screening Check Point Relocation (SSCP), \$3,100,000.** The project entails increasing security lanes and to expand queueing areas.
4. **Aircraft Rescue & Fire Fighting Facility Replacement (ARFF), \$11,600,000.** To replace aged Navy structures with code compliant facility meeting Federal Aviation Administration (FAA) standards.
5. **Flight Information Display System Replacement (FIDS), \$5,000,000.** Replacement of obsolete and non-reliable system with multipurpose software and hardware.
6. **Integrated PLB Replacement, \$8,200,000.** Replacement of five (5) aged loading bridges and thirty-four (34) power and pre-conditioned air point of use units.
7. **Common Use Check-In Facilities, \$2,800,000.** Project entails single airline check-in program with counter modification and expanded use of kiosks, avoiding expanded building footprint.
8. **Fuel System Improvements, \$1,000,000.** To improve fire suppression system and connections.
9. **Parking Expansion, \$7,400,000.** To expand single level parking deck over commercial vehicle area to replace capacity loss from expanded building footprint.
10. **Inter-island Passenger Facilities, \$3,000,000.** To separate processing facility for domestic inter-island operations.
11. **Cargo Apron Relocation, \$7,700,000.** To relocate to a new cargo only apron adjacent to the integrated air cargo facility with Hydrant fuel capability.
12. **Replace Terminal Seating, \$3,500,000.** Replace of dilapidated seating and expand additional seating to the other terminal areas.
13. **Access Control and Security Improvements, \$4,000,000.** To replace security access system with biometric system.
14. **Terminal Flooring Replacement, \$2,700,000.** To replace deteriorating tile surface with durable non-skid material with long life cycle.
15. **Upgrade Airport Information Technology (IT) and Financial Management System (FMS), \$2,000,000.** To upgrade financial management systems, add facility management GIS and improve infrastructure.

16. **Route 10A Landscape Component, \$1,700,000.** To incorporate landscaping mediums consistent with the Department of Public Works project to expand Route 10A access roadways.
 17. **Enclose Arrivals Tunnel, \$1, 200,000.** To increase arrivals lobby area through enclosing arrivals tunnel with climate control for additional commercial areas.
 18. **Replace Conveyance Systems, \$2,600,000.** To replace conveyance systems with energy efficient equipment such as elevators, escalators and moving walks.
 19. **Strengthen and Expand Curbside Canopies, \$2,800,000.** To expand departure curbside canopies for extended weather protection and security reinforcement.
- **HAGÁTÑA RESTORATION AND REDEVELOPMENT AUTHORITY -** To move forward in the restoration and capitalization of unique historical and cultural sites in the Hagåtña area for better public use and purpose. The projects listed in the enclosed move towards the purposes of alteration, improvement, modernization, reconstruction, and rehabilitation of existing structures in Hagåtña. The Hagåtña Restoration and Redevelopment will also integrate economic zoning and infrastructure development, which will then provide incentives to entice businesses to locate or relocate to Hagåtña. The following project list is requested to be included in the approved 2011 CEDS (Appendix F).
 1. **Hagåtña Wetland & Watershed Redevelopment, \$3,200,000.00.** Restoration of the Hagåtña Watershed, Restoration of the Spanish Dikes, Reintroduction of Historical Wetland Farming (Taro, Rice, Etal) & the Development of Walking Trails.
 2. **Hagåtña River Channeling, \$30,000,000.00.** Channelizing the Hagåtña River from the Minondo Bridge to the Hagåtña River Channel Mouth.
 3. **Hagåtña Riverwalk Project, \$4,500,000.00.** In conjunction with the channelizing of the Hagåtña River. Develop a one (1) mile riverwalk concept linking the Hagåtña Central Park & Business along the Hagåtña River.
 4. **Hagåtña Waterfront Development & Shoreline Protection, \$10,000,000.00.** Construct a 2.6 Mile, 8 foot walking & biking trail with playground areas, benches & pavilions including providing shoreline protection measures against storm surges.
 5. **Plaza De España Restoration - Government House Spanish Palace Reconstruction, \$4,500,000.00.** Reconstruction of the Government House Spanish Palace prior to its destruction in World War II and returning the seat of Government back to the Plaza De España Housing the Governor & Lieutenant Governor.

6. **Plaza De España Restoration - Government House - Spanish Palace Annex Reconstruction, \$5,000,000.00.** Reconstruction of the Government House Annex prior to its destruction in World War II to house the staff offices of the Governor.
7. **Plaza De España - Garrison/Marine Barracks Reconstruction, \$5,000,000.00.** Reconstruction of the Garrison or U.S. Marine Barracks within the Plaza De España to house the staff offices of the Governor and the Bureau of Information Technology.
8. **Plaza De España Restoration - Almacen Reconstruction, \$1,800,000.00.** Reconstruction of the Almacen as a visitor center for Guam and City of Hagåtña.
9. **Plaza De España Restoration - Arboriteum / Governor's Farm / Garden Redevelopment, \$600,000.00.** Construction of an Arboriteum and Governor's Farm.
10. **The Heritage Trail Enhancement, \$500,000.00.** Provide renewal energy lighting, landscaping & signage.
11. **Hagåtña Central Park Redevelopment, \$4,000,000.00.** Provide for second tier sports facilities for baseball, softball, basketball, additional tennis courts, soccer, rugby, football fields and other recreational endeavors.
12. **Hagåtña Neighborhood Revitalization Initiative, \$2,300,000.00.** Provide for playgrounds, residential road development, facilitation of neighborhood markets and the pre-war Barrio Re-establishment.
13. **Nieves M. Flores Memorial Library Expansion Project, \$15,000,000.00.** Redevelop/Renovate the Guam Main Library into a six level multi-story structure.
14. **Guam Seal Park Project, \$2,500,000.00.** Development of a Guam Seal Park to honor and celebrate the significance of the Great Seal of Guam providing educational as well as interpretive opportunities within the appropriate historical and cultural context by constructing elements of the Great Seal of Guam in a dynamic three dimensional and interactive display.
15. **Guam Congress Session Hall Restoration, \$8,000,000.00.** Renovation and reconstruction of the National and Guam Historic Post War Guam Congress Session Hall housing the Session Hall, Four Senatorial Offices and the Legislative Administration.
16. **Hagåtña Car Park Development Project, \$24,000,000.00.** Construction of two (2) car parks (Togae & Julale), and providing signage for the Togae, Julale, Minondo, Paseo De Susana, and Adelup Car Park.


17. **Hagåtña Transit Hub Development Project, \$8,000,000.00.** Provide for transit bus pick /drop points & purchase of 10 trolley buses providing mass transit for the City of Hagåtña.
18. **Paseo De Susana PDD Paseo Stadium Redevelopment, \$41,200,000.00.** Reconstruct a First Tier Sports Facility.
19. **Paseo De Susana PDD Canoe House & Launch Site, \$700,000.00.** Provide for a Canoe House & Launch site for the four (4) Kayak & Paddling Clubs.
20. **Paseo De Susana PDD West Hagåtña Bay Recreational Area I Development, \$1,200,000.00.** Develop a Recreational Area.
21. **Paseo De Susana PDD Hagåtña Bay Recreational Area II Development, \$1,500,000.00.** Develop a Recreational area providing fishing piers.
22. **Hagåtña Land Reclamation Project, \$290,000,000.00.** Develop a 72.5 Acre standby wharf & tourist commercial & retail facilities.
23. **I Sengsong Chamorro (Chamorro Village) Improvements, \$17,200,000.00.** Night Market Pavilions - A Sagan Dinana (meeting place), car park with 2 roof deck pavilions, main Plaza entrance, amphitheater, Light House Reconstruction.
24. **I Sengsong Chamorro Expansion, \$2,800,000.00.** A 11,000 Sq. feet Art Gallery & Workshop; Offices; Meeting Room, Public Television.
25. **Land Realty Services, Finance & Tax Services, & Labor Services Building, \$15,000,000.00.** Consolidation of Government Office Building Housing Land Realty Services, Finance & Tax Services, Labor Services.
26. **Government of Guam Line Agency Building, \$15,000,000.00.** Construct a Multi-story Government Office Building housing the Department of Administration and other specified designated Line Agencies.
27. **Nuestra De Senora Soledad Avenue Road Expansion, \$1,840,000.00.** Continuation of Soledad Avenue from the U.S. 9TH District Court to Route 6 Nimitz Highway with two control points.
28. **Guam Museum Renewal Power, \$500,000.00.** Supplement the Guam and Chamorro Educational Facility with Renewal Power

29. **Underground Relocation of Electrical Power, \$18,000,000.00.** Relocate 23 miles of Public Electrical Power from overhead to underground within the City of Hagåtña.
30. **Renewal Energy Street Lighting, \$1,200,000.00.** Provide for Renewal Energy Street Lighting within the City of Hagåtña.
31. **Feasibility Study for a Parking Meter System in the City of Hagåtña, \$200,000.00.** Determine feasibility of parking meters including types in the City of Hagåtña.
32. **Transportation Circulation System within the City of Hagåtña, \$1,000,000.00.** Establish a viable proper transportation road & traffic circulation system for the City of Hagåtña for pedestrian, bicycle and other multi-friendly users.
33. **Guam Museum of Natural History & Arboriteum, \$3,800,000.00.** Construction of a Repository and Museum of Natural History including an Arboriteum.
34. **Wireless Hotspot Hagåtña, \$900,000.00.** Provide for a sustained Wireless Free System inclusive of Mobile & Data Communication Devices within the City of Hagåtña.

As you are aware, Guam's 2011 CEDS was a collaborative effort between the Guam Economic Development Authority (GEDA), the CEDS Strategy Committee members, the University of Guam (UOG) and the Bureau of Statistics and Plans (BSP). GEDA serves as the Planning Organization as the Economic Development District entity for Guam with UOG and the BSP providing GEDA with professional and technical support. Enclosed is the letter from the Governor of Guam designating GEDA (Appendix G).

Should you have further questions or require additional information, please do not hesitate to contact my office or Ms. Lola Leon Guerrero, Planning Supervisor, at 475-9675 or facsimile at 477-1812.

Sincerely,



LORILEE T. CRISOSTOMO
Director

Enclosures

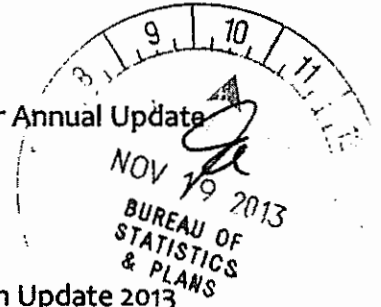
cc: Administrator, Guam Economic Development Authority
Henry Cruz, Guam Economic Development Commerce Authority
Natalia Faculo, Guam Economic Development Authority

Appendix A

Port Authority of Guam

CIP and Recommendations Project List

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Project Proposals
2011 Guam Comprehensive Economic Development Strategy – 2nd Year Annual Update
As of November 2013



Level I

Project Title: Jose D. Leon Guerrero Commercial Port of Guam Master Plan Update 2013
Report – Capital Improvement Projects and Recommendations.

Primary Contact:

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Intent: update the content, status, and direction of the Port Modernization Program (PMP) initiated by the Master Plan Update 2007 Report. In doing this, the re-directed PMP and implementation strategy attempt to:

- Modernize the Port in the next 5 years;
- Prepare for a down-sized and delayed Military Buildup;
- Provide a balanced focus on improvement and long-term sustainability;
- Provide a strategy to secure financial self-sufficiency.

2011 - DOD Re-set for the proposed Guam build up for the relocation of Marines from Okinawa to Guam announced by Congress.

2012 - DOD delay and downsizing of the military build-up impacts to Guam.

- 5,000 Marines (one third permanent party and two-thirds rotational) and

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- 1,300 dependents.
- \$8.6 billion in 2012 dollars construction/projects budget.
- Implementation timeframe pushed to 2016-2020.

PAG re-set for balanced approach:

- modernization improvements
- sustainability projects
- financial self-sufficiency.
- Port Modernization Program (PMP) projects and Sustainability projects. The PMP includes projects that are anticipated to be completed by 2016:
- Follow the 5-year PMP with Additional Improvements and Long Term (years 6-20) sustainability projects. Details in Section 5 of the Master Plan Report

MASTER PLAN UPDATE 2013




CIP SCHEDULE

	<u>Project</u>	<u>Funding Authority</u>
1	CFS Modification	MARAD/DOD Grant
2	Warehouse# 2 Gas Station and other misc. structure demolltion	MARAD/DOD Grant
3	Oil Water Separators on Existing Outfalls	MARAD/DOD Grant
4	Breakbulk Expansion	MARAD/DOD Grant
5	Parking Displaced by Breakbulk Expansion	MARAD/DOD Grant
6	Crane Mechanic Area Demolition	MARAD/DOD Grant
7	High/Low Mast Lighting, Water System and Fire System Upgrade (First Phase)	MARAD/DOD Grant
8	Container Gate Area	MARAD/DOD Grant
9	Container Yard Expansion	MARAD/DOD Grant
10	Seaman's Club Demolition	MARAD/DOD Grant
11	Load Center 5	MARAD/DOD Grant
12	Breakbulk Terminal Gate	MARAD/DOD Grant
13	Financial Management System	PAG
14	Demolition of Gantry 2 and RTG's	PAG
15	PAG Service Life Extension of F3 -F6	PAG
16	Terminal Operating System	PAG
17	Gate Operating System	PAG
18	Marine and Port Security Operations Center (MPSOC) Building	PAG/DHS

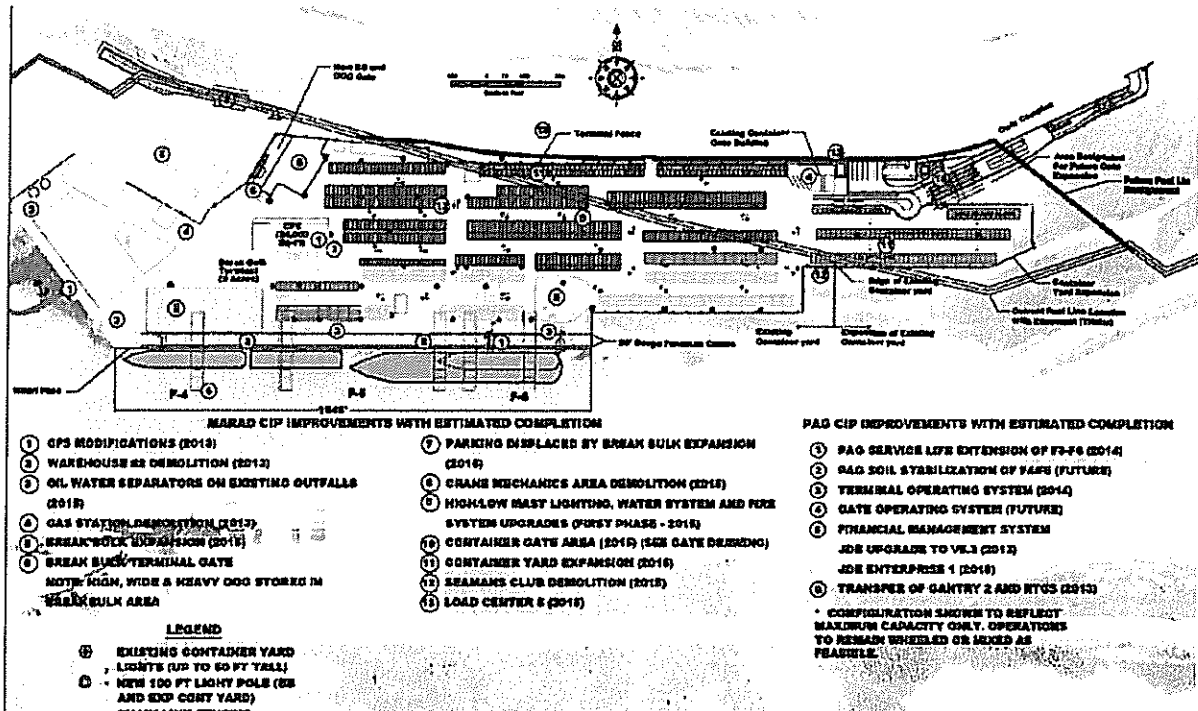
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19	Installation of MOV at Golf Pier Fuel Pipelines	PAG
20	Cargo and Vehicle Detection/Screening Machine	PAG/DHS
21	SLE: Acquisition of Cargo Handling Equipment	PAG
22	Container Yard Storm Drain Channel Repairs	PAG
23	Inbound/Outbound OCR Portals and Canopies	PAG
24	Compressors for Administration Building A/C System	PAG
25	Various Air Conditioning Units and Parts/Supplies	PAG
26	Harbor Crand Part/Supply - Bearing Unit	PAG
27	Warehouse# 1, CMU and Column Repairs	PAG
28	Architectural/Engineering Services - IDQ	PAG
29	Emergency Back Up Generators	PAG/DHS
30	Agat Marina Dock "A" Repairs	PAG
31	Electrical Work for Additional 56 Reefer Outlets/Reefer Lights Installation	PAG
32	Agat Marina Loading Dock Structural Repair	PAG
33	Port Police Security Upgrade	PAG
34	Renovations to Harbor Refuge	PAG
35	Repair/Upgrade Perimeter Fence	PAG
36	Purchase 2 Cranes	PAG
37	Purchase 2 Cranes	PAG
38	Demolish 2 Cranes	PAG
39	Demolish 2 Cranes	PAG
40	Purchase Replacement and Additional Yard Equipment	PAG
41	Replacement of Administration Building	PAG
42	Replace Hotel Wharf and Access Road	PAG
43	Upgrade of Power System for IT Office	PAG
44	Marinas Sewage Pump Station Upgrade	PAG
45	Automatic Transfer Switch for LC2 and LC3	PAG
46	Renovations of High Tower, Low Tower, and Existing Gate Bldg	PAG
47	Warehouse 1 Renovation	PAG
48	Progressive Pavement Replacement all Terminal Yards	PAG
49	Progressive Utilities Replacement all Terminal Yards	PAG
50	PAG Soil Stabilization of F4/F6	PAG
51	Progressive Fence Replacement	PAG

NOTES:

-  Port Modernization Program Projects
-  Sustainability Projects
-  To Be Scheduled Projects

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Recommendations

The following recommendations are provided for PAG consideration and represent a strategy for successfully completing the PMP and maintaining a sustainable asset to benefit the citizens of Guam:

Complete PMP Improvement Projects 2014 through 2018:

- Complete most of the PMP improvement projects before 2016 to ensure that no major improvements are being performed during the military buildup cargo peak.
- MARAD Managed Projects (CFS Renovation, WH2 Demolition, CT Yard Expansion, B-B Yard Expansion, New Gate Complex, Fire-Fighting Improvements, Storm water Improvements)
- Complete Service Life Extension Work on Cargo Terminal Wharfs
- Complete systems improvements 2014 through 2018
- Interim FMS Upgrade
- Terminal Operating System Upgrade
- New Gate Operating System

Initiate the following Sustainability Measures in the near-term:

- Define and develop additional TBD Sustainability projects required to maintain the condition of the facilities.

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- Right size Facilities Maintenance and Repair budget Secure Delegated Procurement Authority Establish Special Funds/Accounts for Crane Surcharge, Facilities Maintenance, Capital Improvement Plan and Yard Equipment Maintenance Collectively these documents constitute a roadmap to guide the PAG's future development strategy over the next 20 years. Follow the 5-Year PMP Plan with Additional Improvements and Long-Term (years 6-20) Sustainability Projects:
 - Inbound and Outbound Gate Complex OCR Portals
 - Replace administration building
 - Consider relocating it
 - Consider creating an unfinished lower floor allowing for Tenant improvements
 - Progressively replace all underground utilities
 - Progressively replace terminal pavements
 - Expand CMU fencing to replace chain link fence where practical
 - Perform surface concrete repairs to extend service life of warehouse buildings
 - Provide Internal Space Utilization adjustments to EQMR Building and Warehouse 1 to improve maintenance functions
 - Perform Space Utilization and Minor Renovations to
 - Existing Gate Admin Building
 - High Tower
 - Low Tower
 - Replace all Gantry Cranes when POLAs reach the end of their service life
 - One contract for 4 cranes delivered 2 at a time starting as early as 2 in year 16 and 2 in year 18 or
 - Two contracts For 2 cranes each, deliverable in years 16 and 18
 - Plan for Wharf Replacement in parallel with Gantry Crane Replacement. Evaluate whether the acquisition of new Gantry Cranes will influence wharf and crane rail replacement timing.
 - Follow through with plans to upgrade Port salary structure to achieve 50th market percentile salaries and wages over a period of about 10 years. Leverage increased salary levels to initiate targeted hiring to accomplish succession management and obtain higher technology skillsets in IT and trouble-shooting maintenance staffing.

Initiate or follow through with these financial self-sufficiency measures:

- Implement a five-year annual tariff increase of 4.36% to keep up with inflation and fund the PMP and near term sustainability projects/initiatives
- Plan for a 3.95% annual tariff increase to after the initial five-year schedule to keep pace with inflation.
- Monitor annual cargo volumes and compare with demand forecast scenarios to identify correct forecast demand scenario and implement the recommended approach.
- Review list of PMP and Sustainability projects in five years to refine and update the CIP.
- Review financial performance of PAG in five years and update CIP schedule to identify any required changes to the long range annual tariff increases of 3.95%

Appendix B

Port Authority of Guam

**Gregorio D. Perez Marina
Phase III Construction, Renovation and Site Improvements**

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- Integrate the upgraded and new Financial Management, Terminal Operating, and Gate Operating Systems
- Work with public finance consultant, bond underwriters and attorneys to develop a strategy to secure low interest bonds (revenue, lease revenue, general obligation, and double tax-exempt as applicable)
- Consider Issuing public debt to accelerate additional improvements and catch-up on sustainability projects
- Establish Secure Accounts and Associated Budgets to assure that equipment and facilities maintenance budgets are right-sized and executable

Level I

Project Title: Gregorio D. Perez Marina – Phase III Construction, Renovation and Site Improvements

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Email Address: ssdls@portguam.com

Project Justification:

The Gregorio D. Perez (GDP) Marina, also commonly known as Agana Boat Basin or Hagatna Marina, benefits from a prime location on the waterfront of Guam's capital city, Hagatna. The character of Hagatna is primarily a mixture of commercial and government-related

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development, with public facilities scattered throughout the village. The primary public facility involves Paseo De Susanna, including the subject marina, Chamorro Village, ballpark and other public uses.

The GDP Marina improvements were originally built in the pre-World War Two era. The US Army Corps of Engineers mostly constructed the existing improvements in 1977. The GDP Marina consists of two small lagoons formed by a series of breakwaters consisting of earth fill retained by steel sheet piles. The GDP Marina contains 8.23 acres of fast and submerged land and includes 61 slips, 45 at the inner basin and 16 at the outer basin.

The GDP Marina currently 63 users and reportedly operates at 100 percent occupancy. Almost 60 percent of users reflect recreational use while 35 percent reflect commercial use.

Project Description:

The proposed phase III project is intended to construct and renovate 508 linear feet of the existing GDP Marina deteriorated concrete and rusting sheet pilings.

Project Objectives:

The primary objectives of the project are to promote long-term economic diversification and enhance the capabilities of Guam's people to reap the benefits of the island's marine resources within a fiscally responsible and sustainable program by:

1. Supporting the retention and growth of over 300 off-shore fisherman (commercial charter, recreational, subsistence, traditional) presently participating in the industry;
2. Instituting maintenance to prevent the shutdown of the marinas;
3. Increasing opportunities for accessing ocean resources and under-utilized fishing grounds;
4. Increasing import substitution capabilities of Guam's fisheries from 5 percent of all the island's total annual fisheries import of \$32 million;
5. Increasing the share of tourists participating in marine-related tour options available at the marina;
6. Mitigating potential navigational hazards and personal safety issues for marina users;
7. Identifying revenue flows from user fees and other sources that will support facilities; and
8. Contribute to the overall function and appeal of the facilities via repairs and upgrades

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Proposed Phase III Funding Request

Item:	Description:	Approved Amounts	Proposed Phase III FY2014	Total Linear Feet
1	Total Applied to A/E Design, CMS & Phase I FY2006 & FY2007	\$2,000,000.00		461
2	Total Applied to CMS & Phase II FY2011 & FY2012	\$2,940,000.00		533.2
3	Proposed Amount for CMS & Phase III		\$2,491,200.00	508
	Estimated Total	\$4,940,000.00	\$2,491,200.00	1502.2

Cost Estimates and Timelines:

- Estimated Cost for Phase III \$1,951,000.00
- Escalation Cost (Inflation) 10% \$ 195,100.00
- Construction Management Services 10% \$ 195,100.00
- Wash Down System *Conditional Approval
By Guam Environmental Protection Agency \$ 150,000.00
- Estimated Total of Phase III** **\$2,491,200.00**

Estimated Timelines **340 Calendar Days**

Operations and Maintenance Costs:

Fortunately, management has pushed forward with badly needed repair work in the GDP Marina. Phase I repairs commenced in May 2011 and included 461 linear feet of removal and installation of new bollards, new sheet piles, walkways, railings and other work. Phase II repairs commenced in February 2013 and included 533.2 linear feet of removal and installation of new bollards, new sheet piles, walkways, railings and other work.

Appendix C

Port Authority of Guam

Rehabilitation and Improvements to Agat Small Boat Marina

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Level I

Project Title: Rehabilitation and Improvements to Agat Small Boat Marina

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Name: Simeon Delos Santos
Title: Engineer Manager
Agency: Port Authority of Guam
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Facsimile: (671) 477-4445
Email Address: ssdls@portguam.com

I. PROJECT JUSTIFICATION:

The Agat Small Boat Marina (Agat Marina) is located along Route 2 and the oceanfront in Agat. The property is located along the southern portion of the west coast of the island of Guam. Agat is bordered to the north by Naval Station, Apra Harbor and Piti. Umatac borders Agat to the South. Santa Rita, the War in the Pacific National Historical Park (Mount Alifan Unit) and the United States Naval Magazine border Agat to the east. Agat Bay and the Philippine Sea border Agat to the west. The capital of Guam, Hagatna, is located approximately eight miles northeast of Agat.

The Agat Marina was built by the U.S. Army Corps of Engineers under the authority of Section 107 of the Rivers and Harbors Act of 1960. The project was completed and dedicated in March 1989, and construction of shore-side facilities by the Government of Guam was completed in September 1990. Reportedly, the facility cost \$7.6 million, with PAGs contribution of \$5.5 million.

The Agat Marina is comprised of over two acres of shore side facilities and approximately nine acres in the basin. The original design included a total of 154 slips including accommodations for 9 sixty foot vessels, 30 forty-five foot vessels, and 115 twenty-five foot vessels or less. Each slip has power and water facilities available. Security lock systems were installed on the gangways to each dock.

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The Agat Marina was designed to accommodate 162 boats with supporting shore side facilities for fuel, loading, car and trailer parking, water hookups, and pump-out facilities. The Agat Marina also has a full-service restaurant for approximately 40 customers and an outdoor dining area. The marina's draft capacity was originally 7 feet. However the area adjacent to D-Dock is in need of dredging.

Following the marina construction, it was discovered that wave setup from 10 to 15 foot surf on the reef edge would cause high velocity currents to enter the marina in a north to south direction. This led to two problems for the marina: (1) the first row of berths were unusable during periods of extreme tidal exposure; and (2) a shoal developed on the north side of the Dock D berthing area. In response, the Corps of Engineers developed a corrective scheme to reduce the current velocities and shoaling.

The marina serves both recreational and commercial boats. There is a boat ramp that allows two vessels to load/unload simultaneously. The administration building houses the Guam Fire Department and other building includes a restaurant. Parking was designed to accommodate 20 trailers, 64 cars and 3 buses.

Since construction, the facility has slowly deteriorated and docks require replacement. Further, the public restroom's are closed and the fueling facilities are no longer operational. There has been security issues and marina users complain about parking and other management issues.

II. PROJECT DESCRIPTION:

Since its completion, there has been no major infusion of capital for improvements at the Agat Small Boat Marina, primarily due to insufficient funding. Lack of suitable infrastructure and equipment has long been identified as the major obstacles to the successful growth of Guam's commercial, recreational and charter fishing operations. Minor improvements to the facility's boat ramp were completed in early 2011.

The floats are manufactured by Meeco and are constructed of timber decking and shalers, polyethylene flotation tubs, and vinyl fenders. Steel pipe guide piles are used to secure the floats in position. The Agat Small Boat Marina consists of four (4) dock systems, identified as A through D. The main walks are 7-feet wide and the finger floats are 3-feet wide. Utility services include potable water (double hose bibs at slips and electrical power (Midwest receptables). Guide piling consist of nine (9) inch diameter painted and concrete filled steel pipe piles.

Maintenance items include those that were identified in the condition evaluation and include: vegetation removal from the revetted moles, and repair the loading dock and boat ramp boarding piers.

Other items identified as needing improvement include raising the height of the guide piling to accommodate typhoon storm surges, which in the past have been so high that the floats actually come off the tops of the piling and were left hanging after the water receded. A sanitary sewer pump-out is needed at this marina.

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Security is also an issue. The gates are supposedly locked each evening. Even so, intruders have been known to swim around the gates and climb aboard the floats and boats. Once there, they have vandalized and stolen equipment from the boats. Increased patrols and/or the installation of security cameras may reduce the frequency of security breaches.

The Agat Small Boat Marina also includes a wide concrete boat ramp, a concrete fuel and loading dock. Upland facilities include a parking area for vehicles and vehicle/boat trailer combinations, and an administration office, and a restaurant/gift shop.

The Agat Small Boat Marina is one of only two public small-boat marinas that support the approximate 5,400 boats used by the island's recreational and commercial boating communities. The addition of the Agat Small Boat Marina was seen as a means of stimulating growth in boating activities with emphasis in fisheries, allowing for improved access to fishing grounds in the south, addressing the demand for permanent dockage space, providing additional safe harbor in bad weather, and facilitating search and rescue activities for the southern part of the island.

III. PROJECT OBJECTIVES:

The primary objective of the proposed rehabilitation and improvements to the facilities will address the problem of deterioration of the existing docks, security to its tenants and public safety for the utilization of the boat ramp, concrete fuel and loading dock. In turn promote long-term economic diversification and enhance the capabilities of Guam's people to reap the benefits of the island's marine resources by:

- Instituting repairs to prevent the shutdown of the marina;
- Increase tenancy opportunities for those accessing ocean resources and under-utilized fishing grounds in the South by 25%;
- Increasing the share of tourists participating in marine-related tour options available at the Marina by 25%;
- Support the retention and growth of over 200 off-shore fishermen presently participating in the industry;
- Mitigate potential hazards to personal and navigational safety of marina users;
- Contribute to the overall appeal of the facility via repairs and upgrades in support of the Port's Master Plan;
- To enhance the recreational boating, subsistence and commercial fishing, and tourism on Guam by providing modern marina facilities; and
- To enhance Guam's visitor market by offering some new and unique activities on the island of Guam.

IV. LONG TERM INFRASTRUCTURE PLANS:

The Jose D. Leon Guerrero Commercial Port of Guam completed its 2007 Port Master Plan Upgrade Report, Marina Management Study and the recommended that the three major public marinas and associated small boat harbors on the island of Guam provide opportunities for most of the public's small boat needs. To make the most use of the facilities, they must be in good condition and provide the services appropriate to their location and existing layouts.

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Recommended changes and improvements to Agat Small Boat Marina include the following:

- Replace existing slips at B, C & D docks with larger boat slips and floats that can accommodate larger and heavier boats;
- Improve security;
- Repair the refueling pier and boat ramp boarding piers;
- Dredge the marina, near D dock;
- Evaluate enclosing the boat basin by extending the existing breakwater around D dock and connect to shore. Water circulation within the marina must be taken into account and designed for. This is an expensive improvement and should only be undertaken if the marina occupancy increases above 80 percent.

The estimated cost of these improvements including extending the breakwater is estimated at \$2.3 Million and improvements could be prioritized and phased in over time.

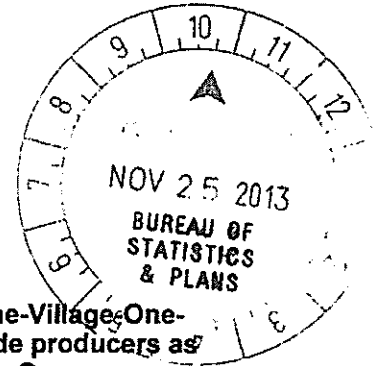
V. COST ESTIMATES AND TIMELINE:

• Repair/Replace Docks B, C, & D	\$ 2,134,687.00
• Wireless Security System & Internet Accessibility	<u>\$ 130,000.00</u>
Estimated Total	\$2,264,687.00
Estimated Timeline:	18 – 24 Months

Operations and Maintenance Cost:

PAG has secured funding with the Western Pacific Regional Fishery Management Council however; additional funding is critical and necessary for docks and boat slips that are far more extensive than the limited amount of funds that have been directed towards the eventual rehabilitation and improvements. The need to undertake major upgrades to the Agat Small Boat Marina’s facilities is fast approaching a critical point of repairs.

Proposal to EDA



**Guam Manufacturing and Export Initiative:
Technical Assistance and Resource Guides to further develop the One-Village-One-Product (OVOP) Model of Heritage Tourism, Food and Agriculture Trade producers as well as Other Cottage Industry Manufactures and Exporters on Guam**

Project Narrative

Project Need and Priorities within the Guam 2011 CEDS

The Guam Manufacturing and Export Initiative falls within several priorities within the Guam 2011 Comprehensive Economic Development Strategy (CEDS). The Guam 2011 CEDS has identified Agriculture as a high priority need, Cottage Industries as a medium priority need and Manufacturing & Export as a low priority need. There is an opportunity to engage in import substitution, increase spending on more locally-produced items and positively impact job creation and growth through new business startups and expanded locally-based cottage industry businesses. The Guam Manufacturing and Export Initiative will further develop the One-Village-One-Product Model that ties in Heritage Tourism, Food and Agriculture Trade that will help to expand tourism revenues through value added cultural and agricultural manufacturing. Guam's overdependence on imports has also resulted in a low spending multiplier (1.30 from University Of Guam's (UOG) Pacific Center for Economic Initiatives (PCEI) latest estimate).¹ This prompts a need for locally produced items that support not only the domestic market, but provides potential to build island revenues through expanded hand carried tourism exports and export markets. Until locally produced items are increased by importing less, any additional spending on Guam (e.g., from U.S. military build-up, federal grants, etc.) will have limited local economic impact (incomes, jobs, tax revenues).

Guam Per Capita Income and Unemployment

Guam's 2011 CEDS Second Year Update reflects the most current economic data that is available to the Guam Bureau of Statistics & Plans as of October 28, 2013.

Guam's Economic Condition Indicators	2011 CEDS	1st Year CEDS Update	Change	2nd Year CEDS Update ¹	Change
Per Capita Income	\$12,864.00	\$12,864.00	No change	\$12,864.00	No change
Household Income	\$49,263.00	\$49,263.00	No change	\$49,263.00	No change
Unemployment Rate	13.3%	11.8%	-1.50%	13.3%	1.50%

¹ Bureau of Labor Statistics, Department of Labor, Household and Per Capita Income: 2010

Bureau of Labor Statistics, Department of Labor, The Unemployment Situation on Guam: March 2013

Guam's per capita income reflects no change as the Bureau is still utilizing Guam's 2010 Per Capita Income as reported by the Bureau of Labor Statistics, Guam Department of Labor. As of March 2013, the unemployment rate in Guam was 13.3 percent, an increase of 1.5 percent from the March 2012 figure of 11.8 percent.

The Guam Manufacturing and Export Initiative is intended to positively impact job creation and

¹ Ruane, Maria Claret M. 2011. Estimating the Spending Multiplier on Guam, UOG PCEI Technical Report Issue 15.

retention, as an economic development strategy. Increase in jobs and resulting incomes should help to increase tax revenues to benefit Guam's economy. The expansion of domestic and tourist spending towards more locally-produced offerings through the Guam Manufacturing and Export Initiative should also help to improve upon the island's spending multiplier.

Background

For years, Guam has not had a clear strategy on how to best develop its economy. Instead, it has relied on a 'default' strategy which has had a heavy reliance on the military and tourism sectors. This default strategy needs to be supplemented by other sources of growth by diversifying the economy. Guam is in its infancy as a manufacturing community and its business owners are willing to take the risks if they could get some trustworthy guidance and resources. Small businesses are the heart of our local economy. They create jobs and keep money circulating. The Guam Manufacturing and Export Initiative will use funds to further business expansion activities with emphasis on the following:

- Serving new and existing businesses for expansion in the area of manufacturing, agriculture and cottage industry enterprises by providing high quality confidential counseling and training to this target group.
- Enhancing our level of export assistance and expertise to be best responsive to inquiries about global market opportunities and introducing businesses to these opportunities.
- Development of a Guam Manufacturing Guide and Guam Guide to Business Development Opportunities. Both guides will become powerful resources for the local community.

Project objectives will be accomplished by assisting existing and start-up cottage industry firms who manufacture and/or export products for sale domestically and internationally. We will demonstrate our services through direct contact with the business owners and speaking at their industry trade meetings to aid us in our selection process. We will show these companies and others the viable export markets through individual or group counseling sessions and work with the Hawaii Export Assistance Center to provide further assistance. Using foreign country research reports and finding the right foreign partners we can prove the economic gains they can achieve. Those selected will be counseled in developing a business plan for manufacturing and exporting. We will provide industry specific workshop trainings for new and inexperienced manufacturers and exporters. We will counsel in the development of an industry specific export pipeline in which all exporters benefit from shared knowledge and service.

Approach

The Guam Manufacturing and Export Initiative (GMEI) will further develop the One-Village-One-Product (OVOP) concept as an economic development strategy. According to Dr. Li and Dr. Schumann (University of Guam, 2011), the OVOP model stems from Meyer's (2006) three strategies that Guam as a small island state may use to increase benefits to the local economy, to include (1) increasing spending per visitor, (2) increasing local participation in the industry, and/or (3) increasing backward linkages to reduce leakages. Originated and successfully implemented in Oita Prefecture of Japan as a regional development program in 1979, the communities had to selectively produce goods with highly added value and one village should produce one product that was competitive and stable and use this particular product to gain sales revenue in the market. In Oita, the average annual income doubled, with OVOP products

now sold in Narita International Airport and Kansai International Airport, thus making revenues for villages involved in the OVOP movement. Similarly, the promotion of village residents in production and service should result in economic self-sufficiency at the village level. This can lead to export potential of heritage-based food, agriculture products and other manufactured hand carried exports that appear to be of high demand from Guam's largest tourism market, the Japanese.

The main objective of the Guam Manufacturing and Export Initiative is to further develop cottage industries that produce cultural products and value added agriculture products within the context of strong integrated economic enterprise facilitation approach. The project focus operates from an existing base of local initiatives (Buy Local), cultural capitals and linked to the structures of placed-based development strategies and regional economies. An area of further development will be the one village-one product (OVOP) concept to accomplish economic development of cottage industries at the village level on Guam.

The Guam Manufacturing and Export Initiative reinforces the University's Island Sustainability interest areas and provides a structure through research based information, the issues associated with food and agriculture, as well as heritage tourism, as a viable economic sector. Promoting local products provide the best opportunity for a food, tourism and agriculture trade.

Project Scope/Results for Years 1 & 2 of the Guam Manufacturing and Export Initiative

In year one and two it is projected to have the following milestones and deliverables.

Milestones (Year 1): (Note: In year 1 it is estimated to take up to two months for the RFP process to be completed to bring on a manufacturer/export consultant.)

1. Bought/Started/Expanded A Business Milestones	8
2. Jobs Created/Retained (Full and part-time)	24.0
3. Number of Loans/Equity	8
4. Capital Infusion Amount of Loans/Equity	\$200,000.00
5. Clients Counseled	40
6. Long Term Counseling Clients (5 Hours + counseling in FY)	20
7. Total Training Events	3
8. Training Attendees	24

Deliverable Guide (Year 1): Guam Manufacturing Guide

Development of Guam Manufacturing Guide and printing of an estimated 1000 guides for distribution through the Guam Economic Development Authority, the Guam SBDC and on our websites as an e-guide.

Milestones (Year 2):

1. Bought/Started/Expanded A Business Milestones	10
2. Jobs Created/Retained (Full and part-time)	30.0
3. Number of Loans/Equity	10

4. Capital Infusion Amount of Loans/Equity	\$250,000.00
5. Clients Counseled	50
6. Long Term Counseling Clients (5 Hours + counseling in FY)	30
7. Total Training Events	4
8. Training Attendees	32

Deliverable Guide (Year 2): Guam Guide to Business Development Opportunities

Development of Guam Guide to Business Development Opportunities and printing of an estimated 1000 guides for distribution through the Guam Economic Development Authority, the Guam SBDC and on our websites as an e-guide.

Project Partners

The project partners will stem from members of the University of Guam community, including the College of Natural Resources and Applied Sciences (CNAS), UOG Pacific Center for Economic Initiatives (PCEI), UOG School of Business and Public Administration (SBPA), the University of Guam Center for Island Sustainability and the Guam Small Business Development Center (SBDC)

Outside partners will consist and be developed with the Guam Economic Development Authority (GEDA), Department of Chamorro Affairs-Chamorro Village, Guam Council on the Arts and Humanities Agency, Guam Department of Agriculture, Farmers Cooperative of Guam, Guam Economic Development Authority, the (Village) Mayors Council of Guam, The Guam Unique Merchandise & Art (GUMA) Entrepreneur Training Program (incubator), and others that surface during the grant period.

Project Budget Over Two Years of Funding

Contractual (Includes hiring a manufacturing/export Consultant at \$60,000 in FY 1 and \$70,000 in FY 2)	\$130,000
Contractual (Includes the Development of Guam Manufacturing Guide and Guam Guide to Business Development Opportunities)	\$ 25,000
Printing (Includes the printing of the Development of Guam Manufacturing Guide and Guam Guide to Business Development Opportunities)	\$ 16,000
Total Project Cost	<u>\$171,000</u>
Total EDA Share	\$171,000
Local Match*	\$ 0*

*Local Match Funds are waived pursuant to 48 U.S.C. Sect. 1469a. Congressional declaration of policy respecting "Insular Areas," Amendment of Subsection (D): "...provided that this section shall be applied with respect to the Department of the Interior by substituting "shall" for

"may" in the last sentence of subsection (d), and adding the following sentence at the end of subsection (d): "Notwithstanding any other provision of law. in the case of American Samoa, Guam, the Virgin Islands, and the Northern Mariana Islands any department or agency shall waive requirement agency shall waive requirement for local matching funds under \$200,000 (including in-kind contributions) required by law to be provided by American Samoa, Guam, the Virgin Islands, or the Northern Mariana Islands."

How Proposed Investment Satisfies EDA's Investment Policy Guidelines (13 C.F.R. Sect. 301.8). EDA Funding Priorities)

Collaborative Regional Innovation: The Guam Manufacturing and Export Initiative is a collaborative economic development strategy that will further develop the "One-Village-One-Product" model by providing high quality confidential counseling and training to agriculture and cultural producers to help accelerate regional innovation across the 18-19 villages on Guam. This expands on initial buy local initiative and local (cultural) producers efforts stemming from various villages.

Public Private Partnerships: The Guam Manufacturing and Export Initiative intends to foster partnerships with the Guam Economic Development Authority, the Guam Council on the Humanities Association (for expanded cultural producers), small business vendors in the Chamorro Village (for alignment with village producers as central host), The Guam Unique Merchandise & Art (GUMA) Entrepreneur Training Program, and other relevant partners to effectively build upon the agriculture, value added agriculture, cultural and other manufactured products on Guam.

Economically Distressed and Under-Served: Guam's 2011 CEDS Second Year Update reflects the most current economic data that is available to the Guam Bureau of Statistics & Plans as of October 28, 2013 on unemployment and shows it is at 13.3%. This unemployment rate is 5.5 percentage points higher than the U.S. unemployment rate of 7.8% (Bureau of Labor Statistics, September 2012). Guam's most recent reported per capita income is at \$12,864 based on the CEDS Second Year Update, which is way below the average of the U.S. per capital personal income of \$41,663 in 2011 (source: Office of Financial Management: Better information, Better decisions, Better government). The Guam Manufacturing and Export Initiative intends to help create new jobs, expand tourism exports, and value added agriculture and cultural capital-induced productions, with anticipated improvement in tax revenues and improvement of the local spending multiplier of 1.3 by doing so.

Others Areas:

Is Market-Based and Results Driven: The Guam Manufacturing and Export Initiative will grow Guam's cottage industry in enterprising activities that will increase heritage production manufacturing, value added agriculture manufacturing and other local small manufacturing that will help produce new jobs, higher small business output and increased tax revenue to spur economic activities.

The intended grantee has a strong organizational leadership: This proposed investment project is submitted by an effective and experienced grant program manager and staff involved in small business development who will ensure the grant projects administrative and implementation success.

Advances productivity, innovation and entrepreneurship: Through the partnerships described in the Public Private Partnerships the Guam Manufacturing and Export Initiative will promote agriculture, value added agriculture, cultural and other manufactured products on Guam.

The Guam Manufacturing and Export Initiative also capitalizes on the Governor of Guam's Blueprint for economic development that supports the growth of small business communities and high-skilled employment on Guam. The project plans to augment initial efforts by the Guam Economic Development Authority to grow the Guam Product Seal small producer capacity intended to take off to next level of market growth stage through exporting (e.g. carry-on exports). This will tie in with the Guam Visitors Bureau's branding campaign of cultivating cultural capital from all Guam villages. Various units at the University of Guam, who are experienced working with a variety of federal agencies (e.g., Department of the Interior Office of Insular Affairs , EDA, USDA Rural Development, U.S. SBA), will be either directly or indirectly involved with this project. The University of Guam has strong existing partnership with the Guam Farmers' Cooperative and key members of the private sector to ensure leveraged support for this initiative.

Principal Investigator

Casey Jeszenka
Guam Small Business Development Center
UOG School of Business and Public Administration, Room #148
University of Guam
Phone: 671-735-2593
Email: casey@pacificsbdc.com
Website: www.pacificsbdc.com

Appendix E

Guam Airport Authority Project List

1/8



A.B. WON PAT
INTERNATIONAL AIRPORT AUTHORITY, GUAM
ATURIDAT PUEYTON SAKTICHN AIREN GUAHAN ENTENASIONAT

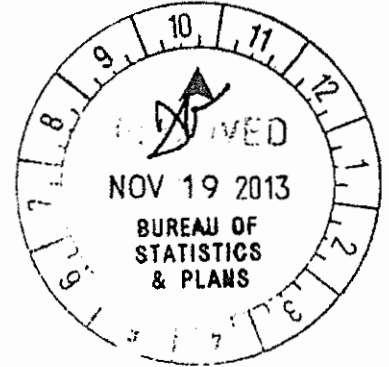
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Fax (671) 646-8823

www.guamairport.com

November 18, 2013



MEMORANDUM

TO: Lorilee T. Crisostomo
Director
Bureau of Statistics & Plans

FROM: Charles H. Ada, II
Executive Manager

SUBJECT: PROJECT PROPOSAL - Annual Update 2011 Comprehensive Economic Development Strategy (CEDS)

Hafa Adai Ms Crisostomo,

The A.B. Won International Airport Authority, Guam is submitting the Authority's Proposed Projects for the Annual Update 2011 Comprehensive Economic Development Strategy (CEDS). The following projects are as follows by Project Title, Estimated Cost and Description of Project listed below.

Proposed Projects:

1. **Project Title:** International Arrivals Corridor with Building Seismic Upgrades.
Estimated Cost: \$53,900,000
Description of Project: This Project will be a permanent solution to TSA mandate separating both international and domestic passenger arrivals and departures. The 3rd level corridor for arrivals only with vertical circulation from gate groups. Seismic upgrades will also be included during construction.

2. **Project Title:** Hold Bag Screening Relocation.
Estimated Cost: \$26,000,000
Description of Project: In-Line screening with Baggage Handling System (BHS). Check in capacity restored with more space to maneuver. Project to reduce costs for both TSA and airlines.



3. **Project Title:** (SSCP) Security Screening Check Point Relocation
Estimated Cost: \$3,100,00
Description of Project: The project entails increasing security lanes and expand queueing area.

4. **Project Title:** Aircraft Rescue & Fire Fighting Facility Replacement (ARFF)
Estimated Cost: \$11,600,000
Description of Project: Replacing aged Navy structure with code compliant facility meeting (FAA) Federal Aviation Administration standards.

5. **Project Title:** (FIDS) Flight Information Display Systems Replacement
Estimated Cost: \$5,000,000
Description of Project: Replacement of obsolete and non-reliable system with multipurpose software and hardware.

6. **Project Title:** Integrated PLB Replacement
Estimated Cost: \$8,200,000
Description of Project: Replacement of 5 aged loading bridges and 34 power and pre-conditioned air point of use units.

7. **Project Title:** Common Use Check-In Facilities
Estimated Cost: \$2,800,000
Description of Project: Project entails single airline check-in program with counter modification and expanded use of kiosks, avoiding expanded building footprint.

8. **Project Title:** Fuel System Improvements
Estimated Cost: \$1,000,000
Description of Project: Improve fire suppression system and connections.

9. **Project Title:** Parking Expansion
Estimated Cost: \$7,400,000
Description of Project: Single level parking deck over commercial vehicle area to replace capacity loss from expanded building footprint.

10. **Project Title:** Inter-Island Passenger Facilities
Estimated Cost: \$3,000,000
Description of Project: Separate processing facility for domestic inter-island operations. No CBP and minimal TSA inspections.

11. **Project Title:** Cargo Apron Relocation
Estimated Cost: \$7,700,000
Description of Project: New cargo only apron adjacent to integrated air cargo facility. Hydrant fuel capability.

12. **Project Title:** Replace Terminal Seating
Estimated Cost: \$3,500,000
Description of Project: Replacement of dilapidated seating and expand additional seating to the other terminal areas.

13. **Project Title:** Access Control and Security Improvements
Estimated Cost: \$4,000,000
Description of Project: Replacing security access control system with biometric system. Facility modifications as security solutions.

14. **Project Title:** Terminal Flooring Replacement
Estimated Cost: \$2,700,000
Description of Project: Replace deteriorating tile surface with durable non-skid material with longer life cycle.

15. **Project Title:** Upgrade Airport (IT) Information Technology and (FMS) Financial Management System
Estimated Cost: \$2,000,000
Description of Project: Upgrade financial management system, add facility management GIS and improve infrastructure.

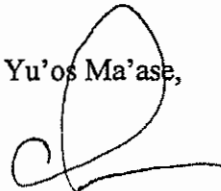
16. **Project Title:** Route 10A Landscape Component
Estimated Cost: \$1,700,000
Description of Project: Incorporate landscaping mediums consistent with DPW project to expand the Route 10A access roadways.


17. **Project Title:** Enclose Arrival Tunnels
Estimated Cost: \$1,200,000
Description of Project: Increase arrivals lobby area through enclosing arrivals tunnel with climate control. Adds commercial areas.

18. **Project Title:** Replace Conveyance Systems
Estimated Cost: \$2,600,000
Description of Project: Replace with energy efficient equipment. Includes elevators, escalators and moving walks.
19. **Project Title:** Strengthen and Expand Curbside Canopies
Estimated Cost: \$2,800,000
Description of Project: Expand departures curbside canopies for extended weather protection and security reinforcement.

I hope that the following projects submitted suffice the need to update Guam's Comprehensive Economic Development Strategy. Should you require more information, please call our Engineering/Planning Division at 642-4491.

Si Yu'os Ma'ase,



Charles H. Ada, II
Executive Manager 

cc: Administration
Expansion
Engineering
Planning



Appendix F

Hagåtña Restoration and Redevelopment Authority Project Lists



DIPATTAMENTON I KAOHAO GUINAHAN CHAMORRO
DEPARTMENT OF CHAMORRO AFFAIRS

Honorable Edward J.B. Calvo
Governor of Guam

Joseph Artero-Cameron
President, DCA

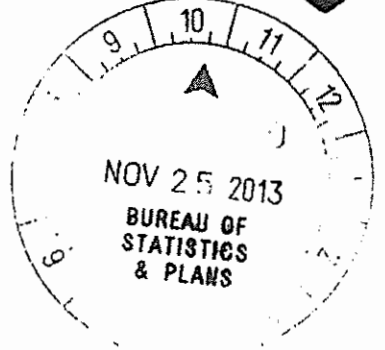
Raymond S.Tenorio
Lieutenant Governor of Guam



November 25, 2013



Ms. Lorilee Crisostomo
Director, Bureau of Statistics and Plans
P.O. Box 2950
Hagåtña Guam 96932
Email: lorilee.crisostomo@bsp.guam.gov
Tel: (671) 472-4201/3
Fax: (671) 477-1812



GUAM MUSEUM

SUBJECT: HRRRA Comprehensive Economic Development Strategy Projects for the U.S. U.S. Department of Commerce Economic Development Administration Nomination



Buenas yan Háfa Adai;

Provided for your review and perusal is the requested summary list of projects for nomination under the Guam Comprehensive Economic Development Strategy for the City of Hagåtña under the Hagåtña Restoration and Redevelopment Authority.



Should you require additional information or have concerns, please contact Mr. Joseph C. Santos, Planner IV, HRRRA at 475-4281 or joseph.santos@hrra.guam.gov.



Si Yu'os Ma'åse',



PBS
GUAM

CATHY GOGUE
President (Acting)

"Department of Chamorro Affairs is an Equal Opportunity Provider and Employer"

Terlaje Professional Building • 1st Floor 194 Heman Cortez Avenue Hagåtña, Guam 96910
P.O. Box 2950 Hagåtña, Guam 96932 • Phone: (671) 475-4278/9 • Fax: (671) 475-4227

HAGÁTÑA RESTORATION AND REDEVELOPMENT AUTHORITY (CH 79, 21 GCA)
 COMPREHENSIVE ECONOMIC DEVELOPMENT STRATEGY
 CITY OF HAGÁTÑA REVITALIZATION

AS OF: 11/25/2013

HAGÁTÑA REVITALIZATION PROJECTS			
#	PROJECT	PROJECT DESCRIPTION & SCOPE	COST ESTIMATE
1	HAGÁTÑA WETLAND & WATERSHED REDEVELOPMENT	RESTORATION OF HAGÁTÑA WATERSHED, RESTORATION OF THE SPANISH DIKES, REINTRODUCTION OF HISTORICAL WETLAND FARMING (TARO, RICE, ETAL) & THE DEVELOPMENT OF WALKING TRAILS	\$3,200,000.00
2	HAGÁTÑA RIVER CHANNELLING	CHANNELIZING THE HAGÁTÑA RIVER FROM THE MINONDO BRIDGE TO THE HAGÁTÑA RIVER CHANNEL MOUTH	\$30,000,000.00
3	HAGÁTÑA RIVERWALK PROJECT	IN CONJUCTION WITH THE CHANNELIZING OF THE HAGÁTÑA RIVER DEVELOP A ONE (1) MILE RIVERWALK CONCEPT LINKING THE HAGÁTÑA CENTRAL PARK & BUSINESS ALONG THE HAGÁTÑA RIVER	\$4,500,000.00
4	HAGÁTÑA WATERFRONT DEVELOPMENT & SHORELINE PROTECTION	CONSTRUCT A 2.6 MILE, 8 FOOT WALKING & BIKING TRAIL WITH PLAYGROUND AREAS, BENCHES & PAVILIONS INCLUDING PROVIDING SHORELINE PROTECTION MEASURES AGAINST STORM SURGES	\$10,000,000.00
5	PLAZA DE ESPAÑA RESTORATION - GOVERNMENT HOUSE - SPANISH PALACE RECONSTRUCTION	RECONSTRUCTION OF THE GOVERNMENT HOUSE - SPANISH PALACE PRIOR TO ITS DESTRUCTION IN WORLD WAR II AND RETURNING THE SEAT OF GOVERNMENT BACK TO THE PLASA DE ESPAÑA HOUSING THE GOVERNOR & LIEUTENANT GOVERNOR	\$4,500,000.00
6	PLAZA DE ESPAÑA RESTORATION - GOVERNMENT HOUSE - SPANISH PALACE ANNEX RECONSTRUCTION	RECONSTRUCTION OF THE GOVERNMENT HOUSE ANNEX PRIOR TO ITS DESTRUCTION IN WORLD WAR II TO HOUSE THE STAFF OFFICES OF THE GOVERNOR	\$5,000,000.00
7	PLAZA DE ESPAÑA RESTORATION - GARRISON / MARINE BARRACKS RECONSTRUCTION	RECONSTRUCTION OF THE GARRISON OR U.S.MARINE BARRACKS WITHIN THE PLASA DE ESPAÑA TO HOUSE THE STAFF OFFICES OF THE GOVERNOR AND THE BUREAU OF INFORMATION TECHNOLOGY	\$5,000,000.00
8	PLAZA DE ESPAÑA RESTORATION - ALMACEN RECONSTRUCTION	RECONSTRUCTION OF THE ALMACEN AS A VISITOR CENTER FOR GUAM AND CITY OF HAGÁTÑA	\$1,800,000.00
9	PLAZA DE ESPAÑA RESTORATION - ARBORITEUM / GOVERNOR'S FARM / GARDEN REDEVELOPMENT	CONSTRUCTION OF AN ARBORITEUM AND GOVERNOR'S FARM	\$600,000.00
10	THE HERITAGE TRAIL ENHANCEMENT	PROVIDE RENEWAL ENERGY LIGHTING, LANDSCAPING & SIGNAGE	\$500,000.00
11	HAGÁTÑA CENTRAL PARK REDEVELOPMENT	PROVIDE FOR SECOND TIER SPORTS FACILITIES FOR BASEBALL, SOFTBALL, BASKETBALL, ADDITIONAL TENNIS COURTS, SOCCER, RUGBY, FOOTBALL FIELDS AND RECREATIONAL ENDEAVORS	\$4,000,000.00

HAGÁTÑA RESTORATION AND REDEVELOPMENT AUTHORITY (CH 79, 21 GCA)
 COMPREHENSIVE ECONOMIC DEVELOPMENT STRATEGY
 CITY OF HAGÁTÑA REVITALIZATION

AS OF: 11/25/2013

HAGÁTÑA REVITALIZATION PROJECTS			
#	PROJECT	PROJECT DESCRIPTION & SCOPE	COST ESTIMATE
12	HAGÁTÑA NEIGHBORHOOD REVITALIZATION INITIATIVE	PROVIDE FOR PLAYGROUNDS, RESIDENTIAL ROAD DEVELOPMENT, FACILITATION OF NEIGHBORHOOD MARKETS AND THE PRE-WAR BARRIO RE-ESTABLISHMENT	\$2,300,000.00
13	NIEVES M. FLORES MEMORIAL LIBRARY EXPANSION PROJECT	REDEVELOP/RENOVATE THE GUAM MAIN LIBRARY INTO A SIX LEVEL MULTI-STOREY STRUCTURE	\$15,000,000.00
14	GUAM SEAL PARK PROJECT	DEVELOPMENT OF A GUAM SEAL PARK TO HONOR AND CELEBRATE THE SIGNIFICANCE OF THE GREAT SEAL OF GUAM PROVIDING EDUCATIONAL AS WELL AS INTERPRETIVE OPPORTUNITIES WITHIN THE APPROPRIATE HISTORICAL AND CULTURAL CONTEXT BY CONSTRUCTING ELEMENTS OF THE GREAT SEAL OF GUAM IN A DYNAMIC THREE DIMENSIONAL AND INTERACTIVE DISPLAY	\$2,500,000.00
15	GUAM CONGRESS SESSION HALL RESTORATION	RENOVATION AND RECONSTRUCTION OF THE NATIONAL AND GUAM HISTORIC POST WAR GUAM CONGRESS SESSION HALL HOUSING THE SESSION HALL, FOUR SENATORIAL OFFICES AND THE LEGISLATIVE ADMINISTRATION	\$8,000,000.00
16	HAGÁTÑA CAR PARK DEVELOPMENT PROJECT	CONSTRUCTION OF TWO (2) CAR PARKS (TOGAE & JULALE), AND PROVIDING SIGNAGE FOR THE TOGAE, JULALE, MINONDO, PASEO DE SUSANA, AND ADELUP CAR PARK	\$24,000,000.00
17	HAGÁTÑA TRANSIT HUB DEVELOPMENT PROJECT	PROVIDE FOR TRANSIT BUS PICK / DROP POINTS & PURCHASE OF 10 TROLLEY BUSES PROVIDING MASS TRANSIT FOR THE CITY OF HAGÁTÑA	\$8,000,000.00
18	PASEO DE SUSANA PDD PASEO STADIUM REDEVELOPMENT	RECONSTRUCT A FIRST TIER SPORTS FACILITY	\$41,200,000.00
19	PASEO DE SUSANA PDD CANOE HOUSE & LAUNCH SITE	PROVIDE FOR A CANOE HOUSE & LAUNCH SITE FOR THE FOUR (4) KAYAK & PADDLING CLUBS	\$700,000.00
20	PASEO DE SUSANA PDD WEST HAGÁTÑA BAY RECREATIONAL AREA I DEVELOPMENT	DEVELOP A RECREATIONAL AREA	\$1,200,000.00
21	PASEO DE SUSANA PDD HAGÁTÑA BAY RECREATIONAL AREA II DEVELOPMENT	DEVELOP A RECREATIONAL AREA PROVIDING FISHING PIERS	\$1,500,000.00
22	HAGÁTÑA LAND RECLAMATION PROJECT	DEVELOP A 72.5 ACRE STANDBY WHARF & TOURIST COMMERCIAL & RETAIL FACILITIES THROUGH	\$290,000,000.00

HAGÁTÑA RESTORATION AND REDEVELOPMENT AUTHORITY (CH 79, 21 GCA)
 COMPREHENSIVE ECONOMIC DEVELOPMENT STRATEGY
 CITY OF HAGÁTÑA REVITALIZATION

AS OF: 11/25/2013

HAGÁTÑA REVITALIZATION PROJECTS			
#	PROJECT	PROJECT DESCRIPTION & SCOPE	COST ESTIMATE
23	I SENGSONG CHAMORRO (CHAMORRO VILLAGE) IMPROVEMENTS	NIGHT MARKET PAVILIONS & A SAGAN DINANA (MEETING PLACE), CARPARK WITH 2 ROOF DECK PAVILIONS, MAIN PLAZA ENTRANCE, AMPHITHEATER, LIGHT HOUSE RECONSTRUCTION	\$17,200,000.00
24	I SENGSONG CHAMORRO EXPANSION	A 11,000 SQUARE FEET ART GALLERY & WORKSHOP; OFFICES; MEETING ROOM, PUBLIC TELEVISION RESTAURANTS & CAFES	\$2,800,000.00
25	LAND REALTY SERVICES, FINANCE & TAX SERVICES, & LABOR SERVICES BUILDING	CONSOLIDATION OF GOVERNMENT OFFICE BUILDING HOUSING LAND REALTY SERVICES, FINANCE & TAX SERVICES, LABOR SERVICES	\$15,000,000.00
26	GOVERNMENT OF GUAM LINE AGENCY BUILDING	CONSTRUCT A MULTI-STOREY GOVERNMENT OFFICE BUILDING HOUSING THE DEPARTMENT OF ADMINISTRATION AND OTHER SPECIFIED DESIGNATED LINE AGENCIES	\$15,000,000.00
27	SOLEDAD AVENUE ROAD EXPANSION	CONTINUATION OF SOLEDAD AVENUE FROM THE U.S. 9TH DISTRICT COURT TO ROUTE 6 NIMITZ HIGHWAY WITH 2 CONTROL POINTS	\$1,840,000.00
28	GUAM MUSEUM RENEWAL POWER	SUPPLEMENT THE GUAM AND CHAMORRO EDUCATIONAL FACILITY WITH RENEWAL POWER	\$500,000.00
29	UNDERGROUND RELOCATION OF ELECTRICAL POWER	RELOCATE 23 MILES OF PUBLIC ELECTRICAL POWER FROM OVERHEAD TO UNDERGROUND WITHIN THE CITY OF HAGÁTÑA	\$18,000,000.00
30	RENEWAL ENERGY STREET LIGHTING	PROVIDE FOR RENEWAL ENERGY STREET LIGHTING WITHIN THE CITY OF HAGÁTÑA	\$1,200,000.00
31	FEASIBILITY STUDY FOR A PARKING METER SYSTEM IN THE CITY OF HAGÁTÑA	DETERMINE FEASIBILITY OF PARKING METERS INCLUDING TYPES IN THE CITY OF HAGÁTÑA	\$200,000.00
32	TRANSPORTATION CIRCULATION SYSTEM WITHIN THE CITY OF HAGÁTÑA	ESTABLISH A VIABLE PROPER TRANSPORTATION ROAD & TRAFFIC CIRCULATION SYSTEM FOR THE CITY OF HAGÁTÑA THAT PEDESTRIAN, BICYCLE AND OTHER MULTI-FRIENDLY USERS	\$1,000,000.00
33	GUAM MUSEUM OF NATURAL HISTORY & ARBORITEUM	CONSTRUCTION OF A REPOSITORY AND MUSEUM OF NATURAL HISTORY INCLUDING AN ARBORITEUM	\$3,800,000.00
34	WIRELESS HOTSPOT HAGÁTÑA	PROVIDE FOR A SUSTAINED WIRELESS FREE SYSTEM INCLUSIVE OF MOBILE & DATA COMMUNICATION DEVICES WITHIN THE CITY OF HAGÁTÑA	\$900,000.00
		TOTAL	\$540,940,000.00

EDDIE BAZA CALVO
Governor



RAY TENORIO
Lieutenant Governor

Office of the Governor of Guam

February 18, 2011

Mr. Karl A. Pangelinan
Acting Administrator
Guam Economic Development Authority
ITC Building, Suite 511
590 So. Marine Corps Drive
Tamuning GU 96913

Subject: Comprehensive Economic Development Strategy

Mr. Pangelinan:

Håfa Adai! In order to prepare for the largest military relocation effort ever undertaken, our island requires expansive vision to guide such unprecedented growth. In this respect, a Comprehensive Economic Development Strategy (CEDS) is needed to bring together the public and private sectors so they may create an economic roadmap that will diversify and strengthen regional economies. Integrated economic development planning provides the flexibility to adapt to global economic conditions and leverage the region's unique advantages to maximize economic opportunity, specifically by attracting the private investment to create jobs for the region's residents. Additionally, The Public Works and Economic Development Act of 1965 requires a CEDS in order to apply for investment assistance under the U.S. Department of Commerce's Economic Development Administration's (EDA) Economic Adjustment Assistance Programs.

To qualify for EDA grants, Guam must develop a CEDS under the auspices of a Planning Organization, which is typically an Economic Development District. In an effort to realize the full potential of EDA assistance in the face of the impending Guam Buildup, I hereby designate the Guam Economic Development Authority (GEDA) to serve as the Planning Organization for this purpose. Furthermore, I will be requesting the University of Guam (UOG) and the Bureau of Statistics and Plans (BSP) provide GEDA with professional and technical support in this regard.

GEDA is responsible for the initial, and very critical, task of appointing a Strategy Committee who will then be responsible for developing, revising or replacing a CEDS. It is important to note that the majority of the Strategy Committee must come from the private sector.

Letter to Karl Pangellnan
February 18, 2011
Page 2 of 2

I applaud the efforts already undertaken by GEDA, UOG and BSP in pursuit of a new CEDS for Guam, and I pledge the support of the Calvo-Tenorio Administration toward the timely completion of this endeavor.

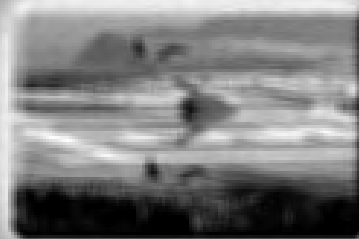
Senseramente,



EDDIE BAZA CALVO

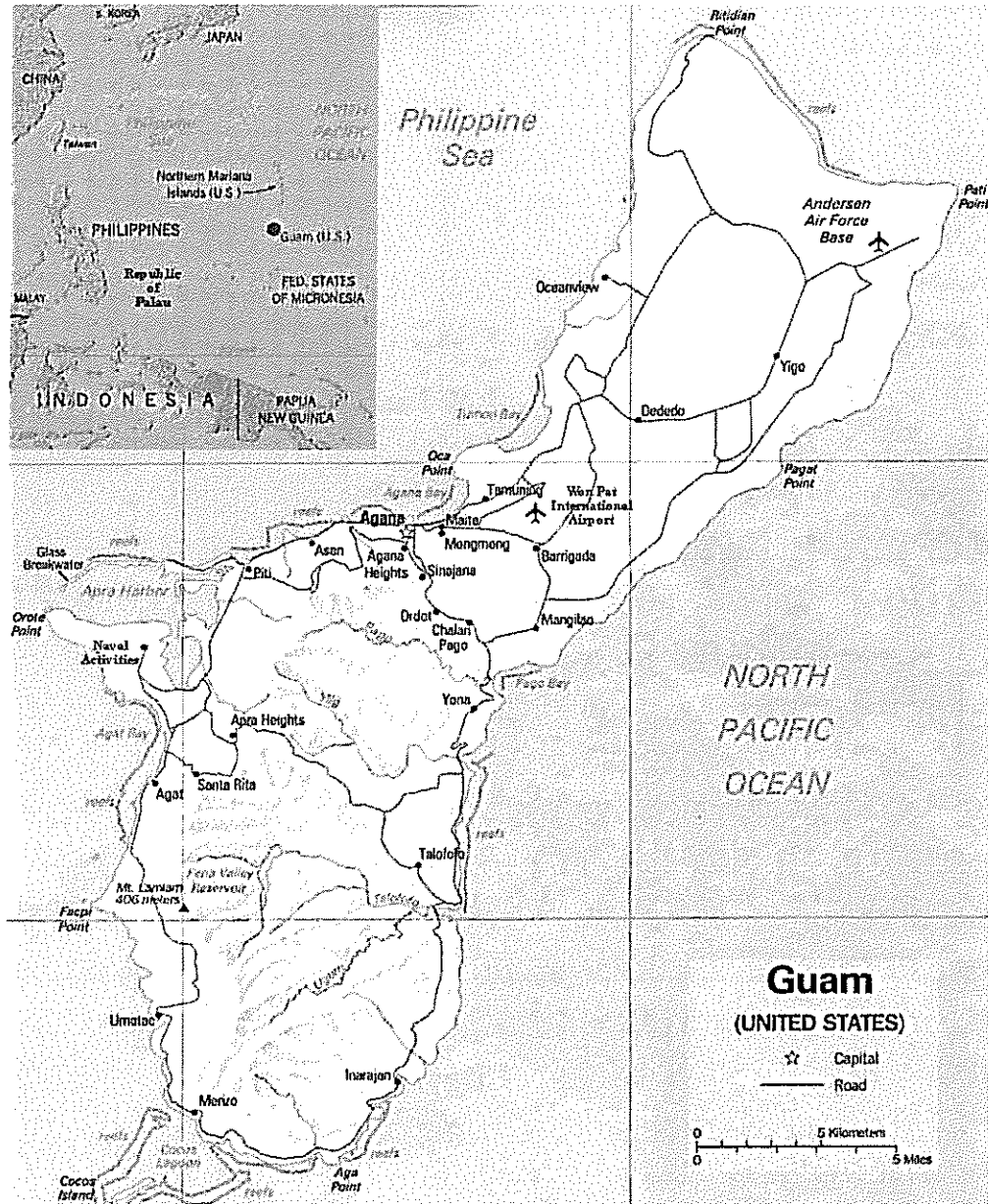
Cc: Dr. Robert Underwood, President, University of Guam
Tommy Morrison, Director, Bureau of Statistics and Plans

Guam Comprehensive Economic Development Strategy (CEDS) 2011



Prepared by
Guam Economic Development Authority
Bureau of Statistics and Plans
University of Guam-Pacific Center for Economic Initiatives

U.S. EDA Investment 07/09/2010



**This document was funded under Investment Grant Award
Number 07 69 06320 awarded by the United States Department of
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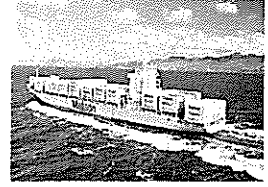
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ABSTRACT

The 2011 Guam Comprehensive Economic Development Strategy (CEDS) is primarily based upon the concept of economic tigers in general and on Guam becoming the first Pacific Tiger in particular. The Pacific Tiger strategy is based on six overall economic goals that are designed to bring about a sustainable and participatory economic development process for Guam. The Pacific Tiger strategy found its strongest supporters in the current Calvo-Tenorio Administration whose economic platform "Blueprint 2020" provides details on how to begin the operations of the six Pacific Tiger goals into objectives.

The process was initiated to provide direction, focus, and priority for local efforts and guide federal assistance and private investment in order to stabilize and grow the economy to improve quality of life and public services. In general, the projects outlined in this plan focus on a set of broad economic objectives, including the development of a broader economic base, the achievement of full employment, the establishment of greater employment opportunities, the creation of higher wage and salary levels, the improvement of the island's standard of living, and the equitable distribution of economic growth.

Guam's CEDS document describes the island's economic problems, needs, potentials, and resources; presents the community's vision and goals; sets its strategic direction for action; establishes priority programs and projects for implementation; and outlines the standards for an annual evaluation and update of the plan and its related processes.

To be an effective guide to the island's long-term economic development, the strategies and projects presented in this document must reflect contemporary changes in the economy if they are to correctly correspond to set policies and goals. As such, Guam's CEDS is viewed not as a static document, but rather as a continuous effort to refine Guam's future growth objectives, strategies, and requirements.



EXECUTIVE SUMMARY

General Overview

Guam experienced a prolonged period of investment-driven growth through the 1980's and early 1990's. During this period, the private sector overtook the public sector in economic importance. Growth in employment and output in Guam dropped significantly in the latter part of the 1990's and continues to drop into the 21st century.

The latest March 2011 *Current Employment Survey* report issued by the Guam Department of Labor shows that there are 61,930 jobs on Guam, representing a slight decline from 62,200 jobs one year ago. By employer, 74.42% of the jobs were provided by the private sector, 6.36% by the federal government, and 19.22% by the Government of Guam. By economic sector, 27.76% of the employed individuals were in Services (including 8.85% in Hotel and Other Lodging Accommodations), 18.44% were in Retail Trade; 10.27% were in Construction; 7.14% were in Transport and Public Utilities; 4.28% in Financial, Insurance and Real Estate, 3.39% in Wholesale Trade, 2.71% in Manufacturing and 0.44% in Agriculture. By gender, employees were 56% male, 44% female. Guam's unemployment rate was recorded at 13.3% in March 2011. The number of unemployed increased from 6,510 persons (9.3%) in September 2009 to 9,970 persons (13.3%) in March 2011.

According to the Guam Bureau of Labor Statistics, as of July 18, 2011, Guam's average household income for calendar year 2010 was \$49,263, an increase of \$3,477 or 7.1% from \$45,786 in 2008, recovering from a 2.7% decline in 2005. Per Capita Income for 2010 was \$12,864, a decrease of \$225 or 1.7% from calendar year 2008.

Guam has seen a precipitous drop in revenues from three major sectors of the economy (tourism, military/federal, other). As a result of this drop, total government revenues have dropped 49% from \$660 million in the mid-1990's to an estimated \$340 million in 2010. This condition has led to very serious shortcomings in the delivery of basic public services and raises major concerns in public safety, health, education, and employment. Other economic indicators paint an equally dismal picture. Reduction in government expenditures has not kept pace with the island's shrinking economy.

The estimates for Guam show that real GDP -- GDP adjusted to remove price changes -- increased 1.7% to \$3.9 billion in 2009 after increasing 0.5% in 2008. Guam's tourism industry is the island's single largest economic sector. The industry generates approximately 60% of Guam's annual business revenue. By 2005, a Global Insight report revealed that tourism directly supported 10,412 full-time and part-time jobs. This economic activity generated \$378 million in local wages. Visitor arrivals began to decline in 2001 and 2002 after years of continued growth. Tourist arrivals have struggled in the midst of a worldwide economic slump, compounded by the September 11, 2001 terrorist attack on the World Trade Towers, the invasion of Afghanistan by the United States and its allies, the war with Iraq, and the fury of Typhoon Chata'an and Supertyphoon Pongsona in 2002. Furthermore, the earthquake and tsunami events in Sendai, Japan in March 2011 have added to the struggles facing Guam's major source market.

About 90% of all Guam visitors are from Asia, with the balance made up of visitors from the United States, neighboring Pacific islands, and other areas. Visitors from Japan comprise the largest share of Guam's market mix with close to 80% of all arrivals to Guam. Guam's market share in 2010 was 5.4 % of the Japanese tourist market, a total of 16.6 million outbound travelers. Guam Visitors Bureau's purchasing power in source markets has been seriously impacted by the yen's 27% rise in value against the U.S. dollar during the period of April 2008 to April 2011. This increase in the yen's value has limited its advertising and public relations expenditures, especially in Japan. The global economic recession of 2008 also played no small part in diminishing international travel arrivals from major source markets to Guam.

Guam has a large U.S. military presence, which includes Navy and Air Force bases that encompasses nearly 27% of the island's land mass. The Department of Defense (DoD) plans to relocate 8,600 Marines and approximately 9,000 dependents from Okinawa to Guam with an initial estimated cost of \$10.27 billion. The current Guam population is 180,000. It is estimated that up to 20,000 temporary workers may be needed to complete the required construction. At the completion of the relocation, approximately 6,000 civilian workers will be added to the island's population. The government of Guam is concerned that this rapid population increase will place an unsustainable burden on its infrastructure. Major funding for the buildup effort is being contributed by DoD, US Department of Agriculture (USDA), and the Government of Japan. Defense spending on Guam is about \$700-800 million a year, with 6,500 active duty personnel and approximately 7,000 dependents. There were 3,600 Federal civilian employees and Federal taxes returned to Guam were \$45 million.

Since 2006, the proposed military buildup has been expected to have a major economic impact on the local economy. What is in common among these factors is that they tend to be largely outside of the control of local economic planners and policymakers and leave the local economy exposed to instability they create. Partly related to the recent devastation in Japan as well as new developments from the U.S. Congress, the terms, magnitude, and timing of the military buildup on Guam might deviate from those spelled out in the 2006 U.S.-Japan Agreement. Much depends on the fiscal health of both the U.S. federal government and the Government of Japan, who initially agreed to share the cost of the military buildup on a 60-40 basis (approximately).

To effectively counteract this situation, Guam has developed the 2011 Comprehensive Economic Development Strategy (CEDS) to guide its future economic development policies and efforts. The purpose of the strategy is to develop a specific action plan to assist the island in guiding future economic development by focusing limited community and outside resources on Guam's targeted economic sectors (e.g., tourism, marine resources, aquaculture, commerce, manufacturing and service) and to achieve the specific socio-economic objectives (full employment, improved employment opportunities, higher wages and salaries, etc.) outlined in the broader planning efforts of the Calvo-Tenorio Administration whose economic platform "Blueprint 2020" provides details on how to begin the operations of the six Pacific Tiger goals into objectives.

Key Findings

According to the Guam Bureau of Labor Statistics, Guam's mean household income in 2008 was \$45,786, which represents a 2.7 % decline from 2005 (\$47,062). More recently, however, as of July 18, 2011, Guam's mean household income for calendar year 2010 was \$49,263, an increase of

\$3,477 or 7.1% from \$45,786 in 2008. Per Capita Income for 2010 was \$12,864, a decrease of \$225 or 1.7% from calendar year 2008.

Guam's unemployment rate was recorded at 13.3% in March 2011. The number of unemployed increased from 6,510 persons (9.3%) in September 2009 to 9,970 persons (13.3%) in March 2011.

According to the Department of Public Health and Social Services, the number of people who qualified for public assistance in 2010 were as follows: Temporary Aid to Needy Families, \$3,301,236 for 1,264 persons; Old Age Assistance, \$684,465 for 245 persons; Aid to the Permanently and Totally Disabled, \$536,050 for 201 persons; and Aid to the Blind, \$6,742 for 3 persons. For food stamp assistance, while there was a slight decline in 2007, the average number of households receiving supplemental nutrition assistance has steadily increased throughout the period of 2006 to 2010. The average number of households per month to receive assistance increased from 8,098 in 2006 to 11,595 in 2010. The average number of recipients receiving food stamps monthly increased from 27,303 recipients in 2006 to 36,926 recipients in 2010. More recently, the total dollar value of benefits received increased from \$79,070,302 in 2009 to \$104,489,497 in 2010.

The Calvo-Tenorio Administration will continue to move forward with a "One Guam" approach to address the needs of Guam associated with the military buildup. A Civilian-Military Coordination Council (CMCC) has been established to assist DoD in implementing Adaptive Program Management, whereby DoD will monitor the buildup and adjust the construction pace if it unduly impacts the environment and/or the infrastructure.

Many new construction jobs will be created during the buildup years. Priority will be given to U.S. workers before the hiring of foreign labor. U.S. Public Law 110-229 provides that Guam can import foreign labor without limit until 2014.

With the many hurdles facing Guam's tourism industry, businesses are challenged to focus on recapitalizing the island's tourism plant. Efforts are underway to restore and upgrade the island's deteriorated cultural and historic assets in order to validate and sustain Guam's differentiated brand identity, continue to be a competitive destination, and ensure the long-term viability of Guam's tourism industry.

Shopping on Guam is one of the main attractions for tourists and is a significant contributor to the local economy. Retail spending accounts for an estimated 43% of all tourism spending. Furthermore, the military and other temporary residents (i.e., contract labor from Asia or the United States) contribute substantially to Guam's retail sales by making a significant portion of their lifetime purchases on durables while on the island. As an economic sector, which complements the tourist industry and responds quickly to a generally rising standard of living, this sector is expected to play an important role in Guam in the coming years. Because of its supportive and reactive nature, however, it cannot be relied upon as a major income generator.

Guam's unique position in the Asia-Pacific region highlights potential roles that the island can play as a commercial trade hub and a major telecommunications hub. In regards to commercial trade, the U.S. exports farther across the Pacific than across the Atlantic. Asian countries, in turn, have benefited greatly from selling to the American market. Guam has an opportunity to play a

greater role in the midst of this vast Asian-Pacific trading zone. In this regard, Guam has several key advantages that can be considered for economic development opportunities.

Furthermore, Guam possesses the most advanced telecommunications infrastructure and systems in the Western Pacific region. The island sits at the nexus of the Pacific’s underwater fiber optics cabling network with more terminating cable connections than anywhere else in the world and making Guam a telecommunications hub for numerous international providers.

Proposed Projects

The following projects have been selected by the Strategy Committee to put into action the strategy outlined by the 2011 CEDS. To determine project priorities, these projects were evaluated against the Economic Development Administration's Policy Investment Guidelines and Guam's requirements.

Table 1: Summary of 2011 CEDS Industries with Potential to Spur Guam’s Economy

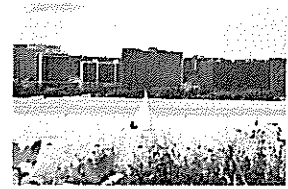
PRIORITY	CEDS INDUSTRY
HIGH	Infrastructural Development (*Prerequisites to all projects listed below)
	Maritime Development
	Hågatña Revitalization
	Education Tourism
	Agriculture
	Planning
	Information Technology
	Green Technology
MEDIUM	Business Hub
	▶ Industrial Park
	▶ Conference Center
	▶ Cottage Industries
	Ecotourism
	Sports Tourism
LOW	Manufacturing & Exporting
	Financial & Legal Services
	Medical Tourism
	Film Industry

Table 2: List of Proposed CEDS Projects to Spur Guam's Economic Growth

Priority	Project Name	Description	Estimated Cost
INFRASTRUCTURAL DEVELOPMENT			
*Non-exhaustive list of projects in Appendix			
High	Power c/o Guam Power Authority	See Appendix A	\$15,859,000
High	Water and Sewerage c/o Guam Waterworks Authority	See Appendix B	\$203,934,000
High	Roads, Highways, and Other Physical Structures c/o Guam Department of Public Works	See Appendix C	\$80,400,830
High	Airport c/o Guam International Airport Authority	See Appendix D	\$21,268,393
High	Seaport c/o Port Authority of Guam	See Appendix E	\$149,053,411
High	Hospital c/o Guam Memorial Hospital Authority	See Appendix F	\$32,800,000
MARITIME DEVELOPMENT			
High	New Wharf and Land Reclamation	Build new wharf, reclaim land, purchase cranes	\$35,000,000
High	Guam Fisherman's Cooperative Association Marina Authority	Revitalize the Agat Marina and expand the Greg D. Perez Marina in Hågatña	\$7,500,000
High	Marina Development	Design and construction	\$4,500,000
High	Guam Fisherman's Cooperative Association Building Complex	Build 20,000 sq. ft. two-story complex	\$3,500,000
High	Guam's Limited Entry Longline Fleet	Establish a longline fleet to operate in Guam's waters	\$1,750,000
High	Marine Small Loan Revolving Fund	Establish a revolving low-interest loan fund to assist small boat fishermen in making necessary repairs to their vessels or purchasing needed equipment	\$500,000
High	Multipurpose Vessel Development	Establish a vessel that is able to perform multiple missions	\$500,000
High	Guam Domestic Fisheries	Develop and implement fisheries feasibility study	\$200,000
HÅGATÑA REVITALIZATION			
High	Hågatña Revitalization	Master plan development and design	\$3,000,000
EDUCATION TOURISM			
High	Education Tourism	Develop feasibility study	\$300,000
PLANNING			
High	Consolidated Survey Center	Modernization of Government of Guam Data Systems to support various studies.	\$500,000
AGRICULTURE			
High	Guam Farmers Cooperative Association Complex	Build complex	\$3,960,000

Priority	Project Name	Description	Estimated Cost
INFORMATION TECHNOLOGY			
High	Telecom Industry Training Program	Prepare training program	\$205,000
High	Regional Software Support Center	Develop feasibility study and cost-benefit analysis	\$150,000
GREEN TECHNOLOGY			
High	Green Technology	Develop feasibility study	\$300,000
BUSINESS HUB			
Medium	Industrial Park	Develop feasibility study to explore various industry options	\$200,000
Medium	Conference Center	Develop marketing study to maximize enhancement of the tourism feature	\$200,000
Medium	Cottage Industries	Develop feasibility study to explore various cottage industries that are viable for Guam	\$100,000
ECOTOURISM			
Medium	Feasibility Study	Explore the viability of Guam entering this tourism market	\$200,000
SPORTS TOURISM			
Medium	Feasibility Study	Explore the viability of Guam entering this tourism market	\$200,000
GUAM IMPROVEMENT PROJECTS			
Medium	<i>"One Guam Report"</i>	See Appendix	\$1,817,167,482
MEDICAL TOURISM			
Low	Feasibility Study	Explore the viability of Guam entering this tourism market	\$200,000
MANUFACTURING & EXPORTING			
Low	Feasibility Study	Explore the viability of Guam entering this market	\$200,000
FINANCIAL & LEGAL SERVICES			
Low	Feasibility Study	Explore the viability of Guam entering this market	\$200,000
FILM INDUSTRY			
Low	Feasibility Study	Explore the viability of Guam entering this market	\$200,000

INTRODUCTION



A. ORGANIZATION AND STAFFING

Guam's initial Comprehensive Economic Development Strategy (CEDS) was initiated in July of 2000. The Planning Division of the Guam Department of Commerce was awarded a grant from the U.S. Department of Commerce's Economic Development Administration (EDA) funding the preparation of the first CEDS for Guam. To facilitate the preparation of the CEDS, the Guam Department of Commerce's Planning Division contracted the services of an outside consulting firm, Market Research & Development, Inc. (MR&D). MR&D worked with the Guam Department of Commerce to prepare the CEDS and comply with the appropriate procedural guidelines. In February 2003, work to update the CEDS was initiated in a collaborative effort between the Bureau of Statistics and Plans (BSP) and the Guam Economic Development and Commerce Authority (GEDCA). The 2003 CEDS expired in 2008. In January 2009, BSP received a grant from EDA to update the 2003 CEDS. It was not until the Calvo-Tenorio administration took office in January 2011 when clear plans and concerted efforts were made to update the 2003 CEDS and develop the 2011 Guam Comprehensive Economic Development Strategy (2011 CEDS). The Guam Economic Development Authority (GEDA, formerly GEDCA) is leading the current efforts and is working collaboratively with the Bureau of Statistics and Plans (BSP) and the University of Guam's Pacific Center for Economic Initiatives (PCEI).

B. THE PLANNING PROCESS

The 2011 Guam Comprehensive Economic Development Strategy is based on the concept of economic tigers in general and on Guam becoming the first Pacific Tiger in particular.

The Pacific Tiger strategy is based on the following six overall economic goals that are designed to bring about a sustainable and participatory economic development process for Guam:

- *Openness of economy to global markets for goods and foreign investments*
- *Investment in human capital*
- *Availability of young, productive and creative labor force*
- *Public sector reforms and fiscal discipline*
- *Effective policymaking and social partnership*
- *Hard work and sacrifice*

The Pacific Tiger strategy was first proposed in July 2009 and received favorable response from policymakers, the local media and the island community. The Pacific Tiger strategy found its strongest supporters in the current Calvo-Tenorio Administration whose economic platform "Blueprint 2020" provides details on how to begin the operations of the six Pacific Tiger goals into objectives in the following areas of concerns:

- *Trade in Goods and Services*
- *Education*

- *Training*
- *Wages*
- *Local Labor*
- *Government Operations*
- *Fiscal Management*
- *Infrastructure*
- *Veteran Affairs*
- *Social Issues*
- *Environment and Natural Resources*
- *Military Buildup*

ENVIRONMENTAL ASSESSMENT



A. GUAM OVERVIEW

Physical Characteristics

Guam, as the westernmost territory of the United States, is the largest and southernmost island in the Mariana Archipelago, and was the first Pacific island discovered by the Western World. The island is 30 miles long, ranges from 5 to 9 miles in width, and has a total land area of 209 square miles. Guam is located in the Western Pacific Ocean, 3,700 miles southwest of Honolulu, 1,500 miles east of Manila, 1,500 miles southeast of Tokyo, and 3,100 miles northeast of Sydney.

The island was formed through an uplift of undersea volcanoes and is surrounded by coral reefs. It is composed of two distinct geologic areas of approximately equal size. The northern part of the island is a high coral limestone plateau rising 850 feet above sea level. This area contains the northern water lens, the main source of fresh water for Guam. Apra Harbor, one of the largest protected harbors in the Pacific, is located on the west central side of the island. The southern portion of the island is composed of volcanic deposits, which form low-lying mountains and rivers, that direct surface run off either to Fena Reservoir or the ocean.

Guam's climate is tropical with temperatures ranging between 75 and 86 degrees, and a mean annual temperature of 81 degrees. May and June are the hottest months, with the most rainfall occurring from July through October. The average yearly precipitation is approximately 90 inches. Constant trade winds blow from the northeast during the dry season, December through April. Drought-like conditions can occur during the dry season; however, Guam's subterranean water lens is capable of supplying fresh water far in excess of the island's present needs.

Population

Guam's latest official population based on decennial census data released by the U.S. Census Bureau is for the year 2010. Guam's 2010 population was 159,358 people. Guam's population increased 2.9 percent from its 2000 population of 154,805 people. Its population growth was significantly less than the 16.3 percent increase that occurred between 1990 and 2000. In addition, Guam's population growth was significantly lower than the population estimates made by the U.S. Census Bureau that were based upon an annual growth rate of 1.5 percent. The impact of Guam's slow economic growth between 2000 and 2010 is evident by its slow population growth rate during the same period. It is suspected that there was a high out migration of Guam residents as they sought greater economic opportunities in Hawaii or the continental United States. Table 3 reflects Guam's decennial population for the years 1990, 2000 and 2010.

Table 3: Decennial Population of Guam: 1990, 2000 and 2010

Municipality	Population			Change			
	1990	2000	2010	Number		Percent	
				1990 to 2000	2000 to 2010	1990 to 2000	2000 to 2010
Guam (total)	133,152	154,805	159,358	21,653	4,553	16.3 %	2.9 %
Agana Heights	3,646	3,940	3,808	294	- 132	8.1 %	- 3.4 %
Agat	4,960	5,656	4,917	696	- 739	14.0 %	- 13.1 %
Asan	2,070	2,090	2,137	20	47	1.0 %	2.2 %
Barrigada	8,846	8,652	8,875	-194	223	-2.2 %	2.6 %
Chalan Pago-Ordot	4,451	5,923	6,822	1,472	899	33.1 %	15.2 %
Dededo	31,728	42,980	44,943	11,252	1,963	35.5 %	4.6 %
Hagatna	1,139	1,100	1,051	-39	- 49	-3.4 %	- 4.5 %
Inarajan	2,469	3,052	2,273	583	- 779	23.6 %	- 25.5 %
Mangilao	10,483	13,313	15,191	2,830	1,878	27.0 %	14.1 %
Merizo	1,742	2,163	1,850	421	- 313	24.2 %	- 14.5 %
Mongmong-Toto-Maite	5,845	5,845	6,825	0	980	0.0 %	16.8 %
Piti	1,827	1,666	1,454	-161	- 212	-8.8 %	- 12.7 %
Santa Rita	11,857	7,500	6,084	-4,357	- 1,416	-36.7 %	- 18.9 %
Sinajana	2,658	2,853	2,592	195	- 261	7.3 %	- 9.1 %
Talofof	2,310	3,215	3,050	905	- 165	39.2 %	- 5.1 %
Tamuning	16,673	18,012	19,685	1,339	1,673	8.0 %	9.3 %
Umatac	897	887	782	-10	- 105	-1.1 %	- 11.8 %
Yigo	14,213	19,474	20,539	5,261	1,065	37.0 %	5.5 %
Yona	5,338	6,484	6,480	1,146	- 4	21.5 %	00.1 %

Source: U.S. Census Bureau: Census 1990 for Guam, Census 2000 for Guam, Census 2010 for Guam

While the U.S. Census Bureau released information on Guam’s total population during August 2011, it did not release Guam’s demographic information from the 2010 decennial census. It is anticipated that information on Guam’s demographic profile will not be made available until spring 2012. Based on Guam’s 2000 population demographics, the median age on Guam was 27.4 years compared to 35.3 for the U.S. as a whole. The ratio of males in the population was 51.1 percent. By ethnicity, Guam’s population was 37% Chamorro (Guam’s indigenous population), 27% Filipino, 7% other Pacific Islander, 6% non-Filipino Asians, 7% Caucasian, and 2.2% all others (2008 Guam Statistical Yearbook).

Socio-Cultural Profile

Since becoming an unincorporated territory of the United States in 1898, the island’s population has grown from 18,000 to 159,358 through a mixture of in-migration and one of the highest birth rates in the U.S. (1.96% as of 2008). With this steady increase in population and the attendant economic expansion such growth portends, significant social changes have occurred. These social changes, while creating even greater diversity, have also caused detrimental effects to the community as a whole. One of the negative results of Guam’s rapid population and economic growth has been the erosion of its traditional family structure. The greatest threat to the island’s family structure has been in large part the economic growth which has also improved the overall standard of living. Subsistence farming has given way to a wage based economy which has created a new array of expectations and desires. While over time, the island has improved its

standard of living; in real economic terms, that same progress has created significant challenges to traditional family values. Loss of these family values has been blamed for rising crime rates, drug and child abuse, as well as increased poverty, welfare dependence, and high school “drop out” rates.

The goal to revitalize traditional family values in island homes and communities has continued through the establishment of cultural programs offered by various public and private organizations. Young people today are subjected to tremendous pressure to conform to modern values that often run counter to the traditional values of local families. This clash of values has often created dislocation and confusion, which has reinforced dysfunctional behavior.

For these reasons, the preservation of the Chamorro culture is sought. Among the needs identified are the preservation of the language through the study of Chamorro within a scholastic framework, use of indigenous names in public places, development of an authentic Chamorro village, establishment of a permanent Guam Museum facility, reconstruction of the Governor’s Palace, and the recovery of Chamorro artifacts from local and foreign sources.

More recently, the Chamorro culture has taken center stage for two reasons. One is in response the relocation of U.S. Marines from Okinawa to Guam (aka “military buildup”) and the potential negative impacts this change would have on the Chamorro culture. More specifically, the proposal by the Department of Defense (DOD) to build a firing range/training site in Pagat, a Chamorro historical site, has led to intense discussions, legal documents (Programmatic Agreement and lawsuits), and strong activism by different groups in the local community.

Another reason that Chamorro culture has attracted much attention in recent years reflects a shift in strategy in the Guam Visitors Bureau (GVB) to rebrand Guam’s image as a tourist destination and to emphasize the importance to visitors of the “experience” from their visit to Guam, including their experience of the local culture. Programs such as the Hafa Adai Pledge, the painting of village murals, the Hågatña Revitalization (the restoration of Guam’s capital), and the Maila ta fan Boka (“Come Let’s Eat”) program highlights the local culture through its food, art, and hospitality.

Environmental Situation

In general, Guam has a high quality physical environment. The Guam Environmental Protection Agency conducts various programs that monitor the status of the environment on a regular basis. The U.S. Environmental Protection Agency’s regulations apply to Guam; in some cases, Guam’s own laws are more stringent than those of the USEPA.

As a relatively small and high density island, Guam’s marine environment is a key litmus test for the overall environmental impact of human activity on the land. The quality of marine waters has been found to be generally excellent across all indicators. At the confluence of Pago River and its receiving marine waters, however, a high nitrate level is evident in violation of federal EPA standards. This is attributed to nutrient loading by leachate from the island’s Ordot landfill, which will soon be closed and replaced by a new municipal sanitary landfill at Layon. The pollution of marine waters near all of Guam’s sewage treatment plants are also of concern to federal EPA. A Stipulated Order has been issued to bring Guam’s wastewater system in compliance with the Clean

Water Act. As a result, effluence prior to being discharged into the marine environment by the island's sewage treatment plants is being required to undergo secondary treatment.

Erosion of soil is associated with construction activity and natural erosion occurs in poorly vegetated areas of southern Guam. Frequent grass fires also subject areas to increased erosion. Soil erosion is an area of special concern in southern Guam since sediment run-off negatively impacts the reef in areas where rivers discharge into the receiving waters of the ocean. Past sedimentation has resulted in the destruction of coral reefs and associated organisms in areas adjacent to the mouths of rivers.

Aside from sedimentary run-off, the National Oceanic and Atmospheric Administration (NOAA) identifies climate change, recreational use, and the proposed Military Buildup as threats to Guam's coral reefs. NOAA's strategic plans include reducing sedimentation and pollution from fires, development, recreation, and agriculture and protecting fisheries by management based on conservation. NOAA is also working on mitigation measures to prevent damages to the coral reefs due to the construction of a wharf for a transient nuclear-powered aircraft carrier. According to the Record of Decision published by the Department of the Navy and Department of the Army, the Department of the Navy has postponed the selection of a site, but still considers Apra Harbor as the best alternative since it is the only site deep enough for a wharf.

The quality of the surface water system has been found to be generally good, but problem areas have been identified with specific river systems. The most common violation of water quality standards related to elevated fecal coliform levels. In addition, elevated readings regarding nutrient loading readings are chronic for certain river systems.

The quality of air is very high with prevailing winds removing air contaminants (e.g., sulfur dioxide), which are mainly associated with point sources burning of fossil fuels to generate electricity for the Guam Power Authority. The use of high sulfur fuel is allowed under a waiver of the U.S. EPA air pollution guidelines.

Solid waste landfills are an area of concern in Guam, given the limited land area. The amount of solid waste continues to rise each year. These problems are magnified as the standard of living changes and increases in population and industrial activity bring more goods and commodities to the island. After decades of violating the Clean Water Act by allowing harmful leachates to be discharged, the U.S. District Court issued a Consent Decree in 2004, outlining the necessary actions needed to close the Ordot Dump and construct the Municipal Solid Waste Landfill Facility. Due to non-compliance, a receiver was appointed to work with the Solid Waste Management Division to ensure that the necessary actions are being taken. As of April 2011, Ordot Dump is slated to be closed by August 2011, and the Layon Landfill will open in Inarajan, Guam.

To reduce the volume of garbage going into the Ordot Dump, a policy was issued banning items such as cardboard and organic waste. Through collaboration between community organizations, private businesses, and the local government, some headway has been made in recycling solid waste, including the creation of the "i*recycle" program by local businesses to recycle aluminum cans with the proceeds going to local schools.

In addition to the issue of volume, Guam's primary water supply, the Northern Aquifer, may be potentially contaminated. In 2010, the U.S. Department of Environmental Protection Agency issued a statement in response to the Draft Environmental Impact Statement (DEIS) of Department of Defense, expressing concerns of how construction due to the proposed Military Buildup may negatively affect the Northern Aquifer. According to the statement, the DEIS addressed issues concerning water supply but did not adequately address the issues of increased chloride levels, removal of vegetation in surrounding areas, drainage, and contaminant movement. According to the Final Environmental Impact Statement (FEIS), released in July 2010, DoD is working with the Guam Environmental Protection Agency, the U.S. Environmental Protection Agency, and the Guam Waterworks Authority to ensure the protection and management of the aquifer.

Hazardous and toxic waste has a great potential to adversely impact Guam's environment. In recent years, this potential has increased significantly, as evidenced by the growth in the number of on-island hazardous waste generators, solid waste treatment, storage, and disposal facilities. While increasing quantities of hazardous materials are imported into Guam by the commercial sector, the military continues to be the largest importer and user of hazardous materials. As hazardous materials become waste, disposal requires special handling in accordance with Guam's Hazardous Waste Management Regulations. The cost for packaging, transporting and disposing of hazardous waste at an EPA approved site continues to rise.

Natural Resources

While vast ocean resources surround Guam, the island itself is not endowed with substantial natural resources, other than its people, beautiful beaches and scenery. Mining, other than for coral to use as aggregate for roadways and concrete, is non-existent. Forestry has not been widely practiced, except for harvesting firewood, since World War II when sizeable areas of Guam's hardwood forests were destroyed through shelling and the resulting fires. Development has crowded out large numbers of undomesticated animals with the exception of deer, wild boar, carabao and dogs. While fish are reasonably abundant in Guam's coastal waters, the cooler ocean waters surrounding the island are relatively barren in comparison to the equatorial waters located a few hundred miles to the south. The more popular pelagic fish species are concentrated there, supporting commercial fishing activity.

There are no rivers on Guam large enough to provide significant hydropower. However, there is a natural, large deepwater harbor that is protected from typhoons that frequent Guam. The harbor is located on the central leeward side of the island, in reasonably close proximity to the island's business district. The harbor is very advanced relative to other infrastructure in Guam and the Western Pacific, having been extended and improved over the years by both the military and civilian governments.

Natural Disasters

Guam lies in the direct path of frequent tropical storms and typhoons. Since 1945, the island has been affected by 160 tropical cyclones with lowest intensities ranging from 34 to 60 knots at sustained wind speeds. Of the 160 tropical storms, 68 were classified as typhoons (sustained wind speed of 64 knots or higher). Supertyphoon Paka struck the island in December 1997 and was Guam's most expensive natural disaster with direct damages estimated at over \$500 million with

maximum wind speeds in excess of 175 mph. In 2002, the island was hit by Typhoon Chata'an and later, Supertyphoon Pongsona. The two typhoons cost Guam a total of \$278 million in damages.

The Marianas Trench is located 210 miles due southwest of Guam. The trench is seismically active zone, making Guam subject to periodic earthquakes. The earthquake that occurred in August 1993 was severe, measuring 7.9 on the Richter scale and destroying two major hotels.

In light of Guam's seismically active zone and typhoon belt location, the government's most effective form of disaster mitigation has been the adoption and policing of a stricter building code. The building code is far stricter than most, if not all, U.S. cities. The code mandates structural designs that minimize the destructive effects of both earthquakes and typhoons. An emergency response plan is updated annually by the Guam Department of Homeland Security's Office of Civil Defense to best utilize the Government's limited resources in mitigating, preparing for, responding to, and recovering from the various emergencies and disasters affecting the island and its residents. While the adoption of a stringent building code has reduced the loss of life and property from natural disasters, the code has also significantly increased construction costs.

B. ECONOMICS

Employment

Guam's unemployment rate is at 13.3%. According to the latest Guam Department of Labor's Current Employment Statistics Report (March 2011), Guam's total workforce was found to be at 61,930 persons, representing a slight decline from 62,200 persons one year ago. Currently, Guam's unemployment rate is more than double Hawaii's unemployment rate and higher than the U.S. unemployment rate.

Table 4 shows Guam's unemployment rate for the last 10 years. The highest rate of unemployment (15.3%) occurred in July 2000, after which the unemployment situation improved, reaching its lowest at 6.9% in March 2006. Since then, the unemployment rate began increasing again and was 9.3% in September 2009. The most recent increasing trend overlaps with the economic slowdown, which began in the summer of 2007 and significantly affected the U.S., Japan, and Korea, which are major tourist markets for Guam. Compared to the national and Hawaii figures, Guam's unemployment rate had been higher until September 2009 when the U.S. national average unemployment rate (9.8%) exceeded Guam's unemployment rate. Guam's unemployment rate in 2011 has once again exceeded that of the United States as Guam's unemployment rate was 13.3% in comparison to the U.S. unemployment rate of 8.8%. In comparison to Hawaii, which also has an island economy, Guam's unemployment rate has been consistently higher than Hawaii's unemployment rate.

Table 4: Unemployment: Comparison of Guam, US and Hawaii 2000-2011

Year	Month	Unemployed on Guam	Unemployment Rate		
			Guam	U.S.	Hawaii
2011	Mar.	9,970	13.3	8.8	6.3
2009	Sept.	6,510	9.3	9.8	7
2007	Sept.	5,310	8.3	4.7	2.8
2006	Sept.	4,890	7.4	4.5	2.3
2006	Mar.	4,530	6.9	4.7	2.6
2005	Dec.	4,500	7.0	4.9	2.6
2004	Mar.	4,710	7.7	5.8	3.5
2002	Mar.	7,070	11.4	5.7	4.5
2001	Sept.	8,760	13.5	5	4.2
2001	Mar.	9,040	13.0	4.3	3.9
2000	July	10,850	15.3	4	4

Source: Guam data from Bureau of Labor Statistics, Guam Department of Labor, *The Unemployment Situation on Guam, Summary History 1974-2009*; U.S. and Hawaii data from <http://www.bls.gov>, 2011
Hawaii and U.S. data from <http://departmentofnumbers.com/unemployment/hawaii>.

A more recent picture of Guam's employment situation is presented in the Guam Department of Labor's *Current Employment Statistics Report*. The latest available employment figures from March 2011 reflect a slight decline in the number jobs from March of the previous year. Payroll employment declined from 62,200 jobs in during March 2010 to 61,930 jobs during March 2011. During the March 2011, Guam's workforce was in the following economic sectors: 27.76% were in Services (including 8.85% in Hotel and Other Lodging/Accommodations); 18.44% in Retail Trade; 10.27% in Construction; 7.14% in Transport and Public Utilities; 4.28% in Financial, Insurance and Real Estate; 3.39% in Wholesale Trade; 2.71% in Manufacturing; and 0.44% in Agriculture. By employer, 74.42% of the jobs were provided by the private sector, 6.36% by the federal government, and 19.22% by the Government of Guam. By gender, employees were 56% male and 44% female.

The *2009 Annual Census of Business Establishments*, which was conducted during March 2009, reflects a general decline in the growth rate of jobs that began during the five year period of 1995 through 1999. Table 5 shows Guam's average annual employment growth rate of created jobs over five year periods beginning in 1985 through 2009.

Table 5: Average Annual Job Growth Rate Over A Five-year Period: 1985-2009

Five-Year Period	Average Growth Rate per Year
1985-1989	9.55%
1990-1994	3.41%
1995-2000	-1.55%
2000-2004	-0.92%
2005-2009	1.20%

Source: Guam Department of Labor, Bureau of Labor Statistics, *Annual Census of Establishments*, Summary Tables for March 1985 to 2009. Release # 2009-14.

Guam’s job growth rate decline is also reflected in the decline in the number of business establishments. According to the 2009 Annual Census of Business Establishments, the number of business establishments on Guam declined throughout the decade. The number of business establishments declined from 2,776 in 2000, to 2,677 in 2005 and to 2,408 in 2009. This represents a 13.26% overall decline in business establishments during the ten year period of 2000 and 2009.

Household Income and Per Capita Income

According to the Guam Bureau of Labor Statistics, as of July 18, 2011, Guam’s average household income for calendar year 2010 was \$49,263, an increase of \$3,477 or 7.1% from \$45,786 in 2008, recovering from a 2.7% decline in 2005. Comparatively, Guam’s average household income was \$39,317 in 2000 and \$41,472 in 1990. While the average household income declined, the average household size decreased to an average of 3.5 household members compared to 3.9 members in 2005. The average number of earners within the household was 1.5 in 2008, which declined from 2.2 in 2005 and 1.9 in 1999.

While there have been some positive fluctuations, overall, Guam’s Per Capita Income and Mean Earner’s Income have fallen from income levels in 1998. Guam’s Per Capita Income figure encompasses the total civilian population, including those without income.

Per Capita Income for 2010 was \$12,864, a decrease of \$225 or 1.7% from calendar year 2008. For 2008, Guam’s Per Capita Income was \$13,089, an increase of \$321 or 2.5 % from \$12,768 in 2005. Per Capita Income statistics include the total non-institutional civilian population both those with and without income. There are several measures to measure per capita income. Two measures were estimated by the Bureau of Labor Statistics at the Guam Department of Labor (Per Capita Income and Mean Earner’s Income), and two measures were estimated by the U.S. Department of Commerce-Bureau of Economic Analysis.

Per Capita Income was calculated using income divided by the total population whereas Mean Earner’s Income divided money income with the population who were 16 and older. Nominal (Real) GDP Per Capita divided Nominal (Real) GDP by the total population. Data on these measures are presented in Table 6. According to the Guam Department of Labor, income statistics

may not be comparable with other income statistics (e.g. U.S. Census Bureau) due to differences in the defined income concepts.

Guam's Mean Earners Income has followed the same basic trend as its Per Capita Income indices. The Mean Earners Income is a statistic that covers workers who are 16 years of age and older, excluding those without income. In 1998, the Guam Department of Labor reported Guam's Mean Earners Income to be at \$22,612. In 1999, it fell 7.2% to \$20,976. While 2000 remained below the level set in 1998, it improved 3.7% in 1999 at \$21,756. While Guam's Mean Earners Income declined to \$21,602 in 2001, the decline was a slight 0.7% going into 2000. In 2008, the Guam Department of Labor reported a Mean Earners Income at \$25,479, an increase of \$2,854 or 12.6%, from the 2005 income of \$22,625.

Table 6: Guam Per Capita and Mean Earner's Income: 1990 – 2008

Year	Per Capita Income ¹	Mean Earner's Income ¹	Nominal GDP Per Capita ²	Real GDP Per Capita ^{2,*}
1990	\$13,388			
1998	\$12,028**	\$22,612**		
1999	\$10,825**	\$20,976**		
2000	\$12,722***	\$21,756**		
2002			\$22,154	\$22,669
2003			\$21,651	\$22,269
2004			\$23,156	\$23,698
2005	\$12,768	\$22,625	\$24,323	\$24,323
2006			\$24,418	\$23,149
2007			\$24,675	\$22,991
2008	\$13,089	\$25,479		

Sources: ¹ Bureau of Labor Statistics, Guam Department of Labor. ² U.S. Department of Commerce-Bureau of Economic Analysis (May 2010).

Notes: *Using 2005 prices. **Figures taken from 2003 CEDS. ***Figure was \$11,465 from 2003 CEDS

Price Indicators

The latest Consumer Price Index (CPI) was for the 1st Quarter of 2011. It shows that the CPI is 1.9% compared to the same period one year earlier. The Consumer Price Index is one of the most widely used economic indicators of economic trends. It is used as a measure of inflation and shows the effects of economic policy, as a deflator of other statistical series and as an income or benefits escalator. Since consumers are constantly offered new items to include in their market basket, buying patterns change over time. In the U.S., the CPI market basket is updated approximately every 10 years. On Guam, CPI data prior to 1997 was based on consumer buying patterns in 1978. In 1997, the Government of Guam began using a new market basket formula to calculate the island's Consumer Price Index (CPI), which is based on a 1995 Consumer Expenditure Survey. Using the results of the 1995 Household Expenditure Survey, the market basket of goods and services to be included in the CPI was developed with great care. Categories within the market basket included Housing, Apparel and Upkeep, Transportation, Medical Care, Entertainment, Food and Beverages, and Other Goods and Services.

Guam's updated Consumer Price Index was officially released during June 1997. The 3rd Quarter of 1996 was designated Guam's base quarter, and is therefore, equal to 100. The CPI was later rebased to 4th Quarter 2007. Table 7 shows Guam's inflation rates in the last 10 years, calculated as average annual percent change in CPI.

Table 7: Guam Annual Percent Change in Consumer Price Income: 2000-2010

Year	Average Annual Percent Change in CPI
2000	2.0%
2001	-1.4%
2002	0.6%
2003	2.7%
2004	6.1%
2005	7.7%
2006	11.6%
2007	6.8%
2008	6.2%
2009	1.7%
2010	2.9%

Source: Bureau of Statistics and Plans Business and Economic Statistics Program. *Guam Consumer Price Index*. 2nd Quarter 2011. Vol. XXXVII, No. 2.

Gross Island Product

On July 18, 2011, the U.S. Bureau of Economic Analysis (BEA) released estimates of gross domestic product (GDP) for Guam for 2008 and 2009. These estimates were developed under the Statistical Improvement Program funded by the Office of Insular Affairs (OIA) of the U.S. Department of the Interior. The estimates for Guam show that real GDP -- GDP adjusted to remove price changes -- increased 1.7% to \$3.9 billion in 2009 after increasing 0.5% in 2008. For comparison, real GDP for the U.S. (excluding the territories) decreased 2.6% in 2009 after remaining unchanged in 2008.

The largest contributor to the growth in real GDP during this period was federal government spending, a majority of which was spent by the Department of Defense. Federal spending increased in both 2008 and 2009; the increases in both years largely reflected increases in construction spending and in compensation.

The tourism industry continued to weaken in 2008 and 2009, negatively impacting economic growth. Spending by tourists makes up the vast majority of Guam's exports of services. Real exports of services declined 9.0 % in 2009 after falling 12.1 % in 2008. These declines reflected decreases in the number of visitors to Guam. Real consumer spending fell 1.5 % in 2009 after remaining unchanged in 2008. Consumer prices rose over this period, increasing 1.1 % in 2009 after increasing 5.5% in 2008.

Table 8: Guam-Real Gross Domestic Product, Chained Dollars

	Line	[Millions of chained (2005) dollars]							
		2002	2003	2004	2005	2006	2007	2008	2009
Gross domestic product	1	3,589	3,615	3,879	4,003	3,850	3,879	3,899	3,966
Personal consumption expenditures	2	2,490	2,286	2,450	2,588	2,557	2,603	2,602	2,563
Private fixed investment	3	156	185	161	145	155	200	228	219
Net exports	4	-1,041	-970	-874	-908	-1,016	-1,194	-1,237	-1,285
Exports	5	763	662	822	858	785	755	680	606
Goods	6	86	82	77	70	75	101	104	82
Services	7	677	580	745	788	710	654	575	523
Imports	8	1,804	1,632	1,696	1,766	1,800	1,949	1,918	1,891
Goods	9	1,648	1,472	1,526	1,579	1,627	1,740	1,699	1,690
Services	10	157	160	170	187	173	209	219	202
Government consumption expenditures and gross investment	11	1,959	2,110	2,143	2,179	2,154	2,275	2,310	2,474
Federal	12	1,175	1,332	1,379	1,385	1,341	1,442	1,503	1,643
Territorial	13	782	777	764	794	813	833	808	831
Addenda:									
Population (thousands) ¹	14	161.1	163.6	166.1	168.6	171.0	173.5	175.9	177.9
Per capita real GDP (chained dollars)	15	22,278	22,097	23,353	23,743	22,515	22,357	22,166	22,293

Source: 2010 Guam Statistical Yearbook; Bureau of Economic Analysis, U.S. Department of Commerce

Guam was approximately a \$4 billion economy in 2007, measured in real terms using chained 2005 dollars. With an estimated population of 173,456 in 2007, this provided an estimated real income of almost \$23,000 per person annually. The same estimates showed that, for the period 2002-2007, the Guam economy grew by 3.7% in nominal (current dollar) terms and by 1.8% in real (constant dollar) terms. Over the same period, the population of Guam grew at 1.5%, thus yielding a per capita real income growth of 0.3% per year.

One month later, BEA released the major components that made up Guam's GIP in 2002-2007 in its news release entitled "The Bureau of Economic Analysis Releases Estimates of the Major Components of Gross Domestic Product for Guam" (June 13, 2010). Table 9 summarizes the major components for Guam's GIP in 2007.

In the early 1970s, Guam's Nominal Gross Island Product (GIP) was in the neighborhood of \$500 million annually. According to information released from the Guam Economic Development Authority, Guam's estimated Gross Island Product had grown by 1998 to roughly \$3.02 billion. In 1999, however, Guam's GPI declined 10% to \$2.72 billion but experienced a 2% growth in 2000. For 2000 and 2001, Guam's GIP remained at \$2.77 billion. GIP estimates for 2002 ranged from \$2 billion to \$3 billion, depending on the source and method of calculation. Similarly, for 2005, GIP estimates ranged from \$3.4 billion to \$3.7 billion.

Table 9: Guam Nominal Gross Island Product: 2007

NOMINAL GIP IN 2007	Percent of \$4.28 Billion
MAJOR COMPONENTS (Expenditure Categories)	
Personal consumption expenditures	65.0
Private fixed investment	4.21
Net Exports of goods and services	19.02
Exports of services (including tourism): 16.89%	
Imports of goods and services	35.14
Government consumption, expenditures and gross investment	46.87
Federal Government: 26.68%	
Government of Guam: 20.19%	

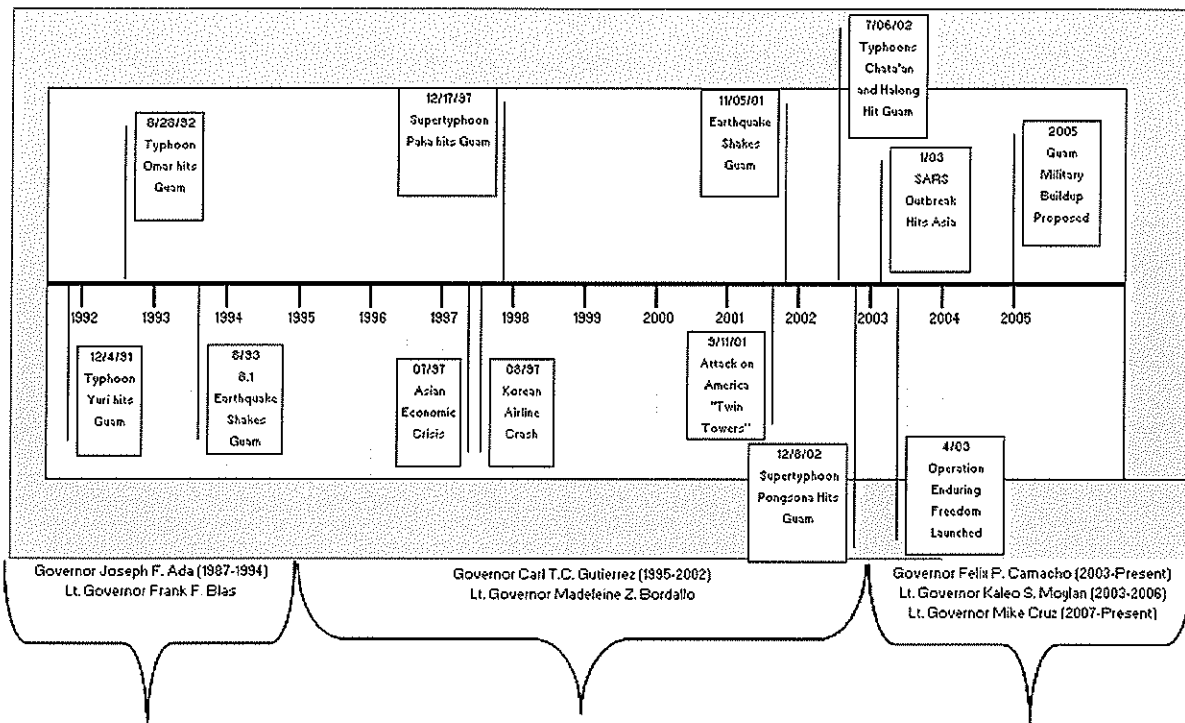
Source: U.S. Bureau of Economic Analysis, June 13, 2010

Except for the estimate for Private Fixed Investment (4.21%), which is likely to be understated, all other estimates are as expected. Like many economies, including the U.S., Guam is driven by consumer spending (65%). Unlike the U.S., the share of government spending (47%) is much higher due to the greater investment spending by the public sector.

Table 9 also confirms Guam's reality as an island in that it is dependent on imports, which amounted to 35% of the Gross Island Product (GIP). As an economic strategy concern, one must look closely into whether all imports are necessary and to explore options at replacing some of them as a way to spur the local economy. Assuming a spending multiplier of 1.5, one is able to illustrate how significant the economic impact would be of shifting 10% of what is currently imported to a local source in terms of an increase in GIP by 25% (or \$1 billion), an increase in the local government's revenue in terms of Gross Receipts Tax by 4% of \$1 billion (or \$40 million), and an increase in local jobs by 23% (or 14,000 jobs).

Guam's economic performance is closely tied to overseas markets, especially to Japan and to a lesser extent Korea, with both markets affecting tourism and foreign investment. In addition, Guam's economic performance is affected significantly by occurrences of natural and manmade disasters (e.g., typhoons, earthquakes, and airline crash). Since 2006, the proposed military buildup has been expected to have a major economic impact on the local economy. The factors affecting the impact are largely outside of the control of local economic planners and policymakers, leaving the local economy exposed to the subsequent instabilities.

Figure 1. Events That Affected Guam's Economy



Source: Ruane, Maria Claret M. & Ning Li (2009). "Guam's Income Distribution: 1981-2005", *Journal of International Business Research*, vol. 8, no. 2, 2009, pp. 101-110.

This reality has become quite clear in the aftermath of the earthquake and tsunami that devastated northeastern Japan in March 2011. Almost immediately, tourist arrivals on Guam declined significantly, which affected hotel occupancy rates along with occupancy taxes (11% of hotel receipts), as well as employment and income prospects sought by many island residents who are employed in tourist-related activities.

Partly related to the devastation in Japan as well as new developments from the U.S. Congress, the terms, magnitude, and timing of the military buildup on Guam might deviate from those spelled out in the 2006 U.S.-Japan Agreement. Much depends on the fiscal health of both the U.S. federal government and the Government of Japan, who initially agreed to share the cost of the military buildup on a 40-60 basis (approximately). The delays may likely increase earlier cost estimates, worsening the fiscal situation.

As such, these factors highlight the importance of local economic growth, propelling a sustainable and participatory development path. In addition to strengthening existing markets (tourism and military), additional economic activities need to be explored and developed to diversify Guam's economic structure in order to create a stronger and more sustainable economic portfolio. In the past five to 10 years, the private sector has become a more significant contributor to the economy. The latest Guam Department of Labor's "Annual Census of Business Establishments" (March 2009) shows the following data: Annual growth rate of number of jobs over the five-year period. The same source shows that the number of establishments increased from 1,706 in 1985 to 2,776 in

2000 before declining to 2,677 in 2005 and 2,408 in March 2009. In the near future, the private sector will remain the primary source of economic growth and will need to be an active partner in developing and supporting the economic goals, objectives, and projects contained in this report. Of course, the public sector needs to provide the necessary physical, social, human, and institutional infrastructure and an overall business environment that will be conducive to local and off-island business start-ups and retention.

C. PUBLIC SECTOR

Federal Government

The federal government plays a leading role in the economic affairs of Guam, making up almost 27% of Guam's \$4 billion economy in 2007 (U.S. Department of Commerce, Bureau of Economic Analysis). It provided 6.36% of total employment in March 2011 (Guam Department of Labor, Bureau of Labor Statistics), which was significant but much lower than its 18% share of jobs in 1985 or 10-12% in the early 1990s. Between 1985 and 2009, federal employment expanded in 1985-1990, declined in 1990-2005 and expanded in 2005-2010.

Table 10 shows that, since 2006, federal government spending on Guam ranged from \$530.2 million in 2007 to \$1.23 billion in 2010. Through May of this year (2011), the Federal government has spent \$308.1 million on Guam. As expected, the largest share (approximately half) of federal government spending on Guam was related to the anticipated military presence, with the Department of Defense (and within it, the Department of the Navy) shown in Table 10 to rank first in terms of share of total Federal government spending. Ranking second is the Social Security Administration, followed by the Department of Health and Human Services. Table 10 also shows the remaining agencies that made major federal government expenditures.

Table 10: Federal Expenditures on Guam: 2006-2011

Federal Government Spending by Agency/Sub-Agency	Rank	2011 (through May)	Rank	2010	Rank	2009	Rank	2008	Rank	2007	Rank	2006
Total Amount for the Year →		\$308.1M		\$1231.5M		\$963.1M		\$1,206.1M		\$530.2M		\$919.1M
PRIME AWARD MAJOR AGENCIES												
Dept. of Defense	1	43.93%	1	51.57%	1	44.58%	1	51.91%	1	96.20%	1	46.25%
Social Security Administration	2	31.65%	3	15.25%	2	18.58%	3	13.62%	2	27.70%	2	14.67%
Dept. of Health and Human Services	3	12.08%	4	4.19%	4	6.89%					5	4.43%
Dept. of Education	4	9.17%	2	15.80%			4	5.96%	3	4.83%	4	6.21%
Dept. of Agriculture	5	6.62%	5	2.31%					5	2.12%	3	8.32%
Dept. of the Interior	6				3	6.89%						
Dept. of Housing & Urban Development	7				5	5.15%	2	16.76%				
Dept. of Transportation	8						5	3.99%	4	3.09%		

Federal Government Spending by Agency/Sub-Agency	Rank	2011 (through May)	Rank	2010	Rank	2009	Rank	2008	Rank	2007	Rank	2006
Total Amount for the Year ->		\$308.1M		\$1231.5M		\$963.1M		\$1,206.1M		\$530.2M		\$919.1M
PRIME AWARD SUB-AGENCIES												
Navy	1	37.88%	1	46.61%	1	31.67%	1	41.22%	1	76.74%	1	36.02%
Social Security Administration	2	31.65%	2	15.25%	2	18.58%	2	13.62%	2	27.70%	2	14.67%
Centers for Medicare & Medicaid Services	3	7.71%	3	13.42%								
Education	4	7.20%										
Food & Nutrition Service	5	6.43%									3	7.90%
Air Force			4	2.76%	3	11.00%	4	6.24%	4	12.14%	4	7.85%
Dept. of Energy			5	2.19%								
Assistant Secretary for Public & Indian Housing					4	4.37%					5	3.53%
Federal Highway Administration					5	3.31%						
Bureau of Reclamation							3	8.73%				
U.S. Fish & Wildlife Service							5	5.24%	3	15.76%		
Defense Logistics Agency									5	5.73%		

Source: www.usaspending.gov, accessed May 2011

The U.S. Department of Defense has maintained bases on Guam since the turn of the century. After the end of World War II, Guam became the site for major naval and air force facilities in support of the U.S. defense commitments in the Asia-Pacific region. In Fiscal 1993, military expenditures in Guam amounted to \$748 million, making the defense sector second to only tourism in terms of expenditures and employment. In that year, there were 10,600 active military personnel and 11,400 dependents living on the island.

Since 1993, however, Guam has experienced a significant decrease in military activity beginning with the Base Realignment and Closure Commission's (BRACC) recommendations in 1995. BRACC '95 recommended closure of the Naval Air Station (NAS), the Naval Ship Repair Facility (SRF), the realignment (downsizing) of the Naval Activities Guam, the "disestablishment" of the Fleet and Industrial Supply Center, and the reassignment of naval air units, formerly slated to be transferred from NAS to Andersen AFB, to locations outside of Guam.

The economic impact of these base closures, unit transfers, and scaled-back activities has resulted in direct job losses of approximately 4,800 jobs (i.e. 3,500 federal civilian jobs and 1,300 military positions). In terms of lost income, cumulative current dollar losses to the Gross Island Product for the period 1996-1999 has been estimated at \$942 million. In terms of the rapidity of job loss, more than 60 % of the jobs were lost within two years, with the balance being lost in the following two years.

Considering indirect job losses related to BRACC actions (i.e., those jobs lost to the multiplier effect of direct job income losses), it is estimated that another 2,011 jobs were lost, bringing the total decline in local jobs to 6,800. The loss of 6,800 direct and indirect jobs is very significant,

especially when considering that many of these jobs were high-paying, skilled, professional, and managerial positions. Furthermore, the cumulative number of jobs lost is equivalent to approximately 10 % of Guam's total workforce.

While the impact on the economy in the short-term has been grim, particularly to those losing jobs and to the Government of Guam managers faced with major revenue losses. It had been anticipated that in the long- run, military downsizing might result in the kinds of concrete local actions needed to further stimulate private sector development (e.g., income tax reform, privatization of selected government operations, increased public sector fiscal discipline coupled with the upgrading of labor productivity while limiting the growth of payrolls and number of public hires). While actions to stimulate private sector development did occur, it has become increasingly apparent that a continued military presence is a significant component of Guam's economy.

In support of a continuing military presence, government and civic leaders jointly submitted in March 2001, a white paper calling for a greater military presence on Guam. Entitled "Force Structure Redistribution in the Asia-Pacific Region: Guam's Potential Role", the purpose of the white paper, which was prepared by the Guam Chamber of Commerce, was to demonstrate Guam's endorsement of a larger military presence. Also due to tensions in the region and Guam's strategic location to serve as a staging base and operating location for mobilizing U.S. military forces and equipment within the Western Pacific, there is evidence of increased military activity on Guam. The signing of the "U.S.-Japan Alliance: Transformation and Realignment for the Future" agreement (ATARA) in October 2005 set into motion actions and expectations of a military buildup on Guam for the projected time period of 2010-2014. Although the component of the proposed military buildup on Guam with the largest dollar value and on-island population increase will come from the relocation of 8,000 Marines and 9,000 dependents from Okinawa to Guam, it will also include construction of a wharf in Apra Harbor to support a transient nuclear power aircraft carrier and construction of facilities and infrastructure to support 600 Army Missile Defense Task Force and their 900 dependents (U.S. Department of the Navy, 2009, page ES-1).

As 2010 approached, many developments have given stakeholders a better sense of what to expect from this military buildup. The first set of specific information was contained the U.S. Department of Navy's Draft Environmental Impact Statement (DEIS), which was released to the public in November 20, 2009. The public was given 90 days to comment on the DEIS, during which more than 10,000 comments were submitted. The final report was released at the end of July 2010, which introduced the "Adaptive Program Management" approach to the military buildup, which will pace of military construction and population increases according to the capacity of Guam's infrastructure. A Record of Decision occurred as scheduled during September 2010. Since then, old and new issues have surfaced that continue to create uncertainty regarding the magnitude, timing and other details of the proposed military buildup. This includes continued interest in the military's plan to use of Pagat, a historic burial site on Guam, as a firing range and training site, along with sluggish recovery in of the U.S. economy and the record-high federal government debt, leading to a downgrade of its credit rating; the devastation of northeast Japan from the earthquake and tsunami in March 11, 2011; delay in implementing a \$1 billion multiple award construction contracts (MACC) whose funding would come from Japan's almost 60% share; recent announcements by U.S. senators geared toward a reexamination of the 2006 Agreement; recent

leaked information regarding the “real” details of the military buildup, especially on the magnitude of the personnel relocation and project costs.

These uncertainties clearly highlight the need for Guam’s economic planners to welcome the military’s contribution to the economy and, at the same time, develop other less uncertain sources of economic activities.

Military

Guam is currently home to a large U.S. military presence which includes Navy and Air Force bases that comprise nearly 27% of the island’s land mass.

The Department of Defense (DoD) plans to relocate 8,600 Marines and approximately 9,000 dependents from Okinawa to Guam with an initial estimated cost of \$10.27 billion. The current Guam population is approximately 180,000 (2010). It is estimated that up to 20,000 temporary workers may be needed to complete the required construction. At the completion of the relocation, approximately 6,000 civilian workers will be added to the island’s population. The government of Guam is concerned that this rapid population increase will place an unsustainable burden on its infrastructure.

The Calvo-Tenorio Administration will continue to move forward with a “One Guam” approach to address the needs of Guam associated with the military buildup. A Civilian-Military Coordination Council (CMCC) has been established which will assist DoD in implementing Adaptive Program Management, whereby DoD will monitor the buildup and adjust the construction pace if it unduly impacts the environment and/or the infrastructure.

Many new construction jobs will be created during the buildup years. Priority will be given to U.S. workers before the hiring of foreign labor. Public Law 110-229 provides that Guam can import foreign labor without limit until 2014.

Major funding for the buildup effort is being contributed by DoD, USDA and the Government of Japan. Defense spending on Guam is \$700-800 million a year, with 6,500 active duty personnel and approximately 7,000 dependents. There were 3,600 Federal civilian employees in 2009 and Federal taxes returned to Guam was approximately \$45 million dollars.

Table 11: Estimated Number of Civilian Employees by U.S. Department of Defense Service Branches on Guam as of September 3, 2009

Branch of Service	Estimated Number of Civilian Employees
Marine Corps	1,467
Air Force	125
Navy	9
Army	TBD
Total:	1,601

Source: US Government Accountability Office, Defense Infrastructure, October 2009

Compact Impact

Another major issue affecting federal territorial relations is the unrestricted immigration to Guam by the Freely Associated States (FAS) citizens of the Republic of the Marshall Islands (RMI), the Federated States of Micronesia (FSM), and the Republic of Palau. The Compact of Free Association Act of 1985 (P.L.99-239), implemented in 1986, establishes the relationship between the United States, FSM, and the RMI. The Compact of Free Association Act (P.L.99-658), implemented in November 1994, establishes the relationship between the United States and the Republic of Palau. The Compact of Free Association Amendments Act of 2003 (P.L.108-188) renewed the original Compact of Free Association (P.L. 99-239) between the United States, FSM, and the RMI. Compact immigration provisions authorize unrestricted immigration into the United States, its territories and possessions, enabling citizens of these nations to enter into, lawfully engage in occupations, and establish residence as non-immigrant aliens. Guam's resident population, as a result of this law, is estimated to have increased by approximately 22,000 persons between 1987 and 2010. Currently, FAS citizens comprise more than 13% of the estimated 180,000 people on Guam.

In recognition of the possible adverse impact to Guam's economy of providing health care, education, job training and public assistance to the peoples of foreign nations not domiciled on Guam, Congress promised to appropriate sums to cover costs incurred by Guam resulting from any increased demands placed on educational and social services by immigrants from the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau. Guam's 2004 Compact Impact Reconciliation Report found that the un-reimbursed Compact Impact cost for the period FY 1987 to FY 2003 totaled \$269 million. The un-reimbursed cost includes \$178 million for education, \$48 million for health, welfare and labor, and \$43 million for public safety.

According to the most recent "Impact of the Compacts of Free Association on Guam" report, the Government of Guam found that the currently identified locally funded cost incurred for providing educational and social services to citizens of the Freely Associated States was \$31.18 million in FY 2004, \$28.17 million in FY 2005, \$42.16 million in FY 2006, \$47.33 million in FY 2007, \$53.26 in FY 2008, \$58.69 million in FY 2009, and \$63.69 in FY 2010 for a total of \$324.50 million (unaudited) for the past seven fiscal years as shown in Table 12. During this time, Guam has received \$102.6 million in Compact Impact Assistance Grant funds. The total un-reimbursed cost since the implementation of the Compacts in 1986 is over \$490 million.

Table 12: Total Cost of Services to Compact (FAS) Migrants: FY 2004 to FY 2010

Fiscal Year	Cost for Services to FAS Migrants (in millions)			
	Total Cost	Education	Public Safety	Health, Welfare and Housing
2004	31.19	18.99	4.64	7.56
2005	28.18	21.21	5.35	1.62
2006	42.16	27.28	6.54	8.33
2007	47.33	30.34	7.53	9.46
2008	53.26	34.68	6.98	11.60
2009	58.69	36.59	7.45	14.65
2010	63.69	31.99	17.07	14.64
Total	\$324.50	\$201.08	\$55.56	\$67.86

Source: *Impacts of the Compacts of Free Association on Guam: FY 2004 through FY 2010*

NOTE: Excludes costs based on *Compact Impact Reconciliation* (FY 1987 to FY 2003)

Local Government

Guam is an organized, unincorporated territory of the US, which means that in some cases federal laws do not automatically apply to the island. For example, U.S. import tariff laws do not apply, and Guam is considered to be a duty free port. On the other hand, federal banking and transportation laws and regulations apply to Guam, with some exemptions, to address the island's unique political, geographical, and social circumstances.

Guam has only one level of government. The Organic Act of Guam provides for three branches of government: executive, legislative, and judicial. The Governor heads the Executive Branch. Until 1970, the Governor of Guam was appointed by the President of the United States. Since the November 1970 election and the January 1971 inauguration, the Governor and the Lieutenant Governor have been elected for four year terms. In 2010, the Honorable Eddie Baza Calvo and the Honorable Ray Tenorio were elected Governor and Lieutenant Governor, respectively. The Governor is responsible for implementing all local and federal laws pertaining to Guam. He oversees the functions of the departments and agencies within the Executive Branch.

Guam's judiciary system consists of the federal District Court of Guam and the Unified Judiciary of Guam which consists of the Superior Court of Guam and the Supreme Court of Guam. Prior to the creation of the Supreme Court, local appellate cases were heard by the Appellate Division of the Federal District Court before going to the Federal Ninth Circuit Court of Appeals. Since July 26, 2000, the Supreme Court of Guam has assumed appellate jurisdiction over lower local courts. The President of the United States, with the consent of the Senate, appoints the presiding judge of the Federal District Court to an eight-year term. This Court has jurisdiction over cases involving federal law. The Superior Court of Guam has authority over all cases arising under the laws of Guam. This includes family, small claim, traffic, probate, civil, and lands registration issues. The Supreme Court of Guam hears all appeals.

Guam has a unicameral legislature. As a result of a plebiscite vote in 1998, the number of senators was reduced from 21 to 15. In addition to making laws for the island, senators are responsible for appropriating funds using the General Fund for government operations and other public purposes.

Guam also has a non-voting delegate in the U.S. House of Representatives. Although precluded from voting on the floor of Congress, Guam's delegate does serve and vote in those House committees and subcommittees of which the delegate is a member.

Guam elected its first Public Auditor in November 2000 as a result of P.L. 25-42. The Public Auditor serves a four-year term and is responsible for auditing all transactions and accounts of all departments, offices, corporations, authorities, and agencies of the Government of Guam. As a result of P.L. 25-44, Guam also elected its first Attorney General in November 2002.

The Organic Act provides that Guam's income tax "mirror" the federal income tax. As a consequence, the Guam income tax law is the same as the federal income tax law, with local revenues going to the Government of Guam. As required by Section 30 of the Guam Organic Act, the federal income taxes collected from military personnel and other federal government employees on Guam revert to the Government of Guam. In addition, Guam is free to pass other tax laws. Major tax initiatives include a 4% tax on Gross Business Receipts from retail sales, and excise taxes on liquor, cigarettes, and liquid fuels.

The United States Tax Reform Act of 1986 included a provision for Guam to develop its own income tax code. The Act mandates that such a code must provide protection against double taxation, fraud, and tax avoidance and evasion. The Guam Tax Code Commission was established in May 1990 and was succeeded by the Guam Finance Commission in 1994 to formulate a new tax system for Guam. In December 2000, the Guam Finance Commission was disbanded by the 25th Guam Legislature, and no further action has been taken on de-linking the Guam tax law from the U.S. Internal Revenue Code.

For FY 2009, the Government of Guam's total revenue was \$533,432,934; however, the Government also incurred expenditures of \$673,433,910. The Government of Guam's deficit increased by \$140 million, an increase of 826% from the prior year's restated amount. This deficit is funded primarily by withholding income tax returns that total \$259 million.

In FY 2010, the general fund deficit grew by \$84 million. Projections for the biennium (2-year) budget state that by September 2013, the deficit will be at \$349 million and the Government of Guam will remain in deficit until 2015. Although the deficit grew in 2010, there were also slight positive changes that occurred, such as a 0.4% revenue growth, 1% tax revenue growth, and 1.7% growth in revenue generated from licenses, fees, and permits. Currently, Guam's revenue generally comes from tax revenues and federal contribution. In order to plan for the buildup and other major events, a biennium budget has been created. According to the Executive Budget for the FY 2011, the projected revenue is at \$600,811,600.

Education

The educational needs of Guam are provided by an island-wide public school system (the Department of Education) comprised of five high schools (grades nine to twelve); eight middle

schools (grades six to eight); and 27 elementary schools (grades one to five) operated by the Government of Guam. The Catholic Archdiocese of Agana also operates a substantial school system with a total of ten schools with three high schools, six elementary/middle schools, and one elementary school. Several other religious denominations also operate schools on Guam. These include Saint John's Episcopal School, Harvest Christian Academy, Guam Adventist Academy, Temple Baptist School, and Trinity Christian School. The Department of Defense Education Activity (DoDEA) also provides education for military dependents on island with four schools; one high school, one middle school, one elementary school, and one joint elementary/middle school. Additionally, there are two Japanese schools, one Chinese school, and one Korean school operating on-island. Also, Asmuyao Community School has been established to offer alternative education and independent study programs. The Guam Trades Academy is a training center geared to support construction and related industries on Guam. For academic year 2009-2010, public school enrollment was 30,769, the Catholic school enrollment was 4,965 students, and the Department of Defense school enrollment was approximately 2,500.

One major development within Guam Department of Education is the reconstruction of John F. Kennedy High School. As a result of the extensive damage caused to the structure and its campus by Typhoon Pongsonga in 2002, the school to be closed and students from JFK High School were relocated to other educational structures. A new high school facility has been constructed on the site of the previous high school. The new high school is slated to open during August 2011 for the 2011/2012 school year.

The Guam Community College (GCC) provides vocational and technical education for students from high school through college. For the Fall Semester of 2010, the college had an enrollment of 2,436 students, receiving academic as well as technical and professional instructions. GCC provides various academic and professional programs, as well as technical and vocational programs that award Associate Degrees or Certificates of Completion. Journeyman Certificates are awarded to students in the construction, hotel, and restaurant industries. GCC works in collaboration with local high schools and the University of Guam and is fully accredited by the Western Association of Schools and Colleges (WASC) from 1979 to 2012.

The University of Guam (UOG) offers post-secondary degree programs through five different colleges and schools, namely: College of Liberal Arts and Sciences (CLASS), College of Natural and Applied Sciences (CNAS), School of Business and Public Administration (SBPA); School of Education (SOE); and School of Nursing and Health Sciences (SNHS). The University provides six Baccalaureate (BA, BBA, BA Ed., BS, and BSW) and six Masters (Professional MBA, MED, MAT, MPA, MS and MA) degree programs. For the Spring Semester of 2011, there were 3,536 students enrolled, a 5.1% increase from the previous year.

Public Assistance

The decline in Guam's economy is reflected by the increase of those seeking assistance through various public assistance programs. According to the information from the 2000 Census released by the U.S. Census Bureau, 6,466 Guam families had income below the National Poverty Level in 1999, which represents 20 % of 32,367 families surveyed. Of the 38,769 households surveyed, 4,211 households (10.9%) reported having public assistance income. The mean public assistance income received was \$5,291. In comparison, the U.S. Census Bureau reported that nationally,

only 9.2 % of families had income below the National Poverty Level, while those households receiving public assistance income was 3.4%.

The 1996 federal welfare reform laws set a five-year limit on recipients from receiving aid under cash assistance programs, which include the Temporary Assistance to Needy Families Program (TANF) and the Government of Guam’s General Assistance Program (GA). These reforms do not affect Supplemental Nutrition Assistance Program (Food Stamps), Aid to the Blind, Old Age Assistance, Medicaid, or Aid to the Permanently and Totally Disabled. This five-year limitation went into effect on Guam during July 2002.

Between fiscal years 2008 and 2009, the average number of recipients who received assistance under the Temporary Aid to Needy Families (TANF), Old Age Assistance, Aid to the Permanently and Totally Disable, Aid to the Blind and General Assistance programs increased. The majority of the recipients received assistance under the TANF program. The average monthly participation in the TANF program increased from 1,668 recipients in fiscal year 2008, 1,081 in fiscal 2009 and 1,264 recipients in fiscal year 2010. The increase in the number of recipients is indicative of Guam’s slow economy. Table 13 shows the average number of recipients and the average amount of funds disbursed monthly under public assistance program.

Table 13: Average Number of Recipients and Average Monthly Funds Disbursed for Public Assistance, Guam: Fiscal Years 2008 to 2010

Type of Assistance	FY 2010		FY 2009		FY 2008	
	Recipients	Dollars (\$)	Recipients	Dollars (\$)	Recipients	Dollars (\$)
Monthly Average (Total)	2,159	404,081	1,938	360,267	1,668	320,823
Temporary Aid to Needy Families (TANF)	1,264	274,454	1,081	230,819	926	201,766
Old Age Assistance (OAA)	245	56,998	251	59,383	250	59,093
Aid to the Permanently and Totally Disabled (APTD)	201	44,541	204	44,497	180	39,808
Aid to the Blind (AB)	3	562	1	278	1	214
General Assistance (GA)	446	27,526	401	25,290	311	19,942

Source: 2010 Guam Statistical Yearbook, Department of Public Health and Social Services, Government of Guam

With specific regard to food stamp participation on Guam, while there was a slight decline in 2007, the average number of households receiving supplemental nutrition assistance has steadily increased throughout the period of 2006 to 2010. The average number of households that participated in the food stamp program monthly increased throughout this period, from 8,220 in 2006 to 11,595 in 2010. The average number of recipients receiving food stamps monthly increased through most of this period from 27,724 recipients in 2006 to 36,926 recipients in 2010. In addition to the increased number of recipients, the average amount of food stamp provided to households increased \$552.96 in 2006 to \$694.93 in 2010. Moreover, the total amount of benefits received by all food stamp recipients increased from \$78,829,247 in 2009 to \$96,695,105 in 2010. Table 14 shows the increasing rise in the number of individuals and households who participated in the Food Stamp program and benefits.

Table 14: Supplemental Nutrition Assistance Program (SNAP) Recipients and Total Bonus, Guam: Calendar Years 2006 to 2010

Description	Calendar Year				
	2010	2009	2008	2007	2006
Average monthly participation (persons)	36,926	31,511	27,874	26,614	27,724
Food Stamp Program Benefits (\$)	96,695,105	78,829,247	60,125,091	55,690,316	54,540,592
Average monthly benefit per person (\$)	218.22	208.47	179.76	174.38	163.94
Average monthly participation (households)	11,595	9,587	8,295	7,916	8,220
Average monthly benefit per household (\$)	694.93	685.23	604.01	586.26	552.96

Source: 2010 Guam Statistical Yearbook: Food and Nutrition Service, USDA. All data are subject to revision.

* The Supplemental Nutrition Assistance Program (SNAP) is formerly the Food Stamps Program

The number of persons participating is reported monthly. Annual averages are the sums divided by twelve.

Energy

Unstable oil prices and continued dependence on fossil fuels is a high concern. A recent report by the National Renewable Energy Lab (NREL) revealed that Guam is 100% dependent on fossil fuels for meeting its energy supply needs, except for a few small renewable energy projects. The primary sectors that consume fossil fuels in Guam include: 1) production of electricity; 2) transportation; 3) water heating and self-generation by the commercial sector (primarily hotels); and 4) propane for home cooking and small commercial operations.

Efforts have been underway since 2010 to develop a comprehensive energy strategy for Guam. Pursuant to Executive Order 2010-15, the Guam Energy Task Force was established and is responsible for creating a strategic energy plan for the island by developing and implementing a long-term Guam Energy Strategic Plan. The charge of the Guam Energy Task Force is to help Guam decrease its dependence on conventional energy source and to identify and explore alternative and innovative ways to supply the island's energy needs. In line with the executive order, the task force will tap into the expertise of Guam's energy, business, scientific, academic, non-profit, and government sectors. The membership includes representatives from the University of Guam, the Guam Energy Office, the Guam Power Authority, the Guam Chamber of Commerce, the Guam Hotel and Restaurant Association, and the Mayor's Council of Guam, with assistance by federal partners including National Renewable Energy Lab, the Department of the Interior, the Department of Defense, and the U.S. Environmental Protection Agency and the U.S. Department of Agriculture.

The *Guam Initial Technical Assessment Report* was produced by the National Renewable Energy Laboratory (NREL) through support from the U.S. Department of Interior Office of Insular Affairs. In addition to presenting an island initial technical assessment that would lay out energy consumption and production data and establish a baseline for Guam, the report presents energy efficiency and renewable energy opportunities for the island.

According to the report, the "baseline gathers various data points to establish a reference against which progress can be measured. It allows comparison across sectors through trend identification and provides a tool for goal setting and measuring success of those goals. Before a baseline can be established, a methodology is developed. This document summarizes data collected regarding

energy production, consumption, and efficiencies, and discusses renewable energy, energy efficiency technology potential, current barriers, and opportunities. The opportunities highlighted in this report can be used to formulate an energy plan. The following table highlights current energy efficiency and renewable energy opportunities designating them a low, medium, or high priority for impact.”

NREL provided an interdisciplinary team of experts in integrated wind-diesel generation, transmission and distribution, energy efficiency and building technologies, solar technologies, biomass and waste-to-energy, and geothermal, to cover each relevant technical area for energy assessments, system recovery, and upgrades. In addition to the above core disciplines, team capabilities also included expertise in program analysis, project financing, policy, and energy project, planning and Energy Committee facilitation.

Participants of this report included the NREL, with assistance from the Office of Insular Affairs, and participation by representatives of the Guam Energy Office, the Guam Power Authority, the University of Guam, the Guam Community College, the Department of Defense, Joint Region Marianas and NAVFAC Marianas, and Naval Base Guam), the United States Department of Agriculture, the Mayor of Dededo, the Guam Environmental Protection Agency, and US EPA Region 9.

The intent was to provide Guam with various scenarios and approaches to deploying cost effective energy efficiency and renewable energy technologies in a manner that will meet Guam’s energy objectives. The information compiled in this energy assessment will be used as input in the development of a strategic plan. The anticipated next step is to develop a strategic (energy) plan that will address cost effective energy efficiency and renewable energy technologies beneficial towards meeting Guam’s strategic intent towards reducing its dependency on imported fossil fuels.

In line with heightened awareness towards reducing Guam’s dependency on fossil fuels, the University of Guam established the Center for Island Sustainability to create an Islands-based model of renewable, sustainable and appropriate technologies focusing on indigenous energy alternatives and replicable research to meet the needs of Island communities in the broader areas of Environment, Economy, Society, and Education. In this capacity, the institution will “create partnerships with Organizations, Companies and Government Agencies to create and provide opportunities for research-based models of renewable and sustainable energy management.”

Power

Since 1968, the Guam Power Authority (GPA) has changed significantly in response to the development of the tourism industry, the implementation of a Customer Service Agreement with the Navy, and the growth of its residential and commercial customer base. In 1990, 701.6 million kilowatt hours of electricity were consumed by 32,353 users. By 1999, the island’s power consumption more than doubled, with a total of 1,711.5 million kilowatt hours consumed by 44,381 users. Currently, GPA’s organization, consisting of 584 employees, serves 47,333 customers and generates over 1.9 MMWH of electricity.

As a response to the growing environmental concerns, in 2006, GPA conducted a feasibility study on Sea Water Air Conditioning, which is a process of using deep cold sea water to condition the

buildings on the shores of Tumon Bay. GPA's operational strategic plan involves a stakeholder analysis and addresses the concerns of the customers, as well as the staff and governing commissions.

Currently, GPA is issuing the 2010 Senior Bonds in order to finance the 2010 Projects, which includes the construction of a new administration building and facilities, to ensure the amount in the Bond Reserve Fund Requirement is sufficient, and to be able to support the issuance of the bonds. The 2010 Subordinate Bonds are also being issued to fund the working capital of the GPA, to refinance existing loans, to ensure the Subordinate Bond Reserve Requirement is met and to support expenses incurred by the issuance of the bonds.

The 2010 bonds are financing numerous projects, which include:

- Marbo - Pagat 34.5 kV Transmission Line
- GPA New Main Office & Operation Facility Improvements
- Ambient Air Quality Monitoring
- Underground Fuel Pipeline Conversion and Fuel Metering
- Fire Protection Upgrades at GPA Facilities
- Automatic Generation Control
- Hågatña 34.5/115 kV Refurbishment and Upgrade
- Dededo Substation Upgrade
- Line Reclosing and Load Profiling
- Tumon Substation Upgrade
- Agana Substation Capacity Upgrade
- System Protection Relaying Improvements
- Distribution System Performance Improvements – as determined through Distribution Planning report
- P003 Underground Extension to Port Authority
- Tumon Bay Lateral Conversion
- Agat Village Pole Hardening & Hybrid

GPA has another ongoing project, the Smart Grid Project, which will be financed by bonds, as well as a grant from the American Recovery and Reinvest Act. GPA is working to employ this technology in order to be more efficient, functional, to allow customers to be able to control their electric bills, and to be able to resort to more renewable resources. GPA hopes to save an estimated \$5 million annually for 15 years by improving efficiency.

GPA is currently anticipating increased energy demands brought on by the Military Buildup. GPA is negotiating with the Department of Defense, the Navy, and other pertinent agencies to develop a Memorandum of Understanding, to outline what will be in the upcoming Utility Services Contract.

Water and Sewer

The Guam Waterworks Authority's (GWA) primary task is to produce, treat, transmit, and distribute water on Guam and to collect, treat, and dispose of wastewater. Prior to 1996, GWA operated as a line department of the Executive Branch called the Public Utilities Agency of Guam (PUAG). In that year, PUAG was abolished and GWA was created as an autonomous agency. As an autonomous agency, GWA ceased receiving annual subsidies from the General Fund while still retaining the responsibility for all of PUAG's outstanding debts. In 2002, the Guam Waterworks Authority was placed under the Consolidated Commission on Utilities as a result of P.L. 26-76.

The Consolidated Commission on Utilities (CCU) is an elected nonpartisan body that is responsible for oversight of GWA and the Guam Power Authority.

GWA provides water service to 39,014 customers and sewer service to 23,771 customers. For Fiscal Year 2008, the agency earned a total revenue of \$59.7 million. In the same year, water consumption was 7,231,927,412 gallons, a 3.72% increase from the prior year, while waste water collected was 4,116,450,681 gallons, a -8.03% decrease from the prior year.

GWA has created a five-year strategic plan, which will involve a 33% rate increase over a period of 5 years, borrowing an approximate amount of \$300 million to be used for improving facilities and employing new technology.

GWA is presently faced with acute problems. These problems include increasing energy prices, the reliance of water purchases from the United States Navy, limited funding for infrastructure improvements, and operating under limited financial and manpower resources. Additionally, the accelerated growth attributed to the military buildup continues to be a point of concern. The official timeframe reflects 2012-2014 time periods. However, many issues have yet to be addressed, and much ambiguity remains over the level of funding and assistance that the U.S. Department of Defense will provide to manage the direct impact of the increased military presence and the associated activities with the buildup.

In November 2010, the Authority's Capital Improvement Plan 2011-2015 was approved, initiating the first detailed plan to ensure GWA continues to provide quality services. The CIP estimates the 2011-2015 projects to cost \$236 million. Examples of capital improvements include water production facilities, water distribution systems, wastewater collection systems, wastewater treatment plants, and major one-time equipment acquisitions.

GWA also developed its first financial rate plan (the "Rate Plan"), outlining the framework needed to bring financial stability to GWA. It addresses certain investments in water and wastewater infrastructure required by a 2003 stipulated order, funding for the 2005 CIP Master Plan capital projects, and meeting performance standards (operating ratios) imposed by bond covenants. The plan also includes approximately \$300 million in short and long-term debt in FY2010 and FY2012, grants, and system development charges to finance capital projects and fully fund operating reserve requirements for the 2005 \$101 million Revenue bond.

Roads

Guam's road network is just less than 1,000 miles long. Of this total, 420 miles of roadway are classified as non-public. Of the 550 miles of public roads, approximately 144 miles comprise the primary and some secondary roads.

In order to maintain Guam's Territorial Highway system, the Government of Guam receives \$18.4 million from the U.S. Department of Transportation's Federal Highway Administration (FHWA). From 2008 to 2011, the Government of Guam has received \$246 million from various federal allocations.

The Government of Guam has entered into an agreement with FHWA to establish standards on how to utilize federal funds on various projects and implementation of policies. Guam Department of Public Works will be executing the programs agreed upon by the Government of Guam and FHWA. In 2008, in order to formulate the 2030 Guam Transportation Plan, the Guam Transportation Group was formed consisting of members of organizations such as Department of Public Works, Federal Highway Administration, Office of the Attorney General, the PB Americas, Parsons Transportation Group, and Galaide Group.

In 2010, the 2030 Guam Transportation Plan (GTP) was approved by the Guam Legislature and became an official component of the island's Comprehensive Development Plan. The 2030 GTP is a long-term strategy to improve Guam's transportation system, and it incorporates improvements of roadways and mass transportation, while accommodating pedestrians as well as bicycles. The 2030 GTP also addresses other issues such as the proposed Military Buildup.

Airport Transportation

Since 1945, all civilian air traffic arriving and departing from Guam have used the naval airfield and facilities at Naval Air Station (NAS), Agana. In 1974, a Joint Use Agreement was signed between the Navy and the Guam Airport Authority (GAA) allowing shared use and responsibility of the runway, taxiway, and aircraft rescue and fire-fighting facilities. As part of that agreement, the Navy also transferred 68 acres of land in the northeastern corner of the base to Guam.

For many years, the Government of Guam has petitioned the Navy to return the airfield to GovGuam ownership. The 1993 Base Reuse and Closure Commission ordered the closure of NAS Agana. On October 14, 1994, the Department of Defense issued a Notice of Surplus Determination declaring major portions of NAS to be surplus property. Having met the transfer criteria, NAS, now referred to as Tiyan, was deeded to the Government of Guam in September 2000. Of the 1,806 acres involved in the transfer, 1,417 acres fall under the purview of the Guam International Airport Authority (GIAA), which operates the Antonio B. Won Pat Guam International Air Terminal.

The net effect of this expansion was the increase in passenger processing capacity. Previously, passenger processing was 1,500 passengers per hour; now, processing capacity is 5,000 passengers per hour, easily accommodating projected arrivals. The airport also services nine air cargo carriers, which in 2010 moved more than 31,614 metric tons of cargo.

By 2007, the total economic contribution of Guam's airport totaled \$1.7 billion dollars in direct, indirect, and induced financial activity. In 2008, the airport was able develop its air cargo facilities through the investments of several firms, which totaled \$35.5 million. In 2009, GIAA officially opened its new Integrated Air Cargo Facility, housing office and warehouse spaces.

Seaport Facilities

The Port Authority of Guam's Commercial Port was initially established in March 1950 as a division of the Guam Department of Commerce. It was originally located on 24.5 acres of U.S. Navy property within Inner Apra Harbor. In 1966, the Commercial Port became a separate department of the Government of Guam; in October 1975, the Commercial Port was renamed the

Port Authority of Guam (PAG) and was reestablished as a public corporation, making it an autonomous agency.

In 2009, PAG had a total of 989 vessel calls, a majority of which were fishing vessels. In the same year, PAG handled over 94,000 containers and moved approximately 1.8 revenue tons. PAG's operating revenue for the FY 2009 was \$30.5 million.

Improvements and the modernization of PAG have been long overdue. In 2007, a plan was drafted regarding the development of the port, as well as in anticipation of the proposed military buildup, which include upgrading the Terminal Operating System, expansion of wharf space and existing facilities, acquisition of additional cranes. In 2009, the Commercial Port Master Plan, which guides port development, was approved by the Guam Legislature and became an official component of the island's Comprehensive Development Plan. By the end of 2009, parts of this plan have been realized, including acquisition of cranes, rail replacements and wharf upgrades. Improvements such as the installation of new lighting, surveillance systems, and fire pumps have also been made possible under the Port Security Grant Program.

Today the Port owns and operates four recreational boating marinas, four berths used for fishing vessels, container vessels, as well as general cargo and passenger vessels. The port also includes storage spaces for containers, automobiles and other cargo storage.

Housing and Land

In recognition that only through urban redevelopment would villages be rebuilt, the Guam Housing and Urban Renewal Authority (GHURA) was created in 1962 after the devastation caused by Typhoon Karen. GHURA is charged with the responsibility of undertaking and pursuing an active urban renewal program to eliminate and prevent the development and spread of slums and blighting influences on Guam.

One of GHURA's purposes is to provide "decent, safe, and sanitary" housing for low-income families. Some of its programs include: the "GHURA 500" project, which began in FY 1977; the Low Income Public Housing project under which 833 units have been built in various villages, including 82 units especially designed for elderly and/or for persons with disabilities; the Section 8 Housing Assistance Program, through which GHURA subsidizes rental payments for over 1,400 families; and the Guma Trankilidat project, which developed 50 units designed specifically for the elderly.

In 1965, the Guam Housing Corporation (GHC) was established in order to provide affordable housing for the community. In FY 2009, GHC has been able to obtain 115 houses and 24 apartments for low- to moderate-income families and generate operating revenue of \$2.8 million.

According to the Guam Real Estate Market Update, in the beginning of 2011, mixed signals dominated the housing sector as the median price of a Guam single family home soared 18 % from a year earlier to \$260,000, pushing the affordability index into increasingly unaffordable levels. The Guam median home price is now 53% higher than the national average of \$170,000. The median price has doubled during the past decade, "...partially due to market recovery and partially due to a change in product mix", according to Captain Real Estate Group President Nick Captain.

The median price increase occurred as transaction activity has slowed significantly with only 118 units closing during the first quarter of 2011, reflecting the slowest pace in 8 years (except for 113 units sold during peak of financial crisis in Q1 2009). Stricter lending guidelines are one factor contributing to what could be Guam's first major housing crisis in 20 years as federal regulators have proposed rules that will likely boost interest rates and fees on many low-down payment loans. Families looking to enter Guam's homeownership market have also been recently hit by massive utility connection fees and increasing utility costs, further eroding the ability to pay mortgage costs. As housing costs soar, the inventory of vacant housing becomes an increasingly critical component of projecting future demand. However, GHURA's recently completed Comprehensive Housing Study estimates the number of vacant housing units at 9,125 (2009) while the federal government's recent estimate reflects 2,800 units, a difference of over 300%.

As the number of housing units sold declines, the inventory of unsold units is increasing to unhealthy levels. Based on Q1 2011 sales volume and a Multiple Listing Service capture rate of approximately 40 percent, the inventory of unsold homes on Guam reflects nearly 15 months, compared to just 6 months on Oahu, Hawaii.

Condominium sales volume during the first quarter of 2011 surged to nearly \$13 million. In the past quarter, condominium sales included 9 units sold at prices above \$500,000, as the high-end market continues its recovery from the recent lows in 2009. The condominium sector has been reflecting less volatility due to increasing investor confidence in Guam's economic future.

During the first quarter of 2011, overall quarterly real estate sales volume on Guam exceeded \$100 million for only the second time since mid-2008, and quarterly island-wide sales volume reflected a 60% growth from a year earlier. The sales volume was boosted by the closing of the former Hotel Okura property in Tumon, which sold at a price over \$20 million. Future aggregate sales volume figures are likely to be impacted by foreign investment trends, which have been rebounding primarily due to progress on the military buildup. However, the impact of the triple disasters in Japan on Guam's real estate market remains unclear.

Excess Federal Lands

In September 2000, the U.S. Navy conveyed a total of 1,800 acres of excess federal lands, via quitclaim deed, to the Government of Guam. This transfer represented the single largest land transfer since 1950. Approximately 1,400 acres of this total was transferred to the Guam International Airport Authority for the airport expansion and is now being used for related economic purposes. Approximately 248 acres was transferred for economic development purposes and for use by former landowners to: a) provide opportunities to stimulate Guam's economy, b) create long-term employment, and c) maximize financial returns. The remaining acreage at the former Naval Air Station Agaña was intended to be used for homeless shelters, park, and highway purposes.

According to P.L. 103-339, the Government of Guam is to receive 3,200 acres of land for civilian use. Much of this property has already been transferred to the Government of Guam, and it is expected that once properties have been transferred to their new owners as required by local law, additional economic activities will be implemented.

In 2002, an executive order states a series of public laws expressing excess public lands must be transferred to the Guam Ancestral Lands Commission (GALC), to be returned to their original owners. The duties of GALC extend not only to return the land to their owners, but also to assist ancestral landowners in utilizing their property.

In 2007, a Memorandum of Agreement between the U.S. General Services Administration and the Guam Historic Trust Officer initiated the return of 450 acres of land containing the historic village of Hila'an. In 2011, the agreement was fulfilled. The Harmon Cliffline is another area to be returned to the Government of Guam. Prior to the slated return of the Harmon Cliffline property, the United States Air Force authorized non-profit organizations to use these properties. As of 2008, the Government of Guam has entered into lease agreements with these non-profit organizations which will be relocated in order for the area to be surveyed in preparation for the return of the Harmon Cliffline properties.

While the return of Hila'an and the Harmon Cliffline may be an indication of a decreased federal footprint on Guam, the Department of Defense has certain lands as areas of interest for the proposed Military Buildup. The Department of Defense has declared Route 15 lands, holding the historic Pâgat Village within its perimeter as a possible location for a firing range.

Investment Incentives

The Government of Guam offers various incentives to attract economic activity from both overseas domestic and foreign business interests. Unfortunately, Guam's investment incentive programs have not kept pace with changes in international trade and commerce. Efforts are currently underway to address this situation in order to develop a Guam investment incentives package which can more effectively compete with investment incentive packages offered by other major domiciles.

Historically, Guam's status as a duty-free port allowed ample opportunity to import materials for manufacturing. Guam is a participant in two major trade programs that benefit export-oriented manufacturing, namely, Headnote 3(a) of the U.S. Tariff code and the Generalized System of Preference (GSP). For Guam to benefit from either of the two programs, it would have to attract an industry wherein the product normally has a high duty in the importing country and the component costs are considerably lower than in the country to which it is exported. Over the years, changes in Headnote 3(a) have resulted in the program being less attractive to domestic and foreign establishments that led to the demise of the light manufacturing sector of Guam's economy. Efforts are underway to review these changes and encourage amendments to the program to bring the program back into viability.

The Qualifying Certificate (QC) Program, created under Public Law 8-80 and amended under PL 20-178 and PL 22-159, is administered by the Guam Economic Development Authority (GEDA). It was conceived in 1965 as an economic incentive tool to encourage investment activities that would strengthen the island economy, enrich its growth, and enhance the quality of life in Guam. This program has proven to be highly successful, particularly in the development of Guam's primary industry – tourism.

QCs for tax incentives are granted to investors for business ventures on the basis of investment commitment, job creation and expansion of the island's industrial base, and are aimed primarily at hotel developers and tourism development firms, manufacturers, insurance companies, reinsurance companies, captive insurance companies, Guam-based trusts, telecommunications, Internet-based companies, commercial fishing, transshipment companies, and recycling companies.

Qualified businesses may be granted up to 75% rebate of corporate income tax for up to twenty years; up to 75% rebate of corporate dividends tax for up to five years; up to 100% abatement of real property tax for up to ten years on property utilized by the QC beneficiary to operate its business; and up to 100% abatement of gross receipt tax on income derived from the sale of alcoholic beverages and petroleum products manufactured in Guam for up to ten years. GEDA also offers special incentives for captive insurance, trusts and recycling (PL 23-109, PL 24-266, and PL 23-127).

In addition, as a means of reducing the tax burden and simplifying tax reporting requirements for small businesses, the "Dave Santos Small Business Enhancement Act" was adopted in 1997. The act reformed Guam's Gross Receipts Tax filing requirements by exempting the first \$50,000 of annual rental income, and exempting the first \$50,000 of gross annual income received from retailing services and other rental activities.

Planning and Economic Development Activities

In March 1990, Guam Public Law 20-147 created the Guam Planning Council. Public Law 26-76 transferred the responsibility for a Comprehensive Development Plan for Guam to the Bureau of Statistics and Plans (BSP). The Comprehensive Development Plan:

- Serves to guide the physical, social, and economic growth and development of the island;
- Reflects the goals and aspirations of the people of Guam as they relate to land use, physical infrastructure, social infrastructure, economic development; and the quality and standard of living desired by the people;
- Expresses the policy requirements and directives sought by the people of Guam as a means of achieving rational and balanced physical and socio-economic development that protects and sustains the present and future livelihood of the island's people.

The BSP is responsible for the development of a Guam Comprehensive Development Plan that incorporates four (4) major components:

- Land Use Component (Land Use, Public Facilities, Housing, Recreation, Seashore Reserves, Community Design, Public Buildings, Public Lands, Conservation, Safety—Hazard Mitigation—and Regulations);
- Physical Infrastructure Component (i.e., Transportation, Public Facilities, Utilities, and Capital Improvements);

- Social Infrastructure Component (i.e., Education, Health Services Support, Cultural Arts and Humanities, and Public Safety);
- Economic Strategy Component (i.e., Economic Development, Integrated Communications, Finance, and Tourism).

In 2000, the former Guam Planning Council received updated status reports on the following studies:

- The Guam Integrated Solid Waste Management Plan – a comprehensive study addressing the management of the island’s solid waste and methodology for disposal prepared for the Guam Environmental Protection Agency.
- The Department of Education 10-year Capital Facilities Plan – a comprehensive study of schools, inclusive of design types, through 2010; the location of these schools; student enrollment projections for the next 10 years; and an aggressive maintenance plan for the public educational facilities on Guam.
- The Guam 2010 Highway Master Plan – a short and long range study addressing the improvement of Guam’s thoroughfare system, concerns related to the completion of the plan, and timelines for each project identified in the plan.
- The Port Authority of Guam Master Plan – a comprehensive study of Guam’s only commercial seaport with analyses and recommendations related to the current market, existing port conditions, existing land use, and forecasts and demand-capacity.

With the announcement of the pending military buildup in 2006, plans to guide Guam’s development once again began going through the process of becoming official elements of Guam’s Comprehensive Development Plan (CDP). This process includes the review and approval by Guam’s Governor prior to the Governor transmitting the document to the Guam Legislature for final approval and inclusion in the CDP. Between 2006 and June 2011, the following master plans have been adopted as official elements in the CDP or are in the adoption process:

- Jose D. Leon Guerrero Commercial Port of Guam Master Plan Update 2007, Jose D. Leon Guerrero Commercial Port of Guam, adopted 2008
- 2030 Guam Transportation Plan, Department of Public Works, adopted 2009
- North and Central Guahan Land Use Plan, Bureau of Statistics and Plans, adopted 2011
- Guam Comprehensive Mitigation Policy, Bureau of Statistics and Plans, adopted 2011
- Village Streets Master Plan, Department of Public Works, going through adoption process 2011

- Stormwater Drainage Master Plan, Department of Public Works, going through adoption process 2011

Capital Improvements Projects

According to the Office of the Public Auditor, from fiscal years 2007 to 2009, the Department of Public Works (DPW) spent \$25.9 million on 566 Capital Improvement Projects (CIP). The Department of Public Works authorized the procurement of involving different agencies within the Government of Guam. The various CIP's include improvements to public school structures, such as emergency repairs as well the installation of typhoon shutters and construction of emergency shelters to ensure disaster-readiness. Other projects of the Department of Public School System include the reconstruction of F.Q. Sanchez Elementary and JFK High School.

The Department of Parks and Recreation (DPR) also had a number of projects included in the CIP. In 2009, the Guam Sports Complex Baseball Park had its groundbreaking ceremony. The completion of the Heritage Trail and improvements to the Santos Memorial Park were also a part of this project. The CIP also included improvements to the Merizo Pier and Agat Marina.

The Department of Agriculture (DOAg) is also undergoing improvements in existing facilities as well as the construction of new ones, such as a new Nursery. DOAg's projects include improvements to the Masso River Reservoir, with the addition of a generator and generator room to the DOAg establishment, the construction of a new Fisheries office building, and the holding enclosures for the endangered Guam Kingfisher.

Various agencies also received funding for renovations, such as Department of Health and Social Services, Guam Housing Corporation, and Department of Youth Affairs. Other projects under the CIP include fortifying the Department of Corrections Facilities in Hågatña and Mangilao, and the construction of the Guam Police Department's Forensic Crime Lab.

D. PRIVATE SECTOR

Agriculture

Guam's agricultural industry employed 340 people out of Guam's total workforce of 60,950 in 2009. According to the 2007 Census of Agriculture published by the U.S. Department of Agriculture, Guam produced a total of \$2,436,223 in crops, including root crops, vegetables, fruits, nuts, melons and nursery crops, and utilized 495 acres of land throughout 95 farms.

The Agricultural Board of Commissioners, created by Public Law 20-176 in 1990, reviews and makes recommendations regarding zoning, pest control, and preparation of an agricultural development plan, agricultural loans, and related matters. Plans and programs of the Department of Agriculture include Farmers' Registration, Agricultural Water Rate (P.L. 9-42), the Plant Nursery, and Agricultural Land Lease that consists of the administration of 48 agricultural land leases for commercial agriculture. In recent years, Guam has been infested by the rhinoceros beetle, which is a great threat to Guam's coconut trees. In response, the Department of Agriculture assembled two branches to partake in the eradication of the rhinoceros beetle.

Guam's agricultural activities extend outside the Department of Agriculture. The Guam Legislature introduced a bill to appropriate \$255,930 to the University of Guam to support the startup of the Farmers Cooperative Association of Guam. The 2009 action plan of the Farmers Co-op included developing strong internal operations, setting up a retail and office space, and establishing relationships with the Guam Restaurant and Hotel Association, Micronesian Chefs Association, Cooperative Extension Service, as well as the Department of Agriculture. The Farmers Cooperative Association of Guam's plan also included working with ancestral lands in order to define a site for a farmers' market, establishing outside support for the Co-op's efforts, and developing fiscal operations. In 2010, the Farmers Co-op launched their first night market in Dededo where local farmers sold their produce.

Aquaculture

Aquaculture represents a part of the economy that still has great untapped potential within Guam's economy. The aquaculture industry is relatively new to Guam with the first experimental and demonstration farm having been established in 1973. The first commercial operation began in 1975 and since then, the industry has grown significantly despite numerous obstacles.

As of 2005, the Guam aquaculture industry generated approximately \$7 million. In 2002, Guam had 6 commercial fish farms; while in 2007, Guam had 3 commercial fish farms. Examples of Guam's aquaculture produce are tilapia, milkfish, catfish, and marine shrimp. Furthermore, Guam has the potential to venture into offshore aquaculture using submersible cages, and the potential for giant clam and pearl farming. Guam has also begun culturing ornamental fish, such as clownfish and the neon goby.

In an effort to develop the aquaculture industry, the Guam Aquaculture Growers Association was established to form a cooperative to increase sales and lobby for less stringent processes when applying for power and water to support aquaculture activities.

Fisheries

The Guam Fisherman's Cooperative Association was established as a private, non-profit organization in 1977 to assist fishermen with promoting their catch. The Fisherman's Co-op has a 65-year government lease for two acres of land adjacent to the Hâgatña Boat Basin. The annual sales of the Fisherman's Co-op are approximately \$1 million. It has introduced certain incentives to promote and develop a small-scale fishery, such as providing education on seafood safety and harvest handling of seafood, establishing safety-at-sea programs, providing discounted prices for fishing supplies while supporting local businesses, and purchasing all fish harvested by members.

The annual average amount of fish caught has been declining over the years as participation and number and duration of fishing trips continue to decline. Annual catch rates are 50,000 pounds for reef fish species, 10,000 pounds for shallow and deep fish, and 200,000 pounds for trolled fish. The Guam Fisherman's Co-op generates an annual revenue of \$750,000.

Currently, conservation measures are imposed on the Fishermen to ensure sustainability. Furthermore, the Fisherman's Co-op is facing challenges brought on by federal regulations, the

Marine Preserves, the Military Range Complex that restricts access to a large fishing area in the south, and the closing of Ylig Bridge that prevents access to eastern waters.

Construction

The construction industry accounted for a significant share of the island's economic boom in the early 1970s. Construction receipts accounted for approximately one-quarter of the Government of Guam's gross business receipts during this period. Following the economic recession in the mid-1970s, construction receipts fell 40% from \$109 million in 1974 to \$64 million in 1976.

Construction was once again on the upswing in 1977 and 1978 following Super typhoon Pamela in May 1976. Over \$200 million in federal funds were authorized for typhoon relief and reconstruction of damaged military, civilian, and government facilities during this period. Over \$70 million in defense construction projects were completed during fiscal year 1978 as compared with approximately \$48 million during the previous two-year period. Construction receipts rose to an estimated \$75 million in calendar year 1977 and \$111 million in 1978.

The construction industry's importance to Guam's economy continued through the 1980s with Table 15 showing its contribution in terms of employment growth, which averaged almost 47% per year between 1985 and 1990. During the same period, construction jobs averaged 10.57% of all jobs on the island.

Table 15: Construction Employment on Guam: 1985 to 2010

Five Year Period	Average Annual Growth Rate of Construction Jobs	Share of Construction Jobs to Total Employment
1985-1990	46.72%	10.57%
1990-1995	-1.15%	14.97%
1995-2000	-9.08%	9.91%
2000-2005	0.59%	7.57%
2005-2010	9.21%	9.72%

Source: Guam Department of Labor - Bureau of Labor Statistics, Annual Census of Establishments: Summary Tables March 1985-2009; Current Employment Survey (March 2011).

In 1993, Guam's building sector again began to grow with the opening of several new tourist facilities, including the 448-room Hyatt Regency Hotel (\$150 million); 291-room Parc Hotel, now the Holiday Resort (\$60 million); 381-room Leo Palace Hotel, now the Westin Resort Guam; and 200-room Leo Palace Resort (\$600 million). A new hotel is currently being built in Tumon by Tanota Partners. Various construction projects are also in the works, including affordable housing and gated communities, as well as beachfront properties. In Oka, Tamuning, construction has begun for high-rise condominiums, four in total costing \$100 million.

In 1995, the U.S. Department of Defense put out to bid more than \$124 million in naval construction projects. Over 300 family housing units were scheduled to be built in Apra Heights at an estimated cost of \$56 million. Other projects included a hangar apron (\$29 million) and child development center (\$2.9 million) at Andersen Air Force Base; a hazardous material storage

facility (\$14.8 million); a Tomahawk missile magazine (\$8.2 million); and an additional storage facility (\$5.2 million).

During the period from 1986 to 1997, foreign-owned companies dominated Guam's construction industry. Foreign contractors enjoyed favorable currency exchange rates and minimal enforcement of employment regulation laws. Until 1997, wages in the construction sector had been depressed mainly because of immigrant labor under the H-2 program that allows employment of temporary workers, especially when certain job skills are not available locally. In 1997, the U.S. Department of Labor initiated a series of increases in the minimum wage given to H-2 workers in the construction industry, which were expected to increase construction costs by as much as 40%, compared to an increase from the rising prices for construction materials.

Table 15 shows that during the period 1990-1995, rate of construction jobs slowed by -1.15% per year, although these jobs continued to make up a significant share (almost 15%) of all jobs on Guam. It was not until the period 1995-2000 when a significant decline in construction jobs occurred at 9% per year, thus reducing the total share of construction jobs (average of 9.91%). This decline reflected the negative impact of the Asian financial crisis and the crash of a Korean airliner, both occurring in 1997. Table 15 shows that the decline in construction jobs appears to be ending in the 2000-2005 period after reaching the lowest point where the share of construction jobs reached 5.8% in 2002.

In FY 2000, the total number of building permits issued was 1,278 (valued at \$152 million). Since then, the number of building permits issued has been decreasing, with the lowest number of building permits issued at 803 (generating only \$88.9 million). The number of building permits was at its peak in 2003, with 1,576 building permits issued. However, building permits in 2003 only generated \$120 million. In 2007, the value of building permits peaked at \$319 million, with 1,294 building permits issued. In FY 2009, only 889 building permits were issued (the second lowest number since 2000), valued at \$246 million. The types of building permits issued in FY 2009 included 257 residential, 1 apartment, 1 condominium, 18 commercial, 3, industrial, 54 Government of Guam, and 336 miscellaneous. Despite the decline in the number of building permits issued, the rate of employment in the construction industry has increased, from 3,950 workers employed in FY 2000 to 6,530 construction workers.

In FY 2000, the U.S. Senate also passed a military construction appropriation for Guam. That construction package (totaling \$103 million), included \$8.2 million for phase one of the Guam Army National Guard Readiness Center; \$17.5 million for the Army Reserve Center maintenance shop; \$8.9 million for closure of the Andersen Air Force Base landfill; \$44.1 million for the new Andersen Elementary School; and \$24.3 million for the Defense Logistics Agency fuel support point.

The 2006 U.S.-Japan Agreement that stipulated the military buildup sparked a new boom in construction on Guam, resulting in a 9.21% average annual growth of construction jobs between 2006 and 2010, restoring the share of construction jobs to 9.72% of all jobs on Guam. The military buildup has attracted the attention of construction companies outside of Guam. Furthermore, the anticipated construction boom had an effect on Guam's real estate. Sales have risen from \$130 million a year in 2000 to approximately \$687 million in 2007. Property values have increased drastically. The price of a home was approximately \$115,000 in 2003 and now has risen to about

\$260,000. The most significant increase in real estate prices, driven largely by speculation, occurred after the 2006 Agreement was announced and continued into the first part of 2008. Consequently, a market correction took place in 2008-2010 to restore real estate prices to more realistic levels.

The recovery of construction during 2006-2010 was also aided by an increase in contracts awarded by the Department of Defense for work on Guam. Table 16 shows the amount of military transactions awarded between 2000 and May 2011. A large portion of each amount constitutes awards for construction projects.

Table 16: Department of Defense Projects Awarded for Work on Guam: 2000-May 2011

Year	DoD Transactions Awarded for Work on Guam (in millions \$)
2000	\$234
2001	\$215
2002	\$285
2003	\$511
2004	\$345
2005	\$394
2006	\$424
2007	\$505
2008	\$620
2009	\$423
2010	\$634
Jan-May 2011	\$135

Source: <http://www.usaspending.gov>, retrieved May 20, 2011

Financial Institutions

The Twenty-Fifth Annual Report of the Banking Commissioner for the year ending December 31, 2007 has listed the following licensed financial institutions on Guam: one (1) national bank; three (3) state banks; three (3) state (territorial) banks; two (2) Guam chartered commercial banks; five (5) foreign banks; one (1) savings and loan association; three (3) foreign banks; three (3) offshore lending facilities and ten (10) finance companies. The combined total assets of these financial institutions as of December 31, 2007 to do business in Guam was \$2.879 billion, an increase of \$152 million which is a 5.56 percent increase compared to 2006 total assets of \$2.727 billion.

The system of U.S. State and Federal banking regulations is known as the dual banking system, which allows both State (i.e. Territorial) and Federal governments to charter and regulate banks. Federal regulators include the Federal Reserve that regulates banks and bank holding companies, and the Office of the Comptroller of the Currency that charters and regulates national banks. In addition, the Federal Deposit Insurance Corporation (FDIC) serves as the insurer of both national and state-chartered banks. National and territorial banks are automatically members of the Federal Reserve and must be insured by the FDIC.

Deposits for all financial institutions totaled \$1,948,070,000 as of March 2010. Total loans for the same period were \$2,711,408,000.

Healthcare

The Guam Memorial Hospital Authority (GMHA) is the only civilian in-patient medical facility that serves the public sector. GMHA has a capacity of 172 acute care beds and 30 long-term care beds. The U.S. Naval Hospital primarily serves the military sector. There are three community/public health centers – one located in the North, one in the South, and one in central Guam. Guam has 271 doctors in different fields of medicine and 92 medical clinics. The following table indicates the number and medical specialty of doctors on the island.

Table 17: Number of Physicians on Guam by Specialty: 2011

Medical Specialty	Number of Doctors on Guam
Acupuncture/Orient Medical Doctor	3
Aerospace/Preventive Medicine	1
Anesthesiologist	12
Behavioral Health	17
Cardiologist	3
Chiropractor	14
Dermatologist	2
Emergency Doctor	3
Endocrinologist	1
Family Practitioner	44
Gynecologist	1
Hand Surgeon	1
Hematologist	1
Infectious Disease Specialist	2
Internal Medicine Specialist	31
Maxillofacial/Oral Surgeon	1
Neonatologist	1
Nephrologist	9
Neurologist	4
Neurosurgeon	2
Obstetrician/Gynecologist	18
Occupational & Environmental Health	1
Oncologist/Hematologist	2
Ophthalmologist	9
Optometrist	14
Orthopedic Surgeon	6
Otolaryngologist	2
Pathologist	2

Medical Specialty	Number of Doctors on Guam
Pediatrician	21
Physical Therapist	5
Plastic Surgeon	1
Podiatrist	4
Preventative Care/Wellness	1
Psychiatrist	4
Pulmonologist	2
Radiologist	14
Rehabilitation/Physical Medicine	1
Sleep Medicine	1
Surgeon	8
Urologist	2
Total	271

Source: Guam Medical Association Directory

There are 44 dentists and 24 dental clinics on Guam. The following table indicates the number and dental specialty of dentists on the island.

Table 18: Number of Dentists on Guam by Specialty 2011

Dentist by Specialty	Number of Dentists on Guam
General Family Dentist	35
Oral and Maxillofacial Surgeon	1
Periodontist	1
Orthodontist	1
Endodontist	1
Pedodontist/Pediatric Dentist	5
Total	44

Source: Guam Medical Association Directory

Retail and Wholesale Sector

Guam's retail and wholesale sectors are components of Guam's economy that are heavily influenced by the growth of tourism and lifestyle improvements. In the last two decades, these sectors have developed remarkably. In 1999, they employed 13,660 persons out of a total of 60,340 (22.6%). By 2005, it was reported that tourism directly supported 10,412 full-time and part-time jobs. This economic activity generated \$378 million in local wages. Furthermore, according to the report, the total economic impact of visitors on Guam ranges from 20% to over one-third of the total island economy, a contribution totaling \$664 million in 2005 or 20% of GDP.

Shopping on Guam is one of the main attractions for tourists and is a significant contributor to the local economy. Retail spending accounts for an estimated 43% of all tourism spending. In 2008, the Guam Visitors Bureau (GVB) reported 1,179,246 visitor arrivals to Guam, with each tourist spending an average of \$600 on-island.

In 2010, the average local spending of the Japanese visitor dropped to \$499.40, a 33% decline from \$666.21 spent in 2006. Spending dropped substantially even with the stronger yen. Even though the average expenditure of Japanese visitors has declined, their expenditures significantly impact Guam's retail sales, as Japanese visitors comprise the vast majority of Guam's tourist market.

However, the average local spending of visitors from Korea and Taiwan has demonstrated a general increase: Korea - \$435 in 1998, \$449 in 1999, \$513 in 2000; Taiwan - \$430 in 1998, \$310 in 1999, \$630 in 2000. Furthermore, military and other temporary residents (i.e. contract labor from Asia or the United States) contribute substantially to Guam's retail sales by making a significant portion of their lifetime purchases on durables while on the island.

Telecommunications

Guam possesses the most advanced telecommunications infrastructure and systems in the western Pacific region. The island sits at the nexus of the Pacific's underwater fiber optics cabling network with more terminating cable connections than anywhere else in the world, making Guam a telecommunications hub for numerous international providers.

The Guam Telephone Authority (GTA) was initially created as an autonomous agency of the Government of Guam and had been in operation for over 40 years. In 2004, the privatization of GTA was approved after a six-year process. GTA was the sole landline service provider until Marianas Cable Vision (MCV) began providing telephone services.

As a result of the Telecommunications Act of 1996, Guam was included in the U.S. Domestic Rate Structure. As part of the North American Numbering Plan, long distance rates to the U.S. mainland now average between 5 and 30 cents per minute, depending on the time of day and day of the week. Due to increasing competition and the introduction of pre-paid calling cards, international rates are less expensive. Currently, there are seven companies that offer long distance services on Guam, five of which also offer cellular phone services as well as other wireless services, which allow users to talk, text and surf the Internet.

Tourism

Guam's visitor industry over the last two decades experienced a number of challenges after growing dramatically since its inception more than forty years ago. Despite these challenges and its relatively brief history, tourism clearly is Guam's leading economic sector, still accounting for up to 60% of the government's annual revenues and with services, including hotels and lodging, providing more than 26% of Guam's total payroll employment.

The year 1967 is generally recognized as Guam's first year of tourism when approximately 6,600 tourists visited the island. In 1994, visitor arrivals surpassed 1 million, grew by another 25% in 1995, and increased to almost 1.4 million in 1997. Late in that year, a fatal Korean Airlines crash, a major typhoon and a softening Asian-Pacific economy, suddenly brought to a halt the momentum of Guam's tourist industry.

Government and private sectors soon joined forces to augment promotional efforts in Japan, Korea, Taiwan, and other target markets in order to mitigate the downside effects of declining tourist arrivals. With the gradual recovery of Guam's major markets since 1997, the island's economy has managed to steadily rebuild visitor arrivals to over 1.2 million in 2000.

For nine straight years, visitor arrivals to Guam have surpassed the million mark. However, while visitor arrivals increased annually between 1997 and 2000, they declined in 2001 and 2002. Tourist arrivals have struggled in the midst of a worldwide economic slump, compounded by the September 11, 2001 terrorist attack on the World Trade Towers, the invasion of Afghanistan by the United States and its allies, the war with Iraq, and the fury of Typhoon Chata'an and Supertyphoon Pongsona in 2002.

The GVB Five-Year Strategic Plan introduced in 2007 outlined the need to develop a cohesive destination brand image for Guam. With the diminished forecast of visitors and increased competition, the need to promote a differentiated brand worth visiting with longer duration of stay and repeat visitors was determined as key to maintaining and increasing market share. Destination branding initiatives gained more traction in the community, anchored by active participation of the Mayors' Council, and emerging efforts of newly created events and festivals introduced in the villages. Examples of these efforts include colorful murals designed by village residents and products being showcased as specialty items in village festivals, such as the Mango Festival in the village of Agat and the Banana Festival in Talofofo. More than 5,000 employees in more than 50 companies and organizations are now participating in the Hafa Adai Pledge project, a program designed to promote and practice the island's cultural and hospitality spirit.

In all, 90% of all visitors to Guam are from Asia with the balance made up of visitors from the United States, neighboring Pacific islands and other areas. Visitors from Japan comprise the largest share of Guam's market mix with close to 80% of all arrivals to Guam. Guam's market share in 2010 was 5.4% of the Japanese tourist market of 16.6 million outbound travelers. Unfortunately, the Guam Visitors Bureau's purchasing power in source markets was impacted in recent years by the yen's +27% rise since 2008, thereby limiting its advertising and public relations expenditures, especially in Japan. The global economic recession of 2008 also played a part in diminishing international travel arrivals to Guam.

The latest Guam Restaurant and Hotel Association statistics show Guam's hotel room inventory at 7,695 hotel rooms, up from 6,797 rooms in 2007. One of the more anticipated hotel development projects will be the tallest building on Guam when it is completed in the spring of 2012. According to developer, Tanota Partners, this \$95-million hotel will create 400 new jobs in the hospitality industry. The new project will result in a thirty-floor hotel that will have 1,000 rooms, a five-level parking garage, and a 14,000-square-foot convention center that will hold up to 2,000 people. In the most recent fiscal year ending October 31, 2010, hotel room occupancy rose 10 percentage points to 70% (weighted average), and average room rates remained the same as the previous year at \$110. Hotel room taxes collected for the year was up +11.9% to \$21.7 million.

Visitor arrivals in 2011 are anticipated to further decline as a result of Japan's earthquake and tsunami events last March. The number of Japanese heading overseas has fallen from a year ago, reflecting the overwhelming mood of self-restraint among Japanese, discouraging activities such as travel. The tally of Japanese overseas travelers is expected to reach 15,659,000, off by -27.81% from the previous year. Higher fuel surcharges are also hitting outbound travel demand to destinations like Guam.

With the many hurdles facing Guam's tourism industry, businesses are challenged to focus on recapitalizing the island's tourism plant. Efforts are underway to restore and upgrade the island's deteriorated cultural and historic assets in order to validate and sustain Guam's differentiated brand identity, continue to be a competitive destination, and ensure the long-term viability of Guam's tourism industry.

ECONOMIC DEVELOPMENT CHALLENGES AND OPPORTUNITIES¹



An analysis of the environmental factors or conditions that are relevant to Guam's prospects for economic development is a good starting point for evaluating the challenges and opportunities that are available to Guam. In this regard, several descriptors have been identified to describe key characteristics of the Guam economy: (1) a small island economy that is relatively open that is (2) currently lacking economic diversification but (3) endowed with natural resources and a (4) multicultural society. It is (5) an unincorporated U.S. territory (6) located strategically in Asia-Pacific. Each descriptor presents Guam with challenges and at the same time opportunities.

A. SMALL ISLAND OPEN ECONOMY

Small Domestic Economy

Guam's smallness can be measured in several ways. First is in terms of its small population, which is estimated to be around 180,000 people and, consequently, a small labor force of around 74,950, of which 64,970 (86.7%) are employed and 9,970 (13.3%) are unemployed based on the latest unemployment report in March 2011 (Guam Bureau of Labor Statistics). During stronger economic periods when labor demand exceeds the available labor force, Guam has supplemented its local labor force with those from the U.S., neighboring islands that are freely associated with the U.S., and the use of foreign workers.

Guam is also small in terms of economic size. The latest estimate of its overall economy, its Gross Domestic Product, GDP (also referred to as Gross Island Product, GIP) is for the year 2009 and valued at \$3.9 billion (U.S. Department of Commerce-Bureau of Economic Analysis, 2010). Per Capita Income for 2010 was \$12,864, a decrease of \$225 or 1.7% from calendar year 2008.

Guam's small population and relatively lower per capita income have prevented many businesses from achieving economies of scale and producing goods and services to local residents at lower prices. Not surprisingly, the cost of living on Guam is high but not different from other small island economies, including Hawaii. Guam's lack of economies of scale also presents challenges to autonomous government agencies that provide utilities and is also an obstacle from current efforts toward recycling, which have required recyclable materials to be gathered and then shipped off-island for recycling.

Guam's smallness also manifests itself in terms of its limited productive resources. The prospects of significant economic growth from the pending expansion of the U.S. military presence on the island have created expectations of shortage in available resources, including labor of different skills (including construction-related) as well as physical, social and institutional infrastructure. In

¹ This section is based largely on Ruane, Maria Claret M. (2011). "Economic Development Prospects for a Small Island Economy: The Case of Guam", *Journal of Economics and Economic Education Research*, forthcoming.

addition, the limited productive resources available to Guam can be viewed as both cause and consequence for the island's lack of economic diversification.

Open Economy

Like many small economies, Guam is a relatively open economy, especially in trade of goods and services. Guam imports around 36% of its GIP, showing a high dependence on imported supply but not quite common among small island economies in the Pacific. Guam's exports have primarily come from services to tourists, which account for 16.5% of its GIP (U.S. Department of Commerce-Bureau of Economic Analysis, 2010). The heavy reliance on tourism makes Guam vulnerable to external shocks that affect its main tourist markets, primarily Japan, including most recently the March 2011 earthquake and tsunami that devastated the northeastern part of Japan and led to a significant decline in tourist arrivals from Japan. These external shocks could also be positive for Guam such as the appreciation of the Japanese yen and Korean won against the U.S. dollar, which made tourism on Guam more affordable to Japanese and Korean visitors.

To some extent, Guam's openness applies to its labor market and migration, allowing for a free movement of labor among other island economies in Western Pacific which have free association with the U.S. (i.e. the Commonwealth of Northern Marianas, Federated States of Micronesia, Republic of the Marshall Islands and Palau) and the fifty states of the U.S. As already noted, this labor market arrangement has supplemented Guam's small labor force during times of high labor demand.

Island Economy

Guam is the largest island in the Micronesian region and is located in the Western Pacific region. Being an island is significant in that it implies some level of geographic isolation and distance from larger markets. It also suggests exposure to natural disasters such as typhoon, earthquakes and tsunamis.

Guam's smallness, openness and island-setting suggest benefits from attracting more resources, including foreign investments, which supplement its limited productive resources and also balance out the island's high imports. This descriptor of Guam, especially its implication for the lack of economies of scale, points to the absence of mass production of many products but suggests opportunities for niche markets and for small business participation. Although the government sector (a combination of U.S. Federal government agencies and local government agencies) continue to make up a significant share of the economy (48% of Gross Island Product in 2007, U.S. Department of Commerce-Bureau of Economic Analysis), the economy has made a notable shift toward a larger role of the private sector, including small businesses. Recent employment estimates show that 75% of jobs are provided by private businesses, 19% by the local government and 6% by the U.S. Federal government (Guam Bureau of Labor Statistics, December 2010). In terms of numbers, the private sector is comprised of 3,143 business establishments (U.S. Bureau of Census, 2007), with more than 90% of them classified as "small businesses" using the U.S. Small Business Administration definition.

B. LACK OF ECONOMIC DIVERSIFICATION

Guam's limited productive resources and lack of economies of scale prevent it from achieving the type of economic diversification that larger economies are able to enjoy. It would not be much of an over-simplification to view Guam's economy as a triad, comprised of three industries (tourism, military and local economy), or serving three groups of customers (tourists, military personnel and families, and local residents).

Tourism

Tourism was very strong in 2010, with approximately 1.2 million tourists who visited Guam (Guam Visitors Bureau, December 2010). As already noted, tourism decreased this year, largely to the lower number of Japanese visitors. Prospects for tourism-related economic activities are not optimistic for the remainder of the year. It is unfortunate that Guam's comparative advantage as an island is so heavily dependent on tourism, which happens to be very unstable because it is hostage to factors outside of Guam's control and to external shocks. Tourism is an industry that is very sensitive to the income of the tourists' origin economy (one of the first activities to be cut out when times are tough) as well as health and safety threats (9-11, SARS, H1N1, etc.). It is in many economies, not only on Guam, a relatively low-paying, low-productivity service sector with little opportunity for innovation. It also puts Guam in direct competition with neighboring islands as well as Hawaii, although Guam's national tourism organization, the Guam Visitors Bureau, has not fallen short of exploring ways to further develop and diversify the tourism sector. While these efforts must be recognized and encouraged, other viable economic activities should be developed to provide the island with an alternative source of income, especially during times when the tourism sector is on a decline.

Military

The military market is also significant in Guam. Expectedly, it claimed a larger share of the economy in the aftermath of World War II but has since decreased, although still notable. It usually reflects itself in construction and engineering services industries, although there are opportunities to get involved in military bases' maintenance and operation. The concern here is that decisions affecting the military presence on Guam are made externally, in this case, by the U.S. Federal Government, in consultation with foreign government(s). For instance, the U.S. and Japan entered an agreement in 2006 to realign U.S. military forces in Asia. Of particular interest to Guam is the proposal to relocate 8,000 military personnel and their families from Okinawa, Japan to Guam. Such military buildup on Guam was originally valued in excess of \$10 billion (2.5 times the size of the current Guam economy) and was originally planned to take place over a short four-year period, after which the military-related construction boom would be expected to decline. More recently, there has been uncertainty regarding the terms, magnitude and timing of this military buildup, in part due to the recent natural disasters in Japan as well as to new developments in the U.S. Congress. Much depends on the fiscal health of both the U.S. Federal Government and the Government of Japan, which initially agreed to share the cost of the military buildup on a 40-60 basis (approximately). Any delay of the military buildup will likely increase earlier estimates of costs.

Local Economy

The instability of tourism, the unpredictability of the military buildup and the inability of Guam to significantly influence both economic sectors have made the third sector, which caters to the local residents, the more attractive sector. This sector provides strong support for retail trade and many different services including health, education, financial, legal, etc. This is also the most promising area for the strong majority of local businesses, which are small businesses.

All of the above brings to light the importance of self-reliance: the need to rely on the local economy, to develop it by identifying new industries, to enhance its purchasing power so that it will be the engine of growth that propels the entire economy into a sustainable and participatory development path that improves Guam residents' standard of living.

Opportunities for economic diversification would include those products that have potential to be exported but Guam's territorial status and the high transaction costs (including shipping) have presented challenges in this area. The more realistic option appears to be on the import side of trade where a search for ways to produce goods and services locally to reduce the current dependence on imported supply offers more promise. As discussions continue regarding the prospects of new industries on Guam, it would be helpful for these discussions to be guided by what emerged to be truly important to the island community:

- Increase in the standard of living and ability to provide materially for families
- Smart management of the environment to ensure sustainability
- Resurgence of pride in indigenous culture and resources

and pursue those new industries that are not economically viable but also encourage:

- High productivity and value-added, intensive use of human capital and technology
- Use of "green" technology and practices, non-carbon printing and, if possible, carbon-reducing
- Intensive use of indigenous resources including human talents and local materials.

Efforts to replace imports in a cost-effective manner will provide a boost to the local economy. Assuming a spending multiplier of 1.5, one is able to illustrate how significant the economic impact would be of shifting 10% of what is currently imported to a local source in terms of an increase in GIP by 25% (or \$1 billion), an increase in the local government's revenue in terms of Gross Receipts Tax by 4% of \$1 billion (or \$40 million), and an increase in local jobs by 23% (or 14,000 jobs).

C. NATURAL RESOURCE ENDOWMENT

Guam's abundance in beaches, beautiful scenery, natural forests and marine life has made it an attractive site for tourism, military operations and for research and development. Opportunities exist in developing ecotourism that cater to all three segments of consumers, tourist, military and local residents. The availability of land, along with government incentives to use them

productively, points to a continuous evaluation of prospects for expanding the agricultural sector. Of course, as natural resources are used to support economic activities, there is a need for effective management of natural resources in order to preserve their quality and sustain their usefulness. Guam has a long history of community activism to ensure that uses of natural resources are kept in check.

D. MULTICULTURAL SOCIETY

Guam's population is composed of 37% Chamorro (Guam's native culture), 27% Filipino, 7% other Pacific Islander, 6% non-Filipino Asians, 7% Caucasian, 2.2% all others (Guam Bureau of Statistics and Plans, 2010). One advantage of having a multicultural society is that the island becomes a melting pot of different ideas and talents. It also possesses richness in culture, which provides opportunities to incorporate "experience" in tourism, and a greater understanding and appreciation for diversity. All of these create flexibility and economic resilience. On the other hand, challenges arise as they are many differing opinions, perspectives and approaches, thus making reaching a consensus more difficult and time-consuming.

E. UNINCORPORATED U.S. TERRITORY

Guam's status as an unincorporated U.S. territory is both a blessing and a curse. On the positive side, it provides an attraction for both tourists and foreign investors, who benefit from having an English-speaking population, the presence of U.S. legal infrastructure, an economically free environment to do business, a democratic political structure and the presence of labor protection (e.g., minimum wage laws). As a territory, Guam receives funds from the U.S. Federal government that finances a significant portion of its physical infrastructure that are conducive for business. Guam also uses the U.S. tax system and is able to keep taxes collected from local residents as well as from U.S. military personnel who are stationed on Guam.

The downside of being a U.S. territory includes limits on the economic policy tools available to local policymakers and economic planners. As regards fiscal policy, Guam has its own elected legislatures that make budget decisions, with a lot of flexibility on spending decisions but have less flexibility on making revenue decisions because the primary source of revenue (income taxes) are set to follow the U.S. Federal system. Unlike politically-independent economies, Guam has no monetary policy to use to effectively manage the local economy and is subject to decisions made by the Washington, D.C.-based central bank, the Federal Reserve. This policy limitation extends to currency matters and exchange rate determination. In addition, being a U.S. territory has made Guam ineligible to access financial and technical assistance from international organizations, resources that other countries have used to support their economic development. For better or worse, Guam's minimum wage laws have priced it out of the of many labor-intensive industries in nearby Asian economies, effectively limiting the number of possible industries it could develop and, to some extent, forcing it to look at higher-paying industries that often require higher levels of human capital.

F. STRATEGIC LOCATION IN ASIA-PACIFIC

Guam's location in the Asia-Pacific region has been described to be strategic, thus making it an attractive site for military operations. In fact, the 2006 military forces agreement between the U.S. and Japan is motivated largely by Guam's strategic location. This attractiveness to military operations brings with it both benefits and costs and hence requires a careful balance of these two effects. For example, the proposed military buildup on Guam has received numerous scrutiny from those in favor of it as well as those opposed to it that achieving the balance has called for a need for strategically pacing the resulting economic development (e.g., adaptive program management) in order to match up the required resources (infrastructure, human capital) with their availability. Evaluating the benefits and costs of the military buildup (as well as other proposals for economic changes) have brought to light the need for current, reliable and relevant socio-economic data and models that can be used to accurately estimate the benefits and costs of military (as well as non-military) proposals/projects and to serve as evidence for effective policymaking.

Guam's location puts it in close proximity to the dynamic Asian markets, with several of them within a 3-5 hour direct flight distance. These point to opportunities to enhance travel infrastructure, for example, to explore additional air routes between Guam and important regional markets, thus having the effect of increasing competition among air carriers and potentially making travel more affordable to local residents as well as to tourists. On the other hand, proximity to Asia brings with to Guam the challenge of competing with other tourist destinations in Asia. It also causes a leakage from the local economy as local residents travel to the neighboring Asian destination to shop at much lower prices and enjoy a wider variety of goods and services.

Table 19 summarizes the challenges and opportunities associated with each characteristic / descriptor of Guam's economy.

Table 19: *Summary of Challenges and Opportunities in Guam's Economic Development*

Summary of Challenges and Opportunities in Guam's Economic Development		
CHARACTERISTICS/DESCRIPTORS OF GUAM	CHALLENGES FACED BY GUAM	OPPORTUNITIES AVAILABLE TO GUAM
(1) Small, island, open economy	<ul style="list-style-type: none"> • Economic instability/vulnerability or exposure to external factors and external shocks • Small labor force and limited productive resources • Inability to engage in mass production has led to higher cost to operate business, provide utilities, recycle 	<ul style="list-style-type: none"> • Increased outward orientation with regards to tourism, imported goods and services, foreign investment and military hosting • Opportunity for niche markets and greater small business participation

Summary of Challenges and Opportunities in Guam's Economic Development		
CHARACTERISTICS/DESCRIPTORS OF GUAM	CHALLENGES FACED BY GUAM	OPPORTUNITIES AVAILABLE TO GUAM
(2) Lack of economic diversification	<ul style="list-style-type: none"> • Heavy reliance on three sectors: tourism, military and local economy and increase exposure to shocks that negatively affect at least one sector 	<ul style="list-style-type: none"> • Opportunity to explore new industries to supplement, complement and/or substitute existing industries • Opportunity to incorporate island community values to "designing" new industries
(3) Endowed with natural resources	<ul style="list-style-type: none"> • Need for effective management of natural resources 	<ul style="list-style-type: none"> • Opportunity for more ecotourism • Opportunity to further develop the agricultural sector and other natural resources
(4) Multicultural society	<ul style="list-style-type: none"> • Many different opinions and difficulty to reach consensus 	<ul style="list-style-type: none"> • Different ideas and talents, richness in culture, an understanding and appreciation of diversity, economic flexibility/resilience
(5) An unincorporated U.S. territory	<ul style="list-style-type: none"> • Limited economic policy tools • Ineligibility for international development assistance • Inability to compete directly with low-waged Asian countries in many labor-intensive industries 	<ul style="list-style-type: none"> • Opportunity to strengthen Guam's image as an attractive business/investment site and tourist destination
(6) Located strategically in Asia-Pacific	<ul style="list-style-type: none"> • Need for strategically pacing economic development • Need for current, reliable and relevant socio-economic data and models to accurately evaluate impacts of military and other economic changes • Direct competition with Asian markets 	<ul style="list-style-type: none"> • Opportunity to benefit from hosting existing and increased military operations • Opportunity to access nearby Asian markets and to enhance travel infrastructure

G. CONCLUSION

This section presented an in-depth evaluation of the environmental factors that affect Guam's economy and its future development prospects. Challenges and current realities were presented to see what might be obstacles to transforming Guam's economy but opportunities for future economic development were also highlighted to see what Guam's economy could be and where options are available. One thing is clear: the island community needs to make the choice to be willing to work collectively toward addressing the challenges in developing its economy and to

forging ahead. Perhaps an obvious point but one that is worth stating: Guam is not unique in as far as having to face challenges, but its population can distinguish themselves from those in many economies facing similar challenges in the way that it collectively responds to these challenges and to bring about improvements in their economic and social conditions.

ECONOMIC DEVELOPMENT GOALS AND OBJECTIVES



For years, strategies have been investigated to develop the economy, but Guam has yet to clearly define a strategy that it can be committed to, especially in light of having had a stagnant economy since 1996 and faced with the challenges associated with the impending military buildup.

This is an opportune time to seriously evaluate what economic development strategies might work well on Guam in terms of economic growth that would be sustainable for a long period (beyond the military buildup) and where the benefits would be shared more broadly on Guam. What is the way forward for Guam?

In July 2009, a vision for Guam was proposed: Guam CAN be the first Pacific Tiger. To turn this vision into reality is a well-thought out economic development strategy, the Pacific Tiger strategy.²

A. BACKGROUND

The Pacific Tiger strategy is a plan to move the island's economy and society forward. Although it borrowed some elements from economic tigers in Europe and in Asia, it has been written specifically for Guam. Hirsch, commenting on Ireland's economic growth in 2009, stated, "It went a totally different direction, getting into the globalization game and proving it could win."³ A similar theme can be voiced for Guam... "Guam's becoming the Pacific Tiger will not happen on its own. It will require a well-thought out, broadly supported strategy toward a sustainable and participatory economic development as well as a long-term commitment by leaders and by all to see the strategy through its completion."

Because of the surprisingly striking similarities between Ireland and Guam, after careful scrutiny, it appears that the strategies that had been used by Ireland represent nothing but "sensible policies" for enhancing economic growth. Guam can employ those elements of Ireland's strategy that worked, modify those elements that did not, and avoid those strategies that are now negatively impacting its economy. By doing so, Guam can transform itself into the Pacific Tiger. However, the road to becoming the Pacific Tiger would require strong leadership and political will toward deliberate policymaking and planning and making tough choices and the support and participation of the island community. Changes are always tough to make but are necessary. Timing is also very important since a delay in action is tantamount to a continuation of the current state, which

² Ruane, Maria Claret M., Anita Borja Enriquez & Vanessa Lee Williams (2009). The making of the Pacific Tiger: Lessons from the Celtic Tiger. Forthcoming in the *Journal of Economics and Economic Education Research* but can be accessed at http://www.uog.edu/admin/assetmanager/images/sbpa%20pcei/pcei%20technical%20report%20issue%204%20_the%20pacific%20tiger_%20070609.pdf

³ Hirsch, Todd (2008). Celtic tiger is caged: Lessons for Western Canada. Retrieved June 15, 2009, from http://www.cwf.ca/V2/cnt/commentaries_200811060906.php

deprives the community of the benefits of opportunities to improve Guam's livelihood and standard of living.

Why act now? First, Guam has momentum. The economy has been through a long period of stagnation since the 1990's, owing largely to BRAC in the early 1990s, the Asian crisis in the mid-1990s, and a number of natural disasters suffered in the 1990's and early 2000's. In addition, the impending military buildup has already provoked some serious dialogue and deep thinking by many in the community about the island's future socio-economic prospects.

Second, as the future continues to be discussed, a consensus has in fact been reached: that change is upon Guam – it is inevitable. In short, to resist change is already out of the question. It is no longer an option nor would it be a realistic response. However, discussion continues regarding the nature of the change that the island community would like to see happen on Guam and the choice on how best to respond to that change.

Third, although it would appear in discussions that Guamanians disagree a great deal, in the final analysis, Guamanians all want the same thing: for the island economy to develop in a sustainable and participatory way. Sustainability would require a balanced approach toward the smart use of island resources (natural, human, fiscal), the continued regard for culture and tradition, and the pursuit of economic development over a long period of time in order to provide ample opportunities for a steady increase in quality of life. Participatory development suggests a process of decision-making and taking actions that involve the entire island community since Guamanians are all stakeholders of the island's future. It also calls upon all Guamanians for hard work and sacrifice, from which benefits come and can be shared.

B. GOALS AND OBJECTIVES

The 2011 Guam Comprehensive Economic Development Strategy is based on the concept of economic tigers in general and on Guam becoming the first Pacific Tiger in particular. The Pacific Tiger strategy is based on six overall economic goals that are designed to bring about a sustainable and participatory economic development process for Guam:

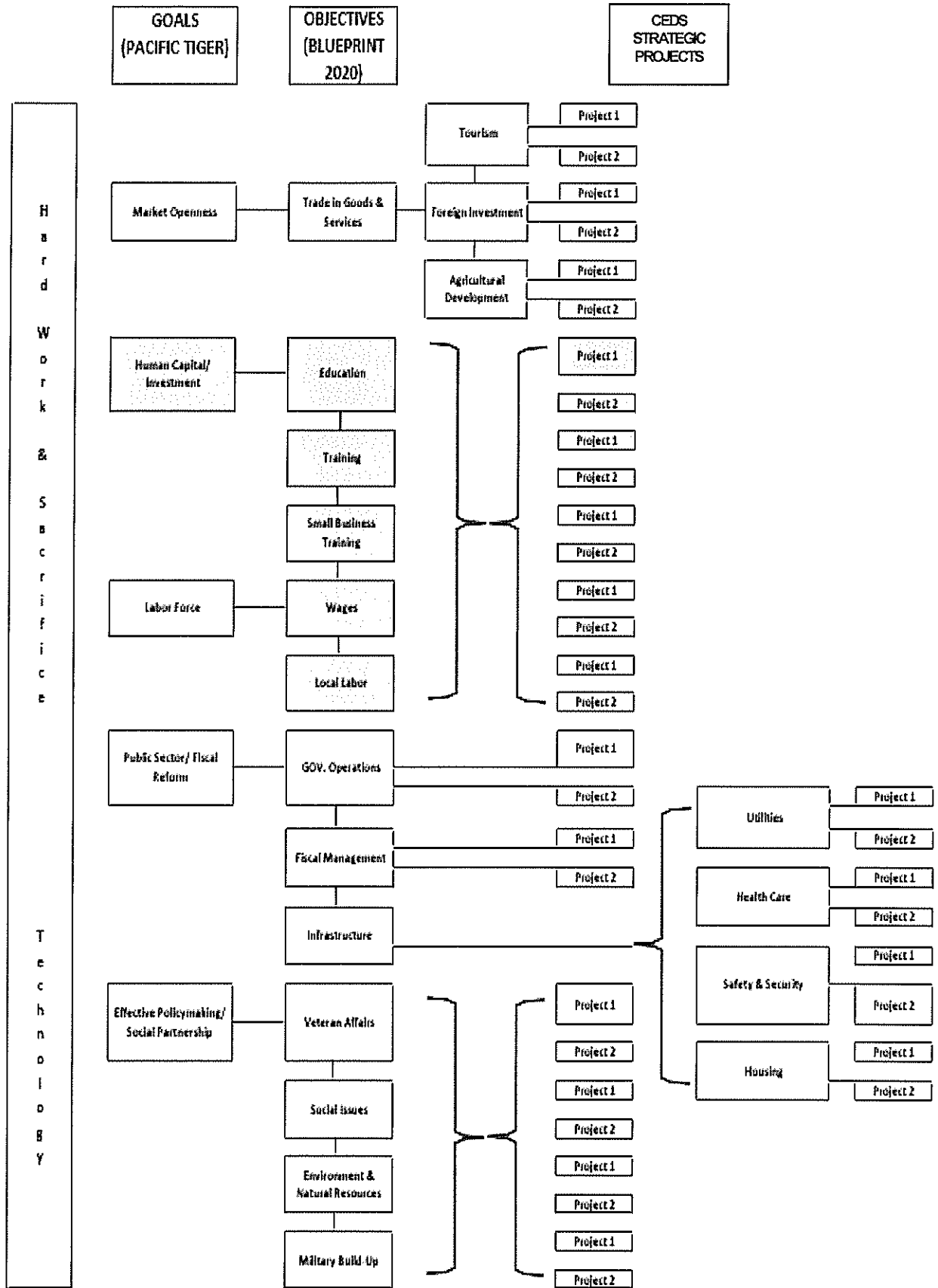
- *Openness of economy to global markets for goods and foreign investments*
- *Investment in human capital*
- *Availability of young, productive and creative labor force*
- *Public sector reforms and fiscal discipline*
- *Effective policymaking and social partnership*
- *Hard work and sacrifice*

It was first proposed in July 2009 and received favorable response from policymakers, local media, and the island community. The Pacific Tiger strategy found its strongest supporters in the current Calvo-Tenorio Administration whose economic platform "Blueprint 2020" provides details on how to begin the operations of the six Pacific Tiger goals into objectives in the following areas of concerns:

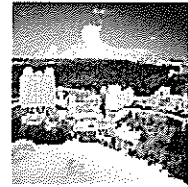
- *Trade in Goods & Services*
- *Education*
- *Training*
- *Wages*
- *Local Labor*
- *Government Operations*
- *Fiscal Management*
- *Infrastructure*
- *Veteran Affairs*
- *Social Issues*
- *Environment & Natural Resources*
- *Military Buildup*

The link between the Pacific Tiger goals and the “Blueprint 2020” objectives is summarized in Figure 2. Examples of projects that support them are schematically presented in the figure and are detailed in the Strategic Projects section of this report.

Figure 2: Linkage Between Pacific Tiger Goals, Blueprint 2020 Objectives and CEDS Strategic Projects



PRIVATE SECTOR AND COMMUNITY INVOLVEMENT



A CEDS Strategy Committee was formed to guide the development of the island's Comprehensive Economic Development Strategy. Individuals from a variety of industries, Government of Guam, the federal government, military-related businesses, civic and professional organizations and the education community were brought together to form the Committee. The individual members were selected based on their professional credentials and years of experience in their industry or field and their reputation as industry, government, business or community leaders.

CEDES STRATEGY COMMITTEE MEMBERS

The following individual representing Guam's public, private and civic sectors served as members on Guam's CEDS Strategy Committee:

- Robert "Bob" Barber, Jr., Farm Management, Marketing Specialist, University of Guam
- Manuel Duenas, President, Guam Fishermen's Cooperative Association; Member, Western Pacific Regional Fisheries Management Council
- Anthony Godwin, President, Guam Association of Realtors
- Dan Moffat, Chief Executive Officer, GTA TeleGuam
- Joaquin Cook, Vice President, Bank of Guam
- Tom Maxedon, Director, Marianas Cable Vision Business; Member, Guam Young Professionals
- Dana Gutierrez, Attorney, Mair, Mair, Spade & Thompson; Member, Guam Young Professionals
- Jessica Leon Guerrero, Managing Partner, Planate Management Group Guam LLC; Life and Group Benefits Manager at Cassidy's Associated Insurers; Member, Guam Young Professionals
- Andrew Mariano, Engineer, A&E Engineering; Member, Guam Young Professionals
- Beatrice "Tricee" Limtiaco, President, Guam Cornerstone; Member, Guam Young Professionals
- Sammy Sotelo, Strategy and Business Development Manager, Atkins Kroll;
- Noel Enriquez, Director, Micronesia Region, AECOM;
- Len Isotoff, General Manager of Guam & Micronesia, Matson Navigation
- Lourdes Sanchez, Sales & Marketing Manager, Continental Airlines
- David Leddy, President, Guam Chamber of Commerce
- James Martinez, President, Guam Contractors Association
- Bert Johnston, Education Director, GCA Trades Academy.
- Kenneth Lujan, Guam Branch Manager, Guam Small Business Administration
- Casey Jeszenka, Network Director, Guam Small Business Development Council
- Ramona L.E. Jones, Chief Operating Officer, Jones & Guerrero

- Joseph Diego, Area Director, US Department of Agriculture
- Anthony Barcinas, Business Program Specialist, Rural Development, US Department of Agriculture

These CEDS Strategy Committee members also represented the following professional and civic organizations:

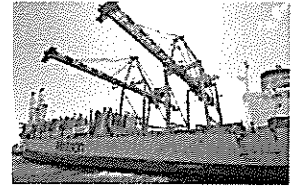
Professional Organizations

- Guam Chamber of Commerce
- Guam Contractors Association
- Guam Hotel and Restaurant Association
- American Marketing Association (Guam Chapter)
- Society for Human Resource Management (Guam Chapter)

Civic Organizations

- Rotary Clubs of Guam
- Lions Club International
- Red Cross
- Make a Wish Foundation

STRATEGIC PROJECTS



The 2011 Comprehensive Economic Development Strategy will be realized through the implementation of a series of specific projects. These projects are intended to address the core development objectives of the Six Point Action Plan and to meet both near and longer term objectives for Guam's economy. Each project was evaluated against Economic Development Administration's Investment Policy Guidelines and against Guam's needs.

A. EDA POLICY INVESTMENT GUIDELINES

The following are EDA's Policy Investment Guidelines criteria:

1. The proposed investments are market-based. The investment should capitalize on the community's unique regional assets and strengths to build comparative advantages for future business investment.
2. The proposed investments are proactive in nature and scope. The investment should support and advance innovation and increased productivity. It should enhance a community's success in achieving a high and rising standard of living.
3. The proposed investments look beyond the immediate economic horizon, anticipate economic changes, and diversify the local and regional economy. The investment should be part of an overarching, long term regional strategy that includes expanding existing industry clusters and developing emerging, new clusters. Investments should create the conditions for sustained productivity.
4. The proposed investments maximize the attraction of private sector investment and would not otherwise come to fruition absent EDA's investment. EDA should serve as a unique public sector source of "venture capital" to assist distressed communities that otherwise would be at a distinct competitive disadvantage in attracting the higher levels of private capital investment in facilities and equipment that drives the creation of higher skilled, higher wage jobs.
5. The proposed investments have a high probability of success. The investment should have high level of local matching funds; should have high degree of local political capital (support); should have significant commitment of human resources talent to ensure achievement; and should have strong local leadership.
6. The proposed investments result in an environment where higher skill, higher wage jobs are created. The jobs created or retained should have a higher than average wage and skill level than that of the community.
7. The proposed investments maximize Return on Taxpayer Investment. Investments should generate a return for the taxpayer by attracting private capital investment and high wage jobs that promote regional prosperity through consumer demand they create. Successful

economic development investments promote economic self-sufficiency; provide the resources for building safe, healthy, and attractive communities; and minimize poverty.

The following projects are presented in order of priority based upon an evaluation that was conducted of each project against EDA's Investment Policy Guidelines and against Guam's needs:

INFRASTRUCTURAL DEVELOPMENT: PREREQUISITES FOR ALL PROJECTS										
CEDS PROJECT		EDA Policy Investment Guidelines Criteria							Total	Priority
		1	2	3	4	5	6	7		
HIGH	Maritime Development	X	X	X	X	X	X	X	7	H
	Hågatña Revitalization	X	X	X	X	X	X	X	7	H
	Education Tourism	X	X	X	X	X	X	X	7	H
	Planning	X	X	X	X	X	X	X	7	H
	Agriculture	X	X	X	X	X		X	6	H
	Information Technology	X	X	X	X		X	X	6	H
	Green Technology	X	X	X	X		X	X	6	H
MEDIUM	Business Hub: Industrial Park	X	X	X	X	X			5	M
	Business Hub: Conference Center	X	X	X	X	X			5	M
	Business Hub: Cottage Industries	X	X	X	X	X			5	M
	Ecotourism	X	X	X		X			4	M
	Sports Tourism	X		X	X	X			4	M
LOW	Manufacturing & Exporting	X	X	X					3	L
	Financial & Legal Services	X					X	X	3	L

INFRASTRUCTURAL DEVELOPMENT: PREREQUISITES FOR ALL PROJECTS									
CEDS PROJECT	EDA Policy Investment Guidelines Criteria							Total	Priority
	1	2	3	4	5	6	7		
Medical Tourism	X					X		2	L
Film Industry			X					1	L

B. OVERVIEW OF INDUSTRIES AND DETAILS OF PROJECTS

HIGH PRIORITY

Maritime Development

The purpose of the Guam Fisherman's Cooperative Association's master plan is to establish goals by which the local fishing capacity could be enhanced. Guam imports on average, over \$30 million of marine-harvested food products a year. Nearly 75% of the imports are processed fish species available in the waters surrounding Guam.

Project Name: Construction of New Wharf and Land Reclamation

Situation Statement: The Base Realignment and Closure (BRAC) decision of '95 resulted in the closure of the former Naval Ship Repair Facility which was to have been transferred to the Government of Guam, thereby increasing wharf space by 3,251 linear feet. Navy has since decided to retain the lands, wharves and buildings associated with this facility due to the strategic value of Guam. In addition, the Navy has decided to dredge the inner Apra Harbor to accommodate additional vessels in 2006. This proposal is intended to create new wharf space at the Port Authority of Guam to replace those wharves that will not be returned under the Base Realignment and Closure (BRAC). The additional wharf space will be available for Navy use.

Objectives: Construction of new wharfage totaling 2,900 lineal feet and 3,000 lineal feet of reclaimed land at the Commercial Port of Guam under the auspices of the Port Authority of Guam.

Description: The Port Authority of Guam is developing architectural and engineering plans under a grant from the Economic Development Administration, for the construction of new wharfage totaling 2,900 lineal feet of sheet piles with tie-rods anchored to sheet pile dead-men, and 3,000 lineal feet of reclaimed land at the Commercial Port of Guam. Funding is needed for wharf construction and purchase and installation of cranes at the new wharf.

Anticipated Impacts and Benefits: Upon completion of the project, congestion at the Port would be alleviated, room for additional economic activity would be created, thereby generating additional

jobs. New wharf construction, especially in the proposed area which is characterized by deep water draft will also provide the U.S. Navy with the opportunity to utilize wharf facilities that can accommodate larger military vessels, such as aircraft carriers that cannot enter the inner harbor even after Navy's dredging project is completed.

Deliverable: 2,900 lineal feet of new wharf space; new cranes for cargo off-loading; and reclamation of 3,000 lineal feet of land for industrial development.

Timing and Responsibilities: Construction of the new wharf and installation of cranes will be completed within 36 months of receiving funding.

Budget: The project is estimated to cost \$35,000,000.

Project Name: Guam Fisherman's Cooperative Association Marina Authority

Description: To revitalize the Agat Marina and expand the Greg D. Perez Marina in Hågatña under a public-private partnership. Each marina will have a council (community-based oversight) to manage the marinas along with the GFCA Board of Directors.

Current Conditions: Both the Agat Marina and the Hågatña Marina have suffered numerous typhoons and years of neglect. The conditions are hazardous and the main concern is that the next major typhoon will not only destroy the docks but a large majority of the vessels as well.

Estimated Cost: \$7,500,000

Funding Source: GEDA Fishery Development Program/Department of Agriculture Sportfish Restoration Funds

Revenue Forecast: \$500,000 annually; user fees

Revenue Potential: \$15,000,000 for tourism and domestic activities annually

Project Name: Marina Development

Situation Statement: With Guam's current economic difficulties, there is a need to enhance economic opportunities within its fisheries industry through the expansion of marina facilities. The current facility is inadequate and is unable to withstand typhoon conditions. The construction of typhoon-proof docks and additional boat slips and services will enable Guam's marine tourism activities and its local boating and fishing industry to expand, flourish and prosper.

Objective: To design and construct a 150-boat-slip marina and shore-line facility to promote marine industry, stimulate job growth through the revitalization of Guam's capital city of Hågatña, and to promote long-term economic benefits that will advance Guam's efforts to diversify its economy and stimulate growth.

Description: The project has two phases. Phase I: The Hågatña Revitalization Authority, in conjunction with the Guam Fisherman's Cooperative Association, would issue a Request for

Proposals to contract the services of an architectural and engineering (A/E) firm to prepare the design for the marina and facility, prepare the Environmental Impact Statement (EIS), secure all federal and local permits, and serve as contract/construction manager during the construction phase of the project. Phase II: Construction of the 150-boat-slip marina and shore-line facility.

Anticipated Impacts and Benefits: The project will create additional jobs. In addition, the economy will realize \$25 million in annual revenue from tourism activities within the marina, alleviate over-crowding and provide for an opportunity for larger scale domestic commercial fishery, not to mention, global exposure as a marine activity destination.

Deliverable: The completion of an EIS and A/E design for the complex, the securing of all federal and local permits, and the construction of the facility.

Timing and Responsibilities: The Hågatña Revitalization Authority, in conjunction with the Guam Fisherman's Cooperative Association, will oversee the contracts for the Environmental Impact Statement (EIS), the A/E design, and the construction of the facility. The total project is anticipated to take 36 months to complete the A/E design and EIS, secure permits, and complete construction.

Budget: The project is estimated to cost \$4,500,000.

Project Name: Guam Fisherman's Cooperative Association Building Complex

Description: 20,000 sq. ft., 2-story building. GFCA headquarters, fish market, marina offices, multipurpose room, restaurant, snack bar, dive and tackle shop, and gift shop.

Current Conditions: The GFCA is operating out of a 1,200 sq. ft., 30-year-old rusted structure. The refrigeration and freezing systems are in need of upgrading. The processing room as well as the retail space are no longer adequate to accommodate the growth in membership and consumer base.

Estimated Cost: \$3,500,000

Funding Source: U.S. Housing and Urban Development (HUD) Section 108/GEDA Fishery Development Program

Revenue Forecast: \$10,000,000 annually

Project Name: Guam's Limited Entry Longline Fleet (5 Longline Ice Vessels)

Description: To establish a longline fleet to operate in Guam's waters. These vessels shall be limited to ice for on-board handling and storage of harvested fish. This project shall assist in capacity building of the domestic fishery and provide the community with fresh, locally harvested fish.

Current Conditions: There are no vessels operating out of Guam. The foreign vessels currently fish in outside areas.

Estimated Cost: \$1,750,000

Funding Source: GEDA Fishery Development Fund

Revenue Forecast: \$2,000,000 annually

Growth Potential: 5 vessels by year 2015

Project Name: Marine Small Loan Revolving Fund

Description: Establish a revolving low-interest loan fund to assist small-boat fishermen with making necessary repairs to their vessels or purchasing needed equipment.

Current Conditions: No such program exists, resulting in fishermen obtaining loans from institutions other than recognized banks. Often the interest rates are cost-prohibitive that fishermen either lose their vessels or quit fishing altogether.

Estimated Cost: \$500,000

Funding Source: GEDA Development Program

Revenue Forecast: Fishing ability \$5,000 to \$50,000 based on reduced down fishing time. 100 x \$5,000 = \$500,000

Project Name: Multipurpose Vessel Development

Description: To establish a vessel that is able to perform multiple missions. To establish a baseline survey of Guam's off-shore seamounts and other research programs. This vessel could augment the rescue operations of the Guam Fire Department while fostering support and development of the community-based fishery.

Current Conditions: The Guam Fire Rescue and the Guam Police Harbor Unit both have multiple missions and often responding to none life or death requests may conflict with a more serious request. The services also are limited in range which also limit the fishing areas. The community lacks the ability to further explore or address the scientific concerns.

Estimated Cost: \$500,000

Funding Source: GEDA Fishery Development Fund

Revenue Forecast: \$200,00 annually

Growth Potential: 2 vessels by year 2015

Project Name: Guam Domestic Fisheries (Inclusive of Aquaculture and Domestic Ocean Fisheries)

Situation Statement: Guam's domestic ocean fisheries consist of a few hundred small-scale fishermen operating personal trolling and bottom fishing boats. The Guam Fisherman's Cooperative Association coordinated the maiden efforts of this industry and grosses approximately \$1.5 million annually. A key issue for Guam fisheries identified by the Western Pacific Regional Fisheries Management Council is that there are no domestic purse seine operators. Guam's aquaculture fisheries operate mostly on a small-scale basis and consist of roughly 100 farmers, with less than 25 farmers comprising the most of the \$300,000 to \$750,000 in gross annual sales. The main species farmed are tilapia, freshwater shrimp, catfish and milkfish. Information is difficult to obtain due to the seemingly uncoordinated efforts of the farmers and lack of technical business expertise.

Objective: Diversify the Guam economy and create jobs uncorrelated with tourism and military spending.

Description: Identify assistance needs of the industry; facilitate needed financing of projects; coordinate outreach to remote farmers and fishermen; assist in compliance with federal environmental regulations.

Anticipated Impacts and Benefits: There is capacity for increase of Guam's ocean fisheries. The opportunity for the development of a Guam longline fleet, the further development and increased capacity of the Guam Fisherman's Cooperative Association are a few possibilities. This industry is underutilized and Guam relies heavily on imported seafood. There is also much room for development in Guam's aquaculture industry. Farmers can take advantage of technical advice and business expertise provided by the development of this facet. The low cost of entry into this industry makes this a viable opportunity.

Deliverable: Develop and implement a fisheries feasibility study.

Timing and Responsibility: 24 months by GEDA, the Guam Fisherman's Cooperative Association, and Guam Aquaculture Growers Association.

Budget: The project is estimated to cost \$200,000.

Hågatña Revitalization

Discussion: The city of Hagåtña has served as downtown, a central location for the Chamorros - the indigenous people of Guam - dating as far back as the sixteenth century before Spanish settlers arrived on Guam. As its capital, Hagåtña serves an important role as the center of government. In 1668, Padre San Vitores, a Spanish missionary, was instrumental in establishing the first Spanish (Catholic) church in Hagåtña, forcing most of the indigenous population of Guam to relocate to the city.

Hagåtña has been the capital of Guam since the Spanish-American War of 1898 when the United States captured Hagåtña from the Spanish. The result of World War II, from the Japanese

occupation of Guam to its recapture by the U.S. military, left many of Hagåtña's historical sites and the city itself damaged. However, there are still a number of historical monuments and remains that can be viewed, including sections of buildings left over from the time of Spanish rule, such as the Plaza de Espana near the cathedral of the Archdiocese of Agana, and Latte Park, where visitors can see pre-Spanish stone pillars referred to as Latte Stones. The devastation of the city, however, forced the once most populated village prior to World War II, to the least populated area that serves primarily as a center for government and business.

In the past decade, many loosely related efforts have been made towards the redevelopment of the once vibrant capital. A serious commitment towards the need to restore and redevelop Guam's capital was first codified in Guam Public Law 24-110, known as the Hagåtña Restoration and Redevelopment Act ("the Act"). The Act created an autonomous agency, the Hagåtña Restoration and Redevelopment Authority ("HRRA"), to carry out the purposes of the legislation. Other government agencies have also addressed redevelopment efforts for Hagåtña. The Guam Economic Development Authority, charged with economic development initiatives for Guam, has directed redevelopment efforts toward Hagåtña, via Kottura. The Guam Visitors Bureau, responsible for developing Guam's visitor industry, has also addressed the development potential of downtown Hagåtña. Additionally, market forces evidenced through private organizations such as the Guam Chamber of Commerce, have made it a priority in recent years to redevelop the flailing downtown as a counterpoint to the tourist attraction of Tumon.

The Hagåtña Restoration and Redevelopment Act, Title 21 Guam Code Annotated Chapter 79, was enacted with the dual intent to protect and promote restoration and development of Hagåtña. The overarching concerns for protection of downtown were to remedy the injurious conditions of homeless in the area and the poor subdivision and zoning layouts of the village that had led to serious deterioration and disuses. The intent to redevelop Hagåtña was simply stated so that it would be better put to public use and purpose. Projects included towards these purposes include the alteration, improvement, modernization, reconstruction, rehabilitation, or any combination of these, of existing structures in Hagåtña. It also calls for the provision for open-space types of use, such as streets and other public grounds and space around buildings, and public or private buildings, structures and improvements, and improvements of public and private recreation areas and other public grounds. Also included is the re-planning or redesign or original development of areas in Hagåtña as to which either of the following conditions exist: (1) The areas are stagnant or improperly utilized because of defective or inadequate street layout, faulty lot layout in relation to size, shape, or accessibility, or usefulness, or for other causes; and (2) The areas require re-planning and land assembly for reclamation or redevelopment in the interest of the general welfare because of widely scattered ownership, tax delinquency, or other reasons.

Within the same act, it cites that the Guam Legislature deems a fundamental purpose of redevelopment is to expand the supply of low- and moderate-income housing, to expand employment opportunities for the jobless, underemployed, and low-income persons, and to provide an environment for the social, economic, and psychological growth and well-being of all citizens.

The Hagåtña Restoration & Redevelopment Authority, a public corporation and autonomous instrumentality of the Government of Guam, was established to carry out and perform the purposes and provisions of Chapter 79, except the power to levy and collect taxes or special assessments. It

is charged to develop a Plan to carry out the purposes of Chapter 79, to include the planning, preparation, development, construction, acquisition, lease disposition, reconstruction, improvement, alteration, extension, repair, maintenance and operation of the Hagåtña Restoration and Redevelopment Project; shall include the terms and conditions for the reuse of the properties; shall include standard of eligibility for ownership or occupancy of housing, dwellings and facilities; shall include installation, construction or reconstruction of streets, utilities, parks, playgrounds and other public improvements. In developing the Plan, according to public law, the Authority is authorized to conduct surveys, appraisals, surroundings, test borings or any other technical investigations.

A draft Hagåtña Land Use Plan 2006 served as an important part of the broader planning process in the Hagåtña Restoration and Redevelopment Authority's (HRRA) Hagåtña Master Plan effort. The Land Use section of the plan focuses on the arrangement and types of land use types, their impact upon the environment, and relation to community development. This is opportune, in light of the potential to expand Guam's tourism base by capitalizing on the Hagåtña attraction as a historic center of religion, government and cultural heritage. Many existing land uses in Hagåtña, however, do not comply with Guam's Zoning Law.

Another serious effort towards the restoration or revitalization of Guam's capital is through a proposal developed by the Guam Economic Development Authority, entitled *Kottura: Cultural Destination Development*. This document has a threefold focus which addresses economic development, cultural preservation, and artistic accessibility. It is intended to convert Guam's downtown area to a cultural destination for residents, visitors, and tourists. It is designed to integrate economic zoning in its layout, which will then provide incentives to entice businesses to locate or relocate to Hagåtña.

Another strategic view of Downtown Hagåtña's restoration is captured in the Guam Visitors Bureau's Five Year Strategic Plan (2007). It cites the need to execute the Hagåtña Master Restoration Plan. According to this document, Hagåtña, the seat of government for over 400 years during the Spanish, U.S., and eventually Guam's elected government administration has deep rooted historical and cultural significance. The document implies that the city of Hagåtña should be developed not only as good counter-balance to Tumon's attractiveness but also, more importantly, for the people of Guam to regard their capital city as one of the most beautiful capitals in the world. Further, it proposed a partial list of the many significant landmarks and visitor attractions to be highlighted in Hagåtña.

Hagåtña's restoration offers the following:

- Creation of another village attraction to complement Tumon
- Historical significance of Guam's capital city
- Home of colonial Spanish government
- Cultural and social center of pre-war Guam
- Location of Governor's Office, Legislature, Supreme Court
- Location of U.S. District Court, U.S. Post Office, and other Federal offices
- Government House overlooking Hagåtña skyline
- Houses most of Government of Guam offices
- Site of the Catholic Archdiocese of Agaña

- Site of Dulce Nombre de Cathedral-Basilica Catholic church
- Establish a historic walking tour of Hagåtña with interpretive signage
- Has many historic preservation sites
- Future home of Guam National museum
- Historic sites, parks, cemeteries, and monuments
- Y Seng Song Chamorro and Wednesday night market
- Hosts many shopping and dining establishments.

A recent initiative to restore Downtown Hagåtña is to capitalize on its unique package of historical sites. The launch of the Hagåtña Heritage Walking Trail, which comprises 17 historical sites, in March 2010 is hoped to transform what one person coined a “ghost town” to a bustling center. One way of restoring the capital city of Hagåtña is by bringing back government agencies downtown. The 2.5 mile Hagåtña Heritage Walking Trail is anticipated to provide economic stimulus through increased local government revenue, through tourists who spend an extra half day to experience the walk. This will be a result of increased hotel and tax revenues.

There are many attributable factors for the stalling of revitalization efforts. The anticipated military buildup on Guam has surfaced is the highest priority with the local government, given the need to prepare the island’s infrastructure for a 40 percent population growth and resulting social-cultural, economic, and environmental impacts to the civilian community. However, it is these very same factors that necessitate more immediate action for implementation. One of the problems may have been that there was a lack of direction in which way to move. Government intervention, by its very nature, is not market driven. It seeks to drive the market. However, it is still necessary to know what the demand is in order to meet the supply. Therefore, a study gathering informational/generational/xxx factors was necessary to provide the impetus for revitalization.

Education Tourism

Discussion: Education tourism is a fairly new phenomenon as a revenue option, but it is beginning to gain a great deal of universal popularity. It is the concept in which students travel to other academic institutions to study abroad. It is similar to student exchange programs yet much more expansive since it encapsulates bringing revenue to the economy as a whole rather than just to the sponsoring institution. Education tourism has grown into an industry that is highly marketed and sold as an overall attractive package promising education, culture, travel, and recreation. Travelers spend money for leisure activities, food and beverage, housing, and shopping.

Currently, tourism in general is a market that earns billions of dollars per month. According to the Department of Commerce, International Trade Association (2011), 55 million people traveled to the United States and spent over \$11.4 billion in the month of November 2010 alone. The top five places in which visitors are coming from, listed in order of precedence, are People’s Republic of China (excluding Hong Kong), South Korea, Brazil, Australia, and Argentina. In an analysis report that compares monthly and year-to-date figures of current to previous year, there is consistent percentage growth in travelers to the U.S. as well as visitor spending. These figures are reflective of registered, non-resident, countries with double-digit increases to the U.S. as compared to the previous year. Clearly, there is an evident market and demand for this industry

with tons of potential for growth and development. Additionally, there are opportunities for specialized or niche tourism markets such as education tourism.

Economists and analysts have forecasted very positive growth statistics for inbound travel to the U.S. It is anticipated that the U.S. will return to positive growth mode in 2010 and continue to increase six to nine percent throughout 2015. This rebound will definitely offset the five percent decline in 2009, which marked the first decline since 2003. The forecast for 2010 through 2015 predicts that international travel will attract 83 million visitors, which would be a 51% increase from 2009-2015. Increases are expected to come from China (40%), Brazil (35%), Korea (35%), Hong Kong (27%), New Zealand (24%), and Australia (19%). These trends were prepared by the staff of the Department of Commerce, Office of Travel and Tourism, using economic, demographic, social factors, historical visitation trends, input from overseas staff, and other numerous and varied sources. Visitor spending is not forecasted but typically moves in the same relative direction as changes in visitor arrivals.

Just as tourism is increasing and forecasted to continually increase in the U.S., the same can be expected for Guam. In fact, it is plausible to speculate that this increase will be phenomenal for Guam since it is a highly desired location for experiences in tropical weather, ethnic heritage, local foods, and customs. It is less populated than the more common destinations such as Hawaii and we have the privilege to offer pristine beaches as well as a warm, unique, culture. According to the Guam Tourism Economic Impact report, a summary of the key findings state that the total spending in 2005 was \$1.15 billion in revenues. There are further details of this figure as it is analyzed by direct, indirect, and induced spending as well as expenditure categories of transportation, lodging, food and beverage, shopping, and entertainment. Specifically and more pertinent to this research, a total of \$26.8 million was spent in education and health services. This figure certainly provides support that there is a noteworthy economic impact and value-added service we can further develop for Guam. Moreover, according to the recent Calvo-Tenorio Blueprint 2020, there is notable interest from leaders to capitalize on this potential market for Guam. Calvo-Tenorio's (2010) plan states the following:

Education Tourism: We must work with the University of Guam and explore the potential of partnering with Asia to market educational exchange programs. We must also explore the potential of establishing Guam as a destination for learning English as a second language (ESL) for Asian markets.

Planning

Project Name: Consolidated Survey Center

Description: The University of Guam's Consolidated Survey Center will serve as a comprehensive technical assistance center that will provide assistance to key local government agencies who regularly collect data for the purpose of reporting, evaluation, and support of technical assistance studies on Guam and to the Guam State Data Center.

The objective of this project is to assist in the modernization of the Guam State Data Center and the Government of Guam's data collection efforts. The Consolidated Survey Center will establish agreements and provide technical assistance to key local government agencies that are responsible

for collecting and reporting data, but that require enhanced capacity to keep data current, conduct surveys, and make readily available regular reports and/or studies that support policy development and planning at all levels.

The Consolidated Survey Center will provide technical assistance to the Guam State Data Center and to other data generating and reporting entities. This technical assistance can include assistance in automating the data collection efforts by various entities in order that they can transmit electronically their data to the Guam State Data Center in real time. It includes providing technical assistance in the develop and design of a web sites that hosts all data products produced by the Government of Guam, including the State Data Center's web site that data users can readily find and access data products in one location. It includes providing statistical analysis. Lastly it includes providing data survey assistance for collecting and reporting data.

Anticipated Impacts and Benefits: A modernized State Data Center will ensure more current and reliable data sets and regular reports that the community and the public can readily access. Approximately 14 direct and indirect jobs will be created through leveraged trained capacity from the University of Guam.

Deliverable: The Guam State Data Center will have a modernized, automated collection of current economic, demographic, social and environmental data that is readily available to data users. Data products that included indepth analysis will be readily available. Entities that lack capacity to conduct surveys will be able to have them conducted through the Consolidated Survey Center.

Budget: The project is estimated to cost \$500,000.

Agriculture

Objective: To further develop Guam's agriculture industry through organization and expansion of current resources and the introduction of new technology.

Discussion: Guam has traditionally been an agricultural society. Ironically, Guam now imports a majority of its agricultural products. There are still a good number of farmers on island and there has also been a movement and renewed interest in aquaculture and mariculture. P.L. 30-228 provides an authorization for bond funding, "for the design and construction of a Guam Farmers Cooperative Association facility and the relocation of the Dededo Flea Market."

Strengths:

- Large domestic market for farm-raised products
- Farming and exporting are favorable for Guam as it is a domestic U.S. port
- Farming experience with vegetable and fruit crops
- Existing facilities, such as the University of Guam's Hatchery at Fadian Point and other farms around Guam
- Guam is duty-free (import and export)
- Tax incentives are available
- Tropical climate is conducive to farming

Weaknesses:

- Funding
- Centralized distribution
- Limited technical expertise
- Limited government support
- Limited acreage/resources

Opportunities:

- Increased demand due to population increase and transportation costs
- New farming technologies (e.g. hydroponics)
- Growth opportunities include domestic market, hotel and restaurant network, and export (American markets)

Threats:

- Regulatory concerns
- Collaboration of all parties involved
- Inclement weather
- Increased competition from established markets and nearby upstarts
- Sustained funding

Recommendation: Continue the development of agricultural cooperatives to their fullest potential by providing funding and support. Promote expansion into new fields and technology in agriculture, with the cooperation of the UOG College of Agriculture and the Department of Agriculture.

Information Technology

Project Name: Telecom Industry Training Program

Situation Statement: To insure Guamanians benefit from the development of the telecom industry as expected as a result of other proposed telecom projects, a training center would be established jointly at the University of Guam and the Guam Community College to accommodate the various levels of skills necessary to fulfill the needs of the IT and telecom industries that will surely develop in the immediate future.

Objectives: Obtain a funding source to conduct a program development study that would identify the program training needs in the telecom industry and prescribe a step-by-step program to accommodate those needs, utilizing the training environment and facilities currently available at the local college institutions mentioned above.

Description: Issue a request for proposal (RFP) to obtain the services of a consultant to develop the program development study. Assess the University of Guam and Guam Community College's contribution to providing technical assistance in this type of industry, conducting applied research, and disseminating program results.

Anticipated Impacts and Benefits: Project would create 50 - 100 certified technicians.

Deliverable: Program Development Study for the proposed Telecom Industry Training Program.

Timing and Responsibilities: The selected consultant would be required to complete the project within six (6) months from time of grant approval.

Budget: The project is estimated to cost \$205,000.

Project Name: Regional Software Support Center

Situation Statement: Interest has been raised by several U.S.-based software companies interested in exploring the possibility of using Guam as a hub for their software support and marketing activities. These companies have existing clients in Asia and would like to use Guam as a software support center for these clients. Guam needs to assess the potential for this type of activity.

Objective: To assess the potential for this type of activity and to evaluate the benefits and costs for the development of such an industry.

Description: Feasibility study and cost-benefits analysis for the development of Guam as a center for software support for U.S.-based software companies doing business in Asia.

Anticipated Impacts and Benefits: Creation of jobs in the field of information technology.

Deliverable: A report analyzing the feasibility of such an endeavor, inclusive of costs and benefits.

Timing and Responsibilities: As interest has been expressed, Guam needs to complete this study in 6 months.

Budget: The project is estimated to cost \$150,000.

Green Technology Research, Development and Manufacturing

Objective: To market Guam as a destination for the research, development and manufacturing of green technologies.

Discussion: The need to reduce the usage of energy, water and waste has prompted the need to look into green technology. Projects that involve ocean thermal energy conversion, solar power, and the use of environmentally responsible building materials help reduce energy usage and the depletion of Guam's limited natural resources. Promoting the research, development and manufacturing of green technology on island would not only reduce consumer costs for energy, but may provide regional exporting opportunities for Guam.

Strengths:

- Promotion of economic development activities in the research, development and manufacturing of green technology
- Guam's proximity to the Northern Mariana Islands, Federated States of Micronesia, and Asia should exporting become feasible

Weaknesses:

- Lack of professional personnel on island to fill the manufacturing and research positions
- Prevailing wage requirements versus other regional and Pacific Basin wage scales
- Cost of transporting and maintaining specialized machinery

Opportunities:

- The lack of competition increases success of venture
- The need to retrofit homes and offices with energy efficient materials
- Creation of jobs
- GEDA Qualifying Certificate available for manufacturing

Threats:

- Sourcing of similar products abroad at lower prices may undercut the market for locally produced goods

Recommendations: GEDA and the Guam Energy Office should work collaboratively and attend international trade expos focusing on renewable energy or green technology, and market Guam as a destination for the research, development and manufacturing of green technologies in the Asia-Pacific region.

MEDIUM PRIORITY

Business Hub

Project Name: Industrial Park

Discussion: 12 GCA Section 50103(h) provides that the Guam Economic Development Authority (GEDA) is authorized to obtain land owned by the Government of Guam as required to carry out its purposes and objectives, under such terms and tenures as the Legislature through appropriate legislation may prescribe.

Since the 1970s, GEDA has managed three industrial parks, the E.T. Calvo Memorial Park, the Harmon Industrial Park and the Cabras Industrial Park, and then in the late 1990s, the Guam Shipyard. Annually, on average, the leases on these properties have generated about 740 jobs, \$21.7 million in gross payroll, over \$55.7 million in gross sales and \$2 million in Gross Receipts Tax. Leveraging GEDA's Industrial Park Program in 2006, GEDA's Real Property Division engaged in a management Memorandum of Understanding (MOU) with the Guam Ancestral Lands Commission (GALC) to lease and manage 135 acres of Spanish Crown properties. As a result of this management agreement, for the period October 2007 to February 2011, GEDA leased 49 acres and collected \$768,882 in ground lease and participation rents of which \$656,719 was remitted to GALC, while the balance was retained by GEDA as provided for in the MOU. Remaining properties will be leased as the market improves. GEDA is currently looking into similar management agreements with other GovGuam agencies with land inventory that could generate lease revenues at fair market value rates.

Some of the services provided by GEDA's Real Property Division include:

- Management of leases and licenses
- Evaluation of real property opportunities
- Advertising availability of properties for commercial leases and licenses
- Evaluation and negotiation of lease agreements

Project Name: Conference Center

Discussion: With the construction of a small conference facility that can accommodate 1,500 to 2,500 conference attendees, Guam has the ability to compete and market the island to companies and organizations throughout the Pacific Asia region. This offers job opportunities in destination marketing as well as conference planning and event coordination.

Project Name: Cottage Industries

Consolidation of miscellaneous business opportunities that may not have an impact on the island but have the potential to create business niches and small business opportunities.

Ecotourism

Discussion: Ecotourism is a growing segment of the global tourism industry that is making significant positive contributions to the environmental, social, cultural and economic well-being of destinations and local communities around the world. It offers long-term solutions by helping protect natural and cultural heritage. It appeals to travelers of all ages who are interested in social, economic and environmental sustainability. These travelers seek authentic local experiences and opportunities to give back to the communities they visit.

During a PATA Micronesia chapter quarterly membership meeting, Duncan Morris, CNN vice president of research, presented some significant highlights of a 2006 CNN Guam Tourism Survey. Most respondents (50% or higher) were aware of Guam's beautiful beaches and scenery, and agree that it is a desirable destination for diving. However, most did not know that Guam is eco-friendly, good for hiking, rich in culture/heritage, and has good food. Sustaining or growing Guam's market share will be difficult in the future as other competing destinations increase in number and marketing sophistication. The proliferation of many beach and cultural destination resorts in the Asia-Pacific region pose a challenge to Guam. To meet the challenge of existing and emerging destination competitors, Guam must deliver a brand promise supported by destination improvements.

Tumon is the center of leisure activity on the island. It is internationally recognized for the white sandy beach and blue waters of Tumon Bay, and the variety and quality of activities and attractions available to visitors. For instance, the Guam Zoological, Botanical and Marine Garden (better known as Cushing Zoo) is located in the heart of Tumon, surrounded by a high-rise hotel on one side and a high-rise condominium unit on the other. Despite the difficulties of its location, Cushing Zoo owners have worked hard to maintain the tranquil setting. A large variety of Guam's indigenous species of plants and animals can be found here, including some marine life. Gun

Beach lies north of Tumon Bay. Although less developed than Tumon Bay, it is a good getaway for those who do not mind less traveled spots. Fai Fai (part of Gun Beach) is a private eco-cultural retreat that features a beautiful sandy beach, a reef worth snorkeling, and coconut trees for shade. For an even more isolated beach experience, low tide allows for a trek around the rocks at the north end of Gun Beach.

In addition, Gun Beach will now be the home of Lina'La, a new cultural and eco-adventure park. Mark Baldyga, owner and founder of Tumon's SandCastle entertainment complex, wants to bring a unique tourist attraction that showcases Guam's culture. "This is a living, interactive, highly immersive, very exciting Chamorro cultural center," Baldyga said. The highlight of the project will be the "living village" that will resemble an ancient, pre-contact village. The park will also include a history and nature eco-walk along an outdoor trail, building that will feature artifacts and a theater, exhibits of animals native to Guam, Chamorro cultural demonstration area, and proa canoe rides. Furthermore, the cultural park will include a beach bar, volleyball court, and zip line from the top of a hillside behind the cultural park for thrill seekers. The extensive archaeological work on the project has contributed to a two-year time frame for the project. According to Baldyga, the clientele for the beach bar will mostly be local, while the demographic for the cultural village and eco-park will be off-islanders and tourists.

Visitors may opt for eco-cultural attractions located in the northern and southern area of Guam as well. Ritidian Point lies on the northernmost tip of Guam and is the sight of the Guam National Wildlife Refuge, which is dedicated to the conservation of Guam's indigenous animals and plant life. This 772-acre refuge consists of 371 acres of native limestone forest, home to the endangered Mariana fruit bat, and 401 acres of marine habitat for the endangered hawksbill and green sea turtles. Visitors can arrange a guided tour of the limestone forest and caves where ancient Chamorros once lived and decorated cave walls with petroglyphs (cave drawings). Ritidian Point is also open to the public for fishing, picnicking, swimming, and snorkeling.

The Guam Historical Village at Gef Pa'go Park in Inarajan is known for its buildings made solely of natural materials. Bamboo and other woods serve as pillars of many shelters, each topped by a traditional thatched palm roof. Visitors can learn about Guam's history and culture through exhibits, dances, and demonstrations. For instance, demonstrations reveal how natives use coconut for something more than just food. Talofofu Falls Park is another favorite day-long excursion for the entire family. Ugum River waters cascade into a deep pool framed by steep bluffs and level rock ledges. There is a cable car to transport visitors while enjoying stunning views of the landscape. In addition, there is a museum, wild pigs and geese, children's rides, and a replica of Sergeant Shoichi Yokoi's cave. A leisure boat ride through Talofofu River can expose visitors to more of the island's beauty. Family and friends can explore the jungle and creatures that use it as their natural habitat. The Jungle River Boat Cruise will take visitors to the ruins of an ancient Chamorro village, and they will be able to enjoy demonstrations of traditional craft making.

Guam has an array of accommodations including luxury hotels and resorts that have the latest in amenities, including boutiques, restaurants, swimming pools and water parks. Hilton, Westin, Hyatt Regency, Outrigger, Nikko, Marriott, Pacific Islands Club, and other international and regional hotel chains have beach front properties on the island. Visitors can also stay at the Guam Garden Villa, Guam's only licensed bed and breakfast establishment located in Ordot. It is a

unique form of travel accommodation because it provides guests with an opportunity to meet people from Guam who are happy to share their home and knowledge of the island. Guests have free access to living and dining areas, patios, and garden grounds where there are exotic fruit trees, such as mango, banana, jackfruit, sour sap, breadfruit and coconut. Although Guam currently offers a number of eco-cultural attractions, it lacks unique travel accommodations like the Guam Garden Villa B&B Homestay where guests are fully immersed in the cultural and environmental life of Guam. As ecotourism continues to establish itself in the global economy, the demand for environmentally sound lodging facilities like ecolodges is at an all time high. Ecolodges enable the visitor to interact with the natural and cultural surroundings of Guam.

Sports Tourism

Objective: Develop Guam as a destination for sports tourism

Discussion: Guam's temperate climate encourages major sports teams throughout Asia to visit for spring training exercises, as well as an opportunity for the enjoyment of outdoor sports on a year-round basis by locals and visitors alike. In an effort to promote such activities, the University of Guam (UOG), in cooperation with the University of Guam Endowment Foundation (UOGEF) have embarked upon the development of an outdoor multipurpose sports complex. The UOG physical master plan calls for a UOG Sports Complex to meet the physical education, athletic and sports needs of the UOG student population, general public and international athletes. The site for this development is a parcel directly adjacent to the UOG Fieldhouse. Outdoor sports, such as football, soccer, rugby, track, tennis, baseball, softball, volleyball and basketball are envisioned to be accommodated at the UOG Sports Complex. The direct adjacency of the existing UOG Fieldhouse and its amenities, such as locker rooms, weight and aerobic rooms, meeting rooms and a 4,000-seat Fieldhouse complement and enhance the viability of this project.

Strengths:

- Guam's temperate climate, adjacency of the proposed Sports Complex to the existing Fieldhouse, passage of P.L. 27-130 that provides seed funding via the issuance of \$1 million in tax credits should be sufficient for the A&E design and construction of the first phase of the project.
- Existing recognition of Guam as a venue for training and the hosting of sporting events from major sports teams throughout Asia.
- Recent construction of the outdoor sporting facilities at Okkodo High School (NCS road in Dededo), with brand new lights surrounding the baseball, softball, football, soccer and track field.

Weaknesses:

- Inability to maintain sports venues, such as Southern High School's Olympic swimming pool.
- Inability to consistently maintain the sports fields on island, such as the Eagles field in Mangilao.

Opportunities:

- Sports tourism is a growing segment of the entire travel market and is in support of Guam's efforts to enhance the island as a vacation destination and promote local sports enthusiasm.

- P.L. 30-228 supports funding for improvements to the Hågatña Pool and Tennis Court, and the Community Sports Recreational Improvement Fund for the construction and/or renovation of sports and community recreational facilities.
- Guam Visitors Bureau funding in the form of approved grants that support sports tourism.
- Construction of a new JFK High School campus in Upper Tumon will also include a new outdoor sporting facility surrounded by lights and a seating section.

Threats:

- Possible competition with existing destination resorts, such as Leo Palace, and the development of similar projects that could erode the potential for securing full use and the maximizing of revenues derived from the use of the UOG Sports Complex.

Current Status: The UOG Outdoor Sports Complex tax credit rules and regulations have been approved by the Governor, and is now undergoing Legislative review in accordance with the Administrative Adjudication Law.

LOW PRIORITY

Medical Tourism

Objective: To further develop and expand medical initiatives for Guam, including increased education, services and capacities, and the utilization of the visitor industry to attract new and innovative medical technologies and services.

Discussion: The medical industry has been identified as having exceptional potential for Guam, as it will provide continued diversification of the economy, increased stability for our environment and improve the quality of life. Guam's civilian population has grown steadily over the years and is expected to surpass 180,000 by the end of the decade. Population in the secondary market (Saipan, Palau and the Federated States of Micronesia) is estimated to be around 196,000. The growth in the island's population and visitor industry indicates a need to develop and expand Guam's healthcare services, facilities and education. In addition, current medical insurance statistics indicate that approximately 35% of medical cases leave off-island for in-patient services (surgeries or procedures not available on island). For out-patient services (includes annual physical examination, secondary medical opinion, etc.), approximately 20% travel off-island. Guam's medical community is also currently experiencing a shortage of physicians in the field of family medicine. In addition to the shortage, the average age of these physicians is 55+ years. The additional resident doctors would create a larger resource for this discipline on island. There are still other critical physician shortage areas within the community that need to be filled, such as orthopedics, neuro-surgery, cardiac surgery and urology. The University of Guam (UOG) and the Guam Community College (GCC) are the only primary educational institutions in this region that provide training and support for healthcare professionals. GEDA has also met with representatives of James Cook University (JCU) in Cairns, Australia who are interested in setting up a student exchange program where Guam interns could be sent to JCU to participate in its medical programs.

Strengths:

- Community of doctors (family practitioners) is adequate to support academic initiatives
- Available working facilities (Guam Memorial Hospital, Skilled Nursing, Public Health)
- Institutional resources (UOG, GCC, Guam Medical Society)
- Attractive location to Asia

Weaknesses:

- No existing professional programs locally
- Limited resources
- Venture has no feasibility study or business plan to support claims
- Capital-intensive industry

Opportunities:

- Guam residents will further benefit from the development of the healthcare industry due to the following advantages:
 - Easier and increased access to quality, specialized healthcare services
 - Reduction in expenses associated with going off-island for medical diagnosis and treatment
 - Availability of a larger pool of physicians with the most current medical knowledge
 - Increased exposure to large healthcare corporations and industry professionals
 - Adequate healthcare is a requirement for sustainable economic growth; healthier workers result in reduced absences and higher production levels
 - Guam's close proximity and low cost fares to major Asian markets, combined with U.S. standards, could influence increased medical business activity
- Attract a pool of physicians (private and military) that might opt to remain on or return to Guam
- Supportive component for Guam Memorial Hospital and Public Health
- Will provide alternative careers and employment opportunities, and promote the creation of an educated, qualified workforce
- Creation of new business/clinics
- Importation of new technology

Threats:

- Lack of financing interest or grants for such funding
- Tendency of local government to interfere and over-regulate
- Depressed economy
- Guam Memorial Hospital Authority issues

Recommendation: By further developing Guam's healthcare industry, the local population would then receive enhanced and expanded medical services usually sought off-island. Additionally, these added services will also act as an enticement for investors and visitors as they look to Guam as a Pacific Rim destination. It would also add a new dimension to the visitor industry other than strictly leisure. In order to expedite the educational component of this initiative, GEDA along with UOG and GCC, should aggressively pursue the offer by James Cook University to set up a student exchange program.

Manufacturing and Exporting

Objective: Identify potential areas of high-tech, light manufacturing applicable to Guam's unique environment in an effort to further diversify Guam's economy.

Discussion: While Guam faces stiff competition within the Pacific Basin in accessing affordable labor and materials necessary to establish and maintain profitable production and manufacturing facilities, niche areas do exist that allow for the local production of goods needed in the construction industry whose cost is comparable or below prices for the same items sourced abroad. A good example of successful light manufacturing is the current production of typhoon shutters, locally produced doors and windows, and the recent investment in a steel rebar forming company. Another venture is the production of steel framing for use in the installation of drywall for construction and renovation projects.

Strengths:

- Proven ability to find areas of profitable manufacturing/production
- Ability to leverage the influx of labor associated with the military buildup
- Geographic proximity to the Northern Mariana Islands, Federated States of Micronesia, and Asian nations should export become feasible

Weaknesses:

- Lack of trained labor force
- Prevailing wage requirements versus other regional and Pacific Basin wage scales
- Cost of land and transport of specialized machinery

Opportunities:

- Lack of competition adds to increased success of venture
- Military buildup will assist in initial success of such ventures given the tremendous amount of work necessary to accommodate the Marine relocation from Okinawa
- GEDA Qualifying Certificate available for manufacturing

Threats:

- Similar products could be sourced abroad and undercut market for locally produced goods
- Timeframe for committing to projects, as further delay could result in the inability to sell locally manufactured products for use in the military buildup

Recommendation: Suggest that GEDA work with the Chamber of Commerce and other private sector partners and participate in international trade expositions, in an effort to identify viable manufacturing opportunities. GEDA will continue to promote the Qualifying Certificate program as a means to incentivize entrepreneurs in pursuing local manufacturing ventures.

Financial & Legal Services

Discussion: Guam provides the economic cluster of American stability and soil. The biggest components of that are the military buildup/construction, American dollars (banking and financial services), and American legal infrastructure (alternative dispute resolution and court services). Together, these components meet the common cluster development objectives - creating an

internationally attractive destination for Asian countries that would like to utilize American economic and legal infrastructure. Meanwhile, federal resources for the military buildup will be maximized as a result of Guam's proximity to Asia.

Film Industry

Objective: To create the first Guam Film Commission that will become the lead entity in the development and organization of Guam's film industry, overseeing all film, video and photographic projects and activities on Guam.

Discussion: U.S. and international film markets are always looking for new locations to film motion pictures, TV shows or commercials, and production events. Additionally, in light of global security issues, production companies are also looking for scenic locations that are safe for visiting talent and crews and that feature supporting service infrastructure and business-friendly environments. Directors, specifically, are looking for locations that allow for shooting a variety of scenes in one location. Guam was the location for the 1970's feature film "Noon Sunday," and has since been a common filming location for Japanese and Korean television and production companies. Guam's domestic infrastructure has also grown to support a more sophisticated local market and the growth of the niche foreign production market. Identified target markets include the U.S., Japan, Hong Kong, Korea, India and the Philippines. In 2004, Guam hosted the filming of "Max Havoc: Curse of the Dragon" which featured David Carradine and Carmen Electra. Guam has received inquiries from large Hollywood production companies and the Philippines about filming in Guam, how to contact the Guam Film Commission, and how to purchase a "Guam Film Guide" (a resource guide for local production infrastructure).

Strengths:

- Guam is a virtually new filming location
- Guam is a safe destination protected by U.S. laws
- Guam has talent, technology and facilities to support activities
- Guam has experienced professionals that can contribute to this industry
- Guam has the support of private and corporate sponsors

Weaknesses:

- Currently no commission and regulatory body
- No "Film Guide"
- No film school or professional technical school
- Limited equipment (rental houses, lighting rigs, trailers, etc.)
- Limited support facilities (sound stage, film processing, editing, etc.)

Opportunities:

- Guam can become a centralized hub for stateside productions and Micronesian area productions
- Guam offers a mix of tropical, urban, domestic and Asian nuances for a multitude of filming options to include:
 - Tropical rainforest
 - Urban city setting
 - Resort and beach

- Underwater
- Military
- Guam can develop more professional service infrastructure (technical sectors, equipment, talent and labor hiring, catering, logistical support, and others that lead to job creation)
- Growth in foreign (Asian) film market
- More global recognition of Guam through visual and artistic promotion
- New revenue center for the island (film guide sales, fees and indirect tax collection)

Threats:

- Commitment of local professionals
- Regulatory concerns
- Inclement weather
- Increased competition from established markets and nearby upstarts

Recommendation: Create a Guam Film Office, under the Government of Guam or GEDA, as the one-stop central coordinator for film and photographic use of government-administered parks, beaches, roads, and facilities. The office will work closely with local government agencies to assist filmmakers with acquiring the necessary permits and resources to shoot on Guam. The creation of a Guam Film Office website that can inform interested parties of the opportunities and incentives available on Guam is recommended. This website will serve as the main marketing center for interested investors; it will feature pictures of locations, incentives and tax credits, permit requirements, information about Guam, contact information, and other necessary resources.

PLAN OF ACTION



The 2011 Guam Comprehensive Economic Development Strategy is based on the concept of economic tigers in general and on Guam becoming the first Pacific Tiger in particular. The Pacific Tiger strategy is based on six overall economic goals that are designed to bring about a sustainable and participatory economic development process for Guam:

- *Openness of economy to global markets for goods and foreign investments*
- *Investment in human capital*
- *Availability of young, productive and creative labor force*
- *Public sector reforms and fiscal discipline*
- *Effective policymaking and social partnership*
- *Hard work and sacrifice*

It was first proposed in July 2009 and received favorable response from policymakers, local media and the island community. The Pacific Tiger strategy found its strongest supporters in the current Calvo-Tenorio Administration whose economic platform “Blueprint 2020” provides details on how to begin the operations of the six Pacific Tiger goals into objectives in the following areas of concerns:

- *Trade in Goods & Services*
- *Education*
- *Training*
- *Wages*
- *Local Labor*
- *Government Operations*
- *Fiscal Management*
- *Infrastructure*
- *Veteran Affairs*
- *Social Issues*
- *Environment & Natural Resources*
- *Military Buildup*

PERFORMANCE MEASURES



A Performance Measure Matrix was developed using projects that were selected by the Strategy Committee to put into action and applying job creating factors to the project. These projects were evaluated against the Economic Development Administration's Policy Investment Guidelines and Guam's requirements. The job creation numbers were based on a ratio of 1 direct job created and .7 indirect job created per \$100,000 total investment into the project.

Priority	Project Name	Description	Estimated Cost	Estimated Direct Jobs	Estimated Indirect Jobs	Total Jobs
INFRASTRUCTURAL DEVELOPMENT						
*Non-exhaustive list of projects follows:						
High	Power c/o Guam Power Authority	See Appendix A	\$15,859,000	159	112	271
High	Water and Sewerage c/o Guam Waterworks Authority	See Appendix B	\$203,934,000	2,040	1,428	3,468
High	Roads, Highways, and Other Physical Structures c/o Guam Department of Public Works	See Appendix C	\$80,400,830	805	564	1,369
High	Airport c/o Guam International Airport Authority	See Appendix D	\$21,268,393	213	150	363
High	Seaport c/o Port Authority of Guam	See Appendix E	\$149,053,411	1,491	1,044	2,535
High	Hospital c/o Guam Memorial Hospital Authority	See Appendix F	\$32,800,000	328	230	558
MARITIME DEVELOPMENT						
High	New Wharf and Land Reclamation	Build new wharf, reclaim land, purchase cranes	\$35,000,000	350	245	595
High	Guam Fisherman's Cooperative Association Marina Authority	Revitalize the Agat Marina and expand the Greg D. Perez Marina in Hågatña ; each marina will have a council	\$7,500,000	75	53	128
High	Marina Development	Design and construction	\$4,500,000	45	32	77
High	Guam Fisherman's Cooperative Association Building Complex	Build 20,000 sq. ft. two-story complex	\$3,500,000	35	25	60

Priority	Project Name	Description	Estimated Cost	Estimated Direct Jobs	Estimated Indirect Jobs	Total Jobs
High	Guam's Limited Entry Longline Fleet	Establish a longline fleet to operate in Guam's waters	\$1,750,000	18	13	31
High	Marine Small Loan Revolving Fund	Establish a revolving low-interest loan fund to assist small boat fishermen in making necessary repairs to their vessels or purchasing needed equipment	\$500,000	5	4	9
High	Multipurpose Vessel Development	Establish a vessel that is able to perform multiple missions	\$500,000	5	4	9
High	Guam Domestic Fisheries	Develop and implement fisheries feasibility study	\$200,000	2	2	4
HĀGATÑA REVITALIZATION						
High	Hāgatña Revitalization	Master plan development and design	\$3,000,000	30	21	51
EDUCATION TOURISM						
High	Education Tourism	Develop feasibility study	\$300,000	3	3	6
PLANNING						
High	Consolidated Survey Center	Establish comprehensive center tied with key agencies to modernize data strategies and reports.	\$500,000	4	10	14
AGRICULTURE						
High	Guam Farmers Cooperative Association Complex	Build complex	\$3,960,000	40	28	68
INFORMATION TECHNOLOGY						
High	Telecom Industry Training Program	Prepare training program	\$205,000	3	3	6
High	Regional Software Support Center	Develop feasibility study and cost-benefit analysis	\$150,000	2	2	4
GREEN TECHNOLOGY						
High	Green Technology	Develop feasibility study	\$300,000	3	3	6
BUSINESS HUB						
Medium	Industrial Park	Develop feasibility study to explore various industry options	\$200,000	2	2	4
Medium	Conference Center	Develop marketing study to maximize enhancement of the tourism feature	\$200,000	2	2	4

Priority	Project Name	Description	Estimated Cost	Estimated Direct Jobs	Estimated Indirect Jobs	Total Jobs
Medium	Cottage Industries	Develop feasibility study to explore various cottage industries that are viable for Guam	\$100,000	1	1	2
ECOTOURISM						
Medium	Feasibility Study	Explore the viability of Guam entering the ecotourism market	\$200,000	2	2	4
SPORTS TOURISM						
Medium	Feasibility Study	Explore the viability of Guam entering this tourism market	\$200,000	2	2	4
GUAM IMPROVEMENT PROJECTS						
Medium	From <i>One Guam Report</i>	See Appendix	\$1,817,167,482	18,172	12,721	
MEDICAL TOURISM						
Low	Feasibility Study	Explore the viability of Guam entering this tourism market	\$200,000	2	2	4
MANUFACTURING & EXPORTING						
Low	Feasibility Study	Explore the viability of Guam entering this market	\$200,000	2	2	4
FINANCIAL & LEGAL SERVICES						
Low	Feasibility Study	Explore the viability of Guam entering this market	\$200,000	2	2	4
FILM INDUSTRY						
Low	Feasibility Study	Explore the viability of Guam entering this market	\$200,000	2	2	4

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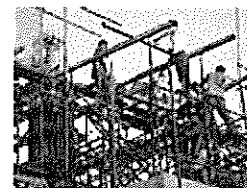
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APPENDICES



Appendix A

GUAM POWER AUTHORITY						
Generation Capital Improvement Projects for New Bonds						
FY 2011 - FY 2014 (x \$1,000)						
Item	Capital Improvement Project Name	FY1 1	FY12	FY1 3	FY14	Project Total
1	Cabras 3&4 Facility Improvements - New Storage Building, HVAC Replacement, Plant Security System	460		550		1,010
2	Provide Fire Protection for Transformers and Fire Detection System for Boiler Burner Area - Cabras 1&2	650				650
3	Cabras 1&2 Facility Improvements - New Plant Maintenance Shop, Plant Paging System, A/C for Office and Lab, New Chemical Storage Facility	838	200			1,038
4	Replace Existing Yard Fire Hydrant System - Cabras 1&2	420				420
5	Install Generator On-Line Monitoring System for Unit 1&2 and Provide Electrical Testing and Measuring Equipment	165		63		228
6	Fire Alarm / Suppression System Upgrade Phase 2 - Cabras 3&4	640	160			800
7	Waste Oil Facility Improvements - Cabras 1&2	150				150
8	Cabras #2 Reheater Tubes Replacement	1,113				1,113
9	Replace Cabras Unit #1 Feedwater Heater #2 and Unit #2 FWH #4	1,090				1,090
10	Replace Cabras Unit #2 Hydrogen and CO2 piping	75				75
11	Replace Cabras Unit #1 Instrument Air Compressor 1B & Cabras Unit #2 Service Air Compressor	85	180			265
12	Cabras Unit #2 Heater Drain Pump & Motor Replacement	240				240
13	Replace one (1) Boiler feed Pump Motor for Cabras Unit #1	275				275
14	Replace Battery Bank "A", "B" & "C" - Cabras 3&4	50		100		150
15	Governor Control System Replacement - Cabras 3&4	600				600

GUAM POWER AUTHORITY
Generation Capital Improvement Projects for New Bonds
FY 2011 - FY 2014 (x \$1,000)

Item	Capital Improvement Project Name	FY1 1	FY12	FY1 3	FY14	Project Total
16	Homogenizer Replacement - Cabras 3&4	500				500
17	Sea Water Travelling Screen A,B, C Replacement - Cabras 3&4	400	800			1,200
18	CEMS Replacement - Cabras 3&4		150			150
19	New Hydraulic Press for Waste Oil Recovery - Cabras 3&4		50			50
20	Lube Oil Storage and Maintenance Facility for WSD					0
21	Replace One (1) Forced Draft Fan Motor for Cabras Unit #1		275			275
22	Design and Construct Chemical Storage Facility for Cabras Unit #1&2		250			250
23	Generator Protection Relay Panel Replacement - Cabras 3&4		250			250
24	Distributed Control System(DCS) Replacement - Cabras 3&4		1,200			1,200
25	Turbochargers Replacement - Cabras 3&4		1,400			1,400
26	Air Cooler 2 sets Replacement (Phase 1) - Cabras 3&4		250			250
27	Replace Service Water Cooler for Cabras Unit #1			500		500
28	Replace Unit #1 Auxiliary Transformer - Cabras 1&2			500		500
29	Exhaust Gas Silencer Replacement - Cabras 3&4			150		150
30	Fuel Oil Purifier Feed Pumps Replacement - Cabras 3&4			150		150
1	Installation of Vent Fan for Turbochargers - Cabras 3&4			300		300
32	Debris Filter Replacement - Cabras 3&4			250		250
33	Cabras #3 Bearing Temperature Monitoring System			380		380

Appendix B

Guam Waterworks Authority Capital Improvement Projects
PW 05-01 Ground Water Disinfection
PW 05-02 Water Reservoir Condition Assessment
PW 05-03 Santa Rita Springs Booster Pump Rehabilitation, Phase II
PW 05-04 Ugum Water Treatment Plant Refurbishment
PW 05-05 "A" Series Well Transmission Line
PW 05-06 Water Booster Pump Station
PW 05-07 Meter Replacement Program
PW 05-08 Barrigada Tank Repair/Replacement
PW 05-09 Leak Detection / Line Replacement
PW 05-10 Potable Water System Planning
PW 09-01 Ugum Water Treatment Plant Intake Modifications
PW 09-02 Water Wells
PW 09-03 Water Distribution System Pipe Replacement
PW 09-04 Pressure Zone Realignment/Development 2005
PW 09-05 Northern System Water Distribution System 2005 Improvements
PW 09-06 Central Water Distribution System 2005 Improvements
PW 09-07 Southern Water Distribution System 2005 Improvements
PW 09-08 Mechanical/Electrical Equipment Replacement
PW 09-09 Water Reservoir Internal/External Corrosion Asmt
PW 09-10 Water Reservoir Internal/External Corrosion Rehabilitation
PW 09-11 Water System Reservoirs 2005 Improvements
PW 11-01 Distribution System Upgrades
PW 11-02 Ugum Water Treatment Plant Reservoir Replacement
WW 05-01 Old Agat Wastewater Collection (I/I reduction)
WW 05-02 Collection Line Upgrade/ Collection System Upgrades
WW 05-03 NDWTP Diffuser Installation
WW 05-04 Wastewater System Planning
WW 05-05 Wastewater Vehicles
WW 05-06 Wastewater Pump Station Upgrades
WW 05-07 NDWWTP - Chlorine Tanks
WW 05-08 Umatac-Merizo STP Improvements

Guam Waterworks Authority Capital Improvement Projects
WW 09-02 Moratorium
WW 09-03 Old Agat Collection Continuation (III)
WW 09-05 Agat Manhole Rehabilitation
WW 09-06 Wastewater Collection System Replacement/Rehabilitation
WW 09-07 Tumon Bay Sewer Upgrades
WW 09-08 Facilities Plan/Design for Baza Gardens STP Replacement
WW 09-09 Facilities Plan/Design for the N. District STP Bio-solid
WW 09-10 Facilities Plan/Design for Agat-Santa Rita STP Replacement
WW 09-11 WWTP Priority 1 Upgrade
WW 11-01 Priority 1 Sewer Upgrades – Agat District
WW 11-02 Priority 1 Sewer Upgrades – Baza Garden District
WW 11-03 Baza Gardens STP Replacement
WW 11-04 Facilities Plan/Design for the Umatac-Merizo STP Improvements
WW 11-05 Facilities Plan for Hågatña STP Improvements & Effluent WWPS
WW 11-06 Hågatña STP Improvements and Effluent WWPS
WW 11-07 Northern District STP Expansion – Biosolids Electrical
MC 05-01 Laboratory Modernization
EE 05-01 Well Electrical Protection
EE 05-02 SCADA Pilot Project
EE 09-01 Wastewater Pumping Station Electrical Upgrade
EE 09-02 Electrical Upgrade - Water Wells
EE 09-03 Electrical Upgrade - Water Booster Pump Stations
EE 09-04 Electrical Upgrade -Water Booster Pump Stations
EE 09-05 Electrical Upgrade - Other Water Booster Pump Stations
EE 09-06 SCADA Improvements – Phase 1
EE 09-07 SCADA Improvements – Phase 2
EE 09-08 SCADA Improvements – Phase 3
EE 09-09 SCADA Improvements – Phase 4
DOD FUNDED PROJECTS
WW 05-02 Collection Line Upgrade/ Collection System Upgrades
WW 05-03 NDWTP Diffuser Installation
WW 05-06 Wastewater Pump Station Upgrades
WW 09-01 LS Priority 1 Upgrades
WW 09-02 Moratorium
WW 09-04 Manhole Frame Seal Repair
WW 09-06 Wastewater Collection System Replacement/Rehabilitation
WW 09-09 Facilities Plan/Design for the N. District STP Bio-solids

Guam Waterworks Authority Capital Improvement Projects

WW 11-05 Facilities Plan for Hågatña STP Improvements & Effluent WWPS

WW 11-06 Hågatña STP Improvements and Effluent WWPS

WW 11-07 Northern District STP Expansion – Biosolids Electrical

Appendix C

Department of Public Works Capital Improvement Projects
Construction of Emergency Shelter/Tanks @ Astumbo Elementary School
Construction of Emergency Shelter/Tanks @ Wettengel Elementary School
Construction of Emergency Shelter/Tanks @ Maria Ulloa Elementary School
Construction of Emergency Shelter/Tanks @ George Washington High School
Construction of Emergency Shelter/Tanks @ MU Lujan Elementary School
Construction of Emergency Shelter/Tanks @ Carbullido Elementary School
Construction of Emergency Shelter/Tanks @ Talofoto Elementary School
Construction of Emergency Shelter/Tanks @ Inarajan Elementary School
Construction of Emergency Shelter/Tanks @ Harry S. Truman Elem. School
Construction of Emergency Shelter/Tanks @ Merizo Elementary School
Construction of Emergency Shelter/Tanks @ FQ Sanchez Elementary School
Construction of Emergency Shelter/Tanks @ Machananao Elementary School
Construction of Emergency Shelter/Tanks @ J.M. Guerrero Elementary School
Construction of Emergency Shelter/Tanks @ UPI Elem. Sch.
Construction of Emergency Shelter/Tanks @ Chalan Pago Ordot Elem. School
Construction of Emergency Shelter/Tanks @ F.B. Leon Guerrero Middle School
Construction of Department of Parks & Recreation/ Historic Preservation Guam Sports Complex Baseball Park (Design-Build)
Renovation and Miscellaneous Repair at DPHSS (Design-Build)
Typhoon Shutters @ GUAM DOE HMPG-GU-DR-1446, PW # 12 for M.U. Lujan
Construction of Guam Heritage Walking Trail
Emergency repairs at various facilities of GUAM DOE, Maria Ulloa Elementary school
Emergency repairs at various facilities of GUAM DOE, Finegayan Elementary school Boys and Girls Bathroom
Emergency repairs at various facilities of GUAM DOE, Finegayan Elementary School Perimeter Fence
Emergency repair at various facilities of GUAM DOE, JM Guerrero Elementary School
Emergency repair of various facilities at GUAM DOE, Simon Sanchez High School (Roof Repair)
Construction of New Nursery at Dept. of Agriculture (Design-Building)
Construction and Restoration of Masso River Reservoir, Piti, Guam

Department of Public Works Capital Improvement Projects
Santos Memorial Park Improvements
As-Atdas Apartment Complex- Renovation of Bldg A
Renovation of Guma As-Atdas Apartment Complex Bldg 5, A & B, Yigo
Guam Heritage Walking Trails
Procure/Construct Generator Room and Generator at Dept. of Agriculture (Design-Building)
Construct Guam Sports Complex Baseball Park (Design-Building)
Construction of New Fisheries Office Building @ Department of Agriculture
New Chain Link Fence at Masso River Reservoir
Repair of Merizo Pier and Merizo Boat Ramp
Renovation and Upgrading of Building "E" @ the Dept. of Youth Affairs (Design-Building)
F.B. Leon Guerrero Middle School Roofing (Under Contractor's warranty)
Agat Marina Public Boat Ramp
Building Renovation of WIC Facilities (Electrical), Tiyan
Building Renovation of WIC Facilities , Tiyan
Building Renovation of WIC Facilities (Electrical), Santa Rita
Construction of New John F. Kennedy High School Finance, Demolition, Design, Build, Maintain & Leaseback (FDDBML)
Construction of Guam Forensic Science Laboratory in GCC Campus, Mangilao
King Fisheries Holding Enclosures, DOAG,
Upgrade and Installation of Electronic Locking System @ the Dept. of Correction Facilities (Design-Building)
Retrofitting Public Buildings
LED Streetlights in Marine Drive

Appendix D

Guam International Airport Authority Capital Improvement Projects
Extend Runway 6L/24R
Rehabilitate Runway 6L/24R
Install Instrument Landing System Runway 6L
Noise mitigation for residence
Improve Airport Utility Infrastructure (Sewer and storm water design only)
Collect airport data for the Airports Geographic information system (AGIS)
Install Instrument Landing System Runway 6L Phase II
Conduct Environmental Assessment for Sewer and Storm drainage

Appendix E

Port Authority of Guam Capital Improvement Projects
Port Modernization - Acquisition of Two (2) New Container Cranes
Port Modernization -Operating Systems for Terminal ad Gate/OCR Canopy Portals
Port Modernization: Container Yard and Existing Reefer Upgrade
Port Modernization - Building Renovation & Construction
Port Modernization - Wharf Rehabilitation and Dredging for F4, F5 & F6

Appendix F

Guam Memorial Hospital Authority Capital Improvement Projects
Chiller Replacement
Fire Sprinkler System Upgrade
Infusion Pump Replacement Project
3rd and 4th floor A-wing wall hardening
A/E design services to replace electrical power distribution system
Portable X-Ray Machines
Procure & Install (by Owner) Touchless Faucets and Water Closets
Replace Laboratory Information System (LIS)
Replace Ultrasonic Cleaning System
Replace Patient Room Doors
Vertical Transportation Elevator Modernization Project
ER & CCU/ICU Expansion/Upgrade Project
Replace Main Electrical Distribution System & one (1) 1.6 Megawatts Generator Set
Medical Equipment and Furnishings for the ED and CCU/ICU Expansion
Medical Equipment for the various inpatient and outpatient Nursing Units
The 1 st & 2 nd Floors HVAC Upgrade (A/E & Construction)
Removal and replacement of built up roofing system 3 rd & 4 th floors
Replace the Hospital and SNU Nurse Call / Code 72 / Intercom Systems
Replace the SNU Chiller System
Replace the SNU Fire Alarm System
Office and interior furnishings for general care areas
Replacement of various air handling units throughout facility
Upgrade typhoon shutters from panel type to roll up SNU
Replacement of roof coating system SNU
Replacement of hot water system SNU
Replacement of water softener system SNU
Replacement of dishwasher system SNU

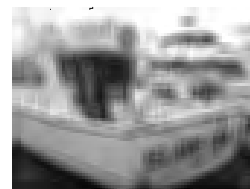
Appendix G

One Guam Report of Capital Improvement Projects

Tier	Department	Prioritization of Government of Guam Projects
1 FY 2012 to 2014	DPW	School Bus Fleet & Maintenance Facility
	DMHSA	Mental Health & Substance Abuse Facility
	DPHSS	CDC Lab & Medical Healthcare Campus Master Plan
	GCA	Cultural Repository
2 FY 2013 to 2015	OOG	Program Management Office
	GWA	Sixteen (16) New Production Water Wells
	PAG	Port Modernization - Acquisition of Two (2) New Container Cranes
	GC&QA	Biosecurity Enforcement Needs
	GEPA	Military Buildup Related Resource Needs
	DPW	Highway Maintenance & Construction Enhancements
	BSP	Capacity Assistance for Project Review & Monitoring
	PAG	Port Modernization -Operating Systems for Terminal ad Gate/OCR Canopy Portals
	PAG	Port Modernization: Container Yard and Existing Reefer Upgrade
	PAG	Port Modernization - Building Renovation & Construction
	PAG	Port Modernization - Wharf Rehabilitation and Dredging for F4, F5 & F6
	GEDA	Polaris Point Infrastructure Improvements
	DPW	Information Technology Systems Infrastructure Enhancements/Upgrade
	DPW	Fleet Management and Inventory System
	DPW	Warehouse Inventory & Fixed Asset System
	3 FY 2014 to 2016	DRT
GPD		GPD Headquarters
GMHA		Guam Memorial Expansion
DPHSS		DPHSS Facility & Central Health Clinic
DOL		Labor Resource Needs
GPD	Crime Laboratory Expansion	
GPD	Vehicle Fleet Augmentation	
GFD	New Fire Stations & Equipment for Military Growth Areas	
GIAA	Passenger Concourse Construction - Gates 1, 2 & 3	
GFD	Fire Apparatus-Ambulance Fleet Upgrade	

Tier	Department	Prioritization of Government of Guam Projects
	UoG	School of Engineering Annex Expansion
	DOE	Construct Four (4) Schools
	GIAA	Outbound Baggage System Improvements
	GPD	Central Precinct Facility (Relocation/New)
	DPR	Expansion of Historic Preservation Office
	GPD	Yigo Precinct Command Facility (New)
	DYA	Construction/Expansion of Youth Correctional Facilities - NEW
	GPD	Marine Enforcement Facility - Boat House
	DPW	New School Buses
	DPHSS	Improvements for the Office of Vital Statistics
	GIAA	Integrated Cargo Aprons
	GIAA	North & South Ramp Pipeline and Hydrant System
	DOC	Adult Correctional Facility Phase One
	SCOG	Hagatna Judicial Center
4 FY 2015 to 2016	UOG	Triton Engagement Center
	GIAA	Military Specifications Runway Retrofit
	DPR	Construct Olympic Pool Facility
	DPR	Paseo Stadium Upgrade/Renovation
	DPR	Guerrero Field Upgrade/Renovation
	DPR	Dededo Sports Complex Upgrade/Renovation
	DPR	Hagatna Pool Upgrade/Renovation
	DPR	Tennis Centers Upgrade/Renovation
	DPR	Inarajan Pool Upgrade/Renovation
	DPR	Support Equipment Acquisition
	DPR	Construct/Expand Warehouse

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COMMITTEE VOTING SHEET

Bill No. 15-34 (COR), As Corrected by the Prime Sponsor - B. J.F. Cruz - "An act to require that a Comprehensive Cost-Benefit & Space Utilization Study be conducted by the Government of Guam prior to the authorization, funding, or construction of a unified government office facility."

COMMITTEE MEMBERS	SIGNATURE	TO DO PASS	TO NOT PASS	TO REPORT OUT ONLY	TO ABSTAIN	TO PLACE IN INACTIVE FILE
CRUZ, BENJAMIN J.F. Chairperson		<input checked="" type="checkbox"/>				
AGUON, Jr., FRANK B. Vice Chairperson 10 APR 2017		<input checked="" type="checkbox"/>				
TERLAJE, THERESE M. Member				<input checked="" type="checkbox"/>		
ESPALDON, JAMES V. Member						
RODRIGUEZ, Jr., DENNIS G. Member				<input checked="" type="checkbox"/> 4/11/17		
SAN NICOLAS, MICHAEL, F.Q. Member		<input checked="" type="checkbox"/>				
LEE, REGINE BISCOE Member						
MORRISON, THOMAS A. Member						

VICE SPEAKER BENJAMIN J.F. CRUZ

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COMMITTEE REPORT DIGEST

Bill No. 15-34 (COR), As Corrected by the Prime Sponsor - B. J.F. Cruz - "An act to require that a Comprehensive Cost-Benefit & Space Utilization Study be conducted by the Government of Guam prior to the authorization, funding, or construction of a unified government office facility."

I. OVERVIEW

Bill No. 15-34 (COR) was introduced by Speaker Benjamin J.F. Cruz on February 1, 2017, and referred to the **Committee on Appropriations and Adjudication** on February 9, 2017.

The Committee on Appropriations and Adjudication convened a public hearing on Thursday, March 16, 2017, beginning at 2:00PM in the Guam Congress Building Public Hearing Room. The hearing for Bill No. 15-34 (COR) began at 2:05PM and ended at 2:43PM.

Public Notice Requirements

All legal requirements for public notices were met, with requests for publication sent to all media and all Senators on March 9, 2017, and March 14, 2017, via email. Copies of the hearing notices are appended to the report.

Senators Present

Speaker Benjamin J.F. Cruz, *Chairperson*

Senator Frank B. Aguon, Jr., *Vice Chairperson*

Vice Speaker Therese M. Terlaje, *Member*

Senator Régine Biscoe Lee, *Member*

Senator Telenia C. Nelson, *Member*

Senator William H. Castro

Senator Louise Borja Muna

Appeared Before the Committee

Mr. Zenon E. Belanger, *Vice Chairman of the Board, Hagåtña Restoration and Redevelopment Authority*

Mr. Joseph C. Santos, *Ex-Officio Board Member, Hagåtña Restoration and Redevelopment Authority*

Submitted Written Testimony

Mr. Joseph E. Quinata, *Chief Program Officer, Guam Preservation Trust*

Mr. Zenon E. Belanger, Vice Chairman of the Board, Hagåtña Restoration and Redevelopment Authority

Mr. Jose S. Calvo, Director, Bureau of Budget and Management Research

Honorable Doris F. Brooks, Public Auditor, Office of Public Accountability

Ms. Mana Silva Taijeron, Deputy Administrator, Guam Economic Development Authority

II. TESTIMONY & DISCUSSION

Speaker Benjamin J.F. Cruz, Chairman of the Committee on Appropriations and Adjudication (Committee) called the hearing to order and announced **Bill No. 15-34 (COR)**, As Corrected by the Prime Sponsor. The Chairman then provided opening remarks as the measure's primary sponsor (*sponsor statement is appended to this report*):

"The reason that bill was introduced was [that] I needed to clarify the Office of Public Accountability (OPA) Report #17-02, which indicated [that] annual lease expenses have doubled over the past decade. According to the OPA report, approximately eleven point seven million (\$11,700,000) was spent annually on commercial office space by various government entities. According to my office and the Office of Finance and Budget's (OFB) analysis, only five point two million (5.2) dollars appears to be potentially available when considering transition to new government office space. This bill answers the OPA's call that, since 2005, the OPA has 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.

"What Bill No. 15 does is it requires [that] a detailed cost-benefit analysis and space utilization study be completed prior to the authorization, funding, and construction of any new government office building. It also ensures that the construction of a unified government building in Hagåtña be both cost-effective for GovGuam taxpayers and done right the first time. The mandates for the study will be provided in the Fiscal Year (FY) 2018 Budget.

"We've received written testimony *in support of* the bill by the OPA. She has extended her regrets that she can't be here. She is at another meeting."

The Chairman then called upon **Mr. Zenon E. Belanger** and **Mr. Joseph C. Santos** of the **Hagåtña Restoration and Redevelopment Authority (HRRRA)**.

Mr. Belanger:

"Good afternoon. Our Chairman, Mr. John Calvo is off-island. I am the Vice-Chair for the HRRRA."

After reading his written testimony (*appended to this report*), **Mr. Belanger** stated:

"We would like to work with the Legislature on this bill and work through it so we can all benefit from it. Thank you."

Chairman Cruz:

"Thank you very much for your testimony Mr. Belanger. I was just wondering if you or anybody in the HRRA office and Matrix have reviewed the spacialization study that was done by the [Commission on Consolidated Utilities] for the building of the Gloria B. Nelson Public Service Building [*The building houses both the Guam Power Authority (GPA) and the Guam Waterworks Authority (GWA)*]?"

Mr. Belanger:

"We're talking about the one in Fadian?"

Chairman Cruz:

"Yeah. Before it was built, I was surprised that they have a very comprehensive spacialization study where they analyzed the number of employees they had, the square footage they needed for every single piece of operation that they had within the agency, how much of a building needed to be built and you are [citing and referring to us] a 1995 study. No offense, I am just trying to figure out what's the difference in size makes. Maybe we were bigger or smaller than 20 years ago as government buildings of employees. So, I'm just wondering whether or not there's a more current study that has been conducted by anybody and whether or not"

Mr. Belanger:

"In answer to your question, I was not privy to the building that the CCU put up and to continue with the response to the second part of your question, in terms of planning, there's a lot of different ideas out there on how to do office buildings and things of that nature. The 1995 study is the study that we have come up with that we have found in the archives. If there are any studies after that I am not aware of them."

Chairman Cruz:

"Okay. I grant you there is a study from 1995 for government space. I am just calling to your attention that you need to contact my office and you can borrow our copy of the CCU GPA/GWA plan to see what exactly we're asking for."

Mr. Belanger:

"Okay. Thank you."

Chairman Cruz:

“Anybody else have any questions?”

Vice Speaker Therese M. Terlaje:

“Thank you, Mr. Speaker. Thank you, Mr. Belanger for your testimony. Could you just clarify for us that the Guam Preservation Trust Palacio 2015 Reconstruction and Site Feasibility Study—according to your testimony— included studies in office space in Hagåtña also?”

Mr. Belanger:

“My understanding of that study was it was a study to bring back to Hagåtña some of the line agencies and trying to utilize the space that is in the Plaza de España area and the old Department of Administration building. Looking at that part of the [Hagåtña Master Plan] is to remove the existing police department and the prison that is there and convert that into some other offices so we can bring back to Hagåtña the seat of the government.”

Vice Speaker Terlaje:

“Is there information in that study that correlates with the information that is proposed to be obtained in a study that this bill is proposing?”

Mr. Belanger:

“I’ll have a planner answer that.”

Mr. Santos:

“Thank you Mr. Chair and Senator Terlaje for your question. The question is: does the Site Feasibility Study for the Palacio have a space allocation of all the different buildings? There are four (4) sets of schemes that were developed within that Site Feasibility Study.”

Vice Speaker Terlaje:

“No, but did [the Site Feasibility Study] do the analysis of cost-benefit of space utilization?”

Mr. Santos:

“Yes, space utilization. It actually took the agencies that were relying or were going to be placed into the central area where the Pacific Center Plaza (is to be located). So the Site Feasibility Study did take that into consideration to the space allocation. This is it. Yes, it did.”

Vice Speaker Terlaje:

"Okay, thank you. This study was funded entirely by the Guam Preservation Trust?"

Mr. Santos:

"According to the Guam Preservation Trust, yes."

Vice Speaker Terlaje:

"Do you remember how much it cost?"

Mr. Santos:

"No, I don't remember how much it cost. What the Guam Preservation Trust did, who is an ex-officio member of the Hagåtña Restoration and Redevelopment Authority provided a formal copy and it was adopted - upon review it was adopted by the Hagåtña Restoration and Redevelopment Authority."

Vice Speaker Terlaje:

"Mr. Belanger or Joe, could you please clarify. In the testimony you cite, '.....already approved projects within HRRRA's area of control. Government of Guam buildings and offices within Hagatna are already a part of HRRRA approved projects.' What do you mean by that? Approved projects?"

Mr. Belanger:

"The Board looked at the projects that we've been tasked with by both the Governor's Office and the consultant, Matrix. We looked at all the different ideas that came up within the Hagåtña proper and in consultation with the Army Corps of Engineers, we've talked to the CCU about various things: everything from infrastructure to Hagåtña. We looked at the potential projects that we could look at and that list was prepared and the Board reviewed it and came up with an approval that these projects would be included in our initial approval process for projects. It's part of a plan and it's still a plan. We have no authority for funding. You start with a dream and then go to a plan and after that you go with the execution. So, we are in between the plan and the execution stage."

Vice Speaker Terlaje:

"I guess that's my confusion because on page two (2) you talk about the pending projects and the pending projects are to complete the Master Plan and to 'apply for and finance the HRRRA Comprehensive Economic Development Strategy that would facilitate and stimulate economic development and growth of our Capital City.'"

“So, I am curious. Do we have plans that are approved prior to approval of the Master Plan? Or are you saying that these are approved to be included in the Master Plan and still subject to approval of that Master Plan?”

Mr. Belanger:

“It’s also subject to the Master Plan. It’s like any other plan. With the highway plan you look at which roads need to be fixed. You may not know the entire value of what the reconstruction cost is going to be but it’s part of the plan. And this is similar to what we’re doing. Now, as we go along we’re looking at buildings, parking structures, sports facilities. So, we have identified some of the major points of what we would like to see in HRRRA. And that’s what we came up with.”

Vice Speaker Terlaje:

“Okay. So, I just want to be very clear. To your knowledge, are there any projects that have been approved that are not pending the approval of the Master Plan? Those that have been approved for office space or any other project in Hagåtña that is independent of the completion of the Master Plan.”

Mr. Santos:

“Yes, there are. One is the Paseo de Susanna Plan Development District, the Department of Land Management, which is mentioned in the bill, and then the Judiciary Center. Those projects actually have been approved. But there are also projects that have been approved with the Guam Land Use Commission, under the Seashore Protection Commission that the Hagåtña Restoration took, reviewed it, got with its contractor and said, ‘okay is this project feasible within the concept of what the HRRRA would like to have relative to the restoration and the redevelopment of Hagatna?’ Those were included in the overall master plan. When they say they list the projects, those are projects that are aside from what are listed and other projects were included that we know that needs to be improved upon. An example is the widening of O’Brien Drive. That needs to be widened because it causes a backlog, especially when you’re rebuilding the city it will cause a backlog. So those projects are included and they are included because Guam has to publish a Guam Comprehensive Economic Development Strategy; it is called the CEDS. It’s submitted to the federal government and the Governor signs off on it. That project then becomes a part of that CEDS. HRRRA can apply for those types of grants that are available under the Economic Development Administration.

"So, yes a lot of the approved projects were approved before the HRRRA adopted it or approved the plans based upon the consultation with the contractor and is placing it into the master plan."

Vice Speaker Terlaje:

"So what about following the Palacio Reconstruction and Site Feasibility Study? Has there been approval for the Palacio or for these office spaces to be built already to your knowledge?"

Mr. Santos:

"The Preservation Trust approved that study and transmitted it to the HRRRA who then reviewed it, looked at it and adopted it as part of the plan. It does list space allocation and how big each of those, depending on the scheme selected how big the offices would be to allow government agencies to move into those particular areas."

Vice Speaker Terlaje:

"So they have been included in the Hagåtña Master Plan?"

Mr. Santos:

"Yes."

Vice Speaker Terlaje:

"Do you expect that to come before the Legislature and when do you expect that to be?"

Mr. Santos:

"The HRRRA Board wanted to do one more public outreach prior to submitting the final master plan to the Governor and then to the Legislature required by the enabling statute. However, the Board felt that it needed additional outreach and in working with our partner, which is [Guam Economic Development Authority] we're trying to fund that additional thing because that was not in the original contract with our contractor. We're not working on that. What happened was the election came about and there was a change in the make-up of the Guam Legislature. So, one of the things we need to do is an outreach and an in-depth interview and consultation with the various committee members of the Guam Legislature."

Senator Telena C. Nelson:

"Thank you Mr. Speaker. Good afternoon Mr. Santos and Mr. Belanger. I just have a question in regards to the development in this plan. Here in your

testimony, Mr. Belanger you stated that, it seems like you are focusing only on the building of government of Guam offices. Does the HRRRA also include development at the government's expense for private lands? The Master Plan?"

Mr. Belanger:

"No, it doesn't. Part of our charter is to also look at other development in Hagåtña, private and public. But we have no control over – your question was, if we are using government funds for private development, correct?"

Senator Nelson:

"My question is: is it inclusive in the Master Plan that private lands are a part of this Master Plan and if so, is government money going to be used for infrastructure, for this revitalization project? It's just a yes or no."

Mr. Belanger:

"It's not a yes or no answer. The upgrading of utilities and infrastructure in Hagåtña is not just for government purposes. It's for the entire community. So, in response to your question, I would have to say, 'yes.' There will be some government spending when it comes to infrastructure upgrades. There are other parts of the Hagåtña Master Plan that include the reclamation that may include with the US Army Corps of Engineers—they haven't approved it but they are very optimistic about it—is to do a land reclamation from Adelup to Paseo. With that, there may be some infrastructure upgrades."

Senator Nelson:

"And there's no purchasing of property or anything that government money would be spent on private lands? I understand the incorporation of infrastructure to help develop Hagåtña but is there any type of private lands that are part of the Hagåtña Revitalization Plan that will be funded by either government funding or included in your Master Plan?"

Mr. Belanger:

"We have never discussed that. So, my answer to that is no at this time."

Senator Nelson:

"Thank you."

Senator Lee:

"*Hafa Adai*, Mr. Santos and Mr. Belanger, thank you very much for your testimony and for being here today. I just wanted to ask a question specifically about your written testimony. In the third paragraph it says, 'Moreover, HRRRA is already conducting comprehensive planning compared to other entities on

Guam using the studies and reports previously noted to provide a complete and inclusive government building site blueprint for the Hagatna area.'

"And we know that Bill 15 seeks to require a cost-benefit and space utilization planning across the government of Guam. So, in your testimony it says you support the intent of the bill. I would like for the record if you could just mention if HRRRA supports the passage of Bill 15."

Mr. Belanger:

"Initially I said that we would like to work with you on the bill. There are some areas that we may want to talk about. If you look at the bill, the very first sentence of the bill could shoot down the HRRRA's existence and everything else that we stand for. It basically says, 'Notwithstanding any other provision of law, rule, or regulation, and prior to any further authorization for the construction of any government office space within the municipality of Hagatna for the executive branch of the government of Guam, a Comprehensive Cost-Benefit and Space Utilization Study shall first be conducted.'"

"Basically what this is saying to me is this bill will supersede everything that we worked on including our Master Plan, including all the different things we've been working with over the last few years. That's the part we want to talk to you about. I don't know if this is the forum to do that. I'm not sure if we're ready right now. But that's the part that I wanted to talk to you about."

Senator Lee:

"I appreciate that. Thank you Mr. Chair."

Senator Aguon:

"Thank you very much Mr. Speaker. Good afternoon gentlemen and *Hafa Adai*. Just a quick question. I know that the Hot Bonds are being utilized or has been utilized to be able to upgrade some of the facilities as well as the grounds here in Hagåtña. Does the HRRRA have access to additional funds moving forward out of the Hot Bonds that has been authorized by the Legislature and for what projects? I ask this only because to tie it in with this particular proposal. I think it's excellent that we're looking at the relocation of some government facilities to Hagåtña, but I certainly hope that we don't isolate any possible relocation or construction of government facilities to the Hagåtña area. Because we certainly don't want this to, at least from my perspective, have so many government structures here and not necessarily consolidate it with some other private vendors and businesses that could augment the existence of some of our government offices. So, just looking at the cost-benefit analysis and my understanding of my initial reading is that it would isolate it just to Hagåtña. I

certainly hope that any cost-benefit analysis for looking at government-wide possible construction or re-construction of facilities to make available to offset the lease of government offices right now that it would be a little bit more expansive to include what Hagåtña can accommodate based on existing structure or the plans that HRRA is going to work with the utility agencies as well as [the Department of Public Works] to upgrade the facilities. Then perhaps we could have if not one or two locations specifically for many of our government entities rather than just isolating it to Hagåtña.

“Because right now, the way Hagåtña is presented and the plans that have been approved I think it allows for sufficient space for people to enjoy and appreciate the entire area and bringing all of our government agencies into one particular location may have a tremendous impact on that in terms of the enjoyment and the scenery.

“I just wanted to share that with you because as we review this I would think that this spacialization would be reflective of and a little bit more expansive outside of Hagåtña. Allow for that as an option. Now, if ideally the structure can be designed to accommodate the entire number of government agencies that are presently leasing, I believe the Speaker mentioned about slightly over five millions dollars (\$5 million) to try and offset that if these government agencies can sufficiently be accommodated here in Hagåtña and allow also for private enterprise to expand their facilities so that it’s co-mingled to Hagåtña and it will be really the capital city that we all envision to be some day. I just wanted to share that particular perspective. Thank you very much. I appreciate that. Right now you are not aware of any Hot Bond proceeds that will be utilized for existing facilities or future facilities?”

Mr. Belanger:

“I am not aware.”

Senator Aguon:

“Thank you.”

Chairman Cruz:

“Thank you. There being no other questions, I’ll just close out by asking you to provide us a copy of this archived 1995 study.”

Mr. Santos:

“Yes, as a matter of fact I have a copy here.”

Chairman Cruz:

"You can leave it at our office. Is your Preservation Trust Palacio Reconstruction Plan Study on your website?"

Mr. Santos:

"I don't know if it is on our website but we have a copy of it and we can provide it to you, the full digital copy."

Chairman Cruz:

"Why don't you either provide it to the Committee or upload it so we can find it."

Mr. Santos:

"It's a thick file."

Chairman Cruz:

"Yes, that's what I mean. At some point everybody else wants to see what those things are. Can you provide us a copy? We have the OPA that has hers all the way back to year 2000 so we can all find that. But this archive study and this other study, please provide copies to us or send us a note as to what the link is digitally that you've uploaded so we can review it (*all referenced files in HERRA's written testimony are included in this report*)."

There being no other individuals to testify, nor additional questions from the Committee, the Chairman considered **Bill No. 15-34 (COR)** as publicly heard.


III. FINDINGS AND RECOMMENDATIONS

The Committee on Appropriations and Adjudication to which was referred **Bill No. 15-34 (COR) - B. J.F. Cruz - "An act to require that a Comprehensive Cost-Benefit & Space Utilization Study be conducted by the Government of Guam prior to the authorization, funding, or construction of a unified government office facility"** hereby submits these findings to *I Mina'trentai Kuâtro na Liheslaturan Guåhan* and reports out **Bill No. 15-34 (COR), As Corrected by the Prime Sponsor**, with a recommendation TO REPORT OUT ONLY.

I MINA'TRENTAI KUÁTRO NA LIHESLATURAN GUÁHAN
2017 (FIRST) Regular Session

Bill No. **15-34(COR)**

Introduced by:

B. J. F. Cruz 

AN ACT TO REQUIRE THAT A COMPREHENSIVE COST-BENEFIT & SPACE UTILIZATION STUDY BE CONDUCTED BY THE GOVERNMENT OF GUAM PRIOR TO THE AUTHORIZATION, FUNDING, OR CONSTRUCTION OF A UNIFIED GOVERNMENT OFFICE FACILITY

BE IT ENACTED BY THE PEOPLE OF GUAM:

Section 1. Comprehensive Cost-Benefit & Space Utilization Study

Required. Notwithstanding any other provision of law, rule, or regulation, and prior to any further authorization for the construction of any government office space within the Municipality of Hagåtña for the Executive Branch of Government, a Comprehensive Cost-Benefit & Space Utilization Study (the Study) *shall first be* conducted. The Study *shall* determine if it is cost-beneficial to the government of Guam to relocate certain government of Guam agencies currently leasing or renting office space as compared to continuing to lease or rent such office space under either their current terms or reasonably re-negotiated terms. The Study *shall* contain, *at a minimum*, the following information:

(a) Comprehensive cost analysis of current government of Guam leases including space requirements for all departments and/or agencies that are currently leasing or renting office space, available lease space and market lease rates, on-going operating and maintenance costs, one-time costs upon relocation, lease periods, expected price escalation factors, cost projections, and other relevant cost considerations.

2017 FEB - 1 AM 10: 12: 15

1 (b) Comprehensive cost analysis on the construction of a government
2 office facility in the Municipality of Hagåtña including building area,
3 parking requirements, potential impact on current traffic in proposed
4 location, impact on existing businesses and residents, construction costs,
5 construction timelines, on-going operating and maintenance costs, one-time
6 costs upon relocation, additional income from sub-leases, if any,
7 construction and new building operating periods, expected price escalation
8 factors, cost projections, other relevant cost considerations.

9 (c) Comprehensive cost-benefit analysis of various options including a
10 status quo scenario. The options presented *shall* take into consideration and
11 enumerate costs, potential benefits, and potential limitations and drawbacks
12 of each option.

13 (d) Presentation of various financing alternatives for any proposed
14 government office facility including but not limited to bond issuance,
15 commercial bank loan, and design, build, operate and transfer schemes. The
16 cost and benefits of each of the financing alternatives *shall* also be
17 presented. The Study required under this section *shall* be subject to Chapter
18 5, Title 5 of the Guam Code Annotated, Guam Procurement Law, and *shall*
19 be procured through the General Services Agency in the Department of
20 Administration.

21 **Section 2. Funding.** *I Liheslaturan Guåhan* must identify a funding source
22 and appropriation authorization in the Fiscal Year 2018 Budget Act to fund the
23 Comprehensive Cost Benefit & Space Utilization Study required in Section 1 of
24 this Act. Nothing herein *shall* prevent *I Maga'låhen Guåhan* from transferring
25 appropriations within his authority pursuant to Public Law 33-185, but if such
26 appropriations are transferred, *I Maga'låhen Guåhan* and the Director of the
27 Bureau of Budget and Management Research *shall* report said transfer to the

1 Speaker of *I Liheslaturan Guåhan* within five (5) days of effectuating said transfer.

2 **Section 3.** Nothing in this Act *shall* be construed as to prevent, de-authorize
3 or otherwise abrogate the following authorizations:

4 (a) Public Laws 29-135 (Department of Land Management Building);

5 (b) Public Laws 30-201, 31-229, 31-277, 32-063 and 32-120
6 (University of Guam Student Services Center and Engineering Annex and
7 Guam Community College Laboratory and Buildings);

8 (c) Public Laws 31-229, 32-120, and 32-121 (Guam Department of
9 Education Public Schools);

10 (d) Public Laws 32-204 and 33-151 (Guam Memorial Hospital
11 Authority Labor and Delivery Ward); and

12 (e) Public Law 33-66 (Unified Judiciary of Guam Judicial Building
13 Fund Refinancing and Related Buildings).

14 **Section 4. Effective Date.** This Act *shall* become effective upon enactment.

15 **Section 5. Severability.** *If* any provision of this Act or its application to any
16 person or circumstance is held invalid, the invalidity *shall not* affect other
17 provisions or applications of this Act which can be given effect without the invalid
18 provision or application and to this end the provisions of this Act is severable.



COMMITTEE ON RULES

Senator Michael F.Q. San Nicolas, *Chairman*
I Mina'Trentai Kuåttra na Liheslaturan Guåhan • 34th Guam Legislature

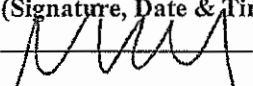
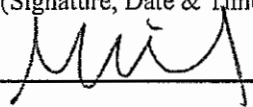


PRE-REFERRAL CHECKLIST

BILL NO. 15-34 (COR) AN ACT TO REQUIRE THAT A COMPREHENSIVE COST-BENEFIT & SPACE UTILIZATION STUDY BE CONDUCTED BY THE GOVERNMENT OF GUAM PRIOR TO THE AUTHORIZATION, FUNDING, OR CONSTRUCTION OF A UNIFIED GOVERNMENT OFFICE FACILITY.		
(A) Legal Bureau	(1) One subject matter? [SR-§ 6.01(a), 2 GCA § 2108(a)] <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO (Return to Prime Sponsor)	Notice to Legal Bureau: <u>02/01/17</u>
	(2) Conform to Standing Rules as to form and style? [SR §§ 6.02(b) and (d), 6.03(d)] <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO (Return to Prime Sponsor)	Completed by Legal Bureau: <u>2/4/17 2:46pm</u>
(B) Office of Finance & Budget (OFB)	(1) Does the Bill contain appropriations or authorizations for appropriations from any fund sources? <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO	Notice to OFB: <u>02/01/17</u>
	(2) Does the Bill contain an authorization to expend government funds? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO <input type="checkbox"/> N/A	Completed by OFB: <u>2/02/17 11:52am</u>
	(3) Does the Bill contain provisions that have <u>potential</u> fiscal impacts on the government of Guam budget? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO <input type="checkbox"/> N/A	
COR Action	Is the fiscal impact revenue negative to the government of Guam budget? <input checked="" type="checkbox"/> YES (Refer to Committee on Appropriations) <input type="checkbox"/> NO <input type="checkbox"/> N/A	Completed by: <u>[Signature]</u> 4:41pm



PRE-REFERRAL CHECKLIST

BILL NO. 15-34 (COR) AN ACT TO REQUIRE THAT A COMPREHENSIVE COST-BENEFIT & SPACE UTILIZATION STUDY BE CONDUCTED BY THE GOVERNMENT OF GUAM PRIOR TO THE AUTHORIZATION, FUNDING, OR CONSTRUCTION OF A UNIFIED GOVERNMENT OFFICE FACILITY.		
(C) DEBT		
(1) SR § 6.01 (b)(1)(A) Land, Infrastructure, Building Projects, Capital Improvement Projects	<input checked="" type="checkbox"/> N/A <input type="checkbox"/> YES <input type="checkbox"/> NO (Return to Prime Sponsor)	Received by: (Signature, Date & Time)  4:47 pm Completed by: (Signature, Date & Time)  2/7/17 4:48 pm
(2) SR § 6.01 (b)(1)(B) Refinancing of existing debt (not less than 2%)	<input checked="" type="checkbox"/> N/A <input type="checkbox"/> YES <input type="checkbox"/> NO (Return to Prime Sponsor)	
(3) SR § 6.01 (b)(2) Authorize public debt to fund operations of agency, instrumentality, public corporation	<input checked="" type="checkbox"/> N/A <input type="checkbox"/> YES <input type="checkbox"/> NO (Return to Prime Sponsor) <input type="checkbox"/> Waived (per official state of emergency, as attached)	
COR Action	<input checked="" type="checkbox"/> Return to Prime Sponsor <input checked="" type="checkbox"/> Refer to: <i>Subj. to creation by prime sponsor, (AXI) refer to Appropriations as per (B)(2) @.</i>	Date & Time: <i>2/7/17 4:48 pm</i>

I MINA'TRENTAI KUÁTTRO NA LIHESLATURAN GUÁHAN
2017 (FIRST) Regular Session

Bill No. 15-34 (COR)
As Corrected by the Primary Sponsor

Introduced by:

B.J.F. Cruz

2017 FEB -8 PM 5:07 KC

AN ACT TO REQUIRE THAT A COMPREHENSIVE COST-BENEFIT AND SPACE UTILIZATION STUDY BE CONDUCTED BY THE GOVERNMENT OF GUAM PRIOR TO THE AUTHORIZATION, FUNDING, OR CONSTRUCTION OF A UNIFIED GOVERNMENT OFFICE FACILITY.

1 **BE IT ENACTED BY THE PEOPLE OF GUAM:**

2 **Section 1. Comprehensive Cost-Benefit and Space Utilization Study**

3 **Required.** Notwithstanding any other provision of law, rule, or regulation, and
4 prior to any further authorization for the construction of any government office
5 space within the municipality of *Hagåtña* for the executive branch of the
6 government of Guam, a Comprehensive Cost-Benefit and Space Utilization Study
7 (the Study) *shall* first be conducted. The Study *shall* determine if it is cost-
8 beneficial to the government of Guam to relocate certain government of Guam
9 agencies currently leasing or renting office space as compared to continuing to
10 lease or rent such office space under either their current terms or reasonably
11 renegotiated terms. The Study *shall* contain, *at a minimum*, the following
12 information:

13 (a) a comprehensive cost analysis of current government of Guam
14 leases, including space requirements for all departments and/or agencies that

1 are currently leasing or renting office space, available lease space and
2 market lease rates, ongoing operating and maintenance costs, one-time costs
3 upon relocation, lease periods, expected price escalation factors, cost
4 projections, and other relevant cost considerations;

5 (b) a comprehensive cost analysis on the construction of a
6 government office facility in the municipality of *Hagåtña*, including
7 building area, parking requirements, potential impact on current traffic in the
8 proposed location, impact on existing businesses and residents, construction
9 costs, construction timelines, ongoing operating and maintenance costs, one-
10 time costs upon relocation, additional income from subleases, if any,
11 construction and new building operating periods, expected price escalation
12 factors, cost projections, and other relevant cost considerations;

13 (c) a comprehensive cost-benefit analysis of various options,
14 including a status quo scenario. The options presented *shall* take into
15 consideration and enumerate the costs, potential benefits, and potential
16 limitations and drawbacks of each option; and

17 (d) a presentation of various financing alternatives for any
18 proposed government office facility, including, but not limited to, bond
19 issuance, commercial bank loan, and design, build, operate and transfer
20 schemes. The cost and benefits of each of the financing alternatives *shall*
21 also be presented. The Study required under this Section *shall* be subject to
22 the Guam Procurement Law, 5 GCA Ch. 5, and *shall* be procured through
23 the General Services Agency of the Department of Administration.

24 **Section 2. Funding.** *I Liheslaturan Guåhan shall* identify a funding
25 source and appropriation authorization in the Fiscal Year 2018 Budget Act to fund
26 the Comprehensive Cost-Benefit and Space Utilization Study required in Section 1
27 of this Act. Nothing herein shall prevent *I Maga'låhen Guåhan* from transferring

1 appropriations within his authority pursuant to Public Law 33-185, but if such
2 appropriations are transferred for the purpose of the study in Section 1, I
3 *Maga'låhen Guåhan* and the Director of the Bureau of Budget and Management
4 Research *shall* report said transfer to the Speaker of *I Liheslaturan Guåhan* within
5 five (5) days of effectuating said transfer.

6 **Section 3.** Nothing in this Act shall be construed so as to prevent, de-
7 authorize or otherwise abrogate the following authorizations:

8 (a) Public Law 29-135 (Department of Land Management
9 Building);

10 (b) Public Laws 30-201, 31-229, 31-277, 32-063, and 32-120
11 (University of Guam Student Services Center and Engineering Annex, and
12 Guam Community College Laboratory and Buildings);

13 (c) Public Laws 31-229, 32-120, and 32-121 (Guam Department of
14 Education Public Schools);

15 (d) Public Laws 32-204 and 33-151 (Guam Memorial Hospital
16 Authority Labor and Delivery Ward); and

17 (e) Public Law 33-66 (Unified Judiciary of Guam Judicial Building
18 Fund Refinancing and Related Buildings).

19 **Section 4. Effective Date.** This Act *shall* become effective upon
20 enactment.

21 **Section 5. Severability.** If any provision of this Act or its application to
22 any person or circumstance is held invalid, the invalidity *shall not* affect other
23 provisions or applications of this Act that can be given effect without the invalid
24 provision or application and to this end the provisions of this Act are severable.

I Mina Trentai Kuattro Na Liheslaturan
BILL STATUS

BILL NO.	SPONSOR	TITLE	DATE INTRODUCED	DATE REFERRED	CMTE REFERRED	PUBLIC HEARING DATE	DATE COMMITTEE REPORT FILED	FISCAL NOTES	NOTES
15-34 (COR) As Corrected by the Prime Sponsor.	B. J.F. Cruz	AN ACT TO REQUIRE THAT A COMPREHENSIVE COST-BENEFIT AND SPACE UTILIZATION STUDY BE CONDUCTED BY THE GOVERNMENT OF GUAM PRIOR TO THE AUTHORIZATION, FUNDING, OR CONSTRUCTION OF A UNIFIED GOVERNMENT OFFICE FACILITY.	2/1/17 10:17 a.m. AS CORRECTED 02/8/17 12:22 p.m.	02/09/17	Committee on Appropriations and Adjudication			Fiscal Note Request 2/9/17	



COMMITTEE ON RULES

Senator Michael F.Q. San Nicolas, *Chairman*
I Mina'trentai Kuåttro na Liheslaturan Guåhan • 34th Guam Legislature



February 9, 2017

VIA E-MAIL

joey.calvo@bbmr.guam.gov
admin@bbmr.guam.gov

Jose S. Calvo

Director

Bureau of Budget & Management Research

P.O. Box 2950

Hagåtña, Guam 96910

RE: Request for Fiscal Notes
Bill Nos. 7-34 (COR), 13-34 (COR), and 15-34 (COR)

Håfa adai Mr. Calvo,

Transmitted herewith is a listing of *I Mina'trentai Kuåttro na Liheslaturan Guåhan's* most recently referred bills:

Bill No. 7-34 (COR), as corrected by the Prime Sponsor


Bill No. 13-34 (COR), as corrected by the Prime Sponsor

Bill No. 15-34 (COR), as corrected by the Prime Sponsor

Pursuant to 2 GCA §9103, I respectfully request the preparation of fiscal notes for the referenced bills.

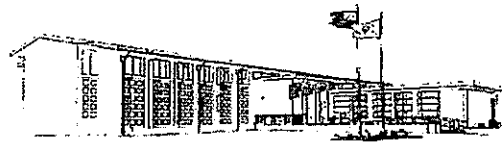
Thank you for your attention to this important matter.

Respectfully,


Senator Michael F.Q. San Nicolas
Chairman of the Committee on Rules

cc: Clerk of the Legislature

BILL NO.	SPONSOR	TITLE
7-34 (COR) As Corrected by the Prime Sponsor.	Tommy Morrison	AN ACT TO <i>ADD</i> A NEW § 54102(a)(1) TO ARTICLE 1 OF CHAPTER 54, DIVISION 5, TITLE 5, GUAM CODE ANNOTATED, RELATIVE TO PRIORITIZING IMPROVEMENTS TO GUAM'S ROADWAYS.
13-34 (COR) As Corrected by the Prime Sponsor.	B. J.F. Cruz	AN ACT TO <i>ADD</i> A NEW § 61218 TO ARTICLE 2 OF CHAPTER 61, TITLE 21, GUAM CODE ANNOTATED, RELATIVE TO REZONING LOT NAVAL AIR STATION <i>AGAÑA</i> 17 (EDC PARCEL 1) AND LOT NAVAL AIR STATION <i>AGAÑA</i> 20 (EDC PARCEL 2) FROM AGRICULTURAL (A) TO LIGHT INDUSTRIAL ZONE (M1).
15-34 (COR) As Corrected by the Prime Sponsor.	Thomas C. Ada James V. Espaldon	AN ACT TO REQUIRE THAT A COMPREHENSIVE COST-BENEFIT AND SPACE UTILIZATION STUDY BE CONDUCTED BY THE GOVERNMENT OF GUAM PRIOR TO THE AUTHORIZATION, FUNDING, OR CONSTRUCTION OF A UNIFIED GOVERNMENT OFFICE FACILITY.





COMMITTEE ON RULES

Senator Michael F.Q. San Nicolas, *Chairman*

I Mina Trentai Kuattro na Liheslaturan Guahan • 34th Guam Legislature



MEMO

To: Rennae Meno
Clerk of the Legislature

From: Senator Michael F.Q. San Nicolas
Chairman of the Committee on Rules

Date: February 23, 2017

Re: Fiscal Notes

Buenas yan Hâfa adai.

Attached, please find the fiscal notes for the following bills:

Bill No. 4-34 (COR)

Bill No. 5-34 (COR)

Bill No. 7-34 (COR), as corrected by the Prime Sponsor

Bill No. 11-34 (COR)


Bill No. 15-34 (COR), as corrected by the Prime Sponsor

Please forward the same to Management Information Services (MIS) for posting on our website.

For any questions or concerns, please feel free to contact Christian Valencia, Committee on Rules Director, at 472-6453.

Thank you for your attention to this important matter.

Respectfully,


Senator Michael F.Q. San Nicolas
Chairman of the Committee on Rules



**Bureau of Budget & Management Research
Fiscal Note of Bill No. 15-34 (COR)**

AN ACT TO REQUIRE THAT A COMPREHENSIVE COST-BENEFIT AND SPACE UTILIZATION STUDY BE CONDUCTED BY THE GOVERNMENT OF GUAM PRIOR TO THE AUTHORIZATION, FUNDING, OR CONSTRUCTION OF A UNIFIED GOVERNMENT OFFICE FACILITY.

Department/Agency Appropriation Information	
Dept./Agency Affected: Government-wide	Dept./Agency Head: All Department/Agency Heads
Department's General Fund (GF) appropriation(s) to date:	\$681,271,974
Department's Other Fund (Specify) appropriation(s) to date:	\$209,189,674
Total Department/Agency Appropriation(s) to date:	\$890,461,648

Fund Source Information of Proposed Appropriation			
	General Fund:	(Specify Special Fund):	Total:
FY 2016 Unreserved Fund Balance		\$0	\$0
FY 2017 Adopted Revenues	\$0	\$0	\$0
FY 2017 Appro. (P.L. 33-185)	\$0	\$0	\$0
Sub-total:	\$0	\$0	\$0
Less appropriation in Bill	\$0	\$0	\$0
Total:	1/	1/	1/

Estimated Fiscal Impact of Bill						
	One Full Fiscal Year	For Remainder of FY 2017 (if applicable)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund	\$0	\$0	\$0	\$0	\$0	\$0
(Specify Special Fund)	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$0	1/	1/	1/	1/	1/

- Does the bill contain "revenue generating" provisions? / / Yes /X/ No
If Yes, see attachment
- Is amount appropriated adequate to fund the intent of the appropriation? /X/ N/A / / Yes / / No
If no, what is the additional amount required? \$ _____ /X/ N/A
- Does the Bill establish a new program/agency? / / Yes /X/ No
If yes, will the program duplicate existing programs/agencies? / / Yes /X/ No
Is there a federal mandate to establish the program/agency? / / Yes /X/ No
- Will the enactment of this Bill require new physical facilities? / / Yes /X/ No
- Was Fiscal Note coordinated with the affected dept/agency? If no, indicate reason: /X/ Yes / / No
/ / Requested agency comments not received by due date / / Other:

Analyst: <u>Angela Flores</u> Angela Flores, BMA IV	Date: <u>2/20/17</u>	Director: <u>Jose S. Calvo</u> Jose S. Calvo, Director	Date: <u>FEB 21 2017</u>
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Footnotes: 1/ See attachment.

Bureau of Budget & Management Research
Comments to Fiscal Note No. 15-34 (COR)

As a requirement prior to any further authorization for construction of any government office space within the municipality of Hagåtña for the Executive Branch, Bill No. 15-34 (COR) seeks to conduct a Comprehensive Cost-Benefit and Space Utilization Study. This entails a fiscal impact in FY2018 to compare the relocation of certain government of Guam agencies currently leasing or renting office space, with such agencies continuing its current lease or rent under the current terms or reasonably renegotiated terms, to include the construction of a government office facility in the municipality of Hagåtña.

The Government of Guam AS400 Financial Management Information System as of February 15, 2017 reflects total expenditure of \$10,645,365 for FY 2016 and \$10,430,577 for FY 2015 for office lease/rental. The Performance Audit for the period October 2014 through September 2015 under the recent OPA Report No. 17-02 dated January 2017 indicates that the annual cost for leasing commercial space (office and other) has nearly doubled for the Government of Guam, from \$6,581,088 in FY 2004 to \$11,782,556 in FY 2015, or an increase of \$5,201,468. The analysis points out disparities in lease costs per square feet going from \$3.00, \$2.35 and \$1.95 all-inclusive of utilities, and illustrates that agencies are independently procuring leases without overall monitoring to review and establish minimum specifications and guidelines and rates. The Report makes recommendation that with regard to all Government of Guam office space leases, that a specified agency monitor for review in applying practicable standard guidelines, establishing minimum specifications for basic rent and common area maintenance fees for government office space.

Section 2 provides that I Liheslaturan Guåhan shall identify a funding source and appropriation authorization in the FY 2018 Budget Act, and also provides that transfer authority by I Maga'låhen Guåhan in FY 2017 may be used for this purpose. It should be noted that as this is an unbudgeted item for FY 2017, the use of the transfer authority is subject to the availability of funding after all current fixed costs and other current operational expenses are funded. Additionally, the Governor of Guam has submitted its FY 2018 Executive Budget Request to I Liheslaturan Guåhan on January 31, 2017, which is a request for full appropriation of the projected revenues.

Based on the FY 2016 and FY 2015 expenditures, it is estimated that the benefit to be gained by the proposed Study is projected to outweigh its cost, to include financing alternatives for any proposed government office facility, including, but not limited to bond issuance, commercial bank loan, and design, build, operate and transfer schemes.

The cost impact of the Bill 15-34 (COR) is dependent on determination by the government of Guam for the conduct of the Study, and which may entail procurement of services for solicitation of a Request for Proposal from qualified contractors.



MEMORANDUM

To: Senator Michael F.Q. San Nicolas
Chair, Committee on Rules

From: Speaker Benjamin J.F. Cruz

Re: Waiver of Funding Availability Note for Bill No. 15-34 (COR)

Håfa Adai!

In accordance with Section 6.01(d)(1), Rule VI, Part B of *I Mina'trentai Kuåtro na Liheslaturan Guåhan*, the Committee on Appropriations and Adjudication (Committee), with the assistance of the Office of Finance and Budget, has reviewed **Bill No. 15-34 (COR)**.

The Committee has determined that the above-referenced bill does not contain an appropriation or an authorization for appropriation from a specified funding source. Therefore, a **Funding Availability Note has been waived**.

Si Yu'os ma'åse'


Benjamin J.F. Cruz



Cruz Bill to Ensure Future Construction Done Right

APPROPRIATIONS CHAIR ASKS OPA TO CLARIFY GOVGUAM LEASE AUDIT

(February 1, 2017– Hagåtña) Following the Office of Public Accountability's (OPA) recent release of an audit indicating that annual lease expenses have nearly doubled over the past decade, Speaker Benjamin J.F. Cruz is answering the OPA's call to "evaluate" the cost-effectiveness of GovGuam leases and determine the feasibility of acquiring or constructing a home for Government entities presently leasing commercial space. Introduced this morning, Bill No. 15-34 would require that a comprehensive cost-benefit analysis be completed prior to the authorization, funding, or construction of new government office buildings—ensuring that the construction of the unified government building in Hagåtña is both cost-effective for Guam's taxpayers and done right the first time.

In conjunction with his legislation, the Speaker also transmitted a letter to Public Auditor Brooks this morning, requesting clarification on her audit, OPA Report No. 17-002. While the audit states that approximately \$11.7 million is spent annually on commercial office space by various government entities, Cruz contends that this figure may not accurately reflect the amount of money "available" for debt service or lease payments on a unified government building.

According to an analysis conducted by the appropriation chair's office, only \$5.2 million—far less than half the amount the OPA Report No. 17-02 cites—appears to be potentially available when considering a transition to new government space. Cruz says the discrepancy is based on the fact that several of the entities contained in the review are either outside of Executive Control or required to serve the areas, villages or regions in which they are located.

"While I support the construction of government office buildings—especially as a means to avoid lease arrangements which may cost far more, none of this can be determined without a detailed analysis—a point you clearly make in OPA Report 17-02," said Cruz to the Public Auditor.

As a result, in his letter, the Speaker called for a more comprehensive financial analysis of GovGuam leases—citing previous reports that have done so. Prior to the construction of the Guam Power Authority/Guam Waterworks Authority Multipurpose Facility at Fadian, the Consolidated Commission on Utilities commissioned a *Space Utilization and Financial Analysis Report*. According to Cruz, in addition to an empirical review of the lease cost for the two GovGuam agencies, the nearly 70-page analysis included a full development plan and a comparison of various funding alternatives.

"To this end, I hope that you will join me in clarifying that your report is not a substitute for a detailed Utilization and Financial Analysis Report," concluded Cruz in his letter. *"While I am joined in principle to the goal of a Capitol Building in Hagåtña—unifying all our government agencies under a shared roof—our history is replete with examples of doing it wrong the first time. For me, and for the worthiness of this investment, this is something we should get right from day one."*

Moving forward, Cruz's legislation would require that a detailed cost-benefit analysis and space utilization study be completed prior to the expenditure of funds on a unified government building in Hagåtña. The measure also mandates that the study be funded in the upcoming Fiscal Year 2018 Budget Act.

"I introduced Bill 15 because knowing the right thing to do isn't always the same thing as doing the right thing well," said Cruz. *"If we can save any portion of \$5.2 million a year and give our people a building that is more efficient and cost effective, I support it, but let's get our facts straight and conduct the same meaningful analysis our public utilities did well before they broke ground."*

###

For more information, please contact the Office of Speaker Benjamin J.F. Cruz at #477-2520/1.

I MINA'TRENTAI KUÁTRO NA LIHESLATURAN GUÁHAN
2017 (FIRST) Regular Session

Bill No. 15-34(COR)

Introduced by:

B. J. F. Cruz 

AN ACT TO REQUIRE THAT A COMPREHENSIVE COST-BENEFIT & SPACE UTILIZATION STUDY BE CONDUCTED BY THE GOVERNMENT OF GUAM PRIOR TO THE AUTHORIZATION, FUNDING, OR CONSTRUCTION OF A UNIFIED GOVERNMENT OFFICE FACILITY

2017 FEB - 1 AM 10:15



1 **BE IT ENACTED BY THE PEOPLE OF GUAM:**

2 **Section 1. Comprehensive Cost-Benefit & Space Utilization Study**

3 **Required.** Notwithstanding any other provision of law, rule, or regulation, and
4 prior to any further authorization for the construction of any government office
5 space within the Municipality of Hagåtña for the Executive Branch of
6 Government, a Comprehensive Cost-Benefit & Space Utilization Study (the Study)
7 *shall first be* conducted. The Study *shall* determine if it is cost-beneficial to the
8 government of Guam to relocate certain government of Guam agencies currently
9 leasing or renting office space as compared to continuing to lease or rent such
10 office space under either their current terms or reasonably re-negotiated terms. The
11 Study *shall* contain, *at a minimum*, the following information:

12 (a) Comprehensive cost analysis of current government of Guam
13 leases including space requirements for all departments and/or agencies that
14 are currently leasing or renting office space, available lease space and
15 market lease rates, on-going operating and maintenance costs, one-time costs
16 upon relocation, lease periods, expected price escalation factors, cost
17 projections, and other relevant cost considerations.

1 (b) Comprehensive cost analysis on the construction of a government
2 office facility in the Municipality of Hagåtña including building area,
3 parking requirements, potential impact on current traffic in proposed
4 location, impact on existing businesses and residents, construction costs,
5 construction timelines, on-going operating and maintenance costs, one-time
6 costs upon relocation, additional income from sub-leases, if any,
7 construction and new building operating periods, expected price escalation
8 factors, cost projections, other relevant cost considerations.

9 (c) Comprehensive cost-benefit analysis of various options including a
10 status quo scenario. The options presented *shall* take into consideration and
11 enumerate costs, potential benefits, and potential limitations and drawbacks
12 of each option.

13 (d) Presentation of various financing alternatives for any proposed
14 government office facility including but not limited to bond issuance,
15 commercial bank loan, and design, build, operate and transfer schemes. The
16 cost and benefits of each of the financing alternatives *shall* also be
17 presented. The Study required under this section *shall* be subject to Chapter
18 5, Title 5 of the Guam Code Annotated, Guam Procurement Law, and *shall*
19 be procured through the General Services Agency in the Department of
20 Administration.

21 **Section 2. Funding.** *I Liheslaturan Guåhan* must identify a funding source
22 and appropriation authorization in the Fiscal Year 2018 Budget Act to fund the
23 Comprehensive Cost Benefit & Space Utilization Study required in Section 1 of
24 this Act. Nothing herein *shall* prevent *I Maga'låhen Guåhan* from transferring
25 appropriations within his authority pursuant to Public Law 33-185, but if such
26 appropriations are transferred, *I Maga'låhen Guåhan* and the Director of the
27 Bureau of Budget and Management Research *shall* report said transfer to the

1 Speaker of *I Liheslaturan Guåhan* within five (5) days of effectuating said transfer.

2 **Section 3.** Nothing in this Act *shall* be construed as to prevent, de-authorize
3 or otherwise abrogate the following authorizations:

4 (a) Public Laws 29-135 (Department of Land Management Building);

5 (b) Public Laws 30-201, 31-229, 31-277, 32-063 and 32-120
6 (University of Guam Student Services Center and Engineering Annex and
7 Guam Community College Laboratory and Buildings);

8 (c) Public Laws 31-229, 32-120, and 32-121 (Guam Department of
9 Education Public Schools);

10 (d) Public Laws 32-204 and 33-151 (Guam Memorial Hospital
11 Authority Labor and Delivery Ward); and

12 (e) Public Law 33-66 (Unified Judiciary of Guam Judicial Building
13 Fund Refinancing and Related Buildings).

14 **Section 4. Effective Date.** This Act *shall* become effective upon enactment.

15 **Section 5. Severability.** *If* any provision of this Act or its application to any
16 person or circumstance is held invalid, the invalidity *shall not* affect other
17 provisions or applications of this Act which can be given effect without the invalid
18 provision or application and to this end the provisions of this Act is severable.



COMMITTEE ON RULES

Senator Michael F.Q. San Nicolas, *Chairman*
I Mina'Trentai Kuåtтро na Liheslaturan Guåhan • 34th Guam Legislature



COMMITTEE REPORT CHECKLIST

Part 1 / 1

BILL NO. 15-34 (COR) <i>As Corrected by the Prime Sponsor</i> AN ACT TO REQUIRE THAT A COMPREHENSIVE COST-BENEFIT AND SPACE UTILIZATION STUDY BE CONDUCTED BY THE GOVERNMENT OF GUAM PRIOR TO THE AUTHORIZATION, FUNDING, OR CONSTRUCTION OF A UNIFIED GOVERNMENT OFFICE FACILITY.		
Referred to: Committee on Appropriations and Adjudication; Speaker B. J.F. Cruz, <i>Chairman</i>		
(A) FISCAL NOTE or WAIVER	(1) Requested by COR <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	Date & Time: 2/9/17 2:05 pm
	(2) Received by COR <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	Date & Time: 2/22/17 1:22 pm
	(3) Waived by COR <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO	Date & Time:
	(4) Bill contains appropriations or authorizations for appropriations from any fund sources? <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO	<i>If YES:</i> (4/5)(a) Funding Availability Note/Waiver (OFB) attached? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO (Unable to file CMTE Report)
	(5) Bill contains an authorization to expend government funds? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	(4/5)(b) Funding source identified? 2 GCA § 9101 <input type="checkbox"/> YES <input type="checkbox"/> NO (Proceed to (A)(6))
	(6) Restrictions Against Unfunded Appropriations (2 GCA § 9101) <input type="checkbox"/> Identifies specific alternate funding source <input type="checkbox"/> De-appropriates from previous appropriation with available funds and fiscal note <input type="checkbox"/> Written certification by CMTE Chair that a situation exists which "threatens the safety, health and welfare of the community"	<i>If no boxes checked:</i> UNABLE TO PLACE ON SESSION AGENDA 2 GCA § 9102



Committee Report Checklist on Bill No. 15-34 (COR), As Corrected by the Prime Sponsor
Part 1/1

(B) PUBLIC HEARING	(1) HEARING NOTICES SR §§ 6.04(a)(1) and 6.04(a)(2), Open Government Law (5 GCA, Ch. 8)	
	<input checked="" type="checkbox"/> (a) Five (5) working days prior (ALL Senators & ALL Media)	Date and Time of Notice: 3/9/17 4:58pm
	<input checked="" type="checkbox"/> (b) Forty-eight (48) hours prior (ALL Senators & ALL Media)	Date and Time of Notice: 3/14/17 8:00am
	(2) Date and Time of Hearing: 3/16/17 2:00pm	<i>or</i> (4) HEARING WAIVED by Speaker in case of emergency SR § 6.04(a)(1) <input type="checkbox"/> YES <input type="checkbox"/> NO <input checked="" type="checkbox"/> N/A <i>If YES:</i> Attach memo indicating WAIVER
	(3) Location: Public Hearing Room, Guam Congress Bldg.	
	(5) AMENDMENTS or SUBSTITUTIONS BY COMMITTEE SR § 6.04(b)	
	(a) Committee elects to substitute bill? <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO	<i>If YES:</i> Date and Time: (a)(1) Vote sheet affirmative? <input type="checkbox"/> YES <input type="checkbox"/> NO (a)(2) Preliminary report filed with COR? SR § 6.04(b)(2) <input type="checkbox"/> YES <input type="checkbox"/> NO (a)(3) Public Hearing noticed? <input type="checkbox"/> YES <input type="checkbox"/> NO
	(b) Bill materially different after committee amendment or substitution? <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO	<i>If YES:</i> SECONDARY PUBLIC HEARING MAY BE REQUIRED SR § 6.04(c)(3) <input type="checkbox"/> YES <input type="checkbox"/> NO
COR Chair		

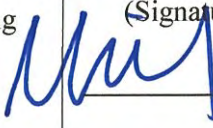


Committee Report Checklist on Bill No. 15-34 (COR), As Corrected by the Prime Sponsor
Part 1/1

(C) COMMITTEE REPORT	<p>(1) Committee Report filed with COR? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO</p> <p><i>If YES:</i> Date & Time: <u>4/11/17 3:16pm</u></p>	<p><i>If NO:</i> UNABLE TO PLACE ON SESSION AGENDA SR § 6.04(d)(1)</p>	
	<p>(1)(a) Secondary CMTE Report filed with COR? <input type="checkbox"/> YES <input type="checkbox"/> NO <input checked="" type="checkbox"/> N/A</p> <p><i>If YES:</i> Date & Time:</p>		
	(2) LAND LEGISLATION		
	<p>(a) Bill involves government taking, transfer, purchase, or lease of land? <input type="checkbox"/> YES <input type="checkbox"/> NO <input checked="" type="checkbox"/> N/A</p>	<p><i>If YES:</i> ATTACH TWO (2) PROPERTY APPRAISALS TO CMTE REPORT SR § 6.04(c)(4) 2 GCA § 2107(b)</p>	
	<p>(a)(1) Please indicate on both columns:</p> <table border="1" style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;"> <p>(i) Type of transaction: <input type="checkbox"/> Taking <input type="checkbox"/> Transfer <input type="checkbox"/> Purchase <input type="checkbox"/> Lease</p> </td> <td style="width: 50%; vertical-align: top;"> <p>(ii) Type of entity: <input type="checkbox"/> Government <input type="checkbox"/> Non-government</p> </td> </tr> </table>		<p>(i) Type of transaction: <input type="checkbox"/> Taking <input type="checkbox"/> Transfer <input type="checkbox"/> Purchase <input type="checkbox"/> Lease</p>
	<p>(i) Type of transaction: <input type="checkbox"/> Taking <input type="checkbox"/> Transfer <input type="checkbox"/> Purchase <input type="checkbox"/> Lease</p>	<p>(ii) Type of entity: <input type="checkbox"/> Government <input type="checkbox"/> Non-government</p>	
	<p>(b) Bill involves legislative land rezoning? <input type="checkbox"/> YES <input type="checkbox"/> NO <input checked="" type="checkbox"/> N/A</p>	<p><i>If YES:</i> INCLUDE Land Zoning Consideration Report 2 GCA § 2110</p>	
	<p>(b)(1) Bill involves legislative rezoning of property zoned Agricultural (A)? <input type="checkbox"/> YES <input type="checkbox"/> NO <input checked="" type="checkbox"/> N/A</p>	<p><i>If YES:</i> INCLUDE Agricultural Consideration Report (Dept. of Agriculture) 2 GCA § 2110 [Proceed to (b)(2)]</p>	
<p>(b)(2) Proof of Agricultural consideration report reviewed by Guam Land Use Commission? 21 GCA § 61637 <input type="checkbox"/> YES <input type="checkbox"/> NO <input checked="" type="checkbox"/> N/A</p>			



Committee Report Checklist on Bill No. 15-34 (COR), As Corrected by the Prime Sponsor
 Part 1/1

	(3) G.A.R.R. LEGISLATION SR § 6.04(c)(1) 5 GCA §§ 9301 and 9303	
	a) Bill involves approving or amending Rules and Regulations? <input type="checkbox"/> YES <input type="checkbox"/> NO <input checked="" type="checkbox"/> N/A	If YES: INCLUDE Economic Impact Statement 5 GCA §§ 9301(d), 9301(e), 9301(f)
(D) COMMITTEE REPORT (continued)	(4) COMMITTEE REPORT COMPONENTS	
	(a) Front Page Transmittal to Speaker	<input checked="" type="checkbox"/>
	(a)(1) COR Chair Signature Line	<input checked="" type="checkbox"/>
	(b) Title Page	<input checked="" type="checkbox"/>
	(c) Committee Chair Memo to All Committee Members	<input checked="" type="checkbox"/>
	(d) COR Referral Memorandum	<input checked="" type="checkbox"/>
	(e) Notice of Public Hearing & Other Correspondence	<input checked="" type="checkbox"/>
	(f) Public Hearing Agenda	<input checked="" type="checkbox"/>
	(g) Public Hearing Sign-in Sheet	<input checked="" type="checkbox"/>
	(h) Written Testimonies & Additional Documents	<input checked="" type="checkbox"/>
	(i) Committee Vote Sheet(s)	<input checked="" type="checkbox"/>
	(j) Committee Report Digest(s)	<input checked="" type="checkbox"/>
	(k) Bill History	<input checked="" type="checkbox"/>
	(k)(1) Copy of Bill as introduced	<input checked="" type="checkbox"/>
	(k)(2) COR Pre-Referral Checklist	<input checked="" type="checkbox"/>
	(k)(3) Copy of Bill as corrected by Prime Sponsor (if applicable)	<input checked="" type="checkbox"/>
	(k)(4) Copy of Bill as amended/substituted by Committee (if applicable)	n/a <input type="checkbox"/>
	(l) Fiscal Note/Waiver and Funding Availability Note (OFB)	<input checked="" type="checkbox"/>
	(m) Two (2) Property Appraisals (if applicable)	n/a <input type="checkbox"/>
	(n) Related News Reports (optional)	n/a <input type="checkbox"/>
(o) Miscellaneous (optional)	n/a <input type="checkbox"/>	
(p) Committee Report Checklist(s)	<input checked="" type="checkbox"/>	
(E) COR Action	<input checked="" type="checkbox"/> CMTE Report duly filed; Available for Placement on Session Agenda <input type="checkbox"/> CMTE Report non-conforming for acceptance; Return to Committee	COR CHAIR (Signature, Date & Time)  9/17/17 11:25



Bill No. 15-34 (COR), As Corrected by the Prime Sponsor

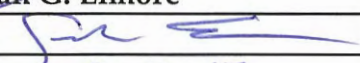
Sponsor(s): B. J.F. Cruz

Committee Chair: Speaker Benjamin J.F. Cruz

Short Title: An act to require that a Comprehensive Cost-Benefit & Space Utilization Study be conducted by the Government of Guam prior to the authorization, funding, or construction of a unified government office facility.

Committee Report Components

1	Front Page Transmittal to Speaker	
	COR Chair Signature Line	
2	Cmte Report Title Page	
3	Cmte Chair Memo to Cmte Members	
4	COR Referral Memorandum	
5	Notice of PH & Other Correspondence	
	Date of PH	March 16, 2017
	Date 5 Working Days Prior	March 9, 2017
	All Senators/All Media	March 9, 2017
	Date 48-Hours Prior	March 14, 2017
	All Senators/All Media	March 14, 2017
6	Public Hearing Agenda	
7	Public Hearing Sign-In Sheet	
8	Written Testimony(ies) & Add'l Docs	
9	Cmte Vote Sheet(s)	
10	Bill History	
	Bill as introduced	
	COR Pre-Referral Checklist	
	Bill as corrected by Prime Sponsor?	
	Amended/Sub-Version?	
	E-mailed to COR?	
11	Fiscal Note/Waiver and FAN (OFB)	
12	Related News Reports	
13	Miscellaneous	Originals
		Single-Sided
		Letter Size
		No Staples/Paper Clips

Committee Contact
Name: Sarah G. Elmore
Signature: 
Date: 4-11-17

COR USE ONLY
Reviewed by:
Date:
Notes: