



Report Highlights

Analysis of Benson Tower Lease

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Why We Conducted This Audit

We conducted this audit to gain an understanding of the State of Louisiana’s lease with Zelia, LLC, for state office space in Benson Tower and to determine if the leased space is fairly priced and fully used to ensure that the state is not incurring unnecessary lease costs.

Benson Tower



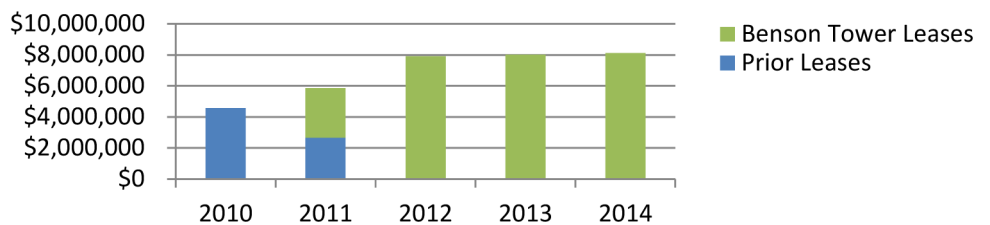
As a part of an agreement with Saints owner Tom Benson, the State of Louisiana, through the Office Facilities Corporation (OFC) entered into a long-term lease agreement for office space in Benson Tower (formerly known as Dominion Tower) in New Orleans next to the Superdome. Agencies that leased office space in the New Orleans area as of September 30, 2009, were subsequently relocated to Benson Tower.

What We Found

- The average cost per square foot for state agencies that leased office space in New Orleans under previous leases was \$17.66. In 2012, the first full lease year in Benson Tower, the cost per square foot was \$23.78. The Benson Tower lease provides for an annual CPI adjustment. As a result, the 2014 cost per square foot increased to \$25.12. A comparison of lease costs prior to and subsequent to the agreement is presented below.

Lease Costs, by Fiscal Year

Source: Agency lease documentation and supporting calculations



- Based on our review of the previous state leases and current 2014 available listing information in those buildings, the lease rates, including parking, range from \$16 to \$22 per square foot, an average of \$19 per square foot in 2014, as compared to the Benson Tower rate to the state of \$25.12. The current available listing information for other space in Benson Tower shows space available for \$18.50 to \$19 per square foot, with an additional cost for parking.
- OFC currently has sub-leases to state agencies for 298,105 of 322,977 square feet of available space in Benson Tower at an annual rent amount of approximately \$7.5 million. The remaining 24,872 square feet are vacant (including the entire 9th floor) at an annual cost of \$624,784 to the state.
- In its efforts to retain the Saints in Louisiana, the state appears to be paying higher than market rates for office space in Benson Tower. Grant funds may be due back to the federal grantor agencies if determined that lease rates exceed market rates and/or the additional costs associated with the new space are not considered reasonable and cost effective.

View the full report, including management’s response, at www.la.gov.