



LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

September 8, 2014

## BENSON TOWER LEASE ANALYSIS

A Financial Audit Services informational audit on the state's Benson Tower lease released Monday by Legislative Auditor Daryl Purpera's office said the state is leasing 17 floors of office space in the 26-story building, but one leased floor is unoccupied.

The state's agreement calls for total annual rental payments of \$8.1 million for both the occupied and unoccupied spaces, rates that appear to exceed comparable New Orleans-area rates. The state is paying approximately \$625,000 a year for nearly 25,000 square feet of office space it is not using in Benson Tower in New Orleans, part of an agreement reached in 2009 to help keep the New Orleans Saints in the state through 2025, according to the report.

State agencies occupy 298,105 square feet of the total leased space of 322,977 square feet. "The remaining 24,872 square feet are vacant, including the entire ninth floor, at an annual cost of \$624,784 to the state," the report said. "Based on lease rates for Benson Tower space, the (state) lease costs may exceed current market rates for comparable properties in the New Orleans area. . . . 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."

As part of the deal to keep the National Football League franchise in New Orleans, the state financed up to \$85 million in improvements to the Superdome. Saints owner Tom Benson agreed to buy the nearby vacant Dominion Tower – now Benson Tower – and lease office space back to the state. The informational audit was conducted "to determine if the leased space is fairly priced and fully used to ensure that the state is not incurring unnecessary lease costs," the state auditor's report said.

The state auditor said that state agencies in the New Orleans area that occupied cheaper office space when the new lease was signed were relocated to Benson Tower. The average cost per square foot for agencies that leased office space in the New Orleans area under previous leases was \$17.66, or just over \$4.58 million. "In 2012, the first full lease year in Benson Tower, the cost per square foot was \$23.78," totaling slightly more than \$7 million.

Because the Benson Tower lease has a provision that grants automatic rental increases in keeping with the Consumer Price Index, the 2014 "cost per square foot has increased to \$25.12" or almost \$7.44 million for the occupied space. The report said that lease costs "including amounts paid for vacant space have nearly doubled since 2010."

Auditors said that based on a comparison of previous state leases and the current 2014 available listing in those former locations, "the lease rates, including quoted costs for parking, range from \$16 to \$22 per square foot, an average of \$19 per square foot, as compared to the Benson Tower rate to the state of \$25.12."



LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

Current available listing information for non-state space in Benson Tower “shows space available for \$18.50 to \$19 per square foot with an additional cost for parking,” the report by the state auditor said.

Two offices of the state attorney general in the New Orleans area were expected to occupy space in Benson Tower, but officials of the agency said the tower “did not meet their needs.” The report said the agency needed 24-hour access to parking, and the new lease costs and moving expenses to Benson Tower were not included in its budget “and would negatively impact their operations.” The agency did not relocate to Benson Tower.

The lease with Zelia LLC, the Benson-managed company that leases tower office space, allows the state to sublease to any political subdivision of the state or any public commission, entity or regional authority with notice to the landlord but without Zelia’s approval. If the state chooses to sublease to a non-governmental entity, the landlord must approve.

Because rental rates in Benson Tower “may exceed current market rates for comparable properties in the New Orleans area,” some state agencies have expressed concerns that the annual rent charges they allocate to federal programs “may not meet the definition of reasonable and cost-effective” under federal guidelines. For example, the Social Security Administration, which finances all of the operations of the Department of Children and Family Services’ Disability Determination Services, denied the agency’s request to relocate to Benson Tower because of the rental costs.

Grant funds may have to be repaid to the federal grantor agencies if it is determined that the Benson Tower lease rates “exceed market rates and/or the additional costs associated with the new space are not considered reasonable and cost-effective,” the state auditor said in the report.

The report recommended the state minimize its vacant space now leased by considering a lease agreement with entities outside of state government. It also recommended that the governor’s office, through its administrative arm, the Division of Administration, should ensure that annual lease costs charged to federal programs “are reasonable as defined under federal program guidelines by evaluating current market rates for comparable space.”

**For more information, contact:**  
Daryl G. Purpera, CPA, CFE  
Legislative Auditor  
225-339-3800

**On Twitter:** State office lease rates in Benson Tower may exceed current market rates for comparable properties in New Orleans area.