

**DOCUMENT RESUME**

**08:46 - [C3468574]**

**Grants to Government of Guam for Health Care Needs. B-193234.  
December 8, 1978. 14 pp.**

**Decision re: Department of the Interior; Office of Territorial  
Affairs; by Robert F. Keller, Acting Comptroller General.**

**Contact: Office of the General Counsel: General Government  
Matters.**

**Organization Concerned: Guam.**

**Authority: Second Supplemental Appropriations Act [of] 1978  
(P.L. 95-355; 92 Stat. 523; 92 Stat. 527). (P.L. 95-134; 91  
Stat. 1159; 91 Stat. 1162). (P.L. 95-348; 92 Stat. 487; 92  
Stat. 488). Uniform Relocation Assistance and Real Property  
Acquisition Policies Act (42 U.S.C. 4601). H.R. 6550 (95th  
Cong.). S. Rept. 95-332. S. Rept. 95-1061. S. Rept. 91-488.  
H. Rept. 95-1350. H. Rept. 91-1656. 123 Cong. Rec. H10168.  
124 Cong. Rec. H7887. United States v. Reynolds, 397 U.S.  
14, 16 (1970). Hembree v. United States, 347 F.2d 109, 110  
(8th Cir. 1965). United States v. 620.98 Acres of Land, 255  
F. Supp. 427 (W.D. Ark. 1966).**

**Advice was requested concerning the use of funds  
appropriated for grants to the Government of Guam for  
acquisition of the Medical Center of the Marianas, a privately  
owned hospital. There is no statutory authority for using the  
funds solely to repay creditors of the private owner of the  
center; the funds may be used by the Government of Guam only to  
purchase an unencumbered title to the center. The purchase price  
of the center must be fair both to the owners and to the  
Government and cannot be unreasonably inflated to cover the  
debts of the private owner. (HTW)**

**DECISION****THE COMPTROLLER GENERAL  
OF THE UNITED STATES  
WASHINGTON, D. C. 20548**

857

FILE: B-193234

DATE: December 8, 1978

MATTER OF: Grants to Government of Guam for Health Care Needs

- DIGEST:
1. Funds appropriated for grants to Guam by the Second Supplemental Appropriation Act, 1978, may not be used solely to repay creditors of private owner of Medical Center of the Marianas, in the absence of specific statutory authority. Such funds may be used by the Government of Guam only to purchase unencumbered title to the Medical Center.
  2. Under Section 301 of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, 42 U.S.C. § 4551, purchase price of the Medical Center of the Marianas must be fair both to the owners and to the Government. Price cannot be unreasonably inflated to cover debts of private owner of hospital.

This decision is in response to a request by the Under Secretary of the Department of the Interior for our advice concerning \$ 5 million which was appropriated for the Office of Territorial Affairs, Department of the Interior, for grants to the Government of Guam by Title I, Chapter IV, of the Second Supplemental Appropriations Act, 1978, Pub. L. No. 95-355, 92 Stat. 523, 527.

The Under Secretary states his belief that Congress intended that some or all of this money would be used by the Government of Guam to purchase an existing privately owned hospital, known as the Medical Center of the Marianas (Medical Center). The Medical Center was recently appraised, by a contract appraiser, and its fair market value, including the land on which it is located, was estimated to be \$17,860,000. The basic question stated by the inquiry is whether the entire \$25 million may be granted to the Government of Guam with the expectation that the whole sum will be used to acquire the Medical Center.

In May, 1976, Typhoon Pamela severely damaged the Guam Memorial Hospital, a public facility owned by the Government of Guam. A subsequent study by the Department of Health, Education, and Welfare recommended that a new acute care facility be built rather than completely renovating the Memorial Hospital.

The Diocese of Agaña, Guam, constructed its own acute care hospital, the Medical Center, which opened in January 1977. The Medical Center offered an alternative to the Memorial Hospital, because the civilian population of Guam was insufficient to support more than one acute care hospital, the Medical Center operated at a loss. After less than one year of operation the Medical Center was nearing financial collapse. The Government of Guam offered a plan to purchase the Medical Center and operate it as an acute care center, and to renovate and convert the Memorial Hospital into a long-term and mental health center.

On October 28, 1977, the Guam Memorial Hospital Authority (Authority), an agency of the Government of Guam, entered into an agreement to purchase the medical center at its appraised value, but not to exceed \$25 million. Apparently, this contract did not become effective due to the nonoccurrence of certain conditions precedent. On December 31, 1977, a second agreement was entered into whereby the Authority would lease and operate the Medical Center pending its purchase. The parties agreed to "continue to use their best efforts to negotiate, as soon as possible, a sales agreement for the premises and inventory." Under the lease agreement, the Authority was responsible for the costs of operating the hospital and was to pay an initial rental of one dollar per month, which was to increase to \$100,000 per month starting in July 1978.

An audit of the Medical Center by the accounting firm Peat, Marwick, Mitchell & Co. indicated, as of January 15, 1978, assets of \$20,827,629 and liabilities of \$30,704,651, for a net deficit of \$9,877,022. The bulk of the liabilities were in the form of notes payable, most of which are secured by interests in the hospital, its equipment, or the land on which it is situated. The debts of the Medical Center have been increasing because of interest accruals at the approximate rate of \$250,000 per month. As of August 16, 1978, this debt had increased to \$32,696,790. The Peat, Marwick, Mitchell audit also indicated a book value for the Medical Center buildings and equipment of \$19,941,430.

In anticipation of purchasing the Medical Center, the Authority engaged the American Appraisal Company to value the Medical Center property. On March 10, 1978, the appraisal report was submitted. It indicated a fair market value of \$16,060,000 for the hospital buildings, improvements and equipment, and \$1,800,000 for the land on which they are situated, or a total fair market value of \$17,860,000.

Although the appraisal study was commissioned by an agency of the Government of Guam, the Governor of Guam has expressed his disagreement with the appraisal and has suggested several alternative approaches to the valuation of the Medical Center property. Further, as expressed in his letter of March 27, 1978, to the Director of the Office of Territorial Affairs:

"American's appraisal caused considerable confusion and turmoil since everyone immediately realized that if it was accepted, as is, that the \$18 million would not be sufficient to satisfy the demands of MCM's many creditors who would be forced to accept 60c on the dollar. This situation would mean that MCM would not be able to pay off all the creditors and would therefore be unable to deliver a clean title. Having less than would be sufficient to pay of [sic] all creditors would also delay the final transfer of title since the whole matter would probably be taken to court to determine who gets what share of the pot. At any rate, anything less than the \$25 million to pay of [sic] the notes payable would delay, if not defeat, the purpose of all our earlier efforts."

The Governor suggested that about \$35 million would be necessary to pay all the Medical Center's creditors and to purchase the land, which the Medical Center presently occupies under 75 year leases.

In a later letter, dated September 1, 1978, to the Secretary of the Interior, the Guam Governor recommended a plan by which the Medical Center and the land on which it is situated would be obtained. This plan requires \$35 million in Federal grants. With the first \$25 million, the principal amounts of all the debts owed by the Medical Center, a private corporation, with the exception of those owed to the Government of Guam, would be paid. With an additional \$10 million, the accrued interest on these debts and the principal and interest on the debts to Guam could be paid, and the land could be purchased.

The Governor plans to negotiate with the Center's creditors to accept the payments made with the \$25 million as "full payment of the principal owed." However, it is not clear that the creditors would then release their liens and that the Government of Guam would obtain clear title to the hospital unless Congress appropriated an additional \$10 million.

Section 205 of the Act of October 15, 1977, Pub. L. No. 95-134, 91 Stat. 1159, 1162, provided in pertinent part:

"There is hereby authorized to be appropriated to the Secretary of the Interior such sums as may be necessary for grants to the Government of Guam to meet the health care needs of Guam, but not to exceed \$25,000,000: Provided That no grant may be made by the Secretary of the Interior pursuant to this section without the prior approval of the Secretary of Health, Education, and Welfare."

On August 18, 1978, section 205 was amended by section 1(d) of Pub. L. No. 95-348, 92 Stat. 487, 488. That section increased the amount authorized to be appropriated from \$25 million to \$35 million and added the following proviso:

"Provided, That \$10,000,000 of such sums is not authorized to be appropriated prior to October 1, 1978. Health care needs shall include goods and services provided to maintain and operate the Medical Center of the Marianas."

Just a few weeks later, funds were appropriated by Title I, Chapter IV, of the Supplemental Appropriation Act, 1978, Pub. L. No. 95-355, September 8, 1978, 92 Stat. 523, 527, which provides in part:

"For an additional amount for 'Administration of Territories', \$49,000,000 of which \$35,000,000 is for grants to Guam \* \* \*."

While the appropriation legislation does not specify the objects for which the funds are to be expended, (other than "for grants to Guam"), and the authorization act specifies only "such sums as may be necessary \* \* \* to meet the health care needs of Guam" the legislative histories of these acts indicate that Congress intended that these funds be spent for a much more specific purpose.

An authorization to meet Guam's health care needs, in the form of federally guaranteed loans of the Government of Guam, appeared first as a Senate amendment to H. R. 6550, 95th Cong. The Senate Committee on Energy and Natural Resources explained the amendment as follows:

"This amendment adopted by the committee authorizes the Secretary of the Interior to guarantee loans of the Government of Guam to meet the health

care needs of Guam after obtaining the approval of the Secretary of HEW. The committee is aware of the health needs study being funded by HEW and accordingly has not made a specific recommendation for the use of such loans. Originally, this provision was to enable Guam to purchase the medical center of the Marianas to replace the Guam Memorial Hospital which could then be rehabilitated for long term care. The committee does not believe that it is in the interest of the people of Guam to have two acute care facilities, however the committee will await the result of the HEW funded study \* \* \*

S. Rep. No. 95-332, 95th Cong., 1st Sess. 10-11 (1977). Although expecting that the loan funds would be used by the Government of Guam to purchase the Medical Center, the committee did not write this purpose into the bill because of the then ongoing HEW study of Guam's health care needs.

The loan guarantee provision was altered to an authorization for direct grants by an amendment introduced on the House floor. The sponsor of the amendment, Representative Philip Burton, gave the following explanation:

"The Senate added a section authorizing a \$25 million guaranteed loan to Guam, with the approval of the Secretary of HEW, to enable the Guam government to purchase the new Medical Center of the Marianas to replace the Guam Memorial Hospital. Over the last 10 years Guam Memorial Hospital has suffered severe damages caused by two super typhoons and has undergone several renovations and much patch work. It is estimated that it would require between \$18 and \$20 million to simply upgrade the present facility to meet minimum health care standards and to acquire hospital accreditation. A recent health care needs study of Guam reveals the numerous deficiencies of the Guam hospital, asserts that the economy of Guam cannot support two hospitals and recommends the purchase of a fully equipped hospital, which we understand is available at the approximate cost of \$25 million.

"Since the Government of Guam does not have the financial ability to undertake a large capital improvement project to build a new hospital or to assume a new debt obligation, we believe that a direct appropriation of \$25,000,000 is the more responsible course to take. With this in mind, we are offering an amendment to the Senate amendment to provide such a grant."

123 Cong. Rec. H 10168 (daily ed., Sept. 27, 1977). Thus the legislative history of Public Law 95-134 indicates that at least some of the \$25 million authorized was intended to be used to purchase the Medical Center.

In reporting the bill which became the second Supplemental Appropriation Act, 1978, supra, the House Committee on Appropriations stated:

"Guam Health Care Grants. --The Committee recommends \$25,000,000 for the purchase of a health care facility on Guam as authorized by Public Law 95-134. The Medical Center of the Marianas (MCM), constructed by the Catholic Diocese of Agaña, Guam, began operations in January, 1977. The old inferior government-owned Guam Memorial Hospital (GMH) continued operations concurrently and the competition for patients resulted in the failure of MCM to cover operating costs. Beginning in January 1978, the Government of Guam began operating the new MCM under a lease arrangement and discontinued acute-care cases at GMH. The Government of Guam has proposed a plan to purchase MCM as an acute-care center and with minimal renovations to convert GMH into a long-term center. The Committee thinks this approach will provide for the total health needs of the people of the island more economically than building a new hospital  
\* \* \*"

H. R. Rep. No. 95-1350, 95th Cong., 2nd Sess. 29 (1978).

The Senate Committee on Appropriations, in reporting the same bill, stated:

"The Committee concurs in the House allowance of \$25,000,000 for purchase of a modern health care facility on Guam, formally operated by the Catholic diocese on Guam as the Medical Center of the Marianas. The Government of Guam has proposed a plan to purchase the medical center and use the government-owned Guam Memorial Hospital as a long-term care facility  
\* \* \*"

S. Rep. No. 95-1061, 95th Cong., 2nd Sess. 32 (1978).

Therefore, although neither the authorizing nor appropriating legislation requires that any of the \$25 million be spent to purchase the Medical Center, it is clear from the legislative history that Congress expected at least some of the funds to be spent in this way.

Accordingly, we agree that there is authority under these statutes to apply the grant funds to the purchase of the Medical Center.

On the other hand, there is nothing in any of the statutes to suggest that the repayment of debts incurred in the past by a private corporation may be considered as meeting the present or future health care needs of the people of Guam. Further, even the language of the deferred appropriation authorization added by Public Law 95-348, *supra*, refers only to "goods and services provided to maintain and operate the Medical Center of the Marianas." The statutory provision, on its face, does not apply to construction loans and certain other debts incurred prior to the opening of the Medical Center or, generally, prior to the effective date of the Act.

Under the Governor of Guam's plan, discussed *supra*, the \$25 million which has already been appropriated would be used to pay the principal of most of the Medical Center's debts but it is not clear that unencumbered title would be obtained unless the Congress appropriates the additional \$10 million authorized, which would be used to pay the interest on all debts and debts owed to the Government of Guam and to purchase the land. Under this plan, "the purchase price" would be inflated approximately 95 percent above the previous appraised value of the hospital and land because of the extensive debts which the hospital has incurred. (See discussion of fair market value, *infra*). In the absence of statutory authority, the Department of the Interior is not authorized to make a grant to the Government of Guam for the sole purpose of paying off debts incurred by a private corporation which operated the Medical Center in the past. As we stated above, there is nothing in the relevant statutory provisions which grants such authority. Therefore, while these funds may be used to acquire the hospital at a fair price, they may not be used to pay the debts of the hospital's current owners without obtaining clear title to the hospital itself.

We are aware that Representative Phillip Burton, Chairman of the authorizing Subcommittee, intended the deferred \$10 million authorization provision to allow repayment of the Medical Center's obligations. In describing the amendment in Public Law 95-348 on the House floor on June 5, 1978, Representative Burton stated that it

"\* \* \* allows up to an additional \$10 million to cover all bona fide loans and interest or interest paid thereon related to the construction, maintenance, and



operation until the hospital purchase, plus the rising costs involved in this purchase due to the delay in appropriating the funds."

124 Cong. Rec. II 7887 (daily ed.). Again on August 4, 1978, Representative Burton stated that the amendment

"\* \* \* will allow up to an additional \$10,000,000 to be appropriated to cover all bona fide loans, payments due for goods and services provided, and interest paid or due thereon relating to the maintenance and operation of the hospital until the purchase is complete. \* \* \*"

124 Cong. Rec. II 7887 (daily ed.).

Although Representative Burton's intent that the added \$10 million provision allow the repayment of the Medical Center's debts seems clear, that intent was not carried into the language of the statute itself. Accordingly, if Congress desires that all the outstanding debts of the Medical Center be paid, that intent should be clearly expressed.

As things currently stand, the Governor of Guam is not authorized to use the \$25 million in grant funds which have already been appropriated to pay off some of the Medical Center's debts without obtaining clear title to the hospital, nor can he pay an unreasonably inflated price for the Center (see discussion, infra) to accomplish indirectly what he cannot do directly. If any or all of these funds are used for the acquisition of the Center, Guam must obtain full and clear title to the hospital. Under the Governor's plan, it is not clear that Guam would receive clear title to the building and equipment without a further grant appropriation and, as we indicated, this would not be proper. We believe that it was the intent of Congress that the \$25 million appropriated be used to obtain unencumbered title to the hospital.

The Under Secretary also requests our views on the amount which may be paid for the acquisition of this hospital. The Department is of the opinion that the appraised value of the Medical Center property, about \$18 million should be the purchase price. The March 27, 1978, letter from the Governor of Guam indicates his belief that the Medical Center property is worth as much as \$26 million. A telegram from the Governor, dated October 24, 1978, indicates that he expects to pay the full \$25 million to purchase the Medical Center.

Ordinarily, acquisitions of real property by the Federal Government or State or local government recipients of Federal grants are governed by the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, 42 U.S.C. §§ 4601 et seq. (1976). Guam is considered a State for the purposes of this Act. Title III of that Act, 42 U.S.C. §§ 4651-4655, will henceforth be referred to as the Acquisition Policies Act.

There is nothing in the language of the relevant appropriation and authorization acts, or even in their legislative histories, which indicates that Congress intended that the purchase of the Medical Center was to be exempt from the provisions of this Act. Therefore, the provisions of the Acquisition Policies Act are applicable to Guam's acquisition of the hospital with Federal grant funds.

Section 301 of the Acquisition Policies Act, 42 U.S.C. § 4651 (1976), which is made applicable to State agencies by section 305, provides, in pertinent part:

"In order to encourage and expedite the acquisition of real property by agreements with owners, to avoid litigation and relieve congestion in the courts, to assure consistent treatment for owners in many programs, and to promote public confidence in Federal land acquisition practices, heads of Federal agencies shall, to the greatest extent practicable, be guided by the following policies:

"(1) The head of a Federal agency shall make every reasonable effort to acquire expeditiously real property by negotiations.

"(2) Real property shall be appraised before the initiation of negotiations, and the owner or his designated representative shall be given an opportunity to accompany the appraiser during his inspection of the property.

"(3) Before the initiation of negotiations for real property, the head of the Federal agency concerned shall establish an amount which he believes to be just compensation therefor and shall make a prompt offer to acquire the property for the full amount so established. In no event shall such amount be less than the agency's approved appraisal of the fair market value of such property. Any decrease or increase in the fair market value of

real property, prior to the date of valuation caused by the public improvement for which such property is acquired, or by the likelihood that the property would be acquired for such improvement, other than that due to physical deterioration within the reasonable control of the owner, will be disregarded in determining the compensation for the property. The head of the Federal agency concerned shall provide the owner of real property to be acquired with a written statement of, and summary of the basis for, the amount he established as just compensation. \* \* \*

In short, the administrator of the Federal program should (1) attempt to acquire real property by negotiation, (2) have the property appraised prior to negotiation, and (3) establish just compensation for the property, which shall not be less than the appraised value, and offer to acquire the property for that amount.

The purpose of this section, in the language of the Senate Committee on Government Operations, is

"to assure that the Government will reimburse the property owner in an amount which is fair and reasonable, and that its offer to the owner shall not be less than appraised value. It is not intended to preclude effective negotiation or to establish a one-price policy."

S. Rep. No. 91-488, 91st Cong., 1st Sess. 18 (1969). The role of the acquiring agency in initiating negotiations was described by the House Committee on Public Works as follows:

"[T]he proposed policy recognizes that individual appraisers and appraisals are not infallible, and for that reason places the responsibility on the acquiring agency to determine, in advance of negotiations, an amount which it regards as the fair market value of such property, and to make an offer to the property owner for the full amount so determined. \* \* \*"

H. R. Rep. No. 91-1656, 91st Cong., 2nd Sess. 23. It is therefore the responsibility of the head of the agency which is acquiring the property, in this instance the Governor of Guam, to determine what is just compensation for the property.

The Acquisition Policies Act does not define the term "just compensation." However, because the statute is addressed to the acquisition of private property by the public, we must assume that

Congress intended the meaning generally used in eminent domain proceedings.

Just compensation has been defined as the full monetary equivalent of the property taken. See, e.g., Almota Farmers Elevator & Warehouse Co. v. United States, 409 U.S. 470, 473 (1973); United States v. Reynolds, 397 U.S. 11, 10 (1970); United States v. Silver Queen Mining Co., 285 F.2d 506 (9th Cir. 1960). The owner is to be put in as good a condition monetarily as he would have occupied had his property not been taken. Almota Farmers Elevator & Warehouse Co. v. United States, supra; United States v. Reynolds, supra; United States v. Virginia Electric & Power Company, 365 U.S. 624, 633 (1961). The owner is to be made whole, but he is to receive no more. United States v. Virginia Electric & Power Company, supra.

Just compensation is often measured in terms of the fair market value of the property being acquired. It should include all elements of value that inhere in the property, but should not exceed market value fairly determined. Hembree v. United States, 347 F.2d 109, 110 (8th Cir. 1965); United States v. 620.98 Acres of Land, 255 F. Supp. 427 (W.D. Ark. 1966). In determining just compensation, the court, or other appraising agency, must be fair not only to the land owner but also to the public which is paying for the acquisition. See United States v. Commodities Trading Corp., 339 U.S. 121 (1950); United States v. 412.93 Acres of Land, 333 F. Supp. 21, 26 (E.D. No. Car. 1971); United States v. 620.98 Acres of Land, supra.

Therefore, in arriving at a determination of just compensation, the Governor of Guam should attempt to arrive at market values for the Medical Center and for the land on which it is built which are fair both to the owners and to the United States. This determination of just compensation is the amount to be offered to the owners.

We recognize that the Acquisition Policies Act places a floor on the amount that an acquiring agency may offer for property, but does not contain any ceiling limit on the amount that the agency may pay for the property. We also recognize that it is the purpose of the Act to expedite acquisition and avoid the expense and delay of condemnation proceedings, and that therefore the acquiring agency may have to pay more for the property than its appraised value. See Washington Metropolitan Area Transit Authority v. One Parcel of Land, 548 F.2d 1130 (4th Cir. 1977).

On the other hand, in our opinion, Congress did not intend the Acquisition Policies Act to permit property owners to obtain a windfall at the expense of the taxpayers. Cf. Paramount Farms, Inc. v. Morton, 527 F2d 1301, 1305 (7th Cir. 1975). The use of the term "just compensation" in the Act indicates that the price paid for the land must be fair both to the Government and to the property owner. It follows that in acquiring property for public purposes under the Acquisition Policies Act the acquiring agency may not pay an amount that is so high as to be unfair to the Government.

In the present instance, it is the responsibility of the Governor of Guam, in consultation with the Secretary of the Interior, to determine the amount which Guam should pay for the Medical Center without being unfair to the public. In making this determination it should be remembered that an appraisal sponsored by an agency of the Government of Guam placed a fair market value on the Medical Center buildings, improvements, and land of \$17,860,000. It should also be remembered that the Peat, Marvick, Mitchell audit listed the book value of the hospital buildings and equipment alone as \$19,941,430. Also, in determining the maximum price, the Governor may consider other factors such as the savings that Guam will incur in avoiding condemnation proceedings.

Section 301(3) of the Acquisition Policies Act states that the offer made by the acquiring agency shall not "be less than the agency's approved appraisal of the fair market value of such property." In this instance the Governor of Guam has not approved the American Appraisal Company appraisal report. There is thus no "approved appraisal" of the Medical Center. The Under Secretary questions whether an approved appraisal is a prerequisite to the acquisition of the Medical Center.

The language of section 301 states that acquiring agencies shall be guided "to the greatest extent practicable" by the policies set forth in this section. Section 102(a) of the Act, 42 U.S.C. § 4602(a) (1976), states:

"The provisions of section 301 of Title III of this Act create no rights or liabilities and shall not affect the validity of any property acquisitions by purchase or condemnation."

This provision has been interpreted as meaning that the guidelines in section 301 are advisory rather than mandatory on acquiring agencies. See Paramount Farms, Inc. v. Morton, 527 F2d 1301,

1305 (7th Cir. 1975); United States v. 416.8. Acres of Land, 525 F2d 450, 454 (7th Cir. 1975). Thus the guidelines in section 301 are "shoulds" rather than "musts" in the acquisition of property.

The purpose of the official appraisal under the Act is to assure that the agency does not deal unfairly with the owner by offering less than the market value of the property. The Governor has indicated in his letters that he disapproves the appraisals because he believes the valuation to be too low. Under the Act, it is the agency's approved appraisal which is the lowest amount that may be offered to the land owner. Therefore, if the governor approves any appraisal of the property, whether by an independent appraiser or by an official of Guam, and makes it the basis of his offer, the purpose of the Act will be fulfilled.

The Acquisition Policies Act does not specify the date as of which just compensation should be determined. The report of the House Committee on Public Works did state:

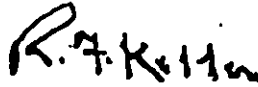
"If there should be a significant delay between the date of valuation and the date of acquisition of the property, the appraisal will be updated or a new appraisal will be obtained to reflect the value as of such later date."

H.R. Rep. No. 91-1656, 91st Cong., 2nd Sess. 23 (1970). Thus, if the Governor of Guam determines that a significant delay has occurred between the date of appraisal, March 10, 1978, and the date the property is to be acquired he may arrange for a new appraisal of the Medical Center property. This new appraisal may be one that the Governor can approve.

After an appropriate amount is established by Guam, in consultation with the Secretary, for the purchase of the hospital, we see no objection to an agreement among the hospital's creditors, the hospital, and Guam, in which the seller agrees to the approved purchase price, in which the creditors agree to receive payments based on the approved purchase price and to release their liens on the hospital and its property, and in which Guam receives unencumbered title to the Medical Center property.

In conclusion, funds already appropriated for grants to Guam by the Second Supplemental Appropriation Act, 1978, supra, may not be spent by the Government of Guam to repay the creditors of the Medical Center of the Marianas without obtaining clear title to the hospital. The purchase price of the hospital should be set in accordance with provisions

of title III of the Uniform Relocation Act. The price should be fair to both the owner and the Government. Thus, while the amount may be set at something higher than the value established by an approved appraisal, it may not constitute a windfall for the owner. It is the responsibility of the Governor of Guam, in consultation with the Secretary of the Interior, to establish "just compensation" for the purchase of the hospital.



Acting Comptroller General  
of the United States