



COMMENTARY

Misleading data on new City Hall

By Jason Hughes

Thursday, July 29, 2010 at midnight

Issues affecting our city are often mired in debate and disagreement, which is fine as long as there's accurate and complete information to frame the debate. Such hasn't been the case in recent weeks concerning the rationale being used to justify building a new San Diego City Hall.

While we need a new City Hall, we need honest reasons for why it is needed. Sad to say, some city staffers and other downtown redevelopment wags have allowed their personal zeal for new digs to impair an accurate comparison of costs between building a new high-rise or refurbishing the existing aged structure and continuing to rent out large portions of other downtown buildings. A quick review of a recent chain of events will make the point.

A while back, the Centre City Development Corp., the city's downtown redevelopment agency, hired the Jones Lang LaSalle (JLL) real estate services firm to conduct a study of what leasing rates would be in 2013. Apparently, CCDC hoped to find rate estimates high enough to justify building a new City Hall rather than remodeling the existing complex and continuing to rent spaces in other downtown office buildings.

The first report was totally bereft of reality, insisting that rates for the city to renew leases would be \$2.74 per square foot on an "as-is" basis, with 4 percent annual increases.

Once I cried foul, the research wonks scampered off, quickly returning with an estimate of \$2.17 per square foot; lower but still way off-base. At that point, I went public, reporting that the real leasing rate would be no higher than \$1.50 per foot and backing that number up with at least one real-life proposal I knew about for a full-floor lease in a downtown building in which the city leases space. That proposal provides for a base rate of \$1.46 per square foot in 2014 – a year later than the 2013 time frame JLL was using.

CCDC's senior staff members and the city's real estate assets director contended the proposal I was referencing was not applicable to the city's spaces. In one way, they were right. The proposal I referenced was for the 22nd floor of that building, with sweeping views of the entire city, not the entire bottom half of the building where the city's space is currently located.

However, even that was high. I later received a flyer from the landlord's broker, advertising vacant

space in that building for as low as \$1.20 per square foot – nearly \$1 per foot under JLL’s reduced number and more than \$1.50 under the original breathtaking estimate.

So what does this all mean? Instead of a new City Hall saving taxpayers \$24 million in the next decade and \$232 million over the next 50 years, as is being claimed by the “git-’er-done!” crowd, the exact opposite becomes more the case. It’ll cost the city at least that much more to build a new complex than simply remodeling the existing City Hall and renewing leases in the bureaucracy’s three privately owned annexes.

Nobody can say this was all a big surprise. My partner and I were asked early on by Kris Michell, the mayor’s chief of staff, to review the JLL report prior to it becoming public. When we were unable to even come close to validating the estimates, Michell and the city’s chief financial officer, Jay Goldstone, had us explain our findings to Fred Maas, acting CCDC president. The result of our taking the time at our expense to provide an honest market-based analysis was to be ignored and even accused of having our own agenda. Even worse, they released the report with its questionable data to the public.

Yet another instance in which cost data are being misrepresented involves the \$50 million estimate being bandied about to refurbish the existing City Hall and surrounding structures. A leading downtown construction entity recently estimated the real costs to do so shouldn’t exceed \$15 million.

There’s no excuse for disregarding or misrepresenting the facts, no matter how noble the goal. The city shouldn’t tell voters it’s cheaper to build than to remodel and lease non city-owned office spaces when it’s clear that such is not the case.

Instead, let’s frame the need for a new City Hall around plain-and-simple civic pride. The present building is 46 years old and was outgrown long ago by a city that has become a world-class metropolis.

We should build a new City Hall because, when all is said and done, San Diego deserves one.

Hughes is a principal with Irving Hughes, San Diego’s largest tenant-representation company. He can be reached at jasonh@irvinghughes.com.

Find this article at:

<http://www.signonsandiego.com/news/2010/jul/29/misleading-data-new-city-hall>

Check the box to include the list of links referenced in the article.

© Copyright 2007 Union-Tribune Publishing Co. • A Copley Newspaper Site

