

DeMaio: Renegotiate City Leases For Savings

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By Jen Lebron Kuhney

To potentially save the city money, Councilman Carl DeMaio is urging San Diego leaders to get a jump on city leases set to expire in two years.

DeMaio's office said the savings could be "significant," depending on how the city uses its bargaining power, but wasn't sure exactly how much could be saved. Currently, the city pays \$13 million annually in leases.

DeMaio asked Mayor Jerry Sanders' office to hire an outside firm to evaluate the city's options. "The city cannot drag its feet on this any longer," DeMaio said.

The outside consultant could be free for the city. After reading DeMaio's memo, commercial real estate broker Jason Hughes, president of Hughes Marino Inc., offered his services for no charge in a letter to the mayor and City Council.

"Be assured I have no ulterior motives, except to provide the city with the best professional commercial real estate service possible," Hughes wrote in the letter. "To that end I will sign an agreement that would prohibit me from receipt of any compensation whatsoever...."

The economic downturn has softened the commercial real estate market, giving potential tenants the upper hand in negotiations.

Michael Lea, the director of San Diego State University's real estate department, said now would be an attractive time for the city to get new leases.

"Now might be a good time to negotiate because you still have a pretty high vacancy rate," he said.

Lea said that no new office space is being built, which will cause lease rates to increase with demand when the economy turns around.

DeMaio's request to Sanders comes months after a San Diego County grand jury report showed that building a new City Hall complex would not be as cost efficient as renovating buildings the city owns and leasing other downtown office space.

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