

Downtown's Hughes Marino Machine – Power Brokers for Commercial Tenants

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The Hughes Marino Story | Why Every Business Owner Should Know These Guys

The powerhouse Downtown real estate company that has the leasing game for tenants down to a precise science.

By Glen Tucker

Most of us grow up being told “there’s no free lunch” – and most of the time that’s true. But occasionally one runs across a company that provides a service that’s akin to a free all-you-can-eat smorgasbord. Hughes Marino is one of those companies.

You might see their television commercials featuring their boyish-looking CEO, Jason Hughes, or see their ads in local newspapers, electronic media and even publications such as this one. But what many don’t see is what powers this gift to San Diego businesses: the duo of Hughes and Marino – together in force.

To understand what makes this partnership work it helps to understand their origins. Both men come from modest upbringings – the sons of hard-working families – but with meager means. Both men wanted to change their lives – and provide better lives for their families. They both graduated college and both have their MBA’s. Both strive for extraordinary results with all aspects of their lives.

We first profiled Jason Hughes in August 1997, when he was only 30, anointing him the “Lord of Leasing”. Despite continuing over the last fourteen years to be the leader in Downtown’s commercial real estate market, and becoming one of the city’s most outspoken voices on the sidelines when it comes to the region’s civic growth, Hughes, now 44, still loses sleep at night worrying about taking care of his clients, thwarting off the competition and making sure Hughes Marino stays on the cutting edge of the real estate industry. While his passion for protecting businesses’ rights and pocket books still causes him sleepless nights, it seems that Hughes’ passions in life remain the same but have become more extreme over the years.

Hughes still lives in Rancho Santa Fe with his wife Shay of 22 years (they met when they were 18 and 16) and three children. Though the Hughes’ children were only in preschool when we wrote his first cover piece (this is the fourth), they are now in law school, undergraduate college, and high school, the oldest two of whom are attending the University of San Diego where their dad got his MBA.

Hughes still climbs mountains, something he has been doing for decades, scaling Mount Whitney with his 18-year-old son in just a day last summer, but he also takes vacations to an extreme. Just this month, Hughes took his family on a whirlwind trip to India, Nepal, Qatar, Greece, and England, all in a little over a week’s time. It is that go-for-it mentality that has driven Hughes since he was a young boy, when he began working at the age of 10 to pay for his own adventures in life, whether it be riding horses, going on ski trips with friends or buying his first car before he could legally drive. Hughes, who had only visited two states by the time he was 18, has since visited over 35 countries with his own family, including Israel, Egypt, Turkey and the UAE in the past year. He is undoubtedly an adventure-seeker.

Hughes is still obsessed with dominating San Diego’s commercial real estate market, but his focus has turned from being the Lord Of Leasing to garnering the best and most comprehensive team of real estate brokers,

Hughes Marino

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construction managers, and business service providers the industry has known. That's what keeps him up at night these days. Innovation, cutting-edge technology, and marketing that is unheard of in the industry have helped attract some of the industry's most talented people that make Hughes Marino San Diego's premier commercial real estate company.

It is their team of people that inspired Hughes and Marino to partner together to buy the firm's "future world headquarters" in downtown, purchasing the old offices of *San Diego Magazine* on Front Street, gutting the building inside and out to create an office like no other in San Diego. "We view the new building as a new 'home' for Hughes Marino, rather than an office. We want everyone to love where they work and who they work with, and we want a showcase to be able to share with the community for special events," says Hughes.

David Marino, who has long been the suburban team leader of the company, adds, "Our team has a new energy, a zip around here, that will be reflected in our new headquarters. We have an incredibly energized group of team players, and that dynamic is only going to be enhanced by our new offices," which has more "living space" than office space.

From an inviting great room, full gourmet kitchen, gym and shower facilities, and a billiards/ping pong/game room, it is obvious the folks at Hughes Marino like each other. "We know probably better than anyone else how important a company's location is to the synergy, group dynamics, and ultimately the success of a business, so we wanted to raise the bar to a new height and set an example for other businesses to follow," Marino enthuses.

Setting an example, especially when it comes to giving back to the community, is something Hughes and Marino have been long-time advocates of. Both men and their collective team have given hundreds of thousands of dollars to nonprofits throughout San Diego County, championing the landmark New Children's Museum, in which Jason, then-president of the NCM, resurrected the museum from extinction when it needed \$15 million to survive. Not only did it survive, but it thrived, and Marino's wife, Patsy, has since taken over the reins as president of the NCM, helping catapult it to international recognition.

Marino and his wife, who live in La Jolla with their two young children, are some of San Diego's most-active charitable givers, hosting and chairing events for dozens of nonprofit organizations, including Voices for Children, the Contemporary Museum of Art, and the New Children's Museum. They have become a staple of San Diego's giving circle and are known for hosting some of the biggest bashes, like the NCM's over-the-top galas, to private fundraisers in their own personal wine cellar. "San Diego is one of the greatest cities in the world to live, so it is a natural extension of our company's philosophy and our personal gratitude to give back to the community as much as possible," Marino reveals.

From San Diego's business community to the communities they live in, the people over at Hughes Marino are passionate about contributing and enthused about everything they do. Which brings us to their powerhouse commercial real estate company. To say these guys — and for that matter most everyone in their company from what I could ascertain — are passionate about representing companies in their corporate real estate work is an understatement. These guys literally eat this stuff up.

The Hughes Marino team has a depth of knowledge that Hughes believes sets them apart from the pack. With their own in-house counsel, general contractors, engineers, LEED-certified specialists, MBA's and a core team that has been together over 16 years, Hughes is "incredibly proud of the group of people we have here." Another standard they've raised the bar to — all Hughes Marino real estate experts must have their brokers license, not just a salesperson license.

One of the many innovative programs the firm has initiated is the "Individual Betterment Program," a brainchild of Hughes, being led by one of their most senior mentors, John Jarvis, principal and senior vice president of the firm. "We are about much more than making money. We want people to grow and improve as individuals, because that ultimately helps us help our clients succeed too," Hughes adds.

Hughes Marino

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Jason Hughes seems to take it beyond the establishment. He says that ever since he brought on Dave Marino as his new partner, their company has been in overdrive. Not only has the company grown its client base, but it has grown its own employee base as well.

Last month Hughes announced the formation of a new service division to help companies review and contest operating expenses and CAM charges. He brought on long-time landlord executive Ed Muna to head up this division – having been the asset and property manager for millions of square feet of Class A office space throughout San Diego. Hughes says Muna knows where landlords bury all the bodies – and so far it's been a huge success. Muna's first assignment was helping a large local nonprofit organization review their operating expense charges in a downtown high-rise. Within weeks, Muna successfully recouped over \$35,000 of savings by scouring the operating expense language and comparing that to how the landlord had been calculating their bills. Hughes Marino's cut: a negotiated percentage of the freshly found savings. Had they found nothing, their review would have been free of charge.

Hughes recently announced the acquisition of Cal Tax Group, a five-year old Downtown company founded by Brendan Foote, geared around finding federal and state tax credits, rebates and incentives for companies located within the 42 enterprise zones throughout California. Downtown San Diego happens to be one of these zones. So does a vast majority of the areas south of Interstate 8 all the way down to the Mexican border.

Hughes says his own company, with the help of Brendan, was able to gain over \$50,000 in tax rebates – all with only 15 employees at the time. “Brendan's company had the same value proposition as ours,” says Hughes. “It was a natural fit for our client base. Now we can offer our clients real economic savings every year – not just during lease negotiations.” How does the new Hughes Marino Tax Credit Service work for companies? Hughes Marino's TCS division reviews and evaluates all of the potential tax credit benefits for each company as a complimentary service – just like their Lease Audit Service. If they are successful in attaining a refund or credit, they share in a percentage of the newly found savings.

And then you have the stalwart Construction Management division, headed by Kirt Gilliland, who has worked with Hughes for nearly 17 years. “Kirt and the CM team have grown exponentially over the years” says Hughes. The CM group has helped Hughes Marino clients manage their tenant improvements – and managed the construction for the New Children's Museum in downtown, assisted-care living facilities, an award-winning high-rise residential tower, multi-floor parking structures, numerous bank and credit union branches and headquarters, among multiple other projects throughout southern California. “When you understand how commercial rental rates work, a large component revolves around the tenant improvement allowance,” states Dave Marino. “The construction expenses can amount to up to half of the rent – so it only stands to reason that monitoring and managing the expenses, making sure that the allowance gets properly and efficiently utilized – only makes sense.” Hughes Marino's take? Up to four percent of the construction budget – however, they guarantee their fee through budget savings – not to mention the time and risk involved for novices.

Notwithstanding all of the above, the Hughes Marino machine thrives on representing businesses, municipalities and nonprofits with their real estate transactions. “We're in the business of helping companies make smart real estate decisions – saving them time, risk and money. That's what we're all about,” Hughes affirms. And it shows. Whether Hughes is telling you on his TV commercial – or telling you straight to your face – you know he believes in what his company provides.

The Hughes Marino story goes further than just belief. They guarantee all of their service divisions and results, as they have only one fiduciary, their clients. One thing you'll never find Hughes Marino doing is representing landlords. They pride themselves on their mantra, “We represent tenants. All day. Every day.” Hughes even goes so far as to say that “dual agency” should be illegal. “We see brokers who work for landlords – and who also have minority ownership interests in buildings for lease – representing tenants who ultimately sign leases in these buildings. That is the fox watching the hen house,” Hughes fervently adds.

“We don’t represent landlords in their leasing of space, selling of buildings, management of space – nor do we have ownership interests in any commercial buildings other than our new corporate office (which we occupy entirely),” Marino explains. “We are not beholden to anyone other than our clients – the companies, municipalities and nonprofits of San Diego.”

In addition, the company now offers free space surveys for companies looking for space who are unsure of how they want to proceed. “I don’t ever want a business owner to feel obligated to use us. Working with a company is a privilege for us. We hold ourselves to a much higher standard than most companies and brokers in our industry. We are committed to providing each one of our clients with best-of-class representation in all aspects of their corporate real estate. Period,” says Hughes.

New Headquarters

Hughes and Marino aren’t sparing any expense on their new headquarters building in Downtown. They recently purchased the former San Diego Magazine building on the corner of Front and Beech streets right as you enter into Downtown. The interior has already been gutted – and they are embarking on an expansion and total redo of everything – all the way down to four walls and the roof (and even that will be getting a major facelift). The new building more than doubles their existing space to 13,000 square feet and will include a state-of-the-art gym (complete with showers and personalized lockers for all employees), a billiards room, a putting green, large entertainment area, multiple conference rooms and media rooms, a chef’s kitchen and, budget permitting, a wall of LED televisions tied together in unison – thought to be the first of its kind in San Diego. But the cool stuff doesn’t stop there. They are adding solar panels on the roof and they are going for LEED certification. Upstairs, the perimeter will be lined with offices – with an open atrium looking down onto the ground floor “living room” – all drenched in light from the multiple skylights on the roof. Hughes promises the premises to be “a fantastic cultural experience” for the innovative company – and it will be a showpiece for “all of our clients to enjoy.”

Hughes Marino Services

- **Core practice group** is helping companies with their corporate real estate transactional needs, whether it be buying a new building, renewing an existing lease, expanding or contracting their premises, lease termination workouts, or negotiating to move to alternate locations. Hughes and Marino and their team have represented many of the largest companies in San Diego. Best part about it? The landlord pays their fee – so it doesn’t cost Hughes Marino clients anything.
- **Hughes Marino CM** – the construction management division helps companies with anything related to construction, design and move-related issues. They act as the representative when dealing with contractors and landlords to ensure that the Hughes Marino client receives the value that was negotiated for – making sure that charges are accurate, construction is done on time, items are value-engineered, etc. Basically, the Hughes Marino CM team acts as a highly educated owner’s representative – ensuring best pricing, least amount of risk and delivery of the end result on time.
- **Hughes Marino LAS** – the Lease Audit Service division was developed as a value-add service for existing Hughes Marino clients so that they have a resource to challenge landlords with their operating expense and CAM charge pass-throughs to tenants. Hughes Marino LAS provides this review free of charge and so far it has netted tens of thousands of dollars in savings for HM clients in the last 30 days alone. The cost to Hughes Marino clients? Zero for the review and analysis. For additional help with the recovery, Hughes Marino LAS receives a small percentage of the refund.
- **Hughes Marino TCS** – the Tax Credit Service division is the most recent addition to HM. HM acquired Cal Tax Group in early July and has folded it into the HM organization. This too is a value-add service line for existing HM clients as well as new potential clients. After realizing more than \$50,000 in tax credit benefits and refunds for a relatively small employee base, Hughes wanted to add the service to his offerings – as this is “an absolute huge opportunity that very few companies and their owners take advantage of; it’s literally found money – and we’re here to help get it for our clients.” The cost to Hughes Marino clients? Nothing for a review and evaluation. If successful (which is 90+ percent of the time), Hughes Marino TCS receives a small percentage of the refund or credit (but only after their client receives the benefit).

What Really Bothers These Guys

Both Hughes and Marino have spent countless columns beating the drum about the perils of companies working with brokers having conflicts of interests. Both adamantly state that the laws should be changed to ensure better consumer protection when it comes to this issue.

They argue that the real estate industry doesn't have the safeguards that other industries have about conflict abuse. The abuse goes much further than simply representing both the landlord and tenant at the same time — which on its own merit always gives the landlord the advantage. Marino says that, shockingly, many brokers have silent ownership interests in commercial office buildings that they, or their broker partners, end up bringing to their own buildings.

What many executives don't fully comprehend is that for landlords, their BUSINESS is leasing space. Their world revolves around maximizing return vis-a-vis increased rents and minimal concessions to tenants. They are typically the wealthiest and most sophisticated industry — and they employ teams of lawyers, CPAs and landlord brokers to advocate their cause. Why, then, would anyone think that allowing them or their agents to “help” them not be a crazy idea?

Hughes says the vast majority of commercial real estate companies derive a huge portion of their revenue from landlords — and it is typically recurring income that tenants don't provide. They do this by not only leasing out their buildings, but they also provide property management, asset management, financing and sales services. Basically, most brokerage companies are simply a marketing arm and service extension of landlords. It's a noble and worthy profession, but one that is conflicted from properly representing companies in their real estate — as they simply have a different agenda. You can't serve two masters equally at the same time.

The legal profession agrees — prohibiting an attorney from representing both the plaintiff and defendant in the same trial. Hughes argues the same should hold true for commercial brokerage.

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