



City of San Diego
CARL DEMAIO
CITY COUNCILMEMBER-ELECT –DISTRICT 5

MEMORANDUM

DATE: August 11, 2008

TO: Fred Maas, Chairman, Center City Development Corporation

FROM: Councilmember-Elect Carl DeMaio *Carl DeMaio*

RE: Financial Analysis on “Efficiency Alternatives” for Civic Concourse Project

As the Mayor and City Council evaluate the proposed redevelopment of the Civic Concourse, I am steadfastly committed to ensuring that the public receive full and complete financial analyses—as well as full and candid review of all alternatives—before proceeding forward with a project of this size.

Consistent with that objective, I am requesting that CCDC prepare a financial analysis of several “Efficiency Alternatives” that could be included in the design and implementation of this project to make it more advantageous to taxpayers.

The alternatives presented below reflect a change in mindset/motivation on the project from the current “How do we build a new City Hall?” to a more appropriate goal of “How can we leverage existing city assets to fund long-deferred repairs and improvements in community infrastructure?” The alternatives also reflect the thinking that our city government should be streamlined—i.e. that a reduction in the City workforce is not only necessary to ensure a structurally balanced budget long-term, but to reduce the office space requirements of the City.

Alternative 1: Harness Civic Concourse Redevelopment to Fund a Community

Infrastructure Bond: I am proposing that the City should not proceed forward with this project unless it is directly linked to the issuance of a \$200 million infrastructure bond—supported by the cost savings and enhanced revenues resulting from this project.

- a) What will be the annual cost of debt service on a bond of this size? Given your projections for cost savings to the city, what General Fund revenues will be available each year to support the debt service on this bond? In calculating these projected revenues, please separate out funding available in “absolute” terms and funding available in “cost avoidance” terms.
- b) Consistent with this revised goal, are there any additional opportunities that CCDC can suggest the developers explore to generate revenue streams to support this bond?

Alternative 2: Reduce the Size of City Government to Reduce Office Space Expenses

To reduce the cost to taxpayers' of the new City Hall and to generate revenues to support a community infrastructure bond, I am proposing that the City should commit to a downtown City workforce reduction of 10% by the year 2013 through a mix of managed competition, attrition, redeployment to front-line field positions.

- a) The Gensler analysis recommends and the current project designs allocate approximately 700,000 square feet for the City workforce. A 10% reduction in head count would obviously reduce that need. For every 50,000 square feet not needed, what is the financial benefit to the city?
- b) What if the City assumed the risk and was responsible for leasing the balance of the new City Hall space proposed in the two development teams' proposals and collected the revenues generated from the leased space? Would the privately leased space generate a positive cash flow for the city to offset its own occupancy costs and/or cover service on the infrastructure bond?

Alternative 3: Integrate with Other Civic Projects and Assets: The RFP for this project focused exclusively on the Civic Concourse, while ignoring the potential synergies and cost savings gained by including other city assets. It is my belief that the city must adopt a more integrated and strategic view of asset management—instead of pursuing projects in a piecemeal and site-specific fashion.

The East Village site currently reserved for the proposed new downtown library has significantly more potential for generating much-needed revenues for community infrastructure than the civic concourse site—and is consistent with the overall objective of consolidating city functions into a single project site.

- a) What revenue stream could be generated from the East Village site either through out-right sale, long-term lease of the site, or other revenue-generating uses?
- b) What would the cost be to construct a new library within the Civic Concourse redevelopment? Please reduce the “footprint” of the library given common space and meeting rooms will already be available and to reflect a more modest design.

I appreciate the work you and the CCDC team are putting into this project. I share the goal of redeveloping the civic concourse, but am steadfastly committed to ensuring that the taxpayers see real cost savings and benefits from any redevelopment project on the site. I look forward to working with you and your team to achieve those goals.

CC: Mayor Jerry Sanders
City Councilmembers