

Political Lunacy



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Follow the Money

June 6th, 2007 — carlluna

Follow the Money

The whole sorry Sunroad saga, like most things, is ultimately about money. So if you want to figure out how this fiasco flared into being, like the saying goes, follow the money.

Begin with Sunroad Enterprises. Sunroad's real estate empire started in the 1980s when founder and [CEO Aaron Feldman](#) began to buy up car dealerships around Kearny Mesa.

Sunroad then began moving into commercial real estate, developing over 2 million square feet of such property over the last quarter century. Sunroad's largest project to date has been its 420,000-square-foot Sunroad Corporate Centre in University City. But Sunroad is on the high road these days, with construction projects in the works that total as much square footage as everything they've done to date.

That includes the 1 million-square-foot Centrum project, of which 300,000 square feet has already been built. (That would be that little slightly-too-tall, 12-story building that's causing such a hullabaloo.) Sunroad's proposed Harbor Island hotel high-rise project comes in almost as large.

So Sunroad has a lot of capital dangling out there right now. Kiss off the Centrum project and the Harbor Hotels likely

go kablooeey, too. Indeed, given the scope of Sunroad's current commitments, one can only speculate on how leveraged the firm must already be. The prospect of seeing the Centrum project stalled for months—or even years—can not be a prospect promising many nights of peaceful sleep for Aaron Feldman. Or for the people he borrowed all the money from to build the project. Perhaps that is why Sunroad has seemed so hell bent on completing Centrum I, come FAA or city lawsuit.

And Centrum I is not the height of the matter. A quick trip to the [Centrum website](#) (maintained by Burnham Realty, which is handling the leasing) shows a site promising three towers to be built on the site. Two of these will be taller (14 and 16 stories versus 12 stories) than the current building at the center of the controversy.

If Sunroad loses on Centrum I, then phases II and III go up in legal smoke. And that could send the sun setting on Sunroad Enterprises. But if Sunroad goes down, it doesn't go down alone. Like good businessfolk everywhere, the Sunroad people are getting ahead using other people's money—in this case, the good people at Bank of America. But, according to *The San Diego Daily Transcript*, B of A has taken on a might more risk than usual in providing construction funding for Centrum. As the [article](#) reports:

“This building differs from most office projects in that it has gotten under way without having a sizable amount of pre-leasing. For example, lenders required the Broadway 655 project in downtown San Diego be about 50 percent pre-leased before construction could start. The Diamond View Terrace project in the Ballpark District was more than 30 percent pre-leased before it got under way last year.”

Sunroad, however, was greenlighted by B of A with very little pre-leasing. One might wonder why?

According to Rick Vann, Sunroad executive vice president, B of A was convinced to give the greenlight because of the success Sunroad has had with other projects in Mission Valley and University City. This, even though those projects were significantly smaller than Centrum. Vann even put a good spin on the fact that Sunroad is stalled constructing a building for which there are no major tenants, stating in the *Transcript* article that “Doing it our way, the tenants don't have to wait for other tenants to come on board before they see the building.” One has to wonder how many potential tenants are beating a path to Burnham's door for the chance to hang their shingle on a building certified a hazard by the FAA. Or how much good it does a corporate image associated with a notorious piece of real estate.

Maybe Bank of America also saw a chance, with Centrum, to establish a good partnership with an up-and-coming real-estate mogul who seemed to have the insider track in moving projects forward with the city? The future Harbor project and, even better, potential Kearny Mesa developments—especially should Centrum help to shoehorn Montgomery Field out—hold out the promises of gigantic development profits for years to come.

If only Sunroad can complete Centrum. And if it can't? Then B of A is on the hook for a big hunk of dough and kisses off all the additional gold that might have flowed down the Sunroad express from future projects.

And that is a prospect that can't delight Sunroad's other big-league partner in Centrum, the aforementioned [Burnham Real Estate](#). One of biggest real-estate concerns in California, Burnham stands to profit handsomely from the leasing of Centrum, but only if the project is ever completed.

So, let's connect a few dots here. Sunroad Enterprises is trying to build a controversial project in Kearny Mesa, one that, with just a little foresight and imagination, Sunroad executives must have known would be controversial. Prior to this, Sunroad hires a former city insider with no real private-sector experience to help spearhead development. And Sunroad gives the obligatory big donations to the campaign of the man who would become mayor.

Sunroad's banking partner in this happens to be Bank of America, which, coincidentally, is the financial sugar daddy the city of San Diego has been dependent on ever since Dick Murphy helped drive the city out of the bond markets (and whose former chief of staff now works for Sunroad.) Bank of America holds San Diego's credit lifeline in its hands at least until the city completes its final audits and San Diego can return to the bond markets. Say, in about a year.

And Sunroad's realty partner is Burnham, whose founder and CEO, Malin Burnham, is one of the elitist of San Diego's power elite with connections to City Hall going back decades.

So, how does the city of San Diego allow a hazardous building to be almost completed? Could it be because the companies involved have a history of substantial influence and leverage over city politicians and bureaucrats?

And what do you think the odds are that the city will be willing stand up to its chief creditor, a leading mogul and a company that's got the city in its sights for tens of millions in potential legal liability?

Follow the money. It leads to the pot of gold at the end of the Sunroad.

Posted in [Uncategorized](#).

6 Responses to “Follow the Money”

1. *sunburned* Says:

[June 6th, 2007 at 1:12 pm](#)

Again, please offer up a hypothesis on how it was imagined by all of the players that they would get away with doing things “wrong,” as Sanders admitted.

Why would Story think it wouldn't be noticed that he violated the time code concerning going to work for a company with business before the city?

Why did DSD employees think they wouldn't be held accountable for violating city development/permit code?

Why did Sanders think it wouldn't harm him to be seen ignorant/negligent/complicit (take your pick)?

2. *Lunacy* Says:

[June 6th, 2007 at 1:47 pm](#)

The hypothesis is simple: the hypothesis of bigness. I teach my students two political maxims:

People make decisions to benefit people like themselves. (More universal than the traditional “benefit themselves”) and

When you try to limit the power of powerful people, the powerful people will use their power to get around the limits.

Bottom line: Centrum shouldn't be built where it is according to the current rules. But...

If Sunroad “misinforms” the FAA; and

If the City DSD ignores the FAA; and

If the FAA is toothless; and

If the public isn't up in arms; and

If the building is practically built, anyway; and

If there are tens of millions of dollars on the line; and

If the building has to come down, you can sue the City for all damages; and

Big, powerful people just want to do it; and

The politicians aren't willing/able to challenge them;

THEN

Heck, yes, you go ahead and build it. You build Centrum one as high as you like then you build II & III even higher.

Heck, yes, you go ahead and approve it. Has anyone at DSD lost their jobs over this? No. Has anyone who used to be at DSD gotten a really sweet job over this? Yes.

Heck yes, if your Sanders you go ahead and make feeble protestations and then figure by 2008 the voters will have forgotten about it and, anyway, who does he have as a serious challenger in any event. And, of course, you can depend on the principals who've benefited from this to make a few hefty campaign contributions as a transactional gratuity come the next election.

Heck, it ain't rocket science.

3. *mlaiuppa* Says:

[June 6th, 2007 at 3:31 pm](#)

So, where do we find a judge to demand and enforce 20 ft be lopped off of the Tower of Death at Montgomery Field? Who can we turn to to make sure that the 20 ft come off? Who can we rely on to make sure building permits for II and III are either never issued or to ensure that Sunroad doesn't build THOSE buildings taller than allowed? It's obvious Sunroad can't be trusted. But if we can't trust our permit departments, building inspectors or even our own Mayor....

Uh.....didn't I say something about our city being owned by developers. What did Mussolini say? “Fascism should more properly be called corporatism because it is the merger of state and corporate power.”

Yes. We should all be very afraid. Centrum is another dead canary in the mine.

4. *sunburned* Says:
[June 6th, 2007 at 5:07 pm](#)

WE WILL NOT FORGET.

5. *sunburned* Says:
[June 6th, 2007 at 6:00 pm](#)

After calming down a bit, I just really need to ask you if you can't provide something more than what seems like "hey, nothing you can do about it, because it all makes such perfect sense..."

It does not make sense in the context of good government, fairness and responsibility, inclusive democracy, and so on. It doesn't make sense that voters, people who are represented by others whom they entrust with some of their personal earnings (as taxes, fees) in exchange for services and good will, would "forget" it when those they elect so clearly lie, deceive, cheat, and break the rules.

San Diego residents in all but the wealthiest enclaves have long suffered from reduced quality of life because of exploitation after exploitation. We have no freely accessible public buildings (library) on our beautiful waterfront, we have no city-wide wireless service, we have lousy streets and sky-high sewer and water costs, we have a noisy, intrusive airport that impacts large numbers of lower- and middle-income residents... but mainly, we don't have a reputation that engenders pride, and we don't feel like we are part of our city, and at city hall and in control of our only newspaper we have regime after regime who snub their noses at us and make every self-interested effort to ignore us. It is enraging.

What would you teach your students would be the responsive choices in exactly the situation we have? What city government agent in this particular case can hold accountable the wrong-doers? Is it the City Attorney's office? Are there actions under way to hold people accountable? An entire case has already been presented by all of the interested entities/publications, quite sufficient to prove liability of all who have cheated, lied, and broken the rules, at taxpayer expense.

Enough of reporting how bad the government is: what are the procedural remedies and how do we get the wrongs righted?



6. *carlluna* Says:
[June 7th, 2007 at 7:46 am](#)

Sunroad –

Dude! See my newest post.

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