

Little Hoover Commission
January 24, 2012

Opening Comments by John F. Salmon

Mr. Chairman, Members of the Commission, my name is John Salmon. Thank you for inviting me to testify today.

I was appointed in 1989 by Governor Deukmejian to serve as the State's first Director of the Governor's Office of Asset Management. When I interviewed with the Governor, he asked me to bring private sector real estate practices to the State. To my dismay, on my first day on the job, I learned that the State of California had no central inventory of its owned and leased real estate. Rather, each of thirty-nine Departments of State government maintained some record of what they owned or leased. If I needed to make a real estate decision on property in the City of San Francisco, I would have had to make thirty-nine telephone calls and hope that folks in each department would tell me their real estate positions.

During 1989, the Department of General Services completed the consolidation of those thirty-nine departmental inventories and mapped property owned and leased in the major metropolitan areas of the State. That mapping process led to discoveries like the fact that the State of California leased over 1 Million s.f. of office space in San Francisco at some forty locations, much of it on three-year leases, while at the same time the State owned about eight city blocks adjacent to San Francisco's City Hall.

When Governor Wilson arrived, I agreed to stay on in the Governor's Office to continue my work. I facetiously would ask when we planned to relocate our state offices in San Francisco to Iowa; since that was the only reason I could imagine why we would have a million square feet on three-year office leases in the most expensive office market in the country outside of New York City.

Those conversations led to Governor Wilson's Executive Order W-18-91, which was the policy basis that produced more than 6,000,000 square feet of new state office buildings constructed through the first Design-Build Contracts ever executed by General Services and highly profitable sales of State real estate in Santa Clara, San Jose and Chino under which the State worked through the entitlement process with local government prior to disposing of surplus property.

I left state government in 1995 believing that we had done enough to institutionalize the practices that we had begun. Unfortunately, as State budgets improved in the late 1990's, efforts waned to control costs and to view real estate as a revenue source. As I look at the Statewide Property Inventory statistics today, it appears that, while progress has been made, much progress remains yet to be made.

As I reviewed the Department of General Services testimony to this Commission on October 25th of last year, I was disappointed to find that most of the same issues exist today that confronted the State's Asset Management in 1995, such as:

- State agencies continue to seek separate real estate authority leading to decentralized real estate functions by agencies outside of their core competency.
- The Legislature continues to resist declaring high value state assets as surplus.
- There is still no independent body to review real property assets to determine which are surplus ... like the Federal Base Closure process.
- Departments that control property continue to have no incentive to identify and support the sale of excess property since they do not share in the sale proceeds.
- There are no incentives to Local Government to issue land use entitlements.
- The current capital outlay process is slow, cumbersome and requires incoming tenants to have up-front funding in order to design and construct tenant improvements.
- General Services still does not have sufficiently broad authority to employ alternative project delivery methods like Design-Build and Construction Management at Risk in order to reduce costs and improve project delivery.

I believe that I am one of many individuals who have passed through the Executive Branch of California State government who believe that not one more question need be asked or answered; that not one more report need be written to implement better business practices within government, especially in areas like the management of the State's real property. There simply needs to be strong and consistent leadership from the top of the Executive Branch to remove institutional barriers to achieving effective results in the most efficient process and less political meddling by the Legislature to thwart individual real estate transactions for some special interest result.

I have spent most of my career in private sector real estate development and management, both in large and small organizations. While working with the State, I was at all times totally impressed with the work done by the people of the Department of General Services and other individuals I encountered in State service. I believe that the inability of government to solve most of these problems is not caused by any deficiencies in its employees, but rather by the institutional barriers, some intended and many unintended, that prevent them from completing their mission.

Finally, I plan to stay around this morning for the presentation by the Division of Fairs and Expositions. I have long focused on the State's District Agricultural Associations, the real estate of which offers great opportunity for the State to work with Local Governments to cut costs and raise revenues.

I look forward to discussing these issues with you today.