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EL DORADO PLAZA SACRAMENTO TOWER

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Law firms chase shiny new space on Capitol Mall

Prestige is a factor, but practicality, perhaps surprisingly, comes into play

Sacramento Business Journal - by [Kathy Robertson](#) Staff writer**Downey Brand** LLP started it and is the first to move.

This weekend, Sacramento's largest law firm will pack up possessions collected over 35 years at 555 Capitol Mall and move to fancy new digs at 621, the 25-story U.S. Bank Tower across the street.

The move begins what could become a massive reshuffle of law firm tenants on prestigious Capitol Mall as two new high-rise office buildings come on line in a soft market where tenants call the shots.

McDonough Holland & Allen PC, Sacramento's second-largest law firm, will leave its longtime space at 555 on June 1, 2009, for another 25-story glass high-rise, the Bank of the West Tower rising at 500 Capitol Mall.

These changes alone will vacate more than 135,000 square feet at Plaza 555 — once Capitol Mall's most prestigious address — and put the building in fierce competition with others on the mall for law firms, considered one of the few still-stable tenants in the down economy.

The vacancies at 555, combined with available space in the two new buildings, will add more than 588,000 square feet of class A office space on Capitol Mall.

There's more shake-up to come.

Partners at **Pillsbury Winthrop Shaw Pittman LLP** have taken "field trips" to both 621 and 500, along with other downtown properties. **Kronick Moskowitz Tiedemann & Girard**, Sacramento's third-largest law firm, eyed the top two floors at 621, but it decided to stay in the Wells Fargo Center at 400 Capitol Mall.

Currently chock full of law firms and almost fully leased, the Wells Fargo Center is considered quality space with longtime stable tenants (see chart, at right).

Orrick Herrington & Sutcliffe looked at the penthouse at 621 but decided to stay at the older 27-story building at 400 Capitol Mall instead. "We have the top suite in all of Sacramento already," mused managing partner Norm Hile.

Up the street, 555 Capitol Mall is looking pretty good to at least one law firm long located outside the downtown area but wondering if the deal is good enough to nail down a more prestigious address. Littler Mendelson PC hasn't made a decision, is still looking at other locations and may stay in Natomas.

"Everybody is getting aggressive and trying to make deals," said Russell Galloway of Galloway Commercial, who is working on a couple of deals. Free rent, options to expand or contract, and money for tenant improvements are all on the table, he said.

"If (a firm) ever wants to be on Capitol Mall, do it now."

High-tech security

"Do new buildings create a buzz? Absolutely," said Chris Strain, managing broker at **Cushman & Wakefield of California Inc.**'s Sacramento Valley office. "New construction, modern architecture and increased supply is always going to attract the interest of tenants."

There's more than aesthetics and a high-profile address going on, though.

Law firms sometimes grow by merger, but organic growth of a few attorneys a year is more common. New hires are typically added to existing space — or a wall is removed here or there to accommodate them. Over time, this means a choppy space plan or lawyers spread over multiple floors.

Favorable terms on rent and tenant improvements, more efficient use of space and the chance to design the layout from the start sold Downey Brand on 621 Capitol Mall when it was still a parking lot.

The deal gave developer David Taylor the anchor tenant he needed to wrap up financing and start construction. The initial 10½-year lease for 101,406 square feet on five floors is worth about \$41 million. The deal includes four five-year options.

Now that the tower is up, lawyers like the amenities, too.

"It's exciting, it's new and it's different," managing partner Jeff Koewler said.



Dennis McCoy | Sacramento Business Journal
Top floor at 621 Capitol Mall

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It also has enough parking for everybody in the firm, a people pleaser for staff who have trekked to work from the city lot at 4th and L streets in recent years because there's not enough room at 555 Capitol Mall.

The high-end security system in the new building wows tenants who might not think much about the issue until they see how it works — and realize a “closed building” is an office perk at no extra price, said Jane Scott, project manager for building owner **David S. Taylor Interests Inc.**

Developed post-Sept. 11, the system limits access to the elevators and upper floors so “you know who is in there and who is not,” said Jim Pinto, regional manager for **Touchcom Inc.** in Bedford, Mass. The company developed the fully automated system that also allows tenants to put in a work order, complain about the heat or register a visitor online.

Better terms than the 'burbs

Modern space and up-to-date technology also played a role in McDonough's decision to move, but this firm chose the Bank of the West Tower still under construction across the street. It is owned and developed by **Tsakopoulos Investments.**

The 15-year lease for almost 68,000 square feet is worth more than \$39 million, industry sources say.

The firm did an extensive survey of properties on Capitol Mall and surrounding areas before it narrowed the focus to 555 and the two new buildings on the Mall, said executive director Gerry Holt.

McDonough wanted to be near its historical roots, have sufficient and contiguous space, decent rent and a good finishing allowance.

“We were surprised to find the new buildings going up offering terms more advantageous to us than suburban markets. They were equivalent or much better,” Holt said. “We were really able to take advantage of the two new buildings going up.”

Fancy space or a Ferrari

Ultimately, who picks what and goes where often comes down to law firm culture.

Large law firms that rely heavily on recruiting top law school graduates and attracting and retaining high producers gravitate toward high-end space and a prestigious address — yet it can't be so high-end that clients feel like they are paying the tab.

Then comes another balancing act.

Law firms divide up proceeds at the end of the year and pass them out to partners, some of whom prefer cash to fancy digs.

“Take a producer with a \$2 million book of business at 555 and \$10,000 a month in rent versus \$15,000 to move up,” Strain said. “Five thousand dollars a month can buy you a Ferrari — or send your kid to college.”

Plaza 555 is older space that needs refurbishing, but doing so might give it the look of a new building available for less rent, Strain said.

Plans for full renovation include a new heating and air conditioning system — the subject of many complaints over the years — that will meet certification as environmentally friendly, according to leasing agent Dan Chamberlain.

The big firms are bailing, but others plan to stay put.

“555 has been good for us, and we're staying,” said Steve Boutin from **Boutin Gibson Di Giusto Hodell Inc.**, Sacramento's 11th-largest law firm. “I'm kind of amazed, given the economic climate, that anybody is looking around. Moving? There's lots of soft costs to think about.”

Donna Gary, who runs a company that helps lawyers start new firms, tries to talk clients out of going downtown. She claims she can save a small client \$65,000 a year if they head for University Avenue or the Natomas area instead.

“But they like having the address of Capitol Mall,” Gary said. She's placed at least one small startup — Shaw Valenza LLP — in the renovated 520 Capitol Mall.

Not everybody is buying the buzz.

Porter Scott, Sacramento's fourth-largest law firm, bought a 44,000-square-foot building on University Avenue in 1984 and stayed put. The firm has taken more space as needed over the years and now occupies more than half the building.

“A number of us had homes here when we looked for space. It was kind of selfish, but we wanted to be close to home,” said managing partner Andy Warburg. “We're trial lawyers and need access to court. With traffic, it is a little cumbersome now, but OK. We like it here.”

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