Oral History Interview

with

MARK J. PERNICONI

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By Michael R. Adamson

Adamson: So to put this discussion in context, tell me about your background prior to your meeting Charlie Pankow and working for him.

Perniconi: I grew up in the Midwest also. I grew up outside Chicago, and, skipping forward, I graduated from Purdue in civil engineering, actually with a master's degree in civil engineering in 1976, and I worked for a family-owned company in the Central Valley of California who also happened to have deep Purdue roots. I did that for seven years on the construction side, doing more public works kind of work, and then I went back to school to get an MBA. To make a long story short, I ended up back at Purdue.

The way I got the contact, I always knew of the Pankow Companies, even when I was an undergrad. I think Charlie had spoken at the Civil Engineering School at Purdue when I was an undergrad, or other people from the company, so I knew of them already. When I was getting my MBA, I still had relationships with some of the civil engineering professors, and I believe Tom Verti, who you probably have run into, was out interviewing at that time at Purdue for engineers. He mentioned that I was there and we ended up getting together. I don't think it was a formal interview; I think it was over a couple of beers.

Adamson: With Charlie or Tom?

Perniconi: No, with Tom Verti, who happened to be at Purdue. He mentioned that they were looking for some people for their development side. Anyway, they ended up making me an offer and I ended up taking the job.

The funny story about that is, when I started with the Pankow Companies, I actually reported to a guy named Jon Eicholtz. I don't know if you've heard that name before.

Adamson: I've heard that name, but I haven't interviewed him.

Perniconi: Well, they had a development department. To make a long story short, I was there about three days and everybody left. Everybody on the development side left. Another claim to fame of Jon Eicholtz, he's married, or he was—I assume he still is—to Barbara Eden, *I Dream of Jeannie* Barbara Eden. Anyway, everybody kind of left, and Russ Osterman got stuck kind of overseeing development, I think grudgingly, if I had to—

Adamson: They left. That was a coincidence?

Perniconi: I think it was a coincidence. They kind of all left. He started his own company and—

Adamson: And he took everyone with him?

Perniconi: There wasn't that many people; it was one or two other people. So it was actually a great experience for me, because there were a bunch of active projects going on and we just kind of jumped in.

Adamson: What year was this?

Perniconi: This would have been 1985, early 1985, and I started right at the beginning of the year, so within literally a week—I'm not kidding—everybody else left. There were two big active projects going on at that time and one kind of in the embryonic stage, and Russ kind of—you've heard that name, I'm sure.

Adamson: I've heard of the name, yes.

Perniconi: I'm not sure what Russ' health is these days, but—

Adamson: Yes, it's not too good, so I haven't been able to talk to him.

Perniconi: But he's the guy I reported to, but he wasn't all that hands-on of a person either. So I ended up kind of jumping into everything and I spent the first five years there. I lived in L.A., worked out of the Altadena office, but was gone virtually all the time. The projects we had going on were in Long Beach and Oakland, and then another project came along in the Bay Area also. So I spent a good deal of my time in the Bay Area.

Adamson: When you say the projects were active, you mean what?

Perniconi: They were under development, under construction. These were development projects owned by either a Pankow entity or an affiliate of a Pankow entity, and they were relatively major projects, too. They were relatively large-scale projects. That's kind of how I started there. Geographically, I ended up living in L.A. for five years, and I moved to the Bay Area about 1990 and was there for about eight years. Does that total thirteen? Yes, the thirteen years I was there.

Russ Osterman left sometime in the late eighties, which kind of left me, and a few other people came in and out of development during that time, but it was primarily me. That's kind of where Charlie and I kind of interacted closely after that, because a lot of things were coming apart. I don't know if you get into the history of this. Charlie's relationships with Russ Osterman, some of the founders, George Hutton, were kind of coming apart.

Adamson: I know they happened about the same time.

Perniconi: Yes, they did, and both those individuals were more personally involved in development than a lot of other construction people were. As these guys dropped off, I ended up inheriting—or I was kind of Charlie's contact guy to deal with these projects, both in Hawaii as well as over here. So that's kind of really when I started working with Charlie closely, probably about 1990.

Adamson: Okay, and you had met him—

Perniconi: Oh, yes, certainly I saw him all the time when I worked in L.A., but I didn't really work with him on a personal level all that much, although he was the final decision on virtually everything at that time.

Adamson: When Tom was talking to you about needing people in development, did he know that Jon Eicholtz was going to leave?

Perniconi: No, this all happened—

Adamson: Completely out of the blue. Okay.

Perniconi: Right.

Adamson: And he left to do his own development work?

Perniconi: Yeah, I think he started his own development company.

Adamson: So on these active projects, then, what were your responsibilities?

Perniconi: It was kind of everything. Real estate development is kind of a broad spectrum. It ranges from getting entitlements, overseeing design on the front end, to getting it permitted, to getting it built, to getting it leased, to getting it financed, to what we call asset management, maintaining it when you own it, running it when you own it, maybe selling it later, and then at the same time, maybe looking for other projects.

Another role I kind of filled was we did some support for construction company clients that needed development help, whether it was financial analysis or just kind of an interface between the construction people and a developer, kind of talking the same language, telling them what's important and what's not. So it was a mixed bag on any given day. I was kind of the primary contact with bankers, the banks we had, the loans we had. I did the leasing. I interacted with the property management people on the sites. I got involved in some Hawaii stuff that was kind of a mess, mainly just trying to keep it above water and eventually working at disposition to some of the partners. They were working with Japanese partners with some of those projects in Hawaii.

Adamson: In the late eighties, when the recession—

Perniconi: No, it was in the early nineties when it was really ugly. Even within the buildings we owned, like in Oakland, we went through a potential foreclosure and bankruptcy. We didn't go through bankruptcy, but we ended up with a lot of negotiating with banks, some of it good. Some of it were good-time negotiations. Some of it were bad-time negotiations. We ended up salvaging that project. It was a note sale. We brought in new investors, new partners. Kind of when that all happened is when I exited after that, because we really kind of—the reason I left the Pankow Companies is there just was nothing left to do.

Adamson: And this was what year?

Perniconi: ’97. They didn’t really want to partake in development anymore. There was always a resentment on a lot of people there with development, in my own opinion, partly because it was a private thing. It was an individual thing with Charlie and Russ and George. Dean Stephan, who you’ve probably heard, was kind of the CEO, and he had a mixed feeling about it. Sometimes he was really interested. Sometimes he hated it. And it really became kind of hard—development changed, too, in that period. It was a much more equity-based—you had to actually put real money in. The banks weren’t going to give you everything. That changed again, but— [laughter] But it became a lot tougher, a lot tougher business, and these guys didn’t want to do it, and I kind of looked—we had really gotten down to one asset by the time I left. We owned a big office building in Oakland [2101 Webster], and by the time we refinanced it and brought in new partners, my role changed insomuch as I ran it pretty much myself for the last ten years prior to that. Now all of a sudden I had to answer to a bunch of new partners. I never ran it myself. I mean it was always with Charlie, but Charlie delegated most everything to me. I’d run major decisions by him, but he pretty much left the day-to-day decisions to me. And that kind of changed, and we weren’t doing any new developments, and I just thought I was kind of burying my career there, so it was time to leave. Charlie kind of offered if I wanted to go on the construction side of the business, and I didn't really want to go back and do that at that time. So that, in a nutshell, is kind of the overview of start to finish.

Adamson: Several people have said that the development side provided work, was one way of providing work for the construction company. When these projects were active when you were there on the development side, was there any interface, interaction on the construction side, or were you just—

Perniconi: No, it was constant interaction on two different fronts. One was, one, we owned these buildings. Like an office building, you're always doing tenant improvements, so we're always working with our construction side doing tenant improvements. But a lot of what I did was working with the construction company with their clients, too. In other words, they'd bring in a potential development project. The world was full of guys that had projects and had no money. We were a contractor that did development, so there was kind of a connection. It never, ever worked. We did a bunch of work and nothing ever happened.

I spent a good deal of time with Tom and Rik [Kunnath] and Dean. Dean Stephan and I worked together for a couple years trying to do a hotel in Cabo San Lucas. It involved going to France to try to find money. It involved a couple trips to Cabo; as some people call it, a boondoggle. Maybe it was. But when I worked with Rik on several things, we were participating in a lot of public-private—

Adamson: Rik?

Perniconi: Kunnath.

Adamson: Rik Kunnath.

Perniconi: Yes. Rik at that time was the senior VP or executive VP.

Adamson: In San Francisco.

Perniconi: Yeah. But a lot of things were coming our way where the public sector was out saying, "Okay private sector, we need an office building. What can you do?" So we were putting full-fledged RFPs, requests for proposals, together. So I worked with those guys a lot and I interfaced with them all the time. Sometimes I was in the same office, sometimes not, but we interfaced a lot. I wasn't off in a completely separate company. When I was in Hawaii, I was in the Hawaii construction office. When I was in L.A., I was in the Altadena office. I was one of the boys.

Adamson: If you go back to the Charlie and George Hutton Hawaii projects and the projects that Charlie did with Russ on the mainland—you may have come in too late in the day to answer this question—but did you get a sense of how they got into these projects? Did they just kind of fall into them or was it with purpose that they went looking for them or—

Perniconi: No, I don't think they went looking for them. I think they kind of came their way through contacts they had. A couple of the projects they did were with relationships they had with people with the old AT&T and Pacific Bell. I'm not sure how those relationships were formed, but back in those days, if they had a need for a 300,000-square-foot office building, a lot of times they'd just work through their own relationships to find someone to do it. They had a relationship a couple times with that, and based on that relationship, they actually did a series of projects in San Jose and San Francisco. I think once you're a developer, the word gets out and then other opportunities came their way.

In Hawaii, it's a little different story. They were always an active condo developer. Now, how they came upon the projects, that's a good question. George Hutton. Probably the same thing. They kind of got word, wind of a project that somebody else abandoned, or they had priced it and the developer went away, and they were in a position to step in.

Adamson: If Charlie's the CEO, the guy running the show, was there a sense that this was part of some strategy of his overall business—

Perniconi: They didn't develop anything they didn't build, that's for sure. It wasn't development for development's sake. It was something they'd make money building also, and it was something they had wanted to build. It wasn't a product type that they weren't comfortable with, gas stations or individual houses. They didn't do any of that kind of stuff. They were all kind of stuff that was their bread and butter on the construction side, and it gave them a little bit of room to experiment and explore. I think some of their design/build came out of that. They were able to really exercise that on projects they developed.

I've been through this my whole career. There's always an issue of where's your priorities. Is your priority making money building it or is your priority owning it? That question has always been out there. But then a lot of the stuff they developed, they held for a long time. They weren't just merchant builders. They did a couple office buildings in San Jose they owned for ten, fifteen years. They did a project in Eugene, Oregon, they owned for probably almost twenty years. A different story, because you build them to sell them. It's not a long-term hold. But a couple office buildings, the Oakland building they ended up holding for almost ten years.

Adamson: Is that the 2101 Webster?

Perniconi: Yeah, 2101 Webster. But it's surprising, they were kind of a long-term hold. They weren't just a make-money building it and then flip it. They held them.

Adamson: So then was there another group managing the property, or was that something you got involved in doing?

Perniconi: I was involved in managing, but there was usually a third-party manager on actually the staff of the building. We had a relationship with a person that did most of that for us, too. It was a long-term relationship that goes back before I even started.

Adamson: And getting tenants in and out of it.

Perniconi: The stuff we owned, I did most of the leasing, but the day-to-day people that were swabbing toilets and cleaning windows was a—

[cell phone interruption]

Adamson: So you were leasing, but not managing the operation of the building.

Perniconi: I was overseeing the person managing the building. That would be a better way to put it.

Adamson: Now, I'm just making a link because of the timing. Basically, when you came in, the company was reorganizing?

Perniconi: Yeah, shortly after I got there, the old partners were kind of consolidating out and the new company was formed. Correct.

Adamson: Now, from the development end, was there an impact?

Perniconi: Well, that was part of the reason I think they really couldn't develop much in the future, because a lot of their capital was tied up in their own bonding capacity, in their own lines of credit, and they didn't really want to take the risk capital of a construction company and put it into even riskier development. So, yeah, it had an impact. But again, I think all the time I was there—and I'm pretty sure Tim Murphy could probably state this better—their developments were always held by individuals. They were never held by the company, that I'm aware of.

Adamson: Right. It was a separate entity.

Perniconi: Yes.

Adamson: Tim, in his interview that I had with him, spoke of his coming in at '85 or '86.

Perniconi: He came in a little after I did.

Adamson: As a replacement CFO.

Perniconi: Yes, that's right. I remember that.

Adamson: And he talked about a two- to four-year process of liquidating real estate assets, mostly disposing of unsold condos in Hawaii as part of that reorganization, or was that something that—

Perniconi: Well, that was a challenge before even I got involved. They had done a ton of condominiums. Remember the days when the prime rate went up to—this was like early eighties. I was in school. That's when I went back to school the first time. They had done a ton of developments, a couple of condominiums in Hawaii. And they actually lucked out. They couldn't sell them, but they rented them at a decent rent, and then when the market turned, they had a ton of inventory and actually made out pretty well. Tim was involved in some of that, but that, I think, was what Tim was talking about, when he first came.

The second round we did, when I got involved, they did two projects, one huge project that was a smashing success in Hawaii, four hundred units. They got it up; it sold. We did a second one about a year or two later right after the bubble burst, the Japanese bubble burst, and we couldn't sell a thing.

Adamson: What one was this?

Perniconi: Nuuanu Parkside. It was a smaller project. It was only about eighty units, but in a period of like—literally, this thing, when it went on the market, the presales were tremendous. They just weren't binding, and presales, from the time we started construction, the bubble burst, the Japanese investment bubble burst and we could not sell a thing and we ended up unwinding that thing, too. I mean, I think we ended up deeding it back to the Japanese partners, the Japanese equity partners. But I got involved finishing it. We had a couple units that did close, but, boy, there was just no sales activity.

On the real estate side, it was as bad as it is now, if not worse. I don't know if it could be worse than it is now, but it was awful. I mean, the nineties were awful to be a developer. After the Japanese bubble, I mean, in the late eighties, early nineties, it was kind of crazy times, and then it just crashed and burned. In the real estate development industry, there's like a whole generation of people missing, because that's the period of time when there was no real estate development. The same thing is going to happen again. In about ten to fifteen years, there won't be any people in their thirties or forties in this business. But it was an awful time. I mean, banks weren't lending, people weren't buying, nothing was leasing, companies were shrinking, kind of like now.

Adamson: This, I guess, is asking your opinion, because I don't have the facts, but these relationships that ended with George Hutton and Russ Osterman with Charlie Pankow, were they tied to the development projects, or is that just something that—

Perniconi: I think the individual projects, when you finally got down to who the individual stockholders were, they were the guys. They personally probably weren't at risk, but they personally gained from the outside.

Adamson: I guess I'm asking if this downturn in the development world and the adverse effects of the recession had any impact on their positions as partners.

Perniconi: It could have. Yes, I don't know what the—Tim might have more insight as to how all that came apart when those guys—but I think it's who was taking the risk and who was getting the rewards, I think, started pulling those guys apart.

Adamson: So once the personal relationship or the professional relationship ended, you still had these partnerships that you had to liquidate or just unwind?

Perniconi: Yeah, Tim was in that. I was kind of in that.

Adamson: And this took some time. After Russ and George left the company, you were still unwinding these—

Perniconi: Yeah. Russ came out cleaner than George. I think the only thing Russ and Charlie still owned was the Eugene building, the Citizen's Building in Eugene. I think they owned some land in San Jose. That's about all they still had kind of connected together. George and Charlie, I think, still had more stuff connected.

Adamson: And you said on the phone that this Eugene office building was—you actually handled disposing of that after you had left.

Perniconi: Yes, after I left. I actually was working in Portland and Charlie called me and asked—and I guess him and Russ were at some loggerhead over something. There was a 50 percent partner that they had jointly bought out. Then they owned all of it. And sometime in the late ’90s, early 2000s, somewhere in there, they called me and they asked me can I help them try to sell the building. Actually, I think I helped them, but that was when I still worked there. I helped them refinance it and I actually did some leasing of it. I think I was still working there.

Then a couple years later, they called and asked if I could help them find a buyer. I did, and we ended up selling the building, and I ended up kind of refereeing between Charlie and Russ. They wouldn’t talk to each other, so they’re going through me. About that time, that movie *Grumpy Old Men* was out, and I felt like I was in the movie *Grumpy Old Men*. One guy would agree, the other guy wouldn’t, and vice versa. But we got it done. We finally ended up getting it sold. I’m sure they made money, so—

Adamson: So some of these developments were not necessarily sold, because everyone agreed it was the best time to sell them? They were getting old and they just wanted to unwind them or—

Perniconi: Well, like I said, they owned two buildings in downtown San Jose that I think they made a ton of money on. They found a buyer that bought at the very top of the market and they did okay. Their AT&T stuff they sold—I think they found a third-party buyer and AT&T stepped up and bought on a right of first refusal, I think. The condominiums were condominiums, so they sold off as they sold them.

We had another project—well, actually the first project I worked on was Catalina Landing in Long Beach, which we had a partner on that, and that project went south and we ended up deeding that back to the—our partner was Crowley Maritime, who actually controlled the site, and they ran the Catalina shuttles out of that site. That one wasn't such a great project. And 2101 Webster, he hung on. I think they ended up doing okay. They ended up selling it a couple years ago and I think it's been sold a couple times since then, too.

Adamson: You mentioned a couple, two or three active projects when you came on. Can you take one as a case example just to elaborate on what you did in the area of entitlements and just take me through one project as a case study?

Perniconi: Well, one I was involved with almost my whole career there was 2101 Webster. When I started, that building was already under construction. There wasn't much leasing done. Russ Osterman kind of was responsible for it, but he did not get involved in details. I mean he just didn't. So I kind of got stuck. Somebody threw a pile of invoices at me and said, "The architects are screaming. They're not paid. The contractor says they should." Anyway, I got into those kind of fights. I got up there and kind of mediated the—we got it built.

There was a secondary project with that one. It was called the YMCA of Oakland and the parking structure before 2101 Webster got built. That came along subsequent to it. That got built and open and done. We ended up leasing that thing almost 100 percent full and I was involved in virtually every single lease we did. We also ended up revising our financing a couple times. Russ did get more involved in that. He had some good relationships with Chase Bank, and I was with him and we refinanced that thing a few times when Russ was still there. I might have refinanced it again after he left with Chase.

But by the time Russ left, I was signing the leases, signing the loan docs. I personally did the leasing on the landlord side. It was kind of my anchor. I was always involved in that plus ten other things at other places. I ended up moving my office into Oakland about 2002. I'm sorry, 1993. I'm off a decade. And did some remodeling in the building, upgraded the building. I kind of had a relationship—we had a limited partner who was a tenant, Matthew Bender. I went through agony in the nineties. Every tenant we had started shrinking. Subleases were dumped on the market, so we ended up restructuring a bunch of leases, and then we went through the agony with—we couldn't refinance a loan. We went through a potential that they foreclosed, or they didn't quite get to full foreclosure.

Adamson: The bank?

Perniconi: The bank. And then we fought that off and we ended up finding a buyer for the note, brought in a new partner, set up a whole new kind of management structure, stabilized it. And it just so happened, when all this happened, the market got better. It was just before the tech bubble, so we ended up getting that thing leased. Just before I left, I think we were back to 95 percent leased again. In the course of all this financing, we ended up reducing their debt by 10 or 20 million dollars. The banks just took a haircut. So it ended up turning out okay. But I don't know how to explain it. I was involved in every day-to-day thing going on and then I'd meet with Charlie monthly. Nothing formal. It was kind of, "Charlie, I need to talk to you about this."

"Well, come on by my house." You might have heard the stories about 3800 Washington.

Adamson: Various stories.

Perniconi: That's one of my fondest memories with him. I mean, it was such a gracious way to do business. It was kind of, "Charlie, I need to talk to you about the Pacific Bell directories."

"Well, come on over to my house about four o'clock." Or Judy Vawter would call me and say, "Saunter over to the Pacific Heights," or Presidio Heights, and go in. Someone would let you in. You'd go walk into a room with various pieces of art, and Charlie would come down and he was always gracious. I never saw him really get mad. He was kind of always, "Mark, what do you think?" And, "Maybe we need to do this. Can we do it that way?"

The construction guys always got much more frustrated with him than I did. But part of the thing I learned with him is you don't go ask Charlie, "What do you want to do?" You know, "Charlie, what do you think we ought to do with this [unclear]?"

He said, "Well, we ought to do the lease at twice what the market is," and he'd come up with something you couldn't do anyway.

So I'd usually come in and say, "Charlie, I think we can do this at this rate," and then make your case for it and you usually can make some pretty good progress. I learned you never ask him. You run options by him. You never ask him what he thinks we ought to do.

The construction guys, it would be a hell of a lot harder for those guys to deal with him than I ever did. But it would always be a very civil discussion. “Charlie, I think we ought to do this, this, and this.”

And he’d go, “Okay, well, have you thought about that?” And he’d ask you a few questions, and then about five o’clock, it’s, “Would you like red wine or white wine?” And then more often than not, we’d go to dinner, just kind of go up to Presidio Heights somewhere and have dinner. I’ll always remember that.

My first job was just doing public work stuff, low bid. You go to work all day, you go home, and you don’t want to think about it till you get up the next morning. Working with Charlie and Russ, for that matter, just the whole world of business changed for me. I mean, it was people that could do business as friends, people had dinner together, people liked each other, people socialized, not necessarily socialized, but in the course of a week, if you’re out traveling, you go out to dinner with people. Sometimes, even if you’re in town, you go out to dinner with people just because it was a place to talk. And we always stayed at great hotels. It was very nice. He was just a gentleman, and to this day, it’s still the most important thing to me, is the kind of people I work with.

I’ve just been through a terrible experience in my own career. I spent a year and a half working for Westfield, the big bunch of Australian—I shouldn’t talk about this on tape, but they weren’t nice people, and it’s been so long since I worked with not nice people, I had a hard time with it. I finally left. “This is it. I’ve had it, don’t want to be here.” Just were disgusting people. And it doesn’t have to be that way. He [Charlie] kind of taught me that there's a better way to do business, a nicer way to do business. Even all the time we're going through foreclosure and dealing with all these ugly attorneys on the bank side, he was always calm and gentlemanly. I was going ballistic, but he was always kind of a rock in the middle of it. So I learned a lot from him. I'm not saying every lesson I learned I apply all the time.

But those guys, they open their houses up to you. I can still remember, when Russ and Charlie were speaking, at every Rose Bowl. Russ was an old Michigan guy and Charlie was a Big Ten, so every year the Big Ten would get its clock cleaned at the Rose Bowl anyway. Charlie always had a morning party. They'd always buy tickets for thirty or forty of us, or twenty or thirty of us, and Russ would have a party after the game. It was just very civilized, nice people, and even people they dealt with. You don't always have great relationships with architects. They did with some of the bigger ones, or their subcontractors or some City people or major tenants. They just always had relationships that you don't see too much anymore. Maybe it's the way business was done in their generation. I tell you, being out there today, you don't see that anymore.

Adamson: Is it because of the legal environment or is it just because it's—

Perniconi: People are so competitive or so stressed or stretched or whatever. But that's the fondest memories I have. It was just a nice way to do business, and they were great people. I mean all the people I worked with, Tom and Dean and Russ and Rik, we're still friends. I mean, Rik's still a good friend of mine. Russ, I kept in touch with till he kind of—he was kind of going through his own health issues. But it's just nice people. That, to me, was the biggest lesson I learned working there.

I also think there was something about—you know, Charlie grew up in South Bend, I guess, and this is a lesson I still—there's something about people that came from that part of the country that are different. I don't want to—

Adamson: No, I'm from Wisconsin.

Perniconi: There you go. [laughs] Even today, I'm telling you. We had this discussion with a friend of mine. We were in downtown Sacramento when I was still with Westfield and we're sitting around chatting, and we said, "Where's everybody from?" There were six people there and none of them were from California. And I go, "Yeah, I think that's one of the reasons, partly, this state is so dynamic, because an awful lot of people came a long way to get here." I also think there's something about the work ethic. I don't even know if *work ethic*'s the right word, but there's something about people that came from that middle part of the country that it's different. I think it's got to do with respect for each other, or your competitive attitude toward each other that's just different than it is if you're around a bunch of California people.

Basically, all the key people with Pankow were all from—I guess Dean was from California, but they were all kind of from that part of the country, and most of the people they hired at that time were from that part of the country and the guys that are still there, Tom is from Altadena, but [the] Bob Laws and Dean Brownings, all those guys are all from the Midwest, a lot of pretty guys, people that had to go to school in the middle of the cornfields of Indiana.

[cell phone interruption]

Adamson: I've asked people if Charlie went to Purdue to recruit people, not just because he went to Purdue, but because he liked the way people worked and the way people who were from there, the way they fit in.

Perniconi: The first company I worked for was the same way. Their people were born in California. Well, I shouldn't say that. Their roots go back to the Midwest, but they wouldn't hire out of California. They always hired out of the Midwestern schools. I think it's changed a lot because the cultural shock of coming out here is so different than it was, like the cost of living, the traffic. I mean, it's just different. I think it's changed a lot, but in that time they would not hire out of California. Now they're having a hard time keeping people here that come from the Midwest, because life out here scares them or something. "How much for a house?"

Adamson: I think you've spoken to this, but it sounds like, from the development side, that you probably saw more of Charlie than a lot of the construction-side people.

Perniconi: No, I wouldn't say that, but—

Adamson: Well, if you were on the site or something, you'd see Charlie when he visited, but—

Perniconi: Well, Charlie spent his weeks in San Francisco.

Adamson: So if you were on one of the mall projects in Tyler Mall in Riverside or the building they did in Milwaukee—

Perniconi: Yeah, I don't know how much Charlie ever went out there.

Adamson: —you might go the whole project without seeing much of him.

Perniconi: Every once in a while I'd get Charlie to come to Oakland. The funny story I have is he came there, it wasn't very often, maybe once every year and a half just to see the building. I remember one time he came out, he forgot which parking structure we owned. He was pointing to the parking structure and it wasn't the one we owned. But, yeah, I'd say I met with him every four to six weeks, just kind of the same environment. Sometimes it was me; sometimes it was a couple of us.

Adamson: So Charlie was your direct boss, or did you—

Perniconi: My direct boss was Dean, but when it came to 2101 Webster, no one else wanted anything to do with it, is probably the best way to put it, on a day-to-day basis.

Dean didn't want anything to do with it. But I did get involved. We did a hotel, the Sofitel at Redwood Shores. We were a development partner. Dean was involved in that heavily. Charlie was not, actually. He wasn't all that involved in it. So in that respect, I was working more with Dean.

Adamson: I suppose I could count it all up from all the interviews, but when you came in, set aside Hawaii, what was the extent of Charlie's real estate portfolio in terms of numbers of buildings or properties when you came in?

Perniconi: Well, they owned two buildings in San Jose. They owned a building in Spokane. They owned a building in Eugene. By that time, they might have already divested other stuff they owned in San Francisco.

Adamson: These are the telephone buildings?

Perniconi: Yeah. They had started a couple developments that they ended up selling to another developer. They started one in downtown L.A. that someone else bought. We did the initial work. Russ did most of it. We did the initial work and then another developer bought it. We ended up building it. And then Long Beach, Catalina Landing, was under construction. 2101 Webster was under construction.

I don't recall what was going on in Hawaii at that time. They probably owned a bunch of unsold condo units. They owned a timeshare. They owned what was left of the timeshare units in Princeville, Hawaii. They owned some land, a couple pieces of land somewhere else in Hawaii, somewhere on Kauai.

Adamson: Is that The Cliffs?

Perniconi: Yeah.

Adamson: So then after you sold this Eugene, Oregon, office building, that was it?

Perniconi: The only thing that was left that I was aware of was 2101 Webster, and they sold that after he passed away.

Adamson: You mentioned design/build and being the owner and having a construction company. Can you elaborate a little bit more on, from your perspective—you said they might have learned a bit about how to do it, how to do design/build in that situation, from those situations.

Perniconi: The original San Jose buildings they did, they kind of did an innovative way of building the buildings that they ended up using other places after that, a forming system—not just the forming system, but the way they did the whole perimeter of the building. I'm an engineer, but I'm not that current on it, so I can't give you all the—some of these guys would get into a lot more technical details than I can.

Adamson: So as the owner, they were able to just go ahead and make these decisions?

Perniconi: Well, as owners, the construction crew was very much involved in the design, sometimes to its detriment. Sometimes ease of construction of it would be more important than aesthetics. It didn't always work great, but their hearts were in the right place. Some of these buildings ended up looking like it was built by a construction company, if you know what that means. [laughs] Very male-dominated construction company.

Adamson: Well, walking around Berkeley a lot, concrete doesn't always wear very well.

Perniconi: Right, right.

Adamson: I think you pretty much talked about what Charlie was like to work for. Is there any other aspect of your relationship that you haven't—

Perniconi: A funny story. We were up in Eugene. We were trying to do a second building in Eugene. I don't know if you know much about Eugene, but it's one of the weirdest places on the planet.

Adamson: I stayed there one night on the way to Seattle. It was the day of the Civil War football game, I think.

Perniconi: Well, Eugene is—Berkeley's not a bad comparison. We tried to do a second building there and we ended up going through all kinds of hell because they thought we were the evil devil from California. But I remember one time he came up—

Adamson: They, being the—

Perniconi: The citizens.

Adamson: —the city government?

Perniconi: The city government, per se, wasn't bad. It was the people, individual people that lived—people that never left, went to school and never left. But he came up one time. We were meeting about something on the new building. He hadn't been up there in years, and I remember we were at this restaurant. We were outside. It was a beautiful night. We were having nachos, a big honking bowl of nachos. And I remember Charlie was pissed because he couldn't find French wine on their menu to go with our nachos. [laughs]

Adamson: And Russ was there, too?

Perniconi: Russ was there. Dean was there. That was a fun night, lot of drinking. We drank a lot of wine that night. No, I mean that was the biggest lesson I learned. He was just a great guy, personally. He was a tough guy to read sometimes. If you heard about him and you heard the stuff he owned and the arts and other things he does, and you finally met him, they never meshed together. They never really meshed together. I don't know how else to put it. When you see him, he didn't dress flamboyantly. He kind of always had a kind of a humble demeanor.

Adamson: Yet if you were at 3800 Washington in the midst of his art collection—obviously, it's been sold, but without knowing Charlie, if you just walked around the place, it was like a museum rather than like someone's house with a lot of pictures on the wall?

Perniconi: Well, the art was kind of concentrated in various places. We used to meet in his sitting room, big roaring fire. If you look out the adjacent windows, you're looking over the Golden Gate Bridge, fog coming over the Golden Gate Bridge. I think he had some original Monets in there. Then upstairs he had another room that had all of his Russian icons up on this kind of really wood panel with kind of dark room. The house had a ballroom in the basement. [laughs]

Adamson: Ballroom?

Perniconi: Yeah. But it never really matched. Like I say, if you heard about what he owned and what he did, and you actually met him, they never meshed to me.

As I said, they were great days. I have no regrets whatsoever. It was fun. I never saw him get—Rik has other stories about him getting mad and being unreasonable, but I never had that experience with him. I felt really lucky. I don't know whether I reminded him of one of his sons, but he was always friendly to me. He kind of always went out of his way, I thought, to be friendly. I think there weren't a lot of people fighting to do what I did in that company. I mean, no one else wanted any part of that stuff. I think Tim [Murphy] got stuck with a lot of it. Tim ended up probably getting more crap than anybody did because it was more on the legal and accounting side.

He was always great to me. I don't even remember him getting mad at me. I went in there, I screwed some stuff up, but he'd never chew you out for that. He'd never really get super aggressive and vindictive about stuff. He always tried to keep a cool head. My trick to him is you never go ask him, "Charlie, what do you want?" He'd always come up with something you couldn't do if you asked him something, so you just best think through a couple of alternatives and let him choose between the alternatives.

Adamson: On the construction side, several people have said Charlie hired the right people, brought them in the company, there was this culture, and pretty much was able to delegate responsibility and every cog in the way it worked to get things done.

Perniconi: Just looking from the outside in a little bit, another little thing he kind of—it isn't so much doing the construction that's hard; it's making money doing the construction. I saw those guys walk away from more projects because either they didn't like the owner, they didn't like the circumstances around it. I kind of thought they were always kind of a "boutique-y" builder, just on the outside looking in. But he's right. I mean, what's the point of doing huge projects and not making any money doing it? He always stuck to his guns on you, bad times and good times.

I think you could go out in that business and see how many companies that weren't bought up by bigger entities. That's probably why. If you looked at the list of contractors when those guys started, or even go back to the mid-seventies and look at where those people are today, they've all been swallowed up. They never had a succession plan that worked, none of them did, where the entrepreneur stepped out and new people stepped in. He thought through all that stuff and he was very successful at it. Part of it was good people and he kept good people. The kind of people he kept, too, they weren't the bragging kind of fancy-dressing slick-talking people. They were the very competent, quiet, understated people.

Adamson: Yeah, I've gotten that impression from most everyone I've—

Perniconi: There were a few people that I saw go through that company that were more of the bragging kind of people that might end up being CEOs somewhere, but they just didn't work there. You had to know your place, in a way, or you had to quietly be confident and not be overt about it.

Adamson: Tim Murphy went through some other non-construction businesses that Charlie went into, and the point he made was that almost everything that he got into, he was very successful at. From your point of view, what made Charlie a successful businessperson, just generally?

Perniconi: I think he was cautious, yet then again, he was aggressive, yet cautious. He jumped into art and made a ton of money with artwork, but I think he always understood that more than he ever let on. I think he always had a better understanding of the art markets than he would ever explain to anybody. Because I don't understand it, I never talked to him about it. But I think he owned some cable TV restaurants or something like that.

Adamson: He got into predecessor of Verizon, I guess, with towers, cell towers. I don't know about cable necessarily, but he did get into—

Perniconi: Oh, that's right. It was cell phone stuff.

Adamson: Right.

Perniconi: I think his own strength was on personality, too. I think he was able to placate the investment people, bankers, in his own way. The other thing that was out there, even today, the reputation of that company was solid. If you mention that name in any circle, they're well respected. There's no stuff hidden under the carpet with them. There's just no bad stories to be told. I've seen them in a couple construction problems just take a huge hit to make it right. They pay their bills promptly. Their credit rating, people that work for them have nothing but good things to say about their promptly paying their bills. They're honest. They're in a business that it's not universally true in that business. I think the strength of his personality had a lot to do with his success. I don't know how else to put that. He put people at ease. They trusted him.

Adamson: Very good. My timing might be off, but were you there when Charlie and George were exploring Shanghai?

Perniconi: Yes.

Adamson: Do you have any insight as to—I've only had one person, I think, talk about it, but ultimately, I guess it had to do with getting your money out as a reason of not getting in.

Perniconi: Yeah, I ended up doing a bunch of pro forma—a bunch of financial analysis to support some of that. That started with George, and then George had a development guy in Hawaii that left, so part of my job was refuse collection and disposal. I'd always get stuck with stuff when everybody else left. I was always the backstop. When it went through all the other layers, it got into my lap. But, yeah, it had to do with once you got it in, how do you get it out. But I think that was more George than anything. I think it was more George through his connections in Hawaii.

Adamson: On the early nineties, I talked to Wally Naylor and Rik about Special Projects, I guess you call it. Getting into that, was that something that affected your work or was that just something aside?

Perniconi: The only way it affected me is that when we owned especially 2101 Webster we did a considerate amount of tenant improvements in there, and they ended up doing that under the auspices of Special Projects.

There is one thing in development that might be worth talking about. They ended up doing a couple of significant projects with the Catellus in L.A. at Union Station, and I always thought that part of the reason they got comfortable—because they ended up really playing almost more of a developer/contractor role in those projects; they didn't own the land, but they did most of the legwork and a lot of the stuff that would have looked like a developer—and I always thought that they got comfortable doing that primarily because they had some background. Dean and some of those guys had some background in development. Because Catellus ended up relying a lot on Pankow to push the projects through, although I didn't play a role—I played a little minor dinky role helping a little bit with some financial analysis, but it wasn't anything significant. I think they were able to do that because they had the background, because it wasn't a typical construction project. They had to act more like owner/developer, all that stuff.

Adamson: Where was Catellus coming from as an organization?

Perniconi: Catellus owned the land, and at that point in Catellus I don't know what their capabilities were, because I remember sitting through a bunch of meetings, even here in San Francisco when they were first looking at Mission Bay. Why I was sitting there doing real estate analysis for a so-called big-time developer, I don't know, but those guys, they came out of a railroad and I don't know what their capabilities were. They had a lot of land and not a lot of expertise in doing anything with it, and they ended up doing two pretty big projects in L.A. They might have done more than that, too. I'm not sure what they did after that, but because of what we did together, they were more comfortable moving forward with that kind of a project.

Adamson: And those were working for a public agency.

Perniconi: The end user ended up being a public agency, yes. But they had to deliver the projects, so that's where it might have paid off.

Adamson: Can you talk about getting involved in any of these entitlement or land-use issues?

Perniconi: In the time I was with Pankow, I didn't really do that much finance stuff. I've done a bunch of it since I left. But Oakland was under construction. The hotel project, I was involved in the front end of that, mainly on the finance side, helping support the loan. I was involved in the loan closing, the loan documents. But our partner in that one did most of the entitlements, and most of the entitlements, to be honest, were in place when we got involved in that project, because it was a master plan business park, Redwood Shores. It's where Oracle is. Then after that, that's about the last ground-up development we did. In Hawaii, I got involved in that thing when it fell apart and was already under construction.

Adamson: Which one was that?

Perniconi: Nuuanu Parkside.

Adamson: Oh, that one. Okay.

Perniconi: We did do another project. Charlie and Russ, I think, actually owned this—well, they owned a chunk of land in Atlanta. They went in there when Eicholtz was still around. They bought it, thought they were going to develop it. The best thing that happened to them was when their financing collapsed and they didn't build it, because if they'd have built it, it would have been a disaster. But it ended up just a piece of land sitting there forever, and then finally it got dumped into my lap to go do something with it. Literally. "Here, Mark. Do something with it. We're tired of it. We're bored." That's how I got stuff. Dean would get bored. Russ left the company and he didn't want to spend any time on it.

So we ended up going down there. We did get some entitlements and some zoning in place. Atlanta isn't California at that time. It was pretty easy to do this stuff down there, and we ended up, instead of developing that piece of land, we ended up selling it in two pieces. Right now if you go down there, it's a huge CarMax.

Adamson: Is that right?

Perniconi: But that was another piece of property I forgot about. It was about forty acres right on Interstate 85 on the outer ring of Atlanta.

Adamson: And who bought that? It was somebody, Charlie and—

Perniconi: Charlie and Russ—

Adamson: —decided that that was a [unclear]?

Perniconi: —were personally involved [unclear]. Yes, we were going to run down there and do a seven- or eight-building business park. I remember doing the economic analysis, and I think we might have had a partner or we did have a partner. We had one originally, but he kind of fell out. We were trying to get financing. We were ready to go and the financing fell through, and then everybody got bored with the project and it just sat there for a long time.

So finally somebody said, "Let's try to do something with this, either develop it, sell it, or whatever." We went down and started actually doing the entitlements to develop it when a buyer showed up to buy it. We got some zoning on it. We did some wetlands mitigation and some other stuff you needed to do to get it sold or developed.

Adamson: So what you were saying in the beginning, basically, in the front end of these early projects, Charlie and Russ or Charlie and George were basically borrowing all the money for the project? They didn't really put up any—

Perniconi: Well, some of these, you could borrow—the stories are out. If you had a project that cost $40 million, the bank would give you 45 [million]. If the economics worked out that way, you can do it. Now, that all changed, but it wasn't uncommon.

Adamson: Okay. Just walk in the door.

Perniconi: Or you buy the land for $2 million. By the time you got the loan to do the project, the land might have been appraised at $4 million, and the rents would justify enough loan to pay for the project, give you your money back, and make a profit. Some of the early projects they did were literally 100 percent financed.

Adamson: Is that because of inflation and negative or low [unclear]?

Perniconi: Well, part of it, land was appreciating, rents were going up. Lending was a little more speculative. It was the boom days of California in the seventies and early eighties.

Adamson: This might not apply to Charlie's real estate, but I guess this is asking you as someone with experience. In the nineties and in the last decade, what has been the impact of land-use regulations on development, from your experience, in California especially? Would Charlie have been able to do some of the things that he did in the seventies?

Perniconi: Well, I don't think the land-use issues were what were the issues with Charlie's stuff. Everything they did was pretty much straight down the middle of the zoning they were in. They weren't pushing the envelope on zoning.

Adamson: So they weren't developing on the edge of a cliff in Santa Barbara?

Perniconi: No, no. No, [unclear] in the middle of Honolulu.

Adamson: There were no issues—

Perniconi: No. I don't think it would have impacted Charlie. The lending practices would have had a hell of a lot bigger impact than land use. Land use in California, what it's done? Well, part of the reason housing in California costs so much more than everywhere else has a lot to do with the land-use regulations in California.

Adamson: I know that some of the projects they got involved in more recently with these multiple use—like Paseo Padre. No. It's on Colorado.

Perniconi: Paseo Colorado?

Adamson: In Pasadena and Sunset and Vine, these mixed-use places, an opportunity created by that's what urban planners did not want to do and so, you know, this opportunity to do this kind of building, reuse space, basically, that—

Perniconi: Well, virtually all development now is redevelopment, not development.

Adamson: Redevelopment. Fair enough.

Perniconi: The mixed-use stuff, well, what's happening in a lot of what mixed-use is—I've been a retail developer since I left Pankow and the old mall sites and a lot of retail sites, Paseo Colorado is a good example. In the middle of cities, when you have a density of .25 FAR—you know what an FAR is? Floor area ratio. The land is worth way more than the density you have on it, so the only way you can realize any gain from that is to add density on top of it, and most of the zoning is becoming favorable to that in urban areas. A lot of mixed-use is coming out of underutilized retail sites, because the retail model used to be one story with a parking lot in front of it or under it or whatever, so that's what's given rise. San Francisco had a lot of that—in the eighties, they were trying to stick a couple floors of condos in every office building. That had a very mixed success. Some mixes don't work real well.

Adamson: So the development in Hawaii was mostly condos. The development with Russ in the Pacific Coast was mostly office buildings.

Perniconi: Mostly office, yes. They did some—I'm sorry. They were involved in a condo on Wilshire Boulevard before I got here, 10560. I didn't really have anything to do with that. It was over before I got here.

Adamson: I didn't realize they were in on that one. So the one building I really don't know anything about is the one in Spokane. When was that and what was it?

Perniconi: It was about the same era Eugene was built and looks like Eugene. I think they used the same structure system. It was a small building. I don't think it was ever all that profitable for them. They sold that not long after I got here—to Pankow. I've never been there. I've never seen it. I've been to Spokane, but I've never seen the building. I didn't have any involvement with it, but it was an opportunity that came along. I think either someone brought a tenant to him that needed a building—they were working with a partner out of San Francisco, which is how Eugene came about. He had a tenant locked up, didn't have the expertise to get the building done, and he brought Charlie and Russ in. I think that was the same situation in Spokane.

Adamson: The same guy or the same—

Perniconi: I think it was, yes.

Adamson: I think you've spoken to most of the rest of the questions I had, inadvertently or indirectly. Well, just for summing up, how do you remember Charlie and his company, or how should we remember him? You mentioned his being a gentleman and that sort of thing. What do you think his legacy is?

Perniconi: Well, yes, it's a lot of what you hear now. He always felt you had to be innovative. You couldn't be static. Companies we're seeing now that aren't innovative, are static, are dying. I think he empowered people more than a lot of entrepreneur—companies that are started by a single entrepreneur. I think he empowered people more than even people give him credit for, because he thought about the issue of succession. Over the course of the time I was there, they had different kinds of ownership. It was frustrating for a lot of people. It was one of the few construction companies that gave an ownership interest, even though it was kind of token and it benefited a few a whole lot, and a lot of people didn't get a whole lot out of it, but—

Adamson: This is post-reorganization in '86 or—

Perniconi: Yes, that came with the reorganization, but I think it was something that was not common in the industry. When I look back at the benefits that company had, it was a very, very good, good place to work. I'm thinking of travel. I can't answer it from the rank and file of that company. I wasn't a project engineer. I wasn't one of the guys that was out in the trailer freezing his butt off in Lake Tahoe or whatever place they're working. But it was a great place to work. It was just great people. You always felt like you were working with your friends. You always felt you were working with people you had a lot in common with.

I think that succession thing was brilliant, because I just know of a lot of other companies that just fell on their sword or ended up selling to some multinational conglomerate and then got swallowed up and spit out the back end. The fact they're still around, I mean that's a long life for a construction company that's not publicly traded. I mean it's not a Turner or—that's a long, long life for a construction company.

I think Charlie's time was up, the way he thought, the way he did business. I think the industry changed and he wasn't willing to do so towards the end. Rik [Kunnath] can speak to that better than I can, but I can see things that were happening and I'm kind of close to Rik. We've known each other for a long time. We get together for dinner every couple months. Charlie was very against anything in the public sector, anything that was outside of his comfort zone and was very grudgingly—didn't want any tenant improvements. He didn't want to do hospital work. I don't know what changed his mind. Some of this happened before he passed away, but I think the world—the U.S. in the sixties, seventies, and eighties is a lot different than it was in the nineties and now, and I'm not sure he ever saw the future any different than he saw the past. What he saw was very good, and what he did in the time period he was in I thought was very good, but I'm not sure he'd have been the guy to be the CEO for the last ten years or however—since he's gone.

Adamson: From your perspective, while you were there for five of the last ten years or three of the last, what was, from your perspective, his involvement in the company? In his last ten years, was he basically looking on as maybe a member of the board of directors, you might say?

Perniconi: I still think he was the final decision of everything. I think Rik [Kunnath] went through some really, really tough times the last couple years. I do. I mean he just did. He was frustrating. I wasn't around Charlie that much. I can't tell you how he was acting the last couple years, but I saw him physically deteriorate, because when you see the guy every year, you can kind of see what was happening to him physically.

And I know Rik was having a tough time, because Rik was trying to take the company a different direction, things he did with Dick Walterhouse. I think that was brilliant. They always needed to be doing that. They kind of had such a narrow little focus of potential customers under Charlie's kind of paradigm that it was going to be awful tough to continue in the future and still be successful. And I think Rik broadened out different things they can do, and especially when you get into an economy like we're in now where, like, the whole private sector development side is gone for a while. Being able to have a whole lot of irons in the fire in different places with a good reputation in all those places is going to pay off.

I'm amazed they're still independent, they haven't sold off to somebody. I'm amazed the Pankow family's not involved in the company anymore, to be honest with you. But I think that Charlie's time was Charlie's time. It's like the Beatles. The Beatles, even though they're still popular, they were in the right place at the right time. Charlie, I think, was in the right place at the right time. He was in California in the sixties, seventies, and eighties, and he did it well in his period, in his time.

Adamson: I think that's well put.

Perniconi: Post-war, he was a veteran. He was the Depression generation. He realized hard work—I think his background, where he came from were all important, and California was one hell of an exciting place before it became Third World. Someone called it the France of North America or something. Anyway, but that stuff that was going on. Even before me, I think he was involved in Dodger Stadium and some of the stuff he did even in his Kiewit days. Have you—anybody's—

Adamson: I've heard Dorothy Chandler Pavilion.

Perniconi: I think Dodger Stadium. He was involved in something on the San Mateo Bridge.

Adamson: I heard that. I haven't heard anything on Dodger Stadium, so that's a new one.

Perniconi: I thought he had something to do with Dodger Stadium.

Adamson: I'll have to go back and ask someone. No one has mentioned—

Perniconi: One of the other things that someone like [Tom] Verti could probably give you, his relationship with Winmar, when they did shopping centers all over the country, [unclear] customer. That is so foreign right now. I work for a big shopping center developer. No one would do that now in a million years.

Adamson: Follow someone across the country?

Perniconi: Yes, just to get a close relationship with a vendor. It just doesn't happen anymore. For better or worse, it doesn't happen anymore, and I think part of the reason it happened then is it just the strength of personality. I saw those guys a couple times at our annual meetings, like the head of Winmar would be there and Charlie, and they were just friends. I don't know how to put it. They were just friends. They were like they enjoyed each other's company.

There are stories that Russ Osterman told about how this group of guys, there was an electrician, there was an HVAC guy, there was architects, and they'd go meet in Chicago, because they're doing something, and some of the stories they told. But these guys liked each other and they liked hanging out with each other and they enjoyed each other's company. That's just not the way business is done anymore, and that's the unique stuff, I think, to Charlie and his own personality and the strength of his personality.

Some of the enjoyable stuff I can remember is just a dinner in Presidio Heights or somewhere else we were, and we were in Washington, D.C., for something or New York for something. Those are the things I remember the most, just kind of nice people hanging out, having a nice conversation. I remember a couple times that we had a group of potential investors and we had dinner up at his house in San Francisco. A great party. I remember when we finally brought in a new investor to 2101 Webster, I said, "Charlie, let's have a little get-together for—." I think it was about twenty-five people or so. We all met up at his house. We had a great time. We were all sitting around in this big room. He asked me to introduce everybody since I'm the only guy that knew everybody. But everybody just had a good time. Everybody enjoyed being there. It wasn't stuffy. It wasn't an awkward business situation. It was working as friends. That's the legacy I remember.

Adamson: That's great. Well, now that you brought up Winmar, I have one add-on question. The one person I was asking about when that relationship basically ended, and they said the mid-eighties, so if you were there in '85, was that relationship with Winmar still going?

Perniconi: I think it ended in probably the late eighties. Well, I think Winmar sold off to SAFECO. Then it became a corporate stuff where this kind of relationship doesn't work anymore or is unacceptable, whereas Winmar was a developer. The guy who was the head of it, Frank Orrico, it was his company. He owned the stock. It was his company.

Adamson: Was he still alive when you were starting?

Perniconi: Yeah. I remember he spoke at at least one of our annual meetings and I remember meeting him a couple times. Yes, and that's the difference. It was individuals meeting with individuals, not a corporation meeting with people.

Adamson: So there were no Winmar projects after you got there?

Perniconi: Yes, there were a few after I—it ended more towards the late eighties. They had done a few more things when I was still there.

Adamson: All shopping malls?

Perniconi: Yes. But they did a series of projects for another shopping center developer, CPM [CPI], that eventually sold to Simon, and that terminated the relationship with Pankow.[1] But these guys, with CPM [CPI] they had a similar relationship. They worked all over the place with them. They went to Long Island. They did a couple big projects on the West Coast and a couple big projects on the East Coast. When that sold off to a big ugly REIT, there went the relationships.

Adamson: These were the projects where they were remodeling the malls to—

Perniconi: We were doing major additions to them.

Adamson: And now they're going in another direction with shopping malls, making them outdoor, back to the outdoor. Someone mentioned they wouldn't be surprised if they took the roof off now of one of the shopping malls that they—

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[1] New York-based Corporate Property Investors replaced Winmar, the real estate arm of SAFECO Insurance, as Pankow's most important client. In 1998, CPI was acquired by the Simon Property Group for $5.87 billion.

Perniconi: I was involved in this project in Roseville, which is a major shopping center. I was involved in a major addition. This is the last classical, anchored, covered mall built in California and this was built in 2000. And there's maybe one a year being built and very few of them are going to be covered. Well, shopping malls are dead. First of all, there's only a couple department stores left, none of which are solid. One of the reasons you see, quote, lifestyle centers, is no one can afford to do the anchor-tenant deals, the Macy's deals or the Sears deals, so it's kind of an experiment. It might work, it might not work, but we can't do anything else, so we'll do a lifestyle center. Maybe it will work. The problem is—I don't know if you want to hear about this. I'm just telling you what I know about shopping malls.

Adamson: That's good context.

Perniconi: If you take a Macy's, like the Macy's here in Galleria, that thing generates $60 million a year of foot traffic. If you don't have a Macy's, you don't have that $60 million of foot traffic. That's what a lifestyle center is. Some of them are anchored by Whole Foods or some of them are anchored by a theater, but it's not quite the same. So I don't know. No one knows where retail is going. Well, they know where it's going. They don't want to accept it. It's going to Wal-Mart boxes and Target boxes. To do a Macy's or a Sears—well, Sears is a dead animal, too. I'd be surprised if Sears makes it through this business cycle. But to do a Macy's in a new mall, you basically have to give them the land, build their parking lot. They'll probably build their own building, but you've got to give them the land, give them a parking lot, maybe subsidize the building, and they'll open up and they'll drive you out of your mind for the term of your shopping center.

Adamson: So if you go back to the fifteen years ago or twenty years ago when Pankow was putting these second-floor additions or covering Tyler Mall and Roosevelt Field, what was the concept behind that? What was that going to create?

Perniconi: Well, if you take an "A" location—when I worked for Westfield—have you been in San Francisco Center?

Adamson: Yes.

Perniconi: If you take an "A" location, you can afford to do that kind of construction. Roosevelt Field is one of those "A" locations. It's an "A-plus" location. Just let me give you the formula. With today's dollars, you're building stuff that probably cost $600 a square foot and you're getting $75 a square foot in rent, so do the math on a return. The problem is if you go to Fresno and your new mall costs $400 dollars a square foot and your tenants are paying you $25, do the math.

Adamson: It doesn't work everywhere.

Perniconi: Exactly. So "A" locations are always going to do okay, but there's no "A" locations left. There's no new "A" locations out there.

Adamson: I haven't paid attention, but are they tearing down the old malls and putting some of these lifestyle centers in their place?

Perniconi: Yeah, I think that's where you're going to see—at least half the existing shopping malls are huge redevelopment opportunities in the future. They're on the transportation grid. They're big sites. They're under-density. So that's where you're going to see the big redevelopments in the future.

When I was with Westfield, we owned La Jolla Village. I saw the redevelopment plan. It's basically scraping everything that's there, putting condo towers on this end and office buildings on that end and retail on this end. It's quadrupling the density on the site. That's what makes them work.

Adamson: That brings up another Pankow question. In Hawaii there's a lot of condos. On the mainland, there's shopping centers, office buildings, all sorts of buildings. From what I've gathered interviewing the other people so far is there's never a particular building type, at least on the mainland, that Pankow wouldn't do. Basically, anyone that would present a profitable opportunity in commercial real estate, Pankow would do that. So the mix of buildings, portfolio, looking back, it just was by happenstance, not by design. Is that a fair reading?

Perniconi: Well, if you go to Honolulu and you want to be a high-rise builder, there aren't very many office buildings, and Pankow did some shopping malls over there, but it's an urban city. Predominant housing are vertical high-rises.

Adamson: So that's about what you're left with.

Perniconi: And Hawaii has been a weird—

Adamson: Hospitality.

Perniconi: Yeah, hotels. Right. Hawaii, for Pankow, has been a weird office, because—again Rik can attest to this—they made tons of money when the market's booming and they lost tons of money when it wasn't booming, and they really only had one trick, condominiums. And then when they became a significant developer, they had a hard time attracting third-party developers. So it's been a weird kind of mix for them.

On the mainland, there's just more of a choice. If you're working in California, there's all kinds of building types going up. They're a different kind of construction company also. You probably heard this a million times. They actually built stuff versus being a GC and hiring other people to build stuff.

Adamson: Right. Self-perform, I guess, is the word.

Perniconi: Right.

Adamson: So other than residential, Rik basically said Charlie wasn't interested in public buildings, but most any other building they were game for?

Perniconi: Charlie never was interested in industrial buildings, not that they're doing that either, but he never wanted to do tenant improvements. He never wanted to do small retail buildings, whether it's a box or—they never did hospitals. This is all stuff they've done in the last seven or eight years. What other product types are they doing? Churches.

Adamson: They didn't do factories.

Perniconi: Yes, they didn't do industrial stuff when I—

Adamson: Is there any anecdote or story that sort of sheds light on the kind of person Charlie was that you haven't told so far, to wrap up?

Perniconi: I think the parallel stories are Charlie the person and Pankow the company. They're not always the same. My best memory was Charlie the person. To me, he's kind of a little bit the whole Greatest Generation, the whole Depression-era generation kind of person. I think he epitomizes the story and he did it well. He did the right things at the right time, the right kind of person and the right environment. Why is the guy from South Bend's company still around forty years later in California, when a ton of people started by California people are long gone? From C. L. Peck's [C. L. Peck Contractor, founded in 1915, merged with Jones Brothers Construction Corp. to form Peck/Jones Construction Corp. in 1987, and forced in Chapter 7 bankruptcy in 2004]—there's a million names you can list of all California companies that have gone by the wayside in that period of time, or [were] bought up or are gone. The story, there's something about the background, where he's from, what he's been through in his life and what kind of person he is.

Adamson: Fair enough. I think we can leave it on that note. I thank you for your time.

[End of interview]