Oral History Interview

with

JON EICHOLTZ

July 30, 2009
Sherman Oaks, Cal.

By Michael R. Adamson

Adamson: All right, we'll start. So again, tell me about your background and how you came to work with Pankow.

Eicholtz: My background: I am a graduate of the University of Kansas in architectural engineering. Like most employees of the Pankow Group, had an engineering background and construction background before I came to Pankow. Immediately prior to my joining Pankow, I was in Hawaii and had been in Hawaii for close to ten years. I originally went to Hawaii as a project manager on a large project, a hotel building called the Sheraton Waikiki. It was actually the largest convention hotel in the world at the time we built it, and I was the project manager. It was a self-contained project. Completed that project. Fortunately, it was very successful, completed on time and under budget. You can't say that about every project you're associated with, but it was a very rewarding experience.

Met a lot of people when I was in Hawaii. It was during that time, actually, that I met Charlie and George. Hawaii is a fairly small community, and even though we didn't compete per se, because I was a project manager on a large project at the time—that was under a company called Swinerton Walberg. They were San Francisco-based, a fairly large company. I reported then to Bill Swinerton and developed a relationship with him that lasted for many, many years after I left, a very decent man. Completed that project.

I was transferred by Swinerton back to the L.A. area as an operations manager of their L.A. office. Shortly after I came back to L.A., I was contacted by a man named Bill Pruyn. He was then president of Pacific Construction Company in Hawaii. I don't recall whether I had actually met him while in Hawaii, but he obviously knew who I was and what I had done in Hawaii. He had previously, or right prior to that contact, had lost his executive vice president. I think he retired or left the company, or whatever reason, the executive vice president of his company left, and he offered me that position and I did accept it and went back to Hawaii. I was probably in L.A. less than six months, four or five months, took that position and went back to Hawaii.

There were some reasons associated with the Swinerton organization, around it, not with Bill Swinerton. I actually called Bill Swinerton, who flew from San Francisco to L.A. and met with me for a half a day, trying to encourage me to stay, but there was a situation in the company with an officer of the company that I felt was incompetent and I had a lot of difficulties with, and I was reporting to him. I wasn't going to confront Bill Swinerton—I respected him too much—to confront him with that and say, "Do something about it." I just told him I had made a decision to leave, but I did have the opportunity, which was, I thought a good opportunity, but I left Swinerton with a good relationship with Bill Swinerton, who, about a year later, fired this guy that I was referring to. He turned out to be my, if you will, allegations—and they were more than allegations. I knew the guy didn't have the credentials—I felt he didn't have the credentials that he represented that he did. But that was sort of the background of how I got back to Hawaii.

I went to Hawaii, built a project, relocated [to Los Angeles] for a few months, then went back to Hawaii as executive vice president of Pacific Construction Company. It was a subsidiary of a publicly held company called the Hawaii Corporation, which was involved in real estate and car dealerships and a lot of things, including a thrift called THC Financial. Pacific Construction Company was a wholly owned subsidiary. Bill Pruyn [retired]. I became president of Pacific in 1972 and CEO and later chairman.

The Hawaii Corporation, in approximately early ’78 or late ’77, went into bankruptcy. The bankruptcy court spun the stock of Pacific Construction Company out of bankruptcy to be held by the Bank of Hawaii until it could be sold, recognizing that the value of that company was as an operating company, certainly not in fixed assets. I continued to run that company. I then became chairman as well as president, and agreed to stay until we could get it sold, and for a period of six months thereafter, if in the event a buyer wanted me to stay so there would be a continuity, which is exactly what did happen.

We sold the company to a group that was owned by Clint Murchison, who was in Dallas and had been owner of the Dallas Cowboys at the time, long since passed away. Sort of an interesting situation, but I didn’t stay with it, because I left. I became a little burned out with that whole situation, trying to operate an operating company with a lot of employees under conditions of a [parent in] bankruptcy, and I just really was worn out with it, frankly.

At any rate, I then elected to leave, and about the same time [was contacted by] George Hutton, who I knew better than I knew Charlie Pankow because of the proximity. George was out in Hawaii and I was involved in AGC [Associated General Contractors of America], which is AGC local chapter. I became president of that while I was with Pacific, became president of a legislative group for a construction industry legislative organization (CILO), so I was fairly high profile in the industry in Hawaii. Pacific was, if not the largest, between Pacific and Dillingham, we were the largest builders in the Pacific Basin, not just Hawaii. I had operations in Guam and elsewhere throughout the Pacific.

I became friends with George during that time, just as an industry type of thing, and it became a social friendship. I had met Charlie, but wasn't socially involved with Charlie, but did meet him, of course. And when I decided to leave, through a presumed word of mouth—Hawaii is a fairly small community—everybody knew it, including George. He contacted me, and Charlie came out and they offered me a position in the company, to come with the company [that is, Pankow]. That was sort of the conditions of my background and how I got with the company.

When I went with the company, it was not to play a construction role. And when I agreed to join the company, there was no discussion of my moving back to the mainland. I just joined the company and for a time, a few months, officed with George. I looked for and tried to create some opportunities, both development and construction opportunities. When I was president of Pacific Construction Company, the Hawaii Corporation, the parent company, had a development arm, and I worked closely with them as we did construction for the development arm in some office buildings and some condominiums.

I became indoctrinated and educated in the development side of the business because of that or through that.

When I joined Pankow, George and Charlie had already been doing quite a bit of development, condos, condominium projects, where they would build and sell the condominiums through associations with brokerage people and so forth. It wasn't necessarily by agreement, it was just the logical direction for me to go, I did not want to [become] an operating officer of the construction company. I wasn't prepared for that, considering the previous couple years [and the] nightmare of the bankruptcy with the previous company. With George focused on development opportunities, I can't recall if I was responsible for creating any of them. I think I was, but I can't identify which ones.

There was a lot of things going on at the time. I had contacts George didn't, so between us, we cut a pretty broad swath of relationships with lenders, with landowners. In Hawaii there's a lot of landowners, like Maui Land and Pineapple in Maui, where I became very close to them when I was building when I was with Pacific. When I joined Pankow, that opened a door for Pankow that hadn't been opened before, so we did a couple things there.

But it wasn't long after I joined Pankow that it became apparent to me, and I presume to Charlie, that we didn't really ever talk about it, but there wasn't a lot of necessity for me to be there paralleling George. George was well entrenched in Hawaii and very successful and very capable. George's background is primarily construction, as mine was, but his focus in Hawaii was more on development. They had the construction company and they built everything they developed, but it was a means to an end for the company. [In] all of the development deals that George put together, the partners, as far as I know, [were] only George and Charlie. I don't think Russ [Osterman] or anybody [else] were in any of those partnerships, and they were typically limited partnerships. [It was] before the LLCs became a popular entity for formation of ownership [and] at that time it was primarily limited partnerships.

At that point, or within a few months after joining Pankow in Hawaii, Charlie asked me to relocate to the Altadena office and focus on development opportunities. They hadn't done any in southern California that I recall. Charlie and Russ had created development opportunities in northern California. We talked yesterday [at Russ Osterman's house] about San Jose Plaza, the AT&T project, the Pacific Telephone Building. Those were development-oriented projects that obviously created a construction opportunity for the construction company, but there was none in southern California.

When I first came to southern California, not having lived here for any length of time other than a few months before I joined Pacific and went back to Hawaii, I didn't really have a lot of contacts and wasn't acquainted with it. I recall driving around this massive city with a map, trying to find out where the freeways were going. I originally concentrated on some Section 8 [Housing Choice Voucher Program authorized originally under section 8 of the 1937 U.S. Housing Act] and federally assisted financed projects that would create construction opportunities. None of them ever came to fruition, but I spent quite a bit of time on it. It's something Charlie was interested in and there were opportunities there. They were just very difficult to create, primarily because of the bureaucracy of dealing with any federal agency. You dealt with HUD [U.S. Department of Housing and Urban Development] and you dealt with the Section 8 people, and it was just a nightmare.

Within the first year of my being here, I did identify what I felt was opportunity for development and what was then referred to, maybe still is, as the Wilshire Corridor, a strip of primarily residential and some commercial, but primarily [luxury] residential high-rise condominiums on Wilshire Boulevard in the Westwood area near UCLA, and I, through a real estate broker, found [the] opportunity to make an offer on some land. It was an assemblage. I put four lots together that equaled a total of something right at an acre, forty-some-thousand square feet, which was [a] sufficient footprint to put about a twenty-story building on and then subterranean parking. A little complicated to put it together.

Charlie—the company—I shouldn't say Charlie—put up the money to bank the land. We purchased the land. I then hired architects and engineers and it took several months to get the entitlements, and I put together a development package proposal for raising money. We were prepared to put some money in it through Charlie and the company, but not a lot compared to what it was going to take. I networked primarily through an organization called ULI, the Urban Land Institute, which I was a member of, and we had a couple meetings a year, which at that time membership included almost every major developer and lender in the United States. There are some very heavy hitters and pretty high-profile people, and it was a great place to network.

I recall going to a meeting in Dallas. I had put together a fairly substantial book on the project and the project statistics, and we had fairly substantial preliminary drawings, and I certainly had proformas and all the projections of development. I was able to attract, through Citibank, a Greek investor, to put up the equity for that project. As I recall, they put up 100 percent of the equity. We, Pankow, got reimbursed for the land that we had bought and put into the deal. Part of the agreement was that Charles Pankow, Inc., or the construction entity, whatever the name of it was at the time, would do the construction, and we did and built the building. It was a great building [10560 Wilshire]. By the time it was finished, the condominium market had gone south. It was not a good market and we made a deal with our partner to buy us out. I actually got some money out of it for Pankow [or] for Charlie. I was not a partner in that project; [I was] supposed to be, but I wasn't. The construction company got paid and they did well on the project. The construction went fine. But that was how I got the first deal, if you will, the first project that I finally got involved with here on the West Coast. It took a few months being here before I got that off the ground.

After that, I got involved [with] a contact that Charlie had in San Francisco called Crowley Maritime. They contacted him about being interested in doing something with some land that they owned in Long Beach, where they had a ferry operation from Long Beach to Catalina Island with a lot of boats and a terminal. Charlie gave me a name and a number and said, "See if there's anything to be done with these people."

After some time, I put together a project with them as a partner with them, with the Pankow Companies, to build a four-building office complex, a new terminal for their ferry operation, about a 1,200-car parking structure to service both the office complex and the ferry operation. A very successful project, a very interesting project, a nice-looking project [Catalina Landing].

At the same time, I worked, through a contact with Charlie, with Crocker National Bank, which existed at that time. That was one of the banks that had a relationship with Pankow. [Pankow built] an office building on Ocean Boulevard in Long Beach [for them].

I'm trying to think if there's other development projects I got involved with in southern California. I was with Pankow just seven years. At the end of that period, I did get a little bit involved in 2101 Webster [in Oakland]. A man named Mike Townsend up in San Francisco had created that opportunity and Charlie got me involved. Mike wasn't as much of a technician as—he didn't have a construction background and, from Charlie's point of view, he didn't have all the background necessary to bring that project to fruition and get it off the ground. At any rate, we collectively got it off the ground. It got built.

I was never a partner in any of the projects that I was associated with. That was a promise when I joined Charlie, but it didn't come to fruition. I'm sure if I had elected to stay with the company for a long period of time, much longer than I did, that would have happened. It certainly did with Russ and with George, although they were in different positions at a different time in the company's formation. It's hard to say. I don't know if much of any of that happened after I left. I don't know if they did any development after I left and after Russ left. Russ actually left a year or two after I did. He resigned [and] retired.

Adamson: It's my understanding that 2101 Webster was the last development project in terms of completion.

Eicholtz: Well, yes, it may have been. I can't recall. I'll say this. In that same period, Russ put together—I was not involved—a project for Kaiser in Pasadena, which was a facility—I don't think it was a medical facility. I think it was office facilities for the Kaiser organization, right off of the 134 Freeway in Pasadena, and they built that, and that was about that same time [Walnut Center]. I don't think it was finished when I left the company.

2101 [Webster], I think was finished about the time or within a year after I left the company and I don't think there was any development after that. I'm not sure. Somebody suggested it was probably the market. I don't think that's true. I think it was because there was nobody around with the talent and the background to create development opportunities. George was in Hawaii and they continued to do things in Hawaii for a few years after that until George left, but not on the mainland.

Russ resigned, retired, and he had been the lead in the development opportunities on the mainland before I came on board. Russ and I became very good friends. We certainly weren't competitors. I didn't report to Russ. Everybody reported to Charlie, but he [Russ] officed next to me and we consulted. We talked a lot. He encouraged me and helped me by introductions when I needed them, and he helped me come to understand the company and Charlie a little better. A very wonderful man, Russ, and he did a lot for Charlie. I'm not sure Charlie ever appreciated it, but he did more for the organization than anybody else, as far as I'm concerned. I'm not talking about when I was there. When you join an organization, you fairly quickly find out a lot of history just by associating with and communicating with the people that are there. But that's an overview of my background with the company.

Let me look at my résumé. I left in '85 and I've done different things since then. I sort of concurrently became a regional partner with a development group called Oxford Development Company. They were a big group out of Bethesda, out of the Baltimore-Bethesda area. They had seven regional partners. I became [the] one for southern California [and] developed and built a lot—it was all [multi-family] apartment housing. We had a construction arm, but it was not a full-blown construction operation like the Pankow organization. It was basically a construction manager on the construction side, subcontracted all the work, but we built the apartments and I did a couple thousand, three thousand units of apartments for them in southern California in the period. I was associated with them.

They went out of business. When they did, I reached agreement with them to take over their southern California operation with a company I had formed when I left Pankow called Devcal, D-e-v-c-a-l, Devcal Industries. I took over Oxford Development's southern California operation with the existing company I had kept in business, as a corporation at least, in southern California. I had a development and a construction and a property management piece within that organization, and I continued to [pursue] the opportunities that I had created for Oxford, [which] were transferred to my company. I assumed the overhead of their operation in southern California and hired all the people that were Oxford employees and continued that operation for those projects. I completed the projects that Oxford was involved in and built probably four or five more fairly large apartment projects. They were all between two- and four-hundred-unit projects each.

The market got very, very soft for apartments during that period. I'm trying to think what period that was. That was probably the early nineties, one of the economic downturns from a construction side. I'm not talking about the countrywide or national economic crisis we're in now, but construction has always enjoyed its own cycles of peaks and valleys.

Adamson: They had the S & L crisis. Did it affect them financially?

Eicholtz: Yes, that's true. At any rate, it wasn't feasible to develop apartments starting at a period in the early nineties, and I got away from that. Since that time, I've been doing a couple other things.

[Begin File 2]

Eicholtz: Since that time, going back, I can't even tell you exactly when, right after Russ left the Pankow Companies, which was, what, in '88 or something like that, I believe. Should be there somewhere.

Adamson: Eighty-nine.

Eicholtz: Right after Russ left, we continued to see each other once or twice a week for lunch and talk, and he was always interested in what I was doing and I was always interested in hearing what was happening with Pankow. Well, when he left, immediately after he left, we got involved in a project out east of L.A., a fairly large 300-unit apartment project. I had a relationship with Chase Manhattan Bank and they were going to foreclose on a property and brought us in. We took over the ownership of that property with their assistance.

We [also] got involved in an opportunity in Anaheim. Together, the two of us acquired a fairly large piece of land which had a small apartment component on it, and we sold that and we eventually sold [balance of] the land back to the city. That was quite successful, but very tedious. The land was tainted with environmental issues, and it was a lot of tedious meetings and problems with the Air Quality Control Board and the Water Quality Control Board and the city. It had at one time been a landfill, which, interestingly enough, was run by the County of Orange—it was in Orange County—and operated by the City of Anaheim. It created some environmental issues that, at the time they closed the landfill, didn't register on the scale of being contaminants or environmentally threatening, but as time went by, in the infinite wisdom of our agencies, they raised the bar for that type of thing, so it did become a problem. We were never going to get development rights for it because [of] the city—at any rate, we sort of "coerced" the city into buying it back from us for a lot more than we paid for it, so it worked out to be a good deal for us.

Subsequent to that, Russ and I got involved in investing with one and sometimes two other people and ourselves in [existing] apartment projects. We were basically focused on trying to find, for lack of a better term, a C property that we could turn into a B or a B+ by infusing some equity [into] renovations, finding properties that were lacking good management and/or funds for renovation and [we] had a philosophy that we didn't want to overleverage the financing, and we agreed that we would put the equity into the property up front [for initiating] any renovation that we felt was necessary to achieve our goals. So we weren't waiting for cash flow to do it, and this philosophy worked very well for us and our timing was very fortunate.

We got into that probably twelve [to fifteen] years ago, whenever it was, probably '91, '92, '93 when we started that. We originally started it when we bought a portfolio of properties up in Monterey County, including about sixteen apartment projects and a couple commercial properties, and we found an equity partner, one of the investment firms in New York. We put up quite a bit of equity, relatively speaking for us, and they put up quite a bit more, and we had what you would call a promote, where if they achieved a certain rate of return and higher, our position of ownership would increase. The timing was excellent for that, because our position of ownership quadrupled by the time we got out of it and it made Russ a lot of money. It made me some money, but Russ put more in. Russ had more to put into it than I did.

In that case [and in] Russ and my relationship, I have always been and continue to be his eyes and ears and look after his interests and take that responsibility very seriously. Jorge [Fernandez] may tell you or not. I don't know. Jorge now is the trustee of Russ's estate, but he sees the results of these investments. And we continued to make some, even in Russ's condition now, for the family estate purposes because some of the opportunities are quite substantial now if you know how to select them and if you are selective and minimize your risk, and there's means to do that, even in today's market.

So, a lot of overview and I haven't really got to many of your questions, but maybe I should be quiet and let you ask some questions.

Adamson: Possibly just a couple of things looking backwards, because I want to get to George in Hawaii. One of the factors I was told about Charlie not doing development in the nineties was coming out of the S&L crisis, developers or investors had to put up more of their own equity, and that Charlie wasn't interested in that and that he didn't want to put his money at risk as much.

Eicholtz: Obviously, I'm not sure who told you that or what knowledge they may have had. There weren't very many people that were close enough to Charlie to know what his philosophy was—I'm serious—about that. I don't really believe that that's necessarily true. I think [other] things caused him [to stop developing]—because Charlie didn't hesitate [to invest], particularly with the company's money. He would eventually repay it, but there was a lot of comingling of money back in those days. I'm not sure how the accountants dealt with that or how Charlie dealt with it. You borrow money and pay it back on the first of the year or pay it back on the thirty-first.

But setting that aside, having money to develop opportunities was never a big issue. Charlie was always hesitant [cautious]. If we could find outsiders to put in money and take the risk, we always did, and we did that in those deals that I got in. When I mentioned the 10560 Wilshire, we originally had the money and that to put it together, but we found a partner. I think we ended up with 10 or 15 percent of it is all—we, [the] Pankow Group—but they had 100 percent of all the equity in it and we had our cash out when we started construction. Now, obviously Charlie fronted probably two, three, four million dollars into that before we got that started to get the land assembled, but land isn't necessarily, if you have entitlements, isn't necessarily as risky. Because [of] the timeframe, if you want to sell it, you can sell it pretty quickly. If you start development and start construction, you may be three years before you know whether you can get your money out of it. But there is a means to identify your risk and there's an exit strategy that can be developed to keep your risk controllable, and we typically did that and Charlie typically did that.

When he was developing in Hawaii, they'd typically get 100 percent financing. In the interim, before they got the financing, they would have two, three, four million dollars into deals. So he was using money, his money or company's money, wherever it was coming from, to get into deals and never hesitated to do that.

I think what changed, it wasn't that the S&L market changed it because of equity requirements so much as I think the market changed, number one, and it does that. There's times to develop and times not to develop, and [as an example] now is not a great time to develop, although when they argue that we're a year or two years away, if you started to develop now, you might hit the cycle right. It would be a little risky. This is a different economic climate than I've experienced and I've been through many cycles. [It's] very hard to predict when and how we're going to come out of this economic slump that we're in for me, and I don't think I'm alone.

But I don't think that that [your original premise about Charlie not being interested in putting up equity] was necessarily true. I think that two things happened. One, as we all get older, we tend to take less risk. As a person accumulates wealth, as Charlie accumulated his wealth, the more wealthy he became, the more risk aversion he developed. And one may say, why, because he had the money, [not] take the risk the more wealthy he became, but it's not unique or unusual for any individual, and that also ties into age. As a person gets older, [he] tends to think about security and family and heirs and his trust and his estate, and these things play a bigger role. When you're younger, you think you're bulletproof and take a lot more risk, and you have time to maybe fix that bridge later if the bridge falls down, because you're still young.

But things do change. I think that the markets changed at about that time that the S&L crisis was happening. Obviously, it did. It was not a great time to develop, but there were times afterwards that there was. Two things: I think Charlie's age and his accumulation of wealth made him a lot less likely to take the risks that he did when he was younger, and he had lost his people that created the development opportunities. There weren't many.

I was a small part of that for a short time. I did create development opportunities. George created a lot of development opportunities in Hawaii and made Charlie a lot of money out there, and Russ did here. Charlie would introduce you to an opportunity. He would never create it. He didn't do the negotiation. He would send you out to come back with the best deal you could and then he would let you know whether he felt that was acceptable or not, irrespective of what guidelines he gave you to cut the deal. We talked about his philosophy, and it worked. I can't second-guess his philosophy. It's different than mine and different than somebody else's, but it worked for him, and the company was successful and continues to be successful after his death.

Adamson: Talk about not just Charlie running the company, but Pankow as a construction company compared to your other experiences. Did it strike you as a much differently organized company or would you say that a lot of construction companies are run like that, or how was it different?

Eicholtz: It was different. I'll try to describe it if I can. It was different because Charlie tended to control the whole company. Everybody tended to report to Charlie and he was very hands-on in that manner. He didn't do the estimating. He didn't necessarily approve the estimating. He was just always sort of overseeing and questioning what people were doing, and his presence was felt whether he was physically there or not.

Before I went to Hawaii, I had been chief estimator of George A. Fuller Company, first in Dallas and then in New York City, and we were the second largest contractor in the world at the time, third largest, I think, maybe behind Turner. I had a big estimating group, but it was a highly structured company. I was chief estimator. I had twenty, thirty estimators in Dallas. I ended up with twelve or fifteen in New York. They reported to me. I reported to an executive vice president. There was a board of directors. It was very highly structured and everybody had a specific role, and there were policies and procedures.

Pankow didn't operate like that. Charlie didn't operate like that. Charlie sort of floated around. Sometimes you knew where he was. Sometimes you didn't know where he was. His presence was always felt. He only had to say so and you knew that, and nothing got done that he didn't approve. It doesn't mean that he looked at it carefully or understood it, but he always had the option of approving. Sometimes approval would depend on whether he liked the person or not. I mean, it was never necessarily a criteria that drove decisions in that company or a policy. So it was different.

As a contractor, they were a good contractor. They were good because [of] the work they did with their own forces, [which] they knew very, very well, which was concrete work, slipform work, precast work. They went out and found the best people in those industries to supervise and be the leaders of those groups. Charlie was good at recruiting the best people, and when he went after somebody, more or less, price was no object. If he wanted somebody in his organization, he would figure out a way to get him.

Generally speaking, people at Pankow got paid very well, as good or better than market, and there was typically good bonuses. The company always seemed to do well enough to give out good bonuses. They were discretionary. There was no criteria for bonuses. You could get 10 percent of your annual salary, you could get 100 percent of your annual salary. It would sort of depend upon how Charlie felt when he made that list each year, so everybody started to get really nice about September, October, November, before the end of the year. I just say that tongue-in-cheek.

You're talking to a lot of different people and I'm being as candid as I can to give you a flavor of how the company operated. It was a different kind of company than I had ever been associated with. I was with a very large company, George A. Fuller Company, at one point. Swinerton Walberg was an excellent company out of San Francisco. I was with them a short time, but an interesting time. Building the Sheraton Waikiki was a wonderful experience for me. It was a two-, two-and-a-half-year experience of being in charge of one of the most significant projects in the United States at the time.

Fortunately, I joined them after they had broken ground and started the foundation and got three or four months behind schedule and had some problems. I was very lucky to get them resolved. Bill Swinerton allowed me to surround myself with excellent people at the project level. It was a self-contained project. I had my own accounting department [and we] did our own payroll. We did everything and had a wonderful superintendent. He later joined me at Pacific and became my head superintendent over all the superintendents. His name was Bob Hordyk. Bob Hordyk had been with Swinerton Walberg for years, H-o-r-d-y-k. He died some years ago. Bob was just an excellent superintendent.

I'm now back to the Sheraton Waikiki and we finished that project. It was built for the Sheraton organization. It's back when they owned hotels. We built it ahead of schedule and under budget, and anytime you do that with a project, it's just a wonderful experience. Being at a project level, like a project manager I was, can be the most rewarding experience in the world or the worst experience, nightmare of your lifetime. Somebody in construction will tell you this, projects either go very, very well or very, very bad. Typically there's no in-between. And when they go well, they can just be wonderful. When they go bad, they can be the most disastrous experience that you've ever experienced.

Pankow had a good construction operation. There was nothing unique about that. The management was unique and it wasn't like any company I had been with.

Adamson: At the project level? Management, are you talking about the—

Eicholtz: Just the way the company was organized, the construction company. A lot of talent, no question about that. Charlie ran the company different. The company was managed different than any company I had been with before. Again, in a company that's very successful, you say, so what's wrong with that? Nothing. I think the company is successful because Charlie's ego required him to go after and get, at any cost, the best people that were available for positions, and a lot of time paid a lot for people, paid more than they were worth, maybe. But it paid off for him. So to me, that was the secret of his success, not his management style.

Adamson: Talk about George in Hawaii. Dean Stephan mentioned that, or he thought that Pankow in Hawaii was George, not Charlie, that people in Hawaii identified Pankow with being George Hutton.

Eicholtz: I definitely agree with that.

Adamson: And that from the mainland, at least Dean Stephan put it, if George took all his people and formed his own company, it wouldn't have surprised anybody. I don't know if George ever seriously thought along those lines, but—

Eicholtz: I don't disagree with that. I don't think there was ever consideration of that. George's background was basically a superintendent. He wasn't like a management personnel like Russ and Charlie. I don't know if he ever grew out of that role, and I say that respectfully because he always had his feet on the ground and knew what was going on on the construction side. He became a developer because that's how he created the construction opportunities out there. It just happened, but it was pretty easy to do. Actually, it wasn't easy to do at all or everybody would have done it, but it wasn't a huge investment on Charlie's part to do what George was doing out there. You could get land control very inexpensively out there if you knew your way around. You could get your development rights. You could get things done out there without investing a huge amount of money and get to a point where you could get financing. Those years that they were in their prime out there, you could get 100 percent construction financing to cover 100 percent of the cost.

The secret to their success was the company, as a philosophy, construction side of it, controlled costs very, very well. We talked briefly with Russ about that yesterday. It was part of that design/build philosophy, where if you can control the architecture and the engineering to a point of keeping the design within the parameters of the budget, you can control the budget, and they did that. But it was George. Charlie didn't spend a huge amount of time out there. He'd go out there once a month maybe, once every two months, and basically [spent] 90 percent of his time at dinner and lunch. Charlie did enjoy the social side of business. Wasn't a huge drinker. I mean, yes, he was a big drinker, but I don't recall ever seeing him—maybe I did see him drunk, but that wasn't part of his makeup. He enjoyed people. He enjoyed good food. He enjoyed good wine. He enjoyed socializing, and he did a lot of that in Hawaii and a lot of that in San Francisco. I don't think he did it in L.A. It was his home.

Adamson: Who did the estimating for George's work? Did they do it for the mainland or—

Eicholtz: He had a guy underneath him. George was a good estimator by himself, but a guy named Dick [Ackerson] worked for George and was his primary [estimator]—I don't know if anybody had any titles in Pankow. Sometimes you become a vice president, but that didn't mean you were in charge of anything necessarily. But Dick was a significant part of George's operation and did his estimating and was good.

Adamson: There was a piece of land in Atlanta that never got developed, but it kind of sat there. Did you have anything to do with that? Was that while you were there?

Eicholtz: I did. Dean was involved in that, too. Dean and I made several trips to Atlanta. I think we either bought [or controlled]—I don't think we bought. There was a big piece of land in Northeast Atlanta that we were going to build on and build an office complex of two or three or four buildings. I don't recall what happened with it. I don't recall losing money at it or making money at it. It didn't ever materialize and I can't tell you exactly why. It wasn't a disaster. There wasn't a loss. It was just something that didn't work. I think it was something that Charlie had sniffed out and got me involved to go look at, and I did, and then I got Dean involved because I needed the construction side to—typically, in development, if you find a development opportunity, you immediately communicated with the construction side and got them involved to help with the development of budgets, for construction budgets. But Dean and I went down there together, and Dean and I were friends, got along very well and I have a lot of respect for Dean.

Adamson: There was Pankow Development, Inc. and Pankow Development Corporation. Do you know when those were set up and what the purpose of those were?

Eicholtz: No. I recall Pankow Development Corp. or Corporation. I was an officer. Whatever officer I was of the Pankow Development Corp., I was the same officer of Charles Pankow, Inc., and was probably a vice president. I don't think anybody was more than a vice president. I don't think we had senior vice presidents or executive vice presidents, or there wasn't a title after it. There wasn't a vice president, accounting or—I don't recall. I didn't really dwell on the corporate structure of the organization.

When I was there, and I know that about the time I left, there started being some changes made in how the stock was held, but to the best of my knowledge, through the time I was there and I think through the time Russ was there, it was basically [that all of the] stock was in Charles Pankow, Inc. If Pankow Development Corp. was, in fact, an S-Corporation, then the stock was owned by Charles Pankow, Inc. It wasn't a subsidiary, I don't think. I think it was a corporation.

I don't think there was a lot of different corporations at that time, but there started becoming some. Charlie was trying to create a means of dealing with this issue of offering people stock in the company and how he did it and controlling that. There were some setbacks Charlie had. Russ is a good example with the way stock was doled out. When I joined the company, Charlie encouraged me to be a stockholder, and I said, "Sure, I'd love to be a stockholder. How much? What's the deal?"

And he said, "Well, you buy stock in the company."

And I said, "I don't have any money right now."

"Well, we'll loan you the money," and George encouraged me to get as much as Charlie would let me get, and I did. I don't think, even when I left the company [that] it was all paid for. I mean that was part of my settlement with the company as to the sum of my stock I owned. Some of it was offset by what still wasn't paid for, because basically it was paid for out of the net bonuses. If I'd get a $50,000 bonus or $70,000 bonus one year, after taxes, it would all go back to the company to reduce the debt on my stock, and that was the way with everybody. And not everybody opted to do that. I think those of us that did it got bigger bonuses. Charlie tended to give bonuses—not tended to. A lot of bonuses were, I believe, driven by the amount of the obligation the individual had for payment on his stock purchase that particular year, but Charlie encouraged it and it was an enticing opportunity. It sort of depended on whether you could live without the cash.

I think that because of the difficulties Charlie had with the exit strategy of people, including the litigation—not litigation, [the] arbitration with Russ, I didn't want to get in too deeply yesterday, but what happened with a few people, [was] a year-end adjustment to the books of the company that drove the value of the stock up or down. If somebody left the company that had quite a bit of stock at risk or in play with the company, within the next week or so, Charlie would decide—it didn't [necessarily] have anything to do with year end—that reserves should be set up so the company's stock value that was existent as of the last fiscal year would be adjusted to reflect what he felt was fair and equitable for that person's value of stock at that time. A lot of people disagreed with some of the decisions, including Russ, because Russ had a lot at stake and had a lot of stock in the company and a lot of value in the stock. The adjustments that Charlie did—not proposed, he did—which caused that arbitration, were significant.

In construction, it is very easy to say, "Well, we haven't finished the job. We could have this disaster happen, that disaster happen. We can't record the profits yet." Well, you do, but if you say, "We're recording profits of—," you presume there's going to be a million-dollar profit on this project and you're taking X percent per month over a two-year period of construction, you get halfway through it and nothing's happened, nothing's changed, and then all of a sudden the profits disappear because it may not turn out that way, but for no specific criteria. That's what got a little dicey and that's what caused the arbitration between Russ and Charlie, because a lot of money was at stake.

I think that's probably what caused Charlie to decide to try to set up the structure of the company differently. I know they went through some changes, two or three different times, of how to structure the ownership of the company and the distribution of that ownership and whether they would give it or not give it to new people coming into the company and how that would be done. All that went through a lot of changes.

Prior to my leaving, it was arbitrary. It was Charlie. Charlie said he'd like to have you be a stockholder, and I said, "Well, how much?"

He says, "Well, how much do you want?"

"As much as, I guess, I can get." That was with Charlie. It never was with anybody else. Those deals were all cut one-on-one with Charlie, and everybody was different, and you sometimes knew what other people were doing. Most of the time you didn't. I don't know if I ever knew exactly what Mike Townsend's deal was up in San Francisco. I don't think Mike had any stock in the company. Mike said that he wanted his bonuses. He didn't want to take them to pay for stock. I think that was always a problem with Charlie and the relationship between Mike and Charlie. That's my speculation. That's just my opinion.

Adamson: You said on the phone while we were setting up this interview, and I think you mentioned that yesterday, about Charlie setting impossible goals and then people not really having a clear idea of how to meet them, or he kept them second-guessing. Was that a part of his personality?

Eicholtz: Well, I don't know if that's a fair description. I say impossible goals. I think that could be put in a different [way]. Charlie wanted to make final decisions. He didn't want people to have authority to go out and do a deal without his final say-so. His way of getting comfort that you were coming to the best deal that could be made was always to disagree with it and set a little higher goal, and this didn't happen necessarily up front; this would happen in different pieces as you went through a process of negotiating a deal with an outsider. It was very uncomfortable for the individuals involved. It was difficult because you always had to go back to Charlie and make sure he agreed with it, and sometimes the ground rules would change from the last time you met with Charlie if he didn't think you had got everything that was available.

He didn't ever participate in negotiations for deals, and maybe that was a management style that worked well for him, because if he was there, he would probably have to say yes or no. With him not there, the person didn't have the authority to say yes or no. It was a little awkward, but it worked well because you could go back and give

Charlie time to think and try to evaluate whether something better could have been done or should be done or could be done. [He would] send that person back and try to do it.

So, impossible goals may not be exactly the right terminology to describe that, if you will, business philosophy or management style, but it's more or less what it amounted to, in my opinion. It was different and it wasn't an easy system to work under, but it worked.

Adamson: This is just more for confirmation than anything else, but people have said that there was no real strategy behind development other than the development deals did get work for the construction company, but that there was no real development strategy to go out and do deals. Most of the deals came about more opportunistically.

Eicholtz: Yes, I spent time trying to create opportunities. I networked. When I got to L.A., as an example, I found brokers that were selling land and finding out what was out there, what was available, that type of thing. Most of the development opportunities that I was acquainted with came through contacts that I had or Charlie had or Russ had. I know that the Catalina Landing wasn't initially my contact. It was somebody in the Crowley organization in San Francisco contacted Charlie and said that they wanted to see if there might be something—and it was really a construction call, not a development call—that they could do with their facility in Long Beach.

When I got into it, I met their executive vice president. He and I became friends and associated and eventually created the development opportunity for them and Pankow, and it worked good for both. It was a good project and good construction contract and profitable project for Pankow and it was a good development opportunity for Charlie. [I don't think anybody] else was involved in that development entity except Charlie.

Adamson: Now, when you came on, were you doing something that no one else had been doing within the organization or were there people before you who were doing similar things?

Eicholtz: As far as I know, nobody in California [was] working on the development side other than Russ. Russ always had. But there was no employee other than Russ that was dealing with [or] looking for or trying to create development opportunities. The one nice thing about Charlie's organization, as it related to development [that I was involved in], is that the overhead was basically my salary. It was paid by Charles Pankow, Inc., not by Pankow Development Corp. and not by my projects that I was involved in. Charles Pankow, Inc. carried the overhead, and basically the construction company carried the overhead of the company, which suggests that you don't have to develop to pay the overhead.

Development opportunities run in cycles and you don't want to try to develop in the wrong cycle. The company enjoyed that position. Certainly, George took advantage of that in Hawaii big time and it was one of the things that worked, why the development side of the business did work. And it fed the construction company quite well. Keep in mind, when I was in charge of development opportunity, the construction company didn't have any competition, so the construction company did well. [They] never took advantage of a situation stupidly, but the profit goal was always reached. It wasn't unreasonable. It was with consideration to other construction deals, but it was safe, which is a word you don't use much around in construction industry.

Adamson: Was Shoreline Square strictly a construction project?

Eicholtz: I don't even know what Shoreline Square is.

Adamson: That was a project around the time of Catalina Landing in Long Beach. I think TAISEI was the developer, but I was just wondering—

Eicholtz: Who?

Adamson: TAISEI, I guess, was a developer, Japanese developer.

Eicholtz: I don't think it was done when I was with the company.

Adamson: Okay. My timing might be off by a few years.

Eicholtz: If there was anything happening in Long Beach, I would have known about it, because the two projects down there were the Crocker Plaza and Catalina Landing. Unless the Crocker Plaza, the Crocker project changed names, maybe, but I don't think so.

Adamson: I'll have to check. These projects that were developments, a lot of them Charlie and George or Russ and Charlie held onto them a long time, rather than just flip them as some people may—

Eicholtz: Obviously, that didn't apply to condo projects, which is Hawaii. Condo projects are conceived, built, sold, and done. You're referring to the office projects, San Jose Plazas, the telephone building. They built one up in Eugene, Oregon. I think they had something up in the Seattle area, I'm not sure, but those they held onto forever and there were not many people involved in those partnerships. George, I think, was in some of them, even though he wasn't over here on the mainland, to a smaller degree, Russ to the most significant degree—Charlie to the most significant degree, then Russ and then a few other people. They would get a small piece.

San Jose Plaza had three or four, five people—maybe five people besides Russ and Charlie, that had small pieces, maybe one, two, three percents. But they kept those for a long time. They were well-conceived projects. They had cash flow and ultimately had a lot of value, a lot more significant increase in value.

Adamson: When they were sold, was there a timing issue?

Eicholtz: No, I don't think so. Maybe a couple of the deals were sold after Russ left, and that probably was timing, but most of them they were doing something with before Russ left. I think it was just time. You typically don't own an office building for the rest of your life. You typically get in and get out. If you've built substantial equity in a project, [as with] the stuff that Russ and I are in now, [you may end up] doing a lot of 1031 exchanges. We've substantially grown our equity, and we feel that we can spread that equity from one property into maybe three properties and increase their potential returns because equity leverages. If you go into a deal with 20 percent equity and you keep it five years, and the project has increased in value 50 percent, your equity has increased more than that; your equity increased [almost] four times. So you don't leave it in the project. You either refi[nance], take some cash out, which is a nontaxable event, or you exchange out and put it in a new project. So that's primarily what causes those projects to get sold. They had those projects a long time and had built a lot of equity up, and I think it was sort of time. They needed or wanted the money. Charlie had quite an appetite for artwork and whatever. It was time to get some money out of them.

Adamson: You mentioned the development arm of one of the companies you worked for. I know Perini had an entity called Perini Land and Development. Construction companies will have development arms, yet the way Charlie and Russ and Charlie and George did it, they created entities for these projects.

Eicholtz: Typically, yes.

Adamson: Is there a reason why they did it that way, as opposed to having a—

Eicholtz: Liability issues. If you have a company that owns all these projects, all your eggs are all in one basket. Typically with a project, I can't speak to today's terms of financing, but normally financing is non-recourse. The lender is looking to the property for security. The property securitizes the loan, not the company, so that's why development is done on a property basis. That's *the* reason why, that properties aren't owned by a company. They're owned by entities, by LLCs in today's world, or limited partnerships or whatever, and it's primarily for limitations of liability. Those ownerships, that's what an LLC is all about, what a limited partnership is about, is that attempt. Obviously, a shield can be pierced, but it's an attempt to shield individuals from liability.

Adamson: So the larger construction companies that would have development arms of their company, they felt they were big enough to cover the liability and they were going for the profit?

Eicholtz: It typically didn't work like that. A company with a development arm, the development arm was usually funded by fees, not by ownership in properties. When you develop a property with your development company, that property was normally—99 percent of the time that I'm aware of with any organization throughout the United States, and I've been exposed to a lot of them—those properties were self contained as a property ownership. Those properties paid the development company fees to sustain the development company. Oftentimes, the property ownership would include outsiders and insiders. Sometimes people would be putting in equity to take those positions. Sometimes they're given [the equity] by these companies as incentive to employees, or sometimes they're not even employees. Sometimes people's compensation is driven by those opportunities.

Not every construction company had a development arm. That was very unique when Charlie was doing it. It became more fashionable in the eighties, [but] not much prior to that. You had big companies like Trammell Crow and companies like that out there. They were development companies, but their properties were independent. [I believe that] the Trammell Crow companies didn't own the properties. They had management rights. They had management contracts. They did all the property management. They got development fees, but they typically set those properties up as [separate entities]—if you do it that way, it's much easier to spin them out, to sell them or walk away from them if they go under. They're self-sustained and they typically aren't cross-collateralized by loans, and typically their loans are secured by individual properties.

Adamson: Did you get involved in property management of Charlie's and Russ's properties or is that handled by other people?

Eicholtz: No. I later had a property management company when I was building apartments, but it was a horrible business. I wouldn't wish it on anybody. But Charlie didn't get into property management ever, as far as I know.

Adamson: So leasing his office building was handled by someone else? Like the leasing of 2101 Webster would have been the broker.

Eicholtz: They hired a broker. Yes, they're always outside brokers, every property they had. A lot of it was a guy named Wahl that managed many of their properties. I think it's—

Adamson: Russ.

Eicholtz: Russ Wahl, yes, managed several of [their properties]—I think he managed San Jose. He managed most of their properties as a property manager, a company. He got paid; he got five percent or whatever a typical property management company got. He wasn't a partner in any of them; he was just a property manager. To the best of my knowledge, Charlie's companies never got involved in property management or leasing. Even in Hawaii, you'd sell condominiums. They'd get a broker involved or hire two or three people to do it, but not really do it as the company.

Adamson: The minutes of a 1979 off-site managers' meeting noted that you were spending 95 percent of your time on Section 8 housing. Is that what you were talking about earlier?

Eicholtz: When was that, '79? That's about when I moved over here. For two, three months after I got into Altadena, I was looking for those opportunities. For whatever reason, they represented a niche that we felt maybe we could get into. It didn't materialize, and the further we got into it, the more we realized we didn't want to get that close to any governmental agency. You know how that stuff was.

Adamson: Were there any other initiatives that you undertook that you haven't talked about?

Eicholtz: I can't recall. It's a little bit like Russ yesterday. When time goes by, you sort of—I haven't kept in that close in touch with the Pankow group. Up until this last year, I'd usually see Dean Stephan or Tom Verti once a year around Christmas. Interestingly enough, after I left Charlie—and I didn't leave under the best of circumstances. I was very upset, and I decided to start my own company and I needed the money. Charlie reduced the value of my stock and I wasn't in a position to argue. I took what I could and got out of there and got on with my business, and really didn't have any association with Charlie at all for three or four years. I didn't publicize that. I didn't really speak badly of Charlie. I think Charlie always feared somebody would leave the company and spread rumors or say bad things about him and the company and stuff, and most of our people in Pankow weren't of that type of person. They were just, you know, "Get on with your life," and I did.

I can't recall exactly how, but through my efforts or Russ's, I think mostly my efforts, I contacted Charlie, stayed in touch with him, and all of a sudden I started getting invited to his Christmas parties and we became friends again. It wasn't like a meeting and we buried the hatchet. There was never anything specific to deal with. Enough time went by that he realized I wasn't an adversary and I wasn't a competitor. Charlie was careful. You know, those two things would have been a major issue with Charlie. I didn't speak badly about him to people that he knew [and] so forth, and we became sort of friends again, not big-time friends, but he certainly included me in most of the company's organized events that included outsiders. [The] Christmas party at his house, I went for a few years.

I lost my train of thought, what we were exactly talking about.

Adamson: Becoming friends again with Charlie after a number of years.

Eicholtz: We did, sort of. I mean not social. I didn't meet he and his wife for dinner somewhere, that type of thing. Charlie didn't do much of that type of thing anyway. For many years and certainly when I was with him, Charlie usually went up to San Francisco Monday and came back to Altadena Friday and in the office Saturday. All the key people, Dean and I and Russ and a couple others, were always there to have lunch with him, [including] whoever was head of accounting at the time. Those people didn't usually last very long, the controllers, the financial officers typically were in and out of there every couple years, three years; [they] didn't get along with Charlie or didn't like taking [the] instructions Charlie gave them, I guess, put it that way.

Adamson: Well, fair enough. I think those serve as last thoughts. We can leave it there.

Eicholtz: I have no last thoughts. You know, I'm very happy to do this and hopefully that the project bears some fruit. I'm sure, if nothing else, it's an interesting experience for you. You're meeting some interesting people, some very nice people, very capable people.

Adamson: Definitely.

Eicholtz: [There was and is] a lot of talent in that organization, and some of the people that you've talked about meeting with, I had a lot of respect for, Dean Stephan included, Russ included, George. Hopefully, you'll be able to interview George. I like George a lot. Interesting enough, George's daughter's involved in real estate. She's in her forties and got me involved in a couple investments, not in Hawaii, but actually back in Georgia through an associate and affiliate of hers over here on the mainland. So, sort of a small world. I've got property in Hawaii, but my wife and I haven't been there for too long. I probably have to get out there in the next two or three months just to look after our investments, and I always see George when I'm there, George and Nan, and Audrey, his daughter.

Adamson: I spoke to Doug, or Conan, Craker.

Eicholtz: Remember the name.

Adamson: You mentioned Georgia. I actually flew to Atlanta, but he [Mr. Craker] mentioned that Russ had some property not too far from where he was living.

Eicholtz: In where?

Adamson: In Georgia, Russ?

Eicholtz: Russ? Russ has property in Michigan on the Upper Peninsula on this old family land where his mother and father's house was. A very small town, Baraga, I think. It was a large enough piece of property overlooking the lake that Russ built a home up there about eight, ten years ago, a gorgeous home. Obviously, he doesn't get up there anymore. He has a property, a condo, out in the desert. We were talking yesterday at lunch about that, Jorge [Fernandez] asking my opinion to sort of help maybe influence Russ a little bit to get rid of some of these properties because they just sit there empty, like his condo in Palm Springs. Obviously no debt, but fifty-grand a year just to keep it maintained and nobody goes there.

Adamson: Doug's from Michigan, so maybe he was talking about being up at Michigan.

Eicholtz: Maybe there. The only properties that he owns are up there in his old hometown [are his house and] some land outside of there [that is, Baraga] and he's [also] loaned some old friends some money to buy stuff, and I think he's ended up with some bits and pieces of land up there that Jorge, I think, is trying to deal with and get rid of it.

Adamson: When did Russ build that house we were talking in [yesterday], his house? When did Russ build this house?

Eicholtz: He bought that home, but he did substantial renovation. Got about fourteen acres up there, something like that. It’s a pretty big piece of land. And out the front of his house, that grass there is actually the roof on top of a structure. Below there, this fairly good-sized structure has got a kitchen and a great big TV room and a playroom and sauna and Jacuzzi, and it’s the pool house, but where people can sleep. It’s got beds and a bedroom, and it’s probably 2,000, 2,500 square feet. The roof is the grass [in front of the main house]. So Russ did a lot of work up there and he owned that house long before I knew him. [I don’t think he built] it from scratch.

Adamson: I guess we’ll leave it there. Thank you for your time.

Eicholtz: Good luck.

[End of interview]