

Oral History Interview

with

DICK WALTERHOUSE

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Oakland, Cal.

By Michael R. Adamson

Adamson: All right. Let's start with your background. I see in this article you reference working for your father.¹ Your father had a company in construction. Was that your introduction to the construction business?

Walterhouse: Yes, yes. He owned Walterhouse Construction Company. He acquired it from his dad, and that was back in Ann Arbor, Michigan.

Adamson: What sort of construction did they primarily do?

Walterhouse: Very small general contracting company, would do small buildings, but really did concrete work, did a lot of driveways at houses, basements, patios, lot of concrete work, and so really my introduction to concrete was working with my dad, you know. I started out when I was ten in the summers really just riding co-pilot in a truck, because a ten-year-old doesn't do a whole lot, and by the time I was twenty, you know, it was kind of a summer job. I was driving dump trucks and I was a cement finisher for him and really doing kind of a jack-of-all-trades and doing everything responsible for what you do when you do concrete.

¹ Katherine Conrad, "Walterhouse Runs \$100 Million Firm," *East Bay Business Times*, 26 January 2001.

Adamson: Then at that point, was that construction something you wanted to keep doing?

Walterhouse: Not necessarily, no. You know, I think if I really had intended on staying in construction, I could have taken over his business, but, no, I had intentions of doing something else. I mean, I always in the back of my mind had like thinking perhaps I'd get an MBA degree, was also thinking about law school, but I was also playing baseball at the same time, so I really didn't know what was going to transpire. What eventually happened was I ended up getting drafted by the Pittsburgh Pirates, and I ended up playing baseball, which kind of pushed off the kind of the—

Adamson: Day of reckoning.

Walterhouse: —desire to maybe get an MBA or do something like that.

Adamson: This profile that you gave me that I indicated I read actually states that while you were earning a degree in civil engineering, you'd never thought you'd actually work in construction, but yet you were in civil engineering at that time.

Walterhouse: I was. I mean, I was an engineer. In fact, at that period of time, my academic advisors and others said, you know, one of the absolute best degrees you could have was an undergrad degree in engineering and a graduate degree in business, and with

that degree you could do almost anything. So if there was a focus, it was kind of that, you know, having that undergrad in engineering with a master's in business.

Adamson: Let's digress a second and tell me more about your minor league baseball career.

Walterhouse: My minor league baseball career.

Adamson: Your college baseball career and what were you thinking about when you were playing in the Pirates system.

Walterhouse: You know, I had a very interesting kind of ride through my baseball career, so to speak. I always played baseball as a kid, as a lot of folks did in Little League, and I really didn't play in high school. I played football, basketball, and golf in high school, those three sports. Then in my senior year, they switched golf from a spring sport to a fall sport, so I had an open. I didn't have anything to do in the spring of my senior year, so I played baseball.

From playing baseball at school, that summer after I—I mean, I got recruited then to play baseball at the University of Michigan, based on playing ball in high school that one year. But I was also recruited by Michigan to play football, and I was recruited by several other schools to play basketball, but I always wanted to go to Michigan. It was my hometown. It was, to me, the best school in the country. But after my high school senior year, I went to a Pittsburgh Pirate tryout camp. Pro teams hold these tryout camps.

There were three hundred kids at the tryout camp, and at the end of the day-and-a-half session, they offered me a professional contract to sign as an eighteen-year-old, which was mind-boggling to me at the time. I didn't even know what to do with it because I was going to college. So I went to the baseball coach at Michigan and kind of said, "Hey, these guys want to sign me. What do you think about that?"

He says, "Well, I think I've got a baseball scholarship for you right here. One just became available. Why don't you sign. If you sign up, we can give you a scholarship to go to Michigan and play baseball." So I signed a scholarship offer to go to Michigan and play baseball, so I got a baseball scholarship. But I mean, the Pittsburgh Pirates were interested in me at that time.

Well, I ended up playing four years of baseball at Michigan, was captain of the team my last year, and I mean, I had a good career playing baseball. I also had a good academic career, I guess, at Michigan, too, and ended up being my senior year the Big Ten Medal of Honor winner for the top student athlete in the whole Big Ten Conference. So, I mean, I took a lot of pride in being able to balance both or juggle both athletics and academics.

After my senior year at Michigan, with no communication whatsoever from them for four years, Pittsburgh Pirates drafted me in the pro draft in 1976. I was a nineteenth-round draft pick, really late in the game, and they said, "Hey, we don't have much money for you, but if you want a chance to play pro ball, we'll offer you a contract." And they did, and I signed it. My intent was only to play probably one summer and then go back to grad school, but I had a good summer and then it just kind of kept building to the point that I reached the Triple A level. I got invited to the major league spring training. I

mean, I had the ability to play in the major leagues. At that point it was being in the right place at the right time, and the Pittsburgh Pirates was not the right place because in 1979, my last year, that was the year of the “Family” at Pittsburgh with Willie Stargell and Bill Madlock, and they won the World Series. But they were a bunch of old veteran players, and they weren’t bringing up a bunch of young guys like myself.

I played with them four years, and after that summer—oh, no, during the middle of my fourth year, I got this call out of the wild blue from a friend of mine who was also a friend of Russ Osterman, who was Charlie’s partner in the firm, asking me if I was interested in going to work for a California general contractor. At first I said, “California general contractor? What do you mean? No, I’m playing baseball. I have no desire to go to work in California. I’ve never lived in California in my life.” And that was the end of the conversation.

Well, as my fourth year kind of went along in baseball, I said, “Well, maybe it could be worthwhile talking to those guys,” so I called them back, and then we set up an interview. Dean Stephan actually flew out to Buffalo, New York, to interview me, because that’s where I was playing ball, and Dean had a two-hour layover in Buffalo in early ’79, and his plane was an hour and a half late. By the time he and I got together, he had ten minutes. He and I talked for ten minutes as we walked from one gate or one terminal to another in Buffalo, and I got a job offer from Pankow.

I then ended up, of course, I took the job offer, thinking I was only going to work—Pankow didn’t know this at the time—only was going to work the off season. The off season would have been from October to February, and then the following February, I was going to go back and play baseball.

Pankow assigned me in October when I took the job, to a project in Boston, Massachusetts. So I went to Boston, and, again, I went there in October thinking I was only going to be there till February, and in February I was probably going to tell Pankow I was going to go back to playing baseball. Well, February rolled around, and instead of telling Pankow I was going to go back to playing baseball, I called up the Pittsburgh Pirates and said I was not going to come back to spring training, I'm working with a company. I was going to stay working for the company. So basically I walked away from baseball in 1979 and decided to stay with Pankow, and, of course, almost thirty years later, I'm still here.

Adamson: As a Division 3 track person, I'm impressed by your D-1—

Walterhouse: I mean, baseball was—I mean, I love it. This particular summer right now is the first summer in forty-five years I haven't played or coached organized baseball. My boys play it. I mean, it's still—you know, I love the game and I got pretty good at it.

Adamson: So Russ Osterman recruited you, basically, sent Dean out, or from this—

Walterhouse: The story kind of—certainly Charlie Pankow is a Purdue grad, and in the seventies, I would say, close to 100 percent of the Pankow new hires were from Purdue, and Russ Osterman was from Michigan. As the story goes, Russ more or less got tired of Charlie hiring all Purdue grads. Russ always hosted a party at his house after every Rose Bowl game and, fortunately, Michigan played in a lot of Rose Bowl games. Well, in—I

don't know if it was '78 or '79, which Rose Bowl, but it was about that time, Russ had a party at his house. He was talking to the assistant athletic director at Michigan and he was saying, "You know, I'm tired of being the only Michigan guy in this firm. Do you know of anybody who is an engineer who potentially is an athlete, who could fit into Pankow?" Because Russ was a football player at Michigan.

The gentleman who I knew very well from my upbringings in Ann Arbor gave Russ my name, and it was from the assistant athletic director giving Russ my name that Pankow really got my contact information and called me when I was playing ball with the Pittsburgh Pirates. So I became the second Michigan guy to join Pankow.

Adamson: Were there others in your wake?

Walterhouse: No, but actually twenty years later, I did the same thing, and I hired the third Michigan guy that joined the firm, where, you know, I called the athletic director and went back there and said, "I'm looking for another guy," and I did the same thing and hired a gentleman who joined our firm.

Adamson: So were friendly Big Ten rivalries part of the company culture?

Walterhouse: Yes. Well, definitely it was Purdue versus the rest of the world, you know. Tom Verti was from the University of Washington, so there was a little Pac Ten-Big Ten rivalry going. Tom, of course, has been with the company for a long period of time. Yes, there was friendly chitchat and talks about Michigan versus Purdue and stuff.

Adamson: Now, according to Dean [Stephan], who was hired in 1974 with Bob Law, there was a break, basically from '74 to '78 or so, before they recruited more people, so do you have any perspective on your being part of a new wave of recruits at that point?

Walterhouse: Honestly, no. I have not heard that from '74 to '79 there was kind of not a lot of recruiting going on. No. The year I was hired, boy, I don't know if I was the only one hired. I mean, when I say the only entry-level position. I know, I mean, Rik Kunnath, who's now our CEO, we started the same month the same year. We both started in October of 1979. Of course, he's from Detroit, Michigan, and I'm from Ann Arbor, Michigan, and so it was—

Adamson: So you have the state in common.

Walterhouse: Yes.

Adamson: It doesn't appear as if we're going to get a chance to interview Russ for this project, so from your perspective, can you just tell me more about Russ and his contribution to the firm?

Walterhouse: Well, I think Russ had a tremendous impact on our firm, you know. I'm not sure of the exact details, believe it or not, but I mean, I think Russ was one of the three or four kind of founding fathers of the firm that joined Charlie very early in the

game. I think Russ, like myself, in some regards, he was kind of a quiet individual, but he was also very shrewd, very smart, I think very aggressive on the task or the things that he worked on. But what Russ really did with the company was he complemented Charlie, I think. He was kind of the opposite of Charlie as far as where his interests were, and Russ ended up kind of heading up the development wing of Pankow.

So I mean, Pankow's known as a general contractor, but I think throughout the seventies and eighties, there were a lot of buildings that Russ was involved in putting the development deal together that Pankow Construction ended up building. And that development team was a team of individuals of Charlie and Russ and maybe some other individuals, but they developed the project, and then the construction company would build it. I think in the seventies and early eighties a lot of the projects we built were built for Pankow Development, including the building we're in right here [2101 Webster Street]. So I mean, the construction company, I mean, certainly benefited because we built those projects, but the construction company had no ownership in those buildings. The ownership was the three or four individuals that were developing them.

But Russ' involvement was very, very heavy on the development side of the company. Then when Russ retired and kind of left the company, the development side I don't think ever was the same, and eventually the development side of what we do kind of faded out, faded away from our business model. Today we don't develop buildings, and we don't have a group of individuals developing buildings.

Adamson: So Russ and Charlie would take an equity stake as developers in these projects?

Walterhouse: Yes, they owned—yes. The construction company did not. They themselves as individuals did. I think that's how Russ and Charlie and a small group of individuals acquired a lot of their wealth, was through the equity stake in the buildings.

Adamson: So that was never folded into the company, that was sold separately or disposed, treated separately?

Walterhouse: That was treated separate.

Adamson: Before we get to the résumé and the sheet, just generally picking up where you joined Pankow, in general how does training and promotion work at Pankow? Are you mentored or are you just thrown in?

Walterhouse: It worked a lot differently in 1979 than it does today. In 1979 there was no training program. It was strictly on-the-job experience, and almost 100 percent of all new hires at Pankow were entry-level hires. You were hired as a field engineer. You were assigned to a project as a field engineer. You were showed where that project was. In my case, it was in Boston. You showed up and said, "I'm ready to go to work," and they put you to work and you learned on the job what your duties were, what you were supposed to do. As a field engineer, you reported to a project engineer. Your project engineer kind of became your mentor because that was your next step up the ladder, and basically it was on-the-job training. You know, I think we all probably made a few

mistakes along the way, but I always used to say the good folks only made that mistake once and you learned from that mistake. Then, if you ever made it again, you probably weren't here anymore. But it was primarily on-the-job training.

Of course, today in today's world, I mean, we've changed a lot. I mean, the young folks of the world have made us change where, I mean, there is a much more formal training program. I mean, on-the-job training right now is not acceptable to the younger generation. They want a formalized training program. They want to know what it is ahead of time, "How long am I going to do this job?," and so forth.

Adamson: Does the special projects and shorter projects have any effect on how training happened?

Walterhouse: On the formal training, not necessarily. What it has done is the type of training or the type of skill set you need to do a special project work is different than the skill set needed to do what we call base building work or big project work. So as we've developed a more formalized training program, we've had to develop kind of two aspects of that training program, one that applies to folks that are going through the smaller project division versus those that are going through the larger project division. Yet at the same time, someone may cross over from one division to the other, so they have to be exposed to both sides. But there are different skill-sets required.

Adamson: So in 1979 as a field engineer, would you basically be on these projects start to finish or just generally how long do these projects last?

Walterhouse: Oh, I would say usually you were assigned to a project from start to finish. At that time, Pankow was building anything from parking structures to office buildings. I mean, a project could last six months. It could last a year and a half. I think one of the things in that particular time that was a little different from today, too, is, I mean, you were assigned to a project and we worked all over the country, because we had a couple developers who took us all over the country. When they said, “Hey, Pankow, we’ve got a job in Toledo, Ohio, or Boston,” I mean, Pankow sent a crew to that city. As an employee at that time, you had no choice. When they called you up on a Friday and said, “Hey, we want you in Boston on Monday,” you were expected to pack up your family, if you had one, and move to Boston, because that was your job. That’s no longer the case.

So my first job assignment was in Boston. I was in Boston a year. When that job wrapped up, they told me, “Hey, pack up your car. You’re driving to L.A.” Two days before I was going to drive to L.A., they called me up and said, “No, point your car just a little further north. You’re going to drive to San Francisco instead of L.A., and you’re assigned to our San Francisco office.” Honestly, at that time I had no clue about the difference between southern California and northern California, and will say I’m very happy they called me up and decided to send me to northern California.

Adamson: I see many of the projects subsequent are northern California.

Walterhouse: I have basically been living and working in northern California since 1980. I’ve had a few out-of-town assignments. I had a period of time where I was assigned to a

project in southern California where I commuted back and forth for a while. I had a six-month period of time where I did a job in Milwaukee where I basically kept my apartment here and had temporary living conditions in Milwaukee for six months. But basically I have been located in northern California since 1980.

Adamson: Let's go through these positions, and we'll take just one representative project to just sort of summarize or point out what you do in those positions, or did. You can either speak what Pankow people do generally on these projects or use your own experience to point out differences. So we start with field engineer and we take a project that you worked on. What basically did you do as field engineer?

Walterhouse: As a field engineer, I think my project experience as a field engineer was primarily on a couple parking garage projects, and on those projects as an engineer, I had responsibility, say, to order concrete. I spent most of my time on the site, not in the trailer. I was assisting the carpenters and the laborers in making sure what they were building was per the plans and specs. I was checking the surveying or the layout of the structure to make sure what we were putting in was right. I detailed all the precast columns that we built, checked rebar shop drawings.

Your job as a field engineer is basically to make sure that what is being built in the field matches the plans and the specs in some shape, manner, or form. That's what your job is. Most projects will have one or two field engineers on them, at least in that time. Maybe today a few more. Like I said, most projects will have one project engineer. So the field engineers usually report to the project engineer. That group is

really doing the quality control aspect of the job, making sure what we build is correct. I mean, you're not swinging a hammer or pushing wheelbarrows of concrete; you are watching the carpenters and laborers do that work by making sure that what they do is correct.

Adamson: Okay. Very good. Then you become a project engineer. What does the project engineer do?

Walterhouse: Well, you do exact probably some of the same stuff that I just talked about, but you also have responsibility to manage the field engineers who are underneath you and in some aspect train and mentor them. Also, as a project engineer, you kind of become the right-hand person or man for the project superintendent. I mean, you become his eyes and ears for a lot of stuff, and the project "supe" is what we always called the chief executive officer on site. I mean, it's his job, and he runs the project, you know. He makes the decisions. It's his responsibility and, I mean, it all falls under him. As project engineer, you're kind of his right-hand person.

Then, yes, your primary job again is the quality control aspect, but you're interfacing with the owner more. I mean, as a field engineer, you probably don't interface with the owner. You may interface with the architect and the structural engineer because of the technical side of things, but as the project engineer, now you start having some involvement with the owner and you get involved in client relations and client meetings, owner meetings, you know, where now some of that responsibility comes into play.

Adamson: I've come back to this 411 East Wisconsin project with a lot of people I've interviewed, because I happened to be going to school in Milwaukee at the time right up the road. But Dean [Stephan] mentioned that one of the accomplishments of that project was working through some inclement weather through the winter in Wisconsin. Is there anything you want to recall about—

Walterhouse: Yes, I remember I was in Walnut Creek working on the project where Dean came to me on Friday and said, "We want you in Milwaukee on Monday." Okay. It's like, "Oh, yeah?" But, I mean, I grew up in Michigan and spent the first twenty years of my life in Michigan, and I kind of enjoyed winter weather, not the extremes of winter, I mean, ten below or something, but a little bit of cold and snow here and there. That's what I grew up in. I kind of liked it. So going to Milwaukee wasn't going to—I mean, that didn't faze me, the weather. But I was assigned to Milwaukee in July, that project, and, again, I was assigned actually to—there was a parking structure associated with the office building we were building, and the staff back there was totally immersed in building the office building, and they had nobody to get the parking structure out of the ground, pour the foundations, get it ready for the precast.

I went back there and they said, "Dick, that's your project. Get it out of the ground. Get it going. We think it should take you about three to four months to do it, and when you're done, then you'll come back to California." So it was kind of a temporary job assignment that was supposed to last about three months. I did it. I mean,

it was one of those tasks where, you know, they assigned it just to me, and I was on my own as a young guy to do it, and I did it.

When I was done, we were actually waiting for this building to start, and this building was delayed in its start, so they kept me back there and I kind of helped the team. I ended up staying in Wisconsin for six months into January. I remember the day I left Milwaukee to drive back here, the temperature was ten below with a wind chill factor of thirty below, and I was concerned that my car was going to freeze up, you know, trying to get out of Wisconsin and stuff.

So we had some cold weather in December and January, and, yes, it challenged us, you know, and it challenged the crew back there and everybody. Like I said, that was something. I was used to cold, having grown up in Michigan, but you're never used to working outdoors, you know, eight hours a day in cold weather. You know, it was a little ironic that we were a California-based contractor doing cold weather concreting and being the experts for cold weather concrete in Milwaukee.

But I mean, I really enjoyed my time in Milwaukee. I thought Milwaukee was a great city, and there was a lot of stuff that I enjoyed doing back there. I enjoyed the food, the German food and whatnot, I mean, and, again, it wasn't that far out, that much different from growing up in Michigan.

Adamson: As far as the construction challenge of getting something out of the frozen tundra, was there something that you had to innovate on the job or it was just putting up with cold weather, rather than actually having to overcome something to construct a building?

Walterhouse: It was really just having to put up with the cold weather per se. I mean, you know, the cold weather requires certain temporary heating measures to keep the concrete warm so it doesn't freeze on you after you pour it. We were not trying—for the most part, we weren't digging holes in the ground in the middle of winter. It's, of course, extremely hard to dig a hole on frozen ground, and back in Wisconsin and Michigan, the frost line is like five feet down, so the first five feet during the wintertime when you're trying to dig it with a machine, the bucket can pound on it forever and you're not going to break through it. Usually you break the machine before you break through the ground and get down below the frost line.

Adamson: So if we move to project superintendent, in that position you're still on the jobsite?

Walterhouse: Project "supe," like we say, is the chief executive officer on the jobsite. For me, when you're assigned, when you enter a project as a field engineer with Pankow, for me that first goal was I want to be a "supe." I want to be the guy in charge at the jobsite. There was also a perk that "supes" drove a truck, a white company truck. You didn't get a truck as a field engineer, project engineer, but to me there was a status symbol associated with getting a company truck, and that status symbol meant you were the guy in charge. So I think for me, I mean, I certainly did have a goal of becoming a "supe," a project "supe." You got the truck and you were the guy in charge. I kind of had exposure to that in Milwaukee, but I didn't have the truck. But I was the guy in

charge of my own little parking structure project. I came back from Milwaukee and—
was it—I came back from Milwaukee in—

Adamson: It [career profile supplied by Mr. Walterhouse] still says '83 and then 2101
Webster—

Walterhouse: Oh, yes, I did come back from Milwaukee and I got assigned to this
building we're in. I was a project engineer. But halfway through this job, the
superintendent on this job moved down to another job and I became the "supe" on this
job and finished this one as the superintendent and then started my own job as
superintendent in Walnut Creek then in '85.

Adamson: Just glancing at this sheet, as you are accomplishing your work, it seems that
you are progressing rather quickly through the ranks.

Walterhouse: I think I moved fairly quickly. Pankow was never a company that will
hold you back. They always gave you as much as you could handle. There always
seemed to be somebody kind of over watching you, and when you saw you couldn't
handle it, they kind of reined you in a bit. But if you showed you could handle
responsibility, they weren't afraid to advance you to the next level as quickly as possible.
Some of our superintendents were fairly young folks, including me. I mean, there's two
ways up the ladder to become a "supe." One is through the trades where usually the
"supe" then is a twenty-five, thirty-year veteran of the construction industry. Or the other

way is through the college degree program and then through the engineering ranks. Some of us advanced pretty quickly from when we first entered the field as a field engineer to when we were project “supe.”

Adamson: According to your sheet, you were then an assistant sponsor at GTE, and there was a company newsletter article where you were assistant project sponsor on Marathon Plaza as well.²

Walterhouse: Oh, there was? [laughs]

Adamson: Well, just in general, what do you do—

Walterhouse: Once you become a superintendent, there’s two career paths you can take. Either you really are in love with the field and basically you stay a superintendent the rest of your career, or you can come in the office and then start through the project management ranks. Pankow’s office position at that time was called a project sponsor. I guess my desire was to move into the office. I mean, I did not have a desire to be a project superintendent for the rest of my career, primarily because one of the reasons why is, as a field person you were required to go where the projects were, move around. I had moved around a lot in my baseball career. I think I played ball in twenty-six states my last year. In my first five or six years with Pankow, I moved around some from Boston to the Bay Area to Milwaukee. For me, it was important to settle down, and as an office

² “Employee in Focus: Dick Walterhouse,” *CP News* 7 (Spring 1989). *CP News* was the newsletter of Charles Pankow Builders. It was published under various names from 1983 to 2001.

person, you had that opportunity to settle down in a region. So not only do I think I had the aptitude to be an office person, I mean, I also wanted to settle down in an area.

So basically after the Walnut Creek job ended in '86 or thereabouts, I really was assigned to an office and started working out of an office, which was kind of what my desire was, and I was really assigned to the San Francisco office and was working with Rik Kunnath. I mean, there was a period of time when Rik, Dean Browning, and myself were all sponsors in the San Francisco office working for Brad Inman. Of course, Rik, Dean, and I are still here today, you know, almost thirty years, all in different roles. But we were at one time, all three of us were sponsors in the San Francisco office.

The job you referred to where I was assistant sponsor, that was kind of before I became an official sponsor, and I was actually Rik's right-hand person because Rik was trying to sponsor four jobs, I think, at the time, and there's no way he could do that. So I really helped him out on Marathon Plaza and really did the bulk of the work, and he oversaw what I was doing.

Adamson: So as a sponsor, you are dealing mostly with the owner, the developer?

Walterhouse: Yes. The sponsor, you have kind of overall responsibility for the project. I mean, you were kind of on par with the "supe" where the "supe" is kind of doing the fieldwork side of it and you're handling the office side. You're putting the estimate together; you're negotiating and writing the subcontracts; you're dealing with the owner; you're dealing with owner billings; you're handling the project and the owner relations from the office side; and you're also handling the whole entire field side. Although the

superintendent doesn't directly report to you, you have responsibility if something goes astray in the field. So there was always kind of a juggling act as a sponsor of making sure that you kind of could get the "supe" to do things your way, so to speak, knowing that the "supe" didn't report to you direct, and usually the "supe" was several years older than you were, and so there was always a challenge to making that working relationship between the sponsor and the superintendent.

I sponsored a number of jobs when I was in San Francisco. I mean, that's probably what I thought I was going to do the rest of my career, was be a sponsor or a project exec or a sponsor in San Francisco.

Adamson: Well, let's step off this ladder for a second and talk a little more generally about the innovation and the business. So at this point, your first decade here, how was the business doing in terms of growing or different offices growing at different paces or the company overall?

Walterhouse: You know, I think in hindsight, looking back, there wasn't a lot of growth within the company in that first decade, but what I remember the most was we operated in three regions: northern California, southern California, and Hawaii. During that first period of time, there always seemed like there was one region that was really busy doing very well, there was always one region that was so-so, and there was one region not doing so well. And it seemed to rotate in that first period.

When I first joined the company, Hawaii was doing really well, a lot of activity in Hawaii. Southern California was so-so, and there was not a whole lot going on in

northern California. Then pretty soon, northern California started having a lot of stuff, and Hawaii's cycle went down so that they were not doing so much. Then pretty soon, L.A. was at the top of the heap, so to speak, and it kind of rotated around.

For me, in the first decade of being around, that was our diversity. Our diversity that we had and what made us successful wasn't the product type we were building, because I think we were pretty much building the same product type everywhere, but it was the fact that we were located in three geographical areas and that each area would hit the economic cycle at a different period of time. But we were greatly influenced by the country's economic cycle, which construction is.

Adamson: I read several articles on how Pankow people innovated on the jobsite. Can you give us an example in your experience about innovation on the jobsite, how that happens, and what that means?

Walterhouse: Jobsite innovation is—I mean, when we were project engineers, project supes, I mean, we always had the ability or were always challenged with coming up with a new mousetrap or a new way of doing something, and I think it was always Pankow's philosophy from day one, I mean, through the systems that we put together, it was trying to—if you could use a piece of formwork for two purposes instead of one, aren't you better off? So, you know, through the years, the Pankow building system of using architectural precast elements on the outside of the building, but those architectural precast elements doubled as column forms for the exterior columns, they also formed the beam pockets for the exterior perimeter beams, that was an example of using a precast

wall panel that usually just hangs on the building for decoration, but using it for dual purpose or multi purposes.

When I was coming through the ranks, a lot of our innovation had to do with precast concrete, and I was on quite a few parking garages. How you poured precast columns, you know, we poured them flat on the ground, and then we stood them up and put them in basically a socket. On one particular job, we had seventy-five-foot-tall columns, like a tree of concrete columns just standing up with nothing on them that would always look real funny. But our innovation was how you poured that, how you picked it or erected it, different pick points, how to do it better, more efficient. You know, that's kind of the innovation we got involved in, at least in my period of time coming up, finding a better way of doing these precast elements for us and always kind of keeping in mind that if you could find dual or multiple uses for one for something, that was a big deal. I mean, I was aware of that, you know, as an engineer coming through the ranks.

Adamson: Were you aware of what other people were doing on other projects pretty quickly?

Walterhouse: Other Pankow projects?

Adamson: Other Pankow projects and other offices and stuff that had done something, was that communicated?

Walterhouse: Was it communicated quickly?

Adamson: Across the company?

Walterhouse: Usually. I mean, that was, to me, what our annual meeting was all about in the past—I mean, once a year the entire company would get together, and at that meeting people would give presentations. They'd give presentations on their projects, their precasts, and that was where you really shared your lessons learned or your ideas with the company, and people took great pride standing up in front of the room and sharing, you know, these ideas or what they did. Yes, I mean, that was the forum for the interchange or exchange of ideas. The company was smaller in those days, but that was really—I think everyone looked forward to the annual meeting and the opportunity to stand up in front of the group and talk about what you had done on your job, and everyone's proud to really talk about what they had accomplished.

Adamson: That's great. And innovation before you get to the jobsite, in the design process working with the developer and architect?

Walterhouse: Yes.

Adamson: What does Pankow—

Walterhouse: Our real innovation in preconstruction, if you want to call it that, is really in the design/build approach to doing a project, you know. It's the approach where we tell the owner, "We want to be in control. We'll manage the architect and the engineers for you. We're not going to do the work, but we'll manage them as your single source of responsibility. We'll make sure that there's no holes, no gaps in the contract documents."

I think our real innovation was—well, two aspects. One was at the time others weren't doing that, and that means, I mean, we were really hands-on. I mean, that was a real hands-on approach to actively managing the architect and engineer, and as such, really, as project sponsors and stuff, we were expected to know more. We were expected to know more about not only our job, but more about the architect's job, more about the structural engineer's job, than they did. That was our job as managers of the whole process, is to learn more about their job and know more about it than they did.

I think from that aspect, we all became very, very well rounded and schooled in all aspects of the building process and could really walk the walk and talk the talk, not only in construction but also in architectural design and structural design. Of course, we also brought to the structural engineers different ideas on how to build buildings. If we saw them doing a design that we thought was not necessarily cost-efficient or maybe something that we didn't like, I mean, we could direct them, because they were working for us, to take it in a different way. So then we brought some innovative ideas to the structural engineering community, I think.

Adamson: Does the diversity or the varied types of projects that Pankow's done, is that a result of just being willing to apply techniques in a situation or is it more of a business

model to try to do different things in that way, as Dean put it in one of the company newsletters, enhance our innovative construction techniques?³ Was there a method of going about trying to get certain projects or being diverse?

Walterhouse: You know, I really don't—for me, the diversification really kind of strategy or stuff wasn't really a topic of discussion until the mid-nineties. Up until the mid-nineties, I think we pretty much built—I mean, we were in the commercial construction industry. We built parking garages, office buildings, hotels. We were known for our shopping mall renovation work that we did. Of course, the shopping mall renovation work was completely different from our concrete parking structure projects and we were able to take some of the techniques and our management tools and do the renovation part. But primarily up, I would say, through the mid-nineties, again, we were in the commercial segment and we were in three regions and that was our diversity. I mean, we would not operate in the public sector. We would not bid work. I mean, we were pretty rigid on our rules of engagement on what type projects we would do.

Adamson: Let's reenter your career path in the 1990s with a focus on the special projects. As Dean Stephan tells it, special projects was basically something that started out as a tenant finish group in San Francisco which he said had not produced, quote, "any work for a number of years." I'm not sure of the exact dating of this, but somewhere in the nineties. Then so as he went on, in his interview, Rik Kunnath hired Wally Naylor, who got it started, and from there it expanded to the other offices. As Dean tells it, it was

³ Dean Stephan, "Working with 'The Best,'" *CPI News* 2 (Spring 1984).

rammed down his throat in Altadena because at the time he was chockablock with shell and core work.

But then in 1995 or '96, Dean approached Charlie with the idea of carving out special projects as a separate company and at that point recommended that you be put in charge of it. Is this a good summary so far, or do you have a—basically, you can retell that from your point of view and then pick up from '95, '96—

Walterhouse: Yes, I think that's fairly accurate. You know, I mean, again, in the mid-nineties, say '92, '93, that was a period of time where the San Francisco office did not have a lot of work. We were the down office. There were not a lot of tower cranes in San Francisco. In fact, there weren't any. So to keep busy and pay the bills, most contractors started doing small projects. Those small projects were tenant improvement jobs in San Francisco. That was the only work that was available in San Francisco, and we recognized that.

I think Rik at the time was the area manager for the San Francisco office, and we also recognized, or at least Rik did, that we weren't very good at TI [tenant improvement] work. We were good at building buildings. So Rik went out and hired Wally Naylor, and I think he hired Wally in 1993, either late '93 or early '94, and with the primary focus of going out and getting some TI work and then get the work and run the work.⁴ “Wally, you're the expert. Go get the work and run the work.” And Wally was hired as a project sponsor.

At that time, I'm sure Dean had no interest in TI work, because in southern California they were busy. They wanted no, no part of small project work. They thought

⁴ Wally Naylor was hired in November 1991.

anybody that did small project work was probably nuts, because they were busy. They didn't need it to fill their coffers. We needed it because we had no big work. You know, throughout the company there was a friendly competition from northern California to southern California to Hawaii, who had the most work, and that kind of stuff. So, yes, Dean's comments are probably true where he didn't want any part of TI work because he didn't need it to fill, to do for southern California. But we needed it in northern California. So Wally started doing TI work, and Wally showed the ability to get work and run work and make a little bit of money along the way.

A year or so later, I mean, probably I don't know if it was a year after hiring Wally, Rik hired another gentleman, Larry Malone, who had medical experience, and Pankow had never done medical work prior to that time. His direction to Larry was, "Hey, I want you to get small medical work, go out and get it and run it. Get it and run it." He was able to get work, run work, and also show some ability to make some money.

So he had Wally as a sponsor doing small TI work. He had Larry as a project sponsor doing small medical work. I was a project sponsor in the office in San Francisco doing nothing, because we didn't have big work at the time, chasing work. There was a decision made, whether it came from Dean, Charlie, Rik or whomever, that, you know, "These guys have shown some ability to do something here, but they need structure. They need oversight. They need somebody to kind of tie the ribbon around this package. I think if we do that, maybe we can make this group grow and honestly become more part of Pankow."

Rik was really, I think, one of the primary driving factors. I mean, this was a way to diversify away from the geographic diversification and really for the first time

diversify by a product type, you know, go into small project work. They came to me and said, “Dick, we’d like you to be the general manager of the group.”

I remember my first reaction was, “Say what? I don’t do small project work. I’m a big project guy. I don’t know anything about small project work. Why do you want me to do that?” And I really did feel at the time that I was one of Pankow’s top project sponsors, and it was like, “Why do you want to take me away from doing big project work and put me in charge of doing this small stuff?” And there was kind of probably a general attitude across the company that we were wasting our time doing small project work, that wasn’t what we were all about and so on and so forth. I’m sure that attitude was—I know it existed in southern California, but it kind of was a general thing that, “Okay, we’ll do the small project work, but it’s just kind of a temporary thing until the economy turns around and big projects start developing again.”

So Dean came to me and said, “We want you to do this,” and he said, “It’s your group.” I remember his words, “It’s your group. You can do anything you want with them. You can close offices, you can open offices. You can go to North Dakota,” I think he said, “and open an office. You can do whatever you want with the group. It’s your baby and run with it,” you know. At the time, I think they gave me the title of general manager of special projects group, and at that time special projects was just a group operating within the construction company called Charles Pankow Builders.

So Wally reported directly to me. Larry reported directly to me. They had started a kind of a similar process in Hawaii where some guys were dabbling in small project work, and so that those guys kind of started under my umbrella. So it was my job to kind of blend them together, see what I could do as far as if I gave these guys some structure,

could we make this grow. But there was always this overriding guideline that Dean or Charlie gave me, and that was, it all had to be done consistent with the Pankow culture and philosophy, our approach to work. “Dick, you’ve been here, you know—in ’95—you’ve been here fifteen years, you know what we’re all about. We want you to do this.” Because primarily they did not want small project work to get in trouble and drag the company down somehow. In reality, I don’t think small project work could get in enough trouble to drag a big company down. It’s probably the other way around. The big company could, you know, if they had a problem, it would. But they were concerned about special projects doing something that would harm Pankow’s reputation that had been built over the first, you know, thirty years of the company or something like that and said, “So, Dick, it’s important that this group, this group of kind of renegades—,” because this is the first time that people had been hired at manager positions from—this is the first time that Pankow ever hired someone from other companies. Wally came to us from another company, you know. Larry came to us from another company. They’re used to doing ways the other way, you know. Wally came from Swinerton, Larry came from Poso. That was a different culture. They brought a superintendent or two with them who came from other companies. So now we had guys from various cultures coming into Pankow and we had one culture and philosophy. And, boy, so really the hardest thing I really had to do was blend these existing ways that these guys had learned in the cultures from their companies into our way of doing things. Certainly along the way, too, I discovered very quickly that not necessarily all of Pankow’s culture or philosophical ways of doing business was applicable to small project work. And I think Dean and Charlie and Rik kind of realized that, too, deep down, and they gave me the

leeway to kind of pick and choose and mold the special projects group the way I thought it had to be molded to be successful in small projects work, but being consistent, in the most part, with the overall views of the company.

And the group took off. Wally's little operation that started off doing a million dollars a year, went to five million a year, went to ten million dollars a year. Larry went from a couple million to five to ten. Hawaii, I started developing a little bit. I went over there and put a guy in charge over there, and the group started having some success, and having some success at a period of time where we were not having a lot of success on bigger project work.

And the group became successful enough that we went from the initial operation kind of model where, I mean, we were just sponsors working within Charles Pankow Builders, where we went to a separate division. We got our own name, Pankow Special Projects, you know, a division of Charles Pankow Builders [CBPL]. The next thing you know is that division became a separate licensed general contractor, which we did in 1996, I think we became a separate contractor. Then not only did we become a separate licensed general contractor, we later became a separate corporation. And as we became more and more successful, we went from just part of the CPBL group to a division, to a separate licensed GC [general contractor], to a separate licensed corporation, and all that was really as a result of the success the group had as we went from maybe a couple million dollars worth of work a year to a hundred-million-dollar-a-year operation.

Adamson: But were the overheads in terms of getting the work about the same as in the bigger projects?

Walterhouse: No, totally different, totally different. I mean, in the big project world, a project could take a year, five years to develop, and then once it gets developed, then it could take two years to build. In the special projects world, I mean, some people in the beginning called it the fast response group or the fast hitting group. I mean, I never could tell you today what I was going to be building three months from now. Guys would come up to me and say, "How much work are you going to do at the end of the year?" You know, I'd throw out a number, but honestly, I'd have no clue if we were going to meet that number or not because the projects weren't there yet. They weren't lined up yet, so, I mean, what you were building the first of the year and during the first of the year, you really didn't know what you were building the last half of the year because these things came through the door. They came through the door and within two months you had them signed up and then you were building them.

I mean, so it was a totally different way of acquiring business from the big building group, and, again, fortunately, over the years I was able to predict accurately, you know, where we would end up at the end of the year. I mean, Wally was a great example. In March, Wally and I would get together and say, "I think we're going to do 20 million dollars worth of work this year." But by March we had only done three, and we probably had only identified work that would get us ten. So it was like where's the other ten coming from? And somehow or another it always would come through the door.

But we went from, again, like I said, from my perspective, my title changed along the way as we went from divisions to corporations and stuff like that, where at the

beginning I was the general manager of the group, which later on I became the president of the group. You know, from the beginnings in 1995 where I kind of said, “What in the heck do you guys want me to do this?” to today, to 2008, where [role] in special projects has now stopped, I mean, it was certainly the best career thing that could ever have happened to me, because literally from 1995 to 2008 I was running my own construction company. I could do whatever I wanted within the overall guidelines that were established, but I was running my own group. We went from I don’t know how many, you know, from beginning of five or six employees up to eighty employees, and I was responsible for hiring all their employees. It was my group from ’95 on to through 2007.

Adamson: I don’t want to sound naïve, but does design/build apply to this type of work?

Walterhouse: We were able to apply it to some of our work. Certainly it did not exist in the small project world before we started doing it. But we have done design/build where the architects work with us. Although it wasn’t technically design/build, some of it really took the aspects of design/build and applied it to our work where, I mean, Wally worked with a number of building owners in San Francisco where they would come to Wally and say, “Hey, we have a tenant that wants to move into the fifteenth floor of our building. How much do you think it’s going to cost to get them in?” There were no plans. I mean, people were drawing on a napkin, and Wally would give the building owner, the client, a number, you know, “I think we can do it for X.”

Well, then they would take the number back to the tenant and negotiate a tenant deal. They would negotiate their deal and come back to Wally and say, “Okay, Wally, I did this deal. Now you’ve got to build this job for X.”

So then Wally would then get the architect, the engineer, put the project together, all working, knowing that we had to deliver it for X, whatever the number was. So I mean, that is design/build, you know, having a set goal and then having to deliver the project for that goal, and we couldn’t go over. I mean, if we missed, then the client, the building owner, was going to lose money because he negotiated this deal with the tenant based on what Wally had told him without plans or without any specs. But that was Wally. Wally was able to do that because of his superior knowledge of the TI business in San Francisco.

So, yes, there was a definite aspect of design/build that applied to a lot of what special projects did and kind of separated us out from the small guys or what we kind of called the pickup truck guys. But we were a big company. I mean we were operating in the small project arena, but we had the resources and the backing of a big company and some big company approaches, which I think was new and really welcomed by the business owners, because the building owners were just used to dealing with pickup truck guys who were like home builders who were—not that they don’t get the job done, but they don’t pay attention to detail. They’re not as reliable. It gets done when it gets done. In our approach, we came in with schedules and like clockwork and with a professional approach to small project work.

Adamson: Is there an equivalency between adaptive reuse and tenant improvement, or are those two different concepts? I know Renate gave me a spreadsheet of adaptive reuse projects, and I'm just wondering if that is the same as special projects and tenant improvement, just to get my terms straight before I ask the next question.

Walterhouse: I would say no. Tenant improvement work, to me, is you have an office building like we're in here, twenty-story office building, and somebody wants to build out space on the fifth floor. That's called tenant improvement work, where you go into the fifth floor and these floors are 25,000 square feet. Somebody may want to do a 12,000-square-foot office. You go in and you gut what's there and you rebuild a 12,000-square-foot space. That's not adaptive reuse.

To me, what adaptive reuse is is where you have a—I don't know, let's just say a brick warehouse south of Market in San Francisco that no longer is a warehouse, that's been empty for ten years, twenty years, and somebody comes along and buys the warehouse and renovates the warehouse into lofts, you know, live/work spaces. You're taking a space that was a warehouse space and you're converting it to office space or residential space or something like that.

Now, that kind of work, does the special projects group do that kind of work? Have we done that kind of work? Yes. And really what has happened in the beginnings of the special projects work group, I mean, some folks called us a TI office. But it wasn't too far down the road, two or three years, where we weren't a TI group, we were a small projects group who did TI work. We did medical work. We did seismic renovation work. We did new construction work. We were building some homes. I mean, we did

all kinds of small project work. It wasn't just TI work. Yet for a number of years, probably even five, ten years, even within Pankow some folks would call us the TI division, but we weren't. We were much, much more than a TI division.

Adamson: So my question was, or is, is there a link between special projects, whether it's adaptive reuse or tenant improvement and historic preservation in the last, let's say, two decades where that has kind of gained momentum where there's a priority on saving the building instead of knocking it down?

Walterhouse: Well, I think, I mean, has there been? Yes. Again, is it a—

Adamson: Driving?

Walterhouse: It has not been a driving factor in Pankow Special Projects. We've done a little bit of that work. This building here was a historic building in Oakland that had been vacant for almost twenty years, that we got involved in, actually became quite a large project. We've done a few projects like that. It wasn't necessarily our business model to go after those things, but I mean, some of that work has come through our door, and we've done it. I mean, again, to do historic preservation work, it is kind of specialty item. There's state preservation codes. There's federal preservation codes, as well as normal building codes, and you've got to be pretty smart at all three of them, kind of, because they all kind of tie together when you're building a project such as the Rotunda Building here. All three building groups, of course, have their own agenda, too.

Adamson: Right. The website currently states that repeat business comprises the vast majority of Pankow projects. Is or has this been the case for special projects as well, or is that a different animal in terms of getting repeat business?

Walterhouse: No. Special projects has enjoyed repeat business. We hope that all our projects are repeat business. Maybe I should say that another way. We hope that when we do a project, it's not the one and only project we're going to do with that client. It's certainly our desire and goal that once we do a project for a client, he'll like us well enough that when he has another project, he'll call us up and we'll do that one. I mean, I think our business model really discourages our project managers or group managers from going after a project that we think is just a one-off, which means we're just working with a client once and then that's it, unless I guess there's superior fees involved in them, then I guess you would want to do a one-off, but usually there are not.

Adamson: One more question specific to special projects. The Eastern Columbia Building [at 849 S. Broadway], which I'm familiar with from some of the research I'm doing and I actually was in L.A. and walked past it—should have had a Pankow person with me to let me see if I could get in and have a look inside. But it struck me as a project that was one that would have been done by special projects, but Renate told me that this was done by the CPBL people rather than the special projects people. So what determines the division of labor here?

Walterhouse: One of the ongoing questions, debates, if you want to call it that, is the definition of a special project and what determines whether the special projects group is going to do the job or the base building group, and that question has probably been on the table from the beginning of the special projects group. The answer to that question has probably changed over the course of time. When we first started out, the special projects, we kind of gave it a definition of it's usually a renovation project, it's usually a project in an occupied building, and it's usually a project that's under five million dollars in costs.

Then that five million kind of grew to ten million and even maybe even grew to fifteen million as some of our projects got a little bigger. What kept constant through the whole project, though, and was kind of the underlying kind of really guidelines for what makes the project special projects versus a base building job was the operating model of the special projects group is different from the operating model of the—and our operating model has one person in the office, a project manager, and one person in the field, a project superintendent. They build the job. It's a two-man project, as opposed to a large construction project where you will have usually one person in the office, the sponsor, but the field staff is usually made up of a project superintendent, a field “supe,” a project engineer, two or three engineers. So the field staff is like five or six people. So really as time has gone on, the real definition, the difference between a special project and a base building job is, one, is it a job that can be built with kind of the two-man staff? Two, it's normally in an existing building, whether occupied or non-occupied, and normally it's under 10 million dollars in project value. I think we've dropped the dollar value now in our latest definition. But what has been there from day one has been the operating model. I mean, can it get built under the operating model of kind of two-man staff versus the

operating model of a big project? What controls do you need to properly manage your risk? Do you need the big staff, or can you do it with the little staff? If you can do it with the little staff, it's a special project job. Eastern Columbia, but, no, that's a big project, needs a big staff. It's a CPBL job.

Adamson: You mentioned earlier about how different offices had different cycles of work and that it never seemed that all three were chockablock full, I guess, as Dean puts it, at the same time, but now recently at least, in the last few years, there seems to be an abundance of work in all of the groups in all of the locations. Is that an accurate—

Walterhouse: Well, we've certainly been in pretty good economic times up until recently, and the last couple years, yes, all of the offices have been functioning on all cylinders, you know. From 2000 and 2005, the Hawaii office did not have a lot of work on the big building side, but all of the offices have been doing quite well, including special projects in all the offices.

You know, special projects from, I think as we were growing from '95 to 2000, in about 2000 is when we about hit the 100-million-dollar mark, you know, and in the early 2000, so from 2000 to 2005, I mean, I think that's the time period where we probably still had some folks within the company who were against Pankow doing small project work, but it was during that period of time where there was not a lot of big building work going on, where special projects was contributing a significant amount to the bottom line of the company, where I think the concept of Pankow doing special project work won over everybody in the company, and we had a significant impact on the company from 2000 to

2005, because there were not a lot of big building work going on in that period of time for Pankow. 2005, '06, '07 is when our big building group picked up, and up until now, both groups have been operating on all cylinders, so to speak.

As we go forward in 2008, you know, '09, '10, I mean, who knows where the economy goes, and who knows what the impact of special projects or the big building group will be. But again, I mean, I think the concept of Pankow having a special projects group, it's a vital part of our overall corporate business strategy now. I mean, without it, I don't think the company would exist.

Adamson: I think that confirms one of Dean's statements.

Walterhouse: Yes.

Adamson: Since you gave me this sheet, I have one more question. What do you do as chief risk officer? What is risk? I mean, in terms of risk, what is that?

Walterhouse: My active involvement in the day-to-day activities of the special projects group basically ceased at the end of 2007. Okay. Throughout the latter part of 2007, Rik and I talked quite a bit about the fact, I mean—in the areas of safety, insurance, legal issues and contract issues, Pankow had three operating divisions: the big building group, the special projects group, and Mid-State Precast. There needed to be someone, some glue that kind of held those divisions together that made sure that one group wasn't doing something that would adversely affect the other group, that we had consistent policies

when it came to these issues. We had people that were working on insurance, we had people that were working on legal issues, but they hadn't been around Pankow for thirty years. They didn't understand what our culture, what our approach would be, and Rik felt like, I mean, we were in dire need of somebody to really hold this stuff together.

Throughout from about 2004 to 2008, I really developed kind of as the leader of our safety initiatives at Pankow. I mean, that was something that became important to me, and I kind of led the charge. Rik asked me if I would step away from being the president of PSPL [Pankow Special Projects] and would take on the job of—we would create a new job called the chief risk officer. It was basically a position that I would oversee, again, our legal department, our insurance department, our safety department, soon to be our quality department. I would oversee all contracts that the company would enter into and just kind of again be the ribbon that would hold all that stuff together for all three operating divisions, not just one of them. So that became my full-time job in January of 2008.

Adamson: I have one question before we get to Charlie. What is your favorite Pankow building? Doesn't necessarily have to be one you worked on, but just architecturally, visually, esthetically, technologically, whatever reason. Which one—

Walterhouse: That's a hard question. I mean, there's two. Certainly I'm very proud of the Rotunda Building, because, I mean, not only it is just a marvelous building, it was a very difficult job to perform. I have a long family history in that building, so that's probably my—if I could paint a story of my favorite Pankow project, it would be that,

and I could probably talk for hours on what that story would be, because, I mean, there is a story to it.

I think visually speaking, it's on a lot of our brochures, I think the Waikiki Landmark job is just a fabulous project from a photographic aspect because its twin towers that are connected on like the 34th floor with a bridge, and I think it was with technology a real challenge to build. And today takes just an absolutely super picture. Yes. I think it's a marvelous job from that aspect.

Adamson: So when did you meet Charlie Pankow? Was it in the interview process?

Walterhouse: No, I did not meet Charlie during the interview process. Well, the initial interview was done by Dean Stephan in Buffalo. They then did fly me out to California after the end of my baseball season, and I remember going to—I went to a football game, a Purdue-UCLA football game, in the L.A. Coliseum. Prior to the football game, I went to a luncheon at Russ' house, Russ Osterman's house, and after the football game, I went to a dinner at Charlie's house and I met Charlie, of course, at that dinner.

Adamson: At the dinner?

Walterhouse: Yes, and that was prior to me accepting the job offer. Of course, as a young fellow coming out to California, never been to California, that was quite an eye-opening experience, because both Russ and Charlie both lived in beautiful homes in southern California. They were great to see, and I was like, "Okay, I could live like this

someday,” you know. So I did meet Charlie when I came to California as part of the job offer.

Adamson: What were your first impressions of Charlie at that meeting?

Walterhouse: You know, honestly, I don’t remember my first impression of Charlie as much as I remember being overwhelmed by both Charlie’s house and Russ’ house.

Adamson: The houses?

Walterhouse: Yes.

Adamson: What traits do you think made Charlie a successful builder and businessman?

Walterhouse: Well, you know, I certainly over the years got to know Charlie a lot better, and Charlie was not the most outgoing person in the world. In fact, I think he really kind of kept to himself on a lot of things, and it was kind of almost like after the fact where you came to appreciate how smart he really was, how innovative he was in his thinking, why he did things the way he did. At the time, he never explained himself on why we were doing things, but afterwards, where I became involved in special projects, even after his death, then you kind of said, “Well, yes, now I figure out—now I know why he was doing things the way he did them.”

I think he was very smart. He was certainly ahead of his time. I mean, he certainly—the aspect of design/build, whether or not you want to call it design/build or what you want to call it, Charlie had this concept that he wanted to be the master builder, the way the pyramids were built. He wanted folks to come to his company, and he wanted to control the entire building process. He wanted to control the architects, he wanted to control the engineers, he wanted to build the buildings, he wanted to control the thing, and he felt buildings should get built the same way that cars and refrigerators are built; they're built by one company. They're not built by—someone doesn't design the car, somebody else do this and somebody else. Within GM they design and build the car, but they're not different companies doing it. And he felt buildings should be built the same way, and I think this master builder concept was really what he was all about, wanting to be the master builder and wanting to control the process.

I got to know Charlie. I was fortunate in my career development, and I was fortunate in the fact, I think, Charlie got to know me better than he may have got to know some other folks in Pankow because of some things that kind of happened. My first involvement really working with Charlie was just by accident, and I was the project engineer on this building right here. I think it was in 1985, '84 or '85. Charlie called the jobsite one day in a panic. I say “panic,” but he was all upset that this outfit was replacing his driveway at his house in San Francisco, and he thought they were goofing it up, to put it mildly. He asked for our superintendent, who happened to be away at a meeting, a superintendent meeting. Then he asked for our project sponsor, who happened to be at the same meeting. I happened to answer the phone when he called. He said,

“Dick, somebody has to come over here right away and deal with this.” So he said to me, “Can you come over here?”

Well, it’s like I’ve never dealt with the man. So I said, “Yeah, sure, Mr. Pankow, I’ll be right over.” So I drove over to the house. Now, as luck would have it, I worked for my dad for ten years doing concrete driveways. I know how to pour concrete. I know everything about a concrete driveway. So I went over there and right away started redirecting the guys, you know, addressing Charlie’s concerns. I had them doing things differently than how they were laying it out. They poured the driveway and, fortunately for me, what I had done was successful. Charlie was concerned that the water and the way they had this would all flow into his garage. Fortunately, at the end of the day, it all worked. The water didn’t flow in his garage. Charlie—I mean, I was able to address his concerns, and he was happy.

From that point forward, for about, I want to say, I don’t know if it was two, three years, maybe it could have been a little longer than that, whenever Charlie had a home improvement project at his house at 3800 Washington Street, I got the call to go over and do it. And he was not an easy man to deal with on some of the home improvement projects, but I got to work with him directly on these home improvement projects, and fortunately got most of them done to his satisfaction, you know, didn’t goof up. [laughs] So he got to know me a little bit and I got to know him, you know, and he certainly, I think, got exposed to the fact that when I’m given a job or an assignment, I mean, I get it done.

After a period of time, those home improvement projects were—at first they were fun. After a period of time, I didn’t want to get those calls anymore because they were

taking away from my day job, so to speak. Then, fortunately, then after a while, when Judy Vawter left working for Pankow and worked directly for Charlie and became the curator of the house, Judy got the assignment of doing those projects, and I kind of went away. But I really attribute some of my success at Pankow to the fact that I got to know Charlie through doing those home improvement projects at his house, and I can probably cite, you know, at least a dozen projects I did.

Then, eventually, Pankow Special Projects did a big job where we totally gutted, renovated the carriage house, which is 3810 [Washington St.], which is the visitor house next door. We almost totally tore it down and redid it. Charlie was there like every day working with our superintendents and everybody. I mean, it was a big deal doing the carriage house. I mean, I really got to know Charlie through that period of time, and I think he respected my abilities. I think he had confidence that I knew what I was doing in special projects, and he wasn't as involved in special projects. Charlie was really involved in everything we did from a base building perspective. He was not as involved in special projects. In fact, people sometimes, I believe, were a little bit jealous that he wasn't, that he wasn't attacking me—"attacking" is not the right word. But he wasn't as involved in what I did as he was in their what he did and what they were doing.

It's like, "Dick, why doesn't Charlie—you really enjoy the benefit of Charlie not even worrying about what he did," because all Charlie—you know, it was almost like as long as I was putting money to the bottom line, he was happy. He didn't care. He was more worried about the concrete stuff. But I think there's an aspect of that that, yes, I think he did care, but I also think he knew through my workings with him at his house and stuff that I think he felt really comfortable that I knew what I was doing, I had the

company's best interest in heart, I knew what our culture and philosophy was, and I'm thinking he felt that I wouldn't get him in trouble, you know, and that, "Dick, he's okay. He's all right. He knows what he's doing."

Adamson: A September of 2003 article in the *Los Angeles Business Journal* stated that Pankow Builders, quote, "Offered small company intimacy and large company capacity," unquote.⁵ In your opinion, was this what Charlie intended? Was this how the firm's culture evolved? How did it get to that point where in 2003 you could still make that statement?

Walterhouse: I think up until fairly recently, I mean, I think up until maybe when I say "recently," I think maybe even 2007, we were a relatively small company, I mean, employee-wise, 100, 150 employees, masquerading as a large construction company. We were not a large construction company, but we had the financial strength and technical knowledge to build large construction projects that large construction companies built, and we participated and competed in that arena. So people perceived us to be a large construction company, but we were not a large construction company. In fact, I would classify us as a small construction company.

I know on the culture CD, I took a lot of pride in saying, "Yeah, we have a small company atmosphere operating within a big company." There weren't a lot of layers of management. We used to say about special projects, too, but the fact of the matter is you probably only had, between you and the president, there may have only been one or two

⁵ "Charles Pankow Builders Ltd.: Celebrating 40 Years of Building Excellence," *Los Angeles Business Journal*, 29 September 2003, S7.

direct reports. I mean, there were not a lot of layers of management, so we really did have this family small-company atmosphere.

After Charlie's death—and I don't think Charlie's death had anything to do about it—I mean, we have significantly grown over the last few years to the point where we are no longer a small company masquerading as a big company. We are now a midsize company who can masquerade as a big company, but we now have 280 employees. We now have a volume of 500 million dollars a year, approaching that, where before our volume was pretty constant at 150, 200 million a year. We have made a transition from kind of that small side, small and medium, to now medium to large. I'm not saying we're a large company with 500 employees. Could we do a 600-million-dollar job? Yes, we could do a 600-million-dollar job if we wanted to. It would take a lot of our resources. We had the technical knowledge.

So I think that that statement in 2003 was very accurate and very true. We also had to make a statement that we had the best and brightest people working at Pankow, and I always used to say, "Yeah, we do with a hundred folks what another construction company does with three hundred folks." It's just, why? We just have better, brighter people, work harder, can get more accomplished, and we were just more efficient and technically more savvy, and that's why that statement could have been made.

I don't make that statement anymore, though, because like I told you, those are really a real transition to a bigger-size company. I mean, the company never had a chief risk officer. We do now. We never had a senior VP of HR. We do now. We never had an IT department. We do now. We have an IT department with a million-dollar budget. I mean, those kinds of things big companies have. Small companies don't have.

Adamson: What I hear from at least reading and the interviews I've done so far is that in many ways Charlie managerially was hands-off and let people run with projects, and at the same time, his imprint or his influence on the company's culture and the type of company it is seems to be validated by everyone. Could you comment on how to reconcile the fact that he was very hands-off and yet was able to influence the culture and the characteristics of the company?

Walterhouse: Well, I think Charlie over—I mean, he established very rigid guidelines or rules of engagement that the senior managers could use when going after a project. Sometimes as a senior manager you thought those rules of engagement were detrimental, I mean they were harming your ability to get work. But Charlie was very rigid. “No, this is what you—.”

You'd go back to him and say, “Hey, this guy wants us to do this.”

“No. Draw a line in the sand. This is the way we do it, and if he doesn't like it, we'll go find something else to do.” So he was real rigid in that and very strict, and that was his control, his way of doing things.

But once you got a project, yes, I think he was very hands-off. He knew his team could do the job. He was more worried about the contract and what it took. Once the job got built, he knew that his team could build the job. That's to me, you know—he was hands-off once the project started, but he was there every step of the way in the development to acquire the project, not necessarily in person but by the rules of engagement, so to speak, that he has established for people to follow, you know.

Charlie was—his heroes in the construction industry were the guys in the field, the superintendents. He loved the guys in the field. I mean, he would love to go to the field. He'd love to visit the superintendents. He'd love to talk to the superintendents. Those were his heroes. They were the guys that made it happen. They were the guys that built the buildings. All along he had a special fondness for the superintendent side of the business or the field operation side. Not that he didn't respect the office side and the senior managers and stuff, but he had a special fondness for the guys in the field, and I think that was his first love, was really the guys out in the field, and he showed it. I mean, he took care of the guys out in the field.

Adamson: Now, it's still unclear to me after several interviews to what extent and the timing of when Charlie sort of—I don't want to say retired, because no one said he actually retired, but my question goes to the transition, the leadership at the top of the firm, whether it was at some point before he died or since he died. How did that take place, and was this a difficult transition for the company to make?

Walterhouse: Well, I don't know. I mean, the very first transition that really took place, took place in 1984 where Charlie went from becoming more or less the single stockholder and owner of the company as far as when he established the partnership position and brought the employees into the ownership of the company. Certainly everybody that's here needs to be very thankful that he did it, because that's where he opened the company up to being an employee-owned company. Of course, since '84, the way that the employees have owned or participated in the profitability of the company

has been through a variety of sources, from the stock program to the unit program to the partnership program, you know, as laws have changed and stuff. I mean, that was pretty much the first kind of transition of Charlie giving the company kind of to the employees.

As far as the current leadership in the company and when Charlie passed away, I mean, he had started some transition or succession planning, although definitive decisions were not made, and I think he probably had two or three succession plans in place, and some of them different from each other. When he did pass away, I mean, it wasn't totally—it wasn't one plan on paper, "This is what's happening." There were several plans that had been developed that we could have gone down, and he really never implemented just one or any of them. So there was a period of time shortly after his death where we had to figure things out, you know, and figure out who was going to be in charge, how's this working, who's doing what, when, how.

I think really what happened then is you had a group of three individuals—myself, Rik Kunnath, and Tom Verti—who were kind of, I would say, the primary group, but then later joined by Kim Lum, Joe Sanders, and Kim Petersen. I mean, the six of us really became the general partners of the company and basically the stockholders in Pankow Corp. Where Charlie was the sole stockholder in the company, and although the company was owned by individuals, Charlie was the managing general partner. I kind of commonly referred to him, he was the Al Davis of his company, because most people are familiar with the Oakland Raiders and they always hear about Al Davis being the managing general partner. Well, Al Davis doesn't own the Raiders. The Raiders are owned by a group of folks. But Al Davis has the ability to be the single person making the decisions. That was Charlie in our company.

After he passed away, the person making decisions wasn't one, it was a group, a group of six. From what I had read, like at Charles Schwab or other companies where the founder passes away, I mean, no one individual usually is as great as the founder. One person can't take usually the place of a founder who was a great a man as Charlie was and as influential, so it takes a group to replace him, and I think that's what we did. I was very happy with what we did, how we did it, and that structure is in place today where there's six general partners, or there's three what I call majority partners and three minority partners, and the group works together pretty well. I hope as we go forward, that that kind of setup continues.

Adamson: What is the best way of understanding Charlie's and, by extension, the Pankow firm's contributions to the building industry just from a big-picture sense?

Walterhouse: The best way of understanding?

Adamson: Or to turn around, what is Pankow now known for more [unclear]?

Walterhouse: Well, I think we're probably known for two things. One, Pankow has always been known for being an innovator in concrete technology and concrete work. You know, Charlie Pankow was the president of the American Concrete Institute, and then later on Dean Stephan became president of the American Concrete Institute, and Dean was followed by Tom Verti. So we've had three individuals within our company that have been the national president of the American Concrete Institute. So I think when

you say “Pankow” out there, certainly “concrete” is one word that pops up in everybody’s head.

I think the other word that pops up is “design/build.” Charlie was very influential in the national kind of trend toward design/build, and Rik Kunnath, of course, was the first national chairman of the Design/Build Institute of America. I mean, we were part of the founding. We’re a founding member of the Design/Build Institute of America. And design/build then, of course, it certainly has spread across the country since the DBIA was organized.

So I think if you say “Pankow,” a lot of people in the industry, I think, two words that come up are “concrete,” “design/build.” Really think that’s where we’ve really influenced the construction industry. Now, I mean, there’s certainly a lot more than just that that we’ve influenced, but I think that’s really what the legacy that Charlie left in the industry, I mean, that’s how I would say it, concrete and design/build. Everybody here is very proud of the fact that every project we’ve ever signed up we’ve delivered on time. We haven’t had litigation issues like other contractors and stuff like that. I mean, everything’s been on budget on time. Everybody was proud of that track record. Nobody can say that. But I think that the two things, to answer your question, is concrete and design/build.

Adamson: I’ve reached the end of my questions. Is there anything you’d like to say, anything I’ve missed, anything that you’d like to bring up?

Walterhouse: No. I certainly have a great deal of respect for Charlie and what he did, forming this company in 1963, you know, branching away from Peter Kiewit. I don't know what he exactly mortgaged his house or whatever he did, you know. The first job was here in Oakland, MacArthur Broadway Center.

But I have a tremendous amount of respect for him, you know, and he treated me personally very well and gave me a lot of opportunities. The opportunity to run the special projects was, again, at the time, didn't seem like much of a—why do this? But he basically gave me an opportunity to run my own company within a bigger company, and it was just a tremendous opportunity. I think he was ahead of his time in a lot of his thinking, but you really didn't realize some of it at the time because he didn't share a lot of ideas with people. Openly, he wouldn't talk about a lot of stuff. He just kept a lot of things inside, and he just wouldn't share with you why he was doing things. In fact, you were almost afraid to ask him why. Later on, you can kind of figure out why he did something the way he did it, and then you'd say, "Wow, he was pretty smart," and I think he really was ahead of the curve on his thinking.

I always remember, of course, I mean, Charlie made a lot of money in construction and development. Being at his house at 3800 doing all those home improvement projects, you know, that was kind of an eye-opening experience, but there were certain things where Charlie always—I mean, at the house here at San Francisco, he always drove an old Pontiac or an old—there were certain things he didn't care about. He didn't care about what kind of car he drove. That was not important to him. What was important to him, I mean, the things that were very important to him, boy, he would have a single focus and they were really important, from how we built buildings, to the

quality of our buildings, to the artwork that he collected for his home. I mean, that stuff he had a real passion for. But things he didn't have a passion for, cars or things like that, he could care less. He'd drive around in an old clunker. He didn't care what anybody thought about his old clunker. The guy could have been driving around in a Rolls-Royce, but he's driving around in an old Buick that's ten years old, or Pontiac, you know. I kind of remember that side of him.

I'm certainly very fortunate to have known him for close to—worked for him for about twenty-five years, and now I'm close to—you know, next year will make my thirtieth year here, which just seems so mind-boggling that you could be in one spot for thirty years. Thirty years after I quit baseball, which was my first love, to take an off-season job, and I'm still here.

Adamson: That's great. I thank you for your time. This has been great.

Walterhouse: You're welcome.

[End of interview]