

Regional Oral History Office
The Bancroft Library

University of California
Berkeley, California

Raymond L. Watson
PLANNING AND DEVELOPING THE NEW TOWN OF IRVINE, CALIFORNIA, 1960-2003:
IRVINE COMPANY PRESIDENT, 1973-1977;
WALT DISNEY COMPANY CHAIRMAN, 1983-1984

An Interview Conducted by
Ann Lage
in 2003

Since 1954 the Regional Oral History Office has been interviewing leading participants in or well-placed witnesses to major events in the development of northern California, the West, and the nation. Oral history is a method of collecting historical information through tape-recorded interviews between a narrator with firsthand knowledge of historically significant events and a well-informed interviewer, with the goal of preserving substantive additions to the historical record. The tape recording is transcribed, lightly edited for continuity and clarity, and reviewed by the interviewee. The corrected manuscript is indexed, bound with photographs and illustrative materials, and placed in The Bancroft Library at the University of California, Berkeley, and in other research collections for scholarly use. Because it is primary material, oral history is not intended to present the final, verified, or complete narrative of events. It is a spoken account, offered by the interviewee in response to questioning, and as such it is reflective, partisan, deeply involved, and irreplaceable.

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Ray and Elsa Watson, 2002. Photo courtesy of Ray Watson.

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Interview History—Raymond L. Watson

The oral history with Ray Watson is an insider's account of the development of a place—Irvine, California, and surrounding communities—and a company—the Irvine Company. Watson joined the Irvine Company as a planner in 1960, just as it was about to implement plans to develop a new town on its 93,000 acres of ranchland in Orange County. He has taken part in or closely observed nearly every aspect of the growth and development of the new town of Irvine and the Irvine Company over the past forty-five years.

In 1960 the Irvine Ranch, which occupied more than one-fifth of Orange County on southern California's coastal plain, was a pastoral landscape under intense pressure for development from an explosively expanding greater Los Angeles to its north. The University of California had chosen the Irvine Ranch as the site of its ninth campus, and company leaders had agreed to develop a new town adjacent to the new campus. They engaged the visionary architect, William Pereira, to draw up a master plan. With Pereira as a guide, the company committed to a program of planned growth, determined to avoid the helter-skelter suburbanization that characterized many of its neighboring communities.

At this point, Ray Watson was lured from northern California to work for the Irvine Company. Although he had never been to Orange County, he quickly recognized what an unprecedented opportunity it was to take part in planning a new town in the midst of what was then the fastest growing county in the country. As chief planner, Watson embraced and implemented the commitment to community building; he also demonstrated an understanding of the business side of things, good management skills, and a knack for representing the company to community agencies, leaders and residents. He became executive vice president in 1966 and then president and CEO of the Irvine Company in 1973. When the company was sold in 1977, Watson resigned, rejoining Irvine Company as an active member of the board of directors in 1983, when Donald Bren became sole owner.

At the present time, 175,000 people live in the city of Irvine alone, and thousands more in the Irvine Company's planned communities in six other Orange County cities. More than 180,000 people are employed in 8500 companies in Irvine; of these, 55,000 work in Irvine Spectrum, the company's major business and technology center. Irvine Ranch Land Reserve permanently protects 50,000 acres as open space and nature preserves. The city of Irvine has won numerous awards for excellence in planning and design and is often called the most successful new town development in the United States. At the same time, Irvine development has faced criticism from some new urbanists, UCI professors, environmentalists, and residents concerned with issues such as traffic, sprawl, loss of farmland, and the political power of the Irvine Company. This oral history with Ray Watson documents the vision and processes guiding the dramatic transformation of Irvine Ranch properties since 1960, from the informed perspective of a man who has played a key role in events.

The idea for the oral history began with a recommendation from Michael Teitz, research director of the Public Policy Institute of California and former professor of architecture at UC Berkeley's College of Environmental Design. Teitz knew Watson through the PPIC connection (Watson was chairman of the board at the time) and had heard him talk compellingly of his Irvine experiences. Knowing of ROHO's many interviews on California land-use planning and architecture, Teitz suggested to us that we approach him about recording his oral history. We were interested from the perspective of University of California history as well. I had recently completed an extensive oral history with Jack Peltason, a founding vice chancellor of the Irvine campus and its chancellor in the 1980s and 1990s, and knew the importance of the Irvine Company to UCI.

We approached Ray Watson, who was interested in participating and in fact was working on writing up several chapters on the history of Irvine and the Irvine Company. With the idea that the oral history would

expand on his written materials and provide a more complete history than either mode alone, we began planning an extensive series of interviews.

Watson wanted the focus to be on the Irvine story, not on his personal history or solely on his role in events. To understand the planner who arrived at the Irvine Ranch in 1960, however, we began with personal background: his upbringing in his grandmother's Oakland rooming house, to which he traces his liberality of mind and his love of challenging received opinions; his education at UC Berkeley's School of Architecture, where his most influential course was one in city planning taught by Professor Jack Kent; and his early career in a Bay Area architect's office.

We then turned to the Irvine Ranch story with an in-depth, multi-session look at the history of the company, town, and gown: the interplay between planning ideas, the need to succeed as a business, and the desires of the home-buying public; interactions with community groups, residents, and public agencies at the local and state levels; the unique relationship between the Irvine Company and UC Irvine; the growing impact of environmental concerns and laws; and many other topics. In our last session, Watson discusses his role in the Walt Disney Company, as a member of the board beginning in 1974, and as chairman in 1983-1984. In this executive role he guided Disney through a management crisis (which ended with the hiring of Michael Eisner as CEO), averting a serious takeover attempt. We concluded with a brief discussion of PPIC, corporate governance, and some final reflections on family and career.

Six of the ten interview sessions, all recorded between January 28 and June 16, 2003, took place at Watson's home in the Irvine Company's first development, the village of Eastbluff in Newport Beach. Four sessions were conducted in Berkeley at the Bancroft Library, during Watson's trips to the Bay Area for PPIC meetings. In addition to these audiotaped sessions, on March 10, 2003, we met in Irvine for a day of videotaped visits to several Irvine locations with Ray Watson. Suzanne Riess, ROHO's arts and architecture interviewer, served as videographer. The videotape from that day will be placed in the Bancroft Library, along with the audiotapes of the entire oral history and other supporting materials.

The interview was transcribed and audit-edited in this office, and then sent to Ray Watson for his review. He checked the transcript for accuracy and was particularly concerned with clarity of language. His deeply felt commitment to communicating the vision behind the Irvine story, which is evident throughout the oral history, manifested itself as he reviewed his spoken words, and he rewrote a few passages and many sentences throughout to make his points clearer. The original transcript with Mr. Watson's changes penned in is available to researchers in the Bancroft Library. In the course of this project, Mr. Watson placed his personal papers in the UC Irvine library.

The Regional Oral History Office was established in 1954 to record the lives of persons who have contributed significantly to the history of California and the West. A major focus of the office since its inception has been environmental history: land use and natural resource management in the West, as shaped by government agencies, private owners, environmentalists, and agriculturists. The Regional Oral History Office is a division of The Bancroft Library and is under the direction of Richard Cándida Smith.

Ann Lage
Interviewer

September 2005

INTERVIEW WITH RAY WATSON

Interview 1: January 28, 2003 ##¹

1-00:00:05

Lage: Okay, now we're on, Ray. The first thing to do is give the date, January 28, 2003, and I am Ann Lage from the Bancroft Library recording with Ray Watson, just starting, so we're having this halting beginning. Okay, we're going to be talking about you in relation to the development of Irvine, the Irvine Company, and other things in your life, but we want to start with the beginning.

1-00:00:34

Watson: I think somewhere in there, you may want to fit in Disney.

1-00:00:37

Lage: Yes, Disney. But we'd like to just start with the basics.

1-00:00:44

Watson: Sure.

1-00:00:46

Lage: When and where were you born? Let's start with that, and then we'll go back to family and forward to youth.

1-00:00:51

Watson: I was born on October 4th, 1926, in Seattle, Washington. My mother was a Norwegian lady. Olive was her name, Olive Catherine Lorentzon. My father was Leslie Watson, Scotch-Irish. They met each other at the Presbyterian church, Woodland Park Presbyterian Church, in Seattle. Got married in 1924. My sister was born in 1925, on May 17, and I came along a year and five months later, in 1926.

1-00:01:35

Lage: You say your mother was a Norwegian lady. Was she born in Norway?

1-00:01:38

Watson: No, her parents were born in Norway. She was born in this country. She started out as a schoolteacher in the Seattle area, and she was raised by her mother's sister because her mother died when my mother was five. That's sort of the Norwegian side of the family, which I've enjoyed through the years, as well as the Watson side of the family.

1-00:02:01

Lage: And how did your father's family come west?

1-00:02:04

Watson: My father's mother and father were born in Canada. My grandmother [Nessy Ann Strain], who was the one who actually raised me, my father's mother, was born in a little island called Amherst Island, which is on Lake Ontario, which my wife and I visited just this year. It's an island that's the same size as Manhattan and has four hundred people living on it. And it was an island which I've now studied the history of, which was an immigrant island of Scotch and Irish people who came over and did tenant farming.

1. The ## symbol indicates that an new audio file has begun.

My paternal grandfather was born somewhere not too far away, but closer to Chicago and was Canadian, but their married life they spent in Chicago, and my father was born in Chicago.

1-00:02:55

Lage: So they immigrated to the U.S.

1-00:02:58

Watson: They immigrated to the United States. As a matter of fact, my grandmother was one of ten children, and half the children were born in the United States and half were born in Canada.

1-00:03:08

Lage: And did she get her citizenship when she came?

1-00:03:09

Watson: Never got her citizenship. As a matter of fact, during the Second World War, we had to take her down and register her each year. She never became a citizen.

1-00:03:19

Lage: Did she ever express an interest in doing so?

1-00:03:23

Watson: We never talked about it. She was a wonderful person. Life was difficult because this was the Depression years and then the war years, and her husband had died the year I was born, so there was no, I guess, motive to get citizenship or meaning in terms of everything else she had to do to get along with life.

They lived in Chicago, my father did, until the First World War, and somewhere around that time, I believe probably before the First World War broke out—I'm going to guess, from everything I have checked—that they moved to Seattle from Chicago in about 1915. And then they moved back to Chicago briefly, and my father went into the service. By the time he got out of the service about a year and a half or two years later, when the war ended, they were now back living in Seattle.

1-00:04:31

Lage: And what brought them to Seattle?

1-00:04:32

Watson: I don't know for sure, but I suspect it's because two of my grandmother's brothers lived in Seattle, and her husband had lost his job in Chicago, and they no longer could live the nice style of living they had, because he was a master car builder with the Pullman Railroad Company, which was a big company in Chicago.

1-00:04:54

Lage: A master car builder, you said?

1-00:04:56

Watson: Yes. He was the man in charge of building the railroad cars for the Pullman Company. As a result of his desire to have—he had come up with a design of a refrigerated car for fowl (chickens and so forth), and his boss, who was president of the company, wanted him to turn the design over to the company, and he decided that he wanted to keep it himself. So

he was fired from his company for doing that. He had invested some money with others in building a mock model of that car, and that car disappeared in the railroad yards of America, never to be seen again. They migrated to Seattle to try to start life over again. And that's where my father spent his years, probably late teen years and then from then on, until he moved to California.

1-00:05:48

Lage: I would think that kind of an occurrence would make quite an impression on the family.

1-00:05:52

Watson: It obviously did. I never heard the story of that until I was married and had two children and told my father that I was leaving a very good job I had as an architect with a firm, and where I was managing a firm in San Francisco and joining a company which to him seemed like a large company, called the Irvine Company, in Southern California, to build a new town on their 93,000 acres. He didn't focus on the great opportunity it was. He told me the story of his father being betrayed by what he called his "friend," the president of the company, and the circumstances of that. And it was sort of the style my father had, was my father would not tell me what to do, but he would give me stories. And that story basically, as I reflect back on it, was "don't become dependent upon a big corporation. You're an architect. You're a person who can take care of yourself and live your life that way, and look out."

1-00:06:52

Lage: So you weren't really told, as you grew up—it didn't really shape an attitude you might have towards big corporations.

1-00:07:01

Watson: He never spoke negatively about large corporations, but this was the circumstances—he obviously resented what had happened to his father.

1-00:07:09

Lage: Oh, I would think so.

1-00:07:11

Watson: Pullman was a very large company, but I never ever heard him tell the story prior to that. He never railed away about how terrible his father had been treated.

1-00:07:21

Lage: And your grandmother didn't tell you.

1-00:07:23

Watson: She never even told me the story. I didn't even know about it. But I reflect upon it every once in a while. I think part of my being raised in the circumstances under which I was raised made me always feel independent. I never felt dependent upon a corporation or anything. "If it don't work out, it don't work out. I'll take care of myself." Because they figured out how to take care of themselves under circumstances much more difficult than I've ever had to face.

1-00:07:50

Lage: Right. Tell me about some of that. I know your mother died when you were quite young.

1-00:07:55

Watson: My mother suddenly collapsed on my sister's third birthday, which would be in 1928, on May 17, which my sister turned three on that day. That happens to be also Norwegian Independence Day. Since they were Norwegian, that has some symbolism to it. My mother was taking pictures of my sister and I in the back yard. I don't remember this, but I have pictures. I have the date on the pictures. She walked into the house, held her forehead, and collapsed. Had a stroke.

1-00:08:38

Lage: So young!

1-00:08:39

Watson: Yes, she was thirty-three years old. The death certificate—she lived for three months in basically a coma. Now remember, these are the days without health insurance.

1-00:08:51

Lage: Oh, yes.

1-00:08:52

Watson: That probably burned up whatever money they had, because my father had just started a new business, building some houses. Anyway, she was in a coma for three months and died in August of 1928. A year later, less than a year later, the world economic crisis came on, of the Depression. My father had a nervous breakdown, couldn't work, couldn't find work. His mother came to raise us two children.

My grandmother, his mother, also had a brother who lived in Southern California, in Lynwood. I know we ended up coming down to Lynwood when I was very young and staying a very brief while, probably looking for work. She also had a sister—my grandmother had a sister, who was slightly younger than her, living in the Oakland area, so then we came up to Oakland to live. By that time, I am four and a half, five years old, just turned five years old.

1-00:10:01

Lage: You probably have some memories of that.

1-00:10:02

Watson: I do have memories of that, and I have memories that I didn't know that it was a decision, but suddenly my grandfather on my mother's side was coming down to take us back to Seattle. And as it turns out, in retrospect, my parents couldn't take care of us.

1-00:10:17

Lage: Your grandmother and father.

1-00:10:20

Watson: My grandmother and my father apparently couldn't take care of us. We were sort of like minstrels, moving from one little dinky apartment to another, looking for work. The memory I do have is my grandfather, Norwegian grandfather, was a seaman most of his life, and so he had booked passage on a liner, boat, and thought this was a great thrill for his grandson and his granddaughter to come to Seattle on this boat.

We got aboard the boat in Oakland, and argued with each other—I remember that—who got to sleep in the top bunk of that little room we had. I won. We weren't out of the harbor before I was seasick.

1-00:11:11

Lage: [laughs]

1-00:11:12

Watson: And my grandfather thought his little Norwegian grandson—it must be my mind, because I remember he kept saying, “It’s just in your mind you’re seasick.” Well, I’m a little five-year-old. It’s not in my mind. I’m sick.

1-00:11:23

Lage: Right.

1-00:11:24

Watson: So he takes me down into the little playroom they had on the boat and put me on a swing, swaying, and at the apex of the swing I let it go—

1-00:11:31

Lage: [laughs]

1-00:11:32

Watson: —and that was all I remember from that trip. It was a very miserable trip. But we ended up living, then, in Seattle with my great-aunt [Agnes Ryen], the one who had raised my mother, and my grandfather [John Lorentzon], at 7712 Greenwood Avenue, which is the northern edge of then the city limits of Seattle, where Eighty-fifth Street was the city limits, but on a very busy street. A streetcar and train ran on the tracks right in front of them.

My aunt ran a little dry goods store. That is, she was a seamstress, but in those days, nobody was having dresses made, so all she did was hemstitching, a little repair work on dresses. My grandfather told me once, when I asked how much money did Auntie make, he said, “She grossed fifty cents a day.”

1-00:12:16

Lage: Oh!

1-00:12:18

Watson: But it was a place to live.

1-00:12:20

Lage: And did your grandfather still work as a seaman?

1-00:12:22

Watson: No, by that time he was working for the steamship line, in the offices, as a janitor. But I do recall going with him on an evening after work one time. I would go from room to room as he cleaned out the spittoons and cleaned the offices and so forth, and if there happened to be an executive present, he would introduce me. And that executive would shake my hand, and there would always be a penny in his hand when I got it.

But anyway, where we lived was three rooms: two small bedrooms and a tiny kitchen, a wood stove, no hot water. It was in back of the store. So when you came in the front door of the store, there was a little bell that rang that let my aunt know there might be a customer there. My sister and I, when we would go out to play, through the front door, and we would come back in, we would always say, “Just me,” we’d holler out, to signal that she didn’t have to come out for a customer, who rarely showed up anyway.

So we lived in Seattle for the next two and a half years. Went through kindergarten, first grade, and half a year in second grade.

1-00:13:30

Lage: It couldn’t have been easy for them to have these two little children.

1-00:13:34

Watson: I’m sure it wasn’t easy, but I have no recollection of them ever expressing any hardship. They were both happy people. They appeared to be happy. They were loving people. They took care of us.

1-00:13:47

Lage: Where did you sleep in these two rooms?

1-00:13:49

Watson: My grandfather slept in one room, and I slept in a little cot in there, and then the other bedroom was made with a couch that can be [made into] a bed, and my sister and my aunt slept in that room. But those were good days. I mean, my memory is that those were good days.

And then, when we moved back to California—let me tell you how we decided. It was July of 1934, probably June, when I was told by my aunt that we were going back to live with our father and my grandmother in Oakland, California. By that time, they had a rooming house. I had no idea what a rooming house was, but I said to my aunt, “Well, we’re happy here. We love you, Auntie. Why can’t we stay here?” We had our friends, we were going to school. And her response was, “Your father loves you, and he wants you with him,” and that was the end of the conversation on that subject.

So in late July, interrupted by a case of the mumps I got, my grandmother came and gathered us up, and her son-in-law, her daughter’s husband or former husband, had driven up with her, and they picked Doris and I and drove us to California.

We arrived there probably mid-August of 1934, and my grandmother’s rooming house was—I’ll give you even the address: 2769 Telegraph Avenue, Oakland, California.

1-00:15:19

Lage: It sounds like it’s near where Sears, Roebuck used to be.

1-00:15:23

Watson: As a matter of fact, it’s two blocks from Sears and Roebuck. Just one more block, we had the YMCA, and then you also had the First Baptist Church, which is a famous architectural church by a woman architect from Cal.

1-00:15:38

Lage: Julia Morgan?

1-00:15:38

Watson: Yes, she designed that. I didn't know at the time. All I knew was that my grandmother would take me to sermon on Sunday nights, and I would lay in the pew with my head in her lap and go to sleep. That was about my church [up]bringing. But she liked Dr. Camp. He was the minister there.

1-00:15:54

Lage: His name sounds familiar, but I don't know why.

1-00:15:56

Watson: He had a deep voice, and he spoke loud and well.

But when we got to California—where my father had finally got a job is, he was a carpenter for the state park system. Where he was working at the time was Big Sur State Park, and it was before it was dedicated and opened. One of our roomers had a car, so when we got there, he took us immediately up to see our father, who hadn't seen us in two and a half years. We went on this little winding dirt road they were building, which ultimately became Highway 1, into Big Sur State Park.

And I remember when we got there and seeing our father, who we hadn't seen in some time. Probably a little shy. Hadn't seen him for that period of time. And there was no big grand arm gathering or anything, just, you know, "Hi, Daddy."

1-00:16:56

Lage: Yes. Because at that age, the memory must have been fairly dim of both your grandmother and him.

1-00:17:02

Watson: You had memories of them, but you hadn't lived with them for two and a half years of a very formative time of your young life.

So then my father continued to work there for several years, and he would get home only weekends. As a matter of fact, through all of my growing up, he only got home weekends, whatever park he worked in. So he would get home usually Friday night and leave Sunday afternoon.

Growing up in the rooming house—these are old houses. My grandmother and my father probably helped fix up—we didn't own them; we rented them.

1-00:17:41

Lage: Were they old Victorians?

1-00:17:43

Watson: Old Victorian house on Telegraph. That does no longer exist. As I have described it, the people who lived there, well, they were people who were hard of luck. They couldn't live anywhere else. But I didn't know that. Usually—although there was one family living right next to—our quarters, incidentally, there would be probably the living room of the house, a kitchen, and a bedroom. That was it, where the three or four of us lived. My

grandmother, who by that time is well into her seventies—she’s running this house all by herself, and one of the obligations—she didn’t board the people; she didn’t cook meals for them, but she did their sheets and their towels and so forth, without a washing machine. So that means a scrub board in the bathtub. I can remember her to this day scrubbing those sheets.

One of the jobs my sister and I had was on Saturdays we had—we didn’t have a vacuum cleaner, we had one of those non-electric cleaners.

1-00:18:47

Lage: Carpet sweeper?

1-00:18:48

Watson: Carpet sweeper, right. And a broom. And there were stairs, so we had to sweep the rug on the stairs and shine the dust off of the railings, and for that, I think we got ten cents a week.

1-00:18:59

Lage: And was your grandmother a loving sort or demonstrative? What was she like?

1-00:19:04

Watson: She was not demonstrative, but I have very fond memories of my grandmother. She was somebody who I admired. I’ve described her as somebody who had opinions but was not opinionated. She believed in God, and she had been raised that way, but it didn’t matter what God. She had respect for everybody else’s religion.

I tell a story to describe—I did this actually once as an adult, received an award from one of the large Jewish organizations which basically they use you to raise money, which I don’t mind, if I agree with the cause. The subject was one of humanitarianism. I didn’t know I was supposed to give a talk. The other two recipients gave a talk about Israel.

And so when I got up, I said, “I didn’t know I was supposed to give a talk, but let me talk about humanitarianism, and I’m going to talk about my grandmother,” and I told the story about my grandmother, who I said probably never ever heard that word, but she was the greatest living example of a humanitarian I’ve ever known.

And I told the story of one of our roomers in one of the rooming houses. There was four rooming houses. We moved from—upgrade slightly in neighborhood. Was a woman—Mrs. Gordon was her name. And Mrs. Gordon was always on the phone. My grandmother had a phone they could use for five minutes maximum. And one day my grandmother said to me, “I wish Mrs. Gordon would stop bothering those people.” And I said, “Well, Nana, what is she doing?” She said, “She’s trying to talk them into coming to her church.”

I reflected upon that later on. Oh, and she ended up saying, “They’re happy in their own religion. She shouldn’t bother them.” Well, as I reflected back on it, what Mrs. Gordon was was a Jew who had converted to Christianity, my grandmother’s faith, and my grandmother was critical of her for trying to talk other Jews into coming to her own faith because she was disturbing something they already believed in. That to me was—and I told this story to the audience, and I said, “That, to me, is humanitarianism,” because she

didn't preach it. She didn't say you should think this way. It's just I learned from seeing what she did and how she did it.

But anyway, the first rooming house was in Oakland, on Telegraph Avenue. We lived there until about 1938, when we moved to another house that was bigger and better.

1-00:21:44

Lage: So you would have been eleven or twelve then.

1-00:21:46

Watson: Right. I went to elementary school close by, Grant Elementary School, and then Westlake Junior High School in Oakland, and then Oakland High School, progressively. But every summer my sister and I would go back to Seattle to stay with my great-aunt and my grandfather. It was wonderful for us, and it was wonderful for my grandmother. Her vacation I presume was in the summertime, when she didn't have to take care of us.

So I had the loss of a mother on that side of the family, but I had the benefit of being reassociated with them in my growing-up years, and have kept in contact with them ever since. It also was done as much by my father's encouragement. We also got the benefit of my mother's family, because my mother came from a large family of Norwegians who lived in the Seattle area, and in Poulsbo, a little Norwegian town across the Puget Sound from Seattle.

1-00:22:44

Lage: Did they talk to you about your mother?

1-00:22:48

Watson: Only in later years. What I perceived from some of the conversations was it was a great tragedy to the family. They had their cousin or their niece or their daughter, whatever category they were in, suddenly die and leave two little children, so you can imagine how you would have felt if you were part of the family.

1-00:23:10

Lage: Yes.

1-00:23:11

Watson: So we were always sort of treated specially when we came to visit them over in Poulsbo, primarily. But Doris and I, my sister—we have fond memories of that family. I also remember—I never can remember their names, other than the family we stayed with, which was the Whitford family, which was one of my mother's cousins.

1-00:23:38

Lage: Did you go to Norwegian picnics and other festivals?

1-00:23:41

Watson: As a matter of fact, we did go to Norwegian picnics. They would hold it probably on the sound. I know there was a body of water there, and they would go out and catch fish and bring them in, and all of the Norwegian clan was there, gathered together. Doris, my sister, was a little older than me, and she knew who everybody was. It was just one gglom of people to me. But who cared? You played with your little cousins your age. But those are great and fond years to me.

1-00:24:14

Lage: Did you continue that through your teenage years?

1-00:24:16

Watson: Well, it ended, us going back up there in the summer of 1941. I'm fourteen, about to turn fifteen. It was the normal time not to do it after that anyway, but the war broke out on December 7, 1941. You know what happened.

1-00:24:35

Lage: Yes, right.

1-00:24:36

Watson: So we never did go back after that until we were adults. As a matter of fact, it's many years. By the time I actually went back up there, I was married and had two little children. We packed up our car and, as a matter of fact, Doris came with us. We had a little two-door car. So we had two little kids, my wife and myself and my sister in that car, and we drove all the way to Seattle. I remember because my oldest daughter, Kathy, was three years old, and Bryan, our son, oldest son, was one years old. And we told Kathy that we were going up to see Ruie. Now, Ruie was a cousin of mine, who was the daughter of my father's sister. She lived in Seattle, and that's who we were going to stay with.

1-00:25:21

So we drove all the way up there, and after about the second day we were at Ruie's house, my daughter said, "When are we going to see Attle?" No, "When are we going to Seattle?" That's right. I kept saying, "going to Seattle." She said, "When are we going to see Attle?" She thought Attle was a person.

1-00:25:43

Lage: I see! That's the way kids—their language.

1-00:25:46

Watson: So we went from there over to—that was my father's side of the family. Then we drove over to Poulsbo, and we had made contact with people, and they held a big dinner for us, and it was sort of all reminiscent about us growing up as children. And then from that time on, I kept correspondence with them, and periodically we would go back. To this day, I get a phone call—I did just last week—from one of the cousins that we used to stay with when we were there and so forth.

1-00:26:15

Lage: That's really nice that you kept that connection, and your father made it possible, really.

1-00:26:18

Watson: Right.

1-00:26:19

Lage: Yes.

1-00:26:20

Watson: Right.

1-00:26:21

Lage: So what was it like, your life as a kid in Oakland? Moving four times, I guess, and—

1-00:26:31

Watson: You know, if you reflect back on it, it sounds like it was difficult. I didn't feel it being difficult. We moved often. The only thing is, I never really had any neighborhood roots, something my kids have had, where you grow up in a neighborhood where you have friends and when summertime comes, you play with those friends.

There was two things happened. One is we moved frequently to a different neighborhood, and then we spent summertime in Seattle, so you sort of break the chain of whatever friendship you had from school. You don't have it. I never really developed any close friends until I was in high school and no longer doing that. Only when I was finally in the ninth grade that I had friends that I felt close to other than you go to class with.

1-00:27:20

Lage: So you didn't hang out with friends. I bet you were working a lot.

1-00:27:24

Watson: From the youngest age I can remember, I worked.

1-00:27:28

Lage: Jobs outside the house?

1-00:27:30

Watson: In the house, I worked—as time went on, I became the man of the house, in a way, but also man meant, to Nana, I did the wash. Doris, my sister, left earlier than I did, right out of high school and even before that, but my job was to do the laundry on the weekend, hang it out on the line—

1-00:27:54

Lage: Now, is this the laundry with the sheets?

1-00:27:56

Watson: Yes, the sheets. By that time, we had a washing machine. Now, the big event—ultimately we got a Bendix washer that spun—it didn't dry, but spun them dry. But the point really is, is that it isn't like a child growing up, even our children growing up. You gave them chores. It was clear that there was things to be done, and if I didn't do them, who was going to do them, my little five-foot tall grandmother?

1-00:28:24

Lage: Yes.

1-00:28:25

Watson: And occasionally I might give her a look when she'd ask me to do something, and she would just say, "Well, if you don't do it, I gotta do it," and that would end the conversation, because I felt very responsible, you know, that "she can't do this. I guess I had better do it." But then I got a paper route. I got a morning paper route and an evening paper route. I'd get up at four-thirty in the morning when I was going to high school, deliver the paper three days a week—it was sort of a shopping newspaper—and then I had a regular paper route every night. And then, by the time I turned sixteen on my way to being seventeen, the war is well on the way. I got a summer job in a cannery, and I worked ten hours a day, six days a week. And I felt rich.

1-00:29:09

Lage: Yes.

1-00:29:10

Watson: I mean, it was hard work, because I still had to do the same thing in the rooming house. So I did that all summer long, and then the following summer I was in the service.

1-00:29:21

Lage: So this was right out of—

1-00:29:23

Watson: Right out of high school. I actually dropped out of high school six months early, enlisted in the Army Air Corps. In those days, growing up as a male, you didn't talk about going to college, you talked about what service you were going into. "I'm going to the navy, army infantry, or whatever."

1-00:29:41

Lage: Was this even before the war started?

1-00:29:43

Watson: No, that's during the war, during the war. Remember, 1941—

1-00:29:46

Lage: Right, and you were still in high school.

1-00:29:48

Watson: Nineteen forty-one is when I turned fifteen. But when the war broke out, then you—normally in high school, it's when you start thinking of what college, if you're going to go to college. Now, nobody in my family had been to college, other than my mother had two years of college and was a teacher, but I didn't know her. But my father had never been to college, and my grandmother had never been.

1-00:30:10

Lage: Had they ever talked about college for you?

1-00:30:12

Watson: No, there was never any conversation about college that I recall.

1-00:30:16

Lage: Did they ever inquire about how you were doing in school or encourage you to do your homework?

1-00:30:22

Watson: No. As a matter of fact, from the time that I was, I would say, in junior high school, my father never saw my report cards. He got home weekends. I don't want to make this sound like he wasn't interested. He was a fabulous person. But, you know, he was busy. Nana was the one who—but Nana never saw my report cards from that time on. I would sign her name. When asked about that, what did I think about it, I just thought, "Why bother her with it?" I was doing good in school, and she made me always feel like I was a very special person, and I was a responsible person, but she made me feel mature, so I didn't feel the need—I wasn't keeping something from her. I wasn't bothering her with seeing what report cards were.

1-00:31:14

Lage: Right. It was your thing.

1-00:31:16

Watson: It was my thing. I said, "I'm going to school. It's my report card." She wasn't able to help me in high school in algebra and various things you do in high school, chemistry or physics, and so forth. I think that also made me a more responsible person. I was self-sufficient. I didn't need somebody to prod me to do something. There was nobody going to prod me to do it. I either did it or it didn't get done.

1-00:31:45

Lage: Was there a time in this busy life for things like reading or movies or sports?

1-00:31:52

Watson: Yes. I didn't participate in any sport. I didn't participate in anything in high school. My wife participated in everything. My feeling about high school is it's a time for girls. I mean, they have great fun and so forth. Or you're a high school jock. You know, you play football. I didn't have time for that. I wasn't big enough for that. I was not small, but I wasn't big enough to play football. I didn't have time, anyway, so I didn't participate in any sports.

1-00:32:26

So high school—and I never went to a school dance. I never went to a social event out of high school, so high school was high school for learning. That's what I went there for. I knew I was going to go to college. I didn't know why.

1-00:32:36

Lage: So you, yourself, had this sense that you were going to take college classes.

1-00:32:40

Watson: I have no recollection of never thinking—of a time when I finally said, "I'm going to go to college"; I just assumed I was going to go to college.

1-00:32:49

Lage: Now, why do you think—you don't remember a teacher who influenced you?

1-00:32:52

Watson: I have no fond teachers that I remember. I don't even remember their names. Schooling to me—I was good at math. I was always very verbal. I felt very confident in terms of verbalization of anything. I know I probably drove some of the teachers nuts—

1-00:33:14

Lage: [laughs]

1-00:33:15

Watson: —because I was impatient and I would ask questions, because other students would say they wished they had the courage to ask the questions I asked, because they didn't understand it, either. If I didn't understand it instantly, I would raise my hand and insist that—I guess my attitude was "you didn't explain it well enough. Try it again," you know?

1-00:33:32

Lage: Yes.

1-00:33:35

Watson: And that impatience probably has carried me through, good or bad, through my life. But the verbalization of it is I was able to ask the question the way they could do something with it, anyway.

1-00:33:46

Lage: It's interesting. So many people do have a memory of a teacher who either taught a particularly good class or took a special interest.

1-00:33:55

Watson: What I do remember, in the ninth grade I had an algebra teacher. I had two remembrances of algebra, was I did pretty good in it, I asked a lot of questions. The person who was in the algebra class with me, a fellow named Dick Hunter, who just lived a block away and became my best friend in high school—and he would come over to me—the first test we had, I did very well, and he did terrible, and he was surprised I did well, because he said, “Well, you ask more questions than me.” Well, that was probably part of the reason I did better than him.

1-00:34:32

Lage: That's right.

1-00:34:34

Watson: The teacher, that was sort of an elderly lady, who was very strict, and I liked her, and she sort of took a special liking to me, so I do remember her. That's junior high school, the ninth grade in junior high school. Now the high school part, I don't remember any particular teachers. College, I do have fond memories of certain teachers that had an influence, I think, on my life and the way I think.

1-00:34:59

Lage: We'll get there. The houses that you lived in—I wouldn't ask this if you didn't end up being an architect—but did they make any kind of an impression on you? Or did you have a particular sense of—

1-00:35:13

Watson: No. I chose architecture more out of desperation: “I gotta pick a major.”

1-00:35:20

Lage: Mm-hmm.

1-00:35:21

Watson: And somebody suggested, “Have you ever thought of architecture?” And I didn't even know what it was. And then they described—I'm in junior college at that time. I was out of the service. I remember what my thought process was: “What does an architect do?” So I'm not somebody who was born to be an architect.

And when they described to me, “That's somebody who plans construction,” well, I like construction because my father was a carpenter, and I like being around construction, so, “Okay, well, that's something I can do.”

1-00:35:50

Lage: You had a master car builder as a grandfather.

1-00:35:53

Watson: Right, but, see, I didn't put it together.

1-00:35:57

Lage: Did you do handiwork around your grandmother's rooming houses?

1-00:36:01

Watson: I did whatever handiwork was necessary in the rooming house.

1-00:36:04

Lage: Carpentry?

1-00:36:06

Watson: My dad did the carpentry on the weekends, but no, I can't even say—I can't find any great inspiration to be an architect. But the other thing was, I found out they had a school of architecture at Berkeley, and the choice of Berkeley—I didn't know it was a great school. To me, it was close enough so I could commute and still live with my grandmother.

1-00:36:29

Lage: Very practical minded.

1-00:36:31

Watson: Right. And then you had the School of Architecture, which I liked. Now, the advantage of architecture to me, as it turned out as a school—because I was slow in particularly the design part of it. I never had really been exposed to art or anything like that, so the practical side of it, the engineering part, the practical part, I was very good at.

1-00:36:51

But the other thing was I had enlisted in the Army Air Corps cadets. I had qualified for cadet school, been sent to the University of Montana right out of high school. By the time I went to Berkeley, in the School of Architecture, which has a sequential course system—that is, the fact that you've had chemistry and other things which are pre-reqs or you have to take along with your architectural courses, didn't matter. You still had to go the same length of time.

1-00:37:16

I already had taken those in the cadets, so I had time to spare, and I used Berkeley as a great liberal arts school. I took econ, I took a variety of other courses that other architectural students shied away from. The one difference between me and most students in architecture, who—they would take anything related to architecture, and I was taking anything related to just thinking about things.

1-00:37:41

Lage: Yes. That's interesting. Let me get to that in a minute. What about the roomers in the rooming house? How did that shape your consciousness of the world and the way you operated?

1-00:37:55

Watson: The roomers, as I've said before, were generally people who were hard on their luck.

1-00:38:03

Lage: Were they working or were they out of work?

1-00:38:05

Watson: Most of them were working. Some were looking for work. My grandmother even hung a sheet in the basement to divide up a little space between the laundry room—not a laundry room but where the laundry tubs were—and the rest of the basement, where two men could live who weren't working, who were looking for it. But they were very nice people. I don't remember anybody I disliked as roomers. But there was, on occasion, on very few occasions, there were some children involved with parents, but rooming houses are not—one room. This would be one room with a man and a wife and two children, remember, and no kitchen. And no bathroom. That was down the hall.

1-00:38:44

But they were all nice people. And they treated me nice. There was one gentleman who liked to listen to the fights. Joe Louis fought. And I liked the fights, but my grandmother didn't like the fights on the radio, so he would invite me up to his room, and we would listen to the fights together.

1-00:39:04

Or there was one lady—Ruth Miller was her name—who was a single woman who had a boyfriend, a man friend. My grandmother never allowed anybody from the opposite sex to visit somebody in the house.

1-00:39:19

Lage: She kept rule over all of that.

1-00:39:21

Watson: She had very strict rules. There was no drinking. Who knows what they did behind the door, but she disliked smoking, and I think back: that's the only way to run a rooming house. You don't know who all these people are, and you don't really want to have episodes go on.

1-00:39:42

But anyway, Ruth Miller was a secretary, and she had decided she no longer wanted the boyfriend or the man friend that she had, and she was breaking up with him. This was on a Saturday afternoon, as an example. He came by and found out she was working and asked if he can wait in the room, and my grandmother said no. So he waited out in front of the house, and it bothered my grandmother a lot. She would say to me, "What's he doing out there?" Well, I would always say, "Aw, Nana, don't worry about it." Like my grandmother shouldn't bother worrying about those kind of things.

1-00:40:15

But it bothered her. And he waited out there and waited out there, and then all of a sudden, when evening came, we noticed the car was gone, and the next thing we knew was in the morning—I mean, like two in the morning, the doorbell rang, and it was a reporter, wanted to know if we had a picture of Miss Miller. I don't know why we gave him a picture. My grandmother went up to the room and got a picture with him. And then the police came.

And we found out she had been murdered.

1-00:40:39

Lage: Oh!

1-00:40:41

Watson: What had happened was that her boyfriend had waited for her in front of our house, and if my grandmother had ever let him be up there, I'm sure he would have shot her up there.

1-00:40:49

Lage: Oh, my goodness. How sad.

1-00:40:52

Watson: And so what happened, he was living in a hotel across Lake Merritt, which was not too far from us, but several miles. And why I know so vividly the rest of the story is a classmate of mine from high school was a bellhop in that hotel, small hotel, and he was behind the counter with a clerk in this small hotel, and Miss Miller came screaming in there and said, "I've been shot," and she'd been shot in the foot. And so the clerk laid her down behind the counter and told my friend, "Stay there," looking over her, and she ran into the garage to get the garage keeper.

1-00:41:31

And then Miss Miller's man friend came in and could hear her, Miss Miller, moaning. He came over, and the description my friend made was he looked across the counter and looked at my friend in the eye, looked down at Miss Miller, looked back at my friend, looked down at Miss Miller, pulled out his gun, and shot her three times and killed her, then looked at my friend again and put the gun to his head and shot himself and killed himself.

1-00:41:55

Lage: Hmm! What an experience!

1-00:41:57

Watson: And so that—you know, that was a big newspaper story. All I remember is Miss Miller was a nice lady, who would occasionally take me to the movies when she wanted to go to the movies with somebody, friendly.

We had another lady who lost her mind while she was there and had to be taken out. We had other little instances, but no big events other than—and that event didn't happen in our house.

1-00:42:22

Lage: But you definitely saw a group of people who were down on their luck.

1-00:42:26

Watson: Saw a group of people who were down on their luck but who—maybe if I had the normal kind of—if you call it normal kind of life, where you have friends and you go to high school and you're the kid and they're the parents—in this case, my friends were, a lot of times, just the roomers. I don't mean I went out with them or anything, but that's who I talked to more than anybody else.

1-00:42:50

Lage: And what kinds of things would you talk about?

1-00:42:52

Watson: Beats me.

1-00:42:53

Lage: [laughs]

1-00:42:55

Watson: Talked about whatever. You know, it's like your sister coming in, only Miss Miller would come in and say, "How you doing today, Ray?" and so forth. I wouldn't talk about work or anything.

1-00:43:08

Lage: Was there a sense of community in those rooming houses, do you think?

1-00:43:12

Watson: You have a sense of community, but the roomers didn't really communicate much with each other. You know, they'd wait for the other one to come out of the bathroom so they can go into the bathroom, but that was about the extent.

1-00:43:23

Lage: Sharing a bathroom creates—

1-00:43:23

Watson: So they had their own lives.

1-00:43:23

Lage: —something.

1-00:43:25

Watson: It's a sense of—it *is* a community, a house, between them and us, not between them and each other. And I never thought about that before, but I don't ever remember any kind of friendship. They were all different ages, and they came and went. They never stayed long.

1-00:43:46

Lage: So you didn't have long-term roomers.

1-00:43:48

Watson: We had some long term. We had one roomer, Mr. Poole, who was in the first house and who remained a friend until he died, actually. My father got very ill in 1939 and almost died, and he's the one that got him into a veterans hospital, where he was for three months. And I remember taking the train over to see him. This is 1939, so I was twelve years old.

1-00:44:13

That's the other thing I want to say in terms of maturity—maturity as a subject—is we would go back up to Seattle every summer. I remember the first summer after I had been down in Oakland a year, I was eight years old, and my sister was ten. And so my grandmother looked in the newspaper and found somebody who was driving to Seattle. They'd put an advertisement in, and you could ride with them, and we did that, driving all night. The next summer, we went by bus. My grandmother would take us up there to

spend the summer. And I got sick all the way. Then the third summer, the same thing. It was a two-level bus, and I got sicker.

1-00:44:59

Lage: Just carsick.

1-00:45:00

Watson: Carsick. From that time on, we took the train, and my grandmother didn't come. So there was my sister and I taking the train by ourselves, changing trains in Portland, and going to Seattle and coming back that way. So you sort of add up all the—the relationship with the roomers, taking care of ourselves—I mean, getting confidence, I guess, that we can survive as these little kids on the train, going to some place far away. There's a great sense of self-confidence about, "Yes, we can—no, we don't need any help. We can get there" or "We can do this" or—

1-00:45:40

Lage: And that your grandmother and father weren't worried about your doing it.

1-00:45:44

Watson: Who knows whether they were worried or not, but they didn't—

1-00:45:45

Lage: They didn't let on.

1-00:45:46

Watson: —have time to do that.

1-00:45:51

Lage: Yes. That's great. Do you remember the building of the bridges?

1-00:45:54

Watson: I do.

1-00:45:55

Lage: Did that make an impression?

1-00:45:58

Watson: Probably no more an impression than any other kid. It was an awesome kind of thing. First of all, I had a friend when we lived on Telegraph Avenue that ran away from home and was found by the police trying to climb one of the pylons on the bridge. My father worked—the celebration of the Bay Bridge being built was—on Treasure Island was the World's Fair, 1939 World's Fair. My father built or was the head carpenter on the state park system pavilion there, so he lived at home during that summer. That was one of the few times that I saw him every day. But I connected the bridge with the state fair.

1-00:46:44

Lage: Did you go?

1-00:46:45

Watson: Oh, yes. As a matter of fact, we went to the World's Fair. As a matter of fact, I can remember they had the movie, *Birth of a Nation*, which became—I thought it was

interesting. You know, that became controversial because of the way they treated the African Americans.

1-00:46:59

Lage: Right.

1-00:47:02

Watson: But also what I do remember more vivid in my mind: there was *The Birth of a Child*, I think it was. My sister and I snuck in to watch that, and that was of some concern to my grandmother when she found out this was the sort of—being exposed to a woman giving birth to a child. I can't even remember what the movie was about, but yes, no, I remember them building both bridges.

1-00:47:32

We used to—prior to the bridges being built, as a matter of fact, the only way you got to San Francisco was by ferry, and it was very slow. They had what they called the nickel ferry. Occasionally on a Sunday, my grandmother would take my sister and I—I don't know why my father wasn't along, because I don't remember him being along—we would go and take the nickel ferry to San Francisco and not get off.

1-00:47:58

Lage: Oh, just for the ride.

1-00:47:59

Watson: So we had a round-trip ticket for a ride, which took four hours. I think it was four hours. And it only cost five cents. I was always conscious of what things cost. And I was conscious we didn't have money.

1-00:48:17

Lage: Would you go to movies on Saturday?

1-00:48:19

Watson: We would go to movies on Saturday, right. As a matter of fact, when I was in elementary school, I was part of the guards for crossing the street on what was Telegraph Avenue. And for that, we got a pass to one of the theaters in downtown Oakland. So I'd go see the cowboy movies.

1-00:48:41

Lage: So you did kid stuff as well as the working.

1-00:48:43

Watson: I did kid stuff, sure.

1-00:48:45

Lage: But you didn't get off in San Francisco. I was going to ask you if you got to roam around San Francisco at all.

1-00:48:49

Watson: San Francisco was unknown to me, growing up. Not until I actually started going to City College there, after I got out of the service, and we passed through it on my way to—or when my father in 1939 was at the veterans hospital in San Francisco, out in the Richmond District. I would take the Key System train, transfer to the streetcar, all by

myself, go out and visit him in the hospital, and come back home. But I never got off at Market Street. I didn't know—so the thing called “The City” didn't mean anything to me. Oakland was where I lived.

1-00:49:23

Lage: Anything else that we should talk about about these early years before we take you out to wartime? And they're so rich, in your experience.

1-00:49:33

Watson: The thing is that I think that part of my growing up and I reflect upon my attitude about things, what I did do, was the sense of self-sufficiency, the sense of—I had no growing-up ideology, or was there any ideology in my house. My best friend, Dick Hunter [telephone rings]—

1-00:49:59

Lage: We'll pause here for a minute. [Telephone rings.]

[Tape interruption.]

1-00:50:07

Lage: Now we are going.

1-00:50:09

Watson: We're going now?

1-00:50:10

Lage: Yes. You were talking about your friend.

1-00:50:11

Watson: Oh, my friend, Dick Hunter, who I met in the ninth grade at Westlake Junior High School, and it was after we had moved to our fourth rooming house, was 163 Montecito, which was near Lake Merritt, and he lived just a block away, and I met him in algebra class, and we became fast friends. Dick Hunter is somebody—I'm a morning person; he's a night person. Every contrast conceivable, except we were good friends.

1-00:50:41

I had responsibility around the house; he had no responsibility around the house. His mother would complain to me on a Saturday, when I'd come over and wake him up at ten, that he didn't get up, and then she'd make him breakfast, and I'd say to her, “Why do you make him breakfast? You're just rewarding him for sleeping in.” Well, she couldn't help herself.

1-00:51:02

Lage: Was his family better off?

1-00:51:04

Watson: No. Well, anybody was better off than us, but she had—there was a large family home in which her brother lived in half of it and she lived in half of it, and this is—obviously, they came out of the Depression in difficulty, too, but then her husband did a get job during the war, in a shipyard, but other than that, I never saw him work.

1-00:51:29

But the interesting thing is that I would go over there, let's say, on—well, first of all, his father, who liked me and liked me being his son's friend, which also means he was very selective—for instance, we brought Sherwood Lee, a Chinese friend of ours from high school, came home one day, and when his father found out that Sherwood Lee had been in his house, he said, "I don't want you to ever bring that chink in my house again." He was very, very bigoted. He was Archie Bunker.

1-00:52:00

Lage: Oh, really.

1-00:52:01

Watson: He was very, very, his whole life, bigoted about blacks. I wouldn't argue with him, but he knew I was different, and he would lovingly call me a nigger lover. That's what he would call me.

1-00:52:15

Lage: Now, how did he perceive that about you?

1-00:52:18

Watson: I have no idea. I mean, other than—I don't really know. I never fell for the bait of his talks or anything, whatever it was.

But Dick Hunter—where I was—for instance, I had this morning paper route I told you about. Then I became manager of the paper route, so I had young—semi-same age, who worked for me on routes. I'd manage the routes. And I talked Dick Hunter, who never worked a day in his life, to do it, to get up in the morning. His first argument with me and why he didn't want to do it was he'd lose his—what do you call it when you get money from your parents?

1-00:52:58

Lage: His allowance?

1-00:52:59

Watson: He'd lose his allowance. And I said, "Aren't you ashamed of that? I mean, you don't need to be taking money from your parents." "Oh, no," so and so. He did it one time, and it rained, and he quit.

1-00:53:10

Lage: A very different kid!

1-00:53:12

Watson: I remember when we were in college, I worked at a warehouse and he worked at another warehouse, and he had another friend who worked with him. It was a plumbing warehouse. And Dick Hunter came to me one day. He says, "Do you know what Jordan does? When he finishes an assignment, he goes and finds a boss and says 'What do you want me to do now?'" He says, "Isn't that nuts?" I said, "What do you do?" He said, "Oh, I sit there and read a comic book. Let 'em find me." Well, that's Dick Hunter.

1-00:53:37

Lage: What did he go on to do?

1-00:53:39

Watson: Dick Hunter went on to do virtually nothing. I mean, he worked as a salesman for a while. Well, like, for instance, I went to school on the GI Bill. He went in the navy. We used to correspond. I'd write three letters to his one, and his letters were full of cuss words, how much he hated the military. But he got the GI Bill, and he went to Cal Arts. You know, Cal Arts was the arts school there. But they have a split program. They have the academic program, where you have to take academic courses and get a degree, or the non-academic, where you just paint and don't have to study anything. He took that so he didn't have to work. Not a good artist, but he took it for four years, and he got the GI Bill. He for a while worked for the state highways doing whatever drafting he did for that thing, but he never really productively worked in his whole life.

1-00:54:26

When his mother died, they owned that house and they owned some other property, and so he got a little bit of money that he added onto his house, but the contrast between self-sufficiency, working, morning person-night person—I remember he was very good with fixing cars. You asked me if I did tinker around.

1-00:54:47

Lage: Yes.

1-00:54:48

Watson: His father was very good. And I can remember he got a '35 Ford when he turned sixteen. They changed the rings on the car, which I barely understood what that meant. I can remember I'd go over there to his house on a Saturday. Him and his father would be underneath the car, working on the rings. I would go into his house. And he had a library of Alexander Dumas' books, all those series, so I started reading through that whole series of them. I would sit in the back seat of his car, reading *The Count of Monte Cristo*, all those Dumas books. So I went through that whole library that he had never, or his family had never, read.

1-00:55:26

Lage: While they were tinkering on the car! [laughs] That's great!

1-00:55:27

Watson: [...] the library. But yet we would go to Russian River together, and they had a dance hall down the hall, and we'd go to the dance hall, where you asked a girl to dance. I never asked one girl to dance. I was too shy.

1-00:55:38

Lage: At the Russian River.

1-00:55:40

Watson: Right, at the Russian River. He would ask—he would have three dates. [laughs]

1-00:55:45

Lage: That's so funny. Did you take other car trips with him? Was that a car trip?

1-00:55:49

Watson: That was a car trip. Well, we had to go to the Russian River. We'd drive. By that time, we were sixteen and we can drive, yes.

1-00:55:55

Lage: Did you make any other trips around the West anywhere?

1-00:55:58

Watson: Actually, one summer while in college, we went—I had worked in a cannery two summers after I had gotten out of the service as well as one summer before I went into service, and then I worked in a warehouse another summer. Then he talked me into coming with him, because he had heard that you can get a job in Oregon, driving farm trucks. I thought, okay, that would be fun.

1-00:56:22

So when we got about halfway there, when we got to the Feather River, and they were building one of the electrical processing plants. You know, and a dam and so forth. So we went on the work crew there. We worked there one week. Now, he is much bigger than me. He's a husky, masculine looking guy. And I think we worked there two weeks. We lived in the bunkhouse. We saw the fights went on when one of these got their paycheck. There was one body found in the river. I mean, this is a hardworking crew. And we're pouring concrete. And it was heavy work. He did everything he could to get out of whatever assignment.

1-00:57:03

So he decided after two weeks this was too much and we should leave and go further north for this job that never panned out, driving this truck. And I remember when we went to go to tell—I went to tell the foreman that we were going to leave. They didn't know we were buddies that come together. And he says, "Well, we were going to fire him anyway. We liked you."

1-00:57:21

Lage: It's funny that you were good friends, because you sound like polar opposites.

1-00:57:24

Watson: We are in all those respects, but he was a good friend, you know, and I didn't have a lot of good friends. You know, growing up I didn't have it and so forth. And his family was nice to me. And I always liked him. I still like him. And I kid him about it, about the guy is—you know, he was able to get dates when I wasn't even trying to get a date, didn't know how to get a date, you know, in high school. And handsome. But yet they'd take me up to their Russian River place and so forth. So I don't know, he was a good friend to have.

1-00:58:07

Lage: You mentioned about ideology.

1-00:58:09

Watson: Right. Oh, yes, the ideology had to do with—ideology is probably the wrong term here, but this has to do with biases.

1-00:58:18

Lage: Oh, I see.

1-00:58:18

Watson: His father—

1-00:58:19

Lage: Prejudices.

1-00:58:20

Watson: —was so prejudiced against everything, the Catholics. You know, my wife is a Catholic. When he found that out, he stayed off of them for a while, but he goes on to the Jews. [Chuckles.]

1-00:58:28

Lage: One of those.

1-00:58:29

Watson: I mean, he was—and I wouldn't argue with him, but I was very clear that I didn't agree with him on any of this stuff. But he was Archie Bunker. When I was married and took my wife by to see him, because I loved his wife; she was a wonderful woman, and I liked him, too. He ultimately had a stroke, and when I came by there once, she said, "Ray is here." Almost like he was my father. And he'd put his arm around me, and then he couldn't remember who I was, you know. But they were a nice family.

1-00:59:02

But Dick Hunter—I think of the contrast between the life I had. He's somebody who's gone through life with his wife working. I remember having dinner with her and she talking to my wife and she telling me later on about—she complained about he would sleep in until one in the afternoon.

1-00:59:20

Lage: Oh, boy. He's kept—

1-00:59:21

Watson: He stopped working. She's working. So then, to make up for it, out of guilt, I guess, he would cook her this fabulous dinner that he would serve at ten o'clock at night!

1-00:59:39

Lage: [laughs] What a character! Okay, religion. You mentioned that your grandmother went to the Baptist church.

1-00:59:49

Watson: Yes. Wherever the church was close by, she went to them.

1-00:59:54

Lage: But Protestant.

1-00:59:55

Watson: On Telegraph Avenue, it was the Baptist church.

1-00:59:56

Lage: How about your father?

1-00:59:57

Watson: My father met his wife in Bible class at the Woodland Park Presbyterian Church in Seattle, but I don't remember him going to church with us. He was only home for the weekends. I'm sure he did, but I don't remember, you know. I would go with my grandmother when I was young, and she would go to evening service on Sunday. By that

time, he had gone back to the park. That's right. Then we moved, and we went to the First Presbyterian Church. We moved again; we went to the First Congregational Church. Just they were close by.

My attitude as I grew up—and I was always curious about why people do what they do. I think I've told you earlier—

1-01:00:46

Lage: But not on the tape,—

1-01:00:48

Watson: To me, I didn't like Sunday school because their depiction of God was not something I liked, some big spy that was spying on me to see if I was good or bad. I thought I was doing fine. I didn't need somebody spying on me. I didn't think they were right, so I stopped going to Sunday school. I'd go to church then with my grandmother, to keep her company. She liked the singing, and she'd say that would be a good sermon, and at that stage in my life—I'm a teenager, you know. I just thought they were lousy lectures. Occasionally it was something maybe semi-interesting, but I just didn't think their sermons had any real meaning in life to me, and they weren't that articulate. So to me, I looked upon church as a sectarian, to some degree, not as a faith. So I was critiquing it as to how good a lecturer they were.

1-01:01:42

Lage: [Chuckles.]

1-01:01:43

Watson: I had no abiding thought, nor do I even today have any thought: is there a God or isn't there a God? I don't reject it or accept it. It is unimportant to me. I do believe that the religions of the world have been an extremely important part of civilization. I understand intellectually, and I agree with that. And I think every faith is equal to me.

1-01:02:12

The thing that influenced me in my curiosity was not about what is God anointed us to do—and I use that term often; God hasn't anointed me to do anything, you know?—is I mentioned about Philip Wylie, getting acquainted with Philip Wylie in high school. I sort of liked reading the psychological analysis he had about inferiority and the superiority complexes and so forth, and so I would say, "So that must be their problem." Philip Wylie was a writer of western novels. But he wrote a book, a nonfiction book, of opinions called [telephone rings], *Generation of Vipers*. I was taken by that book [telephone rings] and enjoyed that very much.

1-01:03:09

Lage: Should I pause here?

1-01:03:11

Watson: No, the machine will get it. And then he wrote another book called *Essay on Morals*. And to some degree, that was my substitution for faith or learning. It was not faith. It was where Philip Wylie sort of challenged every preconceived idea, not, like, just of faith but of any ideology, and would put it up to a microscope and say, "Well, does this make sense or not?"

1-01:03:34

Lage: Did he have a particular attitude towards life that you connected with?

1-01:03:38

Watson: The attitude was to challenge everything. *Essay on Morals* was basically—for instance, one I particularly remember was, he talked about: Is prostitution bad? The church says it's bad. Then he said, "Well, let's talk about the good points and let's talk about the bad points." There was more good points than there was bad points in number.

1-01:03:59

Lage: Very rational approach.

1-01:04:00

Watson: Very rational approach to the thing. And in this book, he made references to Carl Gustav Jung, and that's when I got interested in Jung, and I started reading Jung. And Jung is not easy to read.

1-01:04:11

Lage: Especially in high school, I would think.

1-01:04:13

Watson: Well, in high school, but anywhere it's not easy to read. But I took to Jung in the sense that he had—the way I describe afterlife, rather than going to heaven or some other place—the way I would describe Jung's description of it—and Jung was a religious psychiatrist in terms of the context of [Alfred] Adler and [Sigmund] Freud—I mean, the three of them—Adler's inferiority-superiority complex, and Jung is the various kind of personalities that you are, and Freud was the mother image.

1-01:04:59

So Jung's theory, the way I would describe it, sort of fit with me. It had to do, like, a clothesline. And you're born, and you hook onto the clothesline. But that's a clothesline that has to do with your parents and your grandparents and somehow—because that influenced what kind of clothesline it is and what kind of vehicle you are as you hook on. And when you die, you drop off, but somebody else hooks on the line, your child.

1-01:05:27

That was enough. That gave me the sense of—you know, I didn't have to live forever after. That seemed boring to me. But that my children are taking something from me, and they're hooked onto the clothesline, and I'm going to drop off the clothesline, and their kids are hooked onto the clothesline.

1-01:05:47

Lage: Was that an image he actually used?

1-01:05:48

Watson: No, but that's an image as he talked about—one of the things Jung did is he went to Africa, and he studied all the various religions of the natives and their beliefs, and he believes, as he convinced me to believe, that it's very destructive to go out and change that. It was a very important part of this clothesline we have. And suddenly they were yanked off that clothesline and given some other culture.

1-01:06:19

Lage: You mean the missionary impulse was not good.

1-01:06:21

Watson: Right, the missionary—that's right. So I do believe missionary is bad. It's sort of my grandmother's thing about that Mrs. Gordon, and "What are you trying to do? If they're happy with what they are, why are you disturbing that psyche, that happiness down there?" And it's interesting, too, because my grandmother's sister, remember I said, lived in Oakland ran a rooming house, too. My grandmother's sister was very, quote, "religious." Where my grandmother had opinions but was not opinionated, my aunt, great-aunt, had opinions and was opinionated.

1-01:06:57

Lage: She'd let you know about them.

1-01:06:58

Watson: And what the Bible said was literal, see. Jung helped me to get sort of through thinking, in my own mind, "And what is your own feeling and faith about things?" Well, that all started out with Philip Wylie, and in the teenage years and on through college and so forth. The interesting thing to me, however—and I'm jumping, but it's linked to Philip Wylie and then Jung—Jung wrote—I can't remember what the book is. I have it in my library. But he talked about [Adolf] Hitler and what caused that. Basically a matter of the soul and the German spirit and the attitude that there was psychologically. And it made a lot of sense to me.

Then I'm taking one of these courses outside of architecture by Eugene Brady, who was one of the teachers that I really remember the most in college.

1-01:07:56

Lage: Brady?

1-01:07:57

Watson: Brady, Eugene Brady, was an econ professor. He taught a course on econ for non-econ majors. He had written a lot of books on the economic system of Great Britain, of Japan, and so forth, and so I read some parts of his books. He talked about Germany, and he gave the reason for Hitler there, and in economic terms, and that rang a bell to me. It rang a bell in the sense that Jung was right and Brady is right, and there's probably three other theories in their discipline, and there is all kinds of answers and not all of them are logical.

1-01:08:35

You don't have to be ideologically on one, whether it is Jesus Christ or—as explained things. That's okay. He talked, too. And he did oral talking, like you're doing, I'm doing now. And that got transcribed at some time three hundred years later, or some time that they're recalling what conversation somebody had from their grandmother or their mother, and they were on that clothesline. And that was a civilizing part of life in our society, and our whole history, the Judo-Christian history, is one of taking oral stories that were used to give us an example of why you should do things and why you shouldn't do things, and that civilized people, and then they wrote them down.

1-01:09:15

Well, Brady rang that bell to me, that he thought of it in terms of economic terms, because depending on what kind of background you come from is how you approach these kind of things. So I'm going to talk a little bit about Brady, if you don't mind if I divert for a moment.

1-01:09:32

Lage: No, not at all.

1-01:09:33

Watson: He would start his class with a comment. It was a small class. For instance, one day he came in, and he says, "Those that can do, do; those that can't, teach," which is sort of the George Bernard Shaw thing. "And those that can't teach, teach teaching in this university."

1-01:09:55

Lage: He must have been mad at something.

1-01:09:57

Watson: He would take it from there, and we'd have this dialogue. One day in class—he talked fast, and a student raised his hand. He said, "I wish you'd slow down. It's hard to take notes." And his answer to him was, "What are you taking notes for?" He says, "I'm getting ready for a test." He says, "I hate tests." He says, "They require me to give one test. I only give one midterm test and one final, but," he says, "notes are not going to help you any." He says, "I'll tell you, for the midterm, you're going to get in my class, you can go to the library in the middle if you want. I don't care, because it's not going to help you any." We didn't know what to expect.

1-01:10:38

Well, we had been talking for a while about the Depression, what had caused the Depression in 1929 and how it lasted and so forth, what were the causes of it, what was the influence, what was the signs of it and so forth. There was one question on the test: The signs of inflation. What are the signs? What are the causes?

1-01:11:00

Lage: Of inflation?

1-01:11:02

Watson: Of inflation.

1-01:11:02

Lage: Oh, inflation.

1-01:11:03

Watson: He never used the word. We talked about the Depression. So you had to transpose one and the other, so he wanted you to think on a subject. That really impressed me.

1-01:11:13

Lage: It didn't come out of the reading either?

1-01:11:15

Watson: No, we had never used—

1-01:11:16

Lage: His way of analyzing.

1-01:11:17

Watson: He didn't care that you were accurate; he wanted to know how, using what we had talked about in terms of causing the Depression, the signs and all this kind of thing, how would you transpose the opposite of that? You know, you have to think. I wrote a paper. You had to write a paper. His theory was if you didn't write two hours a day, you were wasting time. I remember him saying that. But he's an academic and—you know. And I wrote a paper which I wish I still had. I lost it since then. But I still tell people—I've been interviewed and been in *Fortune* magazine and so forth, and that had to do with what I'm going to talk about. I did a paper called "Time Life Fortune Line." And he influenced me in doing that. And, again, I loved doing it.

1-01:12:04

Lage: "Time Life Fortune Line"?

1-01:12:06

Watson: Time Inc.—various publications have an economic line which communicates to the public, to its different audiences, from these different publications.

1-01:12:14

Lage: I see. Interesting.

1-01:12:17

Watson: So then he told me of a book I ought to get, which was Burnham's *Managerial Revolution*,¹ I remember to this day. Burnham was a Nazi, to some degree, but he was a great writer of economic theories.

1-01:12:31

Lage: From Germany?

1-01:12:33

Watson: No, he was in the United States. He was not a Nazi, but he was sympathetic.

1-01:12:37

Lage: I see.

1-01:12:38

Watson: It had nothing to do with the book, but I heard later. Burnham's *Managerial Revolution* traced the American corporations from the turn of the century, when I was reading this thing, when he wrote the book in '43, in which American enterprise was, from a power point of view, was controlled by the owners of business. They formed corporations, but there was usually just one owner or just a few owners. They controlled—and they were both—the power of the management and the owner was merged together. *The Managerial Revolution* occurred as stockholders begin to replace single owners. An example today: Who is the power behind AT&T? Well, it's owned by so many—there is no single owner. Management suddenly became the power, not the owners. So that's *The Managerial Revolution*.

1. James Burnham, *The Managerial Revolution* (New York: The John Day Company, 1941)

1-01:13:32

The question I had was Time Life Fortune Inc.—the question I posed was did they support, through their publications, management or owners? Then I traced the magazine back to the thirties, read that—different publications—all the way up to the time period, and found that they had changed. Most of their articles early on were about owners of business. Slowly it seemed to emerge into more and more talking about the managers of business: Michael Eisner is the manager; he's not the owner of the business, right?

1-01:14:04

Lage: Yes.

1-01:14:05

Watson: And it's fairly well known that the power is in the management. They pick the board of directors and so forth, much less so now, but anyway, I—

1-01:14:14

Lage: I'm going to have to interrupt you because the seventy-six minutes is just about to—

1-01:14:18

Watson: Okay.

1-01:14:21

Lage: So we'll just—

##

2-00:00:04

Lage: Okay. We're on.

2-00:00:06

Watson: In the middle of me writing this paper, what I had found, myself—*Life* magazine, which was the big pictorial magazine at the time—

2-00:00:17

Lage: Yes, I remember.

2-00:00:18

Watson: —came out with a special edition called “The New Capitalism,” right in the middle of me writing this paper, right towards the end of it. So I counted the number of times it said “managers,” the number of times it said “owner.” It was my simplistic way of looking at it. It was one hundred to one. One hundred times they mentioned the word “manager” to one time they'd say “owner.” And my conclusion was that they had switched. Burnham said society had changed, business society, that the power structure changed. They had switched to represent now the managers of business, and through every publication they had, they did it a different way.

2-00:00:54

Well, the professor liked the story, and I felt good about it. Since then, whenever I've been asked by somebody from *Fortune* magazine for some comment, I say, “You know, who do you [?...].” They have no clue what I'm talking about. They have no idea to even think it that way, but they could not have [...?] that way. That doesn't matter.

2-00:01:16

But anyway, Brady is somebody who taught me—who helped me progress in that way of thinking about different things and not be caught up in sort of stereotype, whether it be religion or it's ideology. I'm not big on ideology, you know. I'm more of a rationalist.

2-00:01:37

Lage: Did this study that you made have an effect on you in terms of goals?

2-00:01:43

Watson: No, I think it's like reading Jung, to some degree, and finding out there's two different—and Brady's view of how Hitler came into power. It's just the way that—don't get hung up with any one answer to anything. If it affects me in terms of building the city of Irvine, then the fact is that the ideologies that float around in my profession about—we have these great debates about linear cities, about Le Corbusier and the kind of city he had.

2-00:02:21

As I went through Great Britain, I went through Sweden, and I found out that there was totally different approaches from Sir Ebenezer Howard's influence upon the New Towns in Great Britain, which was sufficiently removed from the major cities—it had an ideology, a good ideology, a good attempt at trying to do something. Didn't discourage commuting. So they moved far enough out, whereas in Sweden, they did just the opposite. They put them on a rail line and they said, "This is your residential community, and hook it to Stockholm," to something else in Finley and Vallingby—not Vallingby; Vallingby is in Sweden—but the New Town outside of Helsinki. Where do we fit, by our national geographical location here? And we don't have some ideology we're going to impose on how people live. Well, that's all I mean by all of that.

2-00:03:46

Watson: But I want to say one thing reflecting back on Dick Hunter's father. He was a good father. He was not a good father role image. And there are some people who can be a good father and role image and be a bad father, neglectful and so forth, but what you see of him or whatever it is. My father wasn't around much, but he was a great role model. He was a man of integrity. He was a man who let me have my own beliefs. When I was going to the service, I hadn't really joined the church. Remember, I didn't go much and so forth.

2-00:04:12

Lage: Right.

2-00:04:13

Watson: And he wanted to know if I would like to become a member of the church before I go in the service. I mean, I guess he visualized I'm going off to war, and even though I didn't see him as that much as a religious man, obviously it was important to him, and I said, "Oh, sure." Just sort of like that. You know, sort of, "Yes, Dad. It would be fine."

2-00:04:31

Lage: So you did do that?

2-00:04:32

Watson: No. Then he arranged the whole thing and so forth, and it came—just getting ready on Sunday to do it, and I had second thoughts about it. "Wait a minute. I'm not being true to myself when I do this." And I said, "Dad, I'm not sure I want to do this." Well, I can see

him disturbed. He said, "I set this all up." I said, "Okay." The thing is that my dad was not somebody who would force me into something. He was a great role model and a good father, even though he wasn't around a lot.

2-00:05:34

Lage: Well, shall we get you into the army? Are you still feeling fine?

2-00:05:39

Watson: I'm fine. I'm looking for your [...]. You're in good shape.

2-00:05:41

Lage: Yes. We're fine.

2-00:05:44

Watson: Okay. I enlisted in the Army Air Corps.

2-00:05:47

Lage: And why the Air Corps?

2-00:05:50

Watson: It was sort of the mood, as I recall, of my age bracket is "I don't want to go into the infantry." That's the last thing you want to be in. I get seasick going in the navy. That's one escape. And I heard about the Army Air Corps, so that was a way of avoiding having to be drafted. You did it when you were seventeen. You go over and you take all these tests, which I passed, and so I became accepted in the Army Air Corps cadet program.

2-00:06:17

Lage: But you left school, did you tell me?

2-00:06:19

Watson: I left six months early to go into it, right. But I had enough to graduate.

2-00:06:24

Lage: Oh, I see. So you were able to graduate.

2-00:06:26

Watson: Right. I got a diploma, although they gave me credit for the time I was in college. And they sent me to the University of Montana, which is sort of like a preflight cadet thing. We were divided into—I'll always remember—divided into what we call seven flights, a group of us. The first time I had been away by myself. I never was homesick, incidentally. Others were homesick, but that was part of the strength that my grandmother and so forth—they all had—you know, they missed their mommy and so forth, and—yes, I guess, but—

2-00:07:00

But anyway, went up to University of Montana. They divide us into seven flights. Based on our academic records and our aptitude tests, they scaled them down, and I was in the top flight; that is, the ones who had the highest score. Now, that sounds wonderful. You know, how smart Ray Watson is and all that business. But what it was was bad, in this sense, from the learning point of view, because we all took the same tests, whether it was in chemistry or whatever it is, and then they averaged the scores. So we had more chemistry or had done better in chemistry and physics in high school, and we had the

highest test, and we're taking the same test as four levels down, taking the same test and didn't have the same background, and then they would average the grades, so—

2-00:07:49

Lage: So your whole group got—

2-00:07:50

Watson: You didn't have to work hard. You didn't have to hardly do anything. So I thought college was a breeze. I don't ever have to hardly study. I mean—well, it turned out they had such a bad record there on national tests, as we compared us at the end, that they closed the program at Montana and sent us to Stanford University, and those two and so on.

Anyway, I went into cadets. And then I went from there—after that part of the program, they sent us to Sheppard Field, Texas.

2-00:08:19

Lage: Did you go to Stanford, or the group, the later group?

2-00:08:21

Watson: I went to Stanford for a while, and I got sick and I actually had to drop out and then went to basic training, so I never finished that. But I found what real school is like.

2-00:08:30

Lage: That was very different.

2-00:08:31

Watson: It was my first exposure. Night and day.

Anyway, so then I'm in Texas, and the war is winding down. The European war is now over with. The day I actually went in was V-J Day—not V-J Day, the day that—

2-00:08:51

Lage: D-Day?

2-00:08:52

Watson: D-Day, right, in June of '44. So I'm all the way around now to—it must have been May of '45, and I think the European war was over. The Japanese war was still on. Down at Sheppard Field, Texas, going through basic training now. And by this time, they had already figured out they had more pilots and things than they really needed, so they sent us through basic training twice, just to kill time.

2-00:09:26

Lage: How did you take to army discipline?

2-00:09:28

Watson: It was a contest between them and me. I was respectful of them and never caused anybody any trouble, but I was constantly figuring out ways to beat the system. For instance, I'll tell you in a moment, when I got up there—they closed cadet school, and finally—you take more tests then, more tests down there, academic tests and dexterity tests, and now they're wiping more people out and putting them in the ground forces and sending them to different schools—you know, gunnery school or something.

I still passed those tests, and I qualified for two tracks: one, to become a fighter pilot because I was good at coordination; you had a little simulated plane you flew, and I knew I was getting sick if I was up there, but I wasn't up there. And then I also was good at math, so I also qualified for navigator school.

2-00:10:18

So now I'm among the group that is still in the program, and they still don't know what to do with us, and they finally just closed the whole thing down, after the bomb went off in Japan and so forth. They sent me to cryptography school. I went up to—

2-00:10:39

Lage: You got a lot of schooling.

2-00:10:41

Watson: —Scott Field, Illinois, and I'm up there. Now, that's—you asked me how did I get along with the discipline. Well, you got the end of war. You got no reason to want to be in the service anymore. There's no more patriotism out of it, you know. And I never was much for the military kind of discipline, not that I caused them trouble, but for instance, they would line us up in the morning, call roll call, and there'd be several hundred of us. Then they'd divide us: "You five go with this detail, you ten go"—and they'd give you a job cleaning up cigarette butts around the barracks, five of you, for four hours. There was only three cigarettes to pick up.

2-00:11:21

Lage: God!

2-00:11:22

Watson: It was this deadly boring nothing, you know?

2-00:11:24

Lage: Yes.

2-00:11:25

Watson: So I figured out very quickly how to solve that, is by—when they'd say, "Okay, you ten go here," and I would just go and would be the eleventh one. So when they turned right, marching right—they weren't really marching just with some guy who doesn't pay any attention to them, leading them over there. I would go left.

2-00:11:41

Lage: [laughs]

2-00:11:43

Watson: I would then go over to the officers' gym and play basketball. Well, they can't tell you're not an officer when you're in gym clothes. I'd bring gym clothes with me. So I did that every day. I was the only one in my barracks who never got in trouble.

2-00:11:54

Lage: The officers—

2-00:11:56

Watson: They were goofing off, because—they were cleaning up and then going to sleep, and they were getting chewed out for that, and they never found me.

2-00:12:04

Lage: What about the other officers you were playing basketball with?

2-00:12:07

Watson: Well, they don't know.

2-00:12:08

Lage: They just didn't realize.

2-00:12:09

Watson: You know, you've got gym clothes on. You can't tell, you know, so we played basketball.

2-00:12:14

Lage: That's great!

2-00:12:15

Watson: But things like that. So service, to me, was—even up in Montana—it was an interesting experience. What finally happened, in October of '45, they came out with a congressional order, and all of us who had been involuntarily transferred to the ground forces, as they called it, were told that they had a congressional order that they could not involuntarily transfer us, and therefore they were going to hand out a piece of paper and we had to either voluntarily transfer or take a discharge, and that was the last words they said. And there was this great silence—this great roar of laughter in this room. Of course, no one volunteered to transfer and they took the discharge.

2-00:12:55

And so I got out of the service in October of '45 with all the what they call high-point people. They got you out of the service based on how many missions you had, and I didn't have any missions. I didn't have anything. So I ended up having none of the risks and all of the benefits of being in the service, because I got the GI Bill.

2-00:13:16

Lage: Did you get the full GI Bill, regardless of how long you served?

2-00:13:18

Watson: Yes, I got the full GI Bill, but the number of months you can have is in relation to how long you're in, so it was enough to get me through—and it was also one that California had—between the two of them, it got me all through my architectural degree except for my master's program. I didn't have any there, and then I worked as a medical lab tech, and I had to work for a year before I went back anyway, so I didn't have any problem financially.

In grad school, I lived on the campus with friends, but prior to that, I lived with my grandmother.

2-00:13:54

Lage: So you came back, and how soon—you started out at—

2-00:13:57

Watson: City College.

2-00:13:58

Lage: City College in San Francisco.

2-00:13:59

Watson: One year there.

2-00:14:00

Lage: How soon did you enroll in City College? Right away?

2-00:14:04

Watson: I got out of the service in October and—in January.

2-00:14:06

Lage: Did everybody know about the GI Bill immediately?

2-00:14:10

Watson: Oh, sure. What do you mean?

2-00:14:11

Lage: What was the mechanics?

2-00:14:15

Watson: You just—

2-00:14:16

Lage: —in the newspaper? They send you a letter?

2-00:14:18

Watson: It is general knowledge. That was a wonderful program. Yes, you knew you were—I don't know how I found out how many months or years I had to do it, but I didn't use it in the City College, because I wanted to save my GI Bill until I figured out what I was going to major in, and it wasn't until I went to Cal that I started to use it. They had a whole system there, when you're signing up. If you're going to qualify as a GI, you have to bring your discharge papers and all that kind of stuff. They had an office of the service right there on campus, both the state part of it and the federal part of it, and so whenever you had any questions, you'd just go to that office, and they clarified it. I don't know.

2-00:14:59

And it was a great program. It paid for everything. What did it cost to go to college in those days? Seventy-five dollars a semester, anyway. It wasn't that expensive. But you had your books paid for, and then they also gave us, I think, sixty-five dollars a month for living expenses.

2-00:15:12

Lage: Amazing. But you say you would have gone to college anyway. You'd always planned somehow to go.

2-00:15:18

Watson: Oh, yes. Right. I was always financially, I thought, well off because I'd always worked, and I never spent money, and I didn't own a car. I didn't do all those things that drains money. I'm sure I would have gone. I worked during the summers, anyway, so I had more money at the end of my college education than I did at the beginning.

2-00:15:43

Lage: That's great! Now, why City College? Why didn't you go right on to Cal?

2-00:15:47

Watson: Because I wanted to save the GI Bill till I figured out what I was going to major in. So I didn't know what I wanted to major in, and the City College was cheap. I also found out it was a good school. I still believe a good junior college the first two years is better than the first two years at Cal. You're getting professional teachers. But I didn't know that then.

2-00:16:13

Lage: So tell me about that experience. What was important in your City College career?

2-00:16:17

Watson: Well, that's when I met Dr. Julio Bordialazzo. Well, I took a pretty heavy schedule. I took physics, chemistry, German, analytical geometry, English, and then a course on how to study. Yes, you don't have the competition at City College you do at Cal, so I did learn something there. But I took this course in how to study, and Dr. Julio Bordialazzo was getting his PhD and was a young teacher who really impressed me, one of my fond memories of college life.

2-00:16:57

Lage: Do you know what his field was?

2-00:16:59

Watson: I don't know.

2-00:17:00

Lage: "How to Study." It could be anything.

2-00:17:02

Watson: He was an educator. I think he might have been in the School of Education. I don't really know. He ended up a well-known school administrator, the San Mateo Junior College district. I think he ran it for a while and so forth, and he was head of the thing. But I don't really know. He taught this course on how to study. There was about thirty of us gathered in the room the first day, on a Tuesday. We all sat down. He had us stand up and give our name, and we went around. "I'm Ray Watson." As we were leaving after the class, he said, "When you come in Thursday, I want you all to sit in the same seat." On the next Thursday, we all sat in the same seat. We all stood up. He rolled off thirty-five names from memory. So here, I knew this was somebody special.

2-00:17:45

And he took special interest in me, or maybe he took special interest in every student, but it felt like he took special interest in me. What he taught was how to manage your time. Everybody wastes time, and particularly young people in college waste time. You've got to have a peanut butter sandwich before you study, and you've got to listen to this radio program, and then you've got to do this or that. He said you should plot out every minute of your life, when you go to bed to when you get up in the morning. You should never spend more than an hour and a half on any one subject, never less than seventy-five minutes. Seventy-five minutes—the reason for that is it takes that long for the blood to flow and so forth, and get the concentration. If you take more than that, you begin to get dull. You take a ten-minute break in between the subjects.

2-00:18:33

Lage: He really prescribed.

2-00:18:35

Watson: Ten-minute breaks. You try to do pushups or something to stimulate the blood and not get sleepy. And you program your free time. Now, I've taken a lot of subjects, you remember, physics, chemistry and everything. Well, I suddenly found out that I [telephone rings] that I had all kinds of spare time.

Oh, the other thing is [telephone rings] if you finish your homework assignment and there's still time left, you still want to create new problems. You continue to devote your time to that.

2-00:19:04

Lage: You followed it very carefully, it sounds like.

2-00:19:05

Watson: I followed it—it was very hard to apply, though, in architecture. It was easy to apply in the academic portion. Architecture is a creative field, and you are never satisfied. So you have a piece of tracing paper. You sketch an idea on it, and halfway through, you think of a better idea and you put another piece of tracing paper on it. The only thing that stops you is the deadline you have. So the discipline doesn't work as well there. But on the engineering courses and everything else, it worked fabulously.

2-00:19:34

And Bordalazzo also—I mentioned at lunch—one of the assignments we had was to write our career ambition, what major did we want to have. I thought at that time I wanted to be a psychiatrist, because of Jung, Carl Gustav Jung and—I just remembered, because I had forgotten—most people associate with Jung introversion and extroversion, and the four archetypal theories of that.

2-00:20:02

And so I had to do research on what is a psychiatrist. He called me in after I turned the paper in and said it was one of the more interesting papers he had ever read from a student. I think he probably said that to every student, but anyway, he said, "At the beginning, it sounded like you wanted to be a psychiatrist; at the end, it sounded you like didn't." And I said, "That's the truth."

2-00:20:28

Because I found out that you had to go to school for thirteen years, and I didn't want to go to school for thirteen years. I said I also found out that when you got through and you were a psychiatrist, you treated sick people, and I didn't really want to treat sick people. I was just interested in Carl Gustav Jung's theory of psychology.

2-00:20:45

Lage: More of a philosopher.

2-00:20:46

Watson: Right. And Dr. Julio Bordalazzo said to me—he says, "Ray, did you ever think that you can still read Jung and take another major?"

2-00:20:53

Lage: [laughs]

2-00:20:54

Watson: There is an idea! And I changed. And then I went on to search what major I wanted to have. But he was somebody I admired for that—first, the interest he took in me.

2-00:21:11

Lage: You told me another story about the interest he took.

2-00:21:13

Watson: I told the story about I'm walking down the hall one day, and he spotted me, and he always remembered my name, and he said, "Ray, how you doing?" I said, "Oh, I don't know. I've just come from that dumb English class." And I don't know what it was in the class that bothered me, but whatever it was, he said, "Well, come into my office." I went into his office, and he said, "What is the name of your instructor?" And I gave it to him. He gets on the phone and he calls him. "What is he doing?"

2-00:21:40

And then he gets him, and he says, "I've got a student of yours in my office. His name is Ray Watson." He says, "Have you ever looked at his aptitude tests?" I didn't even know what my aptitude tests said. I had taken them, but I either didn't bother to see what the results were or I didn't know what the results were. And the professor obviously said no.

2-00:22:01

He said, "Well, you ought to take a look at them. Anybody with that high an aptitude should be doing better in your class. What are you going to do about it?" He says to the professor what is he going to do about it, not me.

2-00:22:08

Lage: [laughs]

2-00:22:09

Watson: I thought, "Oh, my God." But it impressed me that he was on my side, and he was interested.

And so the little incidents like that, learning how to study, that there is a system. And, remember, I grew up in a house in which my grandmother didn't know I was doing homework or not doing homework. I didn't have like my wife does, or my daughters really get on their kids, "Oh, you better get on that." I never had any of that, never had any discipline at home in terms of study, although I had the discipline of time. I only had so much time.

2-00:22:44

So Dr. Bordalazzo. Later in life, I was an architect in Stockton doing a science building for the Stockton Unified School District, and he became superintendent of that district. So we got reacquainted again. And some of the professors there, I remember them telling me that when he came for the first time, he had gotten the school—they had a junior college, the junior college—he'd gotten the pictures of all the faculty and their names and pictures and had memorized their names, so that when they stood in line and come up, nobody had to be introduced him. Just, "Hello, there, Jack, how are you?" Or "Hello, Pete, how are

you?” And he had gone through this roster of all the faculty, in his mind, and associated the name with it, and the first time he met them, they didn’t have to give their name.

2-00:23:30

Lage: Have you used any of those techniques?

2-00:23:32

Watson: No.

2-00:23:34

Lage: In all the people you’ve had to meet and deal with?

2-00:23:35

Watson: I’m terrible with names. I’m terrible with names.

2-00:23:37

Lage: That’s probably why it impresses you so much.

2-00:23:38

Watson: That’s right.

2-00:23:39

Lage: Now, how did you get to architecture, then?

2-00:23:42

Watson: Well, I then had to take a major. I didn’t know what major to pick. I didn’t really know how to look at the subject. And I don’t know who it was who mentioned architecture to me. I didn’t know what that was, even. So I asked him, “What is that?” And he said, “You know, you prepare the drawings for building.” Building. Well, the only connection I had with that was my father was a carpenter, and I liked the sense of him building things. I didn’t build things. But I enjoyed—I would go and spend time with him at times in the state parks, where he was building cabins and things like that. And I thought, “Oh, that would be interesting.”

And then I wanted to enroll at Cal because that was close to where I lived with my grandmother. That was the only reason for Cal. By close, I mean streetcar close.

2-00:24:32

Lage: Right.

2-00:24:33

Watson: And found out they had a School of Architecture, and I just sort of drifted into it.

2-00:24:39

Lage: That’s fascinating.

2-00:24:42

Watson: You’ve got stories of these people who have said, “I want to be an architect since I was five.”

2-00:24:46

Lage: Yes.

2-00:24:47

Watson: And all that kind of thing. Now, I would say that as an architect, I see myself as coming out of school as a very average student in the architectural part of it, and I see myself—I found out quickly, when I went to work as an architect, that I was a good manager. I think my skill is not so much as an architect but as a manager. But also the interests I have in subjects in terms of planning and in terms of trying to visualize what a community would be, I have much more interest than an architect. Architects are concentrating on a particular building, and I'm thinking about the entire physical, political and social community. And I think that has a lot to do with my interest in Jung; it has to do with my interest in life; it has to do with the kind of world I grew up in, and that if you're going to build a living community, it takes more than the physical form. That's the physical form of the buildings and the physical forms of the community and the city. But it's also the political and societal parts of a community that ultimately transform the sense of place we architects concentrate on to create a sense of community.

2-00:25:57

So my view of myself was my job was more than overseeing the physical aspects (architecture) of building communities. Also I had the responsibility of being an integral part of a very risky and challenging business. Fortunately, I understand how to do economic analyses as well as an economic business major could, because I was mathematically inclined.

2-00:26:26

I was also articulate, so in the planning practice, when you had to go before a school board or an audience that is going to support or not support a project you're going to do, they would always put me forward so I would explain the project, why to do it, and I could also communicate the economics behind it.

2-00:26:45

So when I came to work for the Irvine Company, it just fit in. It wasn't a matter of "we can get Bill Pereira" or "we can get a really good architect, someone who were classmates of mine, who are better designers than me," and that was fine. My deal is now I'm going to also work with the engineers, and I'm going to work with the finance department to make sure this thing is economically sound. I respected the marketing part of it. Those things—

2-00:27:11

Lage: That's your interest, it seems.

2-00:27:12

Watson: That was my interest. It's the broadness of it. I probably, if I'd ever gone to business school—I didn't know what business school was—but I thought business school was accounting, and that was too rigid for me. I wasn't in it. But I found out later on that it's more than that. But I'm glad. I'll tell you, I was a Regents' professor at UC Irvine in the Graduate School of Business, in 1985-'86. I was honored to be asked to give the commencement address for the graduate students that year.

2-00:27:46

Lage: At Business?

2-00:27:48

Watson: At the Business School. And it sort of fits in to what my self-image is, whether it be academic or whatever it is. I had a great year. I taught a class on how you run a large organization from the top. I brought in different speakers. Jack Peltason was one; he was chancellor of UCI at the time. I brought in a mayor of a city. I brought in a president of a public corporation. I brought in a president of a private corporation. And I had them, at each different session, talk about it, and I would mold it together in terms of the discipline of business and so forth. But I'd ask common questions.

2-00:28:22

For instance, to show a sense of power, I asked Jack Peltason, "Who can you fire? I mean, they think you're the president of this campus, and they think a president of a company can fire somebody. Who can you fire?" And he said, "Well, maybe the janitor. I'm lucky if the union will let me do it. But I can't fire a faculty member." It's those kinds of things.

Well, anyway, the managerial part of the whole job of Irvine attracted me to it. Now, where was I?

2-00:28:49

Lage: I'm not sure where you were going, but I do want to go back a little bit more to architecture school.

2-00:28:52

Watson: Right, right.

2-00:28:53

Lage: If you don't mind.

2-00:28:54

Watson: Sure.

2-00:28:55

Lage: Did you want to finish the thought you were having?

2-00:28:57

Watson: I was trying to make a point with regard to the totality of the job. I was the chief planner at first; then I became—because I was interested in all these things and gravitated toward them—became then the executive in charge of all development, and then the president of the company. Other architects would ask me how I was able to become president of a company. There is a self-image, I said, of architects that all they should do is draw, and I never did that in college, either. Remember, I said that I took courses—had time to take—I took courses out of the field of architecture, and I used the great University of California, which has a great variety of programs, as a liberal arts school along with my architectural school.

Oh, I know what I was going to say. So I was teaching that course—

2-00:29:59

Lage: Right, the Regents.

2-00:30:00

Watson: I gave the commencement address. I said to the students how impressed I was with how smart they were. Also said the faculty, I was impressed with the dedication. "But I want to talk about some of the things I was not impressed with. One, from the faculty point of view, I'm concerned with the fact that you care much less about teaching than you do about your research." And I said, "That's too bad, because your students miss the great efforts you could contribute if you devoted more energy to that as well. But I can't change the system."

2-00:30:34

I said, "As the students, though, in a business school, I want to make a comparison to a student in a architectural school. We didn't have anywhere near the academic skills you have in terms of math and the disciplines you have there, but we have a creative art that you fall in love with, and so you find that architectural schools, no matter how good you are about it, you actually fall in love with the project you're working on, and there's a passion inside, something that you're excited about" and so forth. "I don't see any of the passion there in what you do in the business school."

2-00:31:11

I said, "So when you go out in life and use the skills—because that's basically what you've learned here, without the passion of knowing how you're going to use it—look for something in life that you can enjoy, and you want to use those skills that give you a sense of accomplishment." I said, "And that's what I have been able to have in my career, is that I have this great sense of accomplishment, of what we create, that people come to me and say how much they enjoy living here. It isn't one building; it is all the process of molding these buildings together and the institutions and the churches and everything else. But that's the passion that I still have to this day about what my involvement is with the Irvine Company."

That probably comes from the fact is that I was a generalist rather than a specialist.

2-00:32:01

Lage: How many classes did you get to take out of architecture? You mentioned economics. Were there others that you remember?

2-00:32:09

Watson: Some of them I just sat in on, so I didn't have to take a test. I remember a genetics one. I was interested in genetics. I took a number of econ classes. I took some sociology classes. It was that kind of class. I wish I had taken some history classes. I never took a history class in college.

2-00:32:31

Lage: Did you see a connection between these classes and what you were talking about in the School of Architecture?

2-00:32:35

Watson: Well, I saw a connection with what I did in life, with architecture. Architecture is—I don't know what it is today, but [William] Bill Wurster became dean of architecture in the middle of my sophomore year.

2-00:32:51

Lage: Yes, when you first got there—

2-00:32:52

Watson: Architecture is a very narrow education if you're not careful with it. First of all, architects, as with any creative field, are advocates of what they do, and they should be. I understood that.

2-00:33:09

Lage: You mean they have kind of a culture that develops, an ideology?

2-00:33:12

Watson: And rightfully so. They come up with the design that may be economically beyond the limits of what the client can afford—and that's almost always true, unless you're Lorenzo di Medici and you're hiring Michelangelo, and then cost means nothing. Or you're doing a great museum which there's no economic parameters behind it, so you get Frank Gehry to do it and he'll spend \$10 million or \$100 million building a museum, or \$400 million, whatever the thing is. That's if you can afford it. That's a very small piece of architecture. That's what we write the most about, but architecture, for the most part, has to fit somebody's budget, and it has to do all the practical things we do.

2-00:34:00

The architect's role is not to solve the budget problem. I was somebody who wanted to solve the budget problem. That isn't their job. That's the reason I gravitated to the overall management thing. Their job is—as I used to say to the people—other developers, similar to my position, would get frustrated that the architects didn't control the budget. They would go over budget and so forth. I said, "That's not their job; that's your job. Their job is to push us beyond what we would do if we did it by ourselves. I want to hire architects who are better architects than me, who would design a building better than I would. Otherwise, why would I hire somebody?"

2-00:34:35

Lage: That's true.

2-00:34:36

Watson: And my job is to try to get the best out of that person I can, and then fit it into the economic parameters that I have, and the market I must respond to, because I also have to worry about what the public likes, which is often different from what architects like. And I have to mold those together, too.

2-00:34:50

Lage: But this wasn't discussed in your architecture classes, it sounds like.

2-00:34:53

Watson: No.

2-00:34:54

Lage: What did you take, and who do you remember as professors?

2-00:34:55

Watson: You take the normal kinds of architecture—I tell you where it came out was in graduate school, because I took a joint course in city and regional planning. I remember Wurster

and others talking about me as an undergraduate and then as a graduate, how much impressed they were, how I had transformed, because I was an outstanding student in the master part of the program. But that was because I had taken a special thing, and there were five of us—

2-00:35:21

Lage: Was it just one course, or was it a group—

2-00:35:23

Watson: It was not a course; it was a program. It was a half-year-long program in which we designed an interim master plan for the City of Lafayette. That was our assignment.

2-00:35:32

Lage: Oh. Was this under Jack Kent?

2-00:35:34

Watson: Jack Kent and then a man named [George A.] Downs, who was a professor from the architectural part, and [Francis] Violich in landscaping. There were students from the disciplines of architecture, landscape architecture and city planning. So there was twelve students who were second year graduate students in master planning; five of us from architecture, and, I forget, maybe five from landscape architecture. And we were formed as a team.

2-00:35:52

Lage: I see.

2-00:35:53

Watson: The first part of the program, they switched us off. They made me chairman of the economic base committee. I never even knew what an economic base was. But it forced me to learn what an economic base was, because I'm now the chairman of this committee. And we studied all the various things you need to do in terms of what does a master plan need and what are we going to do and so forth.

2-00:36:15

And then we got to the end of it. We were going to complete it. We went back to our disciplines. So the graduate students in city planning, they wrote the general plan, verbiage. I did a regional shopping center that was melded into the economic base needs of the community. The economic base benefit from a retail center, I designed one. But it had meaning to where it was and so forth.

2-00:36:41

Lage: So an economic base is studying what your community—

2-00:36:44

Watson: Needs economically to pay for all the services it has, see? So it needs jobs. It needs to have, like, a regional shopping center if it's going to receive sales tax and it's going to give jobs to the people. And then I tied it into a rail system in the city and so forth. By that time, I was pretty good at sketching, and I could do things like that. But I talked about it in terms of this relationship to the economic base, because that's where I had come from. So it taught me totally different things, see.

2-00:37:10

Lage: So this is the class that you got excited about, it sounds like.

2-00:37:12

Watson: That's what I got excited about. So when I finished that program, that's how the whole beginning trip here began. The planning director of the City of Stockton came to Cal, to Jack Kent. He was looking, as they often do, for what I call cheap help, some students that work in the summer to do something. He needed three students. He needed two students to do a land-use study. That means walk door to door and note on a pad what is that use: it's a business, it's a house, whatever it is. And then they put it on a map. So it's just a lot of legwork. And then you go back and put it on a map and so on and so forth.

2-00:37:52

And then he also wanted to have a civic center designed, so somebody with maybe a planning background but who could design a civic center within the existing city, how they might change it, inside of Stockton.

2-00:38:04

Lage: They had—

2-00:38:07

Watson: They had a city hall, they had everything, but they had an area, it wasn't, he felt, pulled together landscape-wise, building-wise. Should you shut off a street? What could you do to make it feel more like a center of Stockton? So he went to Jack Kent with that, and Jack Kent said, "We had a young student in our program named Ray Watson, who had both those kind of—I liked the way he blended the architecture and the planning. You ought to talk to him."

2-00:38:37

Lage: I'm just trying to back up a little more here. Had you gotten to know Jack Kent very well in the course of this?

2-00:38:44

Watson: He was the head of the planning department. He would sit in on the sessions when I made the economic base report.

2-00:38:50

Lage: But you didn't have a particular relationship with him.

2-00:38:51

Watson: I didn't have, no. My professor was Downs, from the architecture school. He told me how impressed Kent was with my presentation.

2-00:39:00

Lage: I see.

2-00:39:01

Watson: And I didn't even know he was impressed with it, you know?

2-00:39:04

Lage: So he remembered you.

2-00:39:05

Watson: He remembered me that way. And so I met Stan Ott, the planning director of Stockton, and I said, “Well, sure.” I was looking for a job. But I could only do it for three months because I had a year more I had to work for an architect before I was qualified to take the state board exam, and the city wouldn’t count.

2-00:39:23

So I went up out to Stockton, lived at the YMCA with these other two students. There was three of us from Berkeley. And in the daytime I was doing my civic center work, and in the nighttime they hired—one of the other ones was an architecture student, but he had been in the planning school—and me, to design and do the working drawings for the city’s [corporation yard?]. So we did that as a practical job. So we were working twelve hours a day.

2-00:39:48

Lage: Wow!

2-00:39:50

Watson: And living at the YMCA. That’s when I met my wife.

2-00:39:55

Lage: We’ll get to that story.

2-00:39:57

Watson: Three months into that.

2-00:39:58

Lage: Did they use your design for the civic center?

2-00:40:01

Watson: It’s not—“design” is almost an improper term. Yes, it had design where I suggested that they build a bridge across the channel that came in, connecting the town. But part of it was an attitude the planning commission had. These are lay members there, and there was prejudice on there about what they didn’t want—it was close to Skid Row, where the existing city hall is, and I liked the idea of carrying the road right in through from all the way back from UOP, University of the Pacific, through the town, connecting into the civic center, going across the bridge into the Skid Row, as part of bringing this town together. I did things like that, where to place additional buildings. That’s basically what you’re doing.

And, at the same time, a lot of the work was meeting with individual planning commission members who didn’t want to do that.

2-00:40:51

Lage: They didn’t want to tie in the—

2-00:40:53

Watson: They wanted me to convince them, so that’s where I was—you know. So what it was left with was: here’s what I would do. I remember—I found it the other day, some of the comments that I made on writing to them, or in my oral presentation to them, was that “have trust in the fact that this city will work better if you”—you know, it isn’t just Skid Row. It’s not undesirable. Those people are just poor. They’re not undesirable people.

Include them in your city. Let them benefit from this civic center you're creating. Isn't the civic center supposed to be for everybody?

2-00:41:29

It was a situation that they had there that you were trying to deal with, because you had an existing city. You had mostly existing buildings. So it was a matter of how you carry landscaping in, or—how to explain it. Let's take Fashion Island [in Newport Beach]. You saw it?

2-00:41:45

Lage: Yes.

2-00:41:46

Watson: You've got the ring road around it, and what I learned through the process is if you're going to try to pull the thing together—if you only think about the shopping here and then the office across the street—. But if you've got a path across the street that leads to a path in the shopping center side and it goes across the street, you carry the same landscaping materials across so it feels like it is hooked in.

2-00:42:07

What we typically do with a shopping center, we make it so distinct from everything else around it, that you've got a whole bunch of jumbled pieces. Yes, they're all together and they're all the same buildings, but there's ways you can make sense of it, belong to each other, even though they're quite different in the type of building they are.

Well, that's what I was doing with the civic center design. The point of it is—

2-00:42:27

Lage: But the social aspect puts some people off.

2-00:42:29

Watson: The social aspect—I remember Dr. McGurk was the dentist.

2-00:42:36

Lage: On the planning commission?

2-00:42:37

Watson: He didn't want the students exposed to the alcoholics across the channel. And that influenced another way of doing the civic center design. But the connection is, Stan Ott was the one who hired me. I then got offered a job—we'll get into meeting my wife later. I then passed the state board, after about I guess—yes, within twelve months, I passed the state board, became licensed and all that stuff.

2-00:43:15

I then saw an ad. I was working for somebody as a draftsman, which you do until you're a licensed architect, anyway, in an architectural office. And I saw an ad in the paper when I got my license, an architect who was going to do a building in Stockton, and I wrote him a letter and said, "I have just been licensed. I'd be willing to go to work for you if you open an office here and make me the manager of it." And they did that.

2-00:43:36

Lage: [laughs]

2-00:43:38

Watson: And within a week, they hired me. Anyway, I did that for a number of years there, and then I went down to San Francisco with my wife. We were married and had two little children by that time. No, one child. Moved to San Francisco to run the main office.

2-00:43:55

Lage: What was the name of that company?

2-00:43:57

Watson: The name was Donald Haines. It no longer exists. He's still alive, but it's not the firm.

Anyway, I'm downtown in San Francisco with a client. I'm managing the firm, really, basically, the office. And we did fifty schools. We did a lot of schools and a lot of churches. We did some military housing. So I had a great variety of work. But anyway, I'm at the Bohemian Club with a client. I don't even remember who it was. And I ran into Stan Ott, who I had lost track of. And I said, "What are you doing now, Stan?" He said, "Well, I'm working for the Irvine Company." I said, "Who are they?" He said, "They're in Orange County." I said, "Where's that?" And he told me where it was, near Disneyland. "Give me your card. I've been trying to find you," he said.

2-00:44:50

A week later, he called me and he said could he fly up and meet with me, and so we actually had him stay in our place in Sunnyvale. And he told me about the fact that he had been hired as the first planner for the Irvine Company, that they were getting ready to make this deal with the university. They were going to build this new town on 93,000 acres. He wanted me to be his assistant, because he was a public planner, regulator. He was not skilled in the things I was trained to do. I wasn't skilled to do the things he was trained to do.

It took me about three months to finally decide to do that.

2-00:45:29

Lage: Oh, you had three months to think about it.

2-00:45:31

Watson: Well, he gave me three months. I was perfectly happy in the job, and they wanted to make me a partner in the firm I was with. We had just bought this house, and my wife loved it. Finally, I went down there and met with the people down there, and to make a long story short, I said to my wife, "You know, how often does 93,000 acres come available? Architecture is something that goes from project to project, but we have to spend a lifetime on something that big and that exciting and interesting, and Stan Ott's down there. I'll be his assistant."

2-00:46:12

So I finally said yes. The day after I arrived, the day after, twenty-four hours after I arrived down there—my wife is still up there, trying to sell that house—Stan Ott tells me he's no longer going to be with the company. He's been fired.

2-00:46:26

Lage: They fired him!

2-00:46:28

Watson: And so then the human resource people—and they had a consultant head hunter who was overseeing the HR process because the new president, a fellow named [Charles] “Charlie” Thomas, had not come aboard yet, was about to come on board in three weeks. They asked me to come in the room with them, and they said, “You deserve an explanation.” I said, “I deserve something.” I told them, “I did some research on this company, and I found about Joan [Irvine] and all the problems. I thought it was a little quirky company, but this is really quirky. What are you guys doing here?”

2-00:46:55

So they explained to me that Stan Ott was a nice man and so forth, but they felt the mix was wrong. Now, part of it—it was not Stan’s fault. Part of it was here is a farming company that sort of distrusted public planners, and that’s what he was. Stan also was a well-known city planner.

2-00:47:14

Lage: Had he come out of Berkeley?

2-00:47:15

Watson: No. I don’t know where he went to school, but he was well known in the planning field in California. He was planning director of Stockton and elsewhere and was well known. I think he sort of played it up to the local planning directors of the cities the company had to deal with, and so they started talking negative about him, is what I heard, and the people in the company didn’t have the new president yet.

2-00:47:36

So they decided—the consultant and this human resource person decided that if it wasn’t going to work out, it was better to get rid of him prior to the new president coming, so he wouldn’t have to deal with that problem. But I was interested in why they got rid of him.

2-00:47:49

Lage: And they told you this. Or did you find out later?

2-00:47:50

Watson: They told me all that. And then they said, “And we looked at your résumé, and we like your résumé because you’ve been in private practice.” Well, that was a prejudice they had towards private practice, whatever. They said, “Would you stay?” So by osmosis, I became Irvine’s first planner.

2-00:48:12

And the chief engineer, a guy named [William] Bill Mason, took me aside and soon became a big booster.

2-00:48:17

Lage: Let’s not get ahead of this story here.

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Watson: Right. But anyway, that’s the link between—

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Lage: That’s the link.

2-00:48:21

Watson: —the Berkeley school, Jack Kent introducing me to Stan Ott. That's how I ended up at the Irvine Company.

2-00:48:29

Lage: Now, you go fast over this story. Maybe you don't have a lot more to say about the Berkeley school, but I would be interested if you did. It was a time of transition in the School of Architecture with Wurster coming.

2-00:48:43

Watson: Yes, right, let's talk about that a little bit.

2-00:48:44

Lage: So let's talk a little bit about it.

2-00:48:45

Watson: First of all, it happened when I was a sophomore that the change came. A guy named [Warren] Perry was the dean of the school. He was from the old Beaux Arts school. It didn't mean anything to me in the first year, because the work you're doing the first year is you're doing sort of graphic things and so forth. And not having been somebody who was interested in architecture his whole life, what is Beaux Arts? I hardly even knew what Beaux Arts was.

But Bill Wurster came and transformed that school overnight.

2-00:49:12

Lage: How did you know about this?

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Watson: From my point of view, I didn't recognize the transformation, because in the first year, as a freshman, you're doing such rudimentary work anyway, I didn't recognize who [Walter] Gropius was. I didn't know all of that kind of stuff. It didn't mean anything, you know? And Wurster didn't mean anything to me, except I liked the people he brought in, because he brought in Vernon DeMars. Does that name—?

2-00:49:37

Lage: Yes.

2-00:49:39

Watson: I never had him as a professor, but I sat through a number of his classes. I really liked the way he talked.

2-00:49:44

Lage: What—

2-00:49:45

Watson: He did the public housing. One of his projects was in Richmond, and so he was explaining it to us to his class, and I sat in the thing and listened to him explaining how to keep the cost down. These were just row houses, like Philadelphia row houses, but he painted each one a different color, and I liked why he did that, to give the sense of individuality to the person who went there. You wouldn't say, "I'm in the fourth one down" but "I'm in the pink one."

2-00:50:11

Lage: Yes.

2-00:50:12

Watson: So the design wasn't outstanding; the design had to fit the criteria, what public housing was. But he added something to it, thinking humanly about the people who were going to live there, Vernon. And Bill Wurster was the same way when he would talk about things. Plus—

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Lage: This same human concern came up?

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Watson: Right. Plus you know about his wife, Bill Wurster's wife? Actually—

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Lage: Yes. Well, tell me about her. Catherine Bauer.

2-00:50:35

Watson: Catherine Bauer. By the time I got back—so I went through—

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Lage: And she came at the same time.

2-00:50:46

Watson: Came at the same time.

2-00:50:47

Lage: Did you take any classes with—

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Watson: I didn't have much exposure to her. It wasn't until I got into grad school that I had exposure to her. Now, I went through—you know, sort of struggling through, doing well in the academic courses, doing okay in the architectural thing. By the time I got to be a senior, I was better at all of it.

2-00:51:02

Lage: How'd you do with the design?

2-00:51:03

Watson: I was better at it by the time I was a senior, but it took me a long time to get to that.

2-00:51:07

Lage: How about sculpture? Did you take sculpture from Jacques Schnier?

2-00:51:08

Watson: I did, but—first of all, they have lousy teachers—

2-00:51:12

Lage: Really?

2-00:51:13

Watson: Both art—they did then. They just took a professor of architecture and had him teach sculpture. He'd give you some clay, and you were supposed to make something out of it. I took a watercolor class after I got out of college. It was terrific. Somebody taught me to think about how you put colors together. They never did that in school. So I felt like they had a poor—both in the art classes of architecture and the sculpture class.

2-00:51:38

Lage: Do you remember who taught you?

2-00:51:39

Watson: I don't remember.

2-00:51:43

Lage: Did you take any from [Eric] Mendelsohn?

2-00:51:44

Watson: No. I sat in some of his critiques, but Mendelsohn taught only the graduate students. In graduate school there were two tracks. One was design-oriented under Mendelsohn, the other was the joint program in planning, the joint course in city and regional planning. I took the latter.

2-00:51:55

Lage: Okay.

2-00:51:56

Watson: Incidentally, that joint program disappeared after a couple of years because there wasn't very many people interested in it. It took them away from their design.

2-00:52:04

Lage: So if you had not taken that, you would have taken more architectural design classes.

2-00:52:09

Watson: Probably, yes. I was ready. By that time, I had worked—I felt more confident about myself. I had learned how to do sketches even much better. I knew how to paint better; I had taught myself. And somebody I had worked for was good at it and taught me, too.

2-00:52:28

Lage: Worked in the summers?

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Watson: No, because I worked for a year before I went back.

2-00:52:32

Lage: Oh, you did?

2-00:52:33

Watson: Yes.

2-00:52:39

Lage: Okay. Were your classes in what they called the Ark at that time?

2-00:52:42

Watson: Right.

2-00:52:44

Lage: Was that a good place to study?

2-00:52:45

Watson: It was a great place. I didn't study there; I studied at home. That was the other thing I missed. Living with my grandmother and being a commuting student, you miss—I learned that in grad school because I lived right across from Stern Hall. There's an old house there. We lived in the basement. The last house on Hearst Avenue, going up to the Radiation Lab.

2-00:53:03

Lage: Oh, yes. Oh, across that way, yes.

2-00:53:05

Watson: Across the parking lot, on Hearst Avenue. That's where we lived. The best man at my wedding, Ward Higgins, bought that house, and they ultimately sold it just a couple of years ago. Made a fortune on it. But we lived in the basement of that.

But anyway, what was the question?

2-00:53:22

Lage: Now I've forgotten! [laughs] I also can't remember what I had asked you.

2-00:53:29

Watson: [laughs] It was about Catherine Bauer.

2-00:53:33

Lage: Yes, that was the initial question.

2-00:53:35

Watson: My exposure to her was when I came back to school, I was much more confident in myself. I had worked.

2-00:53:46

Lage: Oh, that's what I was asking you about, was working the year.

2-00:53:49

Watson: I was much more confident, but also took a track that much more fit me. And the other students who were in that track were better architects, but it didn't fit them as well. And they didn't get as much out of it as I think I did, or enjoyed it as much as I did.

2-00:54:04

There was a course—for instance, I took one econ course that I had to go to Wurster for to get out of a spec course, how to write specifications. I went to him and said, "I don't want to take this course on specifications. Can I substitute something?" Well, they're all cynical about that. He said, "What do you want to take?" I told him, "Econ." He said, "Oh, no, that's fine." So you can see he accepted the desire of somebody to sort of go outside of the halls of the school.

2-00:54:34

But he taught a course called the T course. There wasn't very many students in it, and I can't remember how many students was in it. But once a week, a student had to present a paper and present it to the whole class, and it had be on some subject other than architecture. And Catherine Bauer sat in on them every session. To this day, I can't remember what I wrote. But I presented the paper, and I remember him saying, "Well, that's very good, Ray." He said, "But you've got to be careful." So I must have—you know, whatever.

2-00:55:11

Lage: I wish you could remember what it was.

2-00:55:12

Watson: I wish I could remember it, too. Maybe it was the paper I did on—no, I don't know. I did one paper on—the American Institute of Architects, as a society, in terms of supporting the registration of architects, used to be able to limit the number of entries into the business, as a form of anti-competition.

2-00:55:34

Lage: That was your thesis?

2-00:55:36

Watson: I think that was the paper I wrote, because I know I wrote that paper, and I remember I got a lot of encouragement from her on it. She helped me write to certain people in the institute who might answer honestly. The person I wrote to left the institute. I got another letter from the institute back, saying, "How could you ever think we would ever do that?" And I thought that was great evidence that they did do it, or did think that way.

2-00:55:58

But anyway, I presented the paper, and he said, "We've got to be careful sometimes, these views. That's a good paper, Ray." She says, "Ray, that was a great paper." So in front of her husband, she says, "Don't listen to my husband." So that—it was, again, the encouragement of coming out of the box is how I think of it.

2-00:56:22

Lage: Yes, kind of defying the professional aura.

2-00:56:27

Watson: Right. Even when I started with Irvine, we would hire these consultants to talk about what kind of community, including prayer and other people, and there were those who wanted—architects generally are very urbanites. They're driven that way. They are advocates of a certain way. And the advocacy dominates in a school. I mean, Gropius dominated Harvard for a long time. But even at Cal—

2-00:56:53

Lage: What dominated there?

2-00:56:55

Watson: What dominated there was—first of all, because of Wurster, there was no one ideology. You fell in love with Frank Lloyd Wright one semester and Gropius the next semester, and that was fine.

2-00:57:07

Lage: And he brought in professors that would give different views.

2-00:57:10

Watson: Yes, right, right, including the old Beaux Arts people he kept there, too. And I remember Vernon De Mars criticizing [Raymond] Jeans, who was one professor. They did the law school that's there now?

2-00:57:20

Lage: Yes.

2-00:57:21

Watson: One of the things that Vernon De Mars didn't like was as you went from one plane to the other, it didn't work. Well, these guys from the Beaux Arts did not believe in drawing perspectives, so there was this little debate going on. So Vernon said, "Look at it, see? If they had drawn a perspective, you would have seen it didn't work." Well, I was listening to that—

2-00:57:44

Lage: This went on in front of the students.

2-00:57:46

Watson: Yes, as we're listening to them critiquing this thing, you know. But the point of it really is that that's what Wurster tolerated. But I think it was probably influenced a lot by his wife, too, who was a very open-minded person. Later on, when I came to Irvine and I would go back to Berkeley [and] occasionally have them critique what we were doing, the faculty—you know, that was sort of my way of going back to school. And, well, again, when you say what bent do they have, they're very urbanites. They hated suburbia. They don't like the word "suburbia." And it's too bad. I in later life have said that profession missed out in their contributions because they said it [suburbia] was not a way to live. So therefore, less talented people have had more influence in the suburbs than the talented people if they had just spent time—they do more stuff. There's much more writings within the schools on what suburbia is and what it can become and so forth and so on. But they're very urbanites.

2-00:58:45

So people would come in at the Irvine Company trying to push us in the direction, going into much higher densities than the market would ever have tolerated down here.

2-00:58:56

Lage: They have an ideology, it sounds like.

2-00:58:58

Watson: They had an ideology, yes.

2-00:58:59

Lage: What about Telesis? Was that talked about at Berkeley?

2-00:59:02

Watson: What's Telesis? Oh, oh, oh.

2-00:59:03

Lage: I think Vernon De Mars was involved with it, and Jack Kent, kind of an urban design.

2-00:59:09

Watson: I don't know.

2-00:59:11

Lage: Let's see, how was it—I guess it wasn't. A reform impulse, sort of reforming society by better planning and better architecture.

2-00:59:19

Watson: No.

2-00:59:20

Lage: It's more of a thirties thing, but I wondered if it—

2-00:59:22

Watson: No.

2-00:59:24

Lage: —had continued into your—

2-00:59:27

Watson: I don't know how up to speed I was in some of the ideology of the time. I was sort of an anti-ideology, even in architecture. If somebody said, "This is the way to live," I'd say, "Wait a minute, there's a lot of ways to live." And that bothered other people because they were advocates of those things. Some schools. I mean, even today at Harvard, they think Irvine is terrible.

2-00:59:54

Lage: The professionals at Harvard.

2-00:59:58

Watson: Yes, suburban sprawl and so forth. Now, the truth of the matter is they have not even seen it, and if they did see it, they didn't get out of their car. You know, I got you on the bridge.

2-01:00:10

Lage: Yes.

2-01:00:11

Watson: I have taken reporters around, who want me to take them around at a time, and I say, "I'll only take you around if you'll get out of the car. I'm not somebody who will drive and you wave your wand and write something. You walk through it, and you see what people are doing."

2-01:00:25

Lage: Right. That makes a big difference. Now, again back to Cal. Did you react to it as a campus? Was that part of your experience there?

2-01:00:36

Watson: Yes. I never participated in—but I always enjoyed listening to—the debates at Sather Gate. You know, somebody's got some cause, whether it's Communism or so forth.

2-01:00:52

Lage: So that was going on in the fifties.

2-01:00:55

Watson: Oh, yes, that's always been there.

2-01:01:01

Lage: I'm thinking of the design in part, because here you were involved with [UC] Irvine. Or the feel of the campus.

2-01:01:07

Watson: Well, the campus felt like a campus, but it was not like Stanford or it was not like University of Montana campus. Stanford is much spread out. The University of Montana was a beautiful campus. It was small, brick. I liked the urbanity of the campus. I didn't intellectually talk about that. At Berkeley, I like Faculty Glade, the contrast, you know. And psychology—you went from this very urban thing and cross a little bridge, and you're in a little quiet—

2-01:01:53

Lage: Glade.

2-01:01:54

Watson: —tranquil place, you know?

2-01:01:55

Lage: Yes. Yes.

2-01:01:57

Watson: But I don't know whether it influenced me any.

2-01:02:01

Lage: The first four years, I guess—were you there four years as an undergraduate, even with your—

2-01:02:08

Watson: Right, you had to be. You had a sequential course. You can't double up.

2-01:02:10

Lage: You lived at home.

2-01:02:12

Watson: Yes.

2-01:02:13

Lage: Took the bus, the train, the trolley?

2-01:02:15

Watson: No. At first, I took the streetcar right down Telegraph Avenue, or the one that goes down Broadway and then ended up up above the campus.

2-01:02:23

Lage: Down College [Avenue].

2-01:02:24

Watson: Yes, down College, because I can remember where it switched off where Cal Arts was. I did that for a while, and then my dad started leaving his car at home, the '40 Ford, so we started commuting. There was a group. There was Ward Higgins, who became best man at my wedding. He was an architecture student, a better architect than me.

2-01:02:45

There was Tom Hayes, who just lived down the street from me. He ended up a PhD, well known in electron microscopy, who worked for the Gofman group on cholesterol, that group. That's where I was a medical lab tech one year, just as a job. He got me a job there.

2-01:03:03

And Ward's brother, Larry, who—just as an aside, an interesting—younger brother. Graduated from Oakland High School with a D average and decided he wanted to go to Cal. Went to the Cal extension for a year. Did so well, got into Cal. Ended up in four years with a double major in math and physics and honors in both. Went on to get his PhD. He would take twenty-one units a semester.

2-01:03:32

Lage: Wow.

2-01:03:33

Watson: You understand what twenty-one units are.

2-01:03:35

Lage: Yes.

2-01:03:36

Watson: Let me tell you what he also took. They were all advanced math. He got a double degree, one in physics and one in math. He had all the high math courses. He'd take French and German at the same time. He completely switched, and he was the most focused guy I've ever seen. He became my roommate, too, in grad school. But I can remember—you know, when you had the finals—he had the big final and went to class—his German final and his French final was on the same day at the same time. And he had never told his faculty member he was taking both. He spent an hour and a half on one and an hour and a half on the other, and got an A in both.

2-01:04:13

Lage: Oh, my God! [laughs]

2-01:04:15

Watson: Anyway, I commuted—so we carpooled. It was sort of like going to work. You get up. You get there at eight, and you'd come home at five or five-thirty, because I was on the wrestling team, so I was working out.

2-01:04:29

Lage: Oh, you were on the wrestling team.

2-01:04:30

Watson: I was working out at five. And so I would do a lot of my homework at school, other than—yes, a lot of it there, the academic part of it there. I would hunt out either a hidden

place—I couldn't study with people. A lot of people like to study engineering courses together or whatever it is. I can't. They'd start talking, and it was distracting to me. So I would, by myself—the most common thing I'd do is find an empty classroom and just go sit in there and do my thing.

2-01:05:06

Lage: You were a hard worker, it sounds like.

2-01:05:07

Watson: I was a consistent worker. I'd husband my time. Like, Tom Hayes' brother—he had a twin brother who went there, too. That's when the Student Union was right there—you know, the small one?

2-01:05:28

Lage: It's now Stephens Hall.

2-01:05:30

Watson: Yes, right. And there's always kids in there, playing bridge, played bridge all day long. I don't know how they ever had time to study. So I'd go through there on my way to something and see the same students. I never could figure out how in the world they got through school, playing bridge all day. I didn't do those kinds of things.

2-01:05:49

Lage: Did you go to sports events or anything like that on weekends?

2-01:05:52

Watson: Yes, I went to all the football games. My senior year, I refused to sit in the men's rooting section. I went from, you know, participating in all the high jinx to I couldn't stand it. You know, it was rated in *Life* magazine one year as the most unruly sports section in the country.

2-01:06:18

Lage: I didn't realize that.

2-01:06:19

Watson: It was an all-men's section. They were very crude. So then I sat out of it. But I went to the games.

On the wrestling team, we would finish workout at five, in the Harmon Gym there, and the freshmen played basketball right away; then the junior varsity, then the varsity. I would stay and watch all three games.

2-01:06:39

Lage: So you partook of college life.

2-01:06:42

Watson: Partook in that way, right. Never went to a school dance. Never did any of the social part of it.

2-01:06:48

Lage: Did you date at that time?

2-01:06:49

Watson: No.

2-01:06:50

Lage: You were waiting? For Elsa.

2-01:06:52

Watson: Waiting for Elsa.

2-01:06:54

Lage: [laughs] Where did you work—well, I think we should finish up very soon, but where did you work that first year after you got your BA?

2-01:07:01

Watson: First of all, to try to get a job—if you want to get a job out of architecture school, go to Cal Poly. They're much better at training you to do the drafting work that—that's all you're worth doing, anyway, when you first get out of school. I couldn't get a job in the San Francisco Bay area, so I just headed down the valley. I told Nana, my grandmother, "I'm going to go see if I can find work." And I stopped at Fresno, I stopped at Modesto. Ended up in Visalia and found an architect, a nice little practice, had a nice practice there, hired me right away. I ended up—well, I know how to live. I looked in the ads and rented a room in someone's house.

2-01:07:35

Lage: Yes! [laughs]

2-01:07:37

Watson: And lived there for a year, and then went back to grad school.

2-01:07:40

Lage: Had you always thought you'd go back to grad school?

2-01:07:41

Watson: No.

2-01:07:42

Lage: Or did that experience—

2-01:07:44

Watson: Ward Higgins, the one who I had gone to high school with, who had been an architecture student with me, had gone to Mexico, and we communicated, and he wrote me one day he was going back to get really the fifth year, is really what it is—grad school. I knew by that time they had this dual course, and that sort of interested me, and I thought, "Maybe I'll do that." I wasn't even intending to do that. As a matter of fact, I had my father's old '40 Ford that I'd bought from him, and the thing barely would get up the hill anymore, and so I thought I was going to buy another car, and then I decided when I got the letter from Ward, "I'll do that, too." That was the extent of it.

2-01:08:22

And so I decided not to buy another car. I went to Sears and Roebuck's and bought a new motor for my '40 Ford, stuck it in it, and in June, quit the firm I was with and went back and worked that summer, and then started in September.

2-01:08:40

And Ward Higgins and his brother and I—we found this little basement apartment on Hearst Avenue, and that's where we lived. It fit me much more than it did Ward. Ward was a good designer. Probably shouldn't have taken this joint course. He didn't get—

2-01:09:04

Lage: Oh, he took the same course you did.

2-01:09:06

Watson: The same course I did, right.

2-01:09:08

Lage: And he went on to be a more straightforward architect?

2-01:09:11

Watson: Right. He's retired now, but that's right. As a matter of fact, he worked for us at Irvine for a couple of years.

2-01:09:20

Lage: Any other people in your class that you continue—

2-01:09:24

Watson: Well, [Gerald M.] Jerry McCue was in my class. Probably doesn't mean anything to you.

2-01:09:26

Lage: No.

2-01:09:28

Watson: Jerry McCue was dean of the School of Environmental Design at Berkeley at one time and then dean of the school at Harvard. I had a lot of contact with him in my career afterwards, because he would invite me back to speak to the students at Harvard. Jerry was probably the top student in my class. Very good at freehand, and he was also, I thought, a very thoughtful man. I asked him why did he go to Harvard from Cal, and his very interesting answer was that—I call it a disadvantage, but others would call it an advantage of Cal is, from a faculty point of view, dean point of view—there's no worse job than being dean. Let me say that.

2-01:10:18

Lage: I don't think so.

2-01:10:19

Watson: But anyway, Jerry McCue was pretty good at raising funds, but—first of all, molding a school around what you want, which Bill Wurster was able to do, and how he did it—I don't know how he was able to do it, because the way the university system works is that to get an academic appointment, you have to have a campus-wide committee, and I've sat on those committees as a non-academic. The arguments that go on—it just drives me nuts.

2-01:10:47

Well, that may work for some disciplines, but I don't think it works for architecture, so you've got some physics professor making some judgment, and his judgment is that this would be a great architecture professor because he's got a PhD, which probably means

nothing to his skill as an architect. At Harvard, you didn't do that. You have a faculty committee within the school. So he says that was number one.

2-01:11:15

Number two was in raising funds. At Berkeley, it sort of gets distributed back to the main campus, and then it gets allocated back to you maybe, not all of it.

2-01:11:24

Lage: If you're lucky.

2-01:11:26

Watson: At Harvard, he was able to use—he was a good fund-raiser—able to use the funds to build his school, and build a faculty the way he wanted the kind of faculty, and he felt he had much more freedom there. It had nothing to do with—

2-01:11:39

Lage: That's probably very true, from what I've heard about the bureaucracy in the university.

2-01:11:44

Watson: Right.

2-01:11:46

Lage: Okay, I think we're at a point where we can stop. How do you feel about it?

2-01:11:51

Watson: Fine.

Interview 2: February 10, 2003 (morning session)

3-00:00:01

Lage: All right, now we are actually recording.

3-00:00:04

Watson: Okay. Do you want me to say something?

3-00:00:06

Lage: Yes. It's fine. And I'll just put the date on, February 10, 2003.

3-00:00:14

Watson: Right.

3-00:00:16

Lage: And I'm going to actually turn it down a little because it's too loud. We're starting on the second interview with Ray Watson. We spent quite a bit of time talking about what we're doing here, and now we're ready to go ahead.

3-00:00:27

Watson: All ready to do it.

3-00:00:28

Lage: I think we were going to start—via e-mail, we talked a little bit about last time and what we would do next time, and you seemed to have some additional thoughts about the influence of the UC architecture program. Is that where we should begin?

3-00:00:44

Watson: Yes. Why don't I at least give my summary view of it? This is not a critique of the architectural program. It is a critique of me in that program. I did not come into that program having—since five years old, saying, "I want to be an architect" and spent a lot of time in drawing. That was not me at all. As I said earlier, it was sort of happenstance that I ended up in that program. So I didn't get out of it what some other students, I'm sure, got out of it who practiced architecture afterwards. I practiced it for a number of years, but I got out of it—being an exposure to thinking things in a visual way.

3-00:01:34

I had, up until that time, as a young man and a young boy, thought of things in an intellectual way. I was curious about why people do what they do. I was curious about political things, and I loved to debate on those kinds of things.

3-00:01:57

Lage: And verbal, very verbal.

3-00:01:58

Watson: And I was very verbal. I've always been very verbal. So I was verbal, when other people weren't very verbal but they were very good at drawing things. I wasn't very good at drawing things, so I had to learn how to do that, and that was a good discipline.

3-00:02:09

Lage: Did it change the way you looked at your environment?

3-00:02:12

Watson: No, the way you look at the environment—environment, to me, is a very broad term. Orange County environment, Berkeley environment, political environment. Physical environment of the campus, you asked me about there, is that whole feeling you have about the campus. But in the School of Architecture at that time, you're designing a building, which is not an environment to me. You get an assigned project of doing a blood bank or a school or an administration building, and you are given three weeks to draw that up and make a presentation of it.

3-00:02:49

As I recall back on it, once I got into the practice of architecture and then I came down here and did well beyond that kind of work. Instead of us doing individual buildings, we did collections of buildings, and we had hired architects, so my job was then to hire the right kind of architects to do the kind of work we needed here, and the right kind of planning, landscape architects, and how that integrated into the marketing: what will people buy and not buy.

3-00:03:21

But at Berkeley, you have what I call the critic process. You have a professor, who is usually a practicing architect, and you get, I think, confused to some degree, in the sense that their taste was the taste you're trying to achieve. Once I got out of school, I said, "Wait a minute, the taste I have to satisfy is a client, who isn't an architect."

3-00:03:48

And so you'll find strong feelings, and I think those are always good. It's just like if you were in political science, for a while you have a certain feeling about certain movements in terms of the political science field. Or if you're psychology, you can be arguing about whether it's Jungian or Freudian or whether it's inferiority or superiority complexes. Those are sort of environments you can—probably as a student, you would gravitate towards one or the other.

3-00:04:19

At Cal, you could gravitate towards Frank Lloyd Wright or Mies van de Rohe or some of the other architects. But this architect who was your critic, he was the ultimate judge.

3-00:04:32

Lage: In a particular class.

3-00:04:34

Watson: In that particular class, in that particular assignment. So you come out of there, I think, believing or thinking that what is good design is what other architects think, and learning, in the world that I come down to down here, that good architecture is what the people who are going to buy that house think. At the same time, you are influenced, and I think that's good. I am influenced by what I think is good architecture, and maybe the person who's buying that house doesn't quite know what good architecture is, and how do I in fact get a series of buildings, an architect that knows how to design buildings that will satisfy the marketplace, the average Joe who's going to buy it? And at the same time, maybe set a standard of architecture that is better, in terms of the way we thought about it in architectural school, than there was before.

3-00:05:26

They did it—at least it influenced me, and that’s the best I could say. When I went to the grad school, and our assignment was to create a masterplan for an existing city, it opened up another whole world, because there we didn’t do any design at first. My assignment was to chair the economic base committee. I had to learn a whole new vocabulary. It forced me to recognize whereas the buildings we architects may design within a community may be what we physically see, they are but only a part of what makes up a community.

3-00:05:58

Lage: You were looking at Lafayette.

3-00:05:59

Watson: Looking at Lafayette. I had fellow students who understood that because they were from the planning school, but the architectural students didn’t understand that at all. So they did a wonderful job, Jack Kent did, who was dean of the planning school, for the first period of time, putting us architects in charge of committees, of things that we knew nothing about, and we had to learn it.

3-00:06:21

Now, I enjoyed that, and that was very useful to me down here, when we are saying, “We are going to build a city?” Well, William Pereira described a city in architectural terms.

3-00:06:32

Lage: He didn’t consider economic base?

3-00:06:34

Watson: Well, he did consider economic base and yes, he did in the sense that he says, “We got to have industry here to pay the taxes for all the services you need,” and that’s what an economic base is in very simple terms. What I learned in the planning school is that we had to get past those general terms, and so it caused me to find who is the best consultant to do that. It’s not an architect; it’s Griffinhager and Krager, which is a consulting firm that do economic-base studies for cities, and they prepared a study for us, which showed what it would cost to have different levels of municipal services. And I had asked them to do this: Give me a low, medium and high level of service, what do the different levels of service cost, and translate those costs into levels of tax rates. Those things. I only got the beginning of it in planning school, but it taught me that building a community entails much more than designing the buildings.

3-00:07:29

Lage: Did the planning school have an ideological bent to it that you absorbed?

3-00:07:34

Watson: If they did, I don’t know what it would be. That was just a graduate school in a two-year program. I’m sure those students probably would have a view of it, but I didn’t see that. Jack Kent, who was the dean of the school, had formerly been the planning director of San Francisco. Was well respected and was very open minded about different attitudes and views of what a city should be. But no, I don’t know of any ideological bent.

3-00:08:09

Lage: In the whole experience there, was there much social consciousness apparent?

3-00:08:16

Watson: The social consciousness was unrelated to—yes, there was with regard to affordable housing. That was an interesting mixture in terms of what we talked about in the planning school, and an architect in the architectural school who had nothing to do with this program, Vernon DeMars, who designed—who shared with us students a project he did for the planning authority in Richmond of low-cost housing that was a government program, in which there was a series of townhouses, all the same, like Philadelphia row houses, in which he painted each one of them a different color. And when asked why he would do that, which most architects would say, “Well, what are you doing there?” is that he says, “Because every house looks the same, and I want those people who live in those houses to feel where they live is distinctive from their next-door neighbor.” Well, that has a social consciousness that came out of affordable housing.

3-00:09:23

Lage: What about issues like restrictive covenants and things? Were those addressed in the planning?

3-00:09:27

Watson: No, I never heard it come up. It came up a lot down here.

3-00:09:30

Lage: Right, and you mentioned—well, we’ll get to it because you haven’t told that on tape, about the—

3-00:09:35

Watson: Right. When you ask about social consciousness, part of—as you know, the education of anybody in an institution like Berkeley is what you discuss during the lunch hour or what you do after school, and debate the issues of the time. One of the issues of the time, and it came up while I was in the planning school, was the Rosenbergs [Ethel and Julius] had been arrested, and the Rosenbergs had been arrested for being spies for the Soviet Union, and were put in jail and found guilty and sentenced to death.

3-00:10:13

I was invited, as was my roommate—both of us were the architectural side of this program—I was invited by one of the planning students—I can’t even remember his name. He was a very good architect, himself. He had come from USC, but he was in the planning school. He invited us to a party, so we went to this person’s house, where he was a—or maybe it was where he lived, I’m not sure. And there was a group of people. You know, you had a drink and you danced, and the gal I was dancing with—she—it was sort of a strange conversation. I tried to figure out what she was talking about. But then I found out her husband was there, and so forth.

3-00:10:55

And then we all—they asked can we all sit on the floor, and they showed a videotape, and the videotape was of the Rosenbergs. And it was a propaganda tape, in my view, a propaganda tape. I didn’t have any views on the Rosenbergs at the time, but was offended by this tape because it had the Rosenbergs with the children crying, as they were being dragged off to jail.

3-00:11:19

And then at the end of the tape, they asked everybody to sign a petition for the Rosenbergs. And I told my friend, who had invited me there and who I had a lot of respect for, “Why in the world would you ever play that kind of propaganda? That was nothing intellectual—that was nothing balanced about that.” I says, “Maybe you’re right and maybe you’re wrong, but I can’t tell from that tape, and I’m surprised that you’d do that.” And I says, “And there’s no way I’m going to sign that petition” I says, “unless I give a lot more thought to the subject.

3-00:11:57

So there was social consciousness. Part of learning is getting involved in those kinds of things, but there was nothing about what makes a great city or not a great city, or why is one city better than another.

3-00:12:10

Lage: Did you hear talk about the loyalty oath? Which had happened just—Jack Kent actually was a non-signer, or close to being a non-signer.

3-00:12:22

Watson: Was he? Yes, those are what I called the lunch sessions, you know. I thought loyalty oaths was ridiculous. Somebody is going to sign a petition that says, “I’m loyal. I will remain loyal.” You know? Well—so the whole question was do you sign it or don’t sign it, and we talked about it and debated about it, but the people I traveled with, which was all students, they were all against the loyalty oath, so there wasn’t much debate.

3-00:12:55

Lage: Yes. Okay, now, one other question from last time: You mentioned Philip Wylie, which was a very familiar name to me, but I didn’t quite place who he was, and then I—

3-00:13:06

Watson: You looked it up?

3-00:13:08

Lage: I looked it up. One of the things he’s most remembered for is his *Generation of Vipers*.

3-00:13:11

Watson: Right. That was the first book.

3-00:13:13

Lage: With momism.

3-00:13:14

Watson: Momism, right, exactly.

3-00:13:15

Lage: Now, how does that fit with—

3-00:13:18

Watson: With me?

3-00:13:19

Lage: Yes, with you or what you liked about Wylie.

3-00:13:22

Watson: Well, what I liked about him is that—first of all, Wylie was noted more for his cowboy novels that he wrote for *Saturday Evening Post*. My father read those.

3-00:13:32

Lage: And science fiction.

3-00:13:34

Watson: Science fiction, which I never read. But these were—the book after *Generation of Vipers* was *Essay on Morals*. I'll give you an example. First of all, for a person like myself, who's growing up and wondering and not willing to accept somebody's ideology, whatever it was, whether it was on religion, whether it was on government, and I didn't have a preset thing, and I'm very verbal, so I would debate people on it, say, "What do you mean by that? Why do you think that way?"

3-00:14:09

Well, Philip Wylie and his *Generation of Vipers* sort of was, for my generation, the social kind of commentary you see today, for this generation.

3-00:14:21

Lage: Iconoclastic.

3-00:14:23

Watson: It is iconoclastic. He's challenging conventional wisdoms. And momism is one way, that you're influenced by your mother and the whole society is going in that direction. But I can remember him—I think it was in his second book, was *Essay on Morals*. He took, for instance, the idea of prostitution, which is thought of as evil and bad. I think of it as too bad for the woman who has to do it. I don't think of it as evil or bad woman. And that's probably influenced by Philip Wylie, because what he did, he says, "Let's talk about all the pluses and all the negatives," and he made a list of the good things that was good about it and the bad things about it. And you end up saying to yourself, "Well, I may be born and my mother may have told me that prostitution is evil and bad and don't ever think about it again." He's saying, "Well, stop and think about those things," as to whether in fact we do think those things. And he had a whole list of things in there.

3-00:15:23

So that influenced my whole life. That caused me to—it didn't cause—probably reinforced my propensity to challenge things. Even in Irvine. As I circulated among my fellow developers of new communities and fellow planners of communities, many of them, particularly the Rouse people and some of the others, were absolutely convinced that there was one way to build a community, and that was the right way.

3-00:16:00

I said there is many ways. We're going to select a way that I think is appropriate for the size of the property, appropriate for where we are in California, and what is the attitudes of people who buy and sell here, and that's the right for us. And that doesn't have to be the right for everybody else. We are not building the quintessential, utopian city that should be replicated everywhere else. This is only for here.

3-00:16:25

Lage: So you thought very site specific.

3-00:16:27

Watson: Right, site specific. But that's somewhat for the momism thing that Wylie talked about and so forth, is that I didn't buy into the idea as the schools of architecture tend to do, as they become internationalist in terms of their architecture or they become influenced by different trends of the time. There was no trend, in my mind, of rightness. And I think Wylie, among other people—I mean, Jung did the same thing. After I talked to you here, I had to go back, and I pulled out of my library downstairs *Psychology of the Subconscious* by Jung and on the chapters on the introversion and extroversion.

3-00:17:06

Lage: Because those are the ones you've remembered.

3-00:17:08

Watson: The one I remember, but also it helped me to think about things, and that has to do with the differences between my wife and myself. Jung has—remember, I got out of Philip Wylie's book, because there's a lot of Jungism in Philip Wylie's writings. Philip Wylie is sort of a contemporary writer of Jungian, if you want to say it that—

3-00:17:32

Lage: So he would refer to him a lot.

3-00:17:34

Watson: He would refer to him a lot.

3-00:17:35

Lage: Took you back to him.

3-00:17:36

Watson: An example would be that that can be thought of a lot of different ways, and I think helpful in dealing with people—I have to deal with an awful lot of different people, in building a community like this and working in a corporation like this or at Disney, with different views, some of them very rigid views, is that Jung has the introvert-extrovert basis you start with, that we all have a little bit of each, but one happens to be dominant, so we are not totally introverted or totally extroverted. I think of myself as extroverted with some introverted qualities.

3-00:18:12

Then there is, behind that—I'll take two of them because it fits my wife and myself, is that—intuitive. She's intuitive. I'm analytical. Okay, now, Jung gives the example, in which he says you don't have to sit down and say one is right or wrong; one is you. It's you. He gives an example in his *Psychology of the Subconscious* two people running down a path in a forest, and they get to a creek. Maybe I told you this before.

3-00:18:41

Lage: No.

3-00:18:42

Watson: And it's rained recently, and the creek is swollen, and the path starts on the other side, and you cannot jump across the width of the creek at that time without getting wet. The analytical person runs down the creek, stops, looks down, and thinks where the rocks are and looks upstream and thinks where the rocks are, and determines analytically the

upstream is where they're just the right spacing to go over, and runs upstream, steps on the rocks, gets across, and continues on the path.

3-00:19:11

The intuitive person runs down and does not do that at all, does not think analytically. He just intuitively knows going upstream is the right way to go. Goes upstream, jumps across the rocks, and goes across.

3-00:19:21

His point was they both end up doing the same thing, from totally different approaches to it. And that's who you are. And so an analytical person could get very easily bothered by somebody saying something intuitive, and they say, "Tell me why you think that." "Well, I just think that." But that's who they are. And it doesn't mean that they're wrong—you know what it is.

3-00:19:42

So a lot of my, I think, ability to get along with people is the fact, is that I'm not putting them to the same scale that I have to myself. I have to think things out analytically. I have to think of the logic of it. I have to come to certain kind of clues. I don't have a gut feeling about things. Other people have a gut feeling, whether it be about architecture, whether it be about planning, whether it be about life, whether it be about politics, whether it be about marketing. And so you engage with these people in a dialogue to try to get out of them what they say, and you try to filter it into your own mind, of what you think.

3-00:20:19

And that has sort of carried me through much of my career. Now, out of it, I do have some strong views on things, so it doesn't create a Pollyanna, you know, at all. I have what I think would be the ideal community here, but I'm not going to impose that necessarily on everybody else.

3-00:20:43

Lage: I just looked at a little excerpts from Philip Wylie. I don't know if this is even important. But his language—it may have been what was chosen on the Internet. It was kind of vituperative. He didn't have this attitude of respect that I see that you have.

3-00:21:00

Watson: No, he was—

3-00:21:01

Lage: He was lambasting Congress and one of the terrible representatives we have. And the other, really kind of lambasting mothers, which I felt rather deeply.

3-00:21:12

Watson: Right.

3-00:21:13

Lage: But the language wasn't respectful.

3-00:21:14

Watson: Right, it was not respectful. And thinking back, you're right. It was not respectful at all. It was an attack upon what I think of today as the conventional wisdom, the Stepford

Wives. And it was an attack. But that worked with me because it didn't say, "Now, you're right, Philip Wylie." All it caused me to do was to think about it.

3-00:21:43

Lage: Yes. It opened up horizons.

3-00:21:45

Watson: By attacking the conventional wisdom, you're attacking some of the things that you wondered about yourself. And he gave you a way to think about it, that's all.

3-00:21:53

Lage: Interesting. Well, he was very popular, too.

3-00:21:56

Watson: Right, he was very popular. Yes, momism. I'd forgot. That's right.

3-00:21:59

Lage: I'd forgotten if that what may be the most lasting thing of—

3-00:22:03

Watson: Right.

3-00:22:04

Lage: Okay. Well, I think maybe we've mined enough of that period.

3-00:22:09

Watson: Okay.

3-00:22:10

Lage: And we should move you along. Is that good for you?

3-00:22:11

Watson: Sure.

3-00:22:13

Lage: We kind of skipped over your work in Stockton, and I know we don't need to go into it in great depth, but I want you to tell me what kind of influences came out of your work with the Donald Haines company, what you did.

3-00:22:28

Watson: Yes. First of all, I got to Stockton. I think I've talked about that. I was recruited up there to do this civic center design for the City of Stockton. Then, out of that, hired by a small firm. Coro and Wong was the firm, which was a very small firm. There was only two of us who were draftsmen at the time, and there was the two principals, and they were doing schools, and so we were doing working drawings and that. All I did is learn the rudiments of going from design into seeing them in a pair of documents called specifications and working drawings. So that was sort of—I call it the apprentice period.

3-00:23:15

When Donald Haines hired me and we opened an office there—I had heard of him through a newspaper article about a project he was doing in Stockton. I wrote him a letter and said that I was recently licensed and that I was on the board of appeals for the city building code, and I belonged to the 20/30 Club and that I'd be interested, if he's going to

be doing work in Stockton, if he would open an office here and he'd let me run it. And a week after I sent that letter, he contacted me, and within a day, he said, "Fine."

3-00:23:52

Lage: That seems like a bold kind of letter to write.

3-00:23:54

Watson: Yes, in retrospect it does, but that's what I felt. I wasn't just going to—yes, I thought it was an opportunity. I thought, "Well, here's somebody who, if he wants to do work in the Valley, he ought to have a presence here," and maybe he'd think about that, and he did think about that. And I guess during the interview, I convinced him that he could take a chance on me. So that would be 1955, like June of '55, when I left Coro and Wong. I opened an office. It was just me. I hired a draftsman fairly soon because we started doing a fair amount of work, and I had a secretary, and that was it.

3-00:24:52

Now, he had a main office in San Jose and in San Francisco, but that at time, mostly San Jose. So when we get far enough along in the working drawings, I would go up there and spend a couple of weeks, using the staff up there. What was great training for me, and it built my confidence, is that he left me alone. I did the design, I did the working drawings, I wrote the specifications, I met the client, and they all liked me. I found a note the other day from one of the clients, from one of the school superintendents of one of the schools I did, and completely forgot what the person's name was, but there it is down there, in which at the end of the project, he is saying that I was one of the—he used a term that was very complimentary about me, about how I didn't have a negative reaction, how even-tempered I was, and so forth.

3-00:25:54

So I was always able to get along with clients, and when they had to sell the local people who lived in the area to pass a bond issue, they would use me to explain to them why and how the economic system worked in terms of applying to the state and so forth, and I found myself verbally—my image of myself, until that time, was I would be the back-room guy.

3-00:26:18

Lage: Oh!

3-00:26:19

Watson: Well, I got a father who's a carpenter. I mean, nobody had been an executive in my family. And I was perfectly happy to say, "I'll be in the back room. You go out and get the work. I'll be back here, doing the design and doing the working drawings, and you bother with those clients." And suddenly I am thrust in an environment in which that's what I'm doing, and I found myself very comfortable at doing it. So it changed my self-image of somebody who would spend the rest of his career as the chief working drawings guy in an office, wherever it was, to somebody who said, "You know, I'm very comfortable in terms of meeting people and convincing people."

3-00:27:04

Lage: And working with the clients.

3-00:27:06

Watson: And working with the clients.

3-00:27:07

Lage: Now, these clients. You were designing institutional buildings, weren't you?

3-00:27:11

Watson: Yes, for the most part. There was, for instance, a Lutheran church facility. I did a church for the Catholics, I did a church for them. I did a convent—one in Modesto. I'd have to appear before the archdiocese—I'll always remember that—for the pre-school, because I did the Lutherans and then I did the priest. I began to see the difference between them as clients now, not as a religion, is that the priest is the czar; the Lutherans have a committee, so you got to deal with all these lay people. I found it much easier to work with the Catholics, because I didn't have to deal with all those lay people.

3-00:27:49

Lage: [laughs]

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Watson: But then I had to go down to the archdiocese office and meet with the archbishop to get them approved, and now that czar in the local parish was frightened by having to go down to see the archbishop, and he asked me if I would go. So we did churches. Did a lot of schools. And schools is good because you're doing—in a public arena. It has to be approved by people in the district. It has to be approved by the state.

3-00:28:17

Lage: A lot of schools were being built at that time.

3-00:28:20

Watson: A lot of schools were being built at that time. I must say while I was at Haines, there was probably fifty different schools. So that helped me in terms of when I came down to Irvine, when we began and I began to lobby for a unified school district that would follow the boundaries of the future city, and my familiarity with the school workings really helped me a lot with the school districts down here, because they found I was somebody at the Irvine Company who really understands when they're going to form a new school district what it takes and how you do it, and so forth and so on.

3-00:28:54

Lage: So you'd actually go out and try help to sell the school bonds?

3-00:28:58

Watson: Helped to sell the school bonds, in every district I worked in, right. You would make an application to the state, and I don't need to get into the details of that, but there was sort of a form that you go down as to whether you can get state aid or not, depending upon what your assessed value is per population. Once I understood the rudiments of that, I could help the community understand why they needed to vote yes on this, because if they didn't vote yes, they wouldn't get any money from the state. So we passed a lot of bond issues there.

3-00:29:30

I did public housing, some public housing in the area, so I learned the rudiments of staying within a budget. When I worked for Haines, I also oversaw a project, what they call Capehart housing, which is military housing.

3-00:29:48

Lage: Capehart?

3-00:29:49

Watson: Capehart. Senator [Homer E.] Capehart was the author, see?

3-00:29:51

Lage: Oh, I see.

3-00:29:53

Watson: There was 501 units at Lemoore Naval Air Station. It was a joint venture between Richard Neutra and Donald Haines' office. Donald Haines' office was responsible for doing the working drawings; Neutra's office, for the design. Again, this has to do with, I think, my beginning to mature as a manager, manager not only of an office but then, when I went down to San Francisco, I ran the firm or managed the office and the firm. But this also had certain projects I oversaw, one of which was the Capehart housing project, along with all the other work they were doing in the office.

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The firm of Richard Neutra—architects would know who he was; a great architect from Southern California—and his partner was Robert Alexander, so it was Neutra and Alexander.

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But Capehart housing has a statutory limit on how much money they can spend on each house, and my job, aside from overseeing the working drawings, was to take that design and do the cost estimate, which I did myself. And I remember the meeting that I had with Robert Alexander and his people. I said, "No problem. We have got enough money to build the foundations, but not the houses."

3-00:31:21

Lage: [laughs]

3-00:31:22

Watson: And I said, "And we don't have time to go back and forth between our offices any more on this. You got to trust me that I will not violate Neutra's design, but I'll get this thing in budget somehow." And they did that. And Neutra would call me, once he met me. He would call me once a week, and somewhere along the line, I mentioned Carl Gustav Jung, and he says, "Oh, I know his wife very well. I see her all the time when I go to Switzerland." And he says, "I knew him when he was alive."

3-00:31:53

And so Richard Neutra would call me up, supposedly on this project, to get an update on how I was coming along and getting this thing in budget and getting the working drawings done, and talked to me about five minutes of that, and then for the next twenty-five minutes would talk to me about Carl Gustav Jung.

3-00:32:08

Lage: That must have been kind of exciting.

3-00:32:10

Watson: It was exciting. Somebody I had a great respect for, because I liked his kind of architecture, the clean kind of modern architecture that he did at the time, and yet it had a warmth to it that some of Gropius' work didn't have.

3-00:32:25

Lage: How did you get it down to cost? You're making it sound like it was way over.

3-00:32:30

Watson: Well, it was way over. You do it all the time on a project. You begin to take out some of the complicated, maybe, construction ways that they had into it, and simplifying the construction. A lot of it I was able to get out of the landscaping. You have a desire to get a lot of trees in, which you need to have, because you have a big area and it's a community you're designing, but you have a choice between a seedling and a twenty-four-inch boxed tree. Well, the twenty-four-inch boxed tree is going to look better, but it is a lot more expensive. So, just coming down to size of the tree and saying, "Eventually it's going to grow anyway. You're just going to have to put up with it for a number of years, until it matures. And we have to do it in the budget." There was a number of other recreational facilities they had, and we were able to—but I was able to get it down. But that's something that, if you have experience, you can do, and you begin to know what to attack.

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Lage: Yes. It sounds like it was a very good proving ground for you.

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Watson: Yes, it was a good proving ground, to myself and to others. I mean, I felt quite satisfied in that phase of my career, in terms of what we produced. None of it was what I would call award-winning architecture, that it's not going to make you a fellow in the American Institute of Architects, but it was good, competent work, and, remember, that's the early part of my career. It was a matter of gaining confidence, of how do you run an office?

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I mean, I came up with a way of tracking the number of hours you had in relationship to the fee we were getting, to say, "Here's the limits we have to stay into." Up until that time, they just worked on it until they got it done, and then they'd spent more money than their fee was. And everybody could see where they were on the project. That's one of the rules I had. If we got a certain budget for the working drawings portion, a certain budget for the specification, is that if we're 50 percent through it and we've spent 75 percent of the money, then we needed to know that before we got to that point.

3-00:34:36

So I did things like that, and I didn't learn that from business school. I think it just seemed like the right thing to do, to me. And I think a lot of it was because I had run that office by myself in Stockton, and I felt responsible for that.

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Lage: So these things, you did in San Francisco.

3-00:34:53

Watson: I started that managerial thing in the small office in Stockton, and I expanded it when I got down to San Francisco.

3-00:35:04

Lage: Was Stockton growing topsy-turvy at this time?

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Watson: Not topsy-turvy, no. It was growing.

3-00:35:09

Lage: Did it have a plan?

3-00:35:11

Watson: It had a plan. Yes, they had a plan. And I did the civic center plan, which was nothing more than trying to arrange where different civic buildings should go, other than what they already had.

3-00:35:21

Lage: Right. And you did that as a student.

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Watson: No, I did that after I had graduated, but they hired me as a recent graduate.

3-00:35:31

Lage: Now, do you want to talk now about meeting Elsa?

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Watson: Elsa? Sure.

3-00:35:35

Lage: While we're still in Stockton?

3-00:35:36

Watson: Sure, okay. I came to Stockton in June of 1953, right out of grad school, having been recruited up there with two other students, who were going to spend the summer there. The city hall was one block away from a new YMCA. So we each got a room at the YMCA, and that's where we spent the summer. I ended up spending a year there. The YMCA, on the first floor, had a television room and a ping-pong table, so it was sort of a recreation thing. The basement was a gymnasium, which I would also use. The YMCA was perfect for me, because I was an ex-wrestler. I still wanted to be able to work out, so I'd go down there and lift weights. I'd go in the steam room. I'd come upstairs to watch television and play ping-pong.

3-00:36:33

One day, I'm in the—one day means it's the middle of August, so I've been there two months. Late in August, I think it was. This cute gal came walking in, and one of the persons who I'd gotten acquainted with, who wasn't living at the Y but would come down for recreational purposes and the ping-pong room, ran out and talked to this cute gal. And when he came back, I says, "Is that your girlfriend?" He says, "No, it's my sister." I says, "Wow."

3-00:37:05

I can remember—I mean, she had a salmon-colored blouse on and gray pedal pushers. I mean, I remember exactly what she was wearing. So I said, “Well, how do I meet her? What’s your phone number?” And he wouldn’t give me his phone number.

3-00:37:21

Lage: He was protecting his sister.

3-00:37:22

Watson: He was protecting his sister, right. But anyway, to make a long story short, there was a gal living there, too. The women lived on the second floor, and the men lived on the third floor, and there was a gal there who had become a buddy of the three of us guys, and so one day I said to her, “Do you know Bruce?”—which is the boy I’m talking about, now my brother-in-law. I says, “He’s got a sister” and so forth. “Can you find out her phone number?” I says, “I want you to be my agent.”

3-00:37:49

Lage: [laughs]

3-00:37:51

Watson: And her response—I’ll always remember—she says, “Well, who’s going to be my agent?” I says, “That’s for you to work out. Now you’re my agent. You’ve got to get her phone number.” Well, it took her two weeks to get the phone number. And two weeks brought us to Labor Day weekend. I was working twelve hours a day. I was working eight hours in the planning department and four hours in the engineering department, where one of the other students and myself were doing the working drawings for the corporation yard for the City of Stockton.

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And so I was working six days a week. I didn’t have much time to socialize, but anyway, we decided we were going to climb Mt. Whitney that weekend of Labor Day. So we worked on Saturday, and this gal came along, and the two other guys, so there was the four of us. The two of us worked all day on Saturday; then we left in the evening, drove to the portal of Mt. Whitney, down below, slept in the car until daybreak, and climbed to the top, and came back down the next day and got back on Monday.

So Tuesday morning, I now had the phone number.

3-00:39:03

Lage: She had done her job.

3-00:39:04

Watson: She had done her job, and her name was Elsie at that time, which I found out later, her real name is Elsa, but she went by Elsie at that time. So I called at seven-thirty in the morning. She said she’d never ever gotten a call that early from anybody, and she didn’t know who I was, but I said, “Your brothers may have told you about the three guys from Berkeley,” and I said, “I’m one of the three.” I said, “Would you go to lunch with me?” That day.

3-00:39:32

Lage: You weren’t wasting any time.

3-00:39:33

Watson: Wasn't wasting any time. And I thought in my mind, the best time to call is the morning. She is less likely to say no and lunch is easy because if she doesn't like me or I don't like her, we can just have lunch. And she tells the story, from her point of view—she says, "I don't know why I said yes, but I said yes." And she says, "And then I didn't know who it was." Now, I always tell the joke that she thought it was Roy Potter, one of the other students from Cal, because he was much better looking than me.

3-00:40:02

Lage: [laughs]

3-00:40:04

Watson: [laughs] Anyway, she worked at a bank, Stockton Savings and Loan bank. It's right downtown, about three blocks from the city hall. So I walked over there, and she had told the people, her friends in the bank, about this phone call, and she didn't know what I looked like. So they were all standing at the window, looking to see who would come. [laughs] So I came, and she still remembers the shirt I was wearing. Remember, I'm a bachelor there.

3-00:40:32

Lage: Yes.

3-00:40:33

Watson: I bought clothes—like, the shirt was the kind of shirt you can take to the laundromat but you didn't have to iron, sort of a seersucker shirt. So she remembers that shirt. So anyway, we went to lunch. I asked her—that was, like, on Tuesday. Because I was working so long, the only time I really had available was Saturday night, so I said, "Would you go to the movies with me?"

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So on Saturday night, picked her up, and we went to the movies, and then, I was taking her home. I said, "Have you ever been to the state fair in Sacramento?" She hadn't been. Remember, she had been out from Pawtucket, Rhode Island, which she came out in 1951.

3-00:41:09

Lage: She hadn't been there too long.

3-00:41:10

Watson: No, she hadn't been there too long. She was living with her mother. And she said, "No." I said, "Would you like to go?" I said, "I like the state fair. It's sort of fun." I said, "I'm not big on the roller coaster stuff, but I love seeing the cows and the pigs and stuff." So, the next day we get in my '40 Ford. That's what I was driving, and we're driving up there. And what's good about it is that you're forty-five minutes on the road. You get acquainted.

3-00:41:39

Lage: Yes.

3-00:41:40

Watson: So I said, "Tell me about yourself." And she talked about her father having died when she was two, and she had a younger brother even then. Her mother had raised eight children. Her mother never spoke English. And the difficulties there was in Rhode Island, but what

a good family it was and so forth. I listened to that whole story, and said, “You know, there are some similarities here. My mother died when I was one, and my grandmother raised me, and I grew up in a rooming house.” She grew up in a tenement, and I grew up in a rooming house. So we had—not that that would make a lot of difference, but it was a good conversation of getting acquainted with somebody.

And then we had a good time at the state fair, looking at the pigs and the cows.

3-00:42:21

Lage: Did she like the pigs and the cows, too?

3-00:42:22

Watson: She did. She liked that. Later on, she told me one of the things she liked about me right away was I didn’t have a line. And I always remember—I said, “What is a line? What does that mean? I hear that term. What does it mean?” She says, “You know, guys love to brag about themselves, about some line—they give you a line. You don’t ever have a line.” I says, “Well, I always feel uncomfortable talking about me, as though all the things I’ve accomplished—I haven’t really accomplished all that much.”

But anyway, a year later, we got married. So...

3-00:42:54

Lage: And it’s been how many years?

3-00:42:56

Watson: Let’s see, this coming September it’ll be forty-nine years.

3-00:43:02

Lage: Yes.

3-00:43:03

Watson: Right.

3-00:43:04

Lage: That’s great. That’s a nice story. You got married while you were still in Stockton.

3-00:43:10

Watson: Still in Stockton, yes. As a matter of fact, I continued to work for Coro and Wong for another year, but shortly after I got married, which would be in September 18, 1954, I had by that time, now, spent a year at Coro and Wong, and I had fulfilled the requirement there for the number of years you have to work in addition to college to take the state board examination. I had taken part of it already that I was eligible to take earlier on, and the part that was left was the design and history and a couple of other mechanical work, and so I started studying for that shortly after we got married.

3-00:43:55

I took even a week off from work to concentrate on the history part, which is something—you had to go read Sir Bannister Fletcher’s *History of Architecture* and all the Roman periods and the Greek periods and so forth. I’ve still got the notebook of little sketches I made of what are the niches and what is the difference between a Corinthian column and an Ionic column and a Doric column and all those things.

3-00:44:16

Lage: Was this all related to things you'd learned in school?

3-00:44:19

Watson: Yes, yes. As a matter of fact, you had to take three semesters of architectural history, which I thought they taught horribly. What they did is they held it at one o'clock, in a dark room, with slides, and you just had lunch. You're just fighting to stay awake. And he's showing slide after slide and slide. And where I always came from is I like to have—tell me about the perspective of the country and the political thing. None of that was there. It was just, "Here is the Ionic column, and now this period is the Doric column."

3-00:44:54

Lage: It wasn't meaningful.

3-00:44:56

Watson: I was not a good student in that. I fought to stay awake, and they never really got me interested. Well, suddenly I knew I had to pass a test, so I—

3-00:45:05

So anyway, I took the test in December and found out, two months later, that I had passed it and the only thing left is the oral test, which is in, like, May—or March, maybe it was. There, you go down and you meet with three architects. By that time, I'm married, and Elsa and I—my wife and I went down to San Francisco, where you meet—where you're sitting out in a little room and waiting for your turn to go in to these three architects.

And you're sort of warned what the subject matters are liable to be. It has to do with how you protect wood from being dry-rotted or things like that, that they'll try to catch you up—

3-00:45:40

Lage: Very nitty-gritty.

3-00:45:42

Watson: Right. Well, I don't remember who—there was three architects in there to quiz me, one of which was a professor from Cal named Rice. He had been my professor in a portion of my grad year. At the conclusion of my course with him he actually had complimented me on how I had—the reputation I had as a student as an undergraduate, how much it improved as a graduate student and how the whole school was impressed with me, he told me.

3-00:46:12

Lage: Interesting that they were kind of noticing.

3-00:46:15

Watson: I had no idea. And so anyway, the other two asked me the questions. I answered. And it came his turn to question, and his question to me was, "Where are you going to take your wife to dinner?" So I knew that I must have done well on the test. [laughs] So shortly thereafter, I got my license, and several months later is when I went to work for Haines.

3-00:46:38

Lage: Okay. And then how did you come to San Francisco?

3-00:46:41

Watson: Well, in 1958, Haines decided he wanted to close the Stockton office and consolidated it, and cut down on his San Jose office and consolidate everything in San Francisco, and he asked me to come down to San Francisco. I had this one draftsman, George Millicer, who was working for me, who was a great draftsman, from Poland. And I'd gotten very loyal to George.

3-00:47:18

George was somebody who had been a prisoner of war with the Germans and had a family still in Poland. I remember him telling me the story about when the war ended, he was in Poland in a prison camp, a Russian prison camp, actually. He got out of the prison camp, and he wanted to get out of Poland because the Russians were going to take over Poland. And he said he was always considered a liberal, and his wife was politically conservative and there was always a conflict they had. A lot of her friends were all conservative, and his friends were liberal. He says what happened at that time—and it was a very interesting story to me, because it said that there he was—he had two children and a wife, and he wanted to get out of Poland and get into the free part of Germany and maybe come to the United States.

3-00:48:21

He couldn't talk his wife into leaving. He said the only way she would do it is if it was legitimate, and you could do it. She wouldn't sneak out. And his view was that here, the conservative people were like her, who you would think as being anti-Russian. They were so conservative, they didn't want to violate any rules or do anything, and him, the liberal, didn't like the Soviet thing, and he snuck out, and he never could get them to come out. So he had spent his lifetime since then, once he immigrated to the United States, with a guilt feeling, he told me. He said, "I chose to leave my country because I wanted to be free, but how can I be free when my wife and family are still back there?"

3-00:49:05

But anyway, so George Millicer—once Donald Haines asked me to come down to San Francisco and take my projects with me down there and do them from there and then start doing work out of there, he said, "But we don't have any room for George, don't have any need for him." And I said, "Then I don't go. It's either he and I or neither." So George came with us. George ended up going to San Francisco. George was a very good artist, too, and San Francisco was a great environment for him, and I've lost—I don't think he's alive today. I lost track of him, but we kept track of each other for a long time afterwards.

I don't remember the question.

3-00:49:44

Lage: It was coming to San Francisco. Did that mean giving up the business in Stockton?

3-00:49:49

Watson: No, you just took the clients with you. From the clients' point of view—because it was all over the Valley. They didn't—

3-00:49:56

Lage: They didn't care where you were.

3-00:49:57

Watson: They cared that I still stayed on the project, and that, they were assured of. But it gave me the opportunity to work on bigger work in San Francisco. And then, about six months later, the manager of the office—Haines replaced his existing office manager with me, once he saw my management skills and thought I would run the office better.

3-00:50:16

Lage: So how big an office was this?

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Watson: I'd say at most we had twenty people. We might have had a few more than that. But the plus of it was it was a nice variety of work. The negative is, with any office, in that—this is part of the attraction of going to Irvine was you would—like, for instance, we'd be finishing up a high school, and there's a lot of working in getting the working drawings—and you have a deadline; you have to have it out on Monday because you're going to turn it in on that day.

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So you're pushing everybody to get the job done, and they're working overtime and everything, and Monday afternoon, the job is gone and you're hoping there is another job to replace it? Or do you have to lay off people? And that was stressful to me. But anyway, that's the life of an architect. That's the life of anybody in service business.

3-00:51:12

Lage: Was part of your job now to get those new clients on board?

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Watson: No, that's something I did not do. I would go with Donald—that was Donald Haines. Donald Haines paid very little attention to the design or the working drawings; he job was to get the work, and he had a very good personality. He was the front man. And his partner, Elmer Larson, who wasn't an architect—that's all he did. When they would finally get a prospect, then they would bring me to introduce me, or I'd help them because I could do that, but I never did any cold calls or things like that.

3-00:51:45

Lage: Anything else about what you learned there?

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Watson: No.

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Lage: We may have a good picture. Well, how about talking about moving the family.

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Watson: Oh, yes. All right.

3-00:51:56

Lage: And where you located.

3-00:51:57

Watson: Okay.

3-00:51:57

Lage: Did you have children by this time?

3-00:52:00

Watson: Yes, had two. As a matter of fact, Bryan, our second child, was born in Stockton, but after we had moved to San Francisco. The last month of Elsa's pregnancy, she got a very severe attack of asthma. Her father had died of asthma, so it scared her.

3-00:52:25

Lage: Oh, I'll say.

3-00:52:28

Watson: Part of it was Bryan, our second son, pressing in on whatever it pressed in on and so forth. She had kept her doctors up in Stockton. She wanted the same doctor to deliver Bryan as had delivered Kathy, our first child. So a month before he was due, we just moved her to her mother's house in Stockton which was right next door to the local hospital. Each day she would go to the hospital and have medicine pumped into her lungs and so forth. So I would just go up weekends.

3-00:52:58

Then Bryan was born a month later. After a week, I think, she spent with her mother, I went up to get her to bring her back to San Francisco, and what is connected to this time was the condition of my grandmother. My grandmother by that time is ninety-five years old and bedridden, living with my father in Sacramento. And on our way back to San Francisco we stopped by the house to show Nana our new son and our two-year-old daughter.

3-00:53:32

I'll always remember. Nana was bedridden, had really only three months to live, and we showed her Bryan, and she says, "I'm gonna get better." You know, she had this spirit about her. I remember taking my wife and two children home to Sunset District is where we lived in San Francisco, in a two-bedroom attached house, a sort of typical of San Francisco house in what they call Sunset District, on Forty-Seventh Avenue, just four houses over from the Golden Gate Park. You could hear the ocean waves just several blocks below us.

3-00:54:12

But anyway, when I got home, the very next day I wrote a letter to my father's sister about her mother, and I remember how I started it. I said, "I just left Nana. She's the only mother I've ever had. I hope she passes, because this is not a way to live." And I wanted her to know what the condition of her mother was.

3-00:54:41

Anyway, I think it's late October, mid-October, we went back up, and I picked up my sister, and we rode in our little Chevy car, two-door car with the two kids and my wife. And as we arrived at my father's house, the hearse was leaving.

3-00:54:58

Lage: Oh, my goodness.

3-00:55:00

Watson: My grandmother passed away on our way up there.

3-00:55:03

Lage: And you hadn't expected that right away.

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Watson: I expected it at any time. You know, she was one month shy of ninety-six years old, and she was bedridden. Her knees weren't functioning. She couldn't walk anymore.

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Lage: For someone who had been so active and in control.

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Watson: Right. Right. So anyway, there we are in San Francisco, living in the Sunset District. We lived there—well, I'll tell you an incident. San Francisco is a wonderful city. I think unless you're—like New York. Unless you're quite wealthy, it's not a great place to raise a family. So architects love it. I loved it. If you're single, you can go to the shows and the plays and all that kind of stuff, but in trying to raise a family—we're living out in the Sunset District.

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Sort of the coup de grace to my wife was one day I get this call from her at the office, and the two young babies had been asleep in one of the bedrooms, the back bedroom, and my wife heard a crash of a window breaking and ran back to the bedroom, and glass was sliding underneath the door out from the bedroom. She went rushing to the window and looked down, and there was a—

3-00:56:14

Our back yard, which was small—and then you look across, and there was the back yard of units that were facing another street. And there was a man out there, hollering and screaming at our house, and throwing flower pots at our house. And she gathered her two children up and ran next door, where there was a Japanese couple living, and the woman was still at home. And she called me. I said, "Did you call the police?" She said she called the police. What happened, the police came, put him in a straightjacket, and took him away.

And so that started us looking for a place to live, and that's when—

3-00:56:54

Lage: Was that something that happened very often—

3-00:56:55

Watson: No.

3-00:56:56

Lage: —in the Sunset District?

3-00:56:57

Watson: No, no. Well, Sunset—no. However, the Golden Gate Park, which was very close to me, is very much like Lake Merritt, which I grew up around, too. They're wonderful places in the daytime and dangerous places at night. So you didn't dare go into Golden Gate Park once nighttime came, nor should you go into the Lake Merritt Park area at nighttime. So I was used to that. But, you know, my wife's got two young kids, and the park was a

wonderful place to go. It made her a little scared even during the daytime to go there, although she shouldn't have been.

3-00:55:17

But anyway, we drove down the peninsula. I'd say this is a year later. This would be 1959. We drove down the peninsula, and I've always liked the [Joseph] Eichler houses. He did a lot of them around Palo Alto and Sunnyvale and so forth. Went to a model home, fell in love with it, had the GI Bill, because I had been in the service, and we bought one.

3-00:57:58

Lage: You hadn't bought the Sunset house.

3-00:58:02

Watson: No, we were renting there. We were renting there.

3-00:58:04

Lage: So this was the first one you bought.

3-00:58:06

Watson: Right.

3-00:58:08

Lage: Now, what had you always liked about the Eichler houses?

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Watson: First of all, the Eichler houses were modern architecture. They're a Neutra type of designs. Ansen and Allen was one of the firms. A. Q. Jones, Quincy Jones, was the dean of architecture of USC. All those guys were very good with wood architecture, and they also knew how to work with a builder which has restraints of budget and everything else, with a lot of other... So they were very well-known architects of residential scale, who could also work with a builder.

3-00:58:42

And Eichler houses that he was selling, as a merchant builder, was the only one who did modern architecture, because everybody else was Colonial or some of the style that the average American likes. If you went to Eichler, you knew you were going to get a modern house. If you went anywhere else, they were houses that all looked alike. Well, Eichler looked alike, too, but they were in the style—

3-00:59:06

Lage: They looked like—

3-00:59:07

Watson: Well, they were flat roofed. They had what was simulated vertical siding on them. It's what we call 111 plywood, which is plywood which is scored to look like it's vertical boards and so forth. The house had an atrium court in it, and it had four bedrooms. I think the size of the house was 1,800 square feet, but because it had this central atrium and everything, it seemed bigger. For us, it was bigger. And we bought that house.

3-00:59:39

We watched it while it went on. We would go down. And my wife was so excited.

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Lage: You bought it before it was built.

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Watson: Yes. Bought it while it was under construction, right. It was on the end of a cul-de-sac. It was a third of an acre. Very big back yard with thirteen apricot trees. It was an old apricot orchard.

3-00:59:54

Lage: It seems like a big lot.

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Watson: Well, at the end of a cul-de-sac you have that problem. It splays out in the back, so the front part of it is not, but if you visualize a cul-de-sac as a dead-end street, you make a circle around—the back part of the lot is always wider. And it is big.

3-01:00:14

So anyway, we moved into that house just before Christmas in '59. My wife used to pack up the two kids and take me to the train station, and I would take the train to San Francisco and take the train home at night, and she would pick me up, because we only had one car.

3-01:00:47

Lage: Was the neighborhood made up of men who commuted, for the most part?

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Watson: Yes. Well, I guess so. My neighbor didn't; he drove his car to work.

3-01:00:57

Lage: I mean, did most of them go into San Francisco?

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Watson: A lot of people commuted from Sunnyvale and so forth to San Francisco, and if you got the right train, you didn't have the milk stops, as I would call it, so it got there in forty-five minutes.

3-01:01:14

Well, about April—I'm going to guess it's April of 1960. We're in this house. Or maybe it was May of 1960, something like that. I ran into Stan Ott. Stan Ott was the one who had been the planning director in San Francisco and who had recruited me and brought me up to there but had left the city, and I didn't know where he was working.

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Lage: In Stockton, you mean.

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Watson: In Stockton. I'm sorry, in Stockton. I was in the Bohemian Club building in San Francisco with a client, and I can't remember why I was in that building, but I ran into Stan Ott. He was there. And I said, "Stan, what are you doing? I've lost track of you." And he says, "Ray, I've been trying to find you." I said, "Well, what are you doing now?" He says, "I'm working for the Irvine Company." I said, "Who are they?" And he said, "They're in Orange County, California." I said, "Where is that?" And he says, "That's

where Disneyland is.” And I said, “Oh, I know where that is.” He says, “We’re going to build a new town there, and I’m the first planner they’ve hired there.” And he says, “I want to talk to you.” I said, “I can’t do it now. I’m with a client.” So he said, “Give me your card.”

3-01:02:25

And a week later, he phoned me. He said, “Can I come up?” So he came up and stayed at our house in Sunnyvale, and he told me about this great opportunity they had. They were just beginning to form an organization. The Irvine Company was beginning—it was about to make a proposal to the university to give 1,000 acres of land for a campus and to build a town around it, and he was the planner, and he wanted an assistant. And my background balanced his. He was a public planner, and I was a design planner, as he called it. Here we had just bought this house, you know? But one day shortly thereafter—and he kept in touch with me over the next several months. Donald Haines said, “We need to go to Southern California to talk about the contractor down there,” who was building the Capehart housing project that I had been working on.

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So I took the opportunity, while going down to San Diego to take a little side trip and go visit Stan Ott at the Irvine Company. And there, he introduced me to the chairman of the company, who was Loyall McLaren, who was also chairman of the James Irvine Foundation. They sort of did a recruiting job on me to take this job.

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And I thought about it and thought about it, and Stan Ott talked to me about it, and I put it in sort of my own way of thinking about it. Wait a minute. First of all, that business of—I enjoyed working for Donald Haines. Donald Haines was offering me a partnership to keep me there. And I thought to myself, “I really don’t want to work for Donald Haines. I like him very much as a person, but I’m not sure that he is going to be as aggressive at working—” he liked to golf a lot and he liked to do a lot of other things, and I was a hard-working guy, whatever it was.

3-01:04:22

Lage: Was he a lot older?

3-01:04:23

Watson: He was maybe fifteen years older, at least ten years older than me. Then suddenly a company’s got 93,000 acres, and that’s a career. You don’t have to worry about the next job. And the idea of building a town for any young architect, even though I didn’t know what that meant at the time—and they made me feel like I was needed down there. So finally I talked to my wife, and, incredible person that she is, she says, “Whatever you want to do.” She never quarreled. She never argued. I’m sure she cried at night.

3-01:05:00

Lage: [laughs]

3-01:05:03

Watson: So I agreed in June, but I said, “I won’t come down until September. I want to spend the summer.” So I resigned from my job. I spent time putting in the lawn of this house, so I had—and so forth.

3-01:05:13

Lage: So you had a whole summer off.

3-01:05:15

Watson: I had a whole summer off, right. Well, I had at least July and August off. Then on, again, Labor Day—seems to be a big part of my life—the day after Labor Day, I showed up in the Irvine Company for my first day of work. The following day, Stan Ott called me and said, “I’ll no longer be working for the Irvine Company.”

So there we are. We have made this severance from my job up north. Well, for the next year, actually, Donald Haines kept contacting me in case I wanted to come back, so—.

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Lage: Before we launch into Irvine, why don’t you tell me the story about selling your Eichler house.

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Watson: Oh, yes, right. Sure, okay, yes.

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Lage: And then maybe it would be a good place to take a break.

3-01:06:00

Watson: Well, I’m down now, living in a bunkhouse in back of the Irvine Ranch, where all the ag people lived, so it was like going back in the Army days, where I had my bunk room.

3-01:06:13

Lage: With your family up here.

3-01:06:14

Watson: My family up there. But they served three meals a day. I had plenty to eat. For the farm people. My wife is up there with the two children. We got the house for sale. The sign’s out and all that stuff, and she called me up one day, or I called her up to check on her, and she said, “We sold the house.” So that weekend—I would go up weekends and spend the weekend. I went up there, went over and met the person who was buying it, and he was living in an Eichler house, only in a different development, and an older one and a smaller one, and he wanted to upgrade to a newer, bigger Eichler.

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He liked our house. He liked our lot. And we agreed on the price. And we put it in escrow. Took it off the market. And two weeks later, I’m back down in Orange County, and my wife called me up and said, “He’s reneged. He’s not going to buy it.” I said, “What’s wrong?” She said, “I really don’t know.” So I said, “Well, no problem. I’ll talk to him when I come home.”

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So that weekend, I went home and I called him up and said, “Can I just come over and chat with you?” “Come over and chat with me.” I said, “What’s the problem?” And he said, “There’s a black person living around the corner from you, and that, I’m afraid, will influence the value of that property, and this is the biggest purchase you make in your life, and I can’t afford to make that mistake.”

3-01:07:41

Now, what was surprising to me about that comment was that he was living in an Eichler. He knew that Joseph Eichler had a non-discriminating policy and that anybody who bought an Eichler understood that.

3-01:07:52

Lage: And he was one of the few developers who did, I understand.

3-01:07:54

Watson: He was one of the few, yes. That was before what they called the Rumford Act, which made it illegal to discriminate. At that time, through various subterfuges, most developers would discriminate, but Eichler didn't. And Eichler was very proactive in that. He didn't make speeches about it; he just said, "Whoever can afford to buy a house can buy an Eichler house." And I liked that.

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But anyway, this person who was going to buy this house telling me this—I said, "You know, I'm really quite surprised, because you're an engineer. You're logical thinking. You went to Berkeley, just like I went to Berkeley, and you live in an Eichler house. I'm surprised that you'd do that." And again he said, "Well, I can't afford to make this mistake if it turns out to be true. It's not that I have any prejudice against black people; it's the value of the house may go down."

3-01:08:45

And I said, "I'm going to tell you two things. One," I said, "having heard what you just said, if you changed your mind, I'm going to be prejudiced and not sell it to you. I wouldn't sell it to you. I don't want somebody with that attitude living in my house." And the other thing I said is that "I also think you're just wrong. Maybe I'm just hoping you're wrong, but I think you're wrong. And the only way I can prove that to myself is I'm going to go home now, and we're going to raise the price above what you were willing to pay, and I'm going to see what happens. I'm going to put a thousand-dollar higher price." Now, this was a house that sold for \$27,000, so a thousand dollars was a lot in those days.

3-01:09:22

So I went back. I told my wife, "Put the house back on the market. Raise the price a thousand dollars, and see what happens." Went back that week to Orange County, to the Irvine Company. Called her in the middle of the week. She says, "We sold it at the higher price." Well, that made me feel good. Indeed, that closed that chapter. Except a couple of years later, we were getting ready to try to pick developers for building the first houses here in Eastbluff, where I live, which was the first village we do, so that has to be probably 1962, so it's probably two years later.

3-01:10:06

One of the persons I wanted to think about was Joseph Eichler, because he was building some Eichler houses up in Orange, so he was already in Southern California. So I invited him and I think his architect, A. Q. Jones, came and visited with me. And I showed them the property and so forth. Finally I said, "You would like for me to tell you the story of me selling one of your houses." And I told him that story. I didn't think any more—he really enjoyed hearing it.

3-01:10:33

About a week later, I got a phone call from a friend of mine in Northern California. He says, “Did you know you’re on the radio? Did you know you’re in Herb Caen’s column?” I said, “What do you mean, in Herb Caen’s column?” Well, what had happened is that Joe Eichler had gone home and told Herb Caen, the famous columnist for the *San Francisco Chronicle*, that story, and he published that story. Didn’t put my name in. He talked about an architect-planner for the Irvine Company and had been told that on the radio. So suddenly the selling of the house became an episode in the *San Francisco Chronicle*.

But it was also—

3-01:11:10

Lage: It’s a telling incident.

3-01:11:11

Watson: It’s a telling incident. It’s also how I felt about things.

3-01:11:15

Lage: Right.

3-01:11:16

Watson: I remember telling—the other thing I told this person, the individual who was now reneging this—not only would I not sell it to him and not only did I think he was wrong, but I said, “The difference apparently between us, since we have such similar backgrounds—there is a basic difference,” I said, “even if you’re right, you have put your money where your values are, and I don’t do that. Even if I’m going to lose money on it, my values are what my values are, and I don’t allow other things to get in the way of it, and apparently you do.”

3-01:11:48

Lage: Very interesting. This is a good time to stop, because we’re about out of tape and we’ve come to a logical point.

3-01:11:56

Watson: Okay.

Interview 3: February 10, 2003 (afternoon session)

4-00:00:02

Lage: Now we are recording, and everything looks good. Okay, so here we are, we've had lunch, and now we're back on February 10. We got you to Irvine, and you told that Stan Ott—

4-00:00:22

Watson: Is leaving.

4-00:00:23

Lage: —was leaving almost at the very time you were coming.

4-00:00:25

Watson: Right.

4-00:00:27

Lage: And I'd like to know what did you find there? What was the company like? And what did you do?

4-00:00:34

Watson: Well, I'm one day into the job. Part of what I had done prior to coming down and even accepting was to do a little research on the company. I found some good things about it. I mean, the size of the property. It had little debt. It was a well-known agriculture company, and it had this fantastic piece of property, right in the wake of growth in the fastest-growing county in the United States, which is what Orange County was at the time.

4-00:01:04

Every developer in the world wanted to get a piece of the Irvine Ranch, and here they were going to, instead of just parceling it up and selling off to the highest bidder piece by piece, which is how Southern California grew from farmers like the Irvine Company, they were going to oversee the development of a New Town.

4-00:01:24

Lage: So that had been decided when you came.

4-00:01:26

Watson: Decided when I came, and yet what I found was the company, which was a good thing, had no notion of how to do that, nor did I have any notion how to do that. We could all learn together, and there was a willingness to do that. What I found was a company with primarily agriculture—with an engineer named Bill Mason, who in 1966 became the president, who had been hired six months earlier.

4-00:01:48

Lage: Oh, he was just a recent hire, himself.

4-00:01:50

Watson: Right. There was nobody in the real estate side at that time yet. Stan Ott had just been fired, so I was the only planning guy. They had just made a contract with William Pereira to begin to plan what we called the Southern Sector of the ranch, the 35,000 acres.

4-00:02:09

Lage: So to go beyond this plan for the university community.

4-00:02:12

Watson: The town, yes, which was a very cursory plan for 10,000 acres, to sort of set the boundaries of the minimum size of what the city would be. It had all of the important principles of what the town should be, but that's all. Now we had to create what they call a land use plan, with traffic, roads, utilities, and so forth, and get it approved by county government before you could develop any part of it.

4-00:02:38

Lage: And this was for the whole southern end.

4-00:02:40

Watson: Southern Sector. It was determined early on by whoever determined it—I don't know—but it was already decided that the 93,000 acres was just too big a bite to take, so the area that most likely would be developed the earliest, because it was the closest to existing utilities, was the southern part of it, which essentially is from where the San Diego freeway is now. The San Diego freeway did not exist at that time. They were planning it, but we knew on a map where it was.

4-00:03:08

And so Bill Pereira had come up with 10,000 acres around the campus. Its eastern, northeastern boundary was the future San Diego freeway. So from that, all the way down, all the way to the coast, including land that would be part of the future city—and in the future would be next to the cities of Newport Beach and Laguna Beach and so forth.

4-00:03:32

Lage: That was the mission at that time.

4-00:03:34

Watson: No staff. Whatever staff they had was about to leave, the one who had hired me, and I was like a little orphan, sort of lost in the wilderness there, not quite sure what I was going to do either.

4-00:03:44

Lage: Did you think of leaving at that point?

4-00:03:46

Watson: Well, the first question—they immediately contacted me after Stan Ott told me. I guess it had been prearranged for them—"they" meaning the human resource director, a fellow named Bob Perkins, and a consultant who had been working for the company as a head hunter to staff the company for the development of the ranch. He had orchestrated the hiring of the new president, Charles Thomas, Stan Ott, and Bill Mason.

4-00:04:17

They asked to meet with me, and they explained why they had asked Stan Ott to leave. The reason they gave was they had gotten some bad vibes from the local planning commission directors over the past six months, made contact with them, and in their mind, at least, they felt like he was talking down to them. They didn't have that strong an impression of him.

4-00:04:44

I suspect also, though—they didn't say—that Bill Pereira probably had a little stake in Stan's leaving. Stan Ott also had hired a consultant he had used up in Stockton to do some land use work and so forth, who was more of a municipal planner type, and Bill Pereira probably saw that as conflicting in what he had hoped to be able to do.

4-00:05:08

And the company, itself, as a private agricultural company—did not have much patience with government. I mean, the executives didn't. So here you have the ultimate of government, a planning director who had spent his whole lifetime in public employ, and then they were getting some bad vibes from the surrounding community, and they decided—they told me that, right or wrong, they just didn't think that they should saddle the new, incoming president with what appeared to be a problem, that it was best to ask him to leave before he came here so he wouldn't have to deal with that problem, and that would therefore not slow up the process of getting on with the planning of the ranch.

4-00:05:46

They also said they had looked at my résumé and saw that my résumé primarily consisted, almost entirely consisted of private enterprise and working for actual developers and working for government only building things. And in their judgment, that's what they needed, and since they didn't have anybody else, they asked me to consider to stay.

4-00:06:12

Then Bill Mason, who I barely knew, I had met once, came over, and we met sometime, and he talked me into staying because he wanted a partner. He said, "I need somebody in the planning side. I'm doing the engineering." And he was concerned that suddenly the planning would get controlled by the consultant rather than somebody inside the house who could at least represent the company positions with the municipalities and the county and with Charles Thomas.

4-00:06:42

So I called my wife, told her what had happened. We hadn't sold our house by this time. This was pre selling the house. When I told her what's going on, she said, "Well, what do you think?" I said, "Look, I've come this far now. It is risky. It is unknown. But this is a rare opportunity. Why not try it?" In my mind, why not try it? I said, "I'm confident enough that if it doesn't work out, I can go back up north, where you're used to living, and get along very well, whether I form my own firm or go to work for somebody. I'm not worried about a job. But this is something more than a job. Let's give it a try." And she said, "Okay."

4-00:07:25

Lage: That's great. So you started out. Now, Charlie Thomas wasn't on board yet.

4-00:07:31

Watson: He came aboard two weeks later or three weeks later.

4-00:07:34

Lage: Now, why was he hired? Tell a little bit about his background, for the record.

4-00:07:39

Watson: Charles Thomas, prior to coming to work for the Irvine Company, was president of TWA, the Howard Hughes airline. Anybody who had worked for Howard Hughes must have been a stalwart fellow, I must say. Thomas had been secretary of the navy at one time, and undersecretary of defense.

4-00:08:02

Lage: Under [President Dwight D.] Eisenhower, was this?

4-00:08:03

Watson: Under Eisenhower. He had also been head of a bond company that sold bonds. So he was well known in the financial circles, and somewhat independent himself. He owned property in the Midwest. But also he was known to Joan [Irvine Smith] and her mother, as well as two foundation members. [N.] Loyall McLaren, who was chairman of the foundation and chairman of the Irvine Company at the time, until they brought in a new president, also knew him. So he was known by what I would call both sides of the aisles, of the corporate governance board.

4-00:08:47

Lage: It might be a solution for this division on the board?

4-00:08:50

Watson: I think they saw one advantage was that this would be a bridge between the two sides: Joan's side and the foundation side.

4-00:09:00

What happened, as I was told, was that—I think it was down in Carmel or somewhere, or maybe it was in San Francisco—wherever it was, Charlie Thomas was having lunch somewhere, and Loyall McLaren went in and spotted him and hadn't seen him for a couple of years and said, "What are you doing?" I think he had just left TWA. And so Loyall McLaren told him about the Irvine Company and so forth and said, "Would you be interested?"

4-00:09:28

And Charlie Thomas, I am told said, his response, "Well, I'd like to talk to Joan and Athalie"—Athalie [Clark] is Joan's mother—"and I'd like to talk to other foundation members." And so he went about the task of talking to everybody, and the result of all of that was he was supported by Joan, Athalie Clark, and the foundation, and was unanimously elected the first non-family president of the Irvine Company, and came aboard, like, the last week of September of 1960 or the first week of October. I don't remember.

4-00:10:04

Lage: And he also has never done land development.

4-00:10:08

Watson: He had virtually no experience in real estate. His had always been in the public bond markets or in the navy or in aviation, but he was an executive. He was a manager. And as a manager, you can tell, from all those experience and the years I worked for him, which was six years, he was very good at delegating and holding you responsible.

4-00:10:31

And because he also visualized what some of the people they had talked to—they had talked to, prior to that, the vice president of Stanford University, who ran their real estate development program. Well, there's somebody who had a lot of experience but because—when he found out that there was a squabble going on between Joan and the foundation, and talked to both parties, and Joan tried to prevail upon him to get her point of view across, he decided he didn't want to get in the middle of something and withdrew himself, after he had been already approved by the board to come to work. So there had been a history of trying to find the right person to run this company, within the atmosphere of this conflict that was going on with the board at the time.

And incidentally, in the piece that I've written, this is well documented, as I've written it—

4-00:11:20

Lage: About UCI [University of California, Irvine].

4-00:11:22

Watson: About UCI. Well, yes, about the negotiation with the university and about the vice president of Stanford University being offered and why he turned it down, and so forth and so on.

4-00:11:34

Lage: So what kind of leadership did Charlie Thomas provide?

4-00:11:37

Watson: He provided, one, a stability. He did not interfere—he did not come in—that's what I wanted to say, was he did not come in as—what probably would have happened with a person from Stanford, who already has spent years developing the Stanford property, and thinking, "That's the way to do it because that's my experience, and we'll do it that way." Or he didn't come in, as many developers would have, come in from the home building field, where they had built thousands of houses, and saw the ranch as a big subdivision: here's this prime piece of property.

4-00:12:14

Remember, this is property that every developer in the country wanted to get a piece of, because it was so close to adjacent growth and there was a demand for land that you would have no problem getting a master plan which merely designates land uses, and from that, carve off 500-acre, 300-acre pieces to the highest price that you could get from some developer to build it in there, and have no guidance over the growth, other than by land use. That's the traditional way.

4-00:12:42

Thomas had none of that experience, so therefore he was captured by this New Town vision that Bill Pereira had painted, because Bill Pereira was very articulate, very good at verbally as well as in writing, telling what an ideal city this could become, a university community, and so forth. And it fit in both—I think Charlie Thomas with his public service background, thought that not only this was a business that needed to be run, and a very high-risk business because it's very expensive to start a development like this with all the utilities and all the infrastructure you have to put in before you can sell anything,

that in fact, it would have some purpose, some purpose and objective that went beyond just subdividing the ranch up, of building a New Town.

4-00:13:31

Lage: So he was caught up with this.

4-00:13:33

Watson: He was caught up with the spirit of that.

4-00:13:34

Lage: It was an idea worth doing.

4-00:13:35

Watson: What he was going to rely upon was the people he had around him. And so his job early on was to get acquainted with everybody: get acquainted with me, with Bill Mason, begin to hire in some more people on the real estate side—we had nobody in the real estate side. They finally brought in a man named John Porter from Coldwell Banker, which is one of the largest real estate firms, brokerage firms in Southern California.

4-00:13:59

He had friends with Coldwell Banker, so he had access to a man named Charlie Detoy, who was one of the twelve partners of Coldwell Banker. And Charlie Detoy had a background similar to Charlie Thomas. He was somebody who was on every board; that is, he was on the symphony board, and he was on the chamber of commerce in L.A., and he's everywhere.

4-00:14:22

But frankly, what his job for Coldwell Banker was was to bring in the clients. He didn't know a lot about real estate, either. And the working people, though, from Coldwell Banker, once Charlie Thomas retained them to be advisers also—the person they sent down was a man named John Parker, who opened an Orange County branch of Coldwell Banker and with whom I became great friends.

4-00:14:43

How it would work is that, for instance, let's say as we were planning to do Fashion Island—well, the company had never built a shopping center before, never owned a shopping center, and yet we're going to be the owners of this shopping center and we're going to develop it. We hired an architect to do the architecture. We were working with William Pereira and people that we had since retained and hired within the company to plan Newport Center, and the question is, ideas that we would come up with that you'd have to bring to Charlie Thomas and ask him about, about maybe the location of something or the kinds of stores you need to have in it—whatever it is, there's a thousand things that you need to have to settle on a project that large, because we're talking about a regional shopping center on seventy-five acres in the middle of a 500-acre piece of a business park.

4-00:15:39

Lage: Fashion Island in the middle of Newport Center.

4-00:15:41

Watson: In the middle of Newport Center, right. So as the planner, I would listen to what Pereira suggests, I'd listen to some of the planners we had hired, I'd listen to John Parker, and I'd

talk over with John ideas that I thought we should really go forward with, and secure his support.

4-00:16:06

So then I would go to Charlie Thomas—between John Parker and myself, we would work out a scheme, where once we could get congruence on what it is that we were recommending or I was going to recommend to Charlie Thomas, that Parker would go talk to Detoy, Charlie Detoy, and tell him about it. And Detoy always recognized that John Parker knew more about real estate than he did.

4-00:16:31

And so when I would tell Charlie Thomas, Charlie Thomas would usually say to me, “Well, let me get back to you.” And he’d immediately go and call Charlie Detoy, and Charlie Detoy would have already talked to John Parker [laughter], and then the next day, Charlie Thomas would call me and say, “That’s a good idea. Let’s go forward with it.” I don’t mean this to put Charlie Thomas down. Charlie Thomas did his homework. But this wasn’t his field, and he had to have a lot of trust and faith in others. Of course, I felt if I let him down, I would be letting myself down and letting the company down, so I wasn’t going to—

4-00:17:03

Lage: You weren’t trying to put anything over on him.

4-00:17:04

Watson: I wasn’t trying to put anything over on him. I was telling him all my reasons why I thought this was the right approach to do whatever. And that was sort of a pattern we did as we went along in the early years.

4-00:17:14

Lage: So you would sort of consult broadly with people who were coming at it from different points of view.

4-00:17:19

Watson: Right, because I had never done a regional shopping center, either. At the same time, we also decided to build a neighborhood shopping center called Westcliff Plaza. We did that actually before we did Fashion Island. That was where I cut my teeth on—I had never done a neighborhood center, 100,000 square feet, a large supermarket, Sav-On Drug, a bank, and clothing stores and hardware stores, on ten acres of land, on the edge of the property of the Irvine Company.

4-00:17:49

Lage: Was it connected with one of your developments?

4-00:17:50

Watson: No. It’s a parcel of land right on the edge of Newport Beach in Costa Mesa the company still owned. There was land behind it that we ultimately put some apartments in, but we had to do something with that, so we had parcels of land where we just wanted to get income. We got the big plan of building the city and big plan of building Newport Center, but we also had a need to get some projects going that brought revenue into the company.

4-00:18:14

Lage: You needed revenue to do all these other projects.

4-00:18:16

Watson: We needed revenue to do all these. We had certain parcels of land, and this was one of them, that already had utilities right to it, made two major intersections of roads, called Westcliff and Irvine Boulevard, in the city of Newport Beach, on the edge of Costa Mesa. And there was development all around it.

4-00:18:31

So there, we hired another architectural firm that was experienced in doing that. And I really got a lesson in that. I mean, I'm not afraid to ask questions, am not afraid to say what I don't know, and I said, "I don't know anything about these things." Tell me how we should lay it out, where we would put the supermarket, what a supermarket is going to demand, how big should it be. And we had—Chuck Kratka was the name of the architect. No longer alive.

4-00:19:00

Lage: And you only had one firm you had do this.

4-00:19:04

Watson: We talked to a number of firms. We selected Chuck Kratka because he had done dozens of them. He had a lot of experience. So we had, on one hand, Pereira talking in broad aspects of planning, and Chuck Kratka, who was an experienced architect on designing neighborhood centers of that size and had spent years working with the supermarkets and the chains and where the parking needed to be, and so forth.

4-00:19:32

And so we went through that in 1962. We designed our first center. I remember at that point, I think I had a great education in why we had, what to do with it. My job was to take it in to Charlie Thomas and again go through this process.

4-00:19:50

Lage: Can you talk more about what decisions you did make and how you came to understand the best way to do it?

4-00:19:56

Watson: First of all, it's a very conventional shopping center. It's an L-shaped shopping center. There's nothing revolutionary about it at all. But the most important thing to me was that it function and work and be commercially successful. There was a lot of similar centers up the street from us, so we were going to have a lot of competition.

4-00:20:17

I forget what the supermarket was that first came in. I think it was El Rancho. I think that was a chain at the time. We got Bank of America to take a site there, one of the buildings there. We got Sav-On Drug to take it, and we didn't have the tenants filled in between, where you're going to make most of your revenue from.

4-00:20:37

The nitty-gritty decisions you have to make in there is, for instance, do you have perpendicular parking or diagonal parking. And I would ask—well, I have a favorite: I like diagonal; I don't like perpendicular parking, but they said, "Well, let me tell you, most supermarkets like perpendicular parking because there's less car denting."

4-00:20:57

Lage: Ah.

4-00:20:58

Watson: Things like that, in terms of cars backing out. You have a ratio of the number of parking spaces you need and how close they are to the supermarket, where the door is that goes into the supermarket. As an architect, you might want to have it on the side so that people would have to walk in front of the other stores to get in, but they, the supermarket, would like it in front, right from the parking and so forth. Things like how big is the sign going to be allowed on the building. All those kinds of things, Chuck Kratka had years of experience with.

4-00:21:27

Lage: These would get hashed out.

4-00:21:28

Watson: —would get hashed out. And he had enough experience to be able to tell me, so that when we were negotiating then with the real estate people on what it is the supermarkets were allowed to do or not allowed to do, I had some ammunition to deal with.

4-00:21:42

We got through with the design of it, and I can even tell you what the cost was going to be, including paving and everything. It sounds low today, but then it wasn't, was twelve dollars a square foot. I went to Charlie Thomas with the design, and then I showed him another design that had a sloped roof with slate roofing, and it was a slight improvement aesthetically. We did some nice work on signs and so forth to keep it from being cluttered. We controlled the signing so that it wasn't just all different, jumbled.

4-00:22:16

But I said, "It's going to cost a dollar a square foot more to put this roof on here, and we're not going to get a dime more revenue. But we got competition up the street, of which nobody has cared about their architecture and how it looks, and we, I think, need to come up with something that says, 'We're a step above that.' But we have to be willing to gamble that this extra dollar a square foot is going to pay off by more patronage."

4-00:22:39

And Charlie Thomas says, "Fine, let's do it." But the thing is, it seems like a small little thing now. At the time, it was me getting my foot wet. He didn't know me that well yet.

4-00:22:51

Lage: And you hadn't actually done this kind of thing.

4-00:22:52

Watson: And I hadn't actually done that kind of thing, but I had good people who had done it. I'm the one who said, "Let's try it two different ways, so I can answer the question about what's the least expensive way to do it," because basically when you do financial projections, the revenue looks the same. I mean, it's hard to get a consultant that does economic evaluations to say, "You're going to get a dollar a square foot more value if you put a slate roof on."

4-00:23:17

Lage: Yes. How can you judge?

4-00:23:20

Watson: But it was also an indication to me that Charlie Thomas was willing to go the extra step, that we didn't want to be just like the people up the street. We were telling everybody in the world, and I was now, by that time, going around telling people, in presentations, what we were trying to do, and I was the one about to present it to the planning commission of the county and the county board of supervisors, about all these wonderful things they were going to do. And I didn't really want to end up, with the first real project they saw us do, that was just another typical neighborhood center.

4-00:23:54

Lage: So the person who had to go out and defend it in glowing terms wanted to have something he could really—

4-00:24:00

Watson: Right. I want some evidence. I want people to say, "Oh, look, they did a good job there."

4-00:24:04

As an aside thing, the opening of it, we had a plan for a grand opening with a band and everything. The opening turned out to be the day that [President John F.] Kennedy was assassinated. So we cancelled the ceremony and so forth, and went on. And it became one of our better early centers. And it became sort of the mark around—I mean, we had broken our teeth on it. We now knew how to deal with the supermarkets and so forth, and to use the strength of the company—because supermarkets—everybody else who deals with them has one ten-acre piece or five-acre piece they're going to build on, and the supermarkets can bully them around. If you don't get the supermarket, you don't have a center.

4-00:24:48

So the supermarket chains are big and powerful. Suddenly the supermarkets had a big, powerful company to deal with that they knew were going to be building dozens of these kind of centers, and if they ever wanted to be on the ranch, they better be cooperative. At the same time, I wanted to push them to do certain things, but I didn't want to push them over the edge so that in fact it was unprofitable or was wrong.

4-00:25:10

So Charlie Thomas, as time went on—the problem with the board was that before long, Joan was unhappy with Charlie Thomas, too. His friendship and family relationship that went back didn't really mean much after a while. But Charlie Thomas stood strong. I still think of him as the ideal mentor for me in terms of management and delegation and the right kind of person at the right age to deal with the James Irvine Foundation and other people in business.

4-00:25:50

Lage: The foundation, itself, had a separate board of trustees. Is that right?

4-00:25:56

Watson: That's correct.

4-00:25:56

Lage: And then some of those were on the company board?

- 4-00:25:59
Watson: Two of them were on the board. They were able to elect four of the seven directors of the Irvine Company.
- 4-00:26:07
Lage: By virtue of the fact—
- 4-00:26:08
Watson: By the fact that they owned 53 percent of the stock. Joan held one seat because of the stock she and her mother held. Charlie Wheeler, who was the husband of Katie Wheeler, who was a granddaughter of James Irvine also and was a cousin of Joan, although they were not friends. That's the best I can word this. Katie would vote to elect her husband, who also ran the cattle operation, a wonderful man, Charlie Wheeler.
- 4-00:26:43
Lage: He had been in agriculture?
- 4-00:26:44
Watson: He had been in the cattle business. He had his own cattle ranch, as a matter of fact.
- 4-00:26:49
Lage: So he ran the whole—
- 4-00:26:50
Watson: No, he just ran the cattle part of it. We actually had somebody else who ran agriculture. But Charlie was also the corporate secretary.
- And then the seventh person—so you had four—
- 4-00:27:01
Lage: From the foundation.
- 4-00:27:02
Watson: The seventh person was, by tradition, the president and the CEO of the company, and that was Charlie Thomas. Then when I became the president, obviously it was me.
- 4-00:27:12
Lage: And what kind of people came on from the foundation?
- 4-00:27:16
Watson: It changed. Loyall McLaren had been the interim chairman after Myford Irvine's death. Had a long background in public accounting, had written a textbook that was used in accounting at UC Irvine. Had been both a general and an admiral in the Second World War. General, I think, during the war, and then afterwards, when the government asked him to go to Russia, because he had to have a ranking, they made him an admiral. Or the other way around. I've been told was the author of the California fight song. So he had a long loyalty to University of California, Irvine.
- 4-00:27:58
Lage: I found out that we have an oral history with him.
- 4-00:28:01
Watson: Oh, you do?

4-00:28:03

Lage: Done in his later years.

4-00:28:04

Watson: Huh! He was a wonderful person, just a wonderful man. Then—I'm trying to think—oh, [Arthur J.] McFadden. He was the other Irvine Foundation director. And these two gentlemen were old family friends of James Irvine. They were on the original foundation when James Irvine set it up in 1937, I think it was.

4-00:28:30

Lage: Loyall McLaren says he suggested to Irvine that he set up a foundation.

4-00:28:36

Watson: Probably was, because—

4-00:28:38

Lage: As his accountant.

4-00:28:39

Watson: As an accountant, because it's also a way of avoiding paying taxes if you create a foundation and use a portion of the profits into charitable institutions.

4-00:28:47

Lage: And then McFadden had been a regent also.

4-00:28:51

Watson: McFadden had been—well, no. Yes, McFadden had been a regent.

4-00:28:59

Lage: By virtue of being—

4-00:29:00

Watson: Dean of agriculture, or head of—whatever.

4-00:29:02

Lage: Head of the—

4-00:29:03

Watson: Right.

4-00:29:04

Lage: Some agriculture institute.

4-00:29:05

Watson: I know Mrs. Smith likes to lay claim to the fact that it's only because of her that the university came, and that the foundation was always opposed to it. I can find no evidence—I wasn't here then, but I find no evidence to prove that at all. I mean, here you have Loyall McLaren, who had strong ties to the university. You had McFadden, who was a regent and was actually part of the search committee for looking for a site, with the Irvine Company.

4-00:29:35

But what I find in terms of—I traced the history of this both orally and more specifically in writing, because I found writings on it and information about it between the parties, was that the company did exactly what any company would have done. It said, “Well, if you want to come in our land, we’ll sell it to you.” You’re still a company. You’re not starting out the conversation with, “Well, we’ll give you the land, come on here.” Because they didn’t know what the other sites—there was twenty-one sites they were looking at throughout the southern part of L.A. County and the northern part of Orange County, and we, Irvine Company was on the fringe of where they wanted to go.

4-00:30:09

But as time went on, and Myford Irvine was doing the negotiation on it, they began to soften their position and said—the next position was, “Well, we’ll give you 650 acres and you buy the other 350 acres.” And then, in the end, because the university was doing what they should do—they’re negotiating, too, and they’re saying, “So-and-so elsewhere is willing to give us the 1,000 acres,” so suddenly they had to make a decision, and they made the decision that—this idea that Pereira had of building this town asked the question, not just a university going there, but a question of what to do with the land in a way that would follow the spirit of what they thought James Irvine wanted. This is precious land, and if we’re going to have to develop it, let’s do it in a way other than just subdividing it and selling it off to developers.

4-00:31:01

So it really brought together a whole vision for the company of what its next future was. But Joan would make a lot of public statements about this at the time out there. And I’ve got it in the press clippings here where she would speak to the press and say, “You know, the old fogies up there at the foundation—they’re opposed to this, and I’m fighting them to get it in here.”

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Well, they weren’t opposing this, they were quietly going about their way of negotiating with the university and finding out what is the best deal they could make for the company.

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Lage: So it wasn’t a case of Joan leading the charge to bring the campus here.

4-00:31:43

Watson: The records don’t indicate that, anyway. She would push at a board meeting, I could tell from the records, to say, “Let’s accept this or that,” and they weren’t prepared to do that. Plus the fact there was turmoil not only of that kind going on within the company with her, because she was threatening to sue her uncle, who was president, Myford Irvine, and so a lot of dissension had built up around in that. And so it was not, as best I could tell, an atmosphere where there was rational dialogue going on, give and take between people who had mutual goals together. There was an animosity that was built right from the beginning of her coming on that board.

4-00:32:23

Plus the fact, in January, 1959, Myford Irvine commits suicide. She suspected that he had been murdered. So she had this investigation going on, and inferred that maybe the foundation had something to do with it or whatever. So you had this sort of—

4-00:32:43

Lage: Did anyone take that seriously among the authorities?

4-00:32:47

Watson: The authorities took it seriously. They did, as far as I could tell from the records, a thorough examination and came out and said it was a suicide. Not only that, but I believe that she had the body exhumed some time later, and they did a further investigation, but nobody has ever been able to show that—the quirkiness of it is that apparently he was shot twice.

4-00:33:07

Lage: Ah.

4-00:33:09

Watson: And if you're going to commit suicide—and maybe by two different guns, both of which were found next to him in the basement of his home. I have no knowledge. All I know is that if you read the records, the police declared it a suicide, and no one's been able to show it any differently.

4-00:33:24

Lage: Did he leave a note?

4-00:33:26

Watson: He left no note, to my understanding.

4-00:33:29

Lage: Well, that's quite a tale.

4-00:33:30

Watson: Right.

4-00:33:32

So anyway, here we're right in the middle of this university hunt, you have the chief executive of the Irvine Company who is also a family member commit suicide. Immediately thereafter, and the records are pretty clear on this—that happened, like, in January of '59, like within thirty days or two weeks or maybe four days—I don't know, whatever it was—and I have an index that can go with this that spells this out according to the dates—because what I did is I went back and I looked at the foundation minutes, and I looked at Irvine Company minutes to see what happened during that whole period.

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The foundation immediately held a meeting. They had been in existence for twenty years, I think it is. The foundation was formed in '37, I believe, and here we are in 1958, so they had been in existence for twenty years. So basically, even though it was a foundation separate from the Irvine Company, they essentially had been run first by James Irvine and then by Myford Irvine, who operated both as chairman of the foundation and chairman and president of the Irvine Company.

4-00:34:42

But suddenly, foundation members realized that they were in majority control, and they needed to take control of the company, and so they immediately called a board meeting at which they elected McFadden interim president and CEO and McLaren chairman.

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And so for the next two years or year and a half, while they're still negotiating with the university, they had to sort of restart with McFadden and McLaren.

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Lage: That's quite a mess you came down in the middle of.

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Watson: Right.

4-00:35:20

Lage: Should we talk about Pereira more?

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Watson: Yes.

4-00:35:25

Lage: I assume you worked rather closely with him as he's developing this 35,000-acre plan?

4-00:35:29

Watson: Right.

4-00:35:31

Lage: Do you want to—

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Watson: Sure. Bill Pereira really had tremendous influence. I credit Bill Pereira with the whole idea of building this community and really the university even coming there and what has happened here, not so much in the details, because he is not somebody who really had much experience in planning neighborhoods or communities and so forth, but first of all, he was the campus architect, so he had a lot to do with the buildings on the campus. But the vision and the institution—the initial vision of it and the reality of it and the selling of that to the surrounding community as well as to the Irvine Company you've got to give credit to Bill Pereira.

4-00:36:13

Lage: Because the Irvine Company probably wouldn't have gone in that direction.

4-00:36:15

Watson: If you go by any kind of history of Southern California, the temptation is to create a master plan, a land use plan—which is nothing more than saying: Here's the acreages that will be residential, and here's the various densities that will be, and here's where the business center will be—and then find somebody and sell the piece of land to them. Once you say I'm going to build a new town, nobody was really able to do that other than the company itself.

4-00:36:43

And the description I ultimately gave to it—we even tried to say, "What is our role?" in the early years—is that fairly early on we came to the conclusion that the right way to describe the company role is it was the master community builder. We didn't have to build even a shopping center, but we are going to control whatever anybody does in this property, in addition to selling or leasing the land. So when we say we are building a

community, we know, whether it's Newport Center or a residential village, we don't do one thing until we have a complete plan for all of Newport Center or the village in all its parts.

4-00:37:19

And then we must decide who is going to build what part. For instance, we interviewed developers for the medical buildings in Newport Center. We found out whether they have the financial strength to do it, whether they have the experience to do it, because we were always cognizant of the fact we didn't have experience in building and managing such facilities. The same is true for our residential villages. We created the plan, selected the developers and integrated the many different developments into their respective roles and pieces in the communities we had planned.

4-00:37:51

Lage: Pereira. His role, and what kind of person—

4-00:37:52

Watson: Pereira. Right, Pereira. Pereira had done the original plan and then was hired as soon as Thomas came aboard, to do the Southern Sector General Plan. The Southern Sector General Plan, if you look at it by itself, is a very ordinary plan. I mean, it shows all the essential things you needed to do, where the major roads were—we call them arterial roads, which are the major highways within a county—where the flood control channels were going to be, where the utilities were going to come from, where the commercial centers were generally going to be, and it was my job to get this adopted by the county and/or the surrounding cities.

4-00:38:42

I usually would use slides rather than just the master plan, which by itself didn't look much different than somebody else having a plan. "What can grow out of that?" That's what I'm saying. "And here's what we're intending to do, and let me start out"—and I would start out in the early years, since I didn't know exactly what we were going to do, was to talk about what we weren't going to do.

4-00:39:04

And I would take pictures, or others would take pictures that I would use, of a street that had every ugly sign conceivable, a jumble of buildings, and power poles everywhere. I said, "This is what we're not going to do." So for the early years, in terms of describing our vision for the ranch I'd talk about what we don't want. What we didn't want Irvine Ranch to become was a repetition of the haphazard sprawl that much of the north county had become. Our message was: "if you trust us, we as a company are going to be the master community developer, and we're going to oversee everything that is done here." Because of the size of the ranch and the long history of the Irvine Company the public agencies trusted us with this vague description.

4-00:40:02

Because of what we want to do—let's say, in our first residential village where we wanted mixed densities of housing from town homes, single family and apartments supported by schools, parks and shopping. The city's type of zoning didn't work—to make this work. So there was at that time the emergence of what was called community planning ordinances, which required you to submit a much more detailed plan for the

entire 500 acres before we could start any single piece. The city had no such official ordinance. So our first job was to write an enabling document which they accepted.

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Lage: How did that come into being? Was that a county law, state law?

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Watson: No, no, those aren't laws; those are types of ordinances that cities can adopt. Newport Beach didn't have one, but we—and I can't remember whose idea it was, that came up with using it. It might even have been Pereira's, for all I know. I don't remember.

4-00:40:46

Lage: Is that the PUD?

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Watson: Yes, PUD.

4-00:40:48

Lage: Planned Unit Development?

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Watson: Right, Planned Unit Development, right. There's various terms, but that's one of them.

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Lage: And what's the basic idea?

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Watson: Well, the basic idea is that you have—and I'll use Eastbluff, which was the first one—500 acres, around which we wanted to put some single-family housing in it, up on the hill, where I live; we want to do some townhouses down below because it would be lower priced and because it would be a different segment of the market and would be probably older and less family, with greenbelts in it; we wanted to have the shopping center in the middle, the school in the center, and we wanted to have them precise. We didn't just want to have a little blob of green showing. Where the exact road was going to be, where the churches were going to be, where the high school was going to be.

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All of that had to be worked out, which we worked out in detail, and therefore we wanted that whole map adopted before we did any piece of it. So, in fact, we had to draw that up, and we wanted the city to give us the right to complete the project in the pattern which we showed them. We had different densities, for instance, for the townhouses than we had for the single-family houses. We had different setbacks for those kinds of things. We could do all those kinds of things with the objective of creating this neighborhood.

4-00:41:57

Lage: Did it give you more flexibility within this unit?

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Watson: It gave us less flexibility because now we were saying precisely what it was going to be, but it gave us the ability to—they had general ordinances for housing: twenty-foot front yard setback, so many side yard setbacks when we had the Bluffs. We wanted no side yards. They were going to abut each other. They were going to be townhouses. They

didn't have an ordinance for no side yard setbacks. So we would write the ordinances within this vehicle that was different than their general single-family housing ordinances.

4-00:42:35

So what we did is we drew up what we wanted to do. We could be much more precise about how many units would be there, because we were much more accurate. We could go to them and say, through early sessions, before they were adopted in an ordinance to fit to that, "This is what we want to do. We now need an ordinance that allows us to do this." Once they saw what we were trying to do, they felt much more comfortable about creating innovative ordinances, they would call it: PUD and—and that was something we used for the rest of the time. It's second-hand now. But in the early days—

4-00:43:08

Lage: Was it something new at the time?

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Watson: It was new at the time.

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Lage: Or was this happening—

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Watson: No, it was happening elsewhere, but not a lot of places. We didn't have a lot of experience, but it wasn't the first time it was done. But it fit right in with this idea of building a community. I was somebody who was—"strict" is not the right word, but I was somebody who was selling the idea that we were community builders all the time, to the real estate people, to the engineering people. I said, "Our business is to build a community. Remember that. I know we have to put in the roads, I know we have to put in the streets, I know we have to make these transactions, but we are not land developers. We're community builders."

4-00:43:46

Lage: Now, what did you mean by that, "building a community"? How did you see it, as a difference? What's the difference?

4-00:43:54

Watson: Right. It's a good question, because—first of all, the word "community" means you have things in common. In truth, if you go out, as I did, and speak to people and you get sociologists in the room, they really don't have much respect for architects who talk about the word "community" because they see it as just a visual thing, an architect does. And, indeed, it is a visual element, too. But it also has social elements. But "community" means, meant to me, that we had more than just a series of individual subdivisions and developments and real estate things around which, where people lived and they somehow incorporated themselves in the city and then they call themselves their community. There's nothing wrong with that.

4-00:44:42

The best examples I used at the time was Balboa Island and Lido Island, and San Francisco. Southern California is the first large metropolitan area in the world that grew in the automobile age, and it sprawled. It's the quintessential example of sprawl. Frankly, San Francisco peninsula has got as much sprawl as they have here, but...

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The negatives that you had growing up in that—and you read about—and particularly if you went to the architectural school—was the fact of this sort of monotonous, sprawling-out, molasses-like—terms actually I used continuously.

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Lage: You did use them.

4-00:45:27

Watson: I used the term. I used to love to use the term that “what we’re going to stop is the molasses from sprawling onto the Irvine Ranch,” because there’s an image you have of molasses sort of everything looking alike, just sort of oozing its way on, and there’s no differentiation.

4-00:45:41

So that’s the physical community part of it, is that it’s so big and so vast and so alike that there’s no sense of physical community. Within it—to be perfectly frank, there’s been a lot of studies showing that within that molasses of suburban sprawl, there’s a lot of communities, and those are social. Those are the church groups, the neighborhood groups. They’re all of those things, which seem perfectly satisfactory to a lot of people.

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But what I wanted to do and what Pereira wanted to do and everybody really wanted—nobody disagreed with this, is that whatever we created here, we’ll start out with a physical community that was small enough in scale. That’s the reason Balboa Island was a good example. It’s small. It’s an island. It’s got water all the way. And it’s part of Newport Beach. Take a little bridge to get over to it. Had all the elements.

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And there was an architect back at Harvard—why can’t I think of his name? I’ll think of his name, because I used him so often in those days. I’ve got his books here and—but who had done studies in Boston, in which he asked people, stopping them on the road, “Where do you live?” And they would answer, “Cambridge.” And he’d say, “Okay, here’s a piece of paper and a map. Draw me the edges. Where are the edges of Cambridge?” Well, now, these weren’t architects, but they got the St. Charles River, and they got another edge, and then they couldn’t find the other edge, because they couldn’t visualize where it was.

4-00:47:04

So he came up with the idea of the importance of nodes, which is the central part of the communities, around which the community—it might be the shopping, it might be the school, Harvard—it might be whatever it is—and the edges. And the more you had a series of edges that separate out your neighborhoods or your communities, then it more has a visual confinement that, when you say, “I live in Cambridge,” you can visualize that.

Now, that resonated with me because—

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Lage: Is that Lynch, by any chance?

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Watson: Yes, Kevin Lynch, Kevin Lynch. And so I became a disciple to that point, and I preached that all the time. And I said, “Balboa Island is what we want to create, without water,” that “we’re going to go looking for edges.” And we’re also not going to be a slave to what I called [Harland] Bartholemew’s “Textbook of Planning,” which we got in planning school, which defined neighborhood by an elementary school and enough housing around it to provide enough children for that elementary school.

4-00:48:04

I said, “Because we want to create communities that have edges for them. Some communities are going to be quite large, some are going to be smaller because the edges are already there.” Balboa Island has one size, Lido Island has another size. Eastbluff is 500 acres because we have bluffs all the way around it and an arterial road, a man-made thing, but it makes a real line. That separates it.

4-00:48:23

And when we go to Newport Center, it is Coast Highway, MacArthur, San Joaquin Hills Drive Road, and Jamboree Road. That’s what defined the 500 acres there. And within there, we’re going to put a town center of mixed uses: apartments, shopping, offices, medical, civic, library, all the kinds of things. But it’s confined within an area.

4-00:48:46

Now, I grew up in Oakland, California, and I have used that as an example of what not to do, is that when you go from Oakland to San Leandro to Hayward, or Berkeley, you don’t know when you’ve left one or the other unless you happen to notice the little sign that stuck up: “You’re entering Berkeley.” There was no differentiation.

4-00:49:08

And so to the extent that we could be a community developer, we’re going to develop communities—not a community; communities of neighborhoods. And the neighborhoods are going to be differentiated within themselves so that those people who live within them, there is a variety of price ranges and a variety of family types and other living elements that are within that community.

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And we struggled on this term. I mean, we started preaching community before we even knew what it meant, hardly. But we could talk about it in a physical way that had a strong identity with people that you talked to. So I showed these slides of what we weren’t going to do looked like. Then I would talk about Balboa Island, which they were very used to seeing. And I would talk about Oakland, which they didn’t even know where it was, hardly, probably, but they could relate even in Orange County or elsewhere, of going down the road and seeing you’ve left Garden Grove and gone into Anaheim and so forth.

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And that resonated with people and frankly has, through time, resonated even with the people who live here and buy here, because as time went on, incidentally, as the city government of Irvine became in existence—we’ll talk in a little bit about how that happened—but polling that we did showed that nobody could get elected to city office unless they agreed to continue the idea of villages. People liked the idea of what they have and the sense of where they are.

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Lage: So you think people do identify with their village, even though the border might be just a street?

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Watson: Yes.

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Lage: Are there borders?

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Watson: Yes, the borders are Jamboree Road and Culver [Road]. And don't say "just a street." "Just a street" is just like a barrier around an island. But what we would do is we would reinforce it. We wouldn't just rely upon the street. If you take a look at Woodbridge, Culver Road and Jeffrey Road and the San Diego freeway are three of the edges it has. If you go down Culver Road, it just looks like a landscaped wall, as you went along there. You can't see any housing. Well, that was all created. That was all flat land at one time. We mounded it up and put the sidewalk up, and then we planted it heavily. So we took not only the arterial road, but then we used that as a way to landscape it in such a way that as you drive down the road, you see something pleasant on your left, but also separated you from the community. That's the moat that goes around that community.

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So Kevin Lynch talked about those things. We had to figure out in arid country, without being islands, how do we create these edges? Sometimes we were more successful than others; some of them worked out. But for the most part, we always made that effort, and to some degree, they're all there.

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Lage: Now, was that a Pereira vision also?

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Watson: Yes.

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Lage: Was this part of his vision?

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Watson: Yes, that was part of his vision, too. His vision was more the broad, I must say—

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Lage: Tell me a little more of what he was like.

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Watson: Bill Pereira was—

4-00:52:00

Lage: Where did he—

4-00:52:02

Watson: Let me give you a little background on Bill Pereira.

4-00:52:03

Lage: Yes, give me some background.

4-00:52:04

Watson: Bill Pereira—I think he went to the University of Illinois. I think that's where he went, to the School of Architecture. He came out of school, it must be, in the early thirties or maybe late twenties, right in the Depression. Like everybody else as an architect, couldn't get any work and went to work for the movie studios. And he's won three Academy Awards for set design. So he was, right from the beginning, a very creative person.

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When he finally got his architectural practice going, he became one of the best-known architects in Southern California. He taught at USC School of Architecture for years. He was inspirational. He dressed meticulously. He's, as my wife would say, proudly—I don't know if "proudly" is the right word. My wife is proud of her Portuguese descent, and he was of Portuguese descent, but I never heard him talk about it. My wife will brag about it.

4-00:53:08

But he—very handsome. Darker skin. Dark, wavy hair. Had a presence. He'd walk in the room, and he could take command of that room. He ran an office like he would run a university class. He hired some of the best students out of USC and elsewhere. He got a lot of commissions because he was a great salesman, great salesman. And he would have the young architects design the project, and then these would present it to him, like it was a critique, going back to school, like you do on your school projects, put it up before the professor. And he would critique it and correct it.

4-00:53:52

Lage: Did he have a point of view, as you described some of the architects, your professors?

4-00:53:56

Watson: He did not have the extreme points of views. He was not somebody who could articulate, at least what I heard about, what Broadacres was of Frank Lloyd Wright, or Mies van der Rohe and sort of the high-density buildings around Paris that they never built but talked about. He didn't fall in the same vein as Sir Ebenezer Howard was, who was one of the forefathers of neighborhood planning, out of Great Britain. I never heard him speak of that.

4-00:54:28

Interestingly, he had a lady named Barbara Gray, who was a historian, from England. When he even did the plan for Irvine and so forth, he always had her write a piece on the history—oh, like on the campus, what the various great universities were and describe them. He liked that. And it was a nice touch that he had in terms of bringing that into it.

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But he was a generalist in terms of design, to some degree. He was modern. But you can't look at his architecture and say, like you can with Mies van der Rohe, "That's a Mies project" or some of the great architects you know of, that he's got sort of a footmark on it. He didn't have a footmark on his stuff. I mean, he did the Transamerica Tower in San Francisco—

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Lage: Which was so controversial at the time.

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Watson: Sure, it was very controversial. It's sort of like Eiffel Tower in Paris. Controversy. Everybody hated it. Now, everybody uses it as a symbol of the city.

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Lage: Right!

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Watson: But he—

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Lage: Had he designed a community before?

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Watson: No.

4-00:55:39

Lage: Was this his first venture?

4-00:55:40

Watson: This was his first venture, as far as I know. He, shortly after this commission, got Catalina Island, did a plan over there, but Catalina Island is Catalina Island. I mean, you can spend all the time planning on it, but they don't have enough water or any reason to grow that much.

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So this was a great project that he loved doing. I think he was disappointed later in time that he didn't get more architectural commissions out of it, because he didn't make a lot of money out of this, but he got a lot of publicity.

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Lage: Was this his major focus over a period of a few years, or was he doing a lot of things?

4-00:56:14

Watson: He was doing a lot of things for a lot of clients. He did the library for University of California at La Jolla. You know, sort of what I call the reverse ziggurat. He did the Pacific Mutual Life Insurance building here, which is another ziggurat like that. No, he had a large practice. And I think he still taught at USC, although I'm not sure.

4-00:56:42

Lage: Did you work with him when you came down here and were kind of working out the plan?

4-00:56:47

Watson: No. Bill Pereira was sort of above that. Bill Pereira had his people. Jack Bevash was his top person here, a very brilliant, smart architect, who conflicted at times with Bill Pereira. Jack Bevash would, as he'd say, have to travel every couple of years to Europe to get "reinfreshed." But he was entranced sort of with the European old towns, hill towns and so forth, and he tried to get Bill Pereira to emulate some of those old towns.

4-00:57:25

Sometimes people ask me, “Well, he didn’t do that many buildings here,” and I say, “He did the most important thing of all: he’s the one who came up with a vision, and he’s the one that convinced a company and a university to launch that vision and it’s alive today.”

4-00:57:46

Lage: Yes. But the actual laying out and building all these different villages was—

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Watson: It’s hard to say.

4-00:57:51

Lage: —you and your group.

4-00:57:52

Watson: That’s right. I mean, he had nothing to do with Woodbridge. Jack Bevash had a lot to do, as people within the company did, as I did with Eastbluff. My job was to take it to the level where it could be done. Architects—generally, their job ends when they come up with a concept and present it, and then the people who have to implement it take it over and either ruin it or carry forward as much of the principles they are willing to take with it, you know?

4-00:58:27

I tried to help Bill Pereira secure a design commission with some of our residential builders, because he wanted to do some housing. Bill Pereira’s whole career was based on museums and office buildings and libraries and university buildings. University was ideal for him because those are large concrete buildings. But he wanted to do some housing. I put him in touch with one of our builders, one of the builders we were using. Bob Grant, I think was his name. And Grant came back to me later and said, “You know, the fee he proposed was three times what I have to pay to anybody else. And he spent all his time lecturing to me on the kind of housing he thought I should do.”

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So there was a disconnect when he finally got to the details of where we are here. We weren’t building high-rise office buildings. We’re doing more of them now, today, than we ever did then. But this was still suburban America.

4-00:59:23

Lage: I just want to watch this because we have fifteen minutes left on this tape.

4-00:59:30

When you were designing these early communities—now, we’re talking back in the early sixties—what kind of people did you think would live here?

Watson:4-
00:59:41

The kind of people I thought would live here would be the ordinary people that were living here already, or living in Orange County already. I’d get asked that question when I go out. And Bill Pereira would get upset with some of the polling we had that showed the university people—what kind of housing they want. When they got through describing it, it sounded like San Fernando Valley housing. And he said, “Why did you let those people into the university?” I remember them bringing that question. I said, “Because they’re just ordinary people.”

4-01:00:14

I mean, for the most part, people want to have—it's a disconnect, frankly, between what I think at the time was sort of talked about and argued about then in the architectural schools, and what was going on in society. And there's a lot of studies now that come out. For instance, the Levittowns that you've probably read about. Some interesting analysis of Levittown. That was sort of the example of what not to do. You know, the monotony and so forth.

4-01:00:42

Some sociologists in New York University, two women, have done a recent study that's very interesting. They started out sort of negatively on it and ended up positive. What they discovered was the strong communities that evolved within Levittown. [My own upbringing reinforced by such studies have convinced me that we architects can create a strong sense of place but communities emerge built on common interest in all kinds of places. The Levittown experience is an example. —added during editing.]]

4-01:01:01

Lage: [So you didn't have a negative feeling] about suburbia?

4-01:01:03

Watson: About suburbia. To me, it was still an ideal. I was coming out of a rooming house. Nothing wrong with a rooming house. I sort of liked the rooming house, too. But, you know, so long as you can have a nice home and a yard and a family and neighborhood and so forth. And all I figured that was important to do was to begin to define that so that we weren't sort of lost in the milieu of everything that went on.

4-01:01:26

Bill Pereira—I kidded him once. He'd give occasionally a talk, and talk about the need for rapid transit and trains, all of which would be wonderful, and how terrible the automobile was and so forth and so on. Now, Bill Pereira lived on a golf course, in a single-family home, and had a chauffeur that drove him around in a Bentley. And I said to Bill, "Do you write those speeches while you're sitting in the back seat of your Bentley with your chauffeur taking you to your single-family house?"

4-01:02:01

Lage: [laughs]

4-01:02:02

Watson: He laughed at me, you know. So Bill Pereira was no different than the rest of—how he wanted to live. But there is something—an architect finds himself somehow compulsive to have to put down suburban life.

4-01:02:15

Lage: Yes, the kind of ordinariness of it.

4-01:02:17

Watson: My view was that we're just trying to improve it. I mean, there's something so powerful about it that has caused people to live this way and come out this way and buy this way, is that I think that we can improve suburbia. And I don't have a problem with the word "suburbia." I mean, the suburbs—I call it "outer cities" because that's kind of what they are. But as an architect, not as anybody else, but as an architect trained to think—to a public planner, a city is a government, and they go through the process of how you form a

government that has city managers and all that. To them, it's a process in governance. To an architect, it's New York or it's Paris or it's London.

4-01:02:58

I would have fun, when I'd go up to present the kind of things at times to some of the faculty up at Berkeley, and Catherine Bauer would sit in the meetings, and I can remember one session, we were talking about the town center across from the university, and—

4-01:03:14

Lage: The town center at Irvine.

4-01:03:19

Watson: Irvine, yes, across from the University of California, Irvine. We were in the early planning of that, going through the process of precise detail, what the buildings would be and so forth. And I had these professors just sort of say, "Well, you know, what you really need is to have loft space, which is inexpensive, so a professor can have his space and do his studies, and some entrepreneur craftsman can do this or that," you know?

4-01:03:45

And I said, "But wait a minute, these are going to be brand new buildings. They're going to cost a certain amount. We're going to have to charge rent that you can't get?" and so forth. And Catherine Bauer just chastised the faculty. She says, "Look, you're talking about Telegraph Avenue when it's seventy-five years old and they're decrepit. Naturally they can have cheap rents. Some day it'll get decrepit there, too, but Ray is right. When you build this new, you can't have that."

4-01:04:08

So everybody seems to have a romantic notion of what is a city, their ideal city. But also, where they live sometimes, a disconnect from what they think is the ideal city. We were in Southern California suburbia, and there was a lot we could do—and I think have turned out to have been able to do—to improve the sense of where people live within the sub-neighborhoods they have.

4-01:04:32

Psychologists and social scientists have written about it in such a way that fits that, is that—as a matter of fact—I can't remember his name now, but he was an architectural history professor at Berkeley. No longer alive. And his writing was totally different than what the faculty were talking about, in terms of the centers used to be the downtown, and everything—you know, if you go back along far enough—and wherever you lived, you moved back and forth, but where you worked and shopped was downtown. So the center of life was downtown.

4-01:05:09

Today, he said, the center of life is your home. It's where your family is. It's your immediate neighborhood. And everybody branches out. The wife goes to one job one place, the teenager goes to school somewhere else, and the father goes to another place. And when they change jobs, they don't want to change house, because that's the center of their life, so they try to get another job within the region around that, if you're drawing that around that.

4-01:05:32

And that's where we are here. You're trying to create this center of life they have, the neighborhood that they feel identified with in more than just the block they live on.

4-01:05:45

Lage: And you did that with the amenities that you designed.

4-01:05:48

Watson: We do that with the amenities, and we do that with the connections. If you'd go to Woodbridge, for instance, because that's a large—1,700 acres is as big as a city in some places; 25,000 people. If you go there, you do it with the amenities that are there, but you also do it with what I call the strings. I've described this before, as a necklace. The necklaces are the villages, and they're of different kinds of gems, but they've got to have a string that holds them together. Well, the strings are the roads, because you travel by car, and by bicycle paths, and by footpaths.

4-01:06:23

And so you have paths in Woodbridge that connect you from various parts of Woodbridge to the shopping centers, to the recreation areas, to the schools.

4-01:06:31

Lage: We're okay. Eight minutes.

4-01:06:37

Watson: The schools. Then also these roads are not just how you go past something else. It also connects you to the next village. So there is a whole web thing, and sometimes it shows you on a map, if you took the flood control channels, you took the roads, you took the paths, it links all the way through Irvine. We've got miles and miles of bicycle paths that go through Irvine, but they're also connecting. If there wasn't one owner, like us, they wouldn't be connecting; it would be just within the development that that developer happened to buy, with no connect—with no connect outside of that development to the next development and hook up.

4-01:07:12

So what Irvine was able to do, because it owns all this land, is to make sure that within the micro-neighborhood, the path connects with the larger neighborhood; the larger neighborhood, with the next neighborhood. So there is a whole system that you can go throughout Irvine and connect it with Newport Beach and elsewhere, and still get back into your neighborhood and feel that that's yours, as you're going to go maybe visit somebody else's is theirs.

4-01:07:38

Lage: Yes. Very good. I think we need a little pause. At least I do.

4-01:07:42

Watson: Okay.

##

5-00:00:03

Lage: Now we're going. I just changed the tape. It's still February 10.

5-00:00:07

I was just going to go back for a minute and ask you about before you came, before all these plans were in place. What about the very basic ingredients that were needed, which is water and the freeways? How did the freeways get sited, and where does this whole area get its water, and how did it all come about?

5-00:00:30

Watson: Let's start with the freeways, because the freeways is the basic arterial linkage system in the whole Southern California and the whole state. The state Division of Highways planned the freeways. They're a very autonomous group. And every city in the nation has freeways that go somewhere, of any size. Before I came here, I-5 had already gone through the Irvine Ranch, and that really opened up the ranch. Up until that time, everything was north of the ranch, and so there was some pressure on the ranch, and there was some development that went on at the edges of the property, primarily in the coastal community of Newport Beach, where developments had gone on for years, along Coast Highway. [Telephone rings.]

5-00:01:23

[Tape interruption.]

5-00:01:31

Lage: Okay.

5-00:01:33

Watson: The San Diego freeway, which is I-405, was being planned, and that actually was on the Pereira map. They just got it from the state Division of Highways.

5-00:01:43

Lage: The Irvine Company didn't have—

5-00:01:45

Watson: We had—they had—

5-00:01:46

Lage: —a lobbying relationship?

5-00:01:48

Watson: No, no, not that I know of. I mean, it basically was trying to get the freeways—what little bit of lobbying they did is try to get the freeways from destroying some of their basic agricultural lands, of separating them from some water source or something like that, but it wasn't big movements. You couldn't move them much, because they're coming through other communities as they're heading towards you.

5-00:02:08

Lage: And they're going someplace.

5-00:02:10

Watson: And they intersect with each other on the Irvine Ranch. Then there was another freeway planned, which is the Newport or Costa Mesa freeway, depending upon what you want to call it, but that came down Newport Boulevard, and that was also on the map, and it was still on the map. So the only freeway that existed on the ranch at that time was I-5.

5-00:02:27

There was a proposed coastal freeway, which ultimately got shot down at the same time virtually that the San Francisco Embarcadero freeway got shot down. It never got built.

5-00:02:39

Lage: And that was on the map when you came, wasn't it?

5-00:02:41

Watson: It was on the map in general for years later, but what happened in the early years is they started acquiring land, from us and other people, for it, and then ultimately it got eliminated and somebody had to figure out what to do with the land that they had acquired.

5-00:02:57

Lage: And what did they do with it?

5-00:02:59

Watson: They sold it or whatever.

5-00:03:05

Lage: It was probably pretty valuable land.

5-00:03:07

Watson: Yes, depending upon where it was. But the infrastructure in terms of freeways was there. The Corona del Mar freeway, as it was called, was to come down MacArthur Boulevard, and that got killed totally. But that was expected to be in when we did Fashion Island.

5-00:03:22

Lage: I see. And that was killed when? After mid-sixties?

5-00:03:26

Watson: Yes, mid-sixties, probably, or late sixties.

5-00:03:29

Lage: Part of this whole freeway revolt.

5-00:03:30

Watson: Probably got killed earlier, but it really wasn't a reality until the late sixties, maybe even early seventies.

5-00:03:36

Lage: And was it killed by citizen action or the cities or—

5-00:03:42

Watson: Well, it's by—the answer to the question generally is that everything is either killed or made by citizen action. We're a democracy. But the movement against freeways became a popular, political movement, and that's what ultimately put pressure on the state Division of Highways to stop building things, or don't build things. Same way in San Francisco or anywhere else.

5-00:04:11

Lage: What was your feeling about it?

5-00:04:13

Watson: What I heard when I came was that these are freeways on the map, and I just assumed they were going to be built. I have no reason to do otherwise now. It's sort of foolish to say, "I think it won't be built" and then have them built and I haven't taken them into account, so the freeways was something we accepted.

5-00:04:31

The San Diego freeway, as it goes along—the first university village town's eastern edge was that freeway. We got them to dig it a little deeper to prevent the sound from penetrating into the adjacent housing. We gave them some dirt, fill dirt, to solve some of their problems. We got them to swerve it just slightly. So those are subtle little things, but we just accepted the fact that the freeways are where they were.

5-00:04:55

I can't say we were advocates or not advocates of it. It was just everybody wanted freeways—not everybody, but the majority of people, by far, wanted freeways, to reduce congestion, until it became chic not to want them, I guess.

5-00:05:09

Lage: [laughs] Well, do you think the Corona del Mar freeway would have made this place work better, or would it have been a—

5-00:05:15

Watson: From a traffic point of view, it would work better. From a traffic point of view, the coastal freeway would have worked better. From a traffic point of view, the Embarcadero freeway would make that area work better, because it would have siphoned off cars that have to go on local roads. The same number of cars. It doesn't change the number of automobiles. It just says you siphon them off.

5-00:05:38

From a visual point of view, I'm glad they didn't put in the Corona del Mar freeway. I think they could have put in the coastal freeway, but the substitute to that became the toll road that's covering much of the same thing, that's up there, and there's people don't like that, too.

5-00:05:56

Lage: Is the route similar to the route—

5-00:05:58

Watson: Well, it's just more inland, that's all, but it isn't nearly as long. It doesn't come all the way down through the community. Now, that's what we worked with them on in Newport Beach, and Bill Mason did most of this, was to get them on the coastal freeway, as it came through Newport Beach, as it affects our property, to make it sunk down, so that in fact the local roads could go straight over it, and in essence you wouldn't have known, hardly, they were there, and it was in back of the coast highway as it went through Corona del Mar, so it didn't affect that. So to the extent that they could minimize the visual impact of it, which was our concern, we did a pretty good job with them. But we weren't the only place where that freeway was going to go.

5-00:06:42

Lage: This is the toll, the coastal toll—

5-00:06:43

Watson: No, no, no, not the toll road. The toll road, because it covers the same area from here south, does the same thing as the coastal freeway would have done.

5-00:06:53

Lage: Oh, I see, you were working with the coastal freeway before it got nixed.

5-00:06:55

Watson: Yes, we were working with them to try to get them to agree to—we would give them extra land, at no extra cost, if they would reduce it down so that it wasn't sticking up in the air or on the surface of the existing roads. You can visualize it running along the coast highway, but sunk down below the highway.

5-00:07:17

Lage: I see.

5-00:07:18

Watson: And the local roads, like Jamboree Road here, going straight over it instead of having a ramp to go over it like this [demonstrates with his hands], see?

5-00:07:22

Lage: Yes.

5-00:07:23

Watson: But those are the things we did to—and we did things on the San Diego freeway somewhat similar to that. But no, the freeways were—

5-00:07:34

Lage: They were more of a given, except—

5-00:07:36

Watson: They had to be a given. You didn't have the power to change it. You can do things to negotiate changes on your property, because we're big enough to do that.

5-00:07:48

The water system. That's the reason we did Eastbluff early. I mean, the reason we did West Cliff Plaza Shopping Center early. They were in the city of Newport Beach.

5-00:07:59

Lage: They had their—

5-00:08:00

Watson: They already had their utilities to them. In Eastbluff we still had to extend those lines from Jamboree Road and inward, and we actually—that's part of what bankrupts a lot of companies, is all the infrastructure they have to put in to start their projects. So we picked areas in the early days that were as close to existing utilities as we could find them, right on the edge of Newport Beach and so forth and so on.

5-00:08:22

Here in Eastbluff, we made business transactions with the developers that reduced the price of the land if they would extend the utility lines that were necessary, beyond the limits that the utility companies would have paid for, so we did a lot of innovative

business in such a way that reduced the cash drain on us to do this work. So we did that a fair amount.

5-00:08:45

However, the commitment to the university to open—now you're in virgin territory. There's no roads. There's roads. There was county roads, which became Culver Road and Jeffrey Road, that existed one lane each way.

5-00:09:00

Lage: It's hard to imagine.

5-00:09:03

Watson: Yes, it is. The commitment to the university was that there would be the road built to it and that there would be sewer connections to it and there would be water connected to it, and that it would not cost the university anything. The county committed to bring the roads to it. The Irvine Company committed to figure out a way to get the water to it. And that's part of what Bill Mason did, work with the Metropolitan Water District which was the regional water source. Mason's job was to create a local water purveyor to serve the university and our new city.

5-00:09:44

Lage: Is the Metropolitan Water District where the Irvine ranching operation got its water?

5-00:09:51

Watson: The ranch water came from local wells.

5-00:09:54

Lage: Wells, okay.

5-00:09:55

Watson: Yes, primarily wells. No, we didn't have to buy water.

5-00:09:57

Lage: So it wasn't until you were developing—

5-00:09:58

Watson: And we still get water from wells. No, this has to do with the urbanizing.

5-00:10:03

Lage: Yes.

5-00:10:04

Watson: Water is—I'm talking—it's interesting, part of my speech tomorrow is on water. Or the next day, whenever it is.

5-00:10:13

Lage: Tomorrow.

5-00:10:14

Watson: That's right. What the question really was with water was, you got the Metropolitan Water District, which is sort of the wholesaler of water. Then you have districts around it that are the distributor, buying water from the Metropolitan Water District and distributing it to within its community, however you were doing that. And that's done two

general ways. It's either a public municipal water district, or it's a private water district system that sells water to the homes and everything, you know, just like the Edison Company is a private company that distributes electricity.

5-00:10:50

Mason went through an analysis of whether—for Irvine, as a vehicle of doing this, because we already had a district that existed in Newport Beach to distribute water, so it had to do with this virgin territory. The debate was whether to form a private district, which we had actually presentations to us, how profitable that would be, as a business.

5-00:11:15

Lage: And it would be your business?

5-00:11:16

Watson: It would be our business, yes, or a business we would create. Or a public water district that would be owned by the public. In the end, he opted for—and I supported him, even though I didn't know that much about it—was the public district. So we formed the Irvine Ranch Water District, and we combined with that sewage district, so it collects both sewer and does sewer reclamation.

5-00:11:37

Lage: Now, it's funny that you say it's a public district and then you say, "We formed." How does this work?

5-00:11:43

Watson: Well, because we formed it. You form a district. Somebody's got to form it. Humans got to form something.

5-00:11:49

Lage: And you formed it as a property owned by—

5-00:11:50

Watson: There's nobody living out on the middle of the ranch.

5-00:11:53

Lage: Right.

5-00:11:53

Watson: So you form a district, and you create it as a public entity, you see, to whom then—just like they have the Reedy Creek [Improvement] District in Disneyworld in Florida. It's a similar kind of thing. That's a public district, and they're all over. But, now, who gets to vote in this public district? Well, it's based on assessed valuation of the property owners. It so happens we're one property owner, the university was another property owner, and every time you built a house, they became a property owner. But in the beginning, there was nobody there.

5-00:12:32

Lage: Right.

5-00:12:33

Watson: You see? So yes, we controlled it. Bill Mason—you know, we elected the members of the board. But you have rules and regulations, because now you're governed, because it's a

public entity, by the state attorney general, and there's all kind of rules you have to abide by, versus a private district, and there are certain rules you have to abide by there.

5-00:12:51

We chose the public route for a lot of reasons.

5-00:12:57

Lage: Do you want to go into those reasons? I think it's kind of interesting, especially when water is such a big issue in California.

5-00:13:03

Watson: Right. The reason between what? Public versus private?

5-00:13:06

Lage: Public versus private.

5-00:13:07

Watson: Well, oversimplified, the argument for it being private is it can be very profitable, but where you made your profit wasn't so much in selling the water as you get it going, you borrow money, you put in all the infrastructure to distribute this water from the large lines that came out of Metropolitan Water District that you now take the water out of because they have a canal that serves the whole area, and then you distribute it to the houses, and you charge them, right?

5-00:13:36

Lage: Yes.

5-00:13:37

Watson: Is that you ultimately—ultimately, a city quite often says, “Now I want to have a municipal district. Let's form one,” and you sell it to them, and you make money twice. That was the way it looked like to us. And Bill Mason, to his credit, didn't like that idea. It sounded like we were taking advantage. So he felt the best way to—sure, because water is absolutely critical. To make sure that we didn't have water fights, water wars, companies going broke, all kinds of risks there might be—to form a strong, large municipal water district.

5-00:14:10

So that's what it was, and it was really in his mind what he thought was best for that community in the future, the best way to go.

5-00:14:21

Lage: And so the county—

5-00:14:22

Watson: There are people who still argue to this day we should have gone the other way.

5-00:14:24

Lage: Oh, they do? People in the company?

5-00:14:26

Watson: No.

5-00:14:26

Lage: The public?

5-00:14:27

Watson: Don Miller is a good friend of mine, who's on the Irvine board with me, the one I was talking about at lunchtime?

5-00:14:32

Lage: Right.

5-00:14:32

Watson: He's the one that made the presentation, because he had formed one for Janss Corporation and other people had said why we should go that way. So if you look at it from a pure business point of view, maybe they're right. Who knows?

5-00:14:45

Lage: You ended up being the major owner of property, must have paid for most of the infrastructure.

5-00:14:52

Watson: You do it, though, by selling bonds. You form the district. The district now can sell bonds.

5-00:14:57

Lage: I see.

5-00:14:58

Watson: They can then borrow—that's the way you borrow money. The bondholders are the people who—

5-00:15:04

Lage: Who buy the bonds.

5-00:15:04

Watson: —buy the bonds. And this district gets guaranteed—now, in order to make that work, you have to pledge the land underneath it, which is us, you see?

5-00:15:13

Lage: Yes. You pledge it as collateral.

5-00:15:14

Watson: You pledge it as collateral. The district has control over that, and we give them the right to do that because we voted in favor of the creation of the district. We have a vote. The only people that voted was us. We voted to create the district, which means it allowed them to use the collateral of our land, just like they would be of your house. You didn't know you gave that vote, but you did.

5-00:15:35

In turn, they use those bonds to build what they called the Diemer line, which is the main water line that came down and served, bringing water nearer. They built a reservoir here in Newport Beach, up here [points to a place on a map], so you could store water, a reservoir up in the middle of the ranch, where you can store water for the surges of needs. And then it would become the basic entity which would make the infrastructure, put in the local water lines that go to every subdivision. And then the developers come in and

put, as part of their development—as the water line goes down the arterial road, they have the responsibility of hooking a pipe up into that to bring it into your house, and somebody has a meter, and they charge you for the water.

5-00:16:15

Lage: And then you become a voting person in the water district.

5-00:16:17

Watson: Today, Irvine Company has no vote. Well, it had some votes, but the majority of the votes are the citizens of the city of Irvine, so it's worked just like it should work. Now, water is a big issue, but the big issue is not with the municipal local districts, because, remember, they're just getting the water from the Metropolitan Water District.

5-00:16:40

Lage: Yes.

5-00:16:41

Watson: It's: How does the Metropolitan Water District get it? Part of what I'm going to mention tomorrow is—one, is that you got policy decisions affected. Well, what is a policy decision going to affect it? It used to be that they could figure out different policies to get more and more of the Colorado River water. Now they suddenly had that taken away from them, so now the policy issues are now taking the water out of California and sending it to some other state and so forth. So that's a huge struggle there is, how to deal with that. But it has nothing really to do, nothing the Irvine Ranch Water District can solve.

5-00:17:18

But what it does solve, and which is part of my message tomorrow, is how do we figure out how to use less water, how do we use less roads, how do we figure out to be more conservative. We no longer have the pleasure or the prospect of “don't worry about water.” You do worry about water.

5-00:17:40

In Irvine's case, right from the beginning—and I think it's a good tribute to the company and to Bill Mason's legacy—he was convinced right from the beginning we needed to figure out ways to conserve water. Now, we had a lot of groundwater and still have a fair amount of groundwater.

5-00:17:57

Lage: Now, does that groundwater go into the water district?

5-00:18:00

Watson: Yes. Well, it goes into the water district—that's correct, although we also have rights to our wells that are independent of the district, to do agricultural water. I mean, agriculture uses over 75 percent of the water in this state, or 80 percent of the water in this state. It isn't the urban areas, it seems. If you want to talk about water history and the water problem of water, I mean, it's ridiculous to be growing some of the fruits and vegetables we do in Imperial Valley, which is desert country. You know, you can grow them in other parts of the states. Nobody's going to starve because we don't grow lettuce there and then grow it somewhere else. But we take an incredible amount of water to do that, and as long as you had a surplus of water, fine.

- 5-00:18:49
Or in Northern California, to grow rice. It's ridiculous. What are we growing rice for?
- 5-00:18:54
Lage: What about here on the ranch, though? You had quite an active agriculture operation.
- 5-00:18:56
Watson: Right, right.
- 5-00:18:58
Lage: And you switched to row crops. Did that—
- 5-00:19:01
Watson: First of all, let me take you through the track on that. We had orchards, and we had row crops.
- 5-00:19:06
Lage: Right.
- 5-00:19:08
Watson: And in the orchards, you basically do what they call furrow irrigation. You have the pipeline that comes out of the well that takes it over to the top of the furrow. It's a little slope that runs that water down, and the roots pick it up as it goes by, and the runoff at the other end goes in the back bay and out the ocean, right?
- 5-00:19:23
Lage: Yes.
- 5-00:19:26
Watson: But Israel developed the process of drip irrigation. Arid country. How in the world do you get anything to grow there? Don't have enough water. They had to figure out a way to do it. And so Bill Mason, early enough—remember, he had a lot of influence with the Metropolitan Water District and with the company, obviously; he became president of the company—was that the company should develop a drip irrigation system for its crops. And we were one of the early pioneers in the state for drip irrigation, so early that the plastic pipe that we used had not been perfected and was eaten up by the rodents, and we had to start all over again.
- 5-00:20:07
Lage: When did that go in?
- 5-00:20:08
Watson: That went in in the late sixties, started going in in the late sixties, right.
- 5-00:20:15
Lage: So this is part of Bill Mason's schtick also.
- 5-00:20:17
Watson: Bill Mason's legacy. Oh, sure. So two things: sewer reclamation and drip irrigation, and the creation of the district are the main thing. Now, the district plays one role, and the company played another role, but the point of it really is, is that the less water that we use, even though it doesn't come out of the district, the more water there's available in the

wells to be used and so forth. I mean, water is water. So you have to make sure that paid off, but what we found out—

5-00:20:44

See, the difference between drip irrigation is you got little sensors that go in the ground, as you know, if you know enough about drip irrigation, that measures the moisture content at different levels below the surface, down to two feet. And it only turns it on when it says it needs water, and it never runs off at the other end and out of the bay, so there's not a furrow. Plus, you can plant tree crops in the hills now because you don't need to have furrow irrigation; you just put a little dripper at the root of every tree, you see?

5-00:21:13

So the company had a lot of experience, and we used to have legislators come down and look at it and say, "Why doesn't the rest of the state do this?" And I said, "I don't know. Why don't you figure that out yourself?" But we've been doing it for years.

5-00:21:23

Same way with sewer reclamation. This was done by the Irvine Ranch Water District, and that was because Bill Mason combined the two. It was separate at one time. They combined the sewer collection, which is generally taken, sent to a place somewhere in the district, which is ponded out, sorted out and then sent out to the ocean, and then you have everybody arguing about it now, out of the ocean, okay?

5-00:21:46

The sewer reclamation was basically to take and reprocess that. We've done that—I can't even tell you what year. It's been years ago that he started—remember, he's not been alive for twenty years—is that most of the water system of sewer collection in the city of Irvine and part of our developments in Newport Beach goes to a sewer reclamation system.

5-00:22:09

Lage: And is reused.

5-00:22:10

Watson: And is reused. Now, there are problems. There is an environmental debate on about what to do with the surplus reclaimed water here on the ranch and the Golden Gate Park in San Francisco. I don't know whether you know this—the Golden Gate Park has a sewer reclamation system right there—

5-00:22:31

Lage: And they use it for their gardening.

5-00:22:33

Watson: They use it for gardening. I lived right there. None of my neighbors knew that. But there's an aesthetic thought you have about it. It's also got a high saline content because of what it is. So you got to try to mix that for your crops with non-saline high content, to get the saline content down. You got to do a variety of things.

5-00:22:52

Lage: Right.

5-00:22:53

Watson: And some of our high-rise office buildings? We double pipe them so that the toilets, themselves, get the reclaimed sewer effluent for flushing, and the things you put your hands on and wash on get regular water, not because you can't show, health-wise, you could drink this other water, but because there is a psychological aversion to it and you're afraid you couldn't rent the space, perfectly frankly. So you go through a lot of process to it.

5-00:23:21

Part of what has been in recent years an argument with some local people, who consider themselves environmentalists, is that the Irvine Ranch Water District was—the problem is that we're collecting so much of this and converting so much of this that we didn't have enough agricultural land or golf courses—we put in golf courses, too—to take it. We had a surplus amount of that water, so we had to get rid of it, too. We've reconverted it. Now we've got this—

5-00:23:49

Lage: You've got to dump it in the bay.

5-00:23:50

Watson: We've got to dump it in the bay. They didn't want to dump it in the bay.

5-00:23:52

Lage: Oh!

5-00:23:54

Watson: So you've got this argument of experts. Irvine Ranch Water District brings these renowned experts out, saying it is not a problem of the bay. It will not kill the fish, it will not do all this. The opponents get their expert to say it will. Politically, you've got a Newport Beach. They're very strong politically. And politically, Newport Beach blocked it.

5-00:24:15

So now you got—the natural battle that goes on is that you're trying to—I mean, it's interesting in the sense you're trying to figure a way to be conservative, to try to get it done, and yet if somebody wants to just look at it from just the point of view of somebody they've got—I mean, the trouble is it's very easy to politicize it, very easy to say, "Don't dump your sewer into our bay." That's how the campaign came.

5-00:24:45

But the history of it, a very good history, and Bill Mason's legacy is the fact that the Metropolitan Water District, the Irvine Ranch Water District, sewer reclamation, reclaimed sewer effluent—not nearly as important.

5-00:25:01

Lage: It's early on.

5-00:25:02

Watson: Huh?

5-00:25:03

Lage: Can you give me dates? It sounds like it was really early on that he was doing this.

5-00:25:08

Watson: Well, he was creating the Irvine Ranch Water District in the very early sixties, before the university opened, because that was part of the deal, his assurance that there would be water for the campus.

5-00:25:18

Lage: But the drip irrigation and the sewerage—

5-00:25:19

Watson: The drip irrigation, I would guess, was the mid- to late sixties. The reclamation—because he got a grant—we got a grant from the federal government for \$500,000 to build it. I've got to guess that was the late sixties also.

5-00:25:38

Lage: Interesting. What do they do now with this water, if you can't dump it in the bay?

5-00:25:44

Watson: What they had to do is create an expensive pipeline that runs over to their plant off of Huntington Beach somewhere, I think, and dumps it into their plant, and then they, in turn, dump it with a pipe that goes way out in the ocean. They've got a pipe that goes way out in the ocean, so it gets further on out and doesn't affect the upper bay. The upper bay is pristine. I'm no expert on this. I believe that—you know, if there is a real problem, there's a real problem. What I have read about it, there isn't a big enough problem to say, "Let's, as a society, build this huge pipeline, take it over to somewhere else, take it to another pipeline, take it out in the ocean."

5-00:26:33

We should be trying to encourage people to do what exactly was done there, and part of which—but if you make it so expensive, nobody is going to do sewer reclamation if you can't find—if the requirements you have with regard to it is such that it's not worth doing, why would anybody be encouraged to do it?

5-00:26:54

Lage: It's too bad that enough uses can't be found to actually make use of it all.

5-00:26:59

Watson: That's life.

5-00:27:00

Lage: [laughs]

5-00:27:01

Watson: That's an easy answer to say. It's too bad it can't be found. That's true. But I don't know—they're trying to—we got about every use conceivable on the ranch. The problem is that you have seasons, and in the winter season, when you have natural rainfall, the crops don't need it, the golf courses don't need it—that's the things we were using it on. Since there is a psychological prohibition to drink it, you don't put it into the houses. So you really got limited places you can put it.

5-00:27:32

Lage: Okay. Let's look at our time here. Five o'clock. We have how long? I have to be there at six-fifty. [Discussion of travel plans not transcribed.] There's a lot of things that I think we could go into in the time we have left.

5-00:28:23

Watson: Let me back you up for a moment, though, and talk a little bit about—because I think it's interesting, the water issue. I hadn't thought about it for years, although I'm talking a little bit about it tomorrow, and only in the sense of infrastructure and the sense is that—the theme I end up with is not a matter of resource, it's a matter of policy and politics. And that's really what you're talking about. In the end, what you're talking about is the politics of water.

5-00:28:47

Lage: Right, which is a big thing in California.

5-00:28:49

Watson: A big thing. It's always been my position that our society, as any democratic society, has a group of advocates, and it's a mistake to think that any one advocate is totally correct in everything they say, because they'll carry whatever extreme they can of their argument. I'm an advocate of reclaimed sewer effluent, and I'm an advocate of trying not to make it so restrictive that nobody will do it.

5-00:29:19

Now, the other people say, "You're willing to shave off, you're willing to take less, you're willing to destroy some fish out here," and the truth is, yes, I guess I am. If that's what happens. I don't know how many fish. But I can't—if you try to draw me into that argument too much, I'm not going to be the proper advocate for the other side.

5-00:29:38

That's the fascinating thing, I think, with—you're going to get into affordable housing, you're getting to get a variety of things. That has always fascinated me. And I tell university students, "You've got to remember, I'm building the houses. If I don't advocate it, I don't know who's going to advocate it. Who's going to build the houses? Because there's enough forces out there advocating don't build the houses." Or who doesn't advocate the other thing.

5-00:30:01

Lage: It's not that you can't see the other side.

5-00:30:03

Watson: I can see the other side. I'm not going to get drawn too much into it, because that isn't my role. My role is to say—and that isn't your role, either. That isn't their role. Their role is to stop it.

5-00:30:14

Lage: Right. Well, I've heard the environmentalists make that very same argument.

5-00:30:18

Watson: What?

5-00:30:18

Lage: "It's not our job," they say.

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Watson: Right.

5-00:30:21

Lage: To be the compromisers.

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Watson: That's the reason with the word—there's policy and politics.

5-00:30:24

Lage: Right.

5-00:30:26

Watson: Now, it's the politics of trying to build with that. The thing is, though, that unfortunately for issues like that, with the rare exception of a company like the Irvine Company, which has big enough property to concern itself with all of these things of how we do it and so forth, there is nobody large enough really to take up the mantle of doing that. It is always a public entity.

Now, I'll give you a comparison on infrastructure. Let's take flood control channels.

5-00:30:54

Lage: Okay, that's something else you've mentioned over and over, but we didn't pursue it.

5-00:30:57

Watson: Right. Okay, flood control channels are lines throughout Southern California and other areas. Now, Orange County is semi-arid country. If it rains really hard, it's got to run off somewhere, and it's got to get to the back bay and out into the ocean, or it's got to get wherever it does, and then you worry about silt carry-off and all those kinds of things.

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But there in, on the Irvine Ranch, as there is all through the area, flood control districts, just like water districts.

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Lage: Were these created before this?

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Watson: They were created prior to them, because they're so big, because flood control is no one property, not even as big as the Irvine Ranch. It runs across the Irvine Ranch and collects in the hills on the other side over there, and so forth. So they created districts. The county was the jurisdiction that oversaw that. So they have the flood control district which the county board of supervisors voted into.

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So now the district engineer comes up with a plan to say—let's take on the Irvine Ranch, "Here's the natural channels we have," which are like little rivers. "We need to build concrete sides to it because it's eroding the thing off, and to make it efficient, and we

have to be able to clean this thing out all the time,” and so they do that. And they float bonds to do that.

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The board of supervisors, being people who oversee that, representing the public, talk to the engineer and say, “What will this cost?” And the engineers will say, “Well, for a 100-year storm”—that’s the way they talk—“it’s x; for a 500-year storm, it’s y.” And the board of supervisors say, “What will be the tax consequences of x and y?” And they’re told. And, of course, it’s much higher for y. And they, the supervisors, don’t make it back in office if the taxes go up too high.

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So they really have to make a serious discussion about, “Gee, a 500-year storm. How long will I be in office.”

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Lage: [laughs] Yes! What is the likelihood?

5-00:32:58

Watson: “A 100-year storm. That sounds like a long time to us. I think we can get along on the 100-year storm.” And they make that judgment. And that’s a decision business has to make all the time. All the time, we have to make those decisions: how much risk are you willing to take, not take, and so forth and so on.

5-00:33:17

So that’s how it was historically when I came. Then you got Prop[osition] 13. You got all the kinds of things—the anti-tax movement comes in. And no longer can they sell a bond. People won’t vote for them. They’re in the forties and fifties and early sixties. They voted for them. They stopped voting. They stopped building schools. They just won’t vote for them. I don’t care what the reason is. Let them take care of it.

5-00:33:42

So as a consequence, the way they get it done—because they’ve still got to get those channels built in there—is that every property owner, and we’re one of them, one of the big ones—we want to build something that includes a flood control channel, we have to pay for these walls that go in here. But it’s still done under the jurisdiction of the flood control district. So they oversee it. Their engineers do it. And the board of supervisors is the ones that decide, not us, whether it’s a 500-year storm or a 100-year storm.

5-00:34:12

Now that engineer comes before the board of supervisors and says, “A) 100 years is x stock; y, and so forth. But it’s not going to cost you taxes either way.”

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Lage: So they build the 500—

5-00:34:27

Watson: Every time, it’s the 500-year storm. Every time. Now, suddenly the kind of restriction they had to go through in thinking about this in terms of the consequences—so at the same time, it doesn’t just come out of our hide, it comes—you want to ask why the price of housing goes so high?

5-00:34:44

Lage: Yes.

5-00:34:45

Watson: “Why” is the infrastructure cost, where it used to be \$15,000 an acre, now \$250,000, \$300,000 an acre? Because of those kind of cumulative things, that as we sort of throw it off on the developer to do and take it out of the public domain, which is the least expensive way financially, the most expensive way politically to do. And that’s what happened as you’ve come into the period of time in which you can’t pass a bond issue—I mean, like, schools. I mean, schools used to be easy to pass a bond issue. It’s not easy any more to pass it.

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So that’s what—I don’t care whether you’re talking about water or you’re talking—whatever you’re talking about, that’s a struggle that you make. And the Irvine Company is right in the middle of that because we have the blessing of being big, and we have the curse of being big.

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Lage: Yes. So you probably even have it with schools. When you’re building a development, you have to plan for schools?

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Watson: Yes, you have to get a certificate today that there will be a school there. You have the argument of those who don’t want you to build is that the classrooms aren’t there. “We don’t think you should approve this tract until you have the classrooms there.” So then what are you supposed to do? You’re supposed to build these classrooms and have them sit empty, but they’re there?

5-00:35:57

Lage: But are you not obliged to build them?

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Watson: We’re not obliged.

5-00:36:00

Lage: Or is the community obliged?

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Watson: No, you’re not obliged to build them. The only thing they can do is turn down our development. So now a negotiation goes on. They’ve now passed laws that make it—they’ve now passed laws that—you wanted some something to govern this somehow. They can ask for—for the most cases in the state, when they pass a law, they got to realize what’s happening in the rest of the state. There’s no big Irvine Company to do this. They got to pass a way that makes the guy who owns fifty acres of land—he can’t build a school! To get his fifty acres developed and so forth, is that you have fees that can be charged, and those fees are then assessed on a per-student basis, a per-house basis, and so the company does pay fees that go into a pot that becomes part of it.

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Then they also can pass bonds, and they’re able to do that because state aid—there’s state money. See, part of the problem today versus when I first started in the business is that

property taxes for schools are all—because of the Supreme Court rulings that has happened—divert all the funds from property taxes up to the state, which redistributes it on an equal basis. As a consequence, there's not enough money returned back out there for what they collect. They've got to use these fees and other means. So they also vote some bonds in. They get some from the state, and they get some from us. And somehow they figure it out.

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Lage: It seems to be getting more and more complicated, is the theme here.

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Watson: Yes.

5-00:37:30

Lage: Since we're talking about water and flood and all those good things, would you want to say more about the Irvine Company, in the early years especially, as an agricultural company? Did it continue to be a big focus? And who ran it?

5-00:37:46

Watson: Yes. When I came, the vice president of agriculture was a fellow named Bob Long, whose brother was an actor by the name Long, if you remember. I can't remember his first name. But anyway, Bob Long ran the agriculture division. It was always a very sophisticated entity. This company was a very advanced agricultural company.

5-00:38:11

Lage: It wasn't a tenant operation.

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Watson: Yes, there was tenant work, and there was work we did ourselves. But in later years—we did both. We owned all of our orchards. Didn't tenant that out. And in early years, it was walnuts and oranges and so forth, and it became one of the largest producers of navel oranges in the state. And oranges, because of our climate and everything, had a thinner skin than the ones in Florida or elsewhere, which had more skin. So for fresh fruit, rather than—in Florida, it's more for processing; here it was fresh fruit. We sold it in Japan and Italy and everywhere.

5-00:38:49

We did a lot of tenant farming, and then started to develop our own operation. Bob Long left, and a fellow named Bill Williams came. Basically, his strength was marketing. He understood how to make deals for the crops, where to sell them, who to go through, what market to go through, and so forth.

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Lage: Did he switch to new crops?

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Watson: What do you mean by new crops?

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Lage: Well, did he develop new crops other than oranges?

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Watson: Yes, yes, all field crops. I distinguish between the orchards and field crops, which—we still grow an awful lot of strawberries. We were a large producer of canned tomatoes, using—particularly when the machine came in that could harvest tomatoes without ruining them. That was something that was developed by the University of California field station.

5-00:39:46

Lage: Asparagus, I've heard, you grow.

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Watson: A lot of asparagus and lettuce. Of course, we owned 16,000 acres in Imperial Valley also. We farmed there, so we're all field crops down there.

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Lage: All the time this was going on, you had a huge agriculture company.

5-00:40:01

Watson: Yes, we had the 100,000-acre cattle ranch in Montana. When I became president in 1973, this man named Falih Aljibury, who worked for the University of California field station, used to be down here, then was up at Fresno, but was a good friend of mine—I called him up and asked him to line me up with some people at the university and then some people in the business in the Valley so I could meet with them, and I spent a week going and asking a small farmer, rancher, a corporate one, a corporation, the University of California.

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I remember talking to them about avocados. You know, what is the deal with avocados? Mexico can't sell them here. He says the reason Mexico can't sell them here is because there's a disease. They don't want them in the United States. However, that disease was solved twenty years ago, and the only reason that they keep that on is to protect the growers in California.

5-00:40:58

And I said, "What happens if that takes off?" He said, "They'll wipe you out." So the question is should we grow avocados or not. If you know anything about avocados, they did finally pass a law that opened it up, but they can't sell them in California.

5-00:41:12

Lage: Oh, they still can't sell them in California.

5-00:41:13

Watson: No, it skips over. You can sell them in Omaha, where nobody eats avocados. But the point of it really is that I talked to corporate farmers about vertical—I mean, I learned the terms of vertical and horizontal organization.

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The best one I heard was really not a corporate farmer, but he had a lot of farmland, and he believed in what he calls horizontal organization. And I said, "Tell me what that is." It's growing all kinds of crops because, he says, "Agriculture is one big crap shoot." He says, "You can make a ton of money one year on lettuce, and the next year get wiped out because everybody else is growing lettuce or a storm comes in or something like that." So

he says, “Horizontally, I just grow a lot of things, and I figure on average, something’s going to survive, something’s going to do good, something’s going to do bad.”

5-00:42:04

As I reviewed what we were doing, that’s essentially what we were doing: a variety of crops we were growing, also some tenant farmers. I don’t think we ever grew the strawberries ourselves. Some of the Japanese farmers around here are very good at that. They were renting land from us on a baggage basis.

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So the company, for a long time—it barely could pay the property taxes on it, because you’re in an urban area, and the property taxes are going up. We used the Williamson Act, if you’re familiar with the Williamson Act [the California Land Conservation Act of 1965]—

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Lage: Yes.

5-00:42:36

Watson: We plotted the Type I soils on the Irvine Ranch, and then we figured how many years it would be before we would be using that, and then, if it was more than ten years, we’d put some of those lands in the Williamson Act.

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Lage: And that saved it.

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Watson: And each year, we would monitor it to see whether we needed to give notice of non-renewal, because ten years, you get out of it. But we had a very healthy ag [...]. I didn’t know anything about farming when I started. I enjoyed talking to—Bill Williams, when he retired, we had a fellow named Fred Keller who ran it, who was sort of a down-home guy that really was not a big philosopher. He really knew how to run a farming operation.

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We had, in one of our buildings up here, at the headquarters, one of the largest collections of insects in the area, in which we were experimenting with insects rather than spraying them.

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Lage: Did you do that in cooperation with UC Irvine?

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Watson: Yes, did it in cooperation with UC Irvine and Riverside. I don’t know how much of the cooperation went on, but they were very active in the farming community, the people who worked on it. They would take, in terms of different fertilizers—for instance, I remember Fred Keller talking about, said, “Well, why would we not use insects everywhere?” He said, “Well, let’s take certain crops.” Certain crops, once the insect hits it, you only got virtually hours to save it, and you can’t bring some insect in and do it. See, there’s only certain crops does it work on.

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They would also take, in terms of fertilizers and insecticides, take a 100-acre parcel of land and divide it into ten-acre pieces and use different things and see how it affected the same crop in different ways, what worked, didn't work. So they were constantly, themselves, experimenting, just like a field station would experiment, while they were also commercially trying to grow crops.

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Lage: Was this something that you, or Bill Mason before you, gave them direction to do?

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Watson: No. It's something that they—they'd been in the farming business before I was born, you know.

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Lage: So they must have thought it was economically viable.

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Watson: They thought it was economically—you know, they talked—Charlie Thomas also owned a large, I remember, corn field in Nebraska. They got snowed in one year before they harvested the crop. But he's a gentleman farmer. Fred Keller had been there forever. The cattle guys had been there forever. I mean, the cattle people were wonderful. I had never known anything about this. I'm a city kid. You talk to them, the care they—during the calving season, when they can tell when a calf is in breach. How in the world? They were watching that more carefully.

5-00:45:14

Their goal—they got a bonus because of this. I mean, Bill Williams did this, and then Fred Keller did it, is that if you could get that percentage of live births from 95 percent up to 96 percent, you got a bonus.

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Lage: Ah.

5-00:45:27

Watson: So they did things—that's an industry that really care about what they do. As urbanization came along and fields we had to take out—we got a lot of criticism for taking asparagus out they loved, and so forth.

5-00:45:46

Lage: Now, who loved it? The local people?

5-00:45:48

Watson: The local people that lived there. They liked living across the street and seeing farmland.

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Lage: Oh, they liked to live—they didn't worry about dust and—

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Watson: Oh, yes, yes. No, no, they worried about that, and they argued against that, and they did things. And some of the things that are funny now, as I think back on them, but was serious at the time. We had, for instance, windmills in case it goes below freezing, to

protect the crops. We had smudge pots prior to that, and we tried to get rid of that smell by putting the windmills in. You had on one hand, a contingency that argued we shouldn't take those crops out; let's keep them permanent, and so forth and so on. And a freeze would come in, we'd turn on the windmills, and they'd send their kids out to cut the wires because it was too noisy, they couldn't sleep.

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We had somebody in Newport Beach—Charlie Wheeler, who was the cattle manager, gets a phone call at eleven o'clock at night from an irate citizen down in Corona del Mar, who lives close to Harbor View Hills, which was still running cattle up in there, and he picks his phone up, and he says, "Hear that cow? That guy's keeping me awake. We have an ordinance to prevent that from happening." Didn't you know, there was an ordinance in the city, and we had just annexed that property. Now the city council had to take it up as to when in fact they had to stop it. The thing is that the conflict between—

5-00:46:58

Lage: Stop the cow from mooing, I think.

5-00:47:01

Watson: No, no, what they wanted to do is get the cows out of there.

5-00:47:03

Lage: Get them out altogether.

5-00:47:05

Watson: Because it kept this guy awake, see? The thing is, this is the conflict of a piece of property that's going into transition from the agricultural area. The county roads, which were one lane each way—well, a tractor going down the road of an orchard, but didn't run up on the road or run down, so you could bring the trees in closer to the edge of the road. Well, pretty soon they passed an ordinance, as times goes on, that the tractor can't go up there, so you have to cut the trees back from that. Then as more and more traffic goes on, the fumes from that was affecting the trees, and so you go back further from that.

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We had a very large chicken ranch up near El Toro, which we leased land to egg producers, chicken and egg producers in there, so there's a whole bunch of egg farmers came in there and created a whole colony, community of thousands of chickens up there, but they attracted a lot of flies, and then homeowners started complaining that the flies were all coming from the chicken ranch.

5-00:48:02

It's very difficult in the transition area, in the transition period, as you finally reach some point. So we started cutting back on a lot of the agriculture, just cutting it down. It wasn't worth doing, to keep it alive for long. It was several years before we were going to even need to do it.

5-00:48:23

Lage: But was there a commitment of the company to agriculture, or was it economically beneficial to keep—

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Watson: Economically. I mean, there's no abstract commitment to agriculture. That's only by the very wealthy that have nothing else to do.

5-00:48:35

Lage: Right.

5-00:48:36

Watson: That's their hobby. This is a business.

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Lage: And it made money.

5-00:48:41

Watson: It either made money or lost money or helped pay the taxes. It might be an interim. I mean, it had to be justified on that basis. But sure, within the people who worked there, there's a commitment to a lifestyle, but someone has to pay for that, and the corporation—our job is to make sure that we try to balance that out. First of all, some argue that we're destroying all of the Type I soils in California. Where's the food-stock going to come from? It's a ridiculous argument for California, I learned, through the University of California.

5-00:49:19

First of all, I actually plotted the number of acres of Type I soil that is paved over. There is still over three millions acres of Type I soil unirrigated in this state. Why is it unirrigated? Because we already have an overabundance of the kind of crops we grow in the state that will be bought somewhere. California is basically a fruit and nut crop, exotic food grower. That's primarily what we grow, which is not rice and potatoes and the food-stock of the world, you know.

5-00:49:55

Lot of other places, you can grow them. Oranges now are grown in Brazil and South Africa and so forth. This is a world economy. So you can't really make the argument that Orange County is a vital area, the little bit that's left, for the food crop. Now, aesthetically it's nice.

5-00:50:12

Lage: Yes. It's open space issues.

5-00:50:16

Watson: Right, right.

5-00:50:17

Lage: Did you get into labor issues as the president of an agricultural company? Were there agriculture-labor—

5-00:50:25

Watson: Sure. That's where [Theodore] Teddy Dienstfrey comes in, when I have to think of Teddy. Bill Williams, who was very politically conservative, and didn't like [Cesar] Chavez—he, along with the agricultural interests, had a film made of Chavez, and it was not very favorable, as you can imagine. I never saw the film, so I don't know. But I had Teddy Dienstfrey go sit in a meeting that they were showing the people in the company

this—Bill Williams was. Ted is Ted. After the meeting, Ted’s first question to Williams was, “Why are you afraid of Chavez? He’s really not going to cause that much trouble. He’s doing what he’s doing and so forth, but why are you afraid of him?” That was a good rhetorical question.

5-00:51:16

Bill Williams didn’t even answer him. He went into Bill Mason, who was president at the time, and said, “He’s a Communist.”

5-00:51:23

Lage: Teddy’s a Communist.

5-00:51:24

Watson: “Teddy is a Communist.” So I went and said to Teddy, “Okay, now, what did you ask, what did you do?” and so forth, and I laughed, and I told Bill Mason what he had done, and Bill laughed and so forth like that. But to Bill Williams, this was class warfare, you know. The farmers, the people who work for us, as far as I know, loved the company because the company really treated them, historically, with low pay but with great working conditions.

5-00:51:56

Lage: Now, when you say the farmers, do you mean the farm laborers?

5-00:51:59

Watson: The company is a community development company and a farming company.

5-00:52:03

Lage: Right.

5-00:52:04

Watson: The farming company—but even prior to that, which is the farming company. I’m talking about the company. It would basically hire permanent people, and then it would get day workers. But it always treated them as good or better than anybody else in the business, and I don’t mean that they showered them with money and stuff, but we had some wonderful housing for them. We, through the years, bought housing that was taken out when the freeway was put up. We built housing. We had a trailer camp. They had pensions. They had health care. They had things that they couldn’t get elsewhere, but—

5-00:52:42

Lage: Was it above the standard of most?

5-00:52:46

Watson: You know, I don’t really know. I don’t know what the standard is. That wasn’t something—as an executive, you don’t sit around, “Are you above the standard?” You sit around and say, “Is your work people happy? Are they satisfied? Are we being competitive?” and that’s the kind of terms you try to find out.

5-00:53:06

Lage: So did you ever have—

5-00:53:08

Watson: A strike?

5-00:53:08

Lage: —a strike?

5-00:53:09

Watson: Not that I know of. They had some strikes—there's a very large Heinz nursery—no longer Heinz nursery, which was a horticultural nursery, which was a ground lease that went back forty years, and they're about to run out of their lease because we're going to take over their land. They were struck a couple of times there, in effect, because there had been pickets along there and so forth, but...

5-00:53:35

Lage: Is this Heinz Company?

5-00:53:36

Watson: We were picketed by the lathers organization, by the janitors union. I mean, through the years, we've been picketed by about every labor group there is, at times, but I don't think we're on anybody's list as among the worst people to deal with.

5-00:53:55

Lage: Okay. You know what? I think we should stop.

5-00:53:59

Watson: Okay.

5-00:54:00

Lage: Anywhere we go from here is going to be something new, and—

5-00:54:02

Watson: Right.

Interview 4: March 6, 2003

06-00:00:04

Lage: We're on. We're starting to record. Today is March 6, 2003, and this is the fourth session with Ray Watson. I'm calling it the fourth session because we'll have our pre-lunch and post-lunch as separate sessions.

06-00:00:35

Watson: You're assuming I'm going to get you lunch. Is that what you're assuming?

06-00:00:38

Lage: [laughter] I'm going to take you today.

06-00:00:40

Watson: Oh, I see.

06-00:00:43

Lage: I'm assuming we'll get a break, that's what I'm assuming. Okay, we are continuing with the story of the development of the Irvine Ranch, but first I wanted to pick up a little bit on things that we talked about last time but maybe didn't finish. This was actually a Ted [Dienstfrey] question. Following up on the siting of the university, you gave a brief account of that. But one thing I've never seen discussed: there were six sites on Irvine land, originally.

06-00:01:23

Watson: Actually, I think there were seven.

06-00:01:24

Lage: Seven. How did this particular site get chosen and what did it mean to the development of the ranch, where it was sited?

06-00:01:35

Watson: Well, there was actually twenty-one sites, not on the Irvine Ranch, but twenty-one sites. I've got a map of those that we can probably add, if you want them some time. I believe six of them were on the Irvine Ranch. Those six were picked by Charles Luckman, the firm that was doing the search, without any cooperation from the Irvine Company at all. They just got a map and they stuck locations, probably having to do with topography—you know, flat lands and so forth—into it. By the time it got around to be serious negotiation with the company, because the six were part of the twenty-one throughout Orange County and southeast L.A. County, Irvine Company was having discussions with them. There was a preference by the university for one of the sites (site 7), which was on the south side of McArthur Boulevard across from what became Newport Center.

06-00:02:35

Lage: You didn't talk about this choice of the site.

06-00:02:37

Watson: Early on it apparently became a favorite of the university, because it was closer to development. It was closer to Newport Beach, and so forth.

06-00:02:55

Lage: Closer to the coast. I don't know if that was an issue.

06-00:02:57

Watson: And closer to the coast, right. The Irvine Company, however, apparently didn't want them to have that site. It's very interesting what happened. At the same time the president of the Irvine Company and the board had an agreement to sell a portion of that site to a group to create a cemetery.

06-00:03:29

Lage: As this Newport Center?

06-00:03:31

Watson: No, it's just across from Newport Center. They made a general place where it would be. It would not be specifically—they didn't have a defined boundary where it was going to be, but it was in the area now occupied by Pacific View Cemetery. The people who had the lease on the cemetery site were worried that suddenly after all their negotiations with the company that they would no longer have a cemetery site. They had no bodies in it yet. It was just a site that they had just got an agreement to—I think it was a lease at the time. So what they did, they found out that if, in fact, there was a body buried there, the university could not condemn the land. They were worried about condemnation. So over one weekend—and it's reported in the press, so I know it's a true story—they got a body from L.A. and had it reburied on the site. They had by this time put up a sign, "Leased from the Irvine Company." By law that precluded that site because cemetery land can not be acquired by condemnation. So that began to move the orientation inland. The site they're on now became one that both the company and the university, through working with Pereira, agreed upon.

06-00:04:51

Lage: Do you think the company was in favor of this cemetery action?

06-00:04:55

Watson: Yes, I suspect they also were opposed to the university locating on some of the company's most developable land. Irvine Company, along with everybody else, considered the property that was in Newport Beach extremely prime property. Remember, the middle of the ranch had no designation of "A Future Irvine," or anything in it yet. So if you're going to do early development, you want it closer to where utilities are and facilities are, that you can begin to develop it. There'd already been Irvine Company developments in Newport Beach, so they knew how successful it could be there. So you're going to give up land, try to give up land that is, at least at that time, was probably less valuable.

06-00:05:30

Lage: I see. So you think the company was happy with the alternate site.

06-00:05:33

Watson: I assume they were happy with site 9, because that was the site Pereira recommended in the study that was jointly sponsored by the university and the company.

06-00:05:45

Lage: Well, that's an interesting tale. Another follow-up that occurred to me: when you told about the Irvine water district, I didn't quite pick up on this, but you mentioned that the vote was by assessment. You had to be an owner to vote.

06-00:06:06

Watson: Yes, it's similar to what they call an improvement district, but it's a district that is going to have assessments for it to be able to sell bonds to finance the construction of the water system and the sewer system. To vote for those, you have property owners vote for it, just like you do—

06-00:06:31

Lage: So that's not an uncommon—I mean, most water districts, everybody is a voter.

06-00:06:36

Watson: Everybody who owns land. They can't vote for it if they're renting an apartment.

06-00:06:43

Lage: No, but for instance in my water district—

06-00:06:46

Watson: You're a homeowner. As the property owner you can vote.

06-00:06:47

Lage: You don't think that renters vote on the water district?

06-00:06:50

Watson: I doubt if they do. It depends on what they're voting on, but I doubt it. When you're voting for bonds, when you're voting for those kinds of things, those are property owners that vote, because they're the ones that are going to be assessed to pay for it.

06-00:07:05

Lage: I know, but I—so that's a common thing?

06-00:07:06

Watson: Today, that's common. Was common then. So, since there were no homeowners there, it's all Irvine Company, you see. What the district needed to do—it's a public district, and it has a board of directors, and those board of directors are elected also by the property owners. So once they're there, they in turn want to raise money, and they want to sell some bonds. The only security they had for those bonds was the land that it was going to serve, and all of that was owned by the Irvine Company. So for many years, the Irvine Company, because it controlled the land even when residents started coming in and had leasehold, they could vote, but until there was enough of them that equaled the assessed value of the land that the Irvine Company owned, the Irvine Company always controlled the vote.

06-00:07:55

Lage: So it was a public water district, but it was really controlled by Irvine Company for a long time.

06-00:08:01

Watson: It was controlled. The board of directors—but there's laws having to do with the fact of what they could do with it or not and so forth. A simile would be Walt Disney World in Florida, has a district that controls everything there. Walt Disney Company owns everything there. That district has even broader powers than the water district I've described. It also does all the zoning, does all the inspection, and the board of directors are all put in place by the Walt Disney Company because they own all the land. That's the

reason they never sell any land. That's the reason nobody can buy. When they made Celebration, the new town, they separated that out so that wouldn't interfere with that.

06-00:08:46

But in this case, the good part of it is, is that the Irvine Company had two choices which way to go with the water district: what they call a private company, and we had advocates of that within the company and people coming to us telling us how much money we would make by making a private water company; or to do a public water district. The company chose to go with the public water district. The cynicism will be, "Well, you control it either way because you own the land." But the fact is that the rules with regard to a public district are much more severe about what that board of directors—regardless of whether they were elected by the Irvine Company or not—can abide by. Eventually, the Irvine Company was going to lose its majority control, which it has. It no longer has majority control. We can't elect even one member now, because there's so many citizens out there that vote and have assessed value.

06-00:09:34

But it did have an influence over what we did, because what we were able to do was approve a very large bond issue—I forget how big, but it was very large. Way bigger than they needed in the initial stages. That was done first, to make sure we had enough capital in that district to put in all the water facilities and all of the sanitary facilities and the reclamation system and everything that was done there. Even things that were projected to be done way in the future, out of the concern that the company had that maybe someday the residents would therefore vote in people, as they ultimately did, who would decide they want to use—in those days we were awful fearful of this—that they would not approve any more water improvements or anything else in order to control the growth of the city.

06-00:10:22

Lage: Were you thinking of that already?

06-00:10:24

Watson: Oh, absolutely. Because it was well known, as that had happened elsewhere.

06-00:10:31

Lage: So you sort of anticipated a slow growth [movement].

06-00:10:35

Watson: It isn't a matter of so much that we anticipated. We said that if it was to happen, the consequences are so severe to what you do that you got to try to do what you can to prevent that from happening. At least, to control some element of it. There's other ways they can stop you. Turning down your zoning, and otherwise. We can't do anything about that. But water is vital.

06-00:10:54

Lage: When did this conversation take place? Do you remember the dates?

06-00:10:58

Watson: It took place very early in the sixties.

- 06-00:11:00
Lage: Because that kind of action, especially through the water district, I think of as coming much later in other parts of California.
- 06-00:11:12
Watson: You mean in terms of trying to use it?
- 06-00:11:14
Lage: Slowing the growth of the water district in order to slow development.
- 06-00:11:20
Watson: Not only just to slow development. Let's say that your motivation wasn't to slow, but your motivation was, "I don't want my taxes raised." So that's common from the time the Union was formed, you know. When you had taxes and things. But I can remember discussions with Bill Mason. Bill Mason, who was the chief engineer at the time and became the president of the company, we talked about that a lot. That's part of what we liked about the public district. What we didn't like about the private district, aside from that was there was some evidence that other developers had used that, formed it and sold it again, which is like charging homeowners twice for it. The first time was to raise money, because we had control of it as a private thing. When it became in another direction, they could sell it to a public agency and make a double whammo. We just thought that was unfair. We were really trying to do what we thought was best for the community, and yet preserve the ability to continue to finish out a project that was going to take years to do.
- 06-00:12:22
Lage: So you got enough bonds authorized.
- 06-00:12:26
Watson: We only sold the amount of bonds to pay for the facilities needed at the time.
- 06-00:12:33
Lage: And then later you were able to sell more to expand it.
- 06-00:12:35
Watson: Exactly.
- 06-00:12:38
Lage: Interesting. Well, I'm glad we picked up on that again. The other thing I realized that we missed that you had told me off the tape, was what the company physically was like when you came here. We went around and looked at the old bunkhouse.
- 06-00:12:54
Watson: What did it look like, you mean as buildings and so forth?
- 06-00:12:56
Lage: Well, not just that, but the social interrelations in the company, and visitors.
- 06-00:13:03
Watson: The Irvine Company, when I came, was still basically an agricultural company that had dabbled a little bit with some of its properties which it had sold to, maybe, developers, or leased land to developers who had built houses on it. The company didn't build any

houses. So it had virtually no experience in terms of real estate. A little bit. Some of the executives had done some of these transactions.

06-00:13:28

It physically looked like an agriculture company. The one-story, wood, nicely designed, but they were old, office buildings with very sparse rooms. Bunkhouses in the back, where bachelor agricultural workers lived. Family housing around where the agricultural families lived. A kitchen where they served three meals a day: breakfast, lunch and dinner.

06-00:13:55

Lage: To the agricultural workers?

06-00:13:56

Watson: To the agricultural workers, right. They had one room in the bunkhouse where the main kitchen was, so you can visualize even in the movies where you saw the big kitchens for the farm operations and so forth, and people cooking. They would serve lunch to the agricultural workers in another room, but they had a long, thin room with a long table where by 1960 became the executive dining room. Then they had a smaller room next to it where the non-agriculture females who were working there, secretaries and so forth, also got their lunch. So this was a male-only dining room, sort of a throwback to that day. That kitchen would serve the food for everybody, the agricultural workers and everybody else, would serve it family-style. There was no menu.

06-00:14:48

But each of us, when we came to work there, got a clothespin. The clothespin held a napkin, and would have our name written on it, "Watson." It would be put down at our place at this long table. It had historically been apparently used by the Irvines, so this tradition sort of carried on when Mr. Thomas, Charles Thomas, became the president. He'd do the same thing. To invite guests, whoever they knew, to come to lunch. It was a lunch that was well sought after by anybody who could go there, because it was a unique experience. The years that I spent going to lunch there, aside from trying to avoid to eat too much because you could gain weight quickly, I would normally just have a piece of cheese and an apple, and they would kid me about lunch. But other people would eat all the mashed potatoes and the meat and the vegetables and the soup and the whole thing.

06-00:15:41

Lage: It was a real farmhand's lunch.

06-00:15:43

Watson: It was as though we had been working very hard physically and we needed to replace the calories. Charlie Thomas' background had been in politics and in business, and he invited all kinds of interesting people who looked forward to coming there. That included Henry Kaiser, [Richard] Nixon, [Gerald] Ford, you know, I can't even remember all the names. Our county supervisor, a mayor of a city, or a planning director somewhere that you might have had a meeting with in which you would take them out to lunch, because we had no place close by to go out to lunch. We're in the middle of the Irvine Ranch. You'd have to go miles to be able to go to a restaurant. So it was a convenient place, as well. Everybody got to listen to the conversation that went on at lunchtime. Anybody who's ever worked during that era has fond memories of the lunches at the Irvine Ranch at the ranch table. Now, the first month I spent down there, I actually lived in one of the

bunkhouses while my family was still up north. I actually ate three meals a day, and I'll give you an example of what breakfast consisted of, choices you had. You had choices of cooked mush, you had choices of all the cereals that was possible, you had any kind of fruit that would go with it, you had scrambled eggs and fried eggs, you had potatoes...

06-00:17:03

Lage: Fried?

06-00:17:05

Watson: You know, I can't remember whether fried potatoes—they might have been fried, but I don't remember because I rarely ever ate them. They had bacon, they had pancakes—I thought it was a matter of a choice: "Well, I'll have a couple pancakes, and then the next morning have eggs," but these ag people would have all of those things. They would have the cereal, and then they would have the eggs, and then they'd have the pancakes. Well, they were going out to work hard, and I was going over to an office somewhere. But it was an interesting melting together of the hardworking agricultural people and the professionals that were slowly coming aboard to do the new town, build the city and do the land development.

06-00:17:57

Lage: And then these political figures. Now, why was it so highly prized? Why did people want to come?

06-00:18:03

Watson: Because it's unique. In business, you get invited to lunches all the time. I had a reputation for rarely ever going to lunch or inviting to lunch, because I just thought it was a waste of time. But this was an interesting experience. First of all, the staff is all gathered together, the small staff that we had. Mr. Thomas was there. It was one way we all got together. And then you'd have these interesting outside guests. There was not a speech ever given, but whatever the contemporary political problem was or so forth, there was always some discussion.

06-00:18:41

Lage: Did Nixon come as president?

06-00:18:43

Watson: No, that was when Nixon—you got to remember, this is the sixties. Let's see, he didn't become president until after Johnson, in the late sixties. No, he never came as president.

06-00:18:53

Lage: He was maybe running for governor.

06-00:18:55

Watson: When he was president, I must say I got a call from the FBI once because he had bought the home down in San Clemente, and I was asked to find him a beach to go swimming at that was more private, on the Irvine Ranch. Things like that. Now, the problem is once the president uses the beach the public is not allowed near by.

06-00:19:17

Lage: I wonder if it was when Nixon was running for governor? I think that might have been '60 or '64.

06-00:19:25

Watson: It was during that period, right. I can remember Nixon coming, because my office was the Irvine family home, across from the office. Myford Road is the street. Still exists out there. Across Myford Road was the family home, a two-story Victorian home that had been built at the turn of the century and that James Irvine had lived in, Myford Irvine had lived in, and some of the family had grown up in, but by the time I came there it was vacant, with one housekeeper who had been there when the Irvines had lived there.

06-00:19:57

Lage: Is this Mrs. Doaks?

06-00:19:59

Watson: Mrs. Doaks, Lois Doaks, right. Wonderful lady who would serve us tea at ten in the morning and cookies at three in the afternoon. Incidentally, recently I was going through minutes of the company, and I saw a notation: "The board of directors voted Mrs. Doaks"—because she was along in years after we had left the old headquarters and moved down to Newport Center and the old home had burned. She had retired.

06-00:20:29

Lage: The old Irvine home.

06-00:20:31

Watson: Old home, yes, she took care of it. So they voted her a very generous retirement pension of three hundred dollars a year.

06-00:20:38

Lage: Wow. How did that measure up at that time?

06-00:20:42

Watson: I have no idea. It's almost a shame to read that. I figured it was going to say a month, you know. But she was a wonderful lady. Anyway, that was my office over there, and I can remember Charlie Thomas—particularly when he knew so many people in the business world and political world, and they all wanted to see what the Irvine Company was doing, or were curious about it.—he would always bring them over to the farmhouse and ask me to make a presentation. We had on the living room walls the maps of the ranch, and we had models, and we had all kinds of things. As what happened with people like that who are well-known, they'd come in and my feeling was, "I don't know how interested they are about this," and I would go explain it. But you could tell very quickly whether they were just sort of glassy-eyed and standing there, because they don't ask very many questions. Nixon was extremely interested, and asked a lot of good questions. I had never been a very big political supporter of him, because I remember when I was in college when he first ran for Congress against Helen Gahagan Douglas, if you recall that. I didn't like that campaign. That was my introduction to campaigns. But I found him engaging and I found him very intelligent. I found him asking extremely good questions. So he wasn't just coming in and pacifying Charlie Thomas in showing a little bit of interest. He was interested.

06-00:22:05

Lage: Do you remember any others, how they responded? Any particular individuals?

06-00:22:12

Watson: Henry Kaiser was very interested. No, they were all interested, it's just that Nixon stands out in my mind as asking better questions. I gave him an A.

06-00:22:24

Lage: I've heard that about him in other contexts, too. Perceptive question-asker. Was any of this to build support for what you were doing in the state, among people who may be in a position to make decisions for or against your company?

06-00:22:46

Watson: The question really goes to the motive of inviting these people. Sure, there were times when you would bring a—people that were important to us politically were the county board of supervisors, or the city council of Newport Beach. That was the two entities at that time we were working with. So if they came, sure. They were eager to know, to get familiar with what we're doing, because we ultimately had to present something to them. I can't think of any reason, anything Nixon could have done for us, or Ford could have done for us, or Kaiser could have done for us. A lot of those people were just friends for Charlie Thomas, business friends or political friends of his that like the rest of us, likes to show off what he's doing.

06-00:23:34

Lage: Was he a genial guy?

06-00:23:35

Watson: Charlie Thomas? Extremely genial. He was very good with people. He was straitlaced, but he was very good with them. Very genial, very nice, willing to give you praise when you seemed to deserve it. Didn't interfere. It was a new field for him, too. He didn't know much about land development.

06-00:23:59

Lage: Sounds like he knew how to manage a company effectively.

06-00:24:01

Watson: He knew how to manage people. The organization is also interesting and sort of fits in this part. It was set even before he came, and he didn't monkey with it much. Set on a piece of paper. That was, they had a consultant to come in to help them bring in or find—a headhunter—to find people to come. That's how I came in, to some degree. There was basically four organizations within the Irvine Company. One was agriculture, which had been there forever. On the real estate side, the development side of the company, it was divided into three parts: the engineering department, which had a head; the real estate department which they were looking for when I came, still didn't have somebody, but they got something soon, a man named John Porter who had been with Coldwell Banker, a real estate brokerage firm at the time; and a manager of planning. So that was three.

06-00:25:01

All three of those departments reported directly to the president, the heads of them. Now that may seem not unusual to you, but in a development organization almost every time the architecture and the planning reports to the development people. In this case, whether they did this out of thinking about that or not, but it also indicated how important they saw planning, that it should report directly to the president and not to the real estate people. So therefore, it put I as the planner on equal footing to the real estate people, and

the engineering people. And then between the engineering and the planning, equal footing to each other. So we had to reach consensus. Charlie Thomas, or anybody who became president—and even to this day, that same model is within the company. Planning is still up there, every bit as important, maybe even more important, often, than the real estate side of the company. So therefore, you got to make your case, real estate people, and you got to make your case, planning, and you got to make it in front of the president, and he's going to decide if there's a conflict.

06-00:26:05

Lage: This is going to show my ignorance, but what was the division of labor between real estate and the planning and architecture—what did real estate do?

06-00:26:19

Watson: We sort of wrote how it worked after we had been there a number of years. The descriptions were described as what our power base was, who reported to who and so forth. Then it depended on the personality of the people who were there. As it turns out, we were building a town, we were not doing a subdivision. But within what we're doing there are subdivisions. There's a piece of everything that's done in normal real estate. The experience of whether it be the engineer or particularly the real estate people that came in, they came from brokerage firms. They were used to being the agent to find land and sell land for people. So they really were not the people who thought much about how a layout should be, whether it's a new town or just even a development, a subdivision within that town. They basically waited for us as the planners to decide that. Because I also had in my previous career been involved in the economics of some developments, trying to understand that. I was always curious about that. I didn't want to be considered as somebody who didn't care about that. I did care about it. I understood how to do financial analysis and so forth of developments. Well, as it turned out, the planning and the engineering sort of combining together became the development arm of the company. In fact, we would work with the real estate people to make sure what we created was marketable. We were as anxious for that. We weren't, as planners are when they're hired to a company, becoming advocates to push the company beyond. They don't care as much about the economics. They say they do, but they don't. Their prime job is to convince you to do an outstanding physical design.

06-00:28:07

Well, we were prone to do that too, and we would hire planners to help us do that, but at the same time we wanted to understand the economics of that and the real estate people would help us with that. So therefore, the normal working relationship would be elsewhere, where the real estate people would hire a planner to come up with a design, and then when they found it was way over budget what they could afford, would start to slice it up or cut it up or do whatever's necessary to do, even if the planners would object to some things they do. They could rule. Here, they couldn't rule. I'll give you an example of locating where the shopping center should be in the development. A particular location. The real estate people had very much better understanding of what the supermarkets and others would demand in terms of a location than we had. So they would try to educate us on that. They would try to influence us where it should be located. We were trying to think of it from a planning point of view, where is the best location of that to serve the community, we thought. So those were very early debates we would have with each other. But if there was disagreement, we would have to go to Charlie Thomas, the president of the company, and he'd have to resolve it. Most of the time, we never had

to go to him. It's just that the organization was clear that we would try to resolve it ourselves, and I think the fact that we were collegially working together, we would work it out.

06-00:29:36

Lage: You gave me an example—I don't know if it was a specific example—of: Where are we going to put the shopping center?

06-00:29:44

Watson: Well, yes, it is a very specific example. Because it was it was the first test of what I'm saying, was Eastbluff where I lived, which was the first village. We as planners—the engineers were waiting for us to come up with a plan that they could figure out the engineering on. The width of the streets, the grading of the streets, where the sewer lines would go, the water lines would go, where are we going to bring the water from and so on. They needed to know where all the facilities were. Where the supermarket's going to be or the grocery store is going to be, what is it going to be. As planners, and this was influenced by Pereira and his people, the beginning was that we wanted villages not only that were physically distinct, but had a variety of housing types, so it wasn't one big subdivision like what we called in San Fernando Valley. Where everything was single-family houses with hip roofs. We would have some single-family detached housing in it; we would have some row housing in it; we would have some apartments in it; we'd have churches in it; we'd have shopping in it; we'd have schools in it, parks, all the things that you'd think of as being in a neighborhood. We just started calling them villages. We would design it in such a way that the people would feel like if they happened to be living in the single family housing, that when they went to the grocery store it was their neighbors who came from the townhouses, too, or they came from the apartments. They were all together. There was ways of thinking about how to lay that out to do. However as planners, academically we were trained to think of the center of the neighborhood or the village would be in the middle, with all the development around it and a variety of development around it, interlinked with each other. The commercial people said, "No, we don't like it in the middle. We like it on the arterial road," the main road that came up to this village and passed by it.

06-00:31:52

The Eastbluff community, which is what we call our first community located in Newport Beach, was also a learning ground for us in terms of testing both the organization and the ideas we had about villages and community and mixture of communities. Different planning ideas that we had talked about in a general way.

06-00:32:15

Lage: I don't mean to distract you, but first things first: were these Pereira ideas, or ideas that your planning group—

06-00:32:23

Watson: They were Pereira's ideas, they were our ideas.

06-00:32:28

Lage: Were they planning community ideas?

06-00:32:30

Watson: You won't find the description of these communities in Pereira's documents that was submitted at the beginning of the stage. But his people who were hired and brought down here became part of a team of people who would come up with these ideas. There was an architect/planner named Jack Bevash who was a partner of Bill Pereira, who was the resident partner for several years. A lot of this was his influence. There was a planner named Al Trevino who I hired later on. A lot of these were his ideas. It's hard for me in memory to sort it out, but those were ideas. First of all, the ideas are not unique. Planners talk about them all the time, about mixing communities and so forth. Kevin Lynch, which I was a devotee of—but everybody else is—how to create around the village an edge, an entry point and so forth. So it was the first village we were going to be doing, testing these principles. Also, as I say, the organization we had where we had to satisfy the real estate requirements of it, too. The testing ground was in this first village—and let me describe Eastbluff physically: it's about a 500-acre mesa overlooking the upper Newport Bay. It's defined by a bluff all the way around it, except for one edge of it which is an arterial road, a county road called Jamboree Road. It was right on the edge of the existing city of Newport Beach, about a mile away from the Pacific Coast Highway. So it was in an area that was well known. Newport High School District had already designated a site on it for a high school to serve the general area around it, even before the growth was to occur, because there was still a lot of people living in Newport Beach. So the plan as it physically came up and evolved, there was a part of a mesa, then a hill sloping up, which is where I live, where the single-family housing was going to be. The townhouses were down on the flat mesa and where the high school was going to be, and the churches, and all those things that went into this community. We planners, and I say "we" collectively whether it was Al Trevino's idea or Jack Bevash's—it was one of those two probably more than mine, even—was in the center of the development, because that was traditionally what you as a planner would think about.

06-00:35:12

Lage: The center would be the center of the shopping center?

06-00:35:14

Watson: I'm sorry, the main center is the neighborhood shopping center. The neighborhood shopping center has within it a supermarket, selling groceries, which in those days was probably around twenty thousand square feet. People in the real estate business would understand it. Today they're a little bit bigger, but that was about it. Then they would have the different stores around it. We also had a site for a bank in it and all because we wanted it diversified. We had, as there is now today down there, there is a site and a two-story office building in it. So there's dentists and doctors and professionals in that building. There's a restaurant down there, and so forth. It's right across the street from a proposed public park. Just up the street where there was an elementary school in the middle, all sort of the core of that is the shopping, this office, the bank. Next to that we have a place on the map, a site for a preschool so that mothers who have children in elementary school can drop off the younger kids at the preschool right next door, and then a Boys Club in those days, became Boys and Girls Club. All those things were gathered together in a site before we even have a Boys Club or we have a preschool or we have even the elementary school. We needed to get settled whether it was going to be in the middle, because the real estate people had some objections. They said the supermarket people, who would ultimately have to agree to rent the space for the store, will object to this location because it's away from Jamboree Road. They wanted to be on Jamboree

Road, because they wanted all those cars that go back and forth on Jamboree Road to see the big sign where there's a supermarket and to go in there.

06-00:37:00

Lage: They didn't really care whether it was the neighborhood shopping there.

06-00:37:03

Watson: That doesn't mean anything to them. They want to make sure there's enough potential customers that are going to be close enough by to justify it. That they identified as 7,500 households, but it didn't have to all be in Eastbluff. It could be from other places that would come out onto Jamboree Road, too. Other neighborhoods that might come out onto it.

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Lage: How many people were you anticipating we would be in Eastbluff?

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Watson: We figured ultimately it would be about 7,500. But what happened however, is that we planners wanted it in the middle, because that says that's the center of the community. Then the engineers get involved. This is again interesting. The engineers started siding with the commercial people by some facts. The facts are that experience showed the supermarketers were able to attract about 60 percent of the people who shop in a neighborhood center, no matter wherever it is, if it's part of a larger community, only about 60 percent of those people actually live in the immediate neighborhood. The other 40 percent come from other neighborhoods. Why do they do that? Because, even though there's a store closer to them in the other neighborhood, they like the meat in this store, or they like the vegetables in that store. So the buyers have their favorite places. So the engineers said, what you're going to do if you put it in the middle is introduce more traffic into the neighborhood than you want. If you have it on an edge, you don't. They just come off Jamboree Road, go into the shopping center and then leave and never get into the community.

06-00:38:36

Well, we had that tested to see if the roads were adequate to handle that traffic, and what that looked like and so forth. We, the planners, prevailed in that argument. I don't even know if it ever got up to Charlie Thomas. We convinced the real estate people that, "Look, there's one difference between us and anybody else building a neighborhood center, which that's all they're doing." If that's all they're doing, the grocery store chains will rule. They'll just say, "We just won't occupy your building." We had enough leverage to be able to say to the supermarket, "If you don't agree with this, you won't build anywhere on the Irvine Ranch." And we had 90,000 acres, and we were going to have many centers like this. Every supermarket wanted to be on the Irvine Ranch. Obviously, throwing that test out to them we were able to find out how serious this problem was. They gave up. They were so anxious to make sure, but that also probably meant, well, it would be better for them if it was on Jamboree Road, but it'll probably still work where it is.

06-00:39:44

Lage: Did you have to do a lot of persuading of your other divisions, too?

06-00:39:47

Watson: Yes, you do that. You try to do it as nice as you can. You don't try to be arrogant about it, you just say, "Look, here's what we're trying to do. We're trying to build a community. If you all have bought into this, this is what we need to make decisions." But I also said it to them probably a little bit differently than some of the planners who were much more zealous about this. I was zealous about it but only if it worked. I wanted it to be successful as a business, too. I used to often say that the last thing I want to be remembered for is the most beautiful community in the world that went bankrupt. Nor did I want to be remembered for the wealthiest community in the world that was ugly. So it is trying to balance those kinds of things. I thought those were some legitimate arguments. But my answer was, let's try it this way and see what happens. The very next village we were beginning to work on was in University Park, and we had the same problem there. I said, "Let's put it on the edge there. Let's see if it makes—in the end, because we're going to be doing many of these—let's find out if it makes a big difference in the business, or if it makes difference in the homeowners that live there."

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So indeed, if you come to Eastbluff, you will find that the supermarket and the neighborhood center is close to where the school is, and close to all those things in the middle, and indeed, when my wife goes shopping down there, she runs into people from the apartments and people that she'll recognize from coming in there. Or our neighbors up here. And it is sort of a meeting place. Then we built University Park and we put it on the edge. What did we find? We found it didn't make any difference. From a community point of view, which planners should have thought about is, when somebody goes down to the store, they still drive. I mean, we have all this talk about walking. Well, a few people walk down there, but most of them drive, because they got all the groceries they got to put in the trunk of their car and they don't care whether they drive to the edge of their neighborhood or the middle of their neighborhood. They don't even think about that. It's when they get there, they say, "Hi, Mary, haven't seen ya in some time," you see.

06-00:41:52

Lage: They find their neighbors there whether it's on the edge or in the middle.

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Watson: From a business point of view, maybe it makes a little bit of difference. It is a little bit stronger maybe on the edge, but there if you try to limit the number—we tried to do it one time—of centers we had, so we weren't what we call "cannibalizing" each center as we build another one, just in the zeal to keep building more centers. The strength of the store is what drew the people in it: if they had good lettuce and they had good merchandise. So we've had a number of different chains go into that center, as often happens through the life of now forty years later. Sometimes that store does better than others. It really depends upon who's running that store. Because it's not in a remote location; it's still easy to get to it. Those debates were one of the big differences between us and any of the other community developers. Because of our size we knew we were going to be doing many variations of villages. There was not just one stereotype way of planning a village.

06-00:43:47

We looked at some of the historic towns with townhouses and greenbelts in this country. Radburn, New Jersey, is one of the famous ones we visited. Built in the thirties. We went back and visited Radburn, because of what we could learn as we began planning in Eastbluff. Radburn has a series of houses built around a private park. The front door goes

out onto the park, and the back door is where the streets are, where the cars come in. Well, what did we learn? We liked the idea of the greenbelt. We were going to build town houses with extensive greenbelts in Eastbluff. But we learned from Radburn. Now, that's what we can learn on the ranch to do from project to project. We had to go elsewhere in the early stages to see. What was there about Radburn that disturbed us? What we thought didn't work, is that since virtually everybody comes back and forth in an automobile, they came to their house in the back door, and the front doors on the greenbelts actually became their rear doors.

06-00:44:49

Lage: They just entered the back door.

06-00:44:50

Watson: They just entered the back door. The guests didn't walk around the house, all the way around to come in the front door. So the front doors became what the kids used to run out and play. Also, the street side of the residences became where you put your garbage cans. So the vision you have of your house, if you didn't live there and you were just driving by is a bunch of garage doors and garbage cans, and you never saw a front door. When you have your front door, you try to design the house so it has also a pleasant appearance to the street. The greenbelts, sure, they got used. We said, "Well, let's make the back door go onto the greenbelt. It's going to get used as much, it's just not going to be used by guests driving in, and so forth." So it's things like that, observing one elsewhere. The willingness we had as planners, the willingness the real estate people had as real estate people to compromise and try things, and learn together as we went along.

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Lage: It sounds like you had a good working relationship between all these divisions.

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Watson: We had an extremely good working relationship, and we had a lot of respect for each other. The normal kind of competitiveness that you see in the professions, which is normal, is for planners to be a little distrustful of the development side: "All they care about is profits." Well, that's part of what you have to make to survive. The real estate people didn't see our planners as dreamers. I was always willing to try different ideas but also to hear what the arguments are going to be, and they did the same. To this day, that goes on in this company.

06-00:46:31

Lage: That's gratifying. Did Charlie Thomas shield the three divisions from the board?

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Watson: No, he never shielded us from the board. He would not present the plans, he would have us present the plans to the board. If you go through the minutes—I have copies of the minutes during those formulative periods and you will find that presentations were pretty equally divided between the engineering and the planning and the real estate people, and we'd all make summary presentations to them. Eventually, in 1965 Thomas grouped the development side of the company into one division, and then put a head of it under Bill Mason. So then the real estate, engineering, and planning reported to Bill Mason, who reported to Charlie Thomas. Then, when Charlie Thomas retired in '66 and Bill Mason became president, I became head of the land development division. So then I had planning, real estate and engineering underneath me. Then, in 1973 I became president .

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Lage: I read in something that you reorganized to commercial and residential.

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Watson: As we got bigger as a company in development and more things are going on, less of the broad planning was going on, and more of the specific planning went on. We formed a home-building division. We did a number of things. I got a management consultant in to help me reorganize, to make it more efficient. But that's sort of an evolution of a growing company.

06-00:48:18

Lage: I'm just thinking about order of talking about things here. We got into Eastbluff, which I wanted to look at really in great detail. Should we go back and talk about school districts, kind of getting things in place, and then—

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Watson: Sure. From a timeline point of view, school district issue came after this.

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Lage: Oh, okay. That doesn't affect Eastbluff.

06-00:48:43

Watson: That came both before and after this.

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Lage: What about the new town, the group you belonged to?

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Watson: That came right in the middle of this. All of this is going on at one time.

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Lage: You were a busy man.

06-00:48:53

Watson: Right. Well, all of this is part of the job, too. That's what made it interesting.

06-00:48:56

Lage: What do you think is best to talk about first? Do you want to talk in really great detail about doing this first development?

06-00:49:04

Watson: Let's talk about the schools. It doesn't matter where it goes, because the story is part of the Irvine Ranch. First of all you have to understand about school districts in California. Every square inch of land, as far as I know, in California was, by 1960, in some school district. Been forever—not forever, but a long time. The districts were either what they call a unified district, which had one district that had both high school, intermediate school, and elementary school; or the high schools were in a district by themselves and there were separate districts for intermediate and elementary schools. In the early sixties a law was passed in the state—that mandated all districts unify with all grades through high school be in a single district. They saw an advantage to having one system that sort of oversaw the progression of a student all the way from kindergarten through high school. So the elementary districts had to combine into some high school district or divide up, or

however it happened. It didn't dictate how it was to happen, but they had to work that out. The Irvine Ranch therefore had—two large high schools and a number of elementary districts. The high school district serving the central part of the ranch was named Tustin High School District and extended south of the ranch.

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In Newport Beach there was a high school district that included the city of Costa Mesa and the city of Newport Beach, and blended over the district lines onto Irvine land that we basically designated ultimately for the city of Newport Beach. So Eastbluff when we developed it, it was in what they called the Newport Mesa Elementary School District and the Newport High School District. So, they were going to build a high school there. That was two different districts, one high school and the other elementary.

In Irvine, we had one little dinky elementary school up by El Toro marine base that basically schooled both the marines' children and the farmworkers' children there. But they were part of the San Joaquin Elementary School District. The Tustin High School District—the city of Tustin was on the northeastern part of the ranch on the edge, just on the other side of Santa Ana—that high school district ran all the way over most of the ranch coming down to the Newport Mesa District, and south into Mission Viejo. So it was a very large area; even though there wasn't very many high schools. Most of them came from Tustin within the Tustin High School boundaries. There was two other elementary districts which were some of the developments that were going on in the Mission Viejo area.

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I had come into the company with a lot of experience with school districts. The architectural firm I came from designed a lot of schools: elementary and high schools, and even junior college buildings. So I was very familiar with the system. Also, I was convinced, from a political/social point of view, that part of the problem of creating community is to get allegiance within where you live, to your city and to your school district. And yet, school districts are a separate political body from the city council of a city. Where the city council has approval is through its planning commission, what the land use of the city is, which has an influence over what the property tax base of both the school districts and cities is. One of the problems with that is that the school trustees have no voice in the planning of the area they must serve. My goal for the future new town was have the boundary for both school and city the same. The problem was that in the early stages the new town was designated as only 10,000 acres. That was much smaller than the existing school districts.

06-00:53:37

Lage: So the future city of Irvine was smaller than what it really ended up being.

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Watson: The first plan of Pereira was 10,000 acres. It ended up being close to 50,000 acres. But that's right, it was 10,000 acres. With no designation of what was going to be with the land that wasn't in that, that was on the Irvine Ranch. That's part of what we had to figure out when we were doing the general plan. This went on for years, as we went through the planning process. Because when we did what we called a Southern Sector General Plan, it stopped at where the San Diego freeway comes through now. We had the whole central plain between that and the Santa Ana freeway. What were we going to do with it?

06-00:54:16

Lage: It wasn't included?

06-00:54:17

Watson: Wasn't included in the early stages. We could only bite off so much at a time. But the school districts existed. So somewhere in the mid-sixties, which is about the time we were doing Eastbluff, and were starting University Park Village, in the new town my concern was we needed to resolve what would the ultimate boundary for the town and will the new unified district boundary be the same as the city's.

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For most of the rest of that decade (the sixties) we met with those working on unification but it wasn't until about 1970 that the unification actually got enacted. But it also was during the mid-sixties that we started thinking about "What are we going to do with the company's land outside of the 10,000 acres Periera had suggested? We have to start to decide that." Part of what stimulated us to face that issue early on was an annexation attempt by the city, by the city of Santa Ana to take in property that was south of us and connecting it to Santa Ana with a 300-foot, nine-and-a-half-mile long strip annexation. If that had happened, that would have cut off the future city of Irvine from ever expanding into the central part of the ranch. All those things were putting pressure on us to think about what are we going to do with this central land. So we started a series of studies. First of all, I talked about the unified district because I knew that it would at least cover all of what we were planning for the city of Irvine and much more.

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Lage: This was something that sounds like you're doing fairly much on your own. Are you doing it as the company?

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Watson: As the company, yes.

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Lage: But you were the most interested party in the company?

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Watson: There was no other property owner that was in it, as far as I know. There could have been in the city of Tustin, the homeowners there probably wondering where their children would be going to school. If they're going to be unified, what district are they going to be in, and where their children were going to go to elementary school? My approach was to talk it up in a planning way, and to say why it made sense. I would use the example that if we had one city and a school district with the same boundary, like they have in San Francisco, but most places do not have, that in fact the politics of support for a balanced financial community and would also benefit the new unified school district. The sense of community would be reinforced, because most of the people that live in Irvine are family. In many years of their family life of living there, the most important thing they have is where their children go to schools. More so they're interested in their city council, yet the city council needs support for the decisions they make, too. Rather than it being as I had seen done elsewhere, where there is competition between a city council deciding where the industry land should be, where the higher valued properties would go that would favor the city, may not necessarily be beneficial to the financing of the school district. In fact, when a planner in the city would look forward to approving a general plan—where

different uses are going to be which affect property values, which affects taxation rates—that their decision of what’s good for the city would also equally be good for the school district, you would get a common support. I’d seen too many jurisdictional battles going on about that.

06-00:58:44

Lage: You’d seen that in the Stockton area, and you were talking to people who probably aren’t even able to envision what’s coming.

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Watson: But they were able to envision it, because they could envision through me and through what the company was doing. We were the ones who were going to plan the Irvine Ranch, and we were talking about the various things that made up the future city. It drew support towards that idea.

06-00:59:16

Lage: Was there any countervailing argument coming from another direction, another set of people?

06-00:59:21

Watson: You know, I don’t remember much argument. The only kind of any argument was when we, as the planning people, and the company decided that we wanted to have the city of Irvine be 50,000 acres in boundary, versus ten. Now, why did we do that? What we did was a typical planning approach of studying different sized cities and boundaries. Pereira had suggested 10,000 acres. The only reason that it was 10,000 acres, really, was in 1960 the company instructed Pereira to contain the size of the commitment the Irvine Company was making to the university to a one mile radius.

06-01:00:36

Lage: So that’s probably what Pereira came up with.

06-01:00:38

Watson: I’m pretty sure that Pereira’s choice of 10,000 acres as the minimum was based on Great Britain’s New Town planning movement. We had started with that model, and we had made the agreement with the university in that model. I’m jumping now into the size of the city, but it fits in the school [district discussion]. What we did in the planning department is, we got what we call USGS [U.S. Geological Survey] maps. We said, “Erase off of those maps all existing man-made things like roads, and leave on it the flood control channels or the creeks that come down, the natural slopes of the ground and so forth. Then from that, let’s see where there would be a natural boundary.”

06-01:01:40

The thinking about the school district and the boundaries began to force us to saying, “We got to think about 10,000 acres? Is there another logical line? Or what do we do with the central plain that’s outside of the 10,000 acres?” The choices were really only two other choices. One is you either annex that land to an adjacent city, the most logical of which was Santa Ana and a portion to Tustin; or to create another city. So now we would have had two new cities.

06-01:02:13

Lage: Right, or to enlarge Irvine.

06-01:02:16

Watson: Or to enlarge Irvine. What we would enlarge it to, was we said “Why do we want to take all the roads and everything?” We want to see if there’s some natural topographical boundaries in terms of the Kevin Lynch idea. It immediately became pretty obvious once you drew the map up and started thinking about it. The boundary that would be on the west side, which was not where Pereira drew arbitrary lines. There’s the San Joaquin hills which comes from the ocean and comes upward and crests at the ridge, and then comes down into the central valley of the Irvine Ranch. The western boundary of the future city we thought was logically at the ridge. Those people who lived on one side of the ridge facing into the valley would look down on the valley and say “That would be my city.” Those who lived on the other side would be in an ocean community. It’s a different breeze, different climate, and so forth. We then went through the valley and said there’s another mountains now, the Lomas de Santiago hills. Wouldn’t that ridge be the other logical boundaries? So it’s sort of if you visualize a saucer. You got the edges coming up. Now, on the south side of us we ran into Mission Viejo. They didn’t have a ridge there. The property of Irvine Company ended, and that’s where other people had property. We had no voice in that.

06-01:03:43

Lage: Is that its own city, Mission Viejo?

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Watson: Yes, became its own city. There’s several other cities there. There’s Leisure World there, which is not a city but it’s a community. The boundary on the north side were existing cities: Santa Ana, and there were industrial areas. We didn’t have any desire to annex Santa Ana. It was a fine city, but it was a mature city. It would have had a community divided by the industrial area that ran along the Newport Road, which became the Newport freeway, on the northern boundary of what became the city. So you would have had Santa Ana, existing city on one side; industrial area; and then another, newer city on the other side. And a different school district. Different everything else. They had the Tustin School District. So, in fact, that became very obvious to us about what we wanted to advocate.

06-01:04:36

Lage: Did Santa Ana want to annex?

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Watson: Santa Ana definitely wanted it.

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Lage: Did they want this?

06-01:04:41

Watson: Yes. That came in ’63, when they attempted the shoestring annexation of Leisure World. That’s 1963. That’s before we even did this.

06-01:04:48

Lage: So they were trying to make a play for some of this land.

06-01:04:51

Watson: It turned out later on that Santa Ana had for years resisted annexing anything to the city. The city fathers didn’t want that. They were happy with the county seat, with what they

had. That's what stimulated cities like Garden Grove to be formed, cities like Tustin to be formed, because they couldn't annex. Suddenly Santa Ana woke up to the fact that they were closed on all sides and the only boundary they had if they ever wanted to grow was onto the Irvine Ranch. So it's become really a clash between an existing city, what its future's going to be and we, the planners of the Irvine Ranch, what do we want? That's the stage we were at. We clearly concluded we didn't want to build two new towns, we didn't want to annex to any existing city, we wanted to have the school district conform to our new city. The obvious answer, to us, was expand the 10,000 acre city to 50,000 acres. That didn't seem too large to us, and it made sense. It wasn't breaking up the school district into two cities. So we started advocating that.

06-01:06:05

Lage: As early as when?

06-01:06:08

Watson: The mid-sixties. So we had the unification hearings going on. Normal public hearings about that we would appear before and make this argument. I can't remember whether it was '66 or '65, but it was right in that period of time. I've got the date in here, because I'm writing about that annexation right now. So the first thing was the reaction of the school districts. They were fine with our suggestion. They listened, and they appeared to be sympathetic to it. The Local Agency Formation Commission [LAFCO] listened, and filed our report. In terms of the 50,000 acres versus the 10,000 acres, I went to Dan Aldrich, who was the chancellor of the UCI, and presented the idea to him. I went through the planning logic of the school district argument, the views of the ocean, the views of the bay, the drainage things, and it was very natural for him. He was an agriculturalist. He understood those kinds of things, and it seemed logical to him. He says, "Ray, would you mind making this presentation to Norton Simon," who was a regent who had not favored the Irvine Ranch to begin with, as a site.

06-01:07:20

Lage: Why was it important that the university go along with this?

06-01:07:24

Watson: It's our relationship with them. In the agreement struck with the university, they had no veto power over what we did, and we had no veto power over them, but a spirit of cooperation. We liked that. That doesn't mean we wouldn't have gone ahead without their approval, but we had come into this together. They had always been cooperative with us in terms of what they were going to do, and when they designed the campus, they designed all the main facilities right on the edge of the campus so it would blend into the city, and so forth. They didn't put it in the middle with a moat around it. Dan Aldrich was always trying to say, "What can we do on the university?" I'll get into that later, about some of the problems that occurred—not problems, but the debate, the tug-of-war between universities' tendency to want a moat around themselves. Anyway, he asked if I would present this to Norton Simon, and that he would also like to present this to the president of the university, who in turn decided to present it to the regents.

06-01:08:29

Lage: And Norton Simon was a regent.

06-01:08:31

Watson: Norton Simon was a regent.

06-01:08:32

Lage: An interested regent, I guess, from what you've said.

06-01:08:35

Watson: Right, so he set up a meeting, and I came. I did my planning thing about school districts and why the 50,000 acres, which convinced me every time I made it that this was the right thing to do. Simon listened but he never said a word. I can't remember him saying anything. He didn't challenge it, he didn't say yes or no.

06-01:09:01

Shortly after that—I don't know what "shortly" means; I don't know whether six months or a month after that—I got notice that—oh, and Dan Aldrich also had notified that he was going to present it through the president to the regents. Ultimately, it may have been several years after that when we finally had to decide where the boundary was going to be, if there was going to be an incorporation. We didn't incorporate the whole city, remember. What we did is we agreed to what land could be in the initial incorporation of the first city, which was 1971, but only a small portion of what we would allow to be in it. We wanted to show where the ultimate boundaries were going to be, so the school district decisions, everything could be made along those lines. Well, the end result was that Norton Simon came out very much opposed to it.

06-01:10:00

Lage: At the regents' meeting.

06-01:10:01

Watson: In 1971, as the community was about to vote on annexation, Simon called a press conference. I got notification of that; I was asked to attend and respond if necessary. The company informed the press that following his press conference, we would respond. Norton Simon was a very powerful businessman and a very politically savvy person, but he's not very articulate. So he made a rambling argument against the larger city. His objection to the larger size was that it was a conspiracy of some sort. That we had made a promise in 1960 and we were reneging on that, and that was not right. So when he finished, the press came into my press room and I made slide presentation of the planning behind our recommendation, why the school district supported it. In conclusion there were hardly any questions from the press except, "What about this conspiracy?" I said I have no idea what he's talking about. I just pleaded innocent in all of that. He stood and listened to the whole thing, and made some derogatory four-letter-word description of it to the press. That was the end of that discussion. Ultimately, when it finally came down to it, it did go to the regents. He pled the case. I have news clippings here that show what went on, but basically he wanted the regents to sue us over breach of agreement. He lost by a vote of 18 to 3, in favor of the incorporation and the larger city.

06-01:11:42

Lage: What was his concern, do you think? You say he had been unhappy with the—

06-01:11:46

Watson: I think it's just that he had a great suspicion of the company.

06-01:11:50

Lage: Was there previous history with his business and the company?

06-01:11:53

Watson: Whatever his reason he wasn't very articulate: I presented the planning case and I wanted to hear a planning argument on the other side. Why does this not make sense. When somebody says, "Well, this is a conspiracy because you at one time said it was going to be 10,000 acres, and you're now saying 50,000 acres, and you're renegeing." Yes, we are changing our mind. I had no problem acknowledging that. But we had a reason to change our mind, and here's our reason. Ultimately, all I kept saying is the citizens of Irvine are the ones that ultimately will decide.

06-01:12:52

Lage: They're going to vote on it.

06-01:13:28

Lage: We're just about to run out of tape here, so I think we should make a change.

06-01:13:31

Watson: Oh, you want to have lunch.

06-01:13:33

Lage: Well—

Interview 5: March 6, 2003

07-00:00:04

Lage: I'm calling this session five, because we've gone to lunch and come back.

07-00:00:08

Watson: Okay.

07-00:00:09

Lage: Starting a new session, and this is our seventh tape. So now we're recording, the same day of March 6, 2003. I was just asking you, I want to get this on tape; are you telling me anything you haven't told people before? [laughs]

07-00:00:25

Watson: I'm not telling you anything I haven't told people, because they would see it actually in the newspaper and everything else, if they're talking about incorporation.

07-00:00:31

Lage: No, I mean in general.

07-00:00:33

Watson: Oh, do you want me to tell you something that hasn't been told before? Is that what you're asking?

07-00:00:38

Lage: Yes! Well, I would hope that as we're going along here, that this process will bring out a new way of looking at things or give you something new to say. Even if it doesn't, that's okay, because you've talked and it hasn't all been recorded. So we're recording it now. But it would be interesting if the process kind of creates a—

07-00:01:02

Watson: If it does, it happens. First of all, my self-evaluation of what I've been involved in, is that there's nothing new. That's not me—the important story is there's something new. There's sort of this tendency of architects and planners to think they're inventing something new, and they're not. What we were doing was trying to transform a special piece of property in a special location, into a series of living places which families would transform into their living communities. The size of the ranch allowed us to experiment and learn from what we did. Our goal was people would want to live there enough to buy there. The concern was there were more failures in the history of community development than successes. Our successes would be judged by those who live and/or worked here.

07-00:02:13

Lage: And you knew that at the time.

07-00:02:14

Watson: I knew that at the time. I myself was not infatuated with any one idea. I would expose myself to planning ideas. I sought out different ideas, I listened to criticism, I listened to suggestions and sometimes there were more than suggestions: "This is the only way you should do it." But in the final analysis, when you have the responsibility of doing it, you have to make a decision. I wasn't afraid to try certain things, but I was not inclined to put the whole endeavor at risk. That's the reason, I have to say, when people look at this and

say they don't see utopia, I used to say "utopia" is for utopians. That's not for me. That isn't where people want to live. People have very modest kind of things they would like to have in where they live, when you really ask the people. You ask architects who are trained to try to come up with avant-garde solutions or are critical of suburbia—and we're building in suburbia—then we can't force people to live in this community. It will be their choice, and they will be the ultimate judge.

07-00:03:30

Lage: When you mentioned just now that you were trying to do something in a particular place, can you talk about the place, the site that you actually came to? When you came down here, you told me, you had never even heard of Orange County.

07-00:03:43

Watson: Right.

07-00:03:44

Lage: Now, you come here kind of anew. How does place influence how this developed?

07-00:03:50

Watson: Well, the place is of course Orange County, California, which is south of Los Angeles. Orange County is the county between San Diego County and Los Angeles County, and it's on the ocean. It was, at the time I came, designated as the fastest growing major county in the United States. The Irvine Company owned one-fifth of all the privately owned land in the county. It stretched the full width of the county, twenty-one miles in length.

07-00:04:21

Lage: From the shore inland.

07-00:04:22

Watson: Right, and it was nine and a half miles wide, from the northern boundary to the southern boundary. The climate in Orange County is very mild; it is semi-arid country. We often have less than ten inches of rain a year. Because the Irvine Ranch was so large, you had both the coastal part of the ranch and the inland part of the ranch. The coastal part of the ranch could be in the summertime ten degrees cooler than it was just five miles inland in the middle of the ranch. In the wintertime, it could be ten degrees warmer than it was inland. So it was very mild, Mediterranean-type climate. We were going to develop both the coastal plain and the inland plain of this property. The opportunity to do this in concert with a university having sort of anointed it as its home, which is a rare opportunity to allow us to do something more than just do what has historically been done with similar properties in Southern California or elsewhere. But Southern California really grew out of Mexican and Spanish grants, very large parcels put together, given as a grant from either the Spanish government or the Mexican government to somebody who said they would take care of it. "Take care of it" really meant raise cattle on it or grow something on it. By the time that I was involved it was no longer a grant, it was owned by the James Irvine family and the James Irvine Foundation. We thought of it as the same way. We have a responsibility to this great property to try to provide places where people live and work and play, is the term we used. But we really believed in it.

07-00:06:18

Lage: Did the board and the foundation have the same kind of sense of stewardship that you expressed?

07-00:06:26

Watson: Absolutely, both the foundation and the board had it. I think even the family did. This is a piece of property that had been in ownership of some Irvine, whether it be foundation or family, going back to 1864 and held together during that period of time. Other parcels like this had been carved up by the heirs of the families and sold off in pieces and had become what northern Orange County was like. A fine group of cities, but there was nothing distinguishing about them.

07-00:07:02

Before I came here—I've mentioned that I didn't know even where Orange County was. I was born in Seattle, raised in Oakland, California. My mother passed away when I was a baby, raised by my grandmother in Oakland in a rooming house near Lake Merritt. Went to Oakland High School, went to [University of California at] Berkeley. I don't recall ever living in a single-family house. I lived with other tenants in a house. So when people talked about "urbanism" and "density," which architects tend to talk about, it sort of described where I lived, because next door to me was an apartment building. Across the street from me was an apartment building. The house next door to us was another rooming house like ours, and the house in the back lot was where Earl Warren lived, who had been the governor of the State of California, and whose daughters I went to intermediate school with.

07-00:07:58

Lage: So one of your rooming houses had been his former house?

07-00:08:03

Watson: No, If you go in our back lot and went to the lot on the other side, there was a very grand house which is where Earl Warren's house was. He was the former governor of California, and Supreme Court justice. The point of it really is, is that the community I grew up in as a child and as a teenager, where my grandmother ran a rooming house, is how I lived. I had no other experience I could draw from to judge types of neighborhoods. Prior to that, I had lived with my great aunt behind a little store where she did seamstress work and the streetcar running in front of it. But in the house in Oakland, it was a very cosmopolitan community. There were people who lived in apartments, there were people who lived in fine houses, people who lived in old houses like we did, and had tenants. We rented out the basement and put a sheet up to separate them from where the washing machine was. But we all lived together, and I never saw any problem with that. When many of my planning and architectural peers complained about suburban sprawl, without defining their objections I decided to define it in relationship to my own experience. I grew up in Oakland, California, which often was defined as a suburb of San Francisco. I now was living in Orange County, which was called a suburb of Los Angeles and for some Los Angeles was characterized as suburban. I had little complaints about where I lived, whatever someone else wanted to define it. I spent considerable time exploring what I considered good about suburbia and what it lacked.

07-00:09:19

Lage: You'd seen it on the peninsula to a degree.

07-00:09:21

Watson: Yes, I'd seen it on the San Francisco peninsula. But not when you're in high school. I had never been on the peninsula when I was growing up. But the neighborhoods I grew up in all had diversity of densities and uses. So we decided on the Irvine Ranch that each one of our neighborhoods or villages, we were going to mix the housing types. That seemed not only something that we ought to do, but something that was very comfortable with me. I never had to fear, as other developers would have, that if you get an apartment building too close to some housing, that the people in the housing would dislike it. Some might dislike it, but I didn't think that very many would. If you did it carefully and properly, it worked and that's what we did do. We started to mix housing types.

07-00:10:03

Lage: Was that also the planning profession's preferred style, to have this mixed housing?

07-00:10:13

Watson: Yes, it's probably one of the more common terms that would be used. You have a whole range of ideologies in the planning and architects when they talk about it, because they don't have much experience at it. The ideology, a lot of it was, "Let's not do San Fernando Valley." So we knew what we shouldn't do.

07-00:10:35

Lage: A lot of negatives.

07-00:10:37

Watson: Now, what should you do? Now you have the whole range. Frank Lloyd Wright advocated something called Broadacres, never built, but was a plan. He proposed a town composed of one-acre lots, which for many was the essence of suburbia. Low density, and it was sort of coming back to earth. You had the English new towns that were going on, which were basically to create new towns sufficiently removed from the existing cities like Glasgow or London so that it was inconvenient to commute.

07-00:11:16

Lage: Inconvenient.

07-00:11:17

Watson: Inconvenient to commute. The idea was to try to slow down the growth of the major cities. You had the new towns in Sweden, which we ultimately saw on our tour, which were satellites of Stockholm, with a transit system between the residential suburbs and town. So at one extreme you have the Wright's Broadacres and Sweden's suburban villages, then you had the English and Russian remote new towns: there was a lot of theories and there was a lot of experimentation. I must say that the other new town experiment that I learned about was in the Soviet Union when it was the Soviet Union, and I talked to the chief planner of the country, who was vice premier of the country, who oversaw their new town community and all planning in the Soviet Union at the time. That meeting was in 1977 and I headed up an American exchange program sponsored by the U.S. Department of Housing and Urban Development.

07-00:12:10

Lage: Did they use the terminology New Town also?

07-00:12:11

Watson: Yes. They used the same terminology. It's interesting, because I had done some study of what they were trying to do. Their new towns were like English new towns, only more so. Much more removed from the major cities. They were out in Siberia. Very uncomfortable place, where it turned out nobody wanted to live, but because of their system people ended up living there. The point of it is, you had examples all over. You had Brasilia in Brazil, which was a governmental town that was being built at the time I came down here. That was a very urban, tight governmental town that seemed unnatural to me. Way out in the countryside you're going to build these high-rise monumental buildings, and then where was everybody going to live? But getting back to Orange County, Orange County just was from a market point of view—and I have to emphasize market point of view—a great opportunity because you knew people wanted to live in Orange County. It was growing the fastest in the country, growing a hundred thousand population per year. That's much more growth than occurs right now today in the county.

07-00:13:22

Lage: So the fastest-growing county in the country?

07-00:13:25

Watson: Yes, in the country, at that time. We knew we had a piece of property that was marketable. That's both—I was going to say good and bad. It's bad in some sense if you're conscious of taking the time to do the planning, because no matter what you do it's going to be successful, unless you spend so much money you have nothing left to go to the next phase. But here you knew you could do it. So the temptation could have been that “We don't have to pay any attention to innovative planning, or anything.” Now, for some people what we did wasn't innovative. I don't like the word “innovative,” because, as I said earlier, I don't think there was anything particularly new. We collected the ideas that we thought would begin to create what we kept calling “a sense of place.” What was troublesome to me—and troublesome to most people—but as I think of myself, was that my recollection of Oakland was as much as I liked my immediate neighborhood, Oakland just sort of oozes out. “Oozes out” meant that I would describe it as I would go out to my great aunt's place where she lived in Hayward, and you'd pass through Fremont and San Lorenzo, or wherever it is you go, and you don't know you're going through those towns unless you saw the street sign on your way there. Or you could go from Oakland to Berkeley. Berkeley is a very suburban community. The word “suburban” is now misused a lot, or was misused then: it's less so now. There was an article in the paper today, incidentally, that says Orange County is no longer suburban.

07-00:15:02

Lage: What are they calling it?

07-00:15:04

Watson: Well, the reason for that is that more people commute into Orange County to work than commute out of Orange County to work. So if suburban comes from the term “sub-urb”—urban—that there is an urban conglomeration somewhere, and that it comes from the old walled cities in which they ran out of space inside the walls and they started building residential areas outside of the walls, and so they commuted to work inside the walls. Well, Orange County, when I came down, was suburban in the sense that people lived here but commuted—not everybody, but most of them—commuted to Los Angeles County to work. Today, because the pace of housing growth has not kept up with the pace of job growth, we have more jobs here on a pro rata basis than we have residents here. So

by that definition “suburban” isn’t appropriate. But visually, to some people it may still appear to be suburban because it’s lower in density and scale than downtown Los Angeles or downtown San Francisco, or downtown New York or Chicago. Now, I’ve rambled all over the map here—

07-00:16:08

Lage: We didn’t go with what we were going to talk about, but that’s okay. [laughs]

07-00:16:11

Watson: What were we going to talk about?

07-00:16:13

Lage: We were going to finish up the Santa Ana story that you referred to a few times about Santa Ana trying to annex, and how the company dealt with that.

07-00:16:22

Watson: All right, let’s talk about that. In June of 1962, that means slightly less than two years after I came down here, I woke up one morning and the city of Santa Ana—the county seat, where all the county buildings were; the oldest city in the county—had filed an intent to annex a piece of property on our south side of our property, which was eight and a half miles from Santa Ana. It was a piece of property being developed by a man named Ross Cortese, who was building a Leisure World, a place for elderly to live. He had already built one in other places. There’s one in northern California, up near Walnut Creek, and he was attempting to have the property zoned for that use. He had struck a tentative agreement with the city of Santa Ana that if he would allow his property to be annexed to the city, he would be allowed higher densities than the county would allow. However, annexations of property to a city require it to be contiguous. Since it was eight and a half miles away, the way they figured to do that was to include a strip connecting it that was that was eight and a half miles long and 350 wide—with the city of Santa Ana at one end of the strip and the Cortese property at the other end.

07-00:18:03

Lage: Did this run on Irvine property?

07-00:18:05

Watson: The strip ran straight across the Irvine Ranch. The city of Santa Ana proposed the annexation despite the fact that the city in 1960 had signed an agreement not to annex the land that was going to be the future 10,000-acre city. That agreement had been part of the enticement for the university to come.

07-00:18:28

Lage: Who did they agree with? Who did they sign the agreement with?

07-00:18:30

Watson: They passed a resolution of the city council. They gave it to William Pereira, who put it in a document that was given to the university and company. Now, these agreements cannot be enforced, to be perfectly frank with you, because they have no legal basis. One city council cannot bind a future city council. But they were careful when they made the strip to avoid almost all of the land that Pereira had in his 10,000 acres for the city. It was just on the eastern edge of it. It followed the then-planned, now existing San Diego freeway.

07-00:19:12

Lage: It would have put a boundary around the possibility of—

07-00:19:17

Watson: It immediately alerted to us that if it went through, that we could never be able to expand the 10,000 acres planned for the University City into the central part of the ranch. We found out later that Santa Ana was desirous of annexing the entire center section of the ranch. This was what we called a preemptive strike, without notifying us. Although we'd always had good relations with Santa Ana, they chose to initiate this annexation and they proceeded to begin the process to annex the strip and Cortese's property. This immediately concerned both the company and the university.

07-00:20:01

Lage: You were just into it.

07-00:20:01

Watson: We were in the early stages of planning the town. We weren't ready to build our first residential community for two more years. The university hadn't started construction on their campus. The annexation hearings were to start in June and conclude in August. I, as the planner for the company, immediately contacted the city of Santa Ana city manager, who refused to talk to me. The planning director for the city, interestingly enough, lived half a block from where I lived at that time. I would go to his house, he'd give me a beer, and I'd say, "What are you doing?", and he'd say, "Let's change the subject."

07-00:20:57

Lage: He refused to talk about it.

07-00:20:59

Watson: Well, he couldn't. He's the planner but works for the city manager, and this is what he wanted. This was obviously a deal that had been struck between the city and Cortese, the developer. But also, at the time there was not time to reflect. I had to do everything I could to try to block the annexation, because it just took away all our options for the future city. It didn't make sense, from a planning point of view. That's the reason I wanted to kid my fellow planner. I asked him to give me the planning argument; I understand the political argument, but I asked him to give me the planning argument. How is this an appropriate annexation to the city of Santa Ana? You're annexing a piece of property that is going to be based on a covenant. The future residents of the future development would use no public services such as fire and police services. They would get no city police protection, they'd have their own private police force. They'd get no city fire protection, that would be handled by themselves, but they would pay the city taxes as though they received those services. So it was a tax-plus arrangement with the city of Santa Ana, and a way to begin to make inroads into the Irvine Ranch. That's the way we saw it, anyway.

07-00:22:05

Lage: What were the advantages for the developer of Leisure World?

07-00:22:09

Watson: He would receive higher densities than the county was willing to provide him. Remember, it seemed like a very rural area at that time to the county board of supervisors. He's proposing to put in townhouses of the type that he built for elderly, which was very

appropriate for them. It's still low-rise, but they were smaller units with higher densities than historically had not been allowed in the county. So he would get a lot more dwelling units on his properties than he would have from the county. Ultimately, after the annexation failed, he went to the county, and he got the density he wanted, but I never talked to Cortese so all I know is from what the hearings turned out to show was the motivation. It's not an evil motivation. I mean, from his point of view it made a lot of sense. From Santa Ana's point of view, it made sense also because they saw themselves locked into any ability to grow. Their boundaries on the northeast and west side had now been closed in by other cities, and if they ever wanted to grow, it had to be onto the Irvine Ranch. There was even rumors that Carl Thorton, the city manager, a very good manager, had plans to expand his city all the way across the Irvine Ranch and down to the ocean. He argued before civic clubs when he was trying to sell this idea, that L.A. was the other major city in Southern California, and there needed to be a major city in Orange County. He believed it should be Santa Ana and the only way for Santa Ana to become the major city, was to expand it. He had a grand plan, as we had a grand plan. So they were conflicting ideas, only we owned the property. I attacked his plan and the proposed annexation as illogical and bad planning. I described it as a "dumbbell annexation" because it resembled a bar bell with the existing city on one end and Cortese's property on the other end of the nine mile long strip across the Irvine Ranch.

07-00:24:01

Lage: What was the process at that time for annexation?

07-00:24:03

Watson: The process at that time was first of all, there is an agency called the Local Agency Formation Committee, called LAFCO for short.

07-00:24:12

Lage: That was relatively new at the time.

07-00:24:14

Watson: Well, I don't know how new it was, but at that time the rules—I don't know how long it had existed, but the rules was that for annexations or incorporations, you had to first make your submittal to LAFCO, the members of which were independently appointed by the board of supervisors. It was sort of a way for an independent agency in a county to make these kind of rulings, and so forth. However, it had no teeth. It was advisory only, because as any kind of legislative matter that gets selected, you had the lobbying for the cities. You know, "Fine, we'll support this agency so long as it's advisory only." So we would go to it, as we had gone to them before and filed our objections to the annexation. I tried to convinced them to come out against it, which they ultimately did. But their rejection was of no persuasion to the city of Santa Ana because they didn't have to abide by it. Now, just as a footnote, after the controversy in August in which we finally beat the annexation, state Senator John Knox, who had been LAFCO's original author, was able to amend LAFCO's powers making their opinion mandatory. Because they saw what had happened with Santa Ana's attempt to do it as so disruptive and so inappropriate that he finally was able to get the political muscle to give the strength to make LAFCO now more than advisory.

07-00:25:39

Lage: This was a footnote, because had you resolved it already?

07-00:25:43

Watson: Yes, I'm just saying afterwards. Because I was talking about LAFCO, I wanted to say today if you look at LAFCO it has much more power. You've got to credit this whole annexation war as the pivotal point that, in fact, made that possible for the entire state, not just for the Orange County. Anyway, the process by which we went through was a very unpublic one in the sense that I would try to get contacts with representatives of the city council, and they wouldn't talk to me. One councilman did talk to me but wouldn't meet with me. First it goes to the planning commission of the city of Santa Ana, where it became obvious they had already made up their mind to approve the annexation. At the hearing we would show maps of it showing how ridiculous this funny-looking city would become, which by then was being called a "shoestring annexation." You'd see headlines calling it the "Shoestring Annexation." I called it a dumbbell annexation, because it was like a long dumbbell, which is a bar with weights on each end of it. I made comments about they were subjecting the future residents of Leisure World to pay taxes to the city but receive no services, so they were attempting to support this on the blood of our grandmothers. I talked to different civic groups attempting to get support. The city manager talked to different civic groups. We both did that circuit. That's what generated most of the publicity. But when it came around in July to the first public hearing on it—it was a planning commission hearing—we made a gigantic presentation; I think it was gigantic—both on the legality of it, the promises the city had made, that the representatives of the university objected. But with little comment by the commissioners it passed unanimously.

07-00:27:37

Lage: What passed unanimously?

07-00:27:39

Watson: The annexation passed unanimously. Passed the planning commission, which means then it is submitted to the city council. The city council is the final decider.

07-00:27:49

Lage: But the city council couldn't come in and take land outside itself?

07-00:27:55

Watson: Sure they could. I should clarify that. How annexation works from a rights point of view, is that there is a vote among the property owners as well. They have to agree to be annexed. This was a non-occupied annexation, so there was no residents living either in the strip or the bulb at the end. Leisure World hadn't been built yet, you see. So Ross Cortese owned all that land, I think it was like 4,500 or 3,500 acres that he owned there. He owned all of that land, so you take whatever the assessed value is of the land he has, and he will vote yes to the annexation. The only votes we have is for that 350-foot wide, eight-and-a-half-mile long strip, and there was less land in that than there was in the 3,500 acres he has, and our assessed value is less than his, so he "out-assessed" us, in terms of the vote.

07-00:28:49

Lage: The county doesn't get involved.

07-00:28:50

Watson: The county does not get involved, only through LAFCO, and that's advisory only.

07-00:28:54

Lage: I see. So it was up to the city council.

07-00:28:57

Watson: It was clear that with the deal between the city of Santa Ana and Ross Cortese, that this would go through. All we could do was try to make whatever arguments we can make on it. Our lawyer at the time, who appeared before the city council, was William French Smith. William French Smith became the attorney general for the United States. At this time, he was a partner with the law firm of Gibson, Dunn and Crutcher, representing the company. He used whatever legal arguments he could when we appeared before the first hearing of the city council. The room was packed. There was all kinds of terms that were thrown out, from which you could sense what side the speaker was on. The issue was debated pro and con from the evidence but little was said by members of the city council.

07-00:30:00

Lage: So you got people from Santa Ana.

07-00:30:02

Watson: Well, we got whoever we could to stand up to speak in opposition. They'd talked about how this would block any opportunity for the new university community to grow, how this was a violation of the original agreement, how this was a monstrous form of annexation, this was a grab of land. Those terms would get thrown around. The other side would have their citizens support it by saying we need to have a major city in Orange County; this is our last opportunity, otherwise we're blocked, we'll have no chance to grow. So you had the classical kind of arguments on both sides of this issue sort of thrown out into an audience, but yet you knew how the vote was going to be. It was to no avail.

07-00:30:54

The second public hearing I think was about the middle of September, 1962. By that time, we had done a lot of research. We discovered that there was a twenty-acre parcel of land that they didn't know existed in that strip that we had recently sold to the state of California for one of the interchanges for the future San Diego Freeway. Then we discovered through legal research that among the people who can decide about annexations are all property owners within the piece being annexed. Based on the value of their respective assessed values. Since we got the company's assessed, its value was less than Ross Cortese's, we had no standing there. However, we had discovered that for any property that was publicly owned, there was a separate section of annexation law that says that if the public property owner objects, it kills the entire annexation. Not just the twenty-acre piece, but anything that has to do with it.

7-00:31:54

So once we discovered that, the company's president, Charles Thomas—talked to the university and in turn they talked to the State of California Division of Highways that owned the small parcel within the strip and asked them to become a protester. Now, historically, they had never protested any annexation, because freeways don't care what city they're in. So they never had any motivation to protest, and were not inclined to in this case. However, by bringing the university into it, the division of highways was told that the university had made this commitment to build this great university—and that decision had partly been made on the promise of there being a new town built around the campus.

07-00:32:31

Lage: So the university was on your side.

07-00:32:32

Watson: The university was on our side. The university, in fact, helped persuade the State of California to file a protest.

07-00:32:39

Lage: Was this Dan Aldrich himself?

07-00:32:41

Watson: I don't know. Probably Dan Aldrich talking to the president of the university. Everybody was involved, at the university level, that could get involved in this.

07-00:32:49

Lage: And got the Division of Highways involved.

07-00:32:51

Watson: They convinced the highway department to file a protest. At the public hearing, the city had no idea that the annexation included land owned by the state. They were sailing along in their final hearing, about to do the final approval when the State of California asked to come to the podium, indicated the ownership of the property they had, cited the state law that said if they file an objection, the annexation will become null and void, and declared their objection. Complete uproar consumed the city representatives. They had no idea this was coming. Just like we had been blindsided when they started, they got blindsided at the other end. Indeed, the council didn't make a final decision that night. They asked their city attorney to do some research. The research came back that in fact the state had the right to do this, this would in fact void it, if they tried to do it anyway there could be a lawsuit, and it would be overturned. So they withdrew the annexation. However we were still concerned because they could have refiled it with a different strip not including the state's parcel.

07-00:33:57

Lage: Oh that's right, that didn't have the interchange.

07-00:34:00

Watson: To avoid a refile we entered in discussions with the city. By now the city also didn't want to go through this again. We worked out a settlement agreement with the city of Santa Ana that some of the industrial land we owned near what we called the Lighter-than-Air Base—the military base which was on the city's border—would be annexed to the city of Santa Ana if they would not refile the annexation. That ended the interlude of the strip annexation.

07-00:34:38

Lage: That's a fascinating story. They were probably very interested in that industrial land, for a tax base.

07-00:34:44

Watson: They were still interested in the big picture. Carl Thorton, Santa Ana's city manager, was very bitter after that, where he had been a friend of mine before. I don't know how many years after that he retired. But you know, you got to think of it from his point of view—it was a grand idea and it was something he was doing for his city. For me, ours was our

grand idea. Either one of us would have been terribly disappointed if we had lost that. It's not a win-win situation. The fact that he got a little parcel of land that they can get more tax base from, fine. Some years later, they tried to claim that we had made a promise for a much larger piece of property. They took that to court and lost. They lost virtually all the way along.

07-00:35:31

Lage: Was the promise in writing?

07-00:35:32

Watson: No. The promise for the land we had, yes. But they claimed it was a much bigger parcel, and I don't know where that came from. I had forgotten about that until I looked through my records recently. I must say that today as I remind the people who are involved in the Irvine Company about this, they don't even know about this going on. The thing is, what it does illustrate though is that the commitment the company and a group of us had in the company to preserve the ability to do what we were trying to do on the Irvine Ranch. If we hadn't been successful, the city of Irvine would be no bigger than 10,000 acres. It would be nowhere near the size of what it is today, or will be tomorrow. Who knows what it would have been? There was no way we could circle around and make it part of the city. I guess I ought to give the new company executives my paper on this battle so that they can read that—so in reflection, they can appreciate what some of the early pioneers really did to preserve a vision. That's what I like to refer to a lot of the people who were around the Irvine Ranch then. Then much of the pioneer work had nothing to do with buildings, had nothing to do with greenbelts, had nothing to do with planning theory. It had to do with protecting the opportunity to be able to take the time to figure out what is the right size of the city, and what pieces of the ranch appropriately should be annexed to the existing cities that bordered the ranch.

07-00:37:06

Lage: A lot of politics, really.

07-00:37:08

Watson: Oh, a lot of politics. There's a lot of politics in every step of this way, everything you do, because everything has to go through local government.

07-00:37:14

Lage: Here it was state government. Today if this were to come up, you'd immediately expect that the Irvine Company would be giving donations to political figures in Sacramento and things like that. Did that go on at that time?

07-00:37:33

Watson: The assumption you just made is that the Irvine Company must be a huge political supporter in the local and state arena.

07-00:37:38

Lage: No, I—

07-00:37:42

Watson: No, no, I'm talking about—

07-00:37:42

Lage: Today, that's the way things work.

07-00:37:44

Watson: The company does make certain political contributions. Actually Donald Bren, now owner of the company is an active supporter of certain Republican candidates. But the company and its executives are very minor political contributors. For the company the most important elective officer is at the local office and the company has a policy on not giving to local candidates. But let's talk about in the early period of the company.

07-00:37:55

Lage: Yes, that's what I wondered about.

07-00:37:57

Watson: The early period of the company we virtually never made a political contribution. But, one year, actually when I became president of the company, which would be in 1973, Ralph Nader came out with his famous study on political corruption in California, as he called it, and how developers control the legislature through their contributions, because that is the common assumption. I'm not saying a lot of that doesn't go on. However, in his written report that he submitted, which is an indication of how bad his research is, he said the largest political contributor in the state was the Irvine Company. So when that came out, the press called me and said, "Is that true?" I says, "I have no idea because I don't know what the others contribute, but I'll show you through our records what we contributed, which was twenty thousand dollars last year. So if we're the largest contributor in the state of the political campaign, I don't know where they're all getting all that millions of dollars to run their campaign, because we contribute very little politically. We had taken for years the same position that Walt Disney Company did, another company I've been associated with for twenty-nine years. When I became chairman of the Walt Disney Company, and I asked about the political contributions there, the answer I got was, "We don't make political contributions." I says, "Why is that? Why don't you feel you have to?" They said, "We're afraid that if we make a contribution to one party, then people who are members of the other party will not come to Disneyland. The other thing is that we can get all the attention we want. When we call the White House and we say, 'This is the Walt Disney Company,' Reagan picks up the phone." Walt Disney Company had an open channel to whoever was in office.

07-00:39:54

The Irvine Company was in a similar position. There was such respect for what the company was doing with the university, with building the town and the planning and so forth, we became the model of "good planning" in the state. Remember, this is the sixties and early seventies, even. As an example, later on in the seventies, Leo McCarthy was Speaker of the Assembly. The Coastal Act had passed its time limit and needed legislation to make it permanent. As part of that legislation they needed to draw up lines along the California coast to define the land to be under jurisdiction of the act. They were having, as is normal, great arguments among the property owners with the environmentalists, and the environmentalists among themselves as to where to draw that line. I was asked to come up to Sacramento where they were having public hearings and to meet with some of the environmental groups to see if we can reach a compromise line.

07-00:40:48

Lage: The line about the new legislation?

07-00:40:50

Watson: No, the new legislation defining what properties fell under the Coastal Act. So, anything that is ocean side of that line has to go before the Coastal Commission; anything inside of that line goes to the local jurisdictions, like it always has. Unfortunately for us, that line had been drawn right in the middle of Newport Center, our large commercial and business center in Newport Beach. So half of the property was in the coastal zone—even though physically, it was one integrated development. It was located well away from the ocean. Although you could see the ocean from there, it was already highly developed. So we wanted the coastal line moved outside the center. The question was, what would we support? So we ended up spending time—not money, not contributions—spending time with the drafters of the bill to try to get a bill that we could support. Leo McCarthy, speaker of the state assembly, wanted us, as one of the major land developers in the state, to be supportive of an environmental bill like the Coastal Act, which most developers were opposed to. Both sides of the debate coveted our support. We had done that periodically, where we would say, “We don’t make contributions, but we will support what we believe in.” We won’t take the normal builder role either, who often opposes most building regulations.

07-00:42:08

Lage: Did you know Leo McCarthy from other places?

07-00:42:10

Watson: No, I didn’t know him from other places. I met him through the process. He invited me up, I flew up. On the airplane with me, sitting with me, was one of the Republican assemblymen, who I won’t name, but who was adamantly opposed to the Coastal Act. At first, the proponents couldn’t get the act out of his committee. We believed some form of the bill would come out of the committee. My concern was what form would it be and where will the “line” be drawn. We’d almost gotten to the point where we’d gotten that line out of Newport Center, and still much of our coastal property was still in it, but that’s okay, if we got Newport Center out of the line. It was a bill that we could support.

07-00:42:58

Lage: So you kind of lobbied.

07-00:43:00

Watson: We lobbied, right. The first job I had was riding up to Sacramento with this state assemblyman who was on the committee but opposed to even bringing the bill out. My goal was to convince him that he ought to support it coming out of committee. He was opposed to the bill. He says, “I’m not going to do that.” I said, “You got to do us a favor. You see, it will never get a hearing. It’s got to get a hearing somehow. Just sitting and wallowing in there, and we’re not anywhere. So you can vote against it when you’re on the floor, but get it out of the committee.” He finally, on the airplane trip, finally agreed to do that. We got up there, and Leo McCarthy puts me—while they’re having their public hearings, people coming in and appearing pro and con on this new bill--in a room with the Sierra Club and another environmentalists who were debating about the location of the coastal line. They wanted me to support the bill. I was giving support on the basic premise of the bill, but, I said, not unless that line is changed.

07-00:43:52

Lage: How much did you want the line changed?

07-00:43:54

Watson: The only land that was undeveloped there, because Irvine Terrace, which is below us, was already all built up. So I didn't care where they put it, so long as it was off of our property in Newport Center. It was okay to be on our property that was along our coast that was yet undeveloped. But here it was in the middle of a major urban development where there's going to be office buildings and shopping centers. It didn't make sense to me.

07-00:44:25

Lage: In effect, were you getting that particular center grandfathered in? Or were you getting the whole line changed throughout the state?

07-00:44:35

Watson: The new line didn't exist. They were creating the line with the new legislation. The legislation hadn't passed yet. So they're trying to create where the line would be, so you got the environmentalists wanting the line three miles inland, you see. As much as they can get, because they favored a Coastal Commission rather than local control. I'll give you views on that later on, because I do have some views on that. So basically, the debate was, where is that line going to be? When somebody was striking a map up and down the coast, I'm sure they didn't think about Newport Center. They would never think of putting it in the middle of a business center.

07-00:45:06

Lage: They had a certain number of yards or miles inland. Were you just asking for a jog around Newport Center, or were you asking for the whole line to be moved west?

07-00:45:18

Watson: No, we weren't trying to judge what it should be in Huntington Beach or somewhere else. Jogging, that's what everybody else would do and that's what you should do, because in fact to say arbitrarily everything's going to be a mile in from the ocean, when some places a mile from the ocean not a single thing has been developed, and that's logical to go before the Coastal Commission. Or, to have it where it was, which would mean everybody on Balboa Island—which they included—every time they want to remodel a bedroom, to have to go the Coastal Commission. So there was debate on whether to exclude existing developed areas, so that it wouldn't get engrossed in handling "I'm going to add a second floor on my house." Do you see what I'm saying?

07-00:45:56

Lage: I see.

07-00:45:57

Watson: Now, where Newport Center is, for it to be moved away from there, it would take it off of Balboa Island. There are other clauses in the bill that supposedly dealt with that. The point of it is, it just scared us. The Sierra Club makes concessions to get what they want, we make concessions to get what we believe in, and that's the way legislation works. That's a very healthy way for it to work.

07-00:46:26

Lage: How did these meetings go? Do you remember the interchange?

07-00:46:29

Watson: I do remember the Sierra Club wouldn't agree to move. Let me tell you what happened next. It's sort of the classical story of the smoke-filled room. Since I didn't smoke, it wasn't my smoke, but they smoked cigars. It drove me nuts.

07-00:46:58

Lage: The environmentalists?

07-00:47:00

Watson: Yes. Oh yes. Anyway, it's a smoke-filled room. We're getting nowhere. I had certain agreements that I was supportive of the bill and they liked that, but they weren't willing to give anything. Outside the room they're having the public hearing now. They're trying to get this thing out, and they're trying to find out where everybody's going to be.

07-00:47:23

Lage: The public hearing's in one room, and you've got your—

07-00:47:25

Watson: Right in the next room, and I'm in a little room with no windows.

07-00:47:27

Lage: Do you remember the people who were there?

07-00:47:28

Watson: No, I don't.

07-00:47:28

Lage: There's John Zierold—

07-00:47:29

Watson: I have no recollection at all. Leo McCarthy came in, we both told him where we were, which was at an impasse. I remember his words. I can't put it exactly, but he turned to the environmental group and he was considered their friend. He says, "We want a bill supported by industry as well as the environmental world. We don't want to just have a bill that is only supported by one faction against another. I've brought up to you the person and the company who has the most respect in the field of environment as well as planning, and if you can't get along with him, you can't get along with anybody and I won't support the bill."

07-00:48:10

Lage: Wow. That's strong language.

07-00:48:11

Watson: They then agreed. Sort of an interesting thing is that I go into the next room and I watch the process going up, and he's going to each assemblyman, and telling them "The Irvine Company has come aboard, the Irvine Company's come aboard," and the bill passed.

07-00:48:31

Lage: Wow.

07-00:48:32

Watson: Now, the thing is that while I'm sitting there, another good friend of mine and a very good legislator, I always thought, and a good public servant, was Dennis Carpenter. Do you know who Dennis Carpenter is?

07-00:48:48

Lage: I don't know Dennis Carpenter.

07-00:48:49

Watson: He came from this area. He was, I think, an assemblyman. Later on he became a state senator. After that was all kinds of things, and then a lobbyist for years.

07-00:48:59

Lage: Was he this particular area here? Orange County?

07-00:49:00

Watson: Yes, from Newport Beach. He was very honorable, a good guy, and a very effective political guy. But he's representing a very Republican, conservative area, and he was opposed to the bill. When he found out what happened, he came over and sat next to me. We were friends. He says, "I heard you sold out." Now, that was his version of what I had done. We had sold out to the environmental community. I turned to him and I said, "Dennis, that's your version of what I did, but" I said, "there's a difference between your job and my job." I said, "You represent one constituency, and I represent another constituency. I'm looking out for my constituency just like you're looking out for your constituency." I said, "I don't know what sellout means, but I didn't sell out to my constituency."

07-00:49:52

Lage: And your constituency was—

07-00:49:53

Watson: The Irvine Company. That's my constituency.

07-00:49:55

Lage: The benefits you saw of the coastal legislation—

07-00:50:01

Watson: You mean the benefits or the negatives? There's no benefits.

07-00:50:03

Lage: You signed onto it.

07-00:50:05

Watson: I originally opposed it.

07-00:50:10

Lage: Tell me more about that.

07-00:50:13

Watson: What do you mean, more about what?

07-00:50:15

Lage: Well, you said you were representing your constituency, and you did what was right.

07-00:50:19

Watson: First of all, I opposed the initiative when it first came out.

07-00:50:28

Lage: In '72, I think.

07-00:50:30

Watson: Right. When it passed, I can remember I had been already scheduled to make a talk to a builder group and I said, "No matter if we had spent maybe \$50,000 trying to defeat the initiative, it won and now we must learn to live with it."

07-00:50:44

Lage: With ads?

07-00:50:46

Watson: I don't remember how the money was spent. But you know, there's a campaign that goes on and somebody puts ads or whatever they do. I don't know what they do. I can't remember. Nor did I care much about that, you know. There's a support group for it, who spends money for putting ads and things out, and there's the people who oppose and put ads and things out. [laughs]

07-00:51:04

Lage: There weren't so many initiatives in those days. It was one of the early initiatives.

07-00:51:09

Watson: History of initiatives: there are no more today than there was then.

07-00:51:13

Lage: Really?

07-00:51:14

Watson: Oh yes, history of initiatives go back fifty years. I'll give you a number on that in a moment, because we did a public policy study on this.

07-00:51:22

Lage: Oh, interesting.

07-00:51:23

Watson: Anyway, it had passed. As soon as it had passed, the very next day I happened to be scheduled to give a talk to some group, I can't remember who it was. I immediately said it, because we never hid what we supported or didn't support. We were not one of those people who slipped money under the rug. I said that we had opposed, and I had opposed it, because I do believe it was an unnecessary intrusion into local government's rights. I also believe, in the end analysis, that what's happening is that the local governments are even more concerned about development of their immediate neighborhood on the coast than some statewide agency is going to be. If the statewide agency is going to try to get involved in the nitty-gritty of lot-by-lot development, they'll be completely tied up and nothing will ever get done. But I said, "Now that it has passed, we'll do everything we can to try to help make it work." I said, "I urge everybody in our industry to do that." There's no reason to go around and lament something that's happened that we disagreed at the beginning. That's our right and our obligation to take our position at the beginning. Once something passes, it's our obligation to see if we can't make it work. That was my

position. The hearing I'm talking about is somewhat after that, because that's when the bill ran out. Remember, there was a time limit on the bill.

07-00:52:50

Lage: I think it was '76 that it had to be made permanent.

07-00:52:53

Watson: That's right. That's when that happened, then, '76. But my speech was in '71 or something when the first initiative passed. Now, later on, when we get into the incorporation and the things that preceded that, is that the county became—well, let me first of all, because it sounds like you want me to get in on the record and I have no objection to that—why did I oppose it? I think I've cited that. I still think that if in fact it had never passed, you would have seen no more development on the coast than you see today.

07-00:53:36

Lage: Really.

07-00:53:37

Watson: If you go city by city, up and down this coast, you will find the most vigorous opponents to development of anywhere in the state in their local community. You go to Newport Beach, you go to Laguna Beach, you go to Huntington Beach, it is a standard thought that went back to the early sixties when growth was good and positive and everybody wanted it. Then as that began to change, the places that changed the most was on the coast. So in fact, and I can't prove this, I don't know. But the fact that it takes a state agency of five people sitting there and everybody's spending millions and millions of dollars to submit plans, and then you got a staff that has an ideological view and they're very difficult to deal with, which is very, very tough, that the good and the bad comes with that. I suspect that the bad is that it has in relationship to what actually has happened since then—I could never prove this—but I have dealt around with local government probably as much as anybody in the state has done, that if you go down to Newport Beach today to get anything approved, not only do you have to take it to the planning commission, not only do you have to take it to the city council but what they now have is the "green light initiative" which requires any changes to the city's master plan be first approved by the city and then submitted to a citywide vote. A very time consuming and expensive process.

07-00:54:52

Lage: To develop along the coast.

07-00:54:54

Watson: No, anywhere in the city.

07-00:54:54

Lage: Anywhere.

07-00:54:55

Watson: Anywhere in the city.

07-00:54:56

Lage: So you're speaking from experience and saying that you've had more trouble with local entities.

07-00:55:02

Watson: Absolutely. It's not even close. I used to tell people when they said "Why are you in favor of incorporation?" because most of my fellow community developers were opposed to it. They said, "Well, you're going to lose control." I said, "Well, that's one of the yokes of democracy. You've got to learn how to deal with it. I know how to deal with the local folks." It's very difficult to deal with statewide folks who you don't know, who's got some ideology against development. It's more ideology than it is in terms of practical things with what we're trying to do. I used to say, you know, if I wanted to pick the easiest government to deal with it would be the UN. Why the UN? Because they got worldwide things to bother about. They don't have time to think about the local issues. The most difficult group to deal with certainly are local governments. But those are the people who are living there, and I'd rather deal with them. I was willing to take my risk with Newport Beach or Laguna Beach, or whatever it is on what we could do on the coast, than I was to take that risk with some broad, statewide organization. Most cities feel that. Not because they want to develop it, because it is such a hassle to have to go through the process.

07-00:56:18

Lage: Has it proved to be a terrific hassle for you over the years?

07-00:56:22

Watson: We solved it. We got it out of the Newport Center. The rest of the coast we sold to the state and the state parks so we don't have to deal with it. Now, there's some pieces we have to deal with, and it is a hassle. I can't say it's any more of a hassle, it's just it's more abstract, in dealing with them. Because they got these broad theories about what should be, and they got an attitude about what developers are, that developers are bad.

07-00:56:53

Lage: Is this the staff you're thinking about?

07-00:56:55

Watson: Oh, the staff, much more so than the voting part of it. They're all righteous. They're people who believe in what they're doing.

07-00:57:13

Lage: A lot of them are planners, as a matter of fact, aren't they? A lot of the staff comes out of the planning profession.

07-00:57:17

Watson: Oh yes, they're all planners. Sure. On one hand, I'm arguing for saying, why is this line? Nobody could tell me why it was logical to have a line in the middle of Newport Center. Nobody. Not even the environmentalists, who didn't want to move it. They couldn't explain that to me. Because they agreed with me that that was not their original intent, or what they were trying to do. Now, they just didn't want to move it. When you get that kind of argument, it's like the annexation argument. It drives you nuts. Whereas, more often when you have the local people at least they can say, "Well yes, that's right. We really don't mean Newport Center. Let's wiggle the line here. Here's what we mean." But when you're statewide, you're going up and down the state, it's harder for them to make any—what they call "political concessions" they're making, or so forth.

07-00:58:13

Lage: Less pragmatic, it sounds like, you found.

07-00:58:15

Watson: Right. Well, it's harder to be pragmatic when you're going statewide, than if you're going local community to local community.

07-00:58:22

Lage: Okay, well, that's an interesting view. We're going to sort of finish the story of incorporation. We're sticking with the government agency topic.

07-00:58:40

Watson: City of Irvine, which was a growing community without being incorporated was part of the county. So we would have to submit all of our building plans to the county and any resident who lived in there, if they had any objection, would go up to the county, to Santa Ana's courthouse, sit through board of supervisors meeting and offer up their objections. In other words, the governing agency was the county until you incorporated. But we'd always said we wanted to incorporate, and we would support that. We'd never set a date, or size. Frankly, in all the surveys we did, which we often would do in terms of what people wanted, they didn't have great interest in the subject.

07-00:59:18

Lage: The residents that were moving.

07-00:59:20

Watson: Right. They were happy. They'd just moved in their houses. They were more interested in where their kids were going to school, where their kids played games. Even today, if you took a survey, most people have not much interest in their local government and less interest in their state government. Maybe the UN is more interesting to them today, I don't know.

07-00:59:41

Lage: Right, today it probably is.

07-00:59:43

Watson: For good reasons, right. But anyway, we had this commitment. We were getting along fine, however, as we were going along with growing Irvine, by going through the board of supervisors. However, in the late sixties or maybe 1970, somewhere in there, there's five supervisors. A change occurred. When I first came here, the supervisors would run for election and their campaign budget would be about \$1,500. It was very sort of farm county, small county government. Guy named Cy Featherly was a supervisor forever. They named a park after him. People were just sort of nice old boys, looking out for the interests of their county. As the county grew, politics for some became more important. By the late sixties, or no later than 1970, actually it became very political. A man named Ron Kaspers, supported by a man named Lou Cella, Dr. Cella, who was a physician. Dick O'Neill, who was the owner of a ranch, was a wonderful man, and others became supporters of a new pact on the city council. The representative—I'll think of his name, but I can't think of his name right now—who represented the area of the county that included Santa Ana, was one of their people they supported. Ron Kaspers who represented Newport Beach, and so forth. They supported him.

07-01:01:22

Lage: This group.

07-01:01:24

Watson: This group. They put up the money. As best I understand, money that Ron Kaspers used to get elected was given by this support, about \$75,000. So we go from \$1,500 to \$75,000 almost in one swoop.

07-01:01:41

Lage: What were the issues that were galvanizing this?

07-01:01:46

Watson: By that time, whatever issue that would get them elected. The issues that got them elected at that time, because the environmental movement had just come in, is growth. So the previous supervisors were pro-growth, because in the early sixties, growth was good. It was the economy. It was finding a home for the GIs. It was all those kind of things. Just do it well. By the time the sixties come, Earth Day is 1970, so if you want to run a campaign, whether you're sincere about it is irrelevant. That's the campaign you run on. And controlling the Irvine Company.

07-01:02:21

Lage: So the Irvine Company became a kind of a whipping boy?

07-01:02:23

Watson: A symbol of something. We ended up having a board of supervisors that was three opposed to what we did. Now, not overtly they're going to stand up to us. That's the political posturing that goes on. The end result of it is you can say all you want about anything. What did they do? At that time, we were trying to file the second section of what we called the central section of land use with the county. It had been stalled, unable to get to into the public hearing, for a year or two.

07-01:03:07

Lage: Stalled by the board of supervisors.

07-01:03:10

Watson: The county planning commission. Probably the board of supervisors telling them not to put it on the agenda. That's my guess. All we knew is that every time we'd make a submittal there would be something wrong with it after a couple months of their staffs reviewing it. We never could get it before them in a public hearing. Finally they had a hearing on another subject, and I am at that time the executive vice president of the company, in charge of all development. I had planning underneath me, and the planning director working for me at that time for the company was a man named Dick Reese, who had been the former planning director of Anaheim. A very competent planner, and he's frustrated, because we can't get an answer why it is they won't bring our general plan up for hearing on the central sector, which included the future city of Irvine. I went to a meeting and sat in the meeting. At the end of the meeting, the representative of one of the supervisors asked if I would come to his office. I said, "Sure." And he said to me, "Mr. Watson, you know how you can get your project before the planning commission?" I said, "We've been trying for two years. What is it we have to do? What have we not done right?" He says, "Tomorrow it will get before there, if you will get the *Santa Ana Register* newspaper off our political back." That's all he said it would take.

- 07-01:04:29
Lage: Off the—
- 07-01:04:31
Watson: Their political back.
- 07-01:04:32
Lage: Of this group?
- 07-01:04:33
Watson: Of this three individuals.
- 07-01:04:35
Lage: And what was the newspaper?
- 07-01:04:37
Watson: *Santa Ana Register*, which is now the *Orange County Register*.
- 07-01:04:41
Lage: Did the Irvine Company control the *Santa Ana Register*?
- 07-01:04:45
Watson: We had no control over them. The *Santa Ana Register* is owned by the Hoyles family. They're—what is the political party that is very right-wing?
- 07-01:04:53
Lage: The John Birchers?
- 07-01:04:54
Watson: No, no.
- 07-01:04:55
Lage: The Libertarians?
- 07-01:04:57
Watson: The Libertarians. They were very Libertarian. They did not believe in public parks, they didn't believe in public schools, as a newspaper editorially. That was, as they say, anti-Christian. That's stealing, taxes. So they're very Libertarian. Otherwise, they're a very good newspaper. The editorial section was that way, and Letters to the Editor was always famous for people objecting to some editorial, and so every objection they'd have, they'd have a little insert below the letter giving the other side of it. But it's still one of the best newspapers covering the county. It's less so what I'm talking about now, than it was then. I didn't read the *Register* much. I didn't know that they had been taking on these people anyway. But I'm told, the only way—it had nothing to do with planning, had nothing to do with the company, it had to do politically, "You get them off our back and we're willing." Even though they had run a campaign to get people elected that could stand up to people like the Irvine Company, for the little guy.
- 07-01:05:58
Lage: So how did you respond to that?

07-01:06:00

Watson: I said, "I don't think we have any voice. We have no control over there." I was just dumbfounded. We have no ability to do anything with the *Register*. They're a newspaper, they're independent, they don't listen to us. I walked out of the office. Walked back to the office, got a hold of Bill Mason, who was the president, and I says, "It's time to incorporate. It is very clear to me that we were in such a political atmosphere that's going on in the county now, that we're not going to get anywhere." We'd not made political contributions. I'll talk about that in a moment when I did it.

07-01:06:34

Lage: The name I came across was Bob Battin, the supervisor.

07-01:06:37

Watson: Yes, that's the man. He was the Santa Ana representative.

07-01:06:40

Lage: He was elected in '68.

07-01:06:42

Watson: Right, okay. That's part of it. And Ron Kaspers and Battin and Ralph Diedrich.

07-01:06:46

Lage: What had the Irvine Company done? The picture I have is that you've planned these very nicely designed and thoughtfully planned communities.

07-01:06:55

Watson: Right.

07-01:06:57

Lage: How were they able to whip up so much animosity? To get elected on a anti-Irvine Company—?

07-01:07:06

Watson: I'm not sure they developed animosity, as much as they put so much money into it.

07-01:07:15

Lage: I see. It wasn't just that they were running on a platform of "run against the Irvine Company."

07-01:07:18

Watson: No, they weren't running on a platform going against the Irvine Company. They would blast the Irvine Company, Battin would, because that was a residual of the Santa Ana thing. Much of his constituency was Santa Ana people. Ralph Diedrich didn't, because he was Anaheim. He actually ran on his own strength, but he got money support from them. Ron Kaspers, I can't even remember what he campaigned on, to be perfectly frank with you. But I know as a supervisor, they were very difficult to deal with, and Lou Cella, who was one of the doctors, a money supporter, and Dick O'Neill was behind him. I didn't know them from Adam. Ultimately, I got acquainted with them, particularly Lou Cella, who incidentally ended up going to jail.

07-01:08:00

Lage: Were they sincerely anti-growth?

07-01:08:05

Watson: They were political.

07-01:08:06

Lage: Just political. Okay.

07-01:08:07

Watson: Everything is political, in their mind. Butcher-Ford was the political people who did this. I don't know if you know who they are.

07-01:08:18

Lage: Butcher-Ford, no.

07-01:08:20

Watson: They're two political consultants that Arnold Ford still active in. Very good at it. Proposition 13 was passed by them. Don't give credit to anybody else: they did it all by themselves as a political issue, nothing else. They have a very good system in that it was relatively new, which they had a profile of conservative and liberal and if you were Catholic, if you were Jewish, so that they could design campaign literature so if you are Catholic, the literature would infer that the opponent that their candidate was running against was pro-choice. If you were Jewish, it would be the other way around on that same candidate. Didn't matter. So it was the dawn of the very sophisticated political activism, in terms of politics. All we faced was we were getting nowhere, didn't know how to get anywhere and this ridiculous thing about if we get the *Santa Ana Register* off their back, just set—because we were frustrated by this time.

07-01:09:39

So we had at that time developed a cable company for television serving the Irvine area. The only reason we did that is that in those days we wanted to not have antennas on the roofs because they looked terrible. People still want to have television. They can put television antennas up in their attics, and get pretty good coverage, but nowhere near as good as they needed in certain areas. It was the early days of the cable industry, so we actually had created a company and were installing that, and owned a company that did that for the city of Irvine people—it wasn't a city yet. We would put on, as was required, some local shows talking about what was going on, and so forth. We actually had a forum one night. That's how we started this incorporation. We raised issues about it as a community, and I spoke on it on cable and got some publicity, and people watched it. I said, "Are you interested? You know, some day you want to be self-governed. Are you interested in doing it now?" We started a campaign.

07-01:10:37

Lage: Did this just go to residents?

07-01:10:40

Watson: Just to residents.

07-01:10:42

Lage: How interesting. And then they also got regular TV channels through it?

07-01:10:45

Watson: Yes, it happens today. I'm sure in your channel, there is a local channel that covers probably the city council of Berkeley. That's probably a requirement. That only goes to residents. Other than that, who would it go to?

07-01:10:57

Lage: I don't know.

07-01:10:59

Watson: It's not on the airwaves, it's cable, see.

07-01:11:01

Lage: So whoever got your cable system.

07-01:11:04

Watson: Yes, in that area. This area only covered Irvine. Today we cover part of Newport Beach, but it still only covers Irvine. We don't own it any more. We sold it to the *L.A. Times*, the company for \$120 million later on.

07-01:11:16

Lage: So you were learning your own ways of kind of getting public support. You said you hadn't given any campaign contributions.

07-01:11:23

Watson: Right. Well, I don't quite know what you mean.

07-01:11:28

Lage: Well, using the television—

07-01:11:29

Watson: We were looking for public support. We were asking. Sure, it's a political move, but it's a political move on our part. We talked about incorporation, because everybody knew, and all the literature said we favored incorporation. We said, "Do you think it's time to start? The people that need to start it is you. If you are interested, we'd like to hear from you. Whether you're in favor of it, not in favor of it." That's the way we ran that program. Phone in. Immediately, the phones come off the hook. There were some individuals—John Burton is one. I'll give you the names. They actually immediately formed a committee. They took over, virtually from that first show.

07-01:12:16

Lage: They were really motivated.

07-01:12:17

Watson: They were really motivated, they wanted to do it. For whatever reason; you'd have to ask them what all the reason was. They actually formed a committee which I have written about and we'll get the names of it, but they formed their organization. This is in late 1970.

07-01:12:37

Lage: I was just looking for the name of the organization which I did write down somewhere. I'm going to stop this for a second, because we need to change to the new tape.

07-01:12:46

Watson: Okay.

##]

08-00:00:05

Lage: Okay, now we're back on. Tape 8.

08-00:00:07

Watson: Shortly before the meeting that I just talked about, first of all we had that affair before the planning commission of the county and the thing about the newspaper. But another thing was happening at the same time. The city of Newport Beach was proposing to annex what they called Collins Radio site, which is a 200-acre Irvine Company ground lease property that we had made to Collins Radio, who had built on only a portion of it. They had stopped building it out.

08-00:00:38

Lage: What was on the site?

08-00:00:39

Watson: High tech buildings, just a couple of them. But mostly it was empty. Don Koll, a local developer, had reached an agreement with them to take over their lease and convert it to a commercial property, which you see out there now with hotels and office buildings. Everything was all built by Koll Center. We owned the land, but they reserved the right to be able to annex it to the city or not. That parcel of land was in the 10,000 acres, as part of the future tax base for the future city of Irvine. Newport Beach had signed an agreement like Santa Ana. Koll reached an agreement, as did Collins with Newport Beach to annex it, in violation of that agreement. Again, I argued against it just like the Santa Ana thing, only this was even more egregious, because it was actually within the 10,000 acres. I gave what some people called one of the best planning lectures they had ever heard before the city council, to no avail. It has to do with trust, it has to do with agreements, it has to do with everything; it didn't matter.

08-00:01:49

Lage: They wanted the money.

08-00:01:50

Watson: They wanted the money. Several years prior to that you had the attempt by Santa Ana to do it, now you had it fresh in your mind with citizens who were living in Irvine, seeing that happen, and we reminded them through this meeting and the television. You know, "It's up to you to decide, but this is what's beginning to happen." The economic base is beginning to erode, and once—whatever the saying goes about the chicken gets out of the door, or whatever way that's said. We were concerned. I was concerned. I was curious if the citizens were concerned. There was just an overwhelming response. They took over. It took a year.

08-00:02:42

Lage: How did they respond to you? Phone calls?

08-00:02:44

Watson: They called up. Our people worked with them and gave them whatever information they want. We were their staff.

08-00:02:52

Lage: I see.

08-00:02:54

Watson: They formed committees. John Burton will tell you that he virtually lost his job over it. He did, as a matter of fact. He had in no time people phoning him at home. It was a very activist event.

08-00:03:10

Lage: They were concerned about the future of their community.

08-00:03:14

Watson: They wanted to incorporate, yes. Where they lived, they wanted to—

08-00:03:17

Lage: Did you say most of them came out of their community associations?

08-00:03:20

Watson: Yes. For many years, nobody ever got elected to the Irvine city council, when it was incorporated, that hadn't come out of the associations. The associations, it turned out, was great training ground for governance. If you're interested enough to go through the agony of being on the board of a community association and go through all that, you're interested in the city and you deal with the city. They, in turn, would get support within their community, be elected to the city council. We didn't have anything to do with that, really. As a matter of fact, North Carolina has done a definitive study on associations, has used us as the primary thing, saying that their evidence—they began anti-association when they started. They ended up very pro-association as one of the great democracy systems there is. You may not like their decisions, but that's democracy. The citizens thought that the associations were more of assistance to them than even the city. There cited reasons like when there is a dump truck been located for three days three houses down, if I phone the city hall they don't even return the phone call. I phone the association, they got a rig out there hauling the thing away the next day because they had much less things to worry about. It was very local. But also, that was a very good training ground for city governance. Every one of these people came off the associations.

08-00:04:38

Lage: What about the opponents?

08-00:04:40

Watson: The opponents were opposed to it. [laughs] For the most part it was because—as best I could tell—it was because we appeared to be for it.

08-00:04:57

Lage: So they were anti-the company.

08-00:04:59

Watson: Wesley Marx was my daughter's physics teacher in high school. Wonderful guy, I like him very much.

08-00:05:10

Lage: But wasn't he also associated with UCI?

08-00:05:14

Watson: That's another Wesley Marx. Or it might be the same Wesley Marx, I don't know.

08-00:05:18

Lage: It would be interesting to know if it's the same Wesley Marx. I read that he was a social ecologist at UCI, visiting professor.

08-00:05:25

Watson: Well, it might have been him. Because he was very much interested in—he was antinuclear?

08-00:05:30

Lage: Mm-hmm.

08-00:05:32

Watson: Okay, it's the same guy. Matter of fact, I'll [tape cuts out] tell you about.

08-00:05:34

Lage: He'd been a high school teacher.

08-00:05:47

Watson: Yes, he was a high school physics teacher, that's what he was. And then he retired from there. My daughter just tells a funny story about they came to class one day and he gave an antinuclear lecture. One of my daughter's friends who was a boy, was very articulate and a good debater, at the end of the session held up his hand and said, "Mr. Marx," he says, "can I ask a favor?" "What is that?" He says, "The next time you're going to come and give a political point of view, would you give enough advance notice so I can at least prepare the other side so the students can hear both sides?"

08-00:06:17

He was very fearful and his friends were very fearful of the Irvine Company. We were big. We were developing too fast, and all of that. So they bought into the argument that incorporation, because we were supportive of it, therefore we must have some ulterior motive. Sort of a Norton Simon argument. Internally in the company, we had a battle because Joan [Irvine Smith] opposed it. We had to have a vote, and it was a six to one vote. She opposed it.

08-00:06:59

Lage: Why did Joan oppose it?

08-00:07:00

Watson: Because we were for it. That was the argument she used. It's not a hidden argument.

08-00:07:08

Lage: You mean, she actually said this.

08-00:07:10

Watson: Publicly, you can see this in the news clips. She went out to the university and spoke. She said to the students who jammed in there, "I'm like you," and they all laughed because, you know, she's wealthy and so forth. But then she fueled the argument that this was a scheme by the James Irvine Foundation to get control of the city. That's her argument. That fed into this group, too. But the group didn't have much legs, because it wasn't

much. The vast majority of the people in the community didn't get caught up in that argument about the Irvine Company. We did a lot of polling. They still do, at the company, to try to get a sense. I happen to believe in polling. I think there's nothing more arrogant than an organization that doesn't do polling, because you decide what you think that people think instead of finding out what they really think.

08-00:08:07

Lage: So you polled the community.

08-00:08:08

Watson: We polled to finally get their attitude about things. When I first came to work for the Irvine Company, just as an aside but it fits with this—Bill Spurgeon, who had been a longtime vice president of the company, said that nobody could get elected to a city council around any city without saying that they will control the Irvine Company. Mostly because we represent the symbol of something big. The reason to elect a local official is that that person is not going to be under the heel of the Irvine Company. You got to demonstrate that by saying “I will make sure that they serve our interests, not just theirs,” you know. So that's legitimate and it's appropriate and it's a powerful political argument. That's always been true with regard to the Irvine Company.

08-00:08:53

The polling that was taken wasn't taken by us, it was taken by the university, it was very impartial. People didn't know we were funding the polls. Because otherwise there'd be a skewed poll. For instance, it would show, particularly when I was there—it asked questions about “who would you—?” It would have reservations about the company, and so on. One key question was, they would list, “Who would you most favor to plan your city?” They would list the county, the city, the Sierra Club; the Irvine Company would slip in there. The Irvine Company was always number one.

08-00:09:31

Lage: To plan your city?

08-00:09:34

Watson: Your city, yes. Later on they might say they got some concern about the big size of the company, might be concerned about too-fast growth, but when it came down to it, they always believed—in almost every poll that comes out, they think we've done a good job of planning the city. They don't quite trust government, they don't trust this faction or that faction, when they finally come down to it, when they get in the secrecy of looking at the options in there and so forth. Basically, the argument that she used and that COIN [City of Irvine Now] used went nowhere.

08-00:10:07

Lage: When you say “she”, are talking—

08-00:10:09

Watson: Joan.

08-00:10:10

Lage: Oh, Joan. There was also Gabrielle Pryor.

- 08-00:10:13
Watson: Gabrielle Pryor was part of the COIN group. Her husband was a writer for the *L.A. Times*. They became very good friends of mine, in fact. She actually lives down south. She was elected to the city council the first time.
- 08-00:10:25
Lage: Oh, she was?
- 08-00:10:26
Watson: Yes. But she was part of the anti-group for the same—you know, there's always that residual group out there that no matter how nice Ray Watson is, he's got some ulterior motive. Must have. Or he represented some group, whatever it is.
- 08-00:10:40
Lage: Were they environmentalists, in that they wanted more public land?
- 08-00:10:43
Watson: They were a mixture of everything. Marx was clearly environmentalist. He was an interesting guy. He'd almost have a nervous breakdown at a council meeting. He was very nervous, unsure of himself. But I liked him. He was sincere, you know. Gabrielle's position was "If the Irvine Company was for it, there must be something behind it," you know, if we're for it and so forth. They wouldn't so much be against it as that they would say, "Let's really look at this, are you sure you want to do this now," or "Let's vote against it and let's wait, let's not do it right now." That was basically I think their theme was: Wait, it's too soon. How the election came out, every precinct overwhelmingly supported. With the one exception: the students.
- 08-00:11:37
Lage: The students?
- 08-00:11:38
Watson: Overwhelmingly opposed it. Overwhelmingly opposed it.
- 08-00:11:41
Lage: You knew they were students rather than faculty?
- 08-00:11:43
Watson: Well, there was no faculty living on the campus at that time. This is all the campus. See, it was dormitories.
- 08-00:11:50
Lage: I see. That's interesting.
- 08-00:11:55
Watson: They bought the argument. They bought the argument about the big Irvine Company, and it wasn't their city. They're transients. They're at the campus. The campus is their place; the city out there. So you really had sort of the non-cared-about-city, living-on-the-campus voting overwhelmingly against it. Like 85 percent or something like that. The other, every precinct overwhelmingly supported incorporation.
- 08-00:12:21
Lage: Interesting. How big was that city that you got incorporated?

08-00:12:25

Watson: That was a decision that we as a company made, because in a vote you have two issues: you have also the issue of assessed value, and the issue of population. If you are the owners of more assessed value, you can not vote the people.

08-00:12:48

Lage: Now, say that again?

08-00:12:53

Watson: Let me give it exaggerated. I got a 90,000-acre piece of land, and I got two citizens living in it. The two citizens cannot incorporate if I vote against it, because they got to have enough assessed value to at least equal or be more than mine. So it's always a way to give certain rights to citizens, and certain rights to property owners. These are property owners. So we were the ones that had to decide how much land we're willing to put in the incorporation. We made sure we put enough land, I think it was 4,500 acres or something like that. I forget what it was at first. We had enough assessed value that we could have killed the incorporation.

08-00:13:30

Lage: Oh, I see. The company was able to—

08-00:13:33

Watson: The amount of land we put in, the assessed value of it exceeded the assessed value of all of the people who were living there. Do you see what I'm saying?

08-00:13:41

Lage: Yes, now I'm getting it. So the vote actually wasn't just a one person, one vote thing. It was based on the value.

08-00:13:48

Watson: It's always based on the assessed value anyway, what happens. Most cities, you don't ever see that, because you don't have anybody that has enough land, or assessed value, or whatever it is.

08-00:14:03

Lage: That's very interesting. That determined in part how big the—

08-00:14:06

Watson: Because ultimately, we didn't want to put it all in there right now because on the one hand, we're supportive of this, we hope they form it, but we don't know how they're going to act. We don't know what they're going to be. Is Wes Marx going to end up being the mayor? Is what he wants to do for the rest of his career is turn down every development we have? We want to make sure we have land outside of the zone that's incorporated in it that we can continue to go to the county, even as bad as that was, you see. To this day, we do that. It's helpful, politically, but actually even to the people within the city. When we have land that we're just finishing up now, the last land to be virtually incorporated into the city, annexed into the city. The word is "annexed" into the city. We commit a plan, so that the city will see it and the county will see it at the same time. We start the filing, sometimes we start it with the county and we say, "If the city wishes to annex this, well, they can have hearings at the same time as the county to approve the plan. If they don't approve the plan, we'll stay in the county."

08-00:15:21

Lage: That does give you a lot more leverage.

08-00:15:23

Watson: It gives both of us leverage. You could get both of them against you, whatever it is. Or you could say the city don't care. We learned through the years, in our open space, for instance, the commitments were made for 10,000 acres on the coast, 10,000 acres going to be public land. We'll have the Nature Conservancy plan it, we'll pay them \$350,000 a year for the planning for ten years, we'll have it all planned for open space, but the public only gets it parcel by parcel as the local or county agency agrees to a development agreement that we have with you, that you, the future supervisors, will approve those plans. If you don't you will lose the rest of the open space.

08-00:16:01

Lage: I see.

08-00:16:03

Watson: We did that in the city of Irvine, too.

08-00:16:05

Lage: That's a reaction to the fact that one city council can't bind a future one.

08-00:16:12

Watson: Right.

08-00:16:14

Lage: You've learned over the years, haven't you.

08-00:16:16

Watson: It goes back to when I first came. The company had always—doesn't do it any more, does a different thing now with schools, because of Prop 13; but what the company would do was get the appraised market value of a property for a school site the school district wanted. Then the company would sell it to the school for 75 percent of that value, so it was a 25 percent discount. The first one was the extension for Harbor High School, on the other side of the bay.

08-00:16:48

Lage: Newport?

08-00:16:49

Watson: It's in Newport District, but it was called Harbor High School. We had basically 200 acres. I think it was 200 acres, or maybe it was 60 acres. Maybe 50 acres. It was a big piece of land, that they wanted to expand the existing high school. So the company sold it to them with a discount. It then had to be submitted to the state division of architecture, for approval. The state disapproved the site, because it had a road in between and it couldn't be shut off. So they couldn't use it for a high school. We said, "Okay, well, we'll buy it back for the price we sold it," and their attorneys ruled that they had bought it, they owned it, and they had to put it out to bid and got \$35,000 an acre, and they had bought it from Irvine Company for \$6,500 an acre. Not that the school deliberately did this; they had no choice. I came, and I said "From now on, there's going to be a buyback clause. If you want the discount, you will have to agree it will either be used for school purposes, or reverts to us at the price you paid for it."

08-00:17:47

Lage: Who did they sell it to?

08-00:17:48

Watson: They sold it to an apartment builder who built apartments on it. So my point is, how you deal with public agencies whether they be gifts or discounts is that you're also dealing with politics. You have no guarantee. We have what we call development agreements now that can be honored, but both have to have some stick with it. The politicians in Irvine, for instance on this, or the county, with regard to the development, they liked that agreement. No matter what they say publicly, they like it, because they can turn to their constituents when they say, "Why don't you stop that development?" "Oh, we'd love to stop it, but we can't. You know, we'd lose that open space if we do that." So it gives them in the political climate to respond to the nimbyism that really pervades everything today. They still fight for every other thing on the plan and everything, but ultimately it gives them a vehicle to say, "You know, we're getting some benefits." Basically, the community has continually supported the agreement we wrote with the community about this open space. They understand that, when there is a threat to put the issue up for referendum or anything.

08-00:18:53

So in the incorporation issue you had these two groups, one was very much supportive and the other was opposed to it. The group that was opposed to it weren't nearly as well organized as the group that was pro. It was a much smaller following. They didn't really say they were opposed to it, they just said, "It's too soon. Let's wait." That by itself, just politically if anybody knows about politics, is not a very persuasive argument when you've got a group that can be challenged. They'd just seen Newport Beach annex a big piece of their supposed-to-be future industrial property, and the argument can be made that if we don't incorporate now, we might never have the chance to do it.

08-00:19:41

Lage: You had the urgency on your side.

08-00:19:43

Watson: Right. So it was overwhelmingly passed. The five newly elected council members held their first council meeting in an office building that the Irvine Company owned, located in what was called the University Town Center located across from the campus. It was the area Pereira had shown to be the town center. Unfortunately, it was an unfortunate location from a commercial point of view. For one, it was too associated with the university.

08-00:20:12

Lage: Is it right next to the university?

08-00:20:14

Watson: Yes. There's a bridge that goes to the university library, and the campus administration building is connected by a pedestrian bridge across campus drive.

08-00:20:20

Lage: It has shopping—

08-00:20:21

Watson: Small shops, many small eating establishments, a former theater, a large health club and a multi-story office building primarily occupied by the university. The commercial space has always struggled. Just like Telegraph Avenue in Berkeley struggled before they bought all the commercial buildings and put in the Student Union. But anyway, what was I saying?

08-00:20:39

Lage: The meeting.

08-00:20:40

Watson: Oh, the meeting. Well, the five newly elected council members held the required organization meeting.

08-00:20:52

Lage: You were saying something about the meeting in the town center.

08-00:20:56

Watson: Oh, yes. They held their first council meeting in the University Town Center. They were going through the steps that legally you have to go through, to now count the vote and declare the election won, and so forth. They're introducing the city council, and they had a lawyer that they had hired to be the temporary city attorney. He made a slip of the tongue that became a laughing point in the meeting, when he introduced the new council members of the city as the Irvine Company. [laughs] Anyway, they immediately started conducting their business in a two-story building that the company had built in the place where Pereira had said should be the town center for this 10,000-acre city. Right opposite the campus, right opposite the library, right off the campus. Sometime after that meeting I wrote a memo about that building and meeting. Their meetings were on the second floor and located just above a hamburger place where they also sold beer. Also next to that building was a temporary Bank of America, a grocery store, a student bookstore, and offices of the *Irvine World News*, which was a local weekly newspaper that the Irvine Company published. It was a real newspaper in the sense that it had local ads and primarily community news. My memorandum addressed to executives of the company stated that I thought that building was the symbol of what I'd love to see as the City of Irvine. First of all, you got a city council that meets there while students are having beers downstairs. You have the local newspaper that's being published there. You have a bank, citadel of American power there. You have a bookstore. You have all of that. Matter of fact, that's where the interfaith council met, where they'd have worship of different faiths. All in the same building. I said, "I know that is not likely to happen forever, but if somehow we could bring all those uses together, it would represent the cross-section of democracy that I really respect. I could only hope that somehow through this process ultimately that's the way will be. Because right now, that's the way it is."

08-00:23:48

Lage: Who did you write this letter to?

08-00:23:49

Watson: To the staff of the Irvine Company. It was what I occasionally would do was write out feelings I had about things. I would have meetings occasionally with all of the employees, and invite them to share their thoughts with all of us. They knew that they could ask me

anything. What happened after that was a series of events. This is in response to those who ask: "What happened to the town center?" For years it struggled.

08-00:24:18

Lage: Financially, you mean?

08-00:24:19

Watson: Financially struggled. Commercial centers are totally dependent on a merchant making enough money to pay the rent. So you can design the best center in the world, and here's an example of the conflict between planners' ideas and the market forces. In the fifties and sixties, many cities were closing down streets to auto traffic like they did in Sacramento and Fresno and making them exclusively pedestrian malls. The result, it just killed the business. So they think that one way or the other. Well, in the case of the town center, a series of events that robbed the town center from becoming a strong center. I think I've told the story, haven't I, about how that happened. As a starter in the mid-sixties the university town center almost became the location for the Irvine Company headquarters.

08-00:25:07

Lage: You didn't put this on the tape.

08-00:25:09

Watson: Well, what happened, if you went back to about 1965 or '64, somewhere in there, we were beginning to plan where should be the Irvine Company permanent headquarters. We were located out in the agricultural area. The factions within the company were that the agriculture people thought it should be out in the agricultural area in low-rise, rambling campus-like buildings. The real estate people thought it should be in Newport Center in Newport Beach, which we were beginning to develop, because it would be a strong place as that was the intersection of two major roads, it had a great view of the ocean, we were going to put Fashion Island, a regional shopping center there, and so forth. And I thought it should be in the University Town Center. I was a planning guy, there was the real estate guys and the agriculture guys, and president Charles Thomas let the debate go between us on. I made my argument that I knew it wasn't as good a commercial location, but we were the Irvine Company, and it would show a strong symbol to the other prospective businesses that this is a good location to work. And we ought to show that strength by building our headquarters there.

08-00:26:15

Thomas bought my argument, presented it to the board of directors, and they approved that as the site. But with reservations, because the university campuses were experiencing political turmoil. The university opened to students in September of 1965 and already was beginning to experience the Free Speech Movement. So there were Irvine Company board members who had reservations: "Well, you know, do we want to really be that close? We're a big company," all that stuff. But Charlie Thomas said, "Yes, I think it's a good idea." And the board approved the location. But, before it was announced to the world, one week later the Bank of America was fire bombed.

08-00:27:01

Lage: The Bank of America right in Irvine?

08-00:27:03

Watson: Right. And that ended the discussion. It immediately reverted back to going to go to Newport Center.

08-00:27:12

Lage: Did they ever find the culprit?

08-00:27:14

Watson: No.

08-00:27:16

Lage: But it was assumed to be connected to student unrest in some way, or you didn't know?

08-00:27:19

Watson: Who knows? That's the logical answer you got to it, because who else? They never found the person that did it. The assumption, valid or invalid, that the strength of it was it was believed to have been somehow radical students, or non-students who hang around a university, I don't know what.

08-00:27:37

Lage: In any rate, you moved to Newport Center.

08-00:27:39

Watson: That eliminated one prospective magnet that would have been very important to strengthen the town center. Some years later, the university began exploring where to build their student union. This is a campus question now. So the students held an election, where would it be located. Chancellor Dan Aldrich, again, after discussions with me, openly favored the town center, not on campus. Again, it would have been another reason to bring the students across the bridge into the town center. Others in the campus community, however, favored it on campus. They then had a vote, and overwhelmingly voted for it to be on campus. So now another leg of this unique idea of town and gown got eroded. The final leg, remember that memo I wrote? It was the city council. In the early eighties they start looking for where their permanent city hall should be. By that time, I have left the Irvine Company, and in 1983-1984 I was chairman of the Walt Disney Company. The debate within the company and community goes on. The Irvine Company planner was a man named Roger Sykes who's no longer alive. He's an architect, and he suggested Wishbone Hill, a sort of Greek Acropolis. It's visible from everywhere. He thought that was the ideal place for the building. In 1986 I'd come back to the company as vice chairman, but not running the planning. Donald Bren's position was leave it up to the citizens of Irvine. I said it ought to be in the town center. The city's position—Larry Agran was the mayor—wanted a site removed from the University Town Center and were opposed to any development on Wishbone Hill. So, they picked a location not too far from Woodbridge, off in a residential area, and they built their city hall.

08-00:29:43

Lage: Just a plot of land.

08-00:29:46

Watson: A plot of land, right. It wasn't going to be in the Irvine Company's town center, it wasn't going to be where the Irvine Company wanted it. Nobody even brought up the subject of the town center. It's a good lesson in what it takes for even the best of plans to succeed. It takes a lot of other things to make plans come to life and work. In this case, the history of

“why doesn’t that university center work, why isn’t there a stronger town center?” shows that it was eroded by the lack of support by all the groups that could have made it work. The university students, the city and the Irvine Company.

08-00:30:35

Lage: So that University Town Center is kind of a depressed center?

08-00:30:38

Watson: The town center is there, there’s an office building in it. It’s got good hamburger joints that have gone bankrupt several times. The theater has moved out, because now multi-screen theaters are up in our Spectrum Center. Nobody wants a single-screen theater anymore. Recently the Irvine Company has made a major effort to spruce the center up with umbrellas and tables and a convert it to primarily a student hanging out and lunch area. The original idea of “town and gown” has become primarily “gown.”

08-00:31:10

Lage: So this needs to draw from the residents, and it’s not big enough.

08-00:31:14

Watson: The residents, a few of them go there. But it’s not to support a town center, that becomes like a neighborhood center. Matter of fact, there’s a neighborhood center up the street, has a shopping center on it. By that I meant a supermarket, and so forth. But when people ask me about that, I say, I’ll give you all the things you learn you have to deal with. The first day I arrived at the Irvine Company, I can’t say I knew all the things. It took time for me to realize the importance of listening to the real estate people, or listening to the other people and saying, then how can you rally support around an idea? Maybe if I had still stayed with the company all the time I could have, because I believed so strongly in that idea, made it happen. But there was no real advocate even within the company on those issues anymore. The issues were more physical advocacies, which is appropriate for the later stage of the company. But the idea of incorporation, you know, I can tell from all the other new community developers: nobody ever advocated incorporation. I don’t know whether that city would have been incorporated if it hadn’t been us advocating it. I don’t know what would have happened.

08-00:32:24

Lage: Who knows.

08-00:32:25

Watson: Right.

08-00:32:27

Lage: Just to fill out the incorporation story, did you have any trouble getting it through LAFCO, or did you have difficulty with Santa Ana?

08-00:32:34

Watson: No. It’s an interesting incident that happened there. LAFCO approved it, and in an overnight move by county supervisor Ron Kaspers, he and one other supervisor replaced their two representatives and reversed the vote.

08-00:32:56

Lage: In LAFCO?

08-00:32:57

Watson: Yes. Then, and I can't recall, because all I know is the record of what happened. I can't recall what the circumstances was, within thirty days they reversed the vote and approved it. So there was politics going on. We probably were much involved in that, I don't know. Or maybe Kaspers saw his constituency was going to also be Irvine, the citizens there. Maybe he saw the vote was strongly in favor of it, even though it hadn't come out yet. Whatever happened, it was written up as this sort of mystery that LAFCO approved it, two of the LAFCO members are thrown out, and Ron Kaspers himself and somebody else met in their place, and they reversed it, disapproved it. Then, within thirty days they suddenly changed their vote and supported it.

08-00:33:42

Lage: Very strange. Now, I had read somewhere that Santa Ana opposed it partly on the grounds that Irvine was going to take the wealthier areas, and I guess some of the commercial/industrial, and leave Santa Ana with the low-income people. Is there anything to say about that?

08-00:34:04

Watson: Well, that was their position. Is it a legitimate position? Probably. Any time you have a new area it's wealthier than the old area—it is one of the difficulties there is in any city growth—the question is how do you balance that? Santa Ana today is probably has the highest percentage of Latino residents in the county. It didn't have that many at that time. Let's say the county was all one big city, rather than the thirty-six or thirty-seven cities we have here now. That kind of pattern is the same. Where do you live? Do you live in Berkeley?

08-00:35:03

Lage: I live in Oakland.

08-00:35:04

Watson: Well, take Oakland the same way. You got sections of Oakland that are old and run down, and then in some way Mayor Jerry Brown comes in and rejuvenates a portion of it. You got the new areas, up in Piedmont and so forth. We used to call that "the rich hill." I lived in the poorer area. So the fact is that they could all either be in adjacent cities—the argument—or if it's all one city, a section of the city.

08-00:35:35

Lage: But the tax base—if you have wealthier areas, you can kind of balance out the lower income.

08-00:35:41

Watson: Part of the problem is most of the property tax is used for schools. That's the fallacy of the argument, as the system now works, that wouldn't change. Let's say it had all become Irvine. It still would have been separate school districts, because the city incorporation can't change that. That's why I argued for it to all be one.

08-00:36:10

Lage: The school district.

08-00:36:11

Watson: The Irvine Unified School District was established before the ultimate boundaries of the city of Irvine was established. But none of that Irvine school district was in Santa Ana. It

had no opportunity ever to be in Santa Ana. Now, let's say Santa Ana had taken over the are we now have in the city of Irvine, and it became part of Santa Ana. Although what is now Irvine would have been part of Santa Ana there still would have been two school districts.

08-00:36:35

Lage: Yes, I see what you mean.

08-00:36:39

Watson: All that means to me is that we have to solve the problem of schools in a much different way than we do now. It may be a little bit of an aside, but it's a matter of saying: well, what problem are we trying to solve here? And how do we solve it? I think schools are a critical problem. The schools in Santa Ana get the same amount of public money per capita as the schools in Irvine. Irvine is one of the finest school systems in the state, from the point of view of its ratings of what the students do. Santa Ana has one of the poorest, one of the worst scores in the state. They get the same amount of money. My answer to that is because of the difficulty that they have in the Santa Ana school district they need significantly more funds than Irvine. But we don't have a vehicle for doing that. It has nothing to do with property assessed value, because the way propositions work and the Gann's initiative [Proposition 13] works in this state, and because of the State Supreme Court ruling on equalizing contributions to the schools means that after taxes gets up to a certain level, all the excess money goes to the state. The state redistributes it on a per capita basis and levels it out so that every school district gets the same. In fact, as I understand it the per student revenue is higher in Santa Ana than in Irvine. And that has no relationship to the wealth of either city.

08-00:37:48

Now, *Serrano v. Priest* was the ruling that basically ruled that there ought to be equal support for all schools and all students. So it goes on a per capita basis. New Jersey had the same kind of Supreme Court ruling. The Public Policy Institute has tracked the relative consequences of each state. What happened after rulings in each state is that the support for schools waned, because the richer districts said, "Well, there's no sense in us increasing the tax rate, because it's all going to go to the state above a certain level and gets redistributed somewhere else." So they don't vote for taxes in the rich areas. They support it privately. So they have great fund-raisers. Another thing that's very true is that if you have open house in Irvine, the parents all show up. You have open house in Santa Ana, they don't show up. Because they're embarrassed: they don't speak English. That being aside, you can't solve every problem. But from a financial sort of point, what they did in New Jersey is they said "We're going to equalize it there. We're going to bring everybody from the bottom on up." So the average, if I remember the numbers right, per student payments in New Jersey are \$13,000, and in this state is \$6,600. We used to be the fifth highest in the nation in terms of per capita contribution to the schools. Now we're forty-fourth.

08-00:39:17

Lage: I know. I've read those statistics.

08-00:39:19

Watson: Santa Ana's argument is a legitimate argument if you just look at it from a gross point of view. If you try to say, "But, wait a minute. What problem are you trying to solve?" there's other factors that come into account. It wouldn't have solved it. It wouldn't have

helped the school district. Even if it was one combined district, it still would only get the same amount of income district wide. They do an incredible job of fundraising in Newport Beach and in Irvine. Irvine Company itself gives millions of dollars to the schools. Part of it is an extraction to be able to build another development. Part of it is in terms of support of teachers. We have a program that I give Donald Bren tremendous credit for, because he really has forced us to think about how you can best help the schools. We have a program that every year, for every school that's on Irvine land or in Irvine development. We're very selfish about that. I mean, that's us. So that's who we're going to support. We let teachers decide who is the best teacher of each school, who is the best administrator, who is the best teacher in science, who is the best high school, intermediate school, and so forth. You got Irvine Unified School District, you got Newport Mesa School District, you got Tustin School District. Each district then gets x amount of money to be distributed so much a teacher. They don't know who has won it until we hold a dinner, which we sponsor, and the teachers all come. I've made some of the presentations. It's exciting. It's like winning the Academy Award. A teacher from such and such school is the teacher of the year. I hand her an envelope which has a \$1,500 check in it. It used to be that at first, the money could be used in her classroom. Then we started thinking, she or he ought to get something for themselves too. Now a portion of the money is for how they would use it: to get more math books, or more this or that. Part of it is their personal use. They are so excited. They talk about: "Why did they want to be a teacher?" Their answer: "Because I love kids." The complication of the problem is huge. The argument that Santa Ana used would not have solved it. We weren't going to be in favor of it anyway, for our selfish reasons.

08-00:42:00

Lage: Fair enough. Do you think we need to turn to a new topic?

08-00:42:06

Watson: Sure.

08-00:42:14

Lage: I was reminded that we're finishing up talking about schools. I've been told to ask you about the unification of the Costa Mesa and Newport Beach schools. Your stance on it, and the implications. So that's our next topic.

08-00:42:35

Watson: As it was in Irvine, every other part of the state had to ultimately vote on unification. The question is, Newport Beach, where I live, was mostly on the Irvine Ranch, or a portion of it that was on the Irvine Ranch was in the Newport Elementary School District. Costa Mesa had an elementary school district, but both of them were in the same high school district. So when unification came the question was: was there going to be two unified school districts? One would have been Costa Mesa Elementary and half of the high school district and the other the Newport Beach Elementary and half the high school district. That was the debate. I don't remember who supported what; I know I supported one unified district rather than two.

08-00:43:27

Lage: What were the controversies?

08-00:43:29

Watson: The argument would be: my neighbors would not want the burden of a less-well-off school district, and really also a less academic record, for reasons that was not the fault of the kids that went there in Costa Mesa. Costa Mesa was Costa Mesa.

08-00:43:46

Lage: What's the makeup of Costa Mesa?

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Watson: Well, Costa Mesa is actually becoming wealthier now than it was, but it was a older part. It didn't have the ocean views, it didn't have the Lido Islands and the Linda Islands and the Balboa Islands, and the great high-priced properties they have in Newport Beach, which were very supportive of its school system. So the more affluent lived in Newport Beach. The working class for the most part lived in Costa Mesa. But it was a wonderful city. Costa Mesa since then has become a larger Latino population. So the arguments in the richer community always is, let's just keep our money here, even though the argument is a fallacy, with regard to how money is really distributed for schools now. I'm supportive of the combined district because having one school board think about those problems is good. But it's also an example of how it doesn't work financially because it has no more money one way or the other. It's a fallacy for those people in the wealthier districts to think the money stayed here. It doesn't stay here. It goes to the state and gets redistributed, and we got back the same problem again.

08-00:45:08

Lage: Were there any overt kind of racist arguments?

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Watson: Well, I don't recall. Actually, not many people will do that around me, that know me, so I don't hear it. If they do start it, I dismiss it so quickly, because I don't want to embarrass them or me, so I change the subject or go on. I just don't engage in that kind of dialogue. You hear it, letters to the editor is the great way you sort of see that. I don't know how representative that is of our community. You saw letters to the editor even today on the airport issue, or on school issues, or on Latinos, or whatever it is, are pretty extreme one way or the other. I don't think it's fair of me to say. Ultimately, it got unified and I really don't know if there was a vote, whether the majority of the citizens of Newport Beach favored the overall unification or part of it. I just don't remember.

08-00:46:12

Lage: What time period are we talking about? You might have said, but I couldn't find it.

08-00:46:15

Watson: I think it's the late sixties, is when that got voted on.

08-00:46:23

Lage: Ted [Dienstfrey] implied that your neighbors were upset with your promoting unification. Is that something you remember?

08-00:46:32

Watson: I don't remember that. I tell you what, more recently touches on it in a different way is that in Eastbluff, where I live, which has really basically 470 houses in one community association. A movement came up here several years ago that I had shared with Ted Dienstfrey about, because it was sort of fun for me, was that a group of homeowners here

were concerned that there was too much traffic running through the community coming off of Jamboree Road and down into the entryway of the high school. The cars were racing by and it became a danger to the kids. That was a legitimate problem. So a group of homeowners had a series of meetings and came up with a solution of putting guarded gates at the entrances in, and make all the streets private. That would prevent anybody who doesn't live here from cutting through the community. First of all, I personally don't want to live in a guarded-gate community, so I was opposed to that. But I went to a meeting where they had a meeting about this. There was a group of citizens there, and they were arguing about this. I made the point that if you're trying to solve the traffic problem, there's a much less expensive way to solve this than turning it into private streets and having guarded gates and paying for guards twenty-four hours a day, and all of that. All you have to do is change the road pattern off of Bison Road, the street that comes in off of Jamboree Road, so that they don't allow cross traffic, or left turns if you're heading inland from MacArthur Boulevard. Ultimately they did do that, and it solved the problem. But many were in favor of guarded gates, and kept using that argument

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Lage: Now, what does this symbolize? You said, "I don't want to live in a guarded-gate community." What does it mean for you, and what does it mean for them?

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Watson: What it means for them is they feel more exclusive. There is a belief, even among people at the Irvine Company that—and it is true, we know market-wise you can get more money for a house if it's in a guarded-gate community, because of the exclusion of it—the argument is, it's safer, that you have a guarded gate, only the people that live there can get in there. So there's going to be less robberies—you use all the arguments you can emotionally to get people to support it, because they got to pay more money to live that way.

08-00:48:56

Lage: What's your feeling about it?

08-00:48:58

Watson: My feeling is that I'd rather live in a community where everybody is on public streets, and people can come through there, and I'll solve traffic problems a different way. The beginning of my involvement was I went to a local forum here, and I raised the point with an elderly gentleman who was very much in favor of it. I said, "You know, there's a lot of people who are retired here. They can't afford the extra cost of a guarded gate." I said, "I don't know why we're forcing it on them." His answer to me was, "Then they ought to move." So it was in many respects a class argument. They ought to either all be wealthy like me, or get out of here. There was a strong movement including the community association board, was in favor of guard gates. My neighbor actually is one of the retired people who I know can't afford it.

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There actually was a group of elderly ladies, and I said, "I'll tell you what. I'll do the campaign literature, I know how to run a political campaign and I think I can be helpful on this. I'll take a position on it." We actually came to an election, because it required two-thirds of the people living there. It was a very difficult barrier for them to do this. To do it, they had to get two-thirds of the residents to approve whether they voted or not.

Anyway, there seemed to be overwhelming support of it. I mean, the illusion you have about “we’re going to be safer,” because that’s the key word you use; “outsiders won’t be allowed in,” and so forth. My understanding was that guarded-gate communities were no safer than open communities. Since we build, in the Irvine Company, an awful lot of guarded-gate--

08-00:50:46

Lage: Oh, you do?

08-00:50:48

Watson: Oh, yes. Big Canyon in Newport Beach was the one I had built in the early 1970s. It was being used as one of the examples by the proponents. I knew the record was otherwise. First of all, I knew the cost, and so the association that had estimated the cost of building the guarded gates and paying for it were way underestimating what it would really cost, which is a way to win the election.

08-00:51:08

Lage: Because the cost also entails the upkeep of roads?

08-00:51:11

Watson: Yes, upkeep of roads and all those kind of things. But they were amateurs putting together a budget. In my judgement, they were susceptible to whatever low-ball estimate they could get. I have real numbers of what it has actually cost to do it, and what it has cost in Big Canyon. So I used Big Canyon. I said, “Everybody will know what that is.” Remember, now I’m running a political campaign, because I’m going to publish a one-page mailer. The other thing I learned, don’t make too many words. So I took what it cost for Big Canyon per person and applied it here, and it turned out to be way more than the proponents had estimated. The other thing was I happened to know what the record of crime was in guarded gates versus non-guarded communities, but I thought I’d get this confirmed. So I got the name of the sergeant at the Newport Police Department, and I said, “Give me the relationship between instances of crime in Big Canyon versus non-guarded gate communities.” His answer: “It’s higher in the guarded-gate communities. It’s either equal or higher.”

08-00:52:20

However, the crimes are more severe in gated communities because there is a perception that if it’s guarded-gate, they must be richer. So they have more gun break-ins, and so forth and so on. It just pooh-poohed the argument for guarded gates. The sergeant was very much against it. He says, “I’ll stand behind the argument that it does not deter crime. If you think you’re putting in a guarded gate to deter crime, you’re making a mistake.” So I was able to quote him, I was able to put the numbers in my mailer, and then I said that Barbara Crone as our neighbor, “You get your lady friends together and you distribute these, because I’m not going to distribute them.” So these little old ladies [laughs] went around the neighborhood, distributed this piece of paper. The other side of the argument comes out with this three-page essay on the subject that nobody is going to read. I also said, “The alternative to that is to modify the traffic pattern at Bison Road, and I wouldn’t be surprised if the city will let us do that.” So they held the election, and guarded gates overwhelmingly lost. So then we go through the argument about changing the pattern in the street there. It basically says “No through traffic.” You have to either turn left or right. If you’re coming up Jamboree from the airport, you can turn right into Bison, but if you’re coming from Newport Beach you can’t turn left on it. So there is no advantage for

a student living somewhere else, in a car driving up there and coming in that way. They're going to go in the way they should be on what they call Alta Vista Drive Road, which runs into Jamboree. So we basically solved that problem. Now, where was I?

08-00:54:04

Lage: I think you were just saying how you solved that.

08-00:54:09

Watson: Well, I can't remember. There was another point. Because of age problems, I can't remember. [laughs]

08-00:54:20

Lage: It's because we've been talking so long that you can't remember.

08-00:54:23

Watson: Oh, I know. Then the next obstacle to getting that solved, now we got it beat down that it's going to be a guarded gate, we want to try to solve the problem, we don't want to just leave it. Because it was a dangerous problem. So we wanted to get this change in there. We have to petition the city to be willing to do that, because it's a public street. Now we got the Bluffs development down below us, who are opposed to us doing this, because they like driving through our community as a short cut, rather than around us.

08-00:54:46

Lage: They like the shortcut.

08-00:54:47

Watson: They like the shortcut to come out, and be able to come in and go on across. They want to go over there to the doughnut place or the post office, was the example they'd use. They said how much longer it would take them, and they exaggerated what it was. So I went out and took my car and measured the difference. I found it was a thirty-second difference. So basically, I generated the argument: are you willing to give up thirty seconds of your life to save a child's life? Basically, the city council through the planning commission did their own study on it. They confirmed the thirty seconds. The Bluffs all came out against it. The people who cared now in Eastbluff came out for it. The thirty second argument won and we got the change. That's the reason you have that little funny way we come into Eastbluff.

08-00:55:54

Lage: This is fairly recent.

08-00:55:56

Watson: As for school unification, I favored unification of the entire district, even though they're two separate cities. You know, I must say just as an aside, there's many studies going on everywhere about the school problem, and about the differences between how well students do in one district versus another. There's the president of the United States got the "No Child Left Behind" argument, but the question is, does the bill he suggests have any help at all, you know? The Public Policy Institute, PPIC, that I'm chairman of is a non-partisan, non-profit group that studies these kind of subjects. With schools, we've got over-assumptions about how we can solve problems, because we have this tendency politically that either a governor or a president feels that he can have some grand bill that

is going to fit everybody the same way and solve all problems. We have no evidence that that works.

08-00:57:10

I'll give you an example of what the Public Policy Institute showed, the end result of which is, after reading all this thing, I favor lack of uniformity. I feel that Santa Ana ought to get a lot more money than Irvine should get, because they got a harder problem. I mean, the teacher in Santa Ana who has thirty-two students, three quarters of whom don't speak English has got a hell of a lot harder problem to teach those students than somebody in Newport Beach regardless of class size.

08-00:57:41

There is no one solution. We at the Public Policy Institute are doing a whole series of studies to try to get at issues of what does make a difference. An example of one uniform bill that was passed through an initiative in this state was a mandate that the first-through-third grade shall have no more than twenty students in the classroom, reduce it down from an average of thirty-two, or whatever it was before. The assumption is the smaller class you have, the better the teacher can do, the better the students ought to do. Sounds logical. All the Public Policy Institute did is do a study to see after three years, how have the scores of the students been three years later than it was before it started? It's mixed. There's other factors that had bigger impact by far than that, but it still had some impact on districts. Some districts it helped slightly. In other districts, it made no difference. In L.A. Unified, it came out worse.

08-00:58:56

Lage: You couldn't hold other things—

08-00:58:58

Watson: We did hold other things. Where you're holding everything else equal, you're getting rid of the difference so you're just measuring the size of the class. There's ways that these PhDs at the Public Policy Institute know how to do. They talk about how they hold everything else being equal, and only measure the impact of class size.

08-00:59:18

Lage: And it came out worse in L.A.

08-00:59:20

Watson: Worse in L.A., for having a smaller class. Now, you got to say, is it because they had a smaller class? No. What happened was, if you think about it, and that's what they pointed out: once you, in one shot, reduce the size of the class, in every district in the state you increase the need of teachers for first, second and third grades significantly. That the school of least desire—for students to come out of the universities for teaching credentials—or elsewhere to go, is in L.A. Unified or in some minority district, which is much more difficult, not nearly as much support, or they don't stay as long. So the teachers that were any good in L.A. Unified all got recruited out by the suburban districts or the better districts which had the ability to be able to recruit them, because they offered not more pay, but a better environment to teach in. So as a consequence, the quality of the teaching went down in L.A. Unified and that was more significant than the size of the class. All I'm saying is that that's just one of many examples that we're trying to look at and say, "How do you solve the school problem?" David Lyon, who is head of the Public Policy Institute has said, "You know, although politically it's probably not possible, it

would be better if they just handed a check to the school district and said ‘You figure out how to solve the problem in your district.’ A check to another district: ‘You figure out how to solve it there,’ because it is a totally different solution needed in different school districts.”

08-01:00:48

Lage: So true.

08-01:00:49

Watson: That’s interrelated with what you learn. I never knew that when I came down here, but you got to be careful of the fact that you get caught up in some ideology of support of something. Whether it is, let’s have one big city, because we’re going to balance the tax money, and not realize there is many more complicated problems that intercede in the way of doing that. You don’t find very many developers who get that deeply involved in those kinds of factors. Because if you don’t believe it in a corporation’s interest, you don’t get involved in government. You’d like to have a good school system because it’s easy to sell a house. You say, “Well, how do you solve that problem? I don’t know. I’ll give them some money.” Well, money doesn’t solve it. But Irvine Company—at least I know I personally—would try to at least understand the problem enough. Sometimes I’d just say, “There’s nothing we can do about it. Tough. There’s nothing we can do about it.”

08-01:01:45

Lage: It’s hard even to know when to say that.

08-01:01:47

Watson: Right.

08-01:01:49

Lage: I bet that took some time.

08-01:01:51

Watson: Well, it takes some discipline to do it, or you listen to people. For instance, when I compared myself, and that was a great learning experience and we’ll talk about it in a moment in the Community Developer Group, which was a great experience of a group getting together and trying to professionally exchange ideas about community building. You find many of them really were only interested in using the new town community as a way to advertise building their subdivisions. At the same time, I came to the conclusion among those who were really much more serious about it, Columbia being one, Reston being another. There’s several of them that really took the subject of new towns really seriously from a political point of view as well as from a physical point of view. The federal New Community Act, which I was on the board of for a number of years, which sponsored thirteen new communities in this country, to try to come up with some more rational urban growth policy. They sponsored them, supported them with loans, and so forth. Twelve of which went bankrupt, of the thirteen.

08-01:03:02

Lage: Is this a federal program?

08-01:03:04

Watson: Yes, the federal program. The one that didn’t go bankrupt was The Woodlands, outside Houston, Texas, which was built by Mitchell Energy. I was on its board of directors for

thirteen years, so I'm very familiar with the program. The thing was, it was my judgement that we were only going to concentrate on a number of issues in Irvine and what we build here, and we're going to try to solve those problems. That was sense of place, sense of community, sense of physical diversity within the community. But a lot of the social problems I don't think we could have any impact on. I don't want to get diverted off into it. I have views about social issues, but our job was to concentrate on those things we can impact. Other organizations sometimes got wrapped up in what I used to kiddingly say, "You're trying to solve every problem since Christ, and trying to do it in two years. I'm having a hard enough time just to figure out three problems to solve." I also believe that most of what we do is physical and that the community itself has to figure out the social part of making the community, which is very important. We may build the physical infrastructure, housing, roads, parks, etc., and sites for schools, churches, etc., but it is the residents of the community and the public and private institutions that use those facilities that create the social life of a community.

08-01:04:30

Lage: Very good, let's pause a minute.

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09-00:00:06

Lage: Okay, if you're ready—We're on tape 9, same day, March 6. We were going to talk about the New Town movement kind of in general, but more specifically your experiences with the Community Developers Group, and what you observed and what you learned.

09-00:00:26

Watson: Well, there was a group that we called the New Community Developers Group. The origins of that group was in the early 1960s. I'm going to guess it was like 1964. There was a Ford Foundation grant made to the University of California, Berkeley, of \$75,000, which in those days was a lot of money. Today it won't even buy you an environmental impact report. The grant was for the purpose of the university, through its various different schools, to conduct studies on large-scale community developments. It was divided up between the planning departments and the finance departments of the university. The finance department was to develop an economic model so they could study the economic ramifications of building something as complicated as a community. The history of community building in the U.S. was that it had produced many more failures than successes. The true problem was that in the U.S. our cities are really built by developers who don't know they're building cities. They're just building cities one piece at a time. They're building a subdivision here, a shopping center there, someone else an office building, etc. Although there is some local government agency that oversees each development from a planning point of view, they primarily see their role as managing growth that is being initiated by private builders. That's how our system works.

09-00:02:07

There are some countries—Great Britain was one of the leaders, Sweden and the Soviet Union, and certain places—that did enter into a program of building communities from scratch and overseeing their growth. There had been attempts at community building in the past, internationally and in the United States, most of which financially failed for one very simple reason: it's an extremely risky business. A developer, for the most part, concentrates on a small enough piece of property in a location that has a market for it—

let's say it's housing, or shopping, or whatever it is—that he can get completed in a relatively short time. So he has to buy the land, which means he usually borrows the money to do it; he then goes through the process of planning it and then processing it through some governmental agency; a process that has become progressively more expensive and difficult.

09-00:03:09

The longer the gap you have from the time you buy that land, which is the first serious commitment of money, to when you get some revenue, the more you risk an economic recession turning the real estate market off. Loans come due and the community builder runs out of money. In business terms, real estate development is a capital-intensive business. Fortunately, the Irvine Company had 93,000 acres. And most fortunately of all the owners of the Irvine Company had bought this land a hundred years ago and owned the land debt-free. Starting with debt-free land that was located in the fastest growing county in the country gave us the time to plan and prepare the land for development. The first major expense was putting in the basic infrastructure for both the company's first community and the university scheduled to open in 1965. Fortunately, both were on the ranch's edge and the extension of utilities were relatively affordable.

09-00:04:12

One of the early benefits from the Ford grant to UCB was the creation of the first large-scale economic model. That model allowed us to test the potential demands on capital and the amount we would need in the early stages. As oversight over the community development study at UCB, a group of us who were proposing to develop communities were invited into the process to provide oversight. Ultimately there was—I just counted them—a dozen companies that became part of that group. In the early years, maybe it was only eight or something like that. The most prominent companies were the Irvine Company, which I represented, the Newhall Land Company, which is north of us here; Mission Viejo Company, which is south of us, Columbia, Maryland, which Jim Rouse was starting; Reston, Virginia; and Foster City, located down the S.F. Peninsula. In addition, Kaiser Hawaii, Leslie Properties, and Transamerica. Some of them were just people who were thinking of doing it.

09-00:05:40

Lage: Was Leslie thinking of doing it up in the Bay Area?

09-00:05:51

Watson: Yes, Leslie Properties was part of it. So was a company called Jonathon Development, Transamerica and so forth. We were invited, and we would meet periodically at the university. Not everybody would go to these meetings, but I would go to these meetings. We probably went two or three times a year.

09-00:06:12

Lage: Did the people that go, were they the people like you who were actually doing the planning?

09-00:06:16

Watson: There was mixture. Sometimes they were the developer themselves, other people were planners like me. They were more inclined and liable to send either a business developer partner or a planner. But it was a good mix. That's one of the things I liked about it is that we had a mixture of planning and business disciplines. As it grew, as the studies were

going on at Berkeley and we met, we found we also got a lot of satisfaction by exchanging ideas among ourselves. There's really no organization around, other than the theory of building communities, which goes on in the American Institute of Architects, or the planning associations. They'd have seminars on it and so forth. But they are advocates of planning ideas, not people who have the real problem of dealing with it and exchanging ideas. There are organizations: Urban Land Institute has organizations of the commercial shopping centers, of the land developers, of the residential people. But there was no formal organization just concentrated on the huge capital challenge of trying to build a new, stand-alone community.

09-00:07:22

In retrospect, it may have been the first professionalization of a group actually in the business of building a community. These meetings provided us with a place to go to and share experiences. Aside from what was done at the university, which was all worthwhile, we had great debates among ourselves about what we were each doing. There was actually one profile done comparing me as a private planner of a private company, and a man named Roy Potter, who was the planning director of Fremont, California, at the time. As it turned out, Roy and I had spent the summer of 1953 in Stockton working for the city planning department, so we had been old-time friends. Suddenly we were profiled as the public and private planner, and so forth. Somewhere around 1965 our group, which had become known in the industry, were invited to make a new town tour of Europe with all expenses paid.

09-00:08:27

Lage: Who contacted you? Was it another foundation?

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Watson: No. It was an individual named Arthur Goldman who put this tour together. He was in the public relations for builders and developers. I don't know whether he concocted the idea or not. He's no longer alive. But he's the one who orchestrated the whole trip, and he did a wonderful job. He got sponsors. The trip was organized to Great Britain, Sweden, Finland, and Copenhagen. He, ahead of time, had people go over and contact the new towns in each one of these places, got time set up where the planners or developers would meet with us, exchange ideas, answer any of our questions. We would see physically what was on the ground. They would answer any questions we had. We basically went on an educational tour. We're all together. He also invited the sponsors who were bankers and building suppliers.

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Lage: So they went along with you.

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Watson: They went along with us, I presume, because they wanted to make contact with people who are doing big developments. Although none of them bothered us, later on. As far as I was concerned, we all went as a group and we were all equally curious. We started out in Scotland, because that's where some new towns were. We went through them. We went outside of London and saw the new towns that were being developed there.

09-00:10:01

Lage: Were these all towns that were of that time? Or were you looking at some older ones?

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Watson: Well, we'd looked at Welwyn Garden City and communities like that that had been built, years ago and were part of the Sir Ebenezer Howard era. Yes, outside of London we did look at some of the older experiments that had gone on at that time. But we were more interested in the new communities. Great Britain had enacted the New Community Act, shortly after World War II, in which they would create community development corporations. The British act prohibited development near the existing older cities and allowed developments in specified locations. They had a theory about planning. I was always curious not only how they did it and what was their theory? What were they trying to achieve? What was their goal? I found that many of the people who went on the trip really weren't nearly as interested. They were interested more in the designs of the housing and commercial center. My curiosity always was to try to get at the root at what they were trying to solve, and did they have any evidence yet that they had been successful in their planning goals.

09-00:11:06

I didn't know before I went there, but I learned very quickly by asking the right questions. They had good people at every one of these developments to answer these questions. For instance, in Great Britain, they were trying to solve the problems that we talked about in the United States about sprawl and the cities growing bigger than they wanted them to be. To try to encourage new towns to be built as they called it, "sufficiently removed from the existing cities," so that people wouldn't live there and commute into Glasgow or into London. So they would move them sixty-five miles out of the way. They also had theories about the ideal size of the city. Remember, this is a federal program, so therefore whatever theories they came up with became what every one of them had to adopt. The advantage that we had is in the United States we had no federal program dictating what's appropriate for us in our locale. That turned out to be a great savings to us, I think. Maybe not a savings, but an advantage. We didn't have the federal government telling us what a new town should be. That was for us to decide.

09-00:12:16

They had at that time what they called a Mark 1 communities, because there was a Mark 2 that followed. The Mark 1 community said that the ultimate size of the community should be a hundred thousand people. Well, that fit what we were talking at Irvine at the first phase of our development, 10,000 acres. You could see where Pereira had gotten his model from. Just to step forward, years later, what they found was that if they were successful they never could stop it at 100,000. So they came up with another theory they called a Mark 2, and they said 250,000 was the right size. When they got to that size, they'd have another theory about let it grow to a larger size. So part of it sort of proved the dynamic that either it grows or it doesn't grow. If it grows and it becomes popular, it's hard to stop it because if people want to live there, the temptation is to expand the town regardless of some theory otherwise.

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Their experience on what worked was beneficial to me. They had started years before us. They had government programs that protected them in regard to not permitting the development of land around their old towns. It was quite different than anything we could do. It's sort of like on the West Coast, when we say "townhouses" we don't think Philadelphia row house. They think Philadelphia row house, because that's more similar to what the English would have in London, and so forth. So I didn't see anything

physically that I thought would fit us. I didn't really care about that. I was more interested in what they were trying to do and how difficult it was: how they integrated the school system, where they put the commercial, how well was it working, and so forth. We went from Great Britain into the next stop in Stockholm.

09-00:13:53

Stockholm had a totally different approach to new communities, but it was still governed by the federal government or the city government of Stockholm, I don't know which, but it was centralized. Their new communities were really residential communities on the outside of Stockholm, which remained the job and commercial center. They had public transportation systems on rail that connected the residential communities to Stockholm. Today its similar to one University of California planning instructor's concept called pedestrian pockets, which set up high-density residential communities within walking distance of the rail system to Stockholm. So they said, "We are not trying to stop the growth of Stockholm. We want Stockholm to grow commercially. We just want residential communities to be a little further removed where it's quieter."

09-00:14:44

Lage: So they didn't build commercial centers?

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Watson: They built small commercial centers where you can do your shopping, but clothes and automobiles and things like that, you come into Stockholm for. That's what they wanted to encourage you to do. The main point was that you're in the United States and you hear about these new towns and you put them all together, you find out they got really quite different things they're trying to achieve. That's healthy to know, because we within our twelve [person] group, we had different locations, too. We had different goals and challenges. In our case, we had property way bigger than any of the others. The biggest one next to us in the United States was Columbia, which was only 15,000 acres. We were 93,000 acres.

09-00:15:22

Lage: You were tremendously big.

09-00:15:23

Watson: We were tremendous. We then went to Finland. There was a community being developed by a private banker, Heikki von Hertzen was his name. It was called Tapiola. It was just a beautiful little community. It had a mixture of housing and jobs and all the things you'd like to have, but it was relatively small. Architecturally, it was more compatible with what our style of architecture would be. Some years later I invited von Hertzen over to the Irvine Ranch and took him around, and we talked about it. He sort of reinforced the bias I had: "Don't listen to universal views of what a town should be. We in Helsinki did what was appropriate for Finland, and where our locale was. And you here are doing what's appropriate for you, and Columbia is going to do something different from where they are, because of circumstances they have." There is no one way for all cities. They're a composite of a lot of different things.

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We then went from there to Denmark. Then when we came home—well, first we had a grand meeting in Stockholm about "what did we learn?" Part of what I learned was that for most of the group, they weren't anywhere near as interested in the kind of questions I

was asking. Some of them were homebuilders who had gotten into community building. A way to sell their houses was to call it a “community.” I used to kid years later that if you read the *L.A. Times* real estate section, you would think everything is a new community, because that’s suddenly become the best way to market their developments. That’s what people like to buy, so come buy in this community or that community. So it was becoming a meaningless term. When they were asked, “What did you learn?” I remember one builder saying, “Well, I saw a great light fixture in such and such a community that I’d like to put in my houses.” But there was a small group of us that were still very interested in seeing the different approaches to planning new towns in the late 21st century.

09-00:17:22

Lage: Who were the ones that you think of being more on your wavelength?

09-00:17:27

Watson: Certainly Columbia, and certainly Reston. Probably the three of us. At Irvine we had started with Periera’s vision of a new town plus our commitment to the university. But we all had different sites with different markets. For instance Newhall’s location was much more remote than ours.

09-00:17:50

Lage: They were more remote?

09-00:17:52

Watson: They were further out from L.A. It took them years, and they changed management a number of times. That’s another issue: Irvine Company has gone through, I must divert for a moment, Irvine Company has gone through three ownerships since 1960 and a number of managements, but the principles have stayed the same. I give credit to the era I was in, I give credit to Donald Bren, the fact that he’s enhancing it but he still believes in the community development idea. Many of these communities later on, some of them just disappeared, some of them changed ownership. Columbia got foreclosed by the insurance company and got bought back by Jim Rouse. Reston got taken over by a railroad company.

09-00:18:45

What really was an important part of my career growth in that period of time was these community development meetings we had. After we came back, and after the Ford Foundation study ended at Berkeley, I said, “Let’s stay together and meet periodically.” So we would meet twice a year. I’ve got here the agenda of one of the meetings. We would pick subjects. I became the chairman of it. No dues, no requirement, but at each meeting we have a subject. The subject would be very mundane things at times, like “organization.” How do you organize your company to get all of these complicated things done? We shared organization charts, and we had a whole-day meeting on that. Or where do you put your commercial centers? We would meet at the sites of each of our members. We went to the opening of the pavilion they had at Columbia. I remember it was pouring rain and it was black tie. I had decided not to go to the meeting, because I didn’t want to get wet. I didn’t have black tie, anyway. But it allowed us to periodically meet and get acquainted with each other, so you could pick up the phone and say “You know, we got such and such a problem. How have you guys handled it?” Or exchange ideas. So it was a way in some respect to give a legitimacy to the fact that we were different than typical

developers. Not every one of us, but most of us. We thought we were; we were trying to be.

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Lage: Some of you, at least.

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Watson: We enjoyed exchanging. We were very open. We would talk about land prices, we would talk about sales profits, we were willing to exchange anything, because we were eager to know. We're starting out on a path that we don't quite know where it's going to end up.

09-00:20:31

Lage: Newhall was also a big land company, like Irvine. Did that give it more similarities?

09-00:20:42

Watson: What Newhall did was for reasons that are special to their circumstances, they created a separate, independent company that had a different mixture of shareholders, and gave it individual management, and gave a portion of the Newhall Ranch to it to do, not the whole ranch. Us, we have the whole 93,000 acres. They, and I forget what the size was, had about maybe 15,000 acres. I don't remember. And then the management changed there faster than some of the rest. But yes, they were serious. Tom Nielson, who at one time was president of the Newhall in the early years also became president of the Irvine Company later on. Valencia has done a fine job out there.

09-00:21:49

Lage: Foster City.

09-00:21:50

Watson: Foster City. Foster City was built by Jack Foster. Again, they started with marshland. No matter whether it was like what we were doing as a community, everything that people did you learned from. It didn't make any difference whether it was the whole community or parts of the community. What Ted Dienstfry, who's a friend of mine who worked for me, did in planning school was a study for Foster City after they had begun development. It was a survey program that they called "Planning and the Purchase Decision." The issue was, does planning make any impact upon the purchase decision to buy? They would interview people who had bought in Foster City. They have these waterways, as you know. Foster City is a series of waterways and marshland. The image of that area before they built was negative. If you went down the peninsula and you looked the way of where the marshlands was, it had smell and it was negative and it was perceived as not good land, and they would never live there. They converted the marsh into a series of home sites along waterways.

09-00:23:05

Lage: Canals, and land fill.

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Watson: Canals, and so forth. After they developed the canals and housing they found out that only 10 percent of the people that lived there had a boat, or even used the waterways. But they perceived it added value to their homes. Suddenly, by talking about being a community, spending the money to put in those dikes and controlling the water and built

new homes they turned the negative image into a positive image of a waterway and boating community.

09-00:23:41

Lage: Was it planned in the way that your developments were, to create community and have certain amenities?

09-00:23:47

Watson: Yes. It's much smaller, remember. The commercial part of it is much smaller. But in the sense that it had commercial, and had business facilities in it, and had residential in it. One of the things that they tried that I had thought of trying, and after they tried it I decided not to do it. Not that there was anything wrong with it: they sold the residential lots to three different builders. We would have one builder build one area and another builder a different area. We would control the architecture, but one builder is going to have a certain style and another a different style. Foster City mixed the lots. For instance, they had Joe Eichler, who was a very modern builder. Then they had two other less contemporary, more traditional kind of housing all interspersed along a canal with the objective of having a diversity of designs along the street. You didn't have neighborhoods of Eichler houses, and so forth. So you would have an Eichler house, then another builder's house, then another. What I learned in driving around is that you could tell the difference between an Eichler house and the other two, and you couldn't tell the difference between the other two, because they were both traditional builder houses.

09-00:25:24

Part of what we began to develop in the Irvine Company from a lot of the community builder meetings is market segmentation. We did research in this. We did focus studies. We did sales studies in this, we interviewed people who—what I started to do with our development, since we didn't build the houses, I'm dealing with builders who are so used to building in a tract somewhere and advertising a certain way, and they devote basically 2 percent of the sales price of the house to that marketing effort. I was trying to get them to coordinate their marketing for the community so that the community gets the major attention, not just their houses. So I required them to devote a percentage of their marketing money to community versus housing images. What I found is that we could never get agreement among the sales managers about the idea, because they were all so caught up in their own idea. I finally said, "If you want to make a deal with us, we're going to take half of your marketing percentage and we're going to be king. We're going to rule. You can advise, you can talk, but we're going to decide. We're not going to have this a democracy anymore. We are going to put more emphasis on marketing the community." I made this announcement at a building conference about what I was going to do. I said, "The other thing that bothers me is that if we have ten builders building at one time, add up the millions of dollars that you spend in advertising in the ten different ads, we don't get any more than just what ten other builders would get. We haven't got any leverage out of what we can do as a group. So I allocated a portion of all of our marketing money for research. What do the people really want? What image do our ads and sales programs create?"

09-00:27:22

Lage: The marketing.

09-00:27:23

Watson: The marketing. Not marketing their houses; we never wanted to. Some of the builders would do that. I don't want the risk of guaranteeing we'll sell their houses for them. But we would take the advertising that they do in the paper for their houses, the portion of the advertising we'd do about "Irvine, a wonderful place to live." Also we started using that money to hire people who would interview people as they came to the sales offices of the different developments and say, "Where did you hear this? What paper did you read this in?" Then we would periodically hit a person on their way out of the sales office and ask them, "What did the salesman say to you? What were you impressed with? Did he even talk about community? Did he talk about something else?" We'd begin to develop a profile of responses which we fed back to the builders. We found that process had much more influence over them than Ray Watson standing up there and saying, "You got to talk about community." When they found out that part of the attraction coming down was to live in a new community, when they got down there they were still worried about how many bedrooms it was, and what the color of the walls. All the things that dominate a buyer of a house. By that time, I had become convinced that that same builder was building that same house off the ranch. By emphasizing the community they might be able to buy a similar house by the same builder but not in our communities.

09-00:28:57

Lage: So this was early on that you devised this?

09-00:28:59

Watson: It comes out of talking to community developers how they were marketing. I can't tell you where any one idea came from versus another, or how many ideas were mine or how many I stole; I didn't care. We tried to learn from each other, some of them more than others—but I certainly did, as we professionalized ourselves: how to market? How to do research on it? We knew that more and more, the name Irvine was very important, and the Irvine Company was very important as the manager of the process. That's what we were doing. Not the builder of the housing itself; we were going to make sure we picked the best builders. That became thought of what, at least in the marketplace, we would do. We would oversee them. We would start collecting complaints about people that bought a house and the cabinets weren't done right, or how fast there was a follow-through. Every builder thinks they do the best job possible, so you couldn't tell them that "you're doing a lousy job." What we began to say, we got a scorecard. The scorecard is how many complaints we get versus different builders, and we publish the scorecard for you, just for you guys to see. Then John Lusk, one of our builders, always thought he was the best, but if he didn't come out number one in our survey he got the message.

09-00:30:13

These would come out of discussions we would have from the community development meetings. How do you manage your builders? Do you build a house yourself? Most of them didn't build the houses themselves. Do you mix the houses, like I said before? Or if you don't do that, how did that work out? What is your experience with that? We had no other place to go, other than this kind of group.

09-00:30:37

Lage: I'm afraid we're running out of time, but you probably have much more to say on this.

09-00:30:40

Watson: I don't know that there's much more to say on it.

09-00:30:42

Lage: At least, maybe in talking about your first developments some of these ideas will come out, regardless of where you learned it.

09-00:30:52

Watson: Sure.

09-00:30:53

Lage: Okay.

Interview #6: May 7, 2003

10-00:00:08

Lage: Okay we're on. We're back interviewing Ray Watson, and this is tape ten. Today is May 7, 2003. We haven't met for a while, but we're going to pick up where we left off.

10-00:00:23

Watson: The world has changed since then.

10-00:00:24

Lage: Oh yes, we've had a war since then. Okay, we were going to start today—one of our goals is to look at the various villages and how they were designed and built, and changes over time, but you wanted to begin by giving sort of an overview of company—

10-00:00:50

Watson: I'll do it very briefly. I may have done it already so this may be redundant. The distinction I make to what we did is that we began with a rather simplified vision that William Pereira wrote in a report that took three months to prepare and only cost \$36,000. In it, he talked about what kind of community we should develop. He gave some models, examples of that, which were more English planning towns but weren't as relevant. His report, appropriately named "a community study," inspired us to first seek what form of community or communities fit this property. We accepted—"we" the Irvine Company and I in my role—said my job was to create and articulate what form that community would take and plan the process of building it. It was and continues to be a continuous search through the entire process of defining and planning what is a community to us.

10-00:01:51

In contrast with some of my peers either planning other new towns or planning theorists, I didn't join the Irvine Company with a strongly held vision of the ideal new town. Nor did I believe we could avoid all the problems of modern society by what we created. Furthermore I accepted the fact that the company was a business enterprise and we also had to concentrate on making sure that what we did was something marketable, acceptable to the public, and didn't push the envelope so far that it would be rejected in our market. So the first challenge we faced was to make sure that we had adequate roads and adequate utilities to serve both the new campus and our first development, the ultimate community that's going to be there.

10-00:02:49

But along with dealing with what I called the bread and butter issues of infrastructure we debated and explored images of what kind of community we wanted to build. I think I've talked about that in the past. The first image that I had was accepting that we were part of the entire Orange County metropolitan region that had a reputation for being monotonous, sprawly—I think I've used the term—like molasses growth crawling on, oozing its way down into the county, and that somehow we wanted to break that flow here on the Irvine Ranch. We knew that the growth was going to come on us. It was inevitable. But when they got to the Irvine Ranch, we wanted to have—and the best we could think of is visually distinguishable villages, and that's where the village idea came up. Where Pereria talked about how the City of Irvine—which at that time he projects to be 10,000 acres—would be a diversified community of jobs and housing of different types where different people of different age brackets and ethnic backgrounds would live, we said that the Irvine Ranch ought to be broken up into villages. Our model was Balboa

Island, which was probably the best model we had. On Balboa Island you have apartments, you have houses, you have attached houses, you have a commercial area, you have recreational facilities. And because it is an island surrounded by water one can visualize the distinct place it is.

10-00:04:07

Lage: So you kind of took your model in a sense from an unplanned community that was close at hand.

10-00:04:14

Watson: Right. Balboa Island was planned. I mean, somebody bought that island and subdivided it, and so there was one person who owned all of Balboa Island. So it really had a diversified pattern planned from the beginning. But also, it was a local and very visual example to explain to the public what we were proposing. The term “planning” has an aura about it—it is something you ought to do, that’s good that you’re going to do that—but it’s difficult to visualize what’s going to come out of it. So I would refer to Balboa Island or then areas like Sausalito in the Bay Area, which is a distinctive place close to San Francisco. I also talked about the negatives about where I grew up, which was Oakland—indistinguishable from the adjacent towns of Berkeley or San Leandro or Hayward. I mean, you don’t know when you’ve gone from one to the other, and that there were certain places in Oakland like around Lake Merritt, which was very distinguishable, but not a lot of places. The vision I said we were seeking was that every place, every village we built, was to be as distinguishable as Balboa Island if we could.

10-00:05:16

Early on we went against the image of accepting that all neighborhoods would be defined as an area which was large enough to serve one elementary school. Because we didn’t want to get stuck with some arbitrary rule, in terms of dividing our villages up and making them distinguishable, we said we’d have some big villages, which is—the biggest we had is Woodbridge, which is 1,700 acres. Twenty-five thousand people lived there. It could be a city. And some of the smallest would be Linda Isle, where there is only 105 lots. But the goal was that in every case they’re as distinguishable as we could make them.

10-00:06:03

Lage: And why was that so important to you?

10-00:06:05

Watson: I think it’s important because—I would always say, try to visualize yourself where you live. Yes, you are part of a large metropolitan regional city including Los Angeles, Orange County, and maybe even into San Diego as one large regional city. Because economically all the cities in the region are tied together, and because the way people live today, their primary identification is where they live, not where they work.

10-00:06:34

Historically, a city was distinguished and known for its downtown and where you lived in connection to the downtown. Southern California is an automobile city. Industry and jobs are diversified around the entire region. So if I live in Eastbluff, our first village, and if I was the normal kind of person living there, my wife would be working somewhere in Orange County, I’d be working somewhere else in Orange County, and my children would be going to school somewhere else in Orange County. We’d be all going in

different directions, but the one place we had in common was our home and its immediate neighborhood. But I didn't want the neighborhoods to be just single-family subdivisions of shingled roofs all looking alike. So that our villages, like Balboa Island, would be places that they would identify with, and that was the most important thing for them to identify with. We also carried that over into our regional commercial and business centers such as Newport Center and [Irvine] Spectrum.

10-00:07:41

When I arrived in 1960 the company was planning to build a regional shopping center on the corner of MacArthur Boulevard and Coast Highway with single family homes behind it. Using the island concept as an image we immediately scratched that concept and proposed the area become a regional shopping, business, hotel and civic center bounded on the edges by Coast Highway, McArthur Highway, Jamboree Road, and Big Canyon area on the north and east.

10-00:08:03

Lage: So you wanted it to be more than a regional center.

10-00:08:05

Watson: I wanted it to be more than a regional shopping center—I wanted it to be a center of many regional and local uses within visually defined edges. Using the major road as edges we put the regional shopping center (Fashion Island) right in the middle, and we put a road around it we called Newport Center Drive. The process of siting the various uses took considerable time but the vision of identity and diversity bound together in a strongly identifiable place was the model that has become identified with the what the company does.

10-00:08:32

Lage: Did you think of it as a downtown for this area?

10-00:08:35

Watson: We thought of it as a downtown for this section of the region. The market regions are pretty well defined in commercial language as somewhere within fifteen-mile radius or twenty-minute driving time. People will not drive much further than that. They'll go to another regional center. So we have regional centers all over Southern California, but in our case there are usually regional shopping centers. We wanted Newport Center to be a regional business civic center.

10-00:09:04

Lage: Did that vision come right away? I mean did you have that vision when it opened in '67?

10-00:09:10

Watson: Yes. We just started talking about it immediately right at the beginning, and we moved where the shopping center was going to be, essentially to the middle, and we just worked on that. We worked on it for a couple years with a clay model, and from that is: Where do we place the buildings? Where are the high-rise buildings? Where are the low-rise buildings? What other uses could it have? And now, over years—yes, we had a vision that we want to have some civic facilities in there and so forth, but civic facilities are built by cities. So, we were opportunistic so that when the city was ready to have a new fire station in this end of town, where would it be? We showed them a site in Newport Center

and made it attractive enough for them to buy that land and put the major fire station in Newport Center.

10-00:10:00

Lage: You made it attractive by giving them a good price?

10-00:10:02

Watson: Sometimes. Because they're negotiating; they're a public body. The city negotiates the best price they can get. We wouldn't give away the land. We did the same thing for the police station, which is now in Newport Center. We did the same thing for the Chamber of Commerce. We actually built the building and rented it to them, and then ultimately sold them the chamber building as an attraction because they are the business image of the community. The largest public library for Newport Beach is now located in Newport Center.

10-00:10:36

These come from little things that you, over your years, get associated with. I can remember being influenced on libraries. That the best place to put a library would be right in the mall of a shopping center so that people will, as they're going shopping, drop in on the library. Well, that's not practical but it's almost as close as where we put it. If somebody is going to drive fifteen minutes to come to Fashion Island to shop, they can take another three minutes and drive over to the library.

10-00:11:07

Lage: Could they walk over to the library?

10-00:11:09

Watson: They could. It would be a good walk. People don't walk, frankly. We know that by all our studies. When you design a shopping center, you design it so that people are within 150 feet of the mall to park. You'll stretch that a little bit more to get more parking in, and so forth. But much further and they seek another center to do their shopping.

10-00:11:29

Lage: Was there an issue over where that center would be sited? I think one of Ted's questions, why was it near the coast? [Ted Dienstfrey suggested about forty questions for this oral history, and we refer to his questions several times in this session.]

10-00:11:39

Watson: What he's alluding to was over a comment that has been made many times. Half of its market area—remember, I said it's a fifteen-mile market area? Well, on one side of that edge is the Pacific Ocean. There's nobody living there. There's no customers there.

10-00:11:56

Lage: How far from the ocean is it?

10-00:11:59

Watson: It's got to be half a mile.

10-00:12:03

Lage: Oh, that close?

- 10-00:12:03
Watson: Yes.
- 10-00:12:05
Lage: Oh I see, so that sort of flew in the face of conventional—
- 10-00:12:07
Watson: Yes but—
- 10-00:12:10
Lage: But why did you put it there?
- 10-00:12:12
Watson: Because we wanted to have it there. We also saw the attractiveness of being in “Newport Beach.” It’s a great name, and the attractiveness of looking out over the ocean, and it didn’t—I mean I thought that that was an argument that you would find in a textbook, but there are many examples. I mean, San Francisco downtown is close to the bay. You could say, why didn’t they move it more inland, you know? Sausalito is pretty nice and it’s right down on the water, and the commercial people there say it works with us, although it’s not a regional center.
- 10-00:12:45
Lage: Did these things come up? Did you have discussions about this within the company?
- 10-00:12:49
Watson: You had discussions about them all the time. You have them within the company. When you go out in the community people ask. There’s comments made. There were people who thought Fashion Island would fail because it didn’t have the full market area to serve. But its location makes Fashion Island different than Southcoast Plaza, which is the more classical center in the middle of its region and has the advantage of having that fifteen-mile radius all around it.
- 10-00:13:15
Lage: So you’d have to make this argument to people that you were getting to locate in Newport Center.
- 10-00:13:20
Watson: Yes, exactly right. But Irvine Spectrum is one that does have that radius that works, you see. But if you go to Fashion Island today and you go to Southcoast Plaza, they’re both wonderful centers and quite different. Fashion Island is much more of an entertainment venue, a place where you have young children with families on a Saturday night eating dinner there or going to buy a pizza and sitting around the ponds and so forth. Also, the fact that it’s one company that’s developing the entire center, which is very important. We didn’t sell off the sites to somebody to build an office building across the street from Fashion Island. We built most of those office buildings. The company owns most of those office buildings.
- 10-00:14:09
Lage: Was that another crucial decision that they would retain ownership?
- 10-00:14:12
Watson: Yes, it was a very crucial decision.

10-00:14:13

Lage: Who was in on that thinking?

10-00:14:15

Watson: Remember, this is a small group of us in the company at that time. Everybody.

10-00:14:21

Lage: I just wondered how the interaction—did the board—?

10-00:14:24

Watson: Well, we went through a process. We're starting off from scratch. We're starting out with a vision to be incorporated by a farming company, but they were very much caught up—the board of directors was very much caught up. I mean we had people on the Irvine Foundation board who were sophisticated people. We had Ed Carter of Carter Hawley Hale.

10-00:14:43

Lage: Oh sure, he would know about shopping centers.

10-00:14:46

Watson: We had Loyall McLaren, who is a businessman and an accountant. Charlie Thomas was a man of industry. But how it evolved in terms of what would the company own—at the beginning, we didn't have any idea what the company could afford. But we came to the conclusion to retain for our own ownership much of the commercial sites. I'll tell you where it started. I started with a small little commercial project. The first shopping center the company built and owned was Westcliff Plaza, which is on the edge of the Irvine Company's property, on a very busy arterial street called Westcliff, right on the edge of Costa Mesa and Newport Beach. It was ten acres, a neighborhood shopping center. That's where we cut our teeth on building and running our first shopping center.

10-00:15:35

Lage: I think you told me about the design for that but not about this issue of should you own or not own.

10-00:15:41

Watson: Tell you about the design of it?

10-00:15:42

Lage: You did tell me about it, but not about this issue.

10-00:15:43

Watson: Yes I know, but the issue about owning it—at first we weren't going to own it because we hadn't built anything; the company didn't own any commercial real estate—was, we first started talking to different developers about them leasing land and building and owning the center. As we went through that process, a commercial real estate broker named John Parker with Coldwell Banker—he was their local partner—basically convinced us we ought to own it. First we did an economic pro forma to see whether, in fact, it would be an acceptable return for the risk. We learned how to do a pro forma on a center like that, and that set the stage for saying, you know, as we build a company—the negative to being a community builder just selling or leasing land is, you don't own anything at the end, you're just doing a liquidation your property over the years. You're selling pieces of land at the end and then you have to decide what you're going to do with that money. Are we

going to invest it somehow so the company can grow and if so, how? As a starter we set a goal that the value of the ranch and all its assets should be a minimum of 15 percent greater each year than the value of the assets we had sold or leased.

10-00:17:07

So basically, this was an example. Westcliff Plaza ten-acre shopping center of 100,000 square feet of retail stores, a supermarket, a bank, a Savon Drug. That first center was the beginning of a portfolio that now has thousands of apartment units and millions of square feet of commercial and office buildings. Westcliff Plaza opened in November 1963, the day President Kennedy was assassinated. By then we were deep in the planning and design of Newport Center and Fashion Island. The first office building we built was in Newport Center for the headquarters of the Irvine Company. It was a twin nine-story tower designed by William Pereira. Before the first tower was completed and started we had rented all of the space we weren't going to occupy and started the second tower. Although it was the first office building in the center of prospective tenants had confidence because we were going to own the building. That was very helpful to marketing. And that we had already started and opened Fashion Island. The plans and models of Newport Center were great aids for leasing space, but the fact that this 100-plus-year-old company was going to be in the owner was a great aid in leasing to others.

10-00:18:42

We did the same thing for apartments. The portfolio of the Irvine Company today, of ownership, is over 25,000 apartment units spread over the ranch, northern California, and San Diego.

10-00:18:57

Lage: And you did that for the same reason?

10-00:18:58

Watson: Same reason.

10-00:19:00

Lage: Would the alternative have been to become a land development company, and sell off here and then go somewhere else and develop?

10-00:19:07

Watson: Yes—that's the most likely thing to have happened to this property. Most ranches in Orange County have been sold to a land development company, who in turn sold parcels to different builders—residential builders, commercial builders—and that's the historical pattern of how areas like Orange County transform from farming to urban growth.

10-00:19:26

Lage: But then the Irvine Company itself would have the money from the sale and money from elsewhere—

10-00:19:32

Watson: That's right. They would have taken that money. The typical agriculturist who sells their farmland takes that money and goes to Fresno or somewhere else and stays in the farming businesses.

10-00:19:45

Lage: Oh, I see, into farming. Or continues being a developer in different—

10-00:19:48

Watson: Or they retire, you know, and buy a house somewhere and drive a Jaguar.

10-00:19:56

Lage: Was this issue of maintaining, building this portfolio one that the family, like Joan [Irvine Smith] for instance and her relatives, agreed with?

10-00:20:07

Watson: Yes, but really the most dominant was the James Irvine Foundation board members. There were three members of the family and four members from the foundation on the board. Even among the family there was often disagreement but one of the members of the family, Katie Wheeler, was also on the foundation board. The foundation was formed in 1937 by James Irvine and upon his death in 1947 owned 53 percent of the company. In his will leaving his stock to the foundation he stated the most important asset was the ranch and admonished the foundation to not sell it. Thus, for the most part, the company board supported the idea of building and retaining income producing assets on the ranch.

10-00:20:55

Lage: So this was in accordance with—?

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Watson: Now, the thing is that when he died it was still a strong farming operation—as it was when I came—but he died in 1947. The pattern I think he saw of what had happened to properties like this, of disappearing, and he thought that as an asset it was the most important asset he had left the foundation, and he wanted to keep it together. But the practicality of it was that you can't keep it together at farming when you got the population growing in onto it. So you sort of—you translate: we're going to preserve this asset that's called the Irvine Ranch, it's just going to be in a different form. And the only way we can invest the sale of the lands for residential, commercial and apartment properties which require an owner and a manager. The company has evolved from that to this day, and that's still the pattern.

10-00:21:46

Lage: Forsyth¹ mentions in this article I just was reading how each new town developer needed money to get going, and she said that the Irvine Company used its agricultural proceeds. Is that right?

10-00:22:03

Watson: Well, let me say that the New Community Act, which the Federal Government sponsored—

10-00:22:11

Lage: I knew we'd get to that.

10-00:22:12

Watson: Well—but it fits into the answer to your question. It demonstrates the difficulty of the cost of doing one of these gigantic projects. Twelve of the thirteen new towns sponsored by the act went bankrupt within two years, and that's because—

1. Ann Forsyth, "Columbia, Irvine, and the Woodlands: Planning Lessons from Three U.S. New Towns of the 1960s and 1970s," Lincoln Institute of Land Policy Working Paper, 2001.

10-00:22:29

Lage: Within two years!

10-00:22:30

Watson: Within two years, and the other one—

10-00:22:32

Lage: And they were funded by the government? They were loaned money?

10-00:22:34

Watson: Well, there were loans given, low interest loans and grants, and they also had private financing on it. But the problem is the infrastructure cost of it up front is so expensive. If you can get a small parcel of land, ideally fifty acres, you can get it on the marketplace within eighteen months or two years, and you can go off and start selling and get some income in. In the meanwhile, you got a loan that's bearing interest. But when you have something this large, it takes years—it took us years before we could build the first village.

10-00:23:07

Lage: So what did the company—?

10-00:23:08

Watson: Therefore, the point that she makes in that report is that she said well we had the income from the agriculture. Yes, we had the income from the agriculture but that's misleading. By the early 1960s the income from the agriculture didn't even pay the property taxes on the land. The property, the assessment systems prior to Prop 13 was to value property for what it could be, not for what it was. So the county assessor was reassessing the entire ranch as though it was now commercial or a residential property and the property tax becoming significantly greater than agriculture can support.

10-00:23:48

Lage: So that was part of the pressure to develop.

10-00:23:49

Watson: Right. The advantage we had was not that. The advantage we had is that the company owned the land debt free. Almost every other example—not every one, but almost every other example; Columbia would be the same, Reston is the same—they went out and bought the land. So they not only had the pressures of putting the infrastructure in, they had a huge mortgage on the original purchase of the property. It's as though if somebody had come in, if the Irvine Company had sold this ranch to somebody else in the early sixties, they would have had a high mortgage on this property that would have been stifling.

10-00:24:19

Lage: You didn't have the mortgage, but what funded the actual cost of developing this, which must have been—?

10-00:24:28

Watson: In the early years, it came from borrowings. We borrowed money. But we did quite a few developments. Eastbluff would be a good example where we got two builders on the first housing area in here that we leased the land to them while they did the development, but on relatively low rental rate during pre-construction period. But, as part of that

consideration, they had to put in the infrastructure. We didn't put in the infrastructure. We would prepare the grading plan and they had to grade it. We prepared what the width of the streets will be; they had to put the streets in. They had to do the infrastructure. And if it required a utility line, like a water line, to go a quarter of a mile, then part of the negotiation would be is that you have to put that in. So, in fact, what the company always leased was raw, unimproved land but with a plan of what to do with it.

10-00:25:37

Now today, the pattern is similar except in the hill areas, where grading covers more than one builder needs, requiring the company to grade and put in the basic infrastructure.

10-00:26:01

Lage: So that's why you chose—we've talked about that. That's why you chose Eastbluff as your first.

10-00:26:07

Watson: Right. So, all I'm going to say is we had the advantage of owning the land and we managed the process of financing the infrastructure through the developers we selected and transactions we made with each developer. And every case was sort of tailor-made to do that so that it was cost effective.

10-00:26:29

Lage: That's good. Do you want to say more about that federal New Communities Program?

10-00:26:34

Watson: Well, the federal New Community Program I think was a good experience for me. I came on the board after all the communities had been selected, and during the process of what they call a workout. They were all showing losses.

10-00:26:47

Lage: And that was in the seventies?

10-00:26:48

Watson: That was in the early seventies, right.

10-00:26:50

Lage: So you were well on your way here.

10-00:26:52

Watson: Right, but the lesson, I think—the lesson I see, in my view, was that the federal government—I think, for a good reason—said let's try to influence urban growth in this country by supporting examples of new communities. So this was sort of a pilot program to create a variety of different kinds of towns.

10-00:27:49

These were all, I call, ideological ideas about new towns that planners learn about in school, and then become obsessed with and say this is the ideal way to live or this is what a real city is. The thirteen examples they had, they tried to pick different examples to support. The problem is that the government, HUD, weren't very marketing savvy. Secondly, the only developers that came to them and applied for these funds were the companies who already had a piece of property and couldn't get conventional financing, because it was sufficiently remote from where the market was, and risky, that nobody

would lend them the money without the government sponsoring it. So they started out with weak projects to begin with, and then they had a department that was throwing ideas at them all the time. They had to deal not only with the marketplace—how to finance this thing, how to pay for it, how to get it on the market fast—and at the same time deal with the government. With some planners and the government saying, “But I think you ought to try this idea,” you know. “Let’s have some townhouses above the shopping center where the people live.” I mean, every idea that you can conceive of, what you dreamed about when you were in architectural school or planning school and so forth, is bureaucratically superimposed upon the developer.

10-00:29:06

Lage: Did you see this as a board member?

10-00:29:07

Watson: Yes. I remember making the comment going at one meeting about the act. They were all outsiders on the board except for the Secretary of HUD [Housing and Urban Development], who was chairman of the committee. And there was this argument they were raising about—one of developers did not want to have the Federal New Community Act on the signboards that he had advertising his residential development, for whatever reason he had. The agency was saying how irritated they were at that developer. I listened to their criticism for about an hour and finally I said, “You know, I feel like I’m on the Titanic—we’ve hit the iceberg and we’re sinking, and you guys are just asking for the interior decorator to come down and redesign the dinning room.” I said, “You’re missing the whole point of the whole thing. These people are in trouble, and all your ideas may be wonderful, and all these little symbols you want to use may be wonderful but now it’s survival.” And they didn’t survive.

10-00:30:14

Lage: They didn’t think of it that way. Was it the Nixon administration? Or Ford?

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Watson: It was started when Nixon came in office?

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Lage: He left about ’72 if I’m remembering right.

10-00:30:28

Watson: It was the Nixon administration, yes, and then the subsequent administration—

10-00:30:30

Lage: And then Gerald Ford came in unexpectedly there. [laughs]

10-00:30:34

Watson: Yes, Gerald. Right, right.

10-00:30:35

Lage: And then Jimmy Carter ’76.

10-00:30:38

Watson: Yes, whether it was—

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Lage: Do you remember who the secretary of HUD was?

10-00:30:42

Watson: Yes, it was a woman who is a lawyer. I can't think of her name right now. She was very good, but, you know, this was just one of her tasks.

10-00:30:51

Lage: Yes. It's just kind of interesting to see you got involved in that.

10-00:30:54

Watson: The ones that you think of in terms of what I call the big ones, which is Reston, Columbia, and Irvine, none of them were part of that program for the reasons I just said.

10-00:31:04

Lage: But Woodlands, is that—

10-00:31:05

Watson: Woodlands was part of that, and that's George Mitchell which is the Mitchell Energy [and Development] Company.

10-00:31:10

Lage: Were you on that board at that time?

10-00:31:12

Watson: I was on that board. Not at that time, I was involved in the HUD program afterwards. I went on that board in '83.

10-00:31:16

Lage: I see.

10-00:31:18

Watson: But George Mitchell, he believed in his project so much that he just pumped a lot of money into it. The others didn't have the resources he did.

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Lage: And he had kind of an ecological basis?

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Watson: Well he hired, I can't remember his name now, I think it's the Canadian landscape planner who took the whole ecological approach to planning, Ian McHarg. Part of that is because the Woodlands is natural wetlands and natural woodlands. I mean it is really woody. It is a forest out there, and it was an ideal place to do that, and he fit that into the character of the town he developed. So, for instance, the office buildings are glass buildings. They fit very well within the woods because what do you see, a mirror building. When you look at the building you see the trees.

10-00:32:08

Lage: Has that been successful over time?

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Watson: It's successful now. However, it always showed a loss in the years I was on the board. First of all, the analysts that would follow Mitchell Energy Company were natural gas

analysts, and they would see this real estate venture as a distraction to the company. Ultimately Mitchell sold it. That is, Mitchell sold it to be able to concentrate on the core natural gas business they were in. It's a wonderful place to live.

10-00:32:44

Lage: I think that's what I was meaning. [laughs]

10-00:32:46

Watson: No, no I—

10-00:32:48

Lage: Is it a livable community?

10-00:32:50

Watson: Defining success, if you're looking at it from a commercial venture, no. If you look at it from a place to live, it's a wonderful thing and it's a tribute to George Mitchell and his family that they built a town people love to live in. There's a lot of examples of wonderful places. I don't know why I'm having trouble remembering all their names, but the one that was built in the thirties back on the East Coast, I think it was in New Jersey—

10-00:33:16

Lage: Not Radburn?

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Watson: Yes, Radburn, New Jersey, went broke. It was built during the Depression and went broke, but it's an example we all look at. We used that as a model to what to do and not to do, partly, on the townhouses in Eastbluff.

10-00:33:32

Lage: In what respect?

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Watson: Well, the design of Radburn has a park/greenbelt with the houses facing on to it. And on the back side of the house where the garage is, is the public street. What we did in Eastbluff is the reverse of that. We put the front door on the street and the back door on the park. What we learned from Radburn is, is that regardless of the fact that they put the front doors on the greenbelt when you have guests or anybody else driving home or visiting they entered through the backdoor.

10-00:34:11

Lage: So they were using the backdoor as a front door.

10-00:34:15

Watson: Yes, because they haven't walked from the town, you know; they've driven. Their guests have and they have, so every night when the husband came home or the wife came home from work they would be driving in from the back, wouldn't they? And who used the front door? They used the front door like a back door when the kids went out to play. It had a visual image from the park but it gave a negative image to your house where the rest of the public would see it. So in the Bluff greenbelted community in Eastbluff we treated the street side as the front of the units and backed on the greenbelt.

- 10-00:34:54
Lage: It seems like kind of a main tension between the planners and the real life communities, this transportation issue and trying to get away from the car.
- 10-00:35:03
Watson: Right.
- 10-00:35:04
Lage: Has it worked anywhere, where—
- 10-00:35:05
Watson: Where what?
- 10-00:35:08
Lage: Where the car isn't depended on. This is common in a lot of foresight, that—
- 10-00:35:14
Watson: Sure. Right. The car is with us, you know.
- 10-00:35:17
Lage: [laughs] You didn't seem to ever try to fight it, here.
- 10-00:35:19
Watson: No, not at all. As a matter of a fact, I have through the years been challenged, mostly by planning students. They'd ask: What are you doing to solve the automobile problem? And I remember giving an answer once up at the University of Washington when I was speaking to a large group of students. They challenged me on the automobile. My answer was, "I have no sympathy for you. I have no sympathy for you that sit on that freeway." First of all, we have—fossil fuels, which creates the gasoline we have, created a billion years ago and started extracting only on hundred and fifty years ago and is probably going to be used up over the next fifty years. But, in the meanwhile, we so underprice it that nobody's willing to share a ride, nobody's willing to use public transportation, because it's cheap to drive your car and have the convenience of that, and you can't convince the public to do otherwise. It will eventually solve itself, and that's when the price of gasoline finally reflects the real value it has and its depleted sources we have. And people will find economically there's a reason to take the bus, there's a reason to take the train, there's a reason to share your car, and, frankly, our roads will not be congested then. But in the meanwhile, it's hard to sell a house that doesn't have a two-car garage, even if you only use half the garage to store things in.
- 10-00:36:53
Lage: Well, sometimes now it's a three-car garage.
- 10-00:36:56
Watson: And three-car garage. We are in an automobile era but the world is in an automobile era. I mean, virtually anywhere you go has the same problem. If you go downtown London it's impossible, go downtown Paris it's impossible, go downtown Detroit, or you go downtown Chicago or Tokyo. The automobile is at least temporarily here to stay. Well, it's here to stay but temporarily it is inexpensive to use. So when we're trying to make a community, remember you got to sell it to a public who has never been to a planning course and have no reason to say, "I should give up my car because you think I should give up my car."

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Lage: [laughs] So that wasn't one of the things you debated?

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Watson: No, no it wasn't.

10-00:37:37

Lage: How many garages should we have or—

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Watson: No, that was a market question. And remember, what bankrupts most of these people was they didn't really think enough about the market. We're trying to, you know—a legitimate criticism: Well, how much would you push the market? How much did you offer things that might give them alternatives? We think we did a lot of that, but there were things like mixing townhouses—as we did here—with single family detached, but we didn't mix them right next door to each other. We tried to put them in a way that was acceptable. The Bluffs here in Eastbluff was a real market risk in 1964 when we brought it on the market.

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Lage: Tell me about that. Is the Bluffs a mixed unit?

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Watson: Bluffs is a series of condominiums, which was a relatively new phenomena at that time, other than in New York and places where they had co-ops. The people want to own their own house, have their own yard. That's Southern California. That's the San Fernando Valley sprawl that everybody talks about.

10-00:38:37

Lage: So how did you happen to do the Bluffs if you were—?

10-00:38:40

Watson: Because we had a vision, that we wanted our villages to have a diversification of housing types. And that the Bluffs would be smaller units, probably for those who no longer had a family, although a family can still buy the units, and therefore we'd build townhouses and we'd have a greenbelt with it. And we would have on the hill, up where I live, the traditional single family houses overlooking that, but they would be in the same village. The idea was that this also—when we're all going together to the shopping center; our kids are all going to the same school—would recognize that those who live in the townhouses probably were either older or younger, but they were still part of the same community. So that the cross-section of family life from early marriage to senior citizen status could remain in the same community, shop at the same stores, kids go to the same schools, and so forth. That was the image we had of what a diversified village should be.

Lage: 10-00:39:37

Now was that image kind of a traditional planner's image or was that something you brought from your past?

10-00:39:42

Watson: No, no. That's advocated at all the planning schools, at all the architectural schools. To try to do that. It's just the problem, once again, you have is that, to translate from an idea, which is what schools put out, into actually building them, it has to go through a developer who's put up the money to build it and who is risk-adverse. Left to their own

choices residential builders at that time would have only built single family detached homes. We insisted on the addition of the townhomes and greenbelt and went searching for a builder willing to build them.

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Lage: And was it risky?

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Watson: It was risky because in south Orange County they weren't being built.

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Lage: Was it hard to sell?

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Watson: It turned out to be an incredibly successful project. Because we were the Irvine Company, and because we advocated that, and we made the terms under which the developers started very advantageous for them to do it, and we had a relatively low density. That is, we had a big greenbelt. We also were on leasehold. Much of the public didn't want to have leasehold. They wanted to own their own lots. First problem we had was how do we get people to come and look at it. We designed it in such a way that it had the convenience of the automobile, it had the garage.

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But what the builder was offering were townhouses, that were condominiums which was a relatively new idea at least in Southern California, and they were on leasehold. All negative things. We also oversaw the advertising for our developments. We didn't necessarily dictate it for the housing but we did approve any mention of us or the village. Also, we would put ads in the *L.A. Times* about the village and about the Bluffs. Our ads said, "Come visit a new community on a greenbelt." We never mentioned it was leasehold, because, first of all, we knew it's on leasehold, that fifty percent of potential buyers would not even come and look at the project because they wanted to own their land. They came in because they were so attracted by the greenbelt idea and also we were located in Newport Beach, close to Upper Newport Bay. We were fortunate: we had a great location that people wanted to come to, and the price was right. The job was not to scare them off before they came to see for themselves.

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Lage: So the price would have been lower than what they could have found elsewhere in this area?

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Watson: With the lots being leased the overall price seemed less when compared to buying both the house and lot. So that was successful. If that hadn't been successful, that probably would have influenced everything from then on. Remember, it's the first projects that did influence the board of directors who are sitting up there and wondering, well, we'll give these guys a chance, you know. Ultimately it won all kinds of architectural and planning awards and exceeded our projections of the sales rate and prices.

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Lage: Now condominiums are so popular.

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Watson: I don't know whether they are popular. They're accepted. I don't know anybody who says I would prefer to have a condominium because they're—

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Lage: Well, they're popular if you can't afford the whole thing.

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Watson: That's right, but they're something that are accepted. They're more understood. They've had experience with them. They're not as popular with builders. Builders don't like to do them anymore because the lawsuits are huge on them.

10-00:43:26

Lage: You mentioned leasehold. Would this be a good time to talk about why leaseholds, and then how it changed?

10-00:43:32

Watson: Sure. In the early years the company had leased some subdivisions. They had leased some land to developers in Newport Beach. Dover Shores is one. Bay Shores is another. Irvine Terrace is another. It had all been done right after the war. They'd lease it to a developer who would create the subdivision.

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Lage: Thinking that they were conforming to the will?

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Watson: Yes. There's two answers that were given to me when I asked, Why is it we do leasehold? One was because of James Irvine's will about [not] selling the land. So, as a way to preserve—we still own the ranch, we still own the land. But there is another financial reason. What they called the basis of the land. The basis of the land, or basis of anything you own, is what you paid for it. And that stays with it, so that when you sell it, how much more you sell it for you pay taxes on the difference between what you paid for it originally, even if it was a hundred years ago.

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Lage: For capital gains.

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Watson: Yes, capital gains, as long as the IRS didn't claim the company was a "dealer" in real estate. After that the gain would be taxed as "ordinary income" and taxed at a higher rate. The basis on the land was fifty cents an acre—because that's what James Irvine paid for it in 1864 and 1866—which was expensive in those days. So, if you have a piece of land that you were to sell, and the example I would give, when I finally understood it, to people, would be if you sold that land for a million dollars. Essentially the million dollars was all profit that you had to pay taxes on. And that, generally—under corporate taxes—is half of the state and federal taxes. It's half of that, so you owe Uncle Sam and the state half a million dollars and you get to keep a half a million dollars. Now you got that half a million dollars, what are you going to do with it? You're going to invest it in something, right? And see what kind of return you could get on your half a million dollars, okay? However, if you lease it at its million-dollar value and you charge six percent rate—which we did in those days; you're going to get \$60,000 a year income off of your

million-dollar value. If you had sold the land and you only have a half a million dollars, in order to get \$60,000 you'd have to get a 12 percent return on your alternative investment.

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Lage: I get it.

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Watson: So you had a financial reason to do it, along with the will. However, after several years of being involved with the company, Bill Mason—who was the chief engineer at that time and then ultimately the president of the company—and I, kept saying, we've got to get out of the leasehold. It's retarding the market and the pace of our growth. Because there is still a significant percentage of people who would not be willing to go on leasehold, and the most evidence of that were those in our industrial park areas. They had a lot of choices. They could go in Anaheim, they could go in Garden Grove, a lot of places in Orange County where they could go, and they wanted to own their land. And so it really did influence our business.

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Lage: Was this Eastbluff originally leasehold?

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Watson: Oh yes. There's still some people here on Eastbluff who have not converted to fee by buying their lots. Finally, however, two events happened that changed this, which would be in, like, 1968. I had a paper prepared by Ted Dienstfrey, in which we took a parcel of land we had and we did an imaginary village on it. And we had in it a school site that we would ultimately sell, a shopping center we would own together with some apartments. The rest would be homes. But the pace of how soon you could sell the school sites or build the apartments and shopping center would be how fast the housing would sell. And we made several different assumptions. Number one assumption was that leasehold retarded the selling rate about fifty percent, so therefore if you could sell the land that housing would go fifty percent faster. And therefore we'd be able to sell that school site sooner, we'd be able to do the commercial developments sooner, we'd be able to do the apartment sites sooner. And then we did an economic model of that to determine the present value of that income stream over the two models, on leasehold and on fee. And we were able to demonstrate that the present value was higher even though we sold the land—even though my example of the 12 percent and 6 percent returns; forget all that. In fact, the fact that we could sell it faster made a huge difference because you had to take into account all the other things that went in with a village.

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Lage: So you could go on with your plan of developing the area.

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Watson: Right. However, that by itself, that's a business argument that a business school person would do, and I remember I'm the one that had to sell that idea and show it—

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Lage: To your board.

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Watson: To the board. But in 1968 what finally got everyone's attention was we ran into a recession. The whole country did. And there was always only a limited number of institutions that would lend on residential leasehold, and those were the local savings and loan. With the recession, funds in the savings and loan dried up. Soon no loans were available and all housing financing stopped, and suddenly we had a crisis. It's not unusual to have a board sort of look at a change in policy like selling versus leasing and say, "That's not a bad idea but let's think about it before we do it," but suddenly we had a crisis. And in fact—so we'd already given them the underpinning of the argument, why it was wise to start selling our land. We had already done it in the industrial area, and so it was agreed that we would switch from leasing to fee.

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How we started with this, all new developments would now be on a lease option. Some of the builders still liked the lease. It looked like the price of the house was lower. Remember, if you're buying the house and not buying the land it looks like the house is cheaper even though you're still paying lease rent on the ground.

10-00:49:49

Lage: But anyone who was watching the price of California housing would want to own that land, don't you think?

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Watson: Yes, but you're hitting there at a point that was not evident at that time.

10-00:49:58

Lage: It wasn't then. Right.

10-00:49:59

Watson: What it turns out, leasehold has been done in Great Britain a great deal. It's been in Hawaii. It dominates Hawaii and elsewhere. Some years later I was on the board of Pacific Mutual Life Insurance Company. A study was actually done on leasehold around the world, and what it showed was leasehold actually does work economically for the lessee in very low inflationary times. That is, if rents don't go up that fast, if the value of the property doesn't go up that fast. When it does, there's usually a reappraisal clause somewhere in the lease. For years property values rose only modestly. But what happened later, in 1976, was property values began going up much faster than consumer price index, so soon land values (and houses) began going up dramatically. Some years they rose 15 percent in one year. All leases have a reappraisal clause in them at which time the rent on the land is adjusted by the amount the value of the lot has changed.

10-00:50:59

Lage: So that happened here?

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Watson: That happened here.

10-00:51:03

Lage: When would that have happened?

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Watson: First of all, let me finish on the leasehold problem. Because of the crisis of not being able to get financing, on all new housing developments, we gave the developers the right to either sell the land under the houses on our behalf—remember, it's our land; we're selling it through them with a house—or take leasehold. So it gave buyers a choice. Then in fairness to all the existing leases, we had 5,000 of them, we gave all existing owners of houses on leasehold the right to buy their lots or take a new lease with the right to buy at any time during the course of their leasehold.

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But what happened was, as a number of leases started to reach their twenty-five reappraisal period, the most egregious example—because you always take the egregious one to illustrate the extent of the problem—was an individual family that owned a house on the bay, which makes it the most valuable land you can get. Their rent had been \$1,500 a year, and they got a notice on the twenty-fifth-year anniversary, which means it'll be reappraised, by an independent appraiser. In this case the value of their land had reached the point where their rent would go up from \$1,500 a year to \$64,000 a year.

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Lage: And a lot of these people are probably elderly by this time.

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Watson: Homeowners' ground rents were doubling and quadrupling and driving people out of their houses. When I was president of the company, we were offering terms to the homeowners to buy the land.

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Lage: So this was when, in the late seventies?

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Watson: Late seventies and early eighties. Soon the homeowners hired a lawyer and created what they called the Committee of 4000. The clash between home owners and the company lasted several yeas but in early 1983 Donald Bren bought out his partners and immediately set out to settle the lawsuits with the residents. He offered them terms, or if they were elderly, he'd let them stay on leasehold at low rents and deferring a portion of their rent until they sold.

10-00:54:43

Lage: That would be a hard one to deal with. [laughs]

10-00:54:45

Watson: Yes. Well, that was probably one of the biggest uproars in the history of the company.

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Lage: Yes, but that's hard when you're—you feel like you're driven out of your home.

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Watson: Right.

10-00:55:01

Lage: For whatever reason.

10-00:55:01

Watson: Well, you know, if land prices rise, owners love it because their house goes up in value. Actually, the house doesn't get more valuable. The house is still the house. What has gone up is its location. And so, if you owned it on leasehold and you went to sell it, you know, you only got whatever the house was worth, not what the land was worth.

10-00:55:26

Lage: With this rising cost of housing, did you begin to—during the time when you were planning, was that not part of the picture? This rising cost of housing that made it more difficult to have affordable housing?

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Watson: Well, the whole subject of the price of housing, let's take it out of the realm of the leasehold issue—

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Lage: Yes, right.

10-00:55:46

Watson: It has always been a problem, from the day one. From lawsuits that were filed on the company to make more affordable housing, to interest groups that said, Why don't you build more affordable housing? I was an advocate of that, but the question is, How do you do it?

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Lage: Some of this mixed-use housing must have been for that purpose, to make it affordable.

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Watson: Well, whether it's mixed use or not, it still costs so much to build a house. The first argument often comes down to the definition of "affordable." And there's different scales of affordability depending on the family income.

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I guess what I'm trying to say here is that I had become convinced very early on that the market is the market. And the best way to illustrate what that means is, before I came, Myford Irvine, when he was alive, felt the same pressure. There's a project across from Newport Center, across MacArthur Boulevard, called Harbor View Hills. Great views, but it was right in the edge of town in 1958. He made an agreement with two local developers to build a subdivision in those hills, a relatively small subdivision, with the requirement that, at the end, they had to be able to sell them for \$35,000 or less on leasehold. For Newport Beach that was a very affordable price, in those times. They built those houses. The first weekend they sold out, and, the following weekend, they were resold by those who bought them, for \$10,000 more. So the point of it really is—

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Lage: Was this all before you came?

10-00:57:46

Watson: Yes. So—

10-00:57:49

Lage: Harbor View Hills.

10-00:57:52

Watson: Harbor View Hills. Now, there are many examples of builders selling houses below their market value in order for them to become affordable to families of modest incomes. There have been programs that have been tried to require builders to sell a certain percentage of their houses to be “affordable”. I want to distinguish between rental affordability, which I’ll talk about in a minute, and for-sale affordability. The best example of for-sale affordability is what was done on the inclusion areas in the university.

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Lage: Which the company—?

10-00:58:23

Watson: Which the Irvine Company sold land to the university but restricted it to housing “affordable” to university personnel. That was part of the original vision of Bill Pereira. The faculty members only make so much money and the university had experienced that problem on other campuses. Faculty had been driven out because they couldn’t afford to buy the housing close by. So the problem was, how do you do it? Well I’ll tell you how the university has done it. They bought that land from the Irvine Company for \$6,500 in the early sixties. We put a restriction on the land that limited its use to faculty and/or staff at their economic level.

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Lage: You mean the land that you sold them at below market price.

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Watson: The land, right. Yes. Because, remember, we gave them 1,000 acres for the university purposes. This was another 500 acres for housing for staff, faculty, and married students at their affordable level. The university, because it’s to their interest, have maintained that as the value of the land. That’s the basis of the land.

10-00:59:31

Lage: The 1960 value.

10-00:59:32

Watson: Right. So they then get a contractor to build houses, who were building subdivisions elsewhere, and they sell those houses to faculty members. And those faculty members pay the price that the builder charges for it plus a small profit to the builder—just as a contractor. And the university leases the land to them based on the price the university had paid for it. But that professor has to agree that if he ever sells the house, he can only sell it to another faculty member and he can only charge what CPI, the consumer price index, increase would be. What happens, if they own it for ten years, for instance, the whole area around them for that same house which is built elsewhere on Irvine, is being priced way higher and that professor who thought it was a wonderful idea when he bought it, thinks it’s a terrible idea when he sells it because he’s being denied the profit.

Ted Dienstfrey has a point he makes about this which sort of illustrates the problem. He says, if the middle income and rich can make a profit on selling a house, why can’t the poor? Well, that’s true, but if they do—they’ve made that profit—and that house has gone out of the inventory of affordability. So it only lasts the period of time that the first buyer has bought it, unless you put a restriction on it. Similar examples elsewhere of creating

“affordable housing” has been tried. The problem always comes when the buyer wishes to sell. They have then brought lawsuits against the county government for those restrictions. There have not been very many programs with Section 8 and other ways that have really worked. They’re tokenism, to some degree. On apartments, it’s a little easier to do because they have a pretty good program for it.

10-01:01:17

Lage: You mean a government program?

10-01:01:19

Watson: The government program. Yes.

10-01:01:21

Lage: And what is that?

10-01:01:22

Watson: They have low-interest loans that they sell through bonds. The state sells bonds, has the funds that they will lend to a project that has some affordability in it. And there’s two ways of doing of it. It could be 100 percent. It could be a project that’s 100 percent affordable, or, as was a lot of our earlier projects, only 25 percent of the units were affordable. They’re the same units. They don’t look any different. They’re the same size as all the rest of the units, but here the renter has to qualify, they have to show that their income is at a certain level. No other tenant knows that you’re an affordable renter. That’s what I like about it. It’s not the Jewish star on the door, you know? A symbol, or that. Why that works is because they are bonds that have lower interest rates than market rate financing.

10-01:02:17

Lage: So you’re borrowing your money?

10-01:02:19

Watson: So the developer is able to look at it and say, if I go the conventional way and don’t have any of these units, here’s the amount of money I will need to make to secure financing. You can actually build this project if only twenty-five percent of it is, let’s say, is affordable—or some percentage of it is affordable—providing I can secure financing. What the government financing does is provide financing at a lower interest rate to projects with some of all the units rented at “affordable” rents. The “affordable” rents are adjusted each year depending upon the tenant’s ability to pay.

10-01:03:25

Lage: Does that have a name, that program?

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Watson: It does. I don’t remember it. But—

10-01:03:29

Lage: It’s not the 80/20? I’m looking at Ted’s list.

10-01:03:32

Watson: It could be. I don’t remember what it would be. I can get it, if you want it. But, you know, there’s a history of affordability in this country. There is housing that’s owned by the government in San Francisco that’s been torn down, you know. There’s projects in—

some of the big projects—in the early stages of the program where they built huge multistory projects of apartments. That was the mode for when I grew up. When I was going to college, that was the mode for architecture because they loved to do high-rise buildings and everything. These were all going to be housing for the poor, and so forth, and they're going to wonderful villages, and so forth. That didn't work. Vernon DeMars, a professor at Cal, did the project in Richmond, I think—it was very nice—which was a series of townhouses. It was a government-sponsored, government-funded project.

10-01:04:26

Lage: But not those high-rise?

10-01:04:27

Watson: Not the high-rise, right. So we've struggled with that problem and we'll continue to struggle with the problem now.

10-01:04:32

In the early sixties, the mid-sixties, there was a professor at Berkeley who addressed this problem. The complaint was the builders of new housing are not building enough affordable housing units. They were not pricing it down. He did a study and said that there is a surplus of affordable housing units and that sort of changed the position of Governor Brown at the time. Not Pat Brown, but Jerry Brown. He was pushing for more affordability. That's no longer a good model, but let me explain that to you. What he showed is that, basically, if you are going to buy a house, you're going to look at both existing and new housing. Now, since the average turnover rate of housing is every five years there is five times more existing housing to look at than there is new housing to look at. So the only way to analyze the average price of housing is to look at all for sale housing whether new or re-sale.

10-01:06:05

So when this professor looked at all housing there was, particularly those built in the late fifties and early sixties together with new housing he found there was a surplus of "affordable" units for sale and by the sixties new housing was larger and more expensive than the older existing inventory. As time went on, as new builders tried to compete with the existing inventory of houses for sale, they could not compete with the price of that existing inventory. So they started housing for the buy-up market and they left the first-time buyers to the existing inventory. So the building community of new housing, for the essential part, are not the primary first-time buyers of housing.

10-01:07:40

Lage: I see the point you're making. You have to figure the whole housing stock.

10-01:07:43

Watson: You have to figure the whole housing stock, right.

10-01:07:45

Lage: But here, in this kind of new area, where was that cheaper housing?

10-01:07:49

Watson: Right now, I can tell you where it is. It's in Riverside.

10-01:07:54

Lage: That's a long way off. [laughs]

10-01:07:55

Watson: I know, but that's historically been true. How do you think the San Francisco peninsula grew? How do you think Oakland grew? Oakland was the less expensive residential area for people who worked in San Francisco. The peninsula grew because that's where the people commuted from. Jobs have flooded out to those areas now, but that's a relatively new phenomena that began in the sixties. If you go to the fifties or the early sixties, all of those were residential communities.

10-01:08:28

Lage: But when you started building here, you were building the more high-end, it seemed.

10-01:08:35

Watson: We were higher end than—

10-01:08:37

Lage: Than some of the other developers.

10-01:08:39

Watson: Right.

10-01:08:41

Lage: Now, what was the thinking there?

10-01:08:42

Watson: Because we have a better location. The example I always have to get you back to, is that \$35,000 house that resold for \$45,000. If you want to live in Newport Beach, you pay more than if you live in Costa Mesa maybe in exactly the same house. It may be snobbery that does it; it may be all kinds of reasons. But the marketplace—they set the value. We don't set the value. The resale market sets the value of the housing. So what we do is, we go—and any developer that builds on the ranch—they go out and say, what are houses selling for in Irvine now? I mean there's thousands of houses already out there. They can't set a price for a new house that is exactly the same size at much above what the resale is at. Or they got to make it fancier or bigger, so that person has that choice between the fancier and bigger, for them to pay a higher price. So we set prices governed by the market.

10-01:09:33

Lage: But also by how big you make the house and how many amenities you have in the house. How did you decide those choices?

10-01:09:39

Watson: Right. Those choices are all by looking at the marketplace. You say, what are people looking for and what do I have to pay for the land, and so forth. I mean that's always been true. It's hard for people to accept that the marketplace governs but the marketplace does govern. If we set the price too high they won't buy it. You know? So you drop the price. The difference today is that the restrictions, both directly and indirectly, on the number of units that can be built have, in fact, inflated the price of housing in these areas. So, as a consequence, there is a huge, huge shortage of housing in California in relationship with the population.

10-01:10:22

Lage: And do you see those restrictions placed by counties and cities? Water districts?

10-01:10:28

Watson: They are placed by the politics of it, the existing homeowners. If you're going to run for city council or mayor of Irvine, you got to also convince the public that you will keep control over the pace of growth in their city. And I'm sure wherever you live you hear this all the time—pace of growth. Pace of growth really means don't keep up to the pace of the demand. Now, they had trouble in the fifties of going over demand and some people went broke. That's not true anymore. I'll give you an example of the shortfalls. You see it all the time. You'll see proclamations come out of the governor's office: We need more housing. I don't know how you're going to get it because the local communities won't approve it. Newport Beach will throw people out of office for approving another subdivision.

10-01:11:19

But early on, a part of the vision we had of the community is that we did not want to be just a residential community. The only difference I had with people is that we are one of the regional communities. We're part of the region. We're going to find our role in that region. What do we contribute to the region? We're not going to be obsessed with where the people have to work because we can't force them to work in Irvine. We can't force them not to go to Riverside and commute in just like they did before. But—now what was the point?

10-01:11:54

Lage: [laughs]

10-01:11:55

Watson: The—

10-01:11:57

Lage: I'm losing the thread as well. Maybe we need a break.

10-01:12:03

Watson: Well, let me just—

10-01:12:04

Lage: Yes, finish your thought.

10-01:12:07

Watson: Oh, yes. The example I was going to give you is what they call job-housing balance. That is, they have different ratios, which have changed with time but—and I'll tell you why they've changed with time; mostly having to do with women entering the workplace—but you try to make sure there's enough jobs. You'd like to have enough jobs, let me put it that way, in your community your goal is everybody who lived there could work there. Or the other way around: have enough housing for whoever worked in that community. Now, because we are only part of a region, you really got to look at it on a regional basis. Our goal for Irvine was we'd like to have a job-housing balance. Now, we said that in the early sixties when Orange County was a commuting county, where people lived here and many of them commuted to L.A. to work, or elsewhere in Northern County to work. So we had a surplus of housing over jobs but as, what I call the revolution in jobs—that is, as jobs suburbanized itself to the point where the word “suburban” doesn't mean anything anymore—

10-01:13:11

Lage: And you were developing these commercial—

10-01:13:13

Watson: We're not only just doing that, but I'm talking about the jobs. That is, I'm talking about office buildings, people, the lawyers coming down here, the accounting firms coming down here, the distribution companies coming down here, then the high-tech companies. High-tech companies are small, usually small, little companies that locate not where—in the traditional way on a port somewhere, or near railroad lines somewhere, and they don't want to be in L.A. They want to be close to where they want to live. So we grew, as did most developments like us, tremendously in terms of jobs. All right, now the job-housing balance at first was, we were out of balance with surplus of housing over jobs. Today, you want to know what it is? If you wanted a balance from the number of jobs that are in Irvine so that everybody who works in Irvine could live there, we would have to build 85,000 houses tomorrow without adding a job.

10-01:14:08

Lage: So it's gone completely the other way.

10-01:14:09

Watson: It's completely the other way, and that's a factor of—and we're not the only place. But that's a factor of—the fact is that politically, the citizens of Irvine who have located there, love it, and they're worried about traffic and all the things you worry about in terms of growth. And that manifests itself in one way: slow down the growth of housing. Don't slow down jobs. That's economically beneficial to us.

10-01:14:35

Lage: I'm going to cut you off here because we only have eighteen seconds left on this tape.

Interview 7: May 7, 2003

11-00:00:00

Lage: Now we're going to start recording and here we are, still May 7. We're back from lunch. I'm calling this interview seven and it's tape eleven. We're going to continue talking about affordable housing, which is where we left off before lunch. During lunch you mentioned the Bridge housing and we got into the sort of community objections.

11-00:00:24

Watson: Right.

11-00:00:25

Lage: If you can kind of take me through time in different developments.

11-00:00:29

Watson: Let me frame that subject about affordable housing. The term "affordable housing" is a term that does not really define what it is but it's used all the time. Obviously, affordable housing to a multimillionaire is one thing and affordable housing to somebody who works at McDonalds is another thing. So basically the public conversation about affordable housing does not pertain to millionaires but those below the median income of Orange County residents. And they further define that group between those at 50 percentile and 25 percentile of the county's median family income. The challenge is to provide housing at an affordable price for this group.

11-00:01:30

Lage: The 25 percentile, you mean?

11-00:01:32

Watson: Or even those at the median income level, let alone those at the lower levels. For those at the median and 80 percentile levels they usually can find apartments to rent but not homes to buy.

11-00:01:38

Lage: Wow.

11-00:01:39

Watson: But to buy a house today, it's more and more difficult, when the median price of new and existing housing for sale in the county today is about \$390,000. Through the years, the company has attempted to respond to that need. Part of it is just pressure brought by public agencies or advocacy groups; and others our own desire to do it. I have already given you the example—or did I give you the example on tape—of the houses at Harbor View Hills?

11-00:02:08

Lage: You did. We talked about Harbor View—

11-00:02:11

Watson: Okay, so that's the first experience, but that's a pivotal experience, at least in my education on the subject. That, when you are trying to sell a house below its market value as represented by houses similar to that elsewhere, you've got to either have some sort of restriction on resale at the end, or it will cease to be affordable when the owner sells it. It satisfied that buyer to come in and buy it at that below-market price, and as long as they

live there that's beneficial to them. When they go to sell it, they're going to sell it for the highest price they can get for it and it comes out of the inventory of affordable housing.

11-00:02:47

The two basic ways that the company has dealt with that through the years, one is to use certain federal programs. They have had some programs that provide lower than market rate financing to those who qualify if the seller sells the unit at a specified price affordable to the buyer.

They will give the buyer low-interest loans to buy it, if you restrict the price of the housing to certain levels they have. We have done a couple projects of for-sale housing with such programs but the problem returns when the family sells.

11-00:03:38

Lage: Have you immersed them into some of your villages?

11-00:03:40

Watson: We would always immerse them; early on we would always try to put them within one of our villages. I can't remember which village it was but it is before we did Woodbridge. There was one between Jeffery Road and Culver Road, primarily off Culver Road, up near the I-5 freeway when we were planning the village we proposed to offer some units under one of the federal programs, in response to the desires of the city council that a portion of the housing would be Section 8 housing—affordable. Just to illustrate that the difficulty is not only a financial difficulty but it is a political difficulty. Even though there's political people who want us to do it, there are people who live there who don't want us to do it. When the project came before the city planning commission the existing residents objected to the injection of housing below the price they had paid.

11-00:04:45

Lage: And how did their voice—

11-00:04:48

Watson: Well, they had every objection in the world, but most of it came down to it, it would reduce the real estate value of their homes. So they saw this as a threat to the most important asset they had, which is their house.

11-00:04:59

Lage: Well, were they worried about the type of person who would come to live there or something about market value?

11-00:05:03

Watson: They are always very careful to not say that, but there was those kinds of insinuations that these people are not the kind of people that belong in our community. But for the most part because that's a politically incorrect way to deal with this problem, it was more of there was a threat—whether it's the people or whether it's the house—to the values of their own houses. And this—

11-00:05:25

Lage: Were the houses going to be more simply built or smaller?

11-00:05:29

Watson: Well, they would have been smaller, yes. It really wasn't the design of the house, it was the fact that it was going to be sold to somebody for below what the market value was, particularly for what they could get for their own house. So even if it was the biggest—the two issues was it might be a smaller house than they thought it should be in their neighborhood; it mostly had to do with the price. And they were very vociferous about this, and they were very open about this, and there's always somebody who comes up and makes an issue out of it, maybe a racial issue or something else out of it, but most people would not listen to that objection. It was more the argument of what you're going to do to the property values here.

11-00:06:08

Lage: Yes, property values.

11-00:06:09

Watson: And property values is an argument that is used all the time on no matter whatever issue you do. I stood up at the meeting, because I figured that we needed to be on record what our position was. And I said I was an advocate—that's the reason we're doing this—of trying to have a small portion of what we build to be in the affordable range, at least in the range of the 80 percent affordable of median income range. But it didn't prevail. Basically, we lost the argument. But we used that as an example of what we should do next time, and the next big project, of course, was Woodbridge. And there we started out that we were going to open on day one of June 1966—no, 1976, I'm sorry, was the opening day of Woodbridge—that we were going to have nine different developers' housing types opening up at one time. Some of them were townhouses, some of them were larger houses, some were smaller houses, and we slipped into that package some Section 8 housing and we never advertised it. Those houses, and it was an experiment on our part because we wanted to—I wanted, at least, to demonstrate to the public, if I could, that those houses could sit side by side with the other housing and they would never depreciate the houses next to them.

11-00:07:31

Lage: And are they sold in a different way? They're not sold on the open market?

11-00:07:35

Watson: They're not sold in the open market. You have to qualify for them—well, they're sold on the open market, but the person who's buying it has to qualify. So you make it known to the community that they are available without making a big ad in the paper about it, and there wasn't a lot of them. I don't remember how many units we had built. To this day, I don't think I could find those in Woodbridge. I don't think anybody even knows they exist, and it sort of proves to me that it didn't influence the value of the houses around it. But that doesn't really change those people who, for whatever reason, don't want to have those kinds of—whether it's those people in their community or the price of housing. They don't want to know about it.

11-00:08:15

Lage: Right. When those Section 8 houses are sold, are there restrictions?

11-00:08:22

Watson: They have a restriction on resale. They have a resale restriction on them.

11-00:08:25

Lage: The same low price?

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Watson: Well, if you're going to buy it for a price below what it could sell for on the open market, you have to agree, under that program, that when you sell it—I don't remember the exact terms, but it seems to me that after so many years you can put it on the open market. But if you sell it within the ten-year period, or whatever the restriction was, you have to agree to sell it for no more than what the consumer price index increase allowed. The reality is that the market price always increased much higher because the real estate values went up faster than consumer price index.

11-00:08:57

The thing is, however, to be perfectly frank with you, it's a drop in the bucket to the problem. I mean, it's tokenism in many respects, and that moved us for the most part to try to deal with that problem through apartments. We have built literally hundreds, maybe thousands, of apartment units that have been integrated into our project that, for the most part, people don't know that there are people that are low income or lower income.

11-00:09:25

Lage: Are these apartments that are for lower income people?

11-00:09:28

Watson: They are portions of a project of apartments. You've got 300 apartment units in it. You take maybe 20 percent of those units—and you don't designate which units they're going to be. That 20 percent of the units have to be rented to low-income qualified people. For that benefit, you are able to attract some low-interest government bonds that reduce the cost of the project and therefore you can, from a business point of view, justify getting less rent for some of the units. Because they look the same and are the same, nobody living in that complex in the other 200-and-some units even know that their neighbor, if it is a neighbor, is somebody who has qualified for affordable housing. That to me has been one of the most successful integrations of affordable housing in the community.

11-00:10:25

But it still can be difficult—the economics don't work if the city insists we include units rented at the 50 percent, or even the 25 percent of the median income level. That just illustrates that we still have a housing affordability problem, and that problem has been aggravated by the fact that we have not built—and we still to this day don't build—enough apartments. I don't mean just us; I mean in Orange County the industry doesn't build enough houses for sale to satisfy the market demand. That's the main reason the price of housing is escalating and the problem is bigger today than it was twenty years ago, thirty years ago, and forty years ago.

11-00:11:12

Lage: You also showed us as we were driving around those—I think they were triplexes in Woodbridge that were so—

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Watson: Right.

11-00:11:19

Lage: Do you want to talk about those?

11-00:11:21

Watson: Woodbridge is a large project. It's 1,700 acres. It has about 10,000 dwelling units in it and it has 25,000 people living there. There's one master association that takes care of the large lake and the recreational facilities, and there are a lot of sub-community associations that handle the different projects within it. But there is a loop street in it, which we call a secondary road, which sort of loops around; it is called Yale Loop. And we wanted from an image point of view to have the look like the old estate housing up in LA, Bel Air, and so forth, with very large houses with large front lawns. We put in alleys in the back so there was no garages showing on the front, and if you drive down Yale Avenue it looks like there's somebody's—rich person's house, because they're quite large. But if you look at them very closely there's three entry doors and what they are really are triplexes, and in fact they are the least expensive housing in Woodbridge. These are the least expensive housing outside of the government programs I was talking about. And at the same time it was not something that was a threat to the rest of the community, because these do look like glamorous, large estate housing. But by dividing them into three units you're able to get the price down.

11-00:12:53

Lage: What about the Bridge housing?

11-00:12:56

Watson: Bridge is an organization started and primarily domiciled in San Francisco, created by a group of businesspeople up in San Francisco who met with the mayor about the high price of housing. They went through a series of studies of how to deal with it, came to the same frustration that I have come to on the subject. Because these are all either financial people—Gerson Bakar, who is one of the largest apartment house developers in northern California, was part of this group and a group of his friends, they were part of this committee. They decided, after going through all the studies that we all go through and look at: let's just build some. Let's just create an affordable housing organization and just start building them. So they actually put their money up to form a nonprofit corporation called Bridge. And the idea of the Bridge is it bridges you between non-affordable and affordable.

11-00:13:52

And they hired a man named Don Turner who had been secretary of housing for the state for a number of years, had at one time been dean of the school of planning at Berkeley, has a Ph.D. in planning, had also spent part of his academic career at Harvard. He had all the credentials you could ever want to argue the point of housing, and he ran that organization. I remember Don Turner used to tell me that for years he had, like, 1,500 employees in the State Department of Housing and never built one affordable unit. He was now head of Bridge where he had a dozen employees and they had built 5,000 units. So they are one of the largest in the country and it's on the West Coast. They would go in and find land that they buy. But what they do is that they'll find an old school site, an elementary school site that has been abandoned, for instance—and they take the school off it. They go in to the planning commission, and because of who they represent and because of the skill of Don Turner, they were able to get zoning at a higher density than maybe would have been allowed a regular housing developer. And they'd build affordable housing using mostly government financing and programs like that. Because of his reputation and because they are so dedicated to that, they have pockets of housing in all kinds of places throughout northern California.

11-00:15:11

I had known Don Turner for some time, and when we were trying to deal with this affordable housing problem I invited him to come to southern California. And as a matter of fact the Irvine Company to this day still joint ventures with Bridge, although Turner is no longer alive, with that organization as a partner in developing really affordable rental units on the ranch properties.

11-00:15:34

Lage: Do you do it within your villages here?

11-00:15:36

Watson: We do them within the villages, right.

11-00:15:39

Lage: So that's a good—I know there was some kind of a lawsuit against the company having to do with affordable housing and I thought your friend Wesley Marx's name came up in connection. Do you remember that?

11-00:15:53

Watson: Well there was a lawsuit brought by the foundation—I forget its name. It was a very good lobbyist in taking the side of getting more affordable housing, and they filed a lawsuit against the company.

11-00:16:10

Lage: Do you remember when that was?

11-00:16:14

Watson: I'm going to guess it was in the early seventies, or mid-seventies, somewhere in there. It's not hard to make a case that somebody like us, or any builder, is not building affordable housing. If you take the county population as a whole, which they will do, and then say a certain segment of that population are poor as defined by the government, they are able to show that we were not providing housing to that group.

11-00:17:02

Lage: There've been so many lawsuits.

11-00:17:03

Watson: Well, there was one or two but there was one lawsuit that had to do with claiming that we had discriminated against an African American in renting a unit. I don't know whether it was part of that same lawsuit, but the more important lawsuit was filed to say we had not provided enough affordable housing. In the long run—I can't remember the name of the lawyer who was representing the group, but he became a good friend of mine. I mean I enjoyed debating with him on the subject, and I was very amenable to the problem. I just didn't know how to solve it; nor does anybody else know how to solve it including him. But his job is a different job. His job is to try to force you into doing it. He doesn't solve the long-range problem but when you build it and it's sold in the market, how does it stay there, and all the things I've talked about. They're just to get more of them on the marketplace.

11-00:17:57

I believe we settled that suit is what we did. We agreed to maybe contribute some money but also to create, and I don't remember the number of units that would be affordable.

Our resolution to that was, they all fit within these apartment projects I've been telling you about where we have a certain percentage of them that will be affordable. And we do have requirements, even when we build in Irvine now or in Newport Beach, because it's state law. If they're going to approve a subdivision, you have to have a certain percentage of the units be affordable. Now, it doesn't have to be in that particular tract. Let's say you're building in a very expensive area. They don't force you to build them there so you build them somewhere in the community. So we do that now. We do it at Newport Beach. We do it in Irvine. And part of it grew out of that lawsuit, but probably would have happened if they never had the lawsuit, too, because there is a state law that says every community needs to have an affordable housing section to their code.

11-00:18:56

Lage: When they're talking affordable, they're really not talking about poor people, it seems.

11-00:19:00

Watson: It depends on what you define as poor people, again. My recollection is they defined a family as poor if the family income is below 25 percent of the local medium family income. The problem for this group is, with the exception of public housing by the federal government the private sector can't figure out how to build new housing for that group.

11-00:19:16

Lage: You mean it's too low?

11-00:19:17

Watson: It's too low. You can't afford to build a new project because you're not—nobody's giving you a break on the lumber or the windows or anything else. And the government loans only cover a certain portion of it, and so it's well below that. What happens, and it's not just with us—I mean, we don't build the for-sale housing. We build the apartments and own them, but we don't build the housing. What happens is that the developer, if they're shackled with too many requirements, whatever they sell below their cost here they have to add to the houses they do build. If their profits go below what they consider an acceptable risk, they just drop out of the project. So, for the most part, if you go around the state and see those restrictions, the city councils have learned that they've got to make sure that they—they've got to get an honest answer as best they can from the developer on how far down they can go and afford to do it. But I would guess the need has gotten more severe. As for the general public's interest in this problem, their interest is primarily finding a nice place for them to live that will go up in value so that when they sell it they can make a lot of money.

Lage: 11-00:20:33

And wanting the open space, too, I would think.

11-00:20:36

Watson: They want the open space. Affordability is not—if you go on a poll of a community, much is of interest to them so long as it doesn't affect the price of their own housing. That's always a threat to them.

11-00:20:49

Lage: Interesting. What about mobile home parks? I see that the company did build at least one mobile home park in Tustin.

11-00:21:02

Watson: I saw that from Ted's question. I don't even know what project he's talking about.

11-00:21:05

Lage: Oh, so that's not something you're aware of? [laughs]

11-00:21:07

Watson: I don't think we built a mobile home park, but we did build one mobile home park in the middle of the ranch, which was for employees of the agricultural division of the Irvine Company. The Irvine Company had been an agricultural company for most of its history until 1960. As with the rest of the agricultural industry the company paid low wages. But what the company did was it provided housing for many of its permanent workers. One way was we brought in some mobile homes for them to live in. So we had a whole mobile home park. It was a very small park but it was a very nice one too.

11-00:21:44

Lage: But it wasn't in Tustin? That's where I—

11-00:21:46

Watson: It wasn't in Tustin. Yes, I don't know what he's talking about. Maybe it's my memory.

11-00:21:51

Lage: Well, maybe Ted knows something we don't know.

11-00:21:54

Watson: Right, right.

11-00:21:55

Lage: And he also asked why you never got into adult-only or senior housing.

11-00:21:58

Watson: First of all, right on our southern edge is Leisure World. It's a very large elderly community and a very nice one. We, at times, talked to Ross Cortese, who was the developer, about that, about him expanding onto the Irvine Ranch. But he never wanted to pay enough money for the land. He wanted us to subsidize the land for him to do it, and so we passed.

11-00:22:30

Now there are projects on the Irvine Ranch that are for elderly. There is a large 550-unit mobile home park in the upper part of the ranch, really, at the intersection of Irvine Boulevard and Jeffrey Road. My sister-in-law lives in there, and it's a very nice community. You have to be age fifty-five and above. No children allowed. The people who own a unit also own the land under their unit thus protecting them from escalating prices of mobile home ground rents.

11-00:23:05

There is, across from the university, a number of elderly living complexes. For instance, the Presbyterian church has a program where they build senior housing, which is care housing where they provide meals, and so forth. And there's a number of projects in that development that are also—

11-00:23:22

Lage: And those were—you sold to the Presbyterian?

11-00:23:24

Watson: Yes.

11-00:23:29

Lage: And then would you also oversee the design of that and the architecture?

11-00:23:33

Watson: We oversee the design of everything. You cannot build a building on the Irvine Ranch—and that's been true for forty years—without our approval of the design. It's irrelevant in whether it is a mobile home or elderly housing or whatever it is. We have design control.

11-00:23:42

Lage: Now what do you look for in those designs?

11-00:23:42

Watson: It's in the eyes of the beholder who's looking at it, of course.

11-00:24:00

Lage: And who looks at it?

11-00:24:02

Watson: Well, we have a whole department that does that. But—

11-00:24:07

Lage: I mean, in the early years it was very small—

11-00:24:09

Watson: See you're trying, within whatever village it's in, to blend into the village. You don't want to have—we don't want to have—it's our view of it, that if you have two houses one on each side, or two buildings one on each side, and somebody comes in with a design that is totally different in character. I'll give you an example that I've used when we were interviewing some architects for an office building we were going to build in Spectrum, which is one of our business areas. We already had a number of office buildings there and we were looking for a certain character of Spectrum—as we did in Newport Center. Because our goal is for Spectrum, and all villages, to as a whole have a strong sense of place. Thus we look at the design of every building as to whether it enhances that sense of place, not just how it looks by itself. If you go to Greece, people are always bragging about how much the unity, how much the sense of architecture all comes together, both in color and materials, and so forth. In this country, you know we have every ethnic group in the world, we have every taste in the world, and so forth. But we try in different villages to have a flavor of architecture in there, and that's what we're looking to do.

11-00:25:28

What I did in interviewing some architects for an office building in Spectrum from the firm Arquitectonica, from Florida, who are well known for designing buildings that stand out rather than fit into their surroundings. Now that may be an appropriate thing, if you're going to put it in the middle of Miami and you're trying to compete with every other building. But when they got through showing all their examples of all the sort of the buildings that would stand out and cry about saying how unique they were. I said, "Well,

let me tell you what I think our difference here was and let me ask you how you would deal with this. Let's say there was a vacant lot in Florence, Italy, right next to the Florence Cathedral. Now what would you do there?" And it completely stumped them. Why it stumped them, I don't know, but the point I was trying to make is it depends upon where the building goes and how it fits in. And certainly in my view, it wouldn't be appropriate to build a Frank Gehry designed Disney music hall right next to the Florence Cathedral—Brunelleschi's great dome—because that's the thing you want to have stand out, and we're not trying to have every building compete with every other building. So, we try to get our review architects who review these drawings to not take their own personal values into account, but to review each building as a building block for the entire village or complex.

11-00:27:01

Lage: Now, more than when you were—?

11-00:27:03

Watson: Now, more than my time. But even so, even at this time, you have a hard time training the architects to understand it. We've set many of our villages in Mediterranean style. But we remind the architects that Mediterranean covers Spain, France, and Italy, and also have much rich variety within them.

11-00:27:13

Lage: And Greece.

11-00:27:15

Watson: Yes, and Greece. There's a lot of different design changes, but there's a certain vocabulary.

11-00:27:19

Lage: And Africa. [laughs]

11-00:27:20

Watson: So that's the kind of work we do. It's easier to do for most of our housing because we own the apartments we build so we have influence, obviously, over that. We approve all the home builders, and they all know that they have to submit their drawings to us and they're used to doing it. It's the custom home lots where we usually run into trouble.

11-00:27:38

Lage: So you have some custom lots.

11-00:27:39

Watson: Oh, yes. We have many custom lots. Those people hire their own architects and bring them in, and you're dealing with people who have reached a point of life of where what they submit to you is what they like.

11-00:27:58

Lage: Do you allow them a little deviation?

11-00:28:00

Watson: Oh, you allow them—yes, you do. You do, but not—I used to have a saying that this system of approving architecture is only going to work if somebody doesn't say, "I won't build on the ranch, unless you allow me to build this house." And we say, "Well, then,

don't buy that lot." We've been very strict about it. That has brought us both praise and criticism. The criticism is it's monotonous. There's a sameness. And the term that architects will use more frequently in describing Irvine is: there's nothing spontaneous about it.

11-00:28:35

Lage: Yes.

11-00:28:37

Watson: My response to that is: That's right. What we are offering on the Irvine Ranch is not what the whole Southern California is, or all of Orange County is. We're offering a community that's reputation is built upon planning and thinking about how things harmonize and work together. For somebody who doesn't want that, there's lots of places in Orange County to live. We can't satisfy everybody. We're trying to satisfy what we think is the majority of society that wants this kind of protection and wants this kind of community to live in.

11-00:29:12

But there is—Laguna Beach is sort of like Sausalito up north. I mean, there is all kinds of spontaneous explosions going on in those communities. Orange County has a great variety of architecture. We are only one piece of Southern California. We have set as a priority to create a distinctive sense of place and one of the ways we do that is through our architecture and village designs.

11-00:29:41

Lage: They don't have to live here.

11-00:29:42

Watson: They just don't have to live here.

11-00:29:44

Lage: What about color?

11-00:29:46

Watson: Color is a big part of it.

11-00:29:47

Lage: That's a big part of it. What about later, you know, ten years down the road if someone wants to paint their house bright green?

11-00:29:52

Watson: What happens then is that, whatever village you're in—and the development within a village, remember, there's a number of developments within a village by different builders—there is a community association. Once the project is finished and has been sold out, the community association design approval is turned over to the residents, and we no longer have a voice in the architecture. However, the experience has been that they are tougher on the applicants than we are, because they are the homeowners. So they turn down houses that will block someone's view or a garish color that they believe is incompatible with their street, or whatever it is. But it's up to them. Thankfully, we don't get involved because those are the most difficult of things to do—the homeowner who wants to remodel their house or tear it down and build a bigger, grander one.

11-00:30:46

Lage: Building second stories, has that become an issue?

11-00:30:47

Watson: Building second stories has become an issue if you're blocking a view of somebody behind you. For instance, I've added a second floor on our house but there's nobody behind us so we didn't block anybody's view. But if the person down below me was to add a second story on his, hopefully they would do it in such a way that he would only take a little blip out of my view. View protection is one of the most highly protected rights an existing homeowner wants protected.

11-00:31:08

Lage: So then could you go to your community association?

11-00:31:10

Watson: I could go to that and protest. That doesn't mean they have to listen to me. Some of the associations—when we were on leasehold, the company had the absolute authority to approve all changes. We could just be arbitrary about it. I mean, we just said we have the right to approve it. When we turned the property over and allowed the residents to buy their lots, the associations took control. In some cases we did not put enough meat in the deeds of the land that allowed them to turn down to block an addition that would obstruct a view in Eastbluff. And a lawsuit was filed by the person that was turned down and the association lost the case because our written rights had not stated that view protection could be a basis to disapprove a remodel.

11-00:31:57

Lage: You didn't give the association the power to do it?

11-00:31:59

Watson: We didn't put it in the deed of the lots. When you're on leasehold, the lease instrument said Irvine had the absolute right to restrict what you do.

11-00:32:25

Lage: Oh, I see. Okay.

11-00:32:26

Watson: Now, for other developments, most other developments we were much more precise about protecting view plans. So it depends upon the language of the deed. But the answer to your question is that once a neighborhood is sold out now it's really between the association and their residents.

11-00:32:36

Lage: And do you know if community associations regulate things like your clothesline or hanging things from the apartment balcony?

11-00:32:50

Watson: I've never—they may. I don't know. That's one of the interesting stories about Celebration [Florida], Disney's new town. A story was written about somebody had drapes that were the wrong color and they told them to take them down. I have never heard of a story that went that far, although it's possible.

- 11-00:33:10
Lage: But that may not be written into the deed.
- 11-00:33:12
Watson: Yes, I know. I don't know.
- 11-00:33:15
Lage: You would know it if it wasn't.
- 11-00:33:16
Watson: We have hundreds of associations, and I don't know what each one states. I try to stay out of it, fortunately—
- 11-00:33:27
Lage: [laughs] You have one here that you deal with on Eastbluff.
- 11-00:33:31
Watson: Right, but I don't get much involved in that. I got involved in it when it tried to—a group of people in my community wanted to take our public streets private and put a guarded gate on here—
- 11-00:33:41
Lage: Yes, we talked about that. We have that story. Good. Well, all of this that we've been talking about relates to diversity issues. Should we talk a little bit about—
- 11-00:33:53
Watson: Sure. I'm trying to figure out where you're going.
- 11-00:33:56
Lage: Well, I'm thinking about anti-discrimination clauses, and then how the community has become more diverse—
- 11-00:34:05
Watson: Right.
- 11-00:34:04
Lage: You may have fostered that or—
- 11-00:34:07
Watson: I understand what you were asking me. The subject of discrimination—that is, selling to people other than Anglo-Saxon, white, blonde people—was a subject that was a moral issue to me and an issue that the company was willing to deal with. Remember, this is a farming company. Every one of these issues is a new issue being brought up before that board. And we were all new management who were brought in in 1960 and '61. I learned after I was here for a while, that the county had an old reputation of discrimination against particularly two groups, blacks and Jews.
- 11-00:34:58
Lage: Was it an earned reputation?
- 11-00:35:00
Watson: What does that mean, earned?

11-00:35:01

Lage: Were there incidents that you know of that had happened?

11-00:35:04

Watson: Oh yes, oh yes. Yes. For instance, part of the history of Anaheim, which is one of the largest and oldest cities in the county, was that the Ku Klux Klan had controlled the city council in the twenties. I also had heard there was discrimination against those of the Jewish faith in Newport Beach. By the time I arrived the black issue apparently was not a big issue that I could find. First of all, Orange County does not have many African Americans. We now have a large Asian and Latino population.

11-00:36:10

Early on, my first exposure to that attitude about minorities was a meeting that was held at the company, I would guess, about 1963 or '64, with a group of residential real estate brokers primarily dealing with resale of housing. The houses that we were concerned about were those on Irvine Company leases. The Irvine Company required when you owned a house on leasehold, and sold your house, the new buyer became the lessee and the Irvine Company required that they submit financial evidence similar to a bank approving a loan. I'm sure the bank had to approve your loan for the house. We had to approve—and the only thing we ever looked at was: were they financially capable of paying the ground rent? If they could afford to buy a house they invariably could be, but that's what we required.

11-00:37:18

In this meeting, the brokers were having a conversation primarily with the real estate executives of the company. At that meeting they expressed thanks that the Irvine Company had kept this area "clean." At first I had no idea what they were referring to but soon it became clear that our approvals keep the undesirable, whoever they were, out of this community. After I listened to them about as long as I could stand it, I said to the group, "I think I now know what you're talking about when you say 'something clean.' You're implying we discriminate to keep out people that you don't want to live in this area." And I told them, "The only basis by which we review the backgrounds of prospective leasees is, can they afford to pay the ground rent? That's the only thing we do." "Secondly," I said, "I am adamantly opposed to discrimination of any sort on any development on the Irvine Ranch. If I find out that any of you do discriminate on property we have, I will make sure you never get another broker's fee from this company again." And I walked out of the room, and I went into the president's office, who was Charles Thomas, a wonderful man, a conservative Republican, and I told him that story. And I said what we need to do is get a resolution of the board of directors of nondiscrimination. And at the very next board meeting he secured such a resolution. Now, there is a law in this state against discrimination of any type, that was passed in the late sixties called the Rumford Act.

11-00:38:47

Lage: Yes, '64 I think it was.

11-00:38:49

Watson: So this was prior to that. We actually had a board resolution and from that point on, we put that nondiscrimination clause in every business transaction we had having to do with property, with the developers. When we built the private Big Canyon Country Club down here, which is a very posh kind of club that the members own, the deed had a

nondiscrimination clause. And I'm proud of the fact that the company has stood up behind that issue and has never hidden its desires—or never hidden behind some sort of screen to discriminate.

11-00:39:31

Lage: What was the reaction of your realtors when you told them that?

11-00:39:36

Watson: They didn't say a word. There was no question about what I was saying and that I was disturbed. I didn't stay around to hear their reactions.

11-00:39:49

Lage: Did you ever have to kind of watch out for this—there's many subtle ways of discriminating.

Watson: Well, I know. We didn't put a police force out, you know. I mean, I can't say that homeowners on leasehold may discriminate. Basically, what happens is that somebody selling the house may discriminate. I don't know. But we made sure that—our nondiscrimination clause was enforced in all our business transactions. I've been told by some people in the Jewish community, they give me credit for breaking the anti-Semitic reputation of the area. Years later I helped the Temple Bat Yahm secure the first Jewish temple in town. The company sold them their site and carried a low-interest loan for a period of time on the land until they could afford to buy it.

11-00:40:38

Lage: Now did you do that for this reason, to make it—

11-00:40:42

Watson: I did that as part of my desire—our desire, really—to have every religious group have a place of worship in the community. It turns out I was playing tennis with somebody who was part of a new group beginning a new temple. I personally grew up not knowing the difference between a Lutheran, a Catholic, and a Jew. That was because my grandmother, who raised me, changed churches each time (four times) she started a different rooming house. I specifically remember attending a Baptist, Congregational, and Presbyterian. When I first saw a Jewish temple I thought it was just another church like the ones my grandmother attended. So, anyway, the temple was looking for a site.

11-00:41:43

Lage: And your tennis partner let you know that?

11-00:41:45

Watson: Yes, the tennis partner let me know. They were looking for a site, and they had taken over an old savings and loan building and were using that as their temple. It was actually a portable trailer that a savings and loan had used. They wanted to buy that trailer and needed a site to put it on. All the different churches wanted us to find them a site. There's endless list of churches, some of which I never heard of, would want a site, and there's only so many sites you have. And I remember telling our planning group to find a site for the temple and they came back, said they couldn't find a site. I remember responding, "This is ridiculous. We own 93,000 acres and you can't find one little five-acre site for Temple Bat Yahm?" So I went out together with them, and we found a site. At that time it was an industrial area where the post office now is together with some offices, and so

forth. It isn't what you would think of as a church site, but they've made it into a temple and they built Temple Bat Yahm, which is one of the largest temples now in the county. The point of it is that the discrimination issue is dealt with on one hand by making it clear you shall not do it and at other times by doing something.

11-00:43:19

Lage: You do something positive to the enable it. What about the other churches? Is that also—I mean, Irvine has become a fairly diverse community, particularly with the Asian community.

11-00:43:29

Watson: Yes. There was an article recently in the *L.A. Times* about the diversity of churches in Irvine, and I don't know whether we should take credit. One of our goals was diversity. Diversity of people and the institutions they use. It's just that that was to us, like say we want to have a diversity of shopping centers. This is a community for everybody to live in. One of the largest food markets in Irvine is the Ranch Market on Culver Drive. There you would think you were in Vietnam. There's such a large Vietnamese population in that part of Irvine, and that market has foods I personally never eat such as squirmly little bugs, but that diversity is what makes Irvine a richer place. No matter how you look at it, Irvine is incredibly successful as a desirable place to live. And none of these things, whether it is becoming a city where many Asians live or Jews live—I'm proud if Irvine becomes a place for everybody.

11-00:44:43

Lage: And they must be fairly wealthy immigrants. It's a large—I saw the statistics, the percentage of immigrants was quite high.

11-00:44:49

Watson: They're not necessarily true—well, there are a large percentage of immigrants and that's mostly on the Oriental side. They're the most recent immigrants. I mean, we're all immigrants.

11-00:45:00

Lage: Right, but they must come with a fair amount of capital to be able to buy homes.

11-00:45:06

Watson: You know, I don't understand, and that's because of my age, how the young people can afford the housing prices that are here.

11-00:45:13

Lage: Yes.

11-00:45:14

Watson: I mean, I know all the reasons why the prices of houses have gone up. But, you know, you look and see down this street here and you see young couples with two- and three-year-olds, and I know when I had two- or three-year-olds I never could have afforded this price range, so I don't know how they do it.

11-00:45:29

Lage: But they do it. [laughs] Okay, let's see. Where are we here? I want to ask if the women's movement—or women going into the workforce, more than the women's movement—changed any of your designs of villages. Did you adapt to that society?

11-00:45:45

Watson: It didn't change the design of the villages. What it did do, is change the calculations on road capacity.

11-00:45:55

Lage: How is that?

11-00:45:56

Watson: Now what happened is that until the early 1970s, and I'm guessing that's when that happened, when the State Supreme Court ruled—there was a restriction on loan qualifications in buying a home. If you and your husband were going to buy a home and you both work, many savings and loan banks discounted your earnings in determining the amount they would loan.

11-00:46:21

Lage: You mean what the woman made.

11-00:46:24

Watson: What the woman—"you" meaning you, yes. I'm sorry Ann. Whatever the woman—in a double-income family, they would often only consider the income of the male as the head of the household.

11-00:46:40

Lage: Do you know when that changed?

11-00:46:41

Watson: I'm going to guess that that was in the early seventies, but I'm not sure. The State Supreme Court, I think it was the State Supreme Court, ruled that that was unconstitutional and forced the savings and loan to allow the income of both sides of the family to be a basis for the size of the loan.

11-00:47:01

Well, first of all that allowed them to buy a more expensive house, a bigger house, but also at the same time the fact that they had an income means they were in the workplace. And so if you went back to when I got married forty-eight years ago, usually the male worked and the wife stayed at home to raise their family—for the most part. As more and more women entered the workplaces, suddenly one car in the family isn't enough. They got to have two cars and they go in different directions. So, all the ratios had always been used to determine the number of automobiles per household dramatically changed. So all the traffic calculations that had been made for years on the capacity of our freeways and our arterial roads suddenly changed. Suddenly there were actually more cars appearing than had ever been predicted, and much of that probably comes out of the emancipation of the women into the workplace.

11-00:48:10

Lage: I've never thought of the connection.

11-00:48:13

Watson: So you see you've caused, Ann you've caused part of the congestion of our roads.

11-00:48:17

Lage: [laughs] I'll leave right now. I shouldn't be working.

- 11-00:48:20
Watson: [laughs] When people ask me how are we going to solve that, I'll just say: women, stop working! Stay home. Do the laundry.
- 11-00:48:25
Lage: Maybe the men deserve a break.
- 11-00:48:26
Watson: Right.
- 11-00:48:27
Lage: Well, did it change how you designed at all or—
- 11-00:48:30
Watson: It didn't change how we designed the communities, but it did cause us to add lanes to the arterial (regional) roads.
- 11-00:48:33
Lage: I would think it would make you put more garages in your homes.
- 11-00:48:37
Watson: Well, maybe it did. By the time we got around to doing our development—remember, I mentioned earlier that the first housing after the war was three bedrooms and a carport, then it became three bedrooms and a garage, and then two-car garages. By the time we started developing, two-car garages was the minimum. [phone rings]
- 11-00:48:57
Lage: Should I pause this here?
- 11-00:48:58
Watson: Yes. [tape interruption]
- 11-00:49:02
Lage: Okay now we're back on. Let me just listen and be sure we really are. Say something.
- 11-00:49:07
Watson: Something profound?
- 11-00:49:08
Lage: Yes, that's it! Profound enough. Okay, we were talking about—I think we're kind of finishing up the progression of the different villages and how they may have changed in adaptation to changes in society or to what you learned.
- 11-00:49:25
Watson: Right.
- 11-00:49:26
Lage: Did you learn from the early ones and make changes in the later?
- 11-00:49:30
Watson: We learned from the early ones. The first one was Eastbluff and then University Park, which was like six months behind, so you didn't learn anything from one to the other, but we did things differently. One of the great advantages of a property this size and a

continuity of management, or a continuity of an idea, or a continuity of a vision, is that you're constantly learning from what you have. If you go in the planning department—they call it the Urban Design Group now—at the Irvine Company, they have maps comparing each of our villages all drawn at the same scale, showing the differences between each village. And you see the densities growing in the later villages.

11-00:50:16

Lage: So they're getting more dense as—

11-00:50:17

Watson: Oh, they're getting more dense. They're twice as dense.

11-00:50:18

Lage: Because of the cost of land?

11-00:50:19

Watson: Because of the cost of land, right. And the houses are getting larger and the lots are getting smaller.

11-00:50:27

Lage: And that's in response to the market?

11-00:50:29

Watson: That's in response to the price of land. The price of land has gone from \$50,000 an acre to a million and a half dollars an acre.

11-00:50:43

Lage: But why do the houses need to get larger?

11-00:50:44

Watson: Because people want them larger, that's just a matter of demand. Also, as the price of land goes up, buyers want a larger house to justify the higher price. The better question is why are the buyers willing to buy a smaller lot? Well, because the size of the lot is less important than its location. This has always been true; look at San Francisco and New York City. Irvine has a reputation that attracts many people for different reasons, but the most common trait among them are, they're families for the most part. They have children who are school-aged, and Irvine and Newport Beach both have two of the best school districts in the state. So if you have a family growing up, what is the primary thing you're concerned about? It's the education of your children. Sure, they could go further out somewhere to get a larger lot, but if it isn't as good a school district—the size of the lot isn't as important as, the fact is, what we have given them or provided them in our villages, is the parks, the recreational facilities, and all the things to which now the yard used to be.

11-00:52:20

Lage: Yes, it's a common space.

11-00:52:21

Watson: And what they see it as—our survey shows they see it as much less lawn to cut or worry about.

11-00:52:29

Lage: Okay, that's understandable but I want to go to—just talk a minute about Woodbridge. Because we talked some on the video about this, but what didn't record was the story you told about the marketing plan for that, and the public response to Woodbridge.

11-00:52:45

Watson: Right.

11-00:52:47

Lage: That was '75 or '76.

11-00:52:49

Watson: Yes, it opened in June of '76, but we started planning Woodbridge in 1973 and that's three years earlier. By 1973 Irvine had been an incorporated city for two years. We had villages just west of Santa Ana freeway and west of the San Diego freeways with a gap between each. Woodbridge was to be the bridge between the two areas. The space we chose for this newest village was bounded by arterial roads on three of its edges and the San Diego freeway on its western boundary. At first we were concerned its 1700 acres might be too large and we could break it down into two villages.

11-00:53:26

Lage: Yes, and why didn't you?

11-00:53:26

Watson: Actually, physically it could be two villages divided by a major flood control channel. But we chose to make the portion on each side of the channel "echo" each other with an internal lake in each sector but with the entire area governed by one community association. Plus we were entranced with the idea of a large village. We had already done a number of villages in the southern part of Irvine around the university, and we had done a number of villages up above on Freeway 5, the Santa Ana Freeway, and we had this gap of land in-between. I was worried that Irvine was becoming two towns. Part of the reason was we were close to utilities in both areas and for practical reasons it was efficient to make Woodbridge into one large village.

11-00:54:45

Lage: East and west it would be, wouldn't it?

11-00:54:47

Watson: Right. Well, the trouble, is north is sort of askew over here so it's hard to say which way is south or east when you think of it. Then the other thing was: What is the theme going to be? Not that theme was a huge issue each time, because all of them were supposed to be, family communities with some units for non-families, all mixed together, and a diversity of housing types and people. But if you take Turtle Rock, it was built on a large hill, so it was more of a hill and view theme. The paths that went through it went into some of the lush ravines traveling through the village as a nature walk.

11-00:55:31

University Park was the first community built in the city of Irvine. That's where we experimented with different forms of townhouses, and we treated the greenbelt different than we did in Eastbluff. In Eastbluff, we had the single family housing and below them townhouses backing on an extensive greenbelt system. The difference between the greenbelts in Eastbluff and University Park was in Eastbluff they were very lovely

walking areas. But the swimming pools were outside of the greenbelts while in University Park the greenbelts because pathways to the community recreational facilities and schools, and therefore became much more usable. So in Woodbridge, as we kicked around the different experiences with the emphasis and theme of a recreational village with the internal paths connecting the lakes and the recreational facilities.

11-00:56:41

Lage: Can you recreate some of this planning process? You know, you say you don't quite remember.

11-00:56:50

Watson: In my mind?

11-00:56:50

Lage: No, for us here, [for the oral history].

11-00:56:52

Watson: Oh, yes, sure.

11-00:56:52

Lage: Was it a small group of people? Who were your planners?

11-00:56:54

Watson: First of all, by 1966 I ceased being the vice president of planning and became the vice president of land development, which means I had all of the real estate, engineering, and planning reporting to me. The only thing I didn't have reporting to me was agriculture. Dick Reese, who had been the planning director of Anaheim, became vice president of planning.

11-00:57:31

What I then created was what I called in-house joint ventures, which included all the disciplines. So for each village we formed a group of representatives including the commercial division, the real estate people, the engineering people, financing people, and the planning people. I would then appoint one person to head up and manage the whole process. This created a planning and development democracy to keep the process moving. That's where the ideas get thrown around. It's sort of like the president's cabinet or something, you know? So ideas would get thrown around, and I would, in the early stages, sit in on those meetings. So I can't tell you who dreamed of the idea of the lake. I wrote a paper—actually I wrote a paper, a memorandum, about the village of recreation, and so forth, and that concept, but that became just the fulcrum from which they started building ideas.

11-00:59:01

Lage: So you came up with the idea of the recreational emphasis?

11-00:59:03

Watson: Right, but basically the idea is the easy thing to come up with. It's implementing that into something that is marketable, something you can afford, something that fits into all the other things you have to do. That's the reason you have in this joint venture financial people, who have that responsibility, too. Then—

11-00:59:22

Lage: Were a lot of bad ideas thrown out and tossed around?

11-00:59:26

Watson: I don't know bad ideas. There's ideas—

11-00:59:27

Lage: I'm just trying to think if it was—

11-00:59:29

Watson: No, no but let me tell you what sort of goes on. I had several rules. Number one, I said that everybody is equal in this thing. Before the planners did the planning, engineers did the engineering, etc. Now, I told the group, no one person or discipline has a monopoly on any part of the process. Everybody is on equal footing. You may come from a different discipline but you're all going to be on equal footing, so that has to do with the respect of your peers that you have in this room. So when we argue or discuss or challenge each other on ideas and check them out to see if they're feasible or not. Finally, however, their question was: Yes, but how about when we get to implementation? There is going to be shopping centers included and in the end the commercial people will be held responsible as a business. The same is true of the housing, whether it be for sale or apartments the company will own. The representative of each discipline wanted to know if they could be over-ruled in the planning how could I hold them responsible.

11-01:00:27

Now, what you're going to have to do—as we always have had to do—let's say you were going to build an apartment project in Woodbridge, or a commercial center, and so forth. Out of those committees, you now will take that to your discipline and you come up with concept and design for it as it fits into where it belongs that, as a committee, you've decided in this plan. That when you come to me as the executive vice president in charge of development, you have to first demonstrate to me how it contributes to the community we want to create. How does it—whether it's a shopping center, whether it's an office building, whether it is a park—how does it contribute to it? If it is a commercial enterprise, an apartment or something where revenue is attached to it, first of all if you don't convince me—and that was the attitude I wanted them to take—if you don't convince me that it contributes to the village idea of what we're trying to do, I do not want to look at the economic pro forma. I have no interest in knowing whether it makes money or not, but once you get passed that first barrier, then I need to see the pro forma. I'll put my business hat on and it has to show me that it is going to be profitable, it fits our criteria of what returns we expect to get, and so forth. It sort of created an attitude that community building and business are equally important and they're not exclusive—that we are a community development company. And we have to constantly remember that as we got larger and larger. I said, it's easier for us to pull off into our disciplines and start building apartments as fast as we can do it, and start building the shopping centers as fast as we can do it, and just have our own way about it, and that isn't the way we're going to do it here.

11-01:02:07

Lage: But you spent some time as a group.

11-01:02:08

Watson: We spent a lot of time together as a group.

11-01:02:09

Lage: Tell me more, then. I kind of interrupted you because I wanted to get a picture of how you were doing it, but tell me more about conceiving of Woodbridge. That seems to be really—

11-01:02:19

Watson: Okay. Well, the idea of the recreation—the theme of the lakes, once that got put on the table, that began to dominate the visual aspect of what Woodbridge was going to look like. Because now you're going to have these two lakes basically, sort of a mirror image of each other. They're going to be dredged out and created. We had groundwater within 500 feet, so basically we were going to use our own water.

11-01:02:43

Lage: So you weren't worried about wasting water?

11-01:02:45

Watson: We were worried about that because there was a drought going on, and early on, when it first got built, we got some criticism of it. But we had covered ourselves well, because we had concerned ourselves about that. The question is, the lake was to replace green space. We had an analysis made of the difference between the water consumption for parks and the water consumption for a lake, and it turned out a lake consumes less water. The reason for that is that when you have a lake the only water you lose is the evaporation. When you have grass you got both evaporation and it has to grow the grass, and basically there is less use of water to have a lake than it is to have a greenbelt. So we were able to answer that question to our own satisfaction and to the outside world who might be critical of it.

11-01:03:34

Now I'll give you an example, however, of how issues would come up. That has to do with the walkway—I think when we were out there I talked about the walkway that goes all the way around the lakes. The two examples we had were Balboa Island and Lido Island in Newport Beach. Balboa Island has a public sidewalk all the way around the island. Lido Island doesn't. There is no public walkway around Lido, so except for a small beach access to the bay, it is exclusive to those owning houses on its edge. Our planners, for instance, wanted to have a public sidewalk similar to Balboa Island and a bridge to go across the lake giving access to the public on one side. On the other hand, the real estate people said, "But you're giving up value by putting that public sidewalk in, because we will receive much more for our land and be able to sell the houses at a higher price if they're right on the water and they have their own dock for their own boats." Part of our group was an appraiser who did appraisals of our land because we had a discipline, when we submitted projects to our board of directors, that we would show what the market value of the land if sold. Then if we're going to build an apartment building on it we had to get a return based on that value. Remember this is fifty-cent-an-acre land but from a discipline point of view we had to treat it as though we had bought it in the open market. So that was something we did, all right?

11-01:05:09

Basically, I told the appraiser, "I have a gut feeling that, if we allow the sidewalks to be around the lakes where residents other than those who are fortunate enough to live right on the lake can also come down and walk around them, it will enhance the value of their houses. So he did a series of studies and came back and said, "I can't find any evidence of

it—I can't discount it, but it's hard to measure that. I mean, you measure houses by what they sell for, and I can't—you know, I either find examples of where they're close to water and they can walk down to it, like Balboa Island, and islands that don't but they are such different circumstances I can't get a correlation." So, I did not have the tools to be able to justify that on that basis, and finally, as you do in any organization, you just make a decision. I said, "Okay, my gut feeling is it will. We'll have to find out—that's what you do in life anyway—so 50 percent of lake edge will be with a public sidewalk and 50 percent of it is going to be where the houses come to it. So we're going to reach a compromise." And that's what we did. That's what we built. And the bridge, we needed a bridge to be able to get across for convenience. When they wanted to name the village, the marketing people wanted to name it Woodbridge I said, "But only if the bridges are wood." So that's sort of the give and take that went on, and it really worked first of all, it all the different divisions to feel like they were participating on this overall development on equal footing. And yet it was not taking away—we didn't end up with giving, let's say, the commercial people a site for commercial building that was unmarketable because the planners wanted to have it there. They had to fight that issue out and we had to be convinced of it. We had—I don't know, we maybe had ten joint ventures going on at one time, internal joint ventures of different projects under this kind of theme.

11-01:07:19

Lage: All in Woodbridge?

11-01:07:20

Watson: No, no.

11-01:07:20

Lage: Or different things that were going on, commercial places?

11-01:07:22

Watson: Different places they were going into. Right, wherever. Newport Center still had one, so forth. So we always had sort of groups working on that. Remember because of their size it would take years to complete a village, and we had need to keep a group together during its development.

11-01:07:28

Lage: When you hired people did you try to get people who would work well in team settings or did you not think of that?

11-01:07:35

Watson: Well, sure. That's a personality question. We went from this very small little group that had no management—well, we had management skills. I must say we were pretty good managers, but we didn't have any of the sophisticated skills. But to the point where anytime we ever hired anybody they had to take psychological tests.

11-01:07:55

Lage: Oh really? And what were you looking for?

11-01:07:59

Watson: I don't know, just whatever comes out of it. We didn't have a criteria we were looking for. Basically—I'll tell you some funny examples of them. First, I'll give you a personal example. I don't know if I've ever told you this. Before I came to the Irvine Company, I

was working with a planning architectural firm as manager of the office, in San Francisco. And the principal, the owner of it, came to me one day and he had become enamoured with the Stanford psychological test. He asked if I would take it, and I said, "Sure. But I had just finished reading William Whyte's *The Organization Man*, and in the back of William Whyte's book there is a chapter on how to cheat on those tests. Basically, what he suggests, here's what IBM is looking for. The middle of the road. They don't want somebody who's going to dress strange and be strange, or a brain, who doesn't mix well. They want the middle. So, if the test gives you four games of cards to play, pick bridge—not some very difficult game, or not poker. The same for music. So they're always looking for the middle of the road. I took that test and I turned it in to my boss. He was the principal, the owner of the firm. And I said, "I have just finished the test you gave me and I'm now going to give you a test." He said, "What do you mean by that?" I said, "I want you to know—I'm honest about this—I lied 50 percent of the time, and it's up to you to figure out when I lied and when I didn't." He laughed. He thought I was joking, but I wasn't. I didn't pay any attention to what my own feelings were; I just did it that way. Two weeks later he came back. He had sent it in to Stanford to be graded; it came back. He says, "You did incredibly well on those tests." So I had a cynical attitude about these kind of tests, but we did them in the company and I finally accepted it.

11-01:09:48

Lage: Did you initiate them or did someone else?

11-01:09:48

Watson: No, somebody else did. But the cynicism I got over with, to some degree, is that they turned out to be amazingly accurate of somebody's personality. There was one test that came back—our commercial people were trying to hire an executive in Commercial, and he came across very personable and everything. He went and took the test, and it came back saying that he had difficulty making decisions. Well, you have to make decisions in our business. You can't, I mean I don't have any difficulty making decisions. You decide to do it and you do it. But some people have agonized over so many options and everything else, and that's how he came out in these tests. The question is: was that accurate? Well, the vice president of Commercial talked to me about it and said, "You know, I really think that's wrong," and so forth." You know what happened? He accepted the job. He was supposed to report to work on Monday. When the person who had hired him came to work there was a note slipped under his door; he said he'd decided over the weekend not to take the job. We had a number of instances like that, sort of fit. I always had a rule: this is not the deciding factor. This is not going to tell you who to hire or who not to hire. It is only one of many things you're going to use to decide whether to hire somebody.

11-01:11:09

Lage: So they would actually give you kind of a profile of maybe—

11-01:11:11

Watson: Yes. What their personality was, you know. Whether they have the tendency for anger—I don't know how they do all this. I mean, I didn't take one of them down here. But in terms of hiring people, you know, you try to hire people with the skills in the field that you're in but who had an appreciation of what we were, which is a planning, community-building organization. And that wasn't hard to find. Irvine Company became a place where you got a great reputation. You could get a job anywhere after you'd worked here.

We were, quote, “so successful,” both visually and business-wise, which is a rare combination.

11-01:11:57

Lage: So people wanted to come here.

11-01:11:58

Watson: They wanted to come here and it’s a great training ground.

11-01:12:01

Lage: I asked you in the car, but we didn’t get this recorded either, what about women in the company? Were there many, when did women come on board?

11-01:12:10

Watson: There are women in the company.

11-01:12:13

Lage: But let’s go back. I mean in the sixties, seventies.

11-01:12:18

Watson: Other than secretaries, no, and I can’t think of anybody in the sixties. It’s interesting, the field that it draws from—which is commercial real estate, not housing real estate—if you take a look at housing brokers, the brokers who sell housing: dominated by women. But that isn’t the business we’re in. Ours were people who had background in shopping centers and office buildings and so forth. Industry at that time was dominated by males, even today. Coldwell Banker is a breeding ground for those kind of people, so we hired a lot of people from Coldwell Banker.

11-01:12:58

Lage: What about planners?

11-01:12:59

Watson: When I went to school, yes, we had two or three women in the program and that was about it. They probably didn’t get the same job opportunities, whatever the reason. You know, that period was before women began to be accepted in our industry. That took a while.

11-01:13:22

Lage: But now you say there are more women?

11-01:13:24

Watson: There are. There were some women with very responsible jobs. Our chief lawyer is now a woman. She just took the job. She’s been in private practice with Melvin and Meyers for years, and well known. Our chief environmental vice president is a woman, been there for a long time. But the industry is still dominated by the males. Fortunately for women and our industry that is changing.

11-01:13:56

Lage: You had Catherine Bauer as a planner, and—

11-01:13:58

Watson: No, she wasn’t a planner.

11-01:13:58

Lage: What was her—

11-01:14:00

Watson: She was one of the country's foremost authorities on housing, housing planning not physical planning. But we would never hire her at the company. She had no skills to bring to what we were doing.

11-01:14:13

Lage: Right, but she probably was one of the few women even in what she was doing.

11-01:14:17

Watson: Yes, right. Well, there's some outstanding women today that come out of even the design schools, but it's still a male-dominated profession.

11-01:14:25

Lage: Do you have any sense of why that might be?

11-01:14:33

Watson: I don't know. I mean, I suspect that there's probably discrimination against them. I don't really know whether women even have a desire to get into the field. I can't answer the question. I don't know.

##

12-00:00:02

Lage: Okay, now we're on, and we're going to talk about the Irvine—

12-00:00:06

Watson: Irvine Industrial complex. Early on in the 1960s, we attempted to entice companies to lease land from us and move their companies down here. They were mostly distribution companies in those days. In other words, we were far enough from L.A. that, if they wanted to distribute products to Orange County, they needed to have a plant here where they had a warehouse and distribution system to deliver the shopping centers and stores growing in south Orange County. Little did we know at the time that the high-tech industry and the other industries related to it were coming on at the embryonic stage of forming new companies and they were coming to spots like us.

12-00:00:49

Lage: Because distribution plants, I think, would need kind of low-cost land.

12-00:00:54

Watson: Yes. Our land was competitive in price. It was, in those days, \$45,000 an acre. We created physically a very nice industrial—what we call an industrial park. I went around to Stanford University and other places which have a similar kind of facility where they sell land or lease land. They leased land, like we were doing, to businesses. So many of the businesses up there around Stanford leased land.

12-00:01:27

Two things. Soon we concluded that we couldn't compete if we were going to stay on leasehold. There was just too much land around Anaheim and Costa Mesa and elsewhere where they could buy the land the companies wanted and they didn't want to lease land.

So we told our board that to compete we needed to be able to sell it to them. The board of directors approved our conversion to fee land sales and to maintain the company's tax status as a non-dealer in real estate. We carved out an area for what we call the Irvine Industrial Complex and made it a subsidiary company. In addition to solving the "dealer" issue the subsidiary had its own board of directors and since it was primarily in the business of selling land it was able to make decisions quickly.

12-00:02:43

Lage: And your board must have approved that.

12-00:02:45

Watson: Oh, yes, the board had to approve it.

12-00:02:46

Lage: Did Joan object to that?

12-00:02:48

Watson: Yes. But you got to remember she voted no 80 percent of the time, so her objection wasn't that unusual. Also, for a number of years our industrial operation did surprisingly well. I had done an analysis for the company, looking at other industrial parks and trying to predict what I thought the volume of activity would be. Because we were only willing to sell to users; we were not willing to sell to brokers or to developers who just wanted to buy a piece of land, put a building up, and try to sell it or rent it. With that as a restriction and based on the case histories of similar industrial parks, I estimated it would do between twenty-five and fifty acres of sales per year. We started that subsidiary up, started the marketing up. Before long, we were doing 250 acres a year. It was way beyond our expectations. But unknown to us it was the beginning of the revolution of suburbanization of business with thousands of start-up high-tech companies wanting to locate near where they wanted to live.

12-00:03:50

Lage: And you hadn't anticipated it, right?

12-00:03:51

Watson: We hadn't anticipated it. Simultaneous with the change from leasehold to for-sale the company hired a new subsidiary president who quickly streamlined the marketing process. John Murphy was his name.

12-00:04:12

Lage: Oh, the president of the subsidiary.

12-00:04:14

Watson: Yes, the president of the subsidiary.

12-00:04:15

Lage: So your whole management team was different?

12-00:04:17

Watson: Right. He had a philosophy, which turned out to be dynamic. He said, "Don't run any national ads. Ninety percent of our sales will be to companies who are already in southern California and want to either expand or move on to another site down here, or want to move out of L.A. and come down here because it's gotten congested up there, or it's

undesirable, or whatever reason.” That turned out to be true. Therefore, that changes your whole marketing, who you market to. You don’t need to put an ad in the *Wall Street Journal*; you put it in the *L.A. Times*.

12-00:05:01

Lage: Right.

12-00:05:02

Watson: Right. The second thing is we emphasized the planning. His thing was, our real customer is the broker, the Coldwell Banker broker who is contacted by the company that’s looking for a site, and they look at twenty-two different sites and they bring it back to them. So they are the people you need to convince. So he and I would go meet with these broker groups periodically. I would make the planning pitch about how we had restrictions on landscaping, parking and truck loading areas with the objective of creating and maintaining an uncluttered, pleasant industrial park, that we did things that most industrial parks didn’t do.

12-00:05:52

Lage: And was that a selling point to your—

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Watson: Turned out to be a great selling point because although they might object to some of our requirements they loved everybody else having to do it because it would create an attractive park that would not deteriorate. And they were coming from L.A. where the industrial parks had deteriorated. They had gotten junky buildings. They had gotten no landscaping. They wanted to get into a place where their employees would more enjoy coming to work. So planning turned out to be a positive. However, the most important issue to the brokers came at the end of the meeting, after I would extol the virtues of the planning and how we would work with these companies and so forth, was two things. He said to the brokers, “Number two, you will get your commission faster than any competitor pays it. You bring that prospect to us and we’ll close the escrow in twenty-four hours.”

12-00:06:41

Lage: Now how could you promise that?

12-00:06:43

Watson: Because all you have to do is just do it. I mean if we were going to accept it, we can speed up. What slows up a transaction with the brokers—that’s what he taught me, and it turned out to be true as I got acquainted with the field—is that most of land that was competing with us was owned by old-time farmers and other people. They would offer a piece of land for \$35,000 an acre, and when a prospect would come down and say, “I’ll take it,” they’d go back and say, “Well, let me think about it.” “Gee, if he’s willing to take it that quick, maybe it’s worth \$45,000 an acre.” They wouldn’t make decisions. So the brokers would be driven nuts by the resistance they were getting from the sellers, which were these old-time owners of the property. We set a firm policy: we’re not going to get caught up. We have a price list and here’s our price list, and that’s it. If you get somebody for that price, then in twenty-four hours it’s easy to close the escrow. You can’t really close it in twenty-four hours, though, but however long, it was faster than our competitors. So basically for years, we succeeded in capturing 50 percent of the county-wide industrial land sales that went on to users.

12-00:07:48

Lage: That's incredible.

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Watson: It is incredible. It is incredible.

12-00:07:51

Lage: Yes. And was it when—

12-00:07:53

Watson: We had great location.

12-00:07:54

Lage: Yes, tell me about the location.

12-00:07:55

Watson: Well the location was just, let's call it northeast of the Orange County Airport, which by that time was being expanded. It was running along Newport Boulevard, which was being converted into the—now called Costa Mesa Freeway, Newport Freeway, 55 Freeway—and runs from I-5 all the way past the Lighter-Than-Air Base, and now nearly to Coast Highway. So it was a beautiful piece of property in a good location, close to freeways, close to—we had a rail line run onto it, but it turned out rail was not a very important thing—and close to the airport. So the airport business people could come in and out of, it was close to the freeway for trucks to go get off and on, and it could serve the whole county because we were the center of what the ultimate county development was going to be.

12-00:08:45

Lage: So you had a lot of virtues.

12-00:08:47

Watson: We had a lot of virtues, but we also had an organization that understood who they really needed to convince and that was the broker, because the broker is the one that's going to recommend that to his client.

12-00:09:01

Lage: Yes, that's very interesting. Now Ted had a question for this section. Did the industrial park create demand or respond to the market?

12-00:09:14

Watson: That's an old debate in our community developers group. It's in the eye of the beholder. It is my firm belief and it's my ideology that there's no way you can create demand. You respond to demand. Demand has to be—there has to be a reason. If you're going to buy a house, you got a desire to buy a house. You're out looking for a house. I'm going to respond to what you want. The same thing with industrial users and anybody else. We didn't create—I mean, by the fact that we had this beautiful location and all that other stuff, unless they were looking for a reason to locate why would they locate?

12-00:09:51

Lage: Yes, if they weren't looking to move out of L.A. or—

12-00:09:55

Watson: I just think it's a trap to fall into, personally, to say that we create demand. I hear a lot of architects talk about that, you know, if you build that they'll come to it. Only if they have a desire to move.

12-00:10:14

Lage: There were some lawsuits on that also, it seems. I have Wesley Marx again written down here, a lawsuit about the industrial park. Do you remember that?

12-00:10:22

Watson: I don't. Wesley Marx was—he brought a number of lawsuits. I don't think they ever got anywhere, but—

12-00:10:29

Lage: What was his—?

12-00:10:32

Watson: Wesley Marx was, you know, an environmentalist. Both an environmentalist and skeptical about large companies like the Irvine Company. He's sincere. I mean I like Wesley—very nervous speaker when he attended a public hearing, you'd think that he's going to have a heart attack when he got up and talked, but he was sincere. His goal (and mine) was that this country, as beautiful as it is, just not to spoil it.

12-00:11:01

Lage: So this might have been an environmental thing? More development—

12-00:11:04

Watson: It most likely was because I don't think—I don't know. I can't even remember it.

12-00:11:09

Lage: You've really benefited from these freeways—and the airport, too, probably.

12-00:11:12

Watson: Right.

12-00:11:13

Lage: But the company hadn't helped place those freeways or lobbied to get the freeways going through your land or anything? This was all before your time, but do you know if there was that much foresight involved?

12-00:11:27

Watson: No. Freeways are relatively uninfluenced by lobbying, particularly in the early stages of the freeway systems being plotted out in the state. Probably the best example, and the only comprehensive example, of regional planning in the state was the freeway system. Because, to figure out where to put those freeways, how big they should be and so forth, they had to have a land use map of the entire county that they were working in. And they had to project on to it what the densities were going to be in order to project how many cars there were going to be, and that's what, in those days, how freeways were decided. We would use those studies to help us with our local arterial roads, and so forth. We did minor little adjustments. The best example is the 405 because the 5 was already in by the time I came. The 405 alignment was already shown. We got them—but we were getting ready to build University Park and a fellow named Al Trevino, who worked for me as a

planner, he is the one that said, “You know, if we can try to get that freeway depressed a little bit or dig out more, it’ll have—and move it a little further away from where University Park will be—it’ll have less noise impairment.” I don’t remember how far we did get them to move. We got them to move slightly by offering them access to some inexpensive dirt they needed for fill in the freeway. But we had very little influence over the freeways. We would work with them on the interchanges, but, you know, they’re still going to have the interchange and any suggestions we made were minor.

12-00:13:07

Lage: Okay, well, anything more to say about the industrial park?

12-00:13:10

Watson: I can’t think of anything.

12-00:13:11

Lage: Is that the same place where the technology firms came, or where did—

12-00:13:15

Watson: Well, yes it is, however the [Irvine] Spectrum is sort of the later day Irvine Industrial complex but now it’s much more office buildings and high-tech buildings dominated and not distribution companies. There maybe some distribution companies in there but not many.

12-00:13:34

Lage: So, high-tech came—

12-00:13:37

Watson: And that’s right at the intersection at 405 and 5 and they’re sort of like a triangle. You have the two come together and you come back and then there is an arterial road called Sand Canyon Road, and sort of say there’s a triangle. Now Spectrum actually loops out over that. We started planning the area when I was still president of the company, and we actually had commitments from department stores to build a regional center there. When the new owners came in 1977, Al Taubman, who is a shopping center developer, negated all those contracts and for years they never could get them back. They couldn’t get a regional center there; probably a good thing they didn’t. Then, when Donald Bren became chairman, he started pushing the project. For a while he tried to resurrect the regional center but in those days—this is ’83, ’84, ’85, I’m back on the board and I’m back working for the company again in about ’86. The problem was that companies like Broadway was withering away. Nordstrom was dominating the field. Nordstrom is what we wanted there, and Nordstrom was looking at our site and one south of us. Nordstrom was in a very strong position and they insisted upon—I can’t remember exactly what it was—\$20 or \$30 million cash and a free site. Donald just wasn’t willing to do that.

12-00:14:59

Lage: But they had enough—

12-00:15:01

Watson: You can’t build one unless you have a department store magnet, a draw.

12-00:15:06

Lage: Right.

12-00:15:08

Watson: It's like a neighborhood shopping center, at least we thought. Finally, after a number of years the Irvine Company started building an entertainment center, an idea that was beginning to grow around the country. It was anchored by the twenty-three screen theater, Edward's Theatre, and then a lot of restaurants. By that time we had some high-rise office buildings and companies out there, and the new center became very successful in the early stages and it just kept expanding. Now both Robinson's and Nordstrom's will be opening new stores in the center which will make it a combination of an entertainment and regional shopping center.

12-00:15:50

Lage: Recreational kind of a—

12-00:15:52

Watson: Disney built one between the California Adventure and Disneyland, and they called it "Downtown Disney." The challenge for those kinds of centers is that most of the business is on weekends or in the evenings. A restaurant can't just survive on that business. You build the building but they've got to run the restaurant and own it. The advantage we have at the Spectrum is you have so many companies around there also looking for a lunch place giving the restaurants business all week long at lunchtime. They're getting both the normal kind of fun weekend business, and so forth, and during the week they're successful. I think it's a little too early to say what will ultimately come of the center, but it's doing quite well now.

12-00:16:58

Lage: But is it both a regional center and a business park? Well, so is Newport Center.

12-00:17:02

Watson: Yes, so is Newport Center. I mean it has all the same characteristics. The difference would be, Spectrum is not the classical Fashion Island type of center. It's many more specialty stores and until now no department stores.

12-00:17:17

Lage: Okay, now did the company—was it a big decision that you would maintain ownership and manage these business parks and shopping centers?

12-00:17:31

Watson: Was it a big decision?

12-00:17:32

Lage: Yes, was that something that was debated or—

12-00:17:34

Watson: There wasn't much debate about it. Really, if you go back to Westcliff Plaza, the first shopping center owned by the company, when we made that decision—that was a big decision.

12-00:17:45

Lage: And then it just followed?

12-00:17:47

Watson: That followed, that we were going to—it was successful. It's always important that the first one be successful, and we just started building them and owning them. You build and organize it; same way with the apartments. We started building them and owning them.

12-00:18:02

Lage: And hotels too, right? I mean do you own—

12-00:18:04

Watson: Hotels was a later version. The company didn't own any of the hotels until Donald Bren took control of the company.

12-00:18:16

Lage: Okay, let's pause for a minute. I need a little break. I don't know about you. [laughs]

12-00:18:20

Watson: I got to stop talking, huh?

12-00:18:22

Lage: Right. That's a problem. [laughs] [tape interruption] Okay, we're back on again and we've decided—we gave a bit of short shrift to Newport Center, so we're going to go back looking at your outline here and fill in the pieces.

12-00:18:37

Watson: There's a number of things. First of all, as you look at Newport Center today, it really is an expression of what we said we wanted to do when we finally conceived Newport Center, but it took time. I've mentioned about the art museum; that's a very fine museum. There is a central library, there is a central police station, there is a central fire department, there is the Chamber of Commerce. Now, I forget how many units there were, but there's two large blocks of four-story apartment buildings there.

12-00:19:12

Lage: Was that a later addition?

12-00:19:14

Watson: That's a later addition. That occurred within the last decade. Now, the thing I like about that is that right from the beginning we wanted to inject residential into the area. We always wanted to, like to give it some life at nighttime. I'm not sure it gives it life at nighttime. It just took time and those parcels of land were always designated for residential. They are among the more successful and expensive apartments we have now. They're lovely apartments, they've got a great view over a golf course, they're close to Fashion Island, they're close to restaurants. A number of the corporations lease the units year round and find it's less expensive if they have a lot of business here than putting their executives up in the hotel. So it's got a variety of uses, but it adds the aura of a true town center that there are people living there as well as working there.

12-00:20:12

Lage: Do the people who live in those apartments, do they tend to be the executives who work there?

12-00:20:17

Watson: They're a little bit of everything. For instance, the president of Pacific Life Insurance Company has headquarters in Newport Center. The president of that bought a lot down in Dana Point, which is south of us, and took two years to build a house, and then meanwhile sold his existing house. So him and his wife lived there because it's right next door to where his office was, and he said often as he was building his new house, "You know, I'm not sure but I'd like to just stay here!" Because it was so convenient. He didn't have to commute, he could walk to work, he could go to the theater by walking—

12-00:20:59

Lage: On the other hand, Dana Point is so nice.

12-00:21:01

Watson: It is. That's right. So he's now in Dana Point.

I'd like to say something about also the transition. You see it's not unusual for a town center or a commercial center to be in its bloom when it's first born, and then over time it begins to deteriorate. That's particularly true of regional centers today. I heard a statistic recently that in the early 1970s, late 1960s there was sixty to seventy regional shopping centers built a year in the United States. This last year there was only five built and twenty torn down, so there's a retraction going on. So for many years in the sixties and the seventies, the success of the department stores and others were—they were expanding. Their value as a corporation to their shareholders was always measured more by the new stores they added than by the amount of money they made from the merchandise they sold. Well, there's not as many places to expand anymore. There's great competition from places like Wal-Mart. The whole character of shopping has changed, and in fact there is a lot of centers that have deteriorated because the owners don't have enough money to fix them or the willingness to try to do it for fear that it'll be wasted money.

12-00:22:28

One of the great things Donald Bren did was to recognize the importance of Fashion Island to all of Newport Center, and the fact is that the company owns many of the office buildings at Newport Center. We built Fashion Island in— It opened in 1966. I was going through the records recently. The construction contract on it was \$12.5 million. Donald Bren, when he took control of the company in '83 himself, immediately started to make plans to redo Fashion Island, the shopping portion of it. And ultimately, he didn't just do a remodeling job, he completely built a new center. I mean he didn't tear it down, because you had to leave merchants in there. You had to configure to operate for a couple years with buildings being cut out, new pathways being put in, the character of the architecture totally changed. He spent \$139 million redoing that center.

12-00:23:26

Lage: A hundred and thirty-nine million versus your twelve.

12-00:23:29

Watson: Versus the \$12 million. Now as an isolated project by itself, there's nobody could have justified it. I tell the story that as—he's an owner-manager; I was a professional manager. I didn't own any of the company. If I had come to my board of directors and said I'm going to spend \$139 million to redo Fashion Island I would have been thrown out of the room. But he can make those kinds of decisions. The justification for making the decision

is still a sound business reason. It influenced the value of the property all around it. Instead of it deteriorating and falling by the wayside, and therefore deteriorating the whole area, it lifted the whole area up and enhanced it. So now Newport Center—the office buildings the company owns there, and they own many of the office buildings, now collect probably some of the highest rents there is in the county because of it's a prestigious location. You not only have the view of the ocean but you have Fashion Island where people—the hotel, the company owns a Four Seasons Hotel there. It's just a delightful place to be, but I think it's a pretty good example of the benefits if one will take advantage of owning all of it, having a vested reason why you should have investment in the pieces. Otherwise you are left to the individual decision of individual owners none of whom have the ability to influence the whole of the area.

12-00:24:38

Let's take shopping centers. Most of the regional shopping centers in the United States are owned by, you know one of the big—whether it's Simon Brothers or Al Taubman's group or some REIT—and they look at it only as that project by itself, regardless of what influence it has in the area around it. And yet you have a whole changing market that's going on with these kinds of centers that needs the infusion of capital in them to bring them up to date, bring them into the more contemporary market of how the market has changed. They got to have an incentive to do it, and if they don't think the center by itself is enough justification they don't do it. So that's why you have twenty of them being torn down.

12-00:25:17

Lage: Was he thinking competitively? Is it Costa—what is the competition?

12-00:25:22

Watson: South Coast Plaza.

12-00:25:22

Lage: South Coast Plaza.

12-00:25:24

Watson: He's thinking competitively, yes, but that has to do with Fashion Island versus South Coast Plaza. He probably could have remodeled the center for half that cost but he was willing to go all the way. In addition to re-doing the center Bren re-landscaped the entire Newport Center Drive. Why? Because he wanted to strengthen the image of the entire center. Again, a decision that by itself one might quibble with, but he wanted to maintain values in the entire business center and not just a piece of it.

12-00:25:54

Lage: Hmm.

12-00:25:55

Watson: Now, there is no way you can prove up front that it will result in raising a dime's rent anywhere. It's sort of like my trying to solve the problem of justifying the sidewalk around the lakes in Woodbridge.

12-00:26:08

Lage: Yes.

12-00:26:09

Watson: Finally, you have to have just a gut feeling that you're willing to go with. But the fact that you own all of it, that we owned all of Woodbridge or we had a stake in all of Woodbridge, gives you the reason to say, "Let's go for it." That's part of it. I had a friend of mine, Gerson Bakar, who builds and owns a lot of apartments. He built a complex on our property some years ago, 450 units. It has a recreational facility, tennis courts, swimming pool; all kinds of closed circuit television—

12-00:26:38

Lage: Apartment building?

12-00:26:40

Watson: Within the apartment buildings complex. He had built one similar to that—that's what attracted me to him—up in northern California that had become quite successful. I asked him once, "Well, of all the things that you did—the swimming pools, the tennis courts, the recreational facilities—which one is the most important in terms of marketing your apartments?" His answer: he says, "I have no idea. All I know is it works with all of them in there—I don't know which one it wouldn't work if you took it out." Well, the same thing: you could say, I don't know whether the palm trees made any difference or not but he looked at all of Newport Center and how can we enhance all of Newport Center. One of the primary ways was to enhance the circle in the middle, the nugget that was in the middle of the whole piece, and then to ring that nugget with these trees.

12-00:27:25

The trip that we're all taking together on the development of the Irvine Ranch is: one, how do you conceive an idea? Then, how do you progress in its development, and then how do you sustain it, and then how do you rebuild it? Because right now there's a great deal of money being spent by the corporation on rehabilitating every one of our neighborhood shopping centers. Because, as he sees it—and I think rightly so—the best investment he can make of the capital he has now that is being generating by all the rental properties the company has, is on our own property. Whereas he was, up until this year, buying property elsewhere—in San Diego and Silicon Valley. But, see, looking at those values there versus here, he says right now it is the time to concentrate on reinvestment right here. That gives another lifecycle to this development.

12-00:28:21

Lage: Yes, it's not on its way down—ever.

12-00:28:23

Watson: So Newport Center is an example of that sort of revitalization that's going on.

12-00:28:32

Lage: Were there some bumps along the road? I have a suggested topic here on how Newport Center changed without moving, but the coastal freeway disappears. What's that about?

12-00:28:45

Watson: There's two freeways that disappeared. When Newport Center was conceived and built, there was scheduled to be built a coastal freeway that would have gone along where Coast Highway is now, right at the bottom of Newport Center, and another freeway they called the Corona Del Mar Freeway, which was a leg that was to come off the 405 Freeway

down, and interchange with the Coastal Freeway, which is where MacArthur Boulevard is now. So both of those legs disappeared.

12-00:29:12

Lage: And that went right past—

12-00:29:15

Watson: Both of them would have been valuable for the center. It moves out the market area. Fifteen minutes is what you like to say is the primary market area, thirty minutes is the tertiary market area for a regional shopping center. If you can drive at sixty miles an hour on a freeway versus the thirty miles an hour on a local road, you can move the area out. But the prospective freeways disappeared. And what we had left was the fish left over from the ocean. [laughs]

12-00:29:43

Lage: Did the company get involved in that battle? I mean, was it a citizens' battle against the freeway?

12-00:29:49

Watson: Oh, yes. It was like the San Francisco battle, against the Embarcadero Freeway.

12-00:29:52

Lage: Similar.

12-00:29:54

Watson: The people in Newport Beach didn't want a freeway going through their town. Actually, the freeway probably wouldn't have been—I mean, they'll never believe this—they were going to depress the freeway all the way through the towns, so it would have been down below the levels of the streets now. But they didn't want it, and, you know, I like the Embarcadero in San Francisco without the Embarcadero Freeway. That's the tradeoff one has to make.

12-00:30:23

Lage: But is this an area where the company would do some lobbying to try to keep those freeways in the plan or get them built—

12-00:30:28

Watson: No.

12-00:30:28

Lage: —or did they just kind of accept it?

12-00:30:30

Watson: Well, first of all the lobbying isn't going to do any good. The power of the public opposition to that was so overwhelming—I mean in the state, it wasn't just Newport Beach.

12-00:30:39

Lage: I know, it was really a freeway—

12-00:30:44

Watson: Yes. If there's one thing the company seems to know pretty well is when to put up a fight and when not to put up a fight. There was no chance we could have much influence with that. We didn't, you know—what influence we had was not made through political contributions, and I think I told this story about [Ralph] Nader singling us out as one of the largest contributors in the state. Did I or not?

12-00:31:15

Lage: Yes, I think you did. And he was not right.

12-00:31:16

Watson: It's when I was president of the company, a newspaper story came out that Nader had just completed a study, of political influence, and named the Irvine Company as the number one contributor to political campaigns in the state. The insinuation being that we were getting a lot of our approvals through political contributions. When the press called me on that, I said, "Well, I have no idea if we are number one, or number 101, or zero." I said, "I'll tell you what we contributed last year. It was \$20,000 total to all political campaigns." And I said, "If ours is the largest contribution by any one company I don't know how they got all the rest of that money they needed to run their campaigns." And that just sort of ended the controversy. But what influence we had, I think, was we had a reputation among both sides of the aisle as being a good community development company. I mean, if you want to trash the industry, which a lot of them like to do, they would all sort of hold us as we're an example of the way you ought to do it. And that had a lot of influence. Not a lot of influence; it had some influence in some legislation because we didn't overuse that. We didn't go up and gripe about everything. We might be irritated at something they're going to pass but we didn't spend a lot of time lobbying.

12-00:32:49

Lage: Well you seem to have a sense of what the public, as you say, what could be done within the public feelings of the time.

12-00:32:57

Watson: Right.

12-00:32:58

Lage: Now, what's this deal about the conflict between its role as a regional versus a community center? I'm looking again at the notes you made: the role of the Newport Center as a regional versus a community center.

12-00:33:12

Watson: I don't remember exactly why I put that down there, but it is both a community center—that is, a local community center. It is the dominant center for Newport Beach. There has been talk from time to time about moving city hall up in there, but I don't think local citizens want that. It looks like they've moved into Irvine Company territory, and so that's been rejected. There's no land for them now to do that in. The distinction I make, which I think is a valid distinction in the regional city—I keep referring back to the regional city—that every town is not going to have a town center that is dominant. We've got thirty-six cities in Orange County. I mean, are we supposed to have thirty-six regional centers? The location of a regional center is primarily dictated by its location in the region and the lack of another center in the same market area. It has little to do with city

limits. When you build a regional center like Newport Center is, it also serves as a community center. A place for all the public facilities we have there.

12-00:34:32

Lage: And the art museum.

12-00:34:34

Watson: And the art museum and the firehouse and the Chamber of Commerce and the people gathered there. So it becomes both a regional and community center.

12-00:34:53

Lage: One time, were you going to make it larger? Because you listed here “the local community wins the political war over its size.”

12-00:35:00

Watson: Okay. Now, that’s for the whole of Newport Center. We were seeking from the city to increase the maximum square footage allowable for office use.

12-00:35:06

Lage: And make the whole Newport Center larger.

12-00:35:10

Watson: Right. Whether we would ever have done that, we didn’t have specific plans to go that big. It was just a matter—some in the company thought, let’s get the entitlement now in case we want to be able to build. You know, tear down a building and make a higher building. That became a community issue to defeat.

12-00:35:36

Lage: I see. The high-rise aspect.

12-00:35:38

Watson: Yes, and just more square foot. I mean they translate everything here into traffic: “We’ve gotten rid of the freeways, now we don’t like the traffic. Let’s not build any more because that will create more traffic.” The legitimate argument against that, which is not very saleable when you’re emotional over this issue, is that if you don’t have that located here, they’ll locate it in Costa Mesa. Because people travel on a regional basis, it’ll be the same traffic, you just won’t get the benefit of the property taxes from it in your community. That argument can be overplayed, but I don’t think there is a good answer. I don’t know what the ultimate size of Newport Center is going to be fifty years from now. I don’t know whether it’s going to be the same size, smaller, or larger.

12-00:36:20

Lage: When you say “this place,” you mean—?

12-00:36:22

Watson: “This place” meaning Newport Beach.

12-00:36:23

Lage: Newport Beach.

12-00:36:24

Watson: Yes, or Newport Center even.

- 12-00:36:25
Lage: What is the size that the Irvine Company projects? They're still building, right?
- 12-00:36:32
Watson: Yes, but we're building within the constraints of what the general plan allows us to build. There's not much more—we don't have much more square footage we can build in Newport Center.
- 12-00:36:39
Lage: No, I don't mean Newport Center. I guess I'm asking you broadly, more housing, more—
- 12-00:36:44
Watson: Right, but those are on lands that have not been built on and for which we have a general plan approval already. It's already anticipated in the general plan for the city of Irvine, for instance, that there'll be x number of houses in it, and we have development agreements with them with regard to open space and rights to build in there. So the only thing that's really left isn't whether—we're adding to what was previously approved in the master plan.
- 12-00:37:09
Lage: No I know, but once those development plans are—
- 12-00:37:12
Watson: Once they're implemented?
- 12-00:37:14
Lage: Implemented, how many more houses?
- 12-00:37:18
Watson: There won't be any more houses once you've built them all out, you know.
- 12-00:37:21
Lage: Well that's what I mean. [laughs] What is anticipated to be the size? The population?
- 12-00:37:26
Watson: You mean how many people?
- 12-00:37:26
Lage: Yes, after—
- 12-00:37:27
Watson: Of Irvine?
- 12-00:37:29
Lage: Right, after it's built out according to—
- 12-00:37:33
Watson: I have to go from memory. I believe it's, like, 220,000.
- 12-00:37:37
Lage: And now it's—?

12-00:37:43

Watson: It's probably 165,000.

12-00:37:44

Lage: So that's a considerable amount more.

12-00:37:46

Watson: Okay.

12-00:37:48

Lage: [laughs] I'm not challenging you.

12-00:37:50

Watson: No, no. I know I mean I don't quite get the—where—

12-00:37:52

Lage: Yes, I'm just thinking that's a lot for people who already are complaining about too much traffic and things.

12-00:37:57

Watson: Right. Yes, but the thing is that can't mean they can't change their mind. They've gone through that argument when they did the general plan, and at one time it had been 400,000—

12-00:38:11

Lage: Oh, it did? So that's scaled back.

12-00:38:12

Watson: And so it's come down to 220,000 or 200,000, I forget. It's somewhere in that range, and it's governed every step along the way you have to satisfy a traffic solution. The more signals you have to pay for, you have to do things. Basically, the tradeoff—and basically we traded off: "We'll give this amount of open space if you'll let us develop according to the master plan you've approved, already approved." Because subsequently every city council that gets reelected starts this argument all over again.

12-00:38:42

Lage: Yes, that's what I would think would be your problem.

12-00:38:43

Watson: Right. What I think was done very wisely by the city fathers and the company some years ago, was to come up with a comprehensive open space plan that the city wanted. And say, "We're willing to contribute that amount of open space, on the basis you'll allow us to build x number of dwelling units at different densities." The problem you have with that from a political point of view is that new people get elected to the city council, right?

12-00:39:15

Lage: Yes.

12-00:39:17

Watson: And that's been the history of the company, or every developer. You know that commitment you just got from the city can last about a week, you know, until somebody else wants to reduce it.

12-00:39:28

Lage: It's hard to plan.

12-00:39:29

Watson: Right. So what we did was we got a citywide vote. A referendum vote—from the city that the company will be allowed to build x amount of all the uses in the general plan and if so the city received x amount of open space land, and it will be delivered in phases. So, as you build x more houses the city gets more of the land that the company has committed. If at some time the city ceases to approve the agreed upon uses they stop getting the open space. Now, from a political point of view, that's very beneficial both to the politician and everybody else because they can say to the new residents in town who were not around when that was approved and who ask why are you doing this, "Well, if we don't, we're going to lose the open space." And so far, it has quieted down objections as though this thing has been settled. We got the right balance. City officials can say they knocked the company down from the 400,000 population down to the 220,000, or whatever the number is, and we got our open space. And we're now going to be known as a city that has more open space than any other city in the county.

12-00:40:29

Lage: By a long shot, isn't it?

12-00:40:31

Watson: By a long shot. So the point of it really is that, yes, it will come up. Yes, it always comes up. You have to submit environmental impact reports. You're going to have the new Wesley Marx of the world—as they are. Now it's a fellow named Arnst from Newport Beach who recently filed a lawsuit on one of our projects in Irvine. He lives in Newport Beach, but on the basis that when you build a development near, you have a drainage system that will ultimately end up in Newport's bays. It comes out in the upper bay and influences the quality of water in the bays. He has to have a link somehow, a rationale for it, although he can just be a citizen and challenge the environmental impact. But he lost the lawsuit. So he didn't win on that basis. You have a city that is supportive, that has really done its job of negotiating open space and lower densities along the way, and that's what overall comprehensive planning is supposed to be about. The problem you have is that, as time goes on, people who didn't participate in that process or don't care what it is—they just don't want more people and cars. So far I think the balance between the city and company is working out well.

12-00:41:42

Now, from surveys that we have done in the past—we try to get a feel for the attitudes about the company in the community. This is some years ago, and I don't know what some of the recent ones have said, but it was always interesting to me that we're the big guy on the block. We're a threat to you, in your mind, if you live there. Our reputation for planning is an enticement to you before you live there, because we're talking about what we're going to build in this community and you're excited about it. Once you're in there, we're a threat to you as we add more houses. Schools are going to get overcrowded, the streets are going to get overcrowded, and so forth. So you have a concern. Your buffer is, you have a city council, right? The surveys testing that question was: what does the—what do you as a citizen believe? The studies are conducted by the university or somebody so it's not linked to us. We don't raise the questions even. One of the questions was, "Who do you trust the most to plan your community?" And you list ten entities: the University of California, the city of Newport Beach, the planning commission, the

county, et cetera, and they stick the Irvine Company in there. We usually come out the number one choice.

12-00:42:52

Lage: And this is among the residents?

12-00:42:54

Watson: The people who live there, right. When they finally come down to it, the general population, who are not heard mostly in these arguments—this is like the Embarcadero study. I'm sure the opposition to that was a small minority—a vocal—I mean, it might have been in the attitude of most people in the city but the people who really raised the energy on it are a small minority, just like they are here. As a matter of fact, we've done surveys to find out what are the current controversial arguments going on politically in the city. The vast majority of the citizens living there don't pay attention to them.

12-00:43:29

Lage: Maybe don't even know.

12-00:43:30

Watson: They don't even pay attention to it. They're busy with their lives. They're going to their work up in Cypress or their wife is going somewhere else, and they're happy with where they live. The satisfaction level is very high in Irvine.

12-00:43:46

Lage: It seems that way from this Forsyth article.¹ Apparently she relied on polling also.

12-00:43:51

Watson: Right.

12-00:43:53

Lage: Yes, that's interesting.

12-00:43:54

Watson: What's the Forsyth article?

12-00:43:55

Lage: Oh, this comparison of the three—

12-00:43:58

Watson: Oh. Yes. Well, it's interesting. The communications I had with her at Harvard—and I complimented her for sticking with it. Harvard is a bastion of the new community new urbanism world and the faculty—this is her words—just think Irvine is a negative. And when she started producing making comparisons between the new urbanism principles that they were espousing and what Irvine was doing Irvine came out as good or better than the communities they preferred. That really bothered the faculty, and she was getting beat up a lot among her colleagues at the university.

12-00:44:48

Lage: She supports it very well in this article. [laughs]

1. Ann Forsythe, "Columbia, Irvine, and the Woodlands: Planning Lessons from three U.S. New Towns of the 1960s and 1970s," Lincoln Institute of Land Policy, 2001.

12-00:44:50

Watson: Yes, I know it, but that doesn't matter. If you have a bias against something, there's no amount of evidence that's going to convince you otherwise because that's what you believe. First of all few of the faculty have ever seen Irvine. And I like Harvard. I think Harvard is a great school. It's just that to them urban planning is physical design. I don't disagree with that but I believe there is much more to planning a community than the physical design.

12-00:45:12

Lage: They're prejudiced towards the urban setting.?

12-00:45:15

Watson: Right, and that's an architectural statement because that's the emphasis taught in the schools. At the University of California, Berkeley, where I went, they are known for what they call pedestrian pockets. If you test Woodbridge against the pedestrian pocket concept it satisfies most of its tenets only without centralized transportation stations.

12-00:45:43

Lage: You mean just a place for people to walk?

12-00:45:44

Watson: No. The pedestrian pocket idea is you build, like—you have a BART system and you build stations, and around the stations you build high-density and pedestrian pocket really means you have a pocket of areas where people can walk from where they live to the station, take the tram.

12-00:46:03

Lage: I see. And you have that at Woodbridge?

12-00:46:04

Watson: And it reduces the amount of traffic. Huh?

12-00:46:05

Lage: You have that at Woodbridge?

12-00:46:06

Watson: They like that we have done all of those things; we just don't have the rail system. It was actually designed so if there ever was a rail system, if we did it that way, they could do that.

12-00:46:15

Lage: I see.

12-00:46:16

Watson: The truth of the matter is, people don't walk to those things. Truth of the matter is in Walnut Creek, where they had that concept, there was a referendum in the city that reduced the density around the station because they didn't want that density. The argument was: I don't care about BART. I just don't like high density in my town.

12-00:46:45

Lage: So the planners aren't living in your world, at any rate.

12-00:46:48

Watson: As for where planners actually live, I suspect they are not much different than the average citizen. We have planners living in Irvine who are very supportive of Irvine. But, like the rest of the population, there are those who prefer Laguna Beach or wherever they can live and commute to their work. Academic planners are but a small segment of planners.

12-00:47:08

Lage: Do you think there's some prejudice, say, from the East Coast or from any of the academic sites when they hear "Orange County"?

12-00:47:18

Watson: Yes.

12-00:47:19

Lage: It has a reputation.

12-00:47:20

Watson: Sure. Sure there is. But, you know, there's prejudice in Orange County about New York, so—[laughs]

12-00:47:29

Lage: [laughs] And about a lot of things I'm sure.

12-00:47:31

Watson: But I think that's right. There is an East Coast view of what the West Coast—I think they still think we're cowboys out here, whatever it is, but I think that's changing.

12-00:47:45

Lage: What about, this is totally off the subject but it made me think of it, the bankruptcy of Orange County? What happened there? What was your reaction, and the company's reaction?

12-00:48:00

Watson: Let's put aside what the company—the company is a composite of people, you know, so there is no single view within the company about it. I mean, there's nothing we could do about it. One of the executives of the company played a rather large role in trying to solve that problem. Mark Baldassare, who's at the Public Policy Institute, wrote a book on it. [*When Government Fails: The Orange County Bankruptcy*. Berkeley: University of California, 1998] I went to some of the meetings. You know, the primary example of a city which had a similar problem was the New York City bankruptcy, virtual bankruptcy in New York City. We learned—basically the solution Orange County came up with was basically the same solution they did in New York, which is to borrow your way out of it. I mean, it's a classic—to me, it illustrates this conflict we have between no taxes, lower taxes, and I want more schools, I want more freeways, and I want more this and I want more police and I want more of that. Just don't make me pay for it by raising my taxes. I'm worried about our federal government. We have, on one hand, the need for infrastructure but nobody wants to pay for it.

12-00:49:23

Lage: Just not enough taxes to—

12-00:49:25

Watson: There's not enough revenue. I don't care how you get it.

12-00:49:28

Lage: I mean in Orange County in particular.

12-00:49:29

Watson: Yes.

12-00:49:30

Lage: But wasn't there also some poor investment by the treasurer or—

12-00:49:34

Watson: Yes, there was. Yes. So he makes some bad investments and it takes you over the edge. Why we get ourselves in that position—I mean he should never have done that. He had to go jail because of it. He didn't do it on purpose, but, you know, some very good companies have done the same thing, I mean Westinghouse and General Electric and—you just go down the list—Disney. look at what the stock is, look at the difficulty they're having. So they're all human mistakes for the most part that in retrospect it's easy to solve, but cities are no different. There is a—I'm getting political here, but I lament the attitude there is that somehow we can reduce our taxes and still get all the things we need as a very complex urban, suburban society.

12-00:50:53

Lage: Or that somehow government doesn't provide any services that people really want. There seems to be a disconnect between—

12-00:51:02

Watson: Well, that's right. You know, we got a complex system. Schools for instance—I mean, everybody's in favor of schools. Schools are—California is well below half of the states in terms of the revenue we expend per child in public schools. We have a much more difficult time educating them now than we had before. We have a lot of non-English speaking students coming there from non-English speaking parents who can't help them at home. It takes, in my view, more money than it used to take and yet now we're spending less money. The only reason Irvine is doing so well is that the residents there are so into their schools, the importance of it, that they spend a lot of time with their children. Then it has a large base of Asian community, a large base of Jewish community, both of which have education cultures which push for and do things—so there's this internal help, not only for the child, but they also contribute money. They get around this archaic financing system we have for schools now—

12-00:52:17

Lage: By the parents contributing.

12-00:52:19

Watson: By contributing. If you decided in Irvine Unified School District that you're willing to have your local taxes raised, the revenues won't end up in Irvine schools. If you vote for operating expenses, raise your taxes to have a bigger budget to have a finer music program, and so forth, in your school, that money—because of the referendum that was voted in twenty years ago—goes to the state. The excess above a certain level—the moderate level—all goes to the state and gets redistributed to districts who aren't up to that level. So there is no incentive to vote higher school taxes.

12-00:52:56

Lage: So it has to be done by donation. Yes.

12-00:52:57

Watson: Nobody would vote for it, so it goes by donation and the work of the parents. The same amount of money is spent per child in Santa Ana as it is in Newport Beach, yet the difficulties in Santa Ana is way more because it's 80 percent Latino.

12-00:53:10

Lage: It is. I'm sure you dealt with this at Public Policy Institute, these issues. I'm going to stop here for a minute. [pause] Okay, now we're going.

12-00:53:22

Watson: Okay.

12-00:53:24

Lage: We thought we'd cover airport issues, another controversy. [laughs]

12-00:53:30

Watson: Let me give you just a brief historical background to El Toro. [Marine Corps Air Station] El Toro was carved out of the Irvine Ranch, the original Irvine Ranch, in 1943 when it was condemned by the federal government to build a marine air force base. Also, on the other side of the ranch, near Tustin, there was the Tustin air force base, also which had large dirigible hangars, and later became a training ground for helicopters. It was also condemned out of the Irvine Ranch. The Irvine Company took the money for that and bought a large Montana ranch and some ranches down in Imperial Valley. The Montana ranch is now called—it is, and was always, called the Flying D Ranch, a 100,000-acre ranch. We had 10,000 head of cattle on it. It is now owned by Ted Turner.

12-00:54:16

Lage: Oh.

12-00:54:16

Watson: El Toro then became a major training base for the marine flyers, and coming out from that base there was noise zones created which prevented us from building housing on the Irvine Ranch within those zones, but we accommodated. We built—the Spectrum is in that zone. That's the reason there was no residential in there. Now that they have been both declared surplus and are being sold, we are able to put residential into Spectrum. The controversy—

12-00:54:49

Lage: Tell me where it is, El Toro. It's on the south side?

12-00:54:54

Watson: Yes, on the south. If you take I-5, Santa Ana Freeway, and you run into 405, right above I-5 is El Toro.

12-00:55:05

Lage: Okay. Very close in, really.

12-00:55:06

Watson: Right. It is very close in. Once the base—that is, El Toro—was declared surplus, there was a group of people mostly in Newport Beach who started advocating that it become an international airport. There's been a local group; they talked about an international airport—a major airport. There is a need for more airports in southern California. LAX is already overcrowded; how much more can it expand? John Wayne Airport, which has been expanded but has limitations on the number of flights that can be made out of there every day, and no flights can be taking off after ten o'clock at night and before seven o'clock in the morning. That's because of the residential areas that are close to it. Even though they take out over the back bay, the planes engine noise disturbs some residents of Newport Beach. That for the most part, is the noise issue, and was a local argument, primarily by Newport Beach residents. They supported the creation of a large airport at El Toro because it then would take pressure off the expansion of John Wayne Airport, and they were very fearful of that. One of the earliest supports of converting El Toro into an international airport was George Argyros who is now the ambassador to Spain, a very good guy, very conscientious about the issue and spent a great deal of his money in support of it.

12-00:56:40

Lage: And was he a Newport Beach resident?

12-00:56:42

Watson: No, he may have lived there but that wasn't it. He really thought it would bring industry and jobs to the area, and so forth. I mean, I give him credit for that. He sponsored and funded—George Argyros is his name—a referendum countywide on that airport being converted to a commercial airport. The referendum basically got approved by a narrow margin, but it got approved with people from Newport Beach and other—and north county supporting it, and people in Irvine and south county opposing it.

12-00:57:15

Lage: Would the flight pattern then—

12-00:57:17

Watson: Well, now you got the battle between two communities. Irvine doesn't want it because it would fly out over their community, and Newport wants it because it would take pressure off the airport that's already flying over their community. The airport interests said we need more airport capacity and so they were supportive of it, but what the referendum did—which I personally believe and told George Argyros I thought was a mistake—is that it politicized the issue too early. Before there was any plans done as to whether it was feasible, any plans by the county or anybody else, environmental or otherwise—a referendum was passed that said that El Toro marine base shall be designated as a commercial airport as the highest and best use. So before you go through this process that you normally have to go through of planning something, doing environmental studies, studying with other alternative uses and so forth, the planning department in the county is now directed by referendum to say: "However, we've already decided what the highest and best use is; you don't need to do all that other stuff." So they go through other studies of all the other alternative uses, but it's completely prejudiced. The community feels it is. Those who are opposed to the airport, those who might have been neutral say, "Well, wait a minute, you already decided. All this study's going to do is to reinforce what you've already decided." So it became this huge political battle between the two. To make a long story short, this went on for years.

12-00:58:51

Lage: When did it first surface?

12-00:58:53

Watson: I would say five years ago.

12-00:58:56

Lage: I see. Okay.

12-00:58:57

Watson: It's been talked about for years as a possible commercial airport. The criteria—the justification for it is you already have the flight strips there. However, to appease the residents of Irvine the board of supervisors said they would prevent take-offs over their town. The problem was that with the existing alignment of that, planes would take off with the prevailing winds. However, when a commercial airplane takes off, it needs to take off with wind coming at the nose of the plane in order to get lift. To do that, you fly out over Irvine. There's two major strips there and one strip comes right over Irvine. You fly off, you take off that way.

2-00:59:46

Lage: Which isn't the way they should take off.

12-00:59:48

Watson: Which is not the way they should take off. The Air Pilots Association submitted a complaint that said, "We don't care what the board of supervisors say. We have jurisdiction over what way we're flying—it's unsafe to fly that way." That hangs as a controversy out there unresolved, ever. You've got on one hand the county saying one thing, airplane pilots saying something else, FAA staying sort of neutral on the subject, and the politics have just been fermented. And so you then have the city of Irvine people, who are larger than the city of Newport Beach in population, just up in arms about this and fighting it. Because as part of the economics the county did on the airport, they showed the number of flights as being flights that would take off every five minutes, twenty-four hours a day. Now all the studies we've ever seen, I don't think they'd ever get to that capacity but that's how you show—the more flights you have, the more revenue you get, the more you can justify building the airport. I won't get into all the arguments that went on but the arguments went on for years. There was one referendum that tried to overturn the referendum and it didn't work. Finally, the mayor of Irvine came up with—and I don't know whether he by himself came up with the idea—and said, "Let's convert the El Toro marine air base into a great park." They got a petition out countywide and got enough on the petition to have a countywide election of whether it should be a great park or an airport.

12-01:01:24

Lage: Wow.

12-01:01:25

Watson: By that time, there had been this argument going on for so long and counter-arguments and so forth. Polling indicated that, whereas the northern county was supportive of it, they were not strongly supportive. It was just sort of, "Oh, well. It would be a good idea down there to have an airport. It doesn't bother us any; why not vote for it?" They got captured by the idea of the park. The residents of Newport Beach raised a lot of money,

did a very good campaign opposing to it, and in the end analysis they had another countywide referendum and the great park won. The navy, which is the Marine Corps, wants to sell this property and get their revenue out of it. They didn't really care, so they said, "It's been settled." They are now putting the land up for auction. There is a plan for the 5,000 acres. This is 5,000 acres. You know, that's a big—and it isn't going to be all park. A portion of it will be park but the navy is selling off parcels of land around it and working in cooperation with the city of Irvine, which this is now being annexed into. If a developer buys a parcel of land, he buys a portion of the park, dedicates the land over and part of the revenues for the sale goes for the building of the park. So it's sort of like a different version of the Presidio Park situation up north.

12-01:02:54

Lage: Yes.

12-01:02:56

Watson: They are in the process on taking bids right now. There is great bitter feelings from Newport Beach people who will not give up on this issue. Frankly, it is a classical argument between two communities who have the same argument—they don't want the airport in their neighborhood.

12-01:03:14

Lage: We don't want the airplanes.

12-01:03:16

Watson: And the northern part of the county starting to look at it as two rich communities arguing with each other. Because you had to have the election countywide, and the park idea sort of neutralized their vote. And overwhelming opposition to it in Irvine, and in Mission Viejo, and in Leisure World, and all the communities that are down there—just overwhelming opposition to it down there. So when you added up the countywide vote, you got sort of the neutral position of north county, the smaller community in Newport Beach they couldn't win the vote. And five years later, after much bitterness, at least we'll now know what it is. Now, the Irvine Company never took a position on it. We had debates many times in the company whether we should. Some of us said, you know, "I don't think we should come out and say what it should be. It should only become an airport if it will not impose sound problems on the citizens of Irvine. That is, they will take off in safe direction,"—all the criteria, which they couldn't satisfy anyway.

12-01:04:12

Lage: You can't do both, you mean? Take off and—

12-01:04:14

Watson: You can't do both. So finally the company never took a position and we didn't ever take a position. We tracked it. We commented on the environmental impact reports as it impacted our land, as any property owner would be. I think many people in Newport Beach probably think we took a position, that we worked behind the scenes—we didn't.

12-01:04:34

Lage: But did you favor the park solution?

12-01:04:36

Watson: It was split within the company. I give credit for Donald Bren for letting the dialogue go on that way but there was no company position. I can't tell you what his position was. He never really expressed whether he thought it should be good or bad. Probably, in the long run it's better from the Irvine Company's point of view that it's not an airport because it makes it easier to do the development of the land around it. Although we did very well putting industrial buildings around John Wayne so I don't see that that necessarily is true. The most important thing for us was to get it settled, because it was so unsettling for a period of time you couldn't plan anything around those properties. You couldn't—is it going to be an airport? Then that affects what you can do with it. Not going to be an airport? Then it's something else. So it just put all the land in limbo while it was awaiting the solution. Now the battle is over with.

12-01:05:25

Lage: So now you can development some residential there if you want to.

12-01:05:27

Watson: Yes, and we are. We are in the process of doing that right now.

12-01:05:29

Lage: How did you feel as a Newport Beach resident?

12-01:05:33

Watson: I can't hear the planes when they take off. Very personal—when I would give a talk to people in different places occasionally during this controversy, I'd always start out saying, "Now, all right, there'll be questions at the end. I know the number one question will be: What is the company's position on El Toro?"

12-01:05:52

Lage: [laughs]

12-01:05:53

Watson: And I said, "So just wait until we get to that point and I'll answer that question without you asking it." We'd get to that question and I'd always start out saying, "How many in this room live in Irvine?" And they'd raise their hand, and I'd say, "Okay. How many of you that live in Irvine are in favor of El Toro Airport?" And all the hands would go down. Nobody's in favor. "How many of you live in Newport Beach?" And it'll be just the opposite. I said, "So the answer is: it depends upon where you live. Now," I said, "I live in Newport Beach and my wife is adamantly opposed to the El Toro Airport. You want to know why? Because her sister lives next to it and she loves her sister." I said, "That's how this thing is going to get decided." You know, you can go over the rest of the argument and it doesn't answer the question of: How do you get more airport capacity in southern California? Other people would bring to me—people for whom I have a lot of respect—not too long ago said, "Well, Ray, don't you think there needs to be another airport? We're running out of capacity." I said, "Yes." They said, "Then why won't you be supportive of it?" I said, "But there is also need for more schools. There is need for more roads. There is all kinds of infrastructure we're short of. If I was to put a list of the things we need, airports is not very high on my list relative to the others. If we could afford all of them, fine."

- 12-01:07:02
Lage: That's a good answer. [laughs]
- 12-01:07:07
Watson: It's behind us, but it took—it was fascinating. I mean, if you could stand aside and not be impacted by it, it was fascinating. We close the windows here, we can't hear the airplanes take off. If you're down there in the Bluffs you can.
- 12-01:07:19
Lage: You could hear them at Upper Bay clearly.
- 12-01:07:21
Watson: But you know you hear them and it takes two minutes for it to get past.
- 12-01:07:25
Lage: Plus you have all the restrictions on the flights, and the special way of taking off, and—
- 12-01:07:30
Watson: Yes, I know, but you can still hear them. But it's a narrow band as it goes down there, over there. The argument always was—I mean, it was fun to watch the newspaper letter writers. They would go and write long letters giving the planning arguments against it. You'd get down through it, and there would be a letter on the other side equally long and equally valid. It just came down to where you lived.
- 12-01:07:59
Lage: Yes—and one would live in Irvine and one would—[laughs]
- 12-01:08:00
Watson: It's where you lived. [laughs]
- 12-01:08:00
Lage: Well, do you think that the limitations of the John Wayne Airport affect business here?
- 12-01:08:06
Watson: No. We did enough studies on that. As a matter of fact, if you take the businesses out at Spectrum, I was told, generally the business people opposed it because the convenience of having an airport right at their backdoor was outweighed by the noise pollution that would create to their working environment.
- 12-01:08:33
Lage: A small airport like John Wayne is a very convenient airport to have.
- 12-01:08:36
Watson: Right, right.
- 12-01:08:38
Lage: You can get in and out so easily.
- 12-01:08:39
Watson: So I can see how you would have voted. [laughs]
- 12-01:08:40
Lage: [laughs] Yes, I would have voted to keep John Wayne and keep it small.

- 12-01:08:43
Watson: Unless you lived right under the airport.
- 12-01:08:43
Lage: Right. [laughs]
- 12-01:08:44
Watson: Joe Bell is one of the op-ed writers for the *Daily Pilot*, the local paper. He's a very good writer. He's been around for a long time, elderly in age. He lives right underneath it here, and I went to lunch with him one day and I went through the spiel with him, you know, because he was asking me my position. I said, "And I know why you're in favor of it." He said, "Damn right! It makes too much noise."
- 12-01:09:06
Lage: [laughs] What about naming it the John Wayne Airport, were you here when that occurred? Was that controversy at all or does John Wayne have a connection here?
- 12-01:09:15
Watson: Well John Wayne lived here.
- 12-01:09:14
Lage: Oh I see, he lived here.
- 12-01:09:15
Watson: John Wayne lived here for years.
- 12-01:09:18
Lage: In Newport.
- 12-01:09:19
Watson: Oh, yes. In Newport—Bay Shores. He lived in Bay Shores.
- 12-01:09:20
Lage: So it wasn't just admiration of his movies.
- 12-01:09:22
Watson: No, no, no, no. No, he lived here for years and he was a character in town. He would come to the tennis club down here, which was named the John Wayne Tennis Club, and he didn't play tennis, he played bridge all day. He was an interesting guy. I mean, this was his community, you know, so—
- 12-01:09:39
Lage: Well, that makes more sense.
- 12-01:09:38
Watson: But then, the people who didn't like the airport said John would roll over in his grave to have that airport named after him. Who knows? I don't know whether he was for it or against it.
- 12-01:09:48
Lage: [laughs] Yes, beyond the grave, you don't know. Okay, I think we're at a good place to stop here.

12-01:09:53

Watson: Okay.

12-01:09:54

Lage: We've covered another issue.

Interview 8: June 2, 2003

13-00:00:02

Lage: Okay, now we are recording and today is June 2, 2003. We are starting tape thirteen, and we're meeting today in Berkeley in the Stone Room at the Bancroft Library. We are continuing our tale of Irvine Company, and I thought we'd start by going back in time a bit and looking at the coast and the planning for the coast and how that changed over time and why it changed over time. So do you want to start by talking about what the early planning efforts were when you—well, maybe first tell about the coastal area.

13-00:00:44

Watson: The coastal area of the Irvine Ranch is a very special part of the property, and as far as most any cities anywhere coastal property is very special. Newport Beach is now priced out of the market for the average person because it's that special and that much in demand, and the Irvine Company bordered on the Pacific Ocean. Between Newport Beach and Laguna Beach it's almost seven miles of pristine undeveloped land. It was when I came. And the sloping hill from the ocean on up to a ridge and then it falls off back into the valley, which is the middle of the ranch. So the boundary line, ultimately, we determined, between where the city of Irvine should be, the top of the ridges where you fell off down into Irvine or fell off the other way into the ocean. The debate when I came was how much of the coast area went to the city of Newport Beach and how much of it went to the city of Laguna Beach.

13-00:01:51

Lage: I see. So they were the two cities on either ends of the coastal land.

13-00:01:53

Watson: They were the two cities on either end of it, right. Early in the history of the company, the company funded the extension of the coast highway from Newport Beach to Laguna Beach. I forget when that was, but I think it might have been in the twenties. Prior to that, if you lived in Newport Beach and wanted to go to Laguna Beach you had to go all the way inland, loop around and come back down Laguna Canyon Road to come into the city.

13-00:02:20

Lage: Were there any other developments in between there of anything?

13-00:02:21

Watson: The Irvine Company in it's early years—let's take Corona del Mar. That's actually a postal zone in Newport Beach but it's been around for a long time. Corona del Mar—all of it—the land was owned by the Irvine Company at one time. I have it here somewhere, the year it was sold. The Irvine Company sold it to one developer in attempt to raise money to enhance his agricultural operations. He sold 400 acres of land for \$60,000.

13-00:02:55

Lage: Prime land.

13-00:02:57

Watson: Prime land. But that was how he used the money and he had other developments that were done early on where they leased land, which is called Bay Shores and Irvine Terrace, where they used the revenue to enhance the farming operation.

13-00:03:19

The question was, in the sixties, what are we going to do with the coastal land now in this new era of community building? We didn't get at it very early. We did a general plan for what we call the coastal sector or the southern sector of the ranch—about 35,000 acres, which covered one-third of the ranch itself. What we did is we showed most of its land use as yellow colored, the land use language for residential, along with the appropriate amount of commercial and schools and other things that go with that. By the early seventies or late sixties we begin to be serious about the coast and we started a whole planning program. The first thing we did was to hire some consultants to stimulate ideas on potential uses on the coast. Once you get past general planning ideas you have to start being specific. I mean, what kind of housing and where? Also it's quite hilly and there's some marvelous, beautiful canyons that most people don't even know exist there. If you look deep into them, you see a lot of growth and so forth. But this was early before the environmental movement had taken hold in the early sixties. In our general plan we had indicated the coastal holds had the capacity for as much as 50,000 dwelling units. Well, all that was saying was the 10,000 acres on the coast at five housing units per acre, which is a common density—relatively low at that time—you come to 50,000 dwelling units. And you do that in the early planning stages for a very specific reason. Historically, most communities have underestimated the size of ultimate development and have not properly sized the roads, not properly sized the basic infrastructure to serve it. So we decided that it would be better to make a mistake on the high side than on the low side for putting the early basic infrastructure in. And it's only when we got into specific planning that we could identify the projected densities of the various land uses.

13-00:05:31

To stimulate our imaginations on a concept for the coast we took a tour of the Mediterranean because Irvine Ranch is also a Mediterranean climate. We took a tour of Mediterranean countries and we started in Portugal.

13-00:05:43

Lage: Who all went on the tour?

13-00:05:45

Watson: On the tour, at that time, the president of the company was Bill Mason and I was senior vice president in charge of all land development. Dick Reese was our vice president of planning, and the trip was organized by one of our planners named Tom Ashley and a consultant named Adam Krivatski. We started the tour on September 20, 1969. I recall the date because it was one day after our youngest son was born.

13-00:06:19

Lage: Oh. [laughs]

13-00:06:21

Watson: We first flew to Lisbon, then to the south of Portugal where we drove north visiting the many coastal resorts and old towns. Compared with northern Portugal everything south is sort of touristy but the shoreline was very similar to the bluffs on the Irvine coast. The Irvine coast doesn't come down gradually to the ocean. The entire length of the Irvine coast was very similar to what the coast area of Portugal is. From there we went to Spain. We toured all the resorts along the Spanish coast, again visiting old towns and resorts.

13-00:07:03

Lage: Along that southern coast?

13-00:07:04

Watson: Actually, along both the southern and northern coast. Then we drove to Barcelona. From Barcelona we drove along the French Riviera, ending up in Nice.

13-00:07:24

Lage: This would have been a fun trip to be along on.

13-00:07:29

Watson: Right. Then we flew from Nice to Milan, Italy, and we rented a car and toured on the Ligurian coast, which is the Italian coast. We stayed overnight in Portofino, and toured the towns south of Portofino.

13-00:07:48

Lage: Did you go to the Cinqueterre, which is now a—it used to be quite remote. You could only get there by train but now tourists have found it.

13-00:07:57

Watson: Oh, no. Portofino is probably the most well known place we stayed. There you saw a village town that had been made into a tourist attraction, without any question. I mean they have painted windows on buildings so it photographs well. If you look at photographs of Portofino, you see all those windows—half of them are just painted windows.

13-00:08:18

Lage: Oh really?

13-00:08:19

Watson: It was a great trip that stimulated our thinking and opened our imaginations to what we could do with our coast, and particularly on the portion of the coast that was right on the ocean. Just a little, sort of, a corporate by-play about what goes on in an organization, you have different people who think about different things. Bill Mason, who was the president but he's an engineer, and he came to me one day and asked: if we got some large land-mining equipment maybe we can flatten out the entire 10,000 acres. He said, "You know, we've got so many hills on the coast, what if we got some of the land-mining equipment to just scrape all the hills and level them out so that we can get higher density?" Well, first of all I knew there was no way in the world we could ever get that kind of approval, but within an organization you try not to say "that's a dumb idea," particularly if he's the president of the company. So I said, "Let me do a little checking on that," and I got information on the land-mining equipment, and it's huge. And I came back to him and I said, "Bill, it's impractical because that equipment is so big there is no way we could ever get it on the property." And he said, "Okay." So I didn't have to fight the battle, the ridiculous battle of going to a planning commission and say we want to scrape all these beautiful hills out.

13-00:09:44

Lage: Did the idea that appall you aside from the fact that you thought you couldn't get it through or—

13-00:09:50

Watson: No. Few things appall me, so I don't thinking way. You know, relationships are built around not ridiculing other people's ideas. I knew we would never do it; I just needed to come up with a way that an engineer could think about not doing it, not a way that a planner thinks the engineer's idea is not a good idea. So that's the reason I came up with the pragmatics of the equipment not working.

13-00:10:16

Lage: That's an interesting little insight into how things work.

13-00:10:19

Watson: Right. So anyway, the trip strongly influenced me on how to think about that narrow portion of land that was between the coast highway and the ocean. It's a narrow strip but it's long, seven miles long, and it linked two coastal communities. I believe by then that, without any question, we were not going to be able to build below the high bluffs on the water even though the company owned the land from the high tide mark inland. So I convinced the company right from the beginning we should contain our development to the top of the bluffs and dedicate all the beach area and faces of the bluffs to the public. These are going to be public lands, not private beaches. Then what I suggested is on the bluff top create a mixture of residential developments—units or houses, probably mostly townhouses, low scale so that it would not interfere with the view from the coast highway of the ocean, which was a very precious thing from the public point of view.

13-00:11:20

Then as for the existing cove known as Crystal Cove, which had for years been, and it still was, land leased to private individuals who had built little beach houses. It's a lovely little cove going down to the beach. Here I suggested we build a sort of a Portofino-like community. Also, I said that, in order to show the importance of public contact to the ocean, we should run a public sidewalk, a path, all the way from Newport Beach to Laguna Beach along the edge on the top of the bluffs. And that we would lower the path so that it would not interfere with the private housing behind it. It was a way of getting the mixture of permanent dwelling units, enjoying the coastal scene, with the public having full access through this public sidewalk. And in the middle of it would be this little resort, which would make it attractive for people who lived inland to come and visit and participate in their ocean.

13-00:12:29

Lage: And would you see that as sort of a tourist attraction?

13-00:12:32

Watson: I see it as a tourist attraction. Later on, we learned—in terms of the battle that went on between the local community and the [California] Coastal Commission—the commission's goal is to think of ways to allow people who live inland, who become tourists when they come down here, to be able to enjoy the Pacific Ocean. Whereas local residents saw the coast as theirs and visitors crowding their roads. So, at least I thought, the concept should satisfy both the commission and the local communities.

13-00:13:05

Lage: Did this develop after your trip to Europe?

13-00:13:06

Watson: Yes. The idea developed after the trip.

13-00:13:07

Lage: With very much influence, other influences, from the—?

13-00:13:10

Watson: Well, yes. I can't remember all the influences, frankly. As you know, you have dialogue and discussions. We had different planners giving us ideas of what to do, but mostly it was in-house thinking. Then, from the coast highway inland, which was the bulk of the land, we thought of as primarily residential developments. But by the late sixties—now remember '69 is when we took this trip—getting into the early seventies, the Coastal Commission has suddenly come on to the scene. The coast is a place to put great attention to what the very different groups with different views of what they should do with it. We created a thing called TICMAP [The Irvine Company Multi-Agency Planning Program].

13-00:14:02

Lage: Can I just back you up for a minute now?

13-00:14:03

Watson: Sure.

13-00:14:03

Lage: I don't want to run too fast on this.

13-00:14:04

Watson: Yes, I know.

13-00:14:04

Lage: That coastal commission. First there was—I'm talking about the first round in '72—'71, '72, there was a lot of coastal legislation offered, and Pete Wilson was actually one of the ones who offered legislation and then there were alternate plans.

13-00:14:20

Watson: Right.

13-00:14:21

Lage: Did the company get involved in that, lobbying or supporting any of those plans for the initiative?

13-00:14:29

Watson: With regard to the initiative, I'm executive vice president of the company by this time. The company took a position, and I personally took a position, opposed to it.

13-00:14:42

Lage: But before that. The initiative came because the bills—nothing passed in the legislature.

13-00:14:47

Watson: No, nothing passed, nothing.

13-00:14:49

Lage: Had you been opposed to the Pete Wilson, which was slightly—?

13-00:14:51

Watson: You know, I don't remember what the Pete Wilson plan was.

13-00:14:55

Lage: It was a little more local oriented—

13-00:14:56

Watson: Right, right.

13-00:14:56

Lage: Than Alan Sieroty, which is more—

13-00:14:58

Watson: Probably supported it. We were not big players in the political arena, but we were very aware of it. The public bodies in the state thought we were a good example of development so they'd like to use us and so we had good relationships with them.

13-00:15:12

Lage: But you don't remember a particular role?

13-00:15:15

Watson: I don't remember. I don't remember even what Pete Wilson's plan was.

13-00:15:16

Lage: Okay. So you opposed the initiative, and—

13-00:15:20

Watson: We put up some money to oppose the initiative. I was very forthright when I was in public groups that said, "What is your position?" My position was that I thought the activism that there is already—I mean, I had a good example in Newport Beach and Laguna Beach. They were opposed to virtually any development you did anywhere, but particularly on the coast. The communities up and down the state, for the most part, that the legislation was talking about doing—the initiative they were talking about to do—might have been appropriate ten years earlier when there wasn't that much attention. But now the cities had already caught up to it and they were policing themselves very well. My concern was that it would become so bureaucratic and so difficult, and it took the power away from the local communities. The political argument was, you need to take power away from the local community because they're allowing—I mean the political argument, they were allowing anything to be developed and overdeveloped. But in my view they were out of date on that. That's true maybe a decade earlier but it was not happening at the current time.

13-00:16:22

Lage: Not at least in your area.

13-00:16:23

Watson: Right. In much of the state it wasn't happening, really. Frankly. I mean, if you take a look at the history of the state, from Santa Cruz, anywhere, the local communities really started to protect the coast. Existing coastal cities were part of the antigrowth movement—what we've got is fine; we don't want any more people on our coast. In regards to what their motives were, they were doing a good job. It's probably the argument that goes on today between big government and little government, you know,

and our country basically founded on getting the government down as low a level as you can.

13-00:16:52

So we took a position on that. That initiative passed, and I gave a talk within a week of it being passed, with a large developer group and I said we had opposed it for reasons we believed in; now that it's passed we're going to do everything we can to make it work. So that's what you have to do and that's what my attitude was about it. But anyway we also had TICMAP—you want me to talk about TICMAP now?

13-00:17:16

Lage: Right, because that must have been related to your thought of how to make it work.

13-00:17:20

Watson: Right. TICMAP was our way of opening the planning process up—there were so many groups that had emerged that were interested in the coast, from the cities themselves to the Sierra Club. There were a couple organizations in Laguna Beach which were very active. There were Save Our Bay, a Newport Bay group. So we opened the process up. We said we're going to do a joint planning process that involves all the groups. We invited them all to participate. Now, our style of doing it—and my style of doing it—is: “However, we're not going to start from scratch. We're not going to all sit around together and say: What should we do? We're going to come to you with a plan which is—to stimulate the idea, here's what we think it should be. This is the Irvine Company's property. We have spent this time in Europe looking around. We have been conceiving and thinking about this for some time, and I'd rather have it start with a plan that you can react to.” And also I felt pretty comfortable about what we were coming up with. I'd convinced the company they ought to give up part of their land to have a public sidewalk area in part of the Bluffs and all those kinds of things, and they were endorsing this.

13-00:18:34

Lage: Was it difficult to get their okay?

13-00:18:35

Watson: No. No. I think they became entranced—I think they were realists with regard to the public view and they liked the idea. It was sort of romantic. And of course I'm selling the idea to them and I'm saying I think that this is something—we're going to have to end up with something like this. The sessions we had at TICMAP were a great lesson in democracy, great excitement and enthusiasm for the plan.

13-00:19:01

Lage: Did people sign on like the Sierra Club and, I think, the Audubon Society?

13-00:19:05

Watson: No. No. Let me tell you what happened. Most who participated in the process showed enthusiasm but when the time came to sign on, nobody could do it because they had their constituency that complained—it looked like they had sold out to a developer. So therefore they reverted back to their broad advocacy roles which basically opposed any development.

13-00:19:26

Lage: Interesting.

13-00:19:28

Watson: And so during the planning stages, we developed plans with them, we showed it to them and they showed enthusiasm and interest and personal likes of it. When they went back to their chapters, when they went back to their organizations—and they were very frank with us about it that they'd like to sign off on it but they couldn't. Their constituency of whatever club it was, whatever organization it was, virtually all of them said they couldn't endorse it. So there we were—

13-00:19:58

Lage: Let me just ask you, did you alter your plan in the course of this process of meeting with so many different groups?

13-00:20:06

Watson: You know, they were minor alterations, if anything. Mostly it was they raised the question about the view from Coast Highway. I'd already figured out how we're going to lower the sidewalk and we were going to protect the views. And we would then mostly show them examples of how the views were protected from the highway, and what the densities were going to be. For instance, in Eastbluff—if you go into Eastbluff the first greenbelt community is called the Bluffs. We talked about that kind of community on the ocean side would be greenbelts wandering around through it and so forth. So that always seemed to satisfy the concerns they had.

13-00:20:39

Lage: Did you reduce the density at all?

13-00:20:42

Watson: The density was already much reduced from the general plan of 50,000. Yes, absolutely. But that always was true in every plan we ever did. The density comes down to reality. Because it's so long ago, I can't remember the specific arguments other than the honesty they had with regard to the fact that as much as they, personally, liked the plan, that for them to cave in and accept any development—because their supporters wanted no development on the property.

13-00:21:18

Lage: How about the public agencies? You had a lot of public agencies.

13-00:21:22

Watson: The public agencies were reserved at that. They say, "Well, when you go through the planning commission, we can't even have the city staff come down and meet with you." They were very wary of it. They're very supportive of the process and but then they always ended up saying, "But of course it has to go through our planning commission."

13-00:21:35

Lage: Yes.

13-00:21:36

Watson: And we couldn't have the planning commissioners there because of the Brown Act—well, not the Brown Act, whatever the—

13-00:21:43

Lage: The open meeting act.

13-00:21:44

Watson: Yes, open meetings and so forth.

13-00:21:46

Lage: Yes, that's the Brown Act, I think.

13-00:21:47

Watson: Right. So we ultimately had to just abandon the process. It took a couple of years of going through the process, starting out encouraged, getting good reaction, then beginning to relapse into bickering, and finally we just said we're going to just file this plan with the appropriate public agencies and see what happens. Now the Irvine Company is a planning organization and a business, and you have to translate the plans into the business part of doing the job. So we concluded that the odds were against us, and any plan we submitted would fail, and now we'll see if the state will acquire the land that we said is going to be open to the beaches and the bluffs. And the state said they were interested in acquiring it. So then we each got appraisers to estimate the value of the acquisition and see where it goes from there.

13-00:22:57

Lage: Now where did this relate to the highway? Was the sidewalk anywhere near the highway?

13-00:23:02

Watson: No. From the highway, you go to the edge of the bluff and you drop off. This was right at the edge of the bluff, so the landing between is where we were going to put the bluff-type housing. So it accommodated both the private interest and the public interest. The idea was that then we'll sell you the land on the ocean side of that. The appraisals came in around \$13 million for this seven miles. We took it to our board of directors. They [the state] agreed to buy. They agreed to what they would pay. We agreed with that as a management. We took it to our board of directors and we got into a battle. The battle was: Joan [Irvine Smith] opposed it. And her argument was, it was worth \$50 million.

13-00:23:50

Lage: [laughs] Did she have an independent appraiser?

13-00:23:52

Watson: Her lawyer—right. You know, they just—oh, they got somebody to do it. You can find somebody who will support you in any case.

13-00:24:04

Lage: So she objected to—

13-00:24:05

Watson: She objected to it—but she got outvoted, and we entered into an agreement to sell it to the state. They agreed to buy it, and she filed a lawsuit. That lawsuit was held in 1976 (I need to check on this date), but the judge had not yet ruled on it when I left the company in July 1977.

13-00:24:24

Lage: Goodness.

13-00:24:25

Watson: I spent three days testifying—we were a West Virginia corporation. I remember spending three days in a hot courtroom in West Virginia, I forget the name of the city, with no air-conditioning. I always remember that. They had no modern techniques. They had a woman taking, in shorthand, the testimony, which took years to get transcribed.

13-00:24:45

Lage: No wonder it took so long.

13-00:24:48

Watson: We tried the case, and the case was a shareholder case. Joan said we were giving away a corporate asset for \$13 million when it's worth \$50 million. So we had to present all the evidence, what the appraisals were and the plan and all that kind of stuff and you have a judge, and then we waited for a ruling. By the time I left the company in—I forget when that lawsuit was filed, but I would guess it was filed maybe in 1975 or 1976. And it was inherited by the new owners when they came in, and she became part of the new ownership. The new owners, after looking at all the issues including the growing opposition about any growth on the coast decided to sell all the land between the highway and the ocean.

13-00:25:54

Lage: That was their decision?

13-00:25:56

Watson: All the land from the coast highway to the ocean so there would be no private development. Irvine Cove was included in the offer. And the state said they were interested in acquiring it all, including a trailer park that is down inland of the coast highway near Laguna Beach. And they ultimately, I believe, sold it to the state for \$30 million.

13-00:26:19

Lage: So the lawsuit became moot.

13-00:26:21

Watson: The lawsuit became moot, right.

13-00:26:22

Lage: That's interesting that Joan sort of—

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Watson: You got to remember she said that small portion was worth \$50 million; she ultimately parted with the new owners and ceased going to board meetings within three months of them acquiring the company, and so I don't think she participated in the vote to sell the land.

13-00:26:42

Lage: [laughs] So the whole, from the highway on, was sold to the state then.

13-00:26:46

Watson: To the state, and they own it to this day. They have developed some parking lots there for the people to go to the beaches, and they've kicked all of the people out who had those beach houses on leasehold because those land leases had run out. And there has been

years of controversy. People didn't want to be kicked out. Then the trailer park. People had trailers; they are now getting kicked out there.

13-00:27:11

Lage: What was the story behind the trailer park? You hadn't mentioned that as something that—

13-00:27:12

Watson: You mean why is it there? It was there for—

13-00:27:15

Lage: That was on Irvine Ranch.

13-00:27:16

Watson: Yes, it was on Irvine Ranch. We didn't own the trailers. We leased the land to an operator. For some people it was year-round living; for most people it was having a trailer on the ocean. I think they had a little tunnel underneath the highway, I believe, to get over to the beach. There's some units that are prefab units right on the beach that are in the same category. Those are now all owned by the state, and they're going to rehab the bungalows in Crystal Cove and rent them out for short term use. They're also going to, I believe, use the trailers for weekly rentals for the public.

13-00:27:53

Lage: But there'll be no Portofino.

13-00:27:54

Watson: It'll be no Portofino, right.

13-00:27:55

Lage: In Crystal Cove.

13-00:27:56

Watson: And I still have people who remember that plan that say to me how much better they liked my plan than what has happened, but that's the nature of the politics of this situation. There's nothing wrong with it. I mean it is public domain, which is wonderful. I happen to believe that if we could have put this in together, we would have had a very attractive coast that would have all the public access you needed. But when you finally get down to it, what people want to do is get on the water.

13-00:28:21

Lage: Yes, on the beach. When the Coastal Act was passed in '76, we've talked about your dealings—

13-00:28:30

Watson: When was this, '71 or—?

13-00:28:32

Lage: Seventy-two was the initiative, but then in '76 was when it was made permanent.

13-00:28:36

Watson: Yes, because the initiative run out. Right.

13-00:28:38

Lage: Right. And you told me about Leo McCarthy bringing Irvine Company into the deal.

13-00:28:42

Watson: Right.

13-00:28:43

Lage: Now I had thought that part of the agreement you made when you signed onto that act, was that the plans for the coast already in place would be approved. Did it have anything to do with—?

13-00:28:55

Watson: I don't remember—it wasn't that. The biggest issue there was that the coastal bill had a line inland of the ocean which defined where the Coastal Act had jurisdiction. But that line landed right in the middle of Newport Center.

13-00:29:08

Lage: Yes, that's when you told me about it, but then I read somewhere that it also had to do with accepting what you'd created as a plan for the coast.

13-00:29:18

Watson: It could have been, maybe. I just don't recall.

13-00:29:20

Lage: Doesn't ring a bell. Okay.

13-00:29:24

Watson: But it wouldn't—let me just say, the fact that the state might accept it doesn't make it accepted, it doesn't get it passed anywhere. You know, I remember—and it wasn't too long before I'd left the company—but let's say that we might've gotten them to agree not to oppose it, but the state doesn't normally take positions on land uses in local communities.

13-00:29:46

Lage: But they do under the Coastal Act.

13-00:29:48

Watson: But that's a separate entity. It's separate. I'm talking about the state legislature.

13-00:29:50

Lage: Oh I see.

13-00:29:52

Watson: See which is passing this Coastal Act.

13-00:29:55

Lage: Right. We'll have to look that up because what I had read was that they're in the Coastal Act. They grandfathered certain things in and that this was grandfathered in, the plan that you developed, but we can check on that.

13-00:30:06

Watson: They could have. Could be, could be.

13-00:30:07

Lage: Now after you went back to the company in '84—just to kind of skip ahead—I think you mentioned that you were put in charge of the coast—

13-00:30:13

Watson: Yes, Donald Bren asked if I would coordinate the planning of the coast.

13-00:30:17

Lage: Had much been done?

13-00:30:18

Watson: It was really heavy on the negotiation with the county planning commission because we still had to go through the entire entitlement process.

13-00:30:28

Lage: Had there been much done between '77 and '84?

13-00:30:30

Watson: No, it's sort of like starting all over again. Because, remember, the concentration of the past planning for the most part was on the land from the highway to the ocean. Now we're dealing from the highway inland. Because there was a lot of opposition groups now. There's Friends of the Irvine Coast. The Sierra Club—I can't remember them all—still are active there. Then you had the two cities with positions on it. What the company finally reached a consensus on with most of the groups and the two cities was the maximum number of dwelling units that would be allowed on the 10,000 acres of the coast. The thing we came up with is, the number of dwelling units that would be allowed there and I forget what the number is, might be 2,000 or whatever—I could get that number but I don't remember what it is. The company then agreed to contain all development within only a portion of the property and dedicating 7,000 acres of the coast as open space.

13-00:32:07

Lage: Aside from this gift on the other side of the highway.

13-00:32:10

Watson: Aside from the—well, it isn't a gift.

13-00:32:11

Lage: Not gift—sold.

13-00:32:12

Watson: Aside from that, right. But it wouldn't go to the state. It was to go to the county. We then worked on the residential plan, which was mostly a matter of where we would be allowed to grade and what kind of grading. And again I'm embarrassed to say I can't remember his name but there was an architect planner in northern California who had done work for the company in Big Canyon, who I really thought of as a land sculptor, who knew sensitively how to deal with land. And the coast—what they call Newport Coast Road, which is a major road that linked it with the inland communities, how to do that in such a way that you had vistas as you drove down it. Hired him. He started working from a grading point of view, trying to get a balance, cut and fill, sensitive grading to the land. We ultimately came up with a plan that had a housing density that became acceptable to the county, two public golf courses, and two hotel sites. The hotels were the

accommodations the coastal commission wanted for serving inland guests visiting the ocean.

13-00:33:40

Lage: I see, so that was encouraged, to have hotels.

13-00:33:44

Watson: By them. Not encouraged by the cities. The cities don't want—I mean, if you think about it, residents who are in Newport Beach don't like those tourists coming down and clogging up their roads.

13-00:33:55

Lage: Hm-mmm. And their beaches.

13-00:33:57

Watson: So I was able—when I would talk to groups—and understand I was mostly talking to local groups—I'd say, “Look, if we want this development to be approved we are going to have to have some hotels in there. We have to have some accommodations for people that don't live here.” I said, “I happen to think that's sort of nice.” After all, if you live in Fresno this is as much your ocean as if you live in Newport Beach. It isn't your domain but, I said, “regardless of whether you agree with me or not, this is the reality.” And so by painting the reality you begin to get different groups agreeing, or be able to tell their constituency why they had to go along with the hotels if they're going to keep the housing density down on the rest of the property. So you go through a process, both internally in the company—to make sure this is going to be a project that is economically and at the same time it can be acceptable to the two local communities, and then all the interest groups—the Friends of the Coast, and so forth—and then the coastal commission. So you had a gigantic group of people that I'm spending time with in various groups. Reminding the local groups, particularly as they would say, “Well, why do you have to build down in that canyon?” I said, “Every time you reduce the footprint of where development is allowed the higher the density.” And of course they didn't like high density either. I said, “And you don't like it and I don't like it, so you have to leave us enough room to accommodate the number of dwelling units we need to make the coastal project economically sound.

13-00:35:24

Lage: So they'd prefer to have it—I'd hate to use the word “sprawl” but spread out over a larger area than have a—

13-00:35:30

Watson: Sure, because that's where they live. Yes. I mean what some people call “sprawl,” they call “low density.” You know, that was a positive to them. It took I don't know how long—several years—of just negotiation with local folks and the commissions and consulting, then working up an agreement on the open space. By that time we also had learned how to deal with open space of that magnitude. And that was a huge magnitude to them—7,000 acres. That got us a lot of credibility with the various groups.

13-00:36:08

Lage: And a very expensive 7,000 acres.

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Watson: Right.

13-00:36:13

Lage: But were a lot of those 7,000 acres in an area that was very difficult to build on?

13-00:36:15

Watson: Yes, right. But as prices go up—the reality of “expensive” is influenced by what you ultimately sell a house for. You got to realize that today we sell land for developers for over \$2 million an acre. When we started it was \$35,000 to \$45,000 an acre. At \$35,000 or \$45,000 an acre, and you can only do five units per acre, you can only spend so much money on grading. As land gets more and more expensive land that previously was too expensive to grade becomes economically possible to grade. So internally in the company you have negotiations that are going on at the same time, but the 7,000 acres, once that commitment was made by Donald Bren—and it was made by Donald Bren, he was willing to do that and he was encouraged by—

13-00:37:08

Lage: Did you recommend that to him?

13-00:37:10

Watson: Yes, but I must say there was more than me recommending it within the company. There was, by that time, Roger {Sykes?} who was the chief planner. He was doing much of the work on the design. I was sort of overseeing and using it as a forum for how we’re going to get approvals on this property and economically how it was going to work. But what they did with the open space—and I can’t remember whose idea—by this time a contract called a “development agreement” begin to be used. It was a relatively new understanding between the developer and a public body. And it grew out of frustration that the development communities had when they would agree with public bodies and would commit millions of dollars to put in infrastructure, and a new city council would come and say, “I don’t have to abide by what the previous elected official did.” So how do you get agreements to have life beyond the current elected officials? And it became a serious problem on any large-scale development. It is particularly a problem for those of us who are developing large scale developments called communities.

13-00:38:31

Irvine Company is the prime kind of candidate where you try to reach agreements. So the agreements on the open space is that we would get from the county a development agreement for the plan we had—that had to do with density, where we could develop, where we could grade, all the particulars. And this is, I mean, thousands of dollars worth of definitive work and studies to show what it is they’re agreeing to. That in fact, if any subsequent body—as they approve subsequent subdivisions that came out of that approved plan, x number of acres of the open space would be released to them. If at any time a new body was to now change the game and say no longer can you develop this portion of the property, the agreement said they no longer got any more open space.

13-00:39:18

Lage: Was that developed by Irvine Company, this idea, or was it kind of—

13-00:39:21

Watson: I can't say who developed it. I don't know; it may have been. It is now used all over the state now.

13-00:39:26

Lage: Just grew out of the realities.

13-00:39:28

Watson: Right, it grew out of the realities. And I like it. It's a quid pro quo. Even the politicians—who will never acknowledge this—like it because, when they have constituents that say, "We don't want any more growth," they say, "Well, we don't either but here's where we are. We're stuck with this agreement and we're not going to get our open space, which you all love, unless we do that." And it helps them politically to not be thrown out of office when they agree with something you're going to do ten years after we signed an "agreement" and based on that spent millions of dollars on the site. What happened on the coast is that some of the development is similar in density to some of the hill towns we saw in Europe, although the architecture is different and the units are larger here.

13-00:40:19

Lage: So do you have villages there?

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Watson: Actually the entire coastal area can be considered a village because it has its own schools and shopping. But because each housing area has separate guard gates—to me—it loses the feeling of one village.

13-00:40:38

Lage: So the shopping centers are within the guarded gate, you mean?

13-00:40:42

Watson: Well no, they're always outside the guarded gate, but they're on the coastal road or they're on the coast highway. We just finished one large development on the coast highway that is—in back of it is residential, but it serves not only the people who live there but people from Laguna Beach and tourists and everybody else.

13-00:41:00

Lage: Did you like the idea of the guarded gate? You've expressed that you didn't like it in other areas.

13-00:41:05

Watson: Well, I don't object to them because some buyers like them. It's like me saying, "Well, I don't like it so even though you want it I'm not going to let you live that way." I would just prefer that every community not have guarded gates. I think it changes the character of the community. I have no research to show that it does, but there's sort of that sense of privacy. I wouldn't like to personally live behind one, but from a marketing point of view they have value. There is a perception of safety, the pretence of exclusiveness that raises the price of the dwelling units that are behind there. So there's a temptation to do it. My personal view is we do too much of it on the Irvine Ranch now. We tried to keep it to a certain segment, a low percentage of the housing. By including every residential community behind gates it diminishes the exclusive feeling you are trying to create. But that's just the difference between my view of doing it and Donald Bren's view of doing it. There's no right way.

13-00:42:06

Lage: And the times also.

13-00:42:07

Watson: And the times.

13-00:42:08

Lage: How much have those homes sold for in these coastal villages?

13-00:42:14

Watson: Well, you have a variety—you have the builder homes, which are all well over a million dollars apiece, you know, a couple million dollars.

13-00:42:22

Lage: You mean those are not on—

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Watson: There's some that might be \$800,000. They're like town homes and so forth. Then there are lots. We have some beautiful lots. There was a lot subdivision where people would buy them and build a custom home.

13-00:42:34

Lage: And build their own.

13-00:42:35

Watson: Build their own. There's one situation where somebody bought four lots and built a 20,000 square foot home. There are some ten and twenty million dollar homes also. So you got that mixture of town homes and cluster homes and estate housing. That was part of what we were trying to create there as well.

13-00:43:00

And then we have two golf courses, which are owned by the Irvine Company. They're what we call private/public. They're private in a sense; they're privately owned, they're not owned by a city or county, but they're open to the public. They're not membership clubs limited just to people who are members. There are two hotels sites. We've had deals with hotel people through the years and a number of them have fallen out. Disney bought one of the sites at one time when they were going to use their time-share to expand outside Disney World. Then they decided they shouldn't be in the time-share business except at Disney World. They discovered they couldn't compete with the Marriotts of the world except in Disney World. Irvine Company is actually thinking at the present time about building the second hotel themselves, which would be partly time-shared and partly a straight hotel.

13-00:44:01

Lage: Is the time-share a good business from the owner's point of view?

13-00:44:07

Watson: If you have the right property it is a good business because you are selling a unit fifty-two times if you sell it a week at a time, so it has tremendous gross number of dollars you can sell that unit for. But they also go into a rental pool, if the owner of a particular week doesn't use it. But the advantage of companies like Marriott is they have them all over the world, so you can buy a unit on the Irvine Coast and you could trade that for a unit in

Europe, or wherever Marriott has another time share. I tell people all the time who ask me about it, I say I would never buy a time share. I mean it's, in my view, it's not a good investment to buy them. It's cheaper for you to just go rent, pay—rent a suite for a week a year or something.

13-00:44:49

Lage: Yes, that's what I've heard too.

13-00:44:50

Watson: Well one of the problems with them is if the owner wishes to sell his/her week they will be competing with all the other fractional shares on the market.

13-00:45:03

Lage: Which makes you wonder why people buy them new.

13-00:45:05

Watson: Well I know friends who own "shares," use them and love them. The point is they offer an alternative to renting one and for a segment of the market they give buyers an option.

13-00:45:09

Lage: Yes.

Now, I think you've already said you weren't involved in this but I just wanted to bring it up. In the nineties, when the Endangered Species Act came into play and the gnat catcher appeared to be endangered in this area, I believe, and Irvine Company worked with state Resources Agency, were you involved in that?

13-00:45:50

Watson: For the most part I wasn't. Monica Florian, who is a vice president of the company, has done a marvelous job of working with all these agencies. I don't know of anybody in this business that knows as much about that subject as she does.

13-00:46:03

Lage: Because this was another kind of a creative new way of working out agreements—Natural Communities Conservation Planning.

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Watson: Right. I don't really have much to do with that at all, but gnat catchers—it is a habitat on the Irvine Ranch. You know the argument, that at least I've been told, was they are an endangered species. The argument on the other side is that—they're not endangered if you include their cousins from Mexico. So the people who want to not have development will say, "No, you can't; that's a different species," and so on. It's beyond me. It's hard for me to think my cousins aren't part of my family, but—you know. [laughs]

13-00:46:44

Lage: Did it appear to you that the same group of people who opposed development just kind of latched onto the Endangered Species Act, or do you think there's a real concern?

13-00:46:53

Watson: There is a legitimate constituency who is concerned about the environment, and then there are a lot of people who use those issues for not wanting development no matter what the reason is. The movements get used, and the requirement for environmental impact

reports and the species acts sometimes are misused. So when you go into a public forum you get experts on both sides of the issue. Some just don't want development. Some don't really understand what it is anyway but they'll use that argument to block development. Now I may be unfair, but to generalize, if you think about the Sierra Club, the Sierra Club was an organization when I first came to the Irvine Company which was extremely well known for planning hikes and trails and preserving the wilderness. I don't know how much they had in preservation, but if you wanted to go into the Sierras and get a trail map, they're the ones to get it from. They're the ones that would protect those areas—like, I climbed Mount Whitney twice. I know they had a lot to do with making my experience full while protecting that wonderful mountain.

13-00:48:05

But somehow the antigrowth movement, the NIMBY [not in my backyard] movement, which was getting self-conscious about the fact they're being called nimbies—opposing developments because they didn't want any more people to come into their town. They got legitimacy by joining the Sierra Club. And that, in many respects, gave them a legitimate argument that they could use and they do use. It also enriched the Sierra Club with that many more memberships, so it made it a much more powerful organization because they are now being supported by both the hikers, which don't pay much dues, and the NIMBY group, who want to stop development and are willing to give financial support to any institution that would help them oppose development. As an example, they're having a debate right now in Newport Beach on an elderly housing site that's been designated for that use for years.

13-00:49:12

Lage: The potential site?

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Watson: The potential site—that the Irvine Company had gone through this whole process to say, “We'll leave the top of the hill above it in Newport Beach as a view to the bay. We'll only develop it in the bottom. There we'll build an elderly affordable housing project.” At that time the city applauded that goal. And now there are a group of environmentalists who say they found some wetlands on the site. Wetlands where—one of the wetlands they sited is a rut in the sand that a truck had made. Water had gotten into it and reeds are growing out of it, and they're now claiming that's wetlands and they're getting legitimacy out of it because there are people arguing, “I don't care how it got there—it's still wetlands; you can't develop that.” So now the city council is frustrated by opposition yet acknowledges, “There is a huge need for some affordable elderly housing in Newport Beach, and now environmentalists are going to keep us from building the needed housing.” There are two legitimate organizations that are conflicting with each other and it has become more and more difficult for public bodies to make these decisions. Fortunately, in this case, the coastal commission approved the housing and it is under construction. But the cost in time and money significantly discourages development that is needed.

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Lage: You must have seen so much of this because hasn't this sort of been your role in the last number of years, to be the front person?

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Watson: Well, it always has been part of my role, you know. I'm also a businessman.

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Lage: You're known for being very good at it, though, to kind of work in with the public and—

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Watson: Right, right. Well I think, yes—I think I have a reputation of being honest and saying—and also being able to say things that somebody may not like to hear but saying it in a way that at least they understand me. Recently I talked to a university planning class and told them about the conflicts we all now face in our role to provide housing for our growing populations. And one young lady got up, and she had a scowl on her face. She said something about affordable housing; I can't even remember what it was. She said, "Therefore, why should I believe you?" You still have people in the audience that no matter what—how reasonable you sound and so forth, they are so suspicious of you as a, quote, "developer"—and I don't steer away from that title—that they just turn you off. They don't want to hear the argument for any development.

13-00:51:41

Lage: You've mentioned how you were able to put an explanation to Bill Mason that he would understand as an engineer. Is that something you do with the public groups?

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Watson: [Sure, I talk about the years of struggle over a plan to dredge the Upper Newport Bay. A plan that had been approved in 1934 and which was now needed to satisfy a commitment to the new UCI campus. Irvine Company owned the islands that were to be dredged and the county couldn't afford to buy them. The company, in 1961, agreed to trade them for some land on the bay's edge. When the county and company reached an agreement for the trade it was applauded. But soon a group emerged opposing the trade because they wanted to preserve the bay as is. Without going into the years of controversy over what I would call conflicting visions about the bay, when I became president in 1973 I told our board the bay will never be dredged and we needed to sell the islands to a public body. By this time the public pendulum had swung against developing the bay and for preserving it. Part of what I do in such circumstances is to be straight with my board and suggest we work out whatever compromise we can and get on with our main task. Now if all we owned was the islands that would be an impossible position to take.] [Added during editing.]

13-00:52:55

Lage: You seem to feel that the company and you yourself care about more than profits. That's the impression I'm getting.

13-00:53:03

Watson: Yes, I do care about more than profits. I mean, I can't live my life that the only thing I care about is profits. Now, I'm fortunate, I think, to have been associated with a company and companies and in a business in which, whether I cared about the environment or not, we have a responsibility to deal with it.

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Lage: That's right.

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Watson: I'm also saying that I can't become an environmentalist in that issue because I am a developer, and there has to be somebody who advocates housing. We need housing.

People are born and they need to live somewhere. I tell the students, I said, “Do you think the Sierra Club is going to come and advocate for housing? No, they’re not going to advocate for housing. They do their thing.” I still have to reach accommodation with them but they have to reach accommodations with me in our society. So my role is very clear about who I represent and what I represent, but also I don’t say, “They’re bad people.” Now, there’s a lot of people in my business—as there is in their business—that think the other side are evil people or bad and so forth, and you run into that. And I think I’ve engendered a reputation among many people who think I’m fair. They like my way of planning, you know. I think part of it is they also like to be treated fairly. But we like to also be treated fairly.

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Lage: They respect the way you deal with them, I guess.

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Watson: Right.

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Lage: Okay. Well, maybe that’s enough on the coast. Let’s just pause here for a second. [tape interruption] We’re back on and we’re going to talk about the Irvine Company and the university. Of course, we talked about it quite a bit, on the siting of the campus and all that, but what about some of the later issues that Jack Peltason actually has mentioned? One being the siting of the medical center. Is that something that you were involved with?

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Watson: Right—I was really involved in that. I can’t remember what year it was, but I was approached by a group that wanted to build a medical building and a hospital. We had a large medical office building but no hospital in Newport Center, and there wasn’t room for one. So I came up with the idea that we build a medical center including private and university hospitals on land adjacent to the university. The university hospital would be a teaching hospital controlled by the university, and the private hospital would be an independent non-profit hospital. In support of the idea we put together a group interested in the idea including Don Koll, a developer, and Arnold Beckman, creator of Beckman Instruments. I don’t remember all those involved. It was a pretty powerful group of people, all interested in supporting the university medical school and providing facilities for the private sector.

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Lage: And were these locals?

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Watson: These were locals. Do you know who Arnold Beckman is? Beckman Instruments. He just passed away. A Caltech scientist who built a company, who has given millions and millions of dollars to different universities, who is a man of great principle. I was telling the chancellor of UCI just last week about what I like about him. They were talking to me about the great naming opportunities for gifts. I told the chancellor of a meeting I sat in with Beckman when I was a trustee of Occidental College. Occidental College was making a pitch for some of his money, and so Beckman asked if I would sit in on it. They showed him a rendering of the building and they would name it the Beckman building. When he got through listening to all that, he said, “Gentlemen, let me give you a lesson on how to raise the money.” He says, “One, I have no interest in the name of the building.

I don't care about that; I care about what's going to happen inside the building. And," he says, "the other thing is, I learned in life that it was much easier when I wasn't giving money, I was just putting it in my own pocket. Now I'm taking it out of my pocket and giving to others, and I have found there are so many hands out there that want it. And it has become a huge task to decide who to give it to and who not to give it to. And I make the decisions based on how they will use the gift.

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Therefore, the fact was that he was part of this group willing to put up money, and believed in the two hospital idea. So I allocated a large piece of property for it and secured approval from the company's board to donate both hospital sites providing both hospitals were non-profit and the supporting medical office building sites be on ground leases. That's what we were used to doing where somebody wants to build a medical building. A portion of the revenues from the medical building would go to support this nonprofit hospital. So it was a very complex idea of a medical center the university was seeking support for but had not acquired funds for. The idea began with much enthusiasm and broad support in the local medical community and by the dean of the university medical school, Stanley van den Noort.

13-00:59:06

Lage: At that time, yes.

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Watson: So we included van der Noort in the planning. We had a whole bunch of local physicians in the planning because they were vital to the non-university hospital where they would send their patients. This idea went along and we were gathering broad support. I went to our board of directors, they agreed to make these gifts of these lands, and they'd agreed to give part of the revenue to the university—I'm sorry, to the private nonprofit hospital. And the university would have their own hospital when they got their money to build their hospital.

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Lage: And where was it going to be?

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Watson: Right adjacent to the university. Right there near the medical school. The idea got some momentum. It seemed to go along until I started hearing rumblings between the private physicians and the medical school dean. I couldn't figure out, "What are they arguing about?" The dean was arguing, they told me, that he wanted to have a university majority on the board of the nonprofit hospital, which determines who can practice in it. Majority. And the private doctors said no way would they have that. So I sat down with the private doctors one day and I said, "Tell me, what is the argument? What are you concerned about? It's in the university environment, even though the university may have their own hospital. What are you concerned about? The doctors said, "Well, first of all, the university wasn't sure they were going to get the funds to build their own hospital. So they really want to control the nonprofit hospital.

13-01:00:45

Lage: I see.

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Watson: But what the doctors told me is that the truth of what that meant, by control, is: the university inherently has medical issues—appropriate for them—that says there’s only certain kinds of cases they’ll take in their hospital. If they are a hospital known for transplants of certain kinds of organs, they load up their hospital with transplant patients. So when a local doctor has a patient needing hospitalization the university may not let their patient in because they would have the ability to control who can be admitted. It would be like Hoag Hospital, which is a neighborhood community hospital, a wonderful hospital. So the doctors wanted to let the university have their own—they can control that—but they can’t control our nonprofit hospital or we won’t support it. And they said, “We won’t support it,” and Beckman started saying he wouldn’t support it, and the dean wouldn’t back off.

13-01:01:31

Lage: Now was this while Peltason was chancellor?

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Watson: Peltason—

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Lage: I think it must have been, because I think he talked about it.

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Watson: I think it was, I think it was.

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Lage: So this was in the eighties?

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Watson: No, in the early seventies. I went to the dean and talked to him about it, and he wouldn’t budge. I said, “Well, wait a minute. You’re saying, on our land—we as a company are willing to give the land to a group who is going to raise money and they’re making no profit out of this thing, and they’re going to build a nonprofit hospital to serve the community, which you can practice in until you get your hospital funds up. You’re willing to jeopardize that in order to say you’ve got to have control?” And he said, “Yes.” Ultimately, the group fell apart just over the argument—just over the argument. We all gave up on it, and it left a bad taste in the mouth of a lot of local people, including myself, about the university hospital and the administration of it.

13-01:02:26

Lage: Hmm. And did you go higher up to try to get satisfaction from—?

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Watson: I can’t go beyond Peltason.

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Lage: But he didn’t support—

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Watson: He supported, but he couldn’t—you understand the university here. These are kingdoms, you know. As I say, Jack Peltason—the only person he could fire was the janitors. He can’t fire the dean of the school of medicine. My recollection is, Jack was sympathetic.

He was trying to solve it too but he couldn't. Nobody could solve it. And pretty soon what happens—the atmosphere gets poisoned by this is what happened.

13-01:03:02

Right or wrong, it is one of the few things that I went away from with a bad taste in my mouth about the university and about that dean. I said, “You have no idea what you’ve just lost the opportunity—the fact is, I put my reputation on the line with my own board of directors to put this thing together and this thing is going to fall apart because you want to have control. You haven’t got your hospital now; you’re not sure when you’re going to get it, so therefore you want to convert the private hospital to a university hospital. That isn’t what the purpose of this was. The purpose was to have both, and in the meanwhile you could practice in there.” So what happens is the university ends up with the county hospital as theirs and thirty years later get an appropriation of \$275 million to build a new hospital five miles from the campus and no local hospital adjacent to the medical school.

13-01:03:48

Lage: Yes.

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Watson: And that never got built.

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Lage: And the university had all kinds of problems with the county hospital, as I recall.

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Watson: Yes, right. Oh yes.

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Lage: Well, that’s not a happy story.

13-01:03:56

Watson: Sorry about that.

13-01:04:01

Lage: Peltason also mentioned modification of the inclusionary land agreement. What was that all about?

13-01:04:09

Watson: If you recall, the original Pereira plan had 1,000 acres, which was a gift, and three parcels of land within it were called inclusionary A, B, and C, a name to indicate the lands were “included in” the campus to satisfy one of the concerns the university had about affordable housing for staff, faculty, married students, based on their experience at UCLA and elsewhere, where the price of housing went up to the point where young faculty couldn’t afford to live close by. And it was something the company was supposed to do if it could do it, otherwise give the right to the university to do it, which we did.

13-01:04:51

Lage: Why did the company not want to do it themselves?

13-01:04:53

Watson: Well I actually did the study on that, which was—we had, by the original agreement of '60, we had two years to make a decision as to whether the company would do it. We'd reserved the right to do it. So I studied the various housing on campus at Stanford and Berkeley and elsewhere as to how it was done. I came back and wrote a report to the board and said, "I recommend that we not do it." The other option was, therefore, we sell the land to the university at the 1960 value and let them do it. My argument was that the university is much better equipped to do it than us. They have access to funds at lower interest rates than the company has. They have access to a variety of things that the company doesn't have. When you're saying you're going to build a—let's say it's an apartment building or some housing or whatever it is—and you're going to keep them affordable for infinity, yet we don't have control over what the tax assessor is going to assess our property nor interest rates. As a result the university can provide less expensive housing than we can.

13-01:05:54

Lage: Yes, yes.

13-01:05:55

Watson: It was strictly a matter that "I think, for the purpose of the inclusionary idea, they can do a better job than us and we can't honestly say that we can do that without jeopardizing the well-being of the company." We then offered to sell them the land. We sold the land to them but it took several years of bickering back and forth. Because I wanted to have a restriction put on the property that they could only use the land with the same restrictions we would have been bound to.

13-01:06:23

Lage: Affordable housing kind of thing?

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Watson: Yes. Clark Kerr, university president, didn't want to have any restrictions on the property.

13-01:06:27

Lage: Hmm.

13-01:06:28

Watson: So he argues in his book—or in the oral history of his book that the debate was an argument over discrimination. Well, he—

13-01:06:38

Lage: I know. I wanted to ask you about what he said.

13-01:06:39

Watson: There is no way that it's an argument over discrimination, because I'm the guy that insisted on the restrictions and I can pull out of the board minutes the language we were insisting on.

13-01:06:50

Lage: Where did he get that impression, do you think?

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Watson: I have no idea, but he—

- 13-01:06:55
Lage: I brought the section of his book.¹
- 13-01:06:56
Watson: He was the negotiator on it, yes. But I resented it. Actually, I sent copies of our minutes to the person who did the oral history, I sent him the documents. He said, “I wish I had talked to you first before I published it.”
- 13-01:07:09
Lage: Yes he should have. He talked with so many people, fact checking.
- 13-01:07:12
Watson: Right, right.
- 13-01:07:13
Lage: Yes, he said the second sticking point was a perceived exclusionary policy by the ranch.
- 13-01:07:20
Watson: Yes, it was exclusionary to faculty and students and staff.
- 13-01:07:24
Lage: Right, but what he’s saying is that it prohibited sales to persons in disapproved racial and religious categories.
- 13-01:07:29
Watson: That is ridiculous. We had our own restrictions on not doing that, so why would we be doing that with them?
- 13-01:07:35
Lage: Yes. Right.
- 13-01:07:36
Watson: Yes, no I—that’s one of the sore points in a relationship with the university. Not that it’s the university, but why would he do that? How did he arrive at that? But it took a couple years of bickering. Our board was starting to get tired of it, and we actually had the resolution of what it—all it said was, was in accordance with the Pereira plan with regard to affordability for staff, faculty, and married students. We just want you to abide by that, and he didn’t want any restriction. And I can tell what a—I know how it works up here. There’s lawyers saying, “Why should we have any restrictions on land? We never had restrictions before on land.” But this was—they’d never had this kind of opportunity before, either. So how he concocted that and twisted that into having to do with race discrimination, I have no idea.
- 13-01:08:20
Lage: Hmm.. That’s too bad.
- 13-01:08:23
Watson: So anyway, ultimately we came up with a softer restriction—a more general term on the same subject for the same reason, but it has that restriction on it and we sold it to them.

1. Clark Kerr, *The Gold and the Blue: A Personal Memoir of the University of California, 1949-1967* (Berkeley: University of California Press) 2001.

And then ten years went by, they did nothing. But there was no need to, because in the early years the price of housing was affordable. I mean, professors liked to live in Balboa Island just like everybody else did, you know.

13-01:08:46

Lage: When they could afford it, at that time.

13-01:08:48

Watson: Or Eastbluff. Jack Peltason bought a house in Eastbluff. He liked that. You know. But as prices began to go up, it became more of a factor. They have a very nice, wonderful community they have developed there with this. But some years ago, the university, as it was getting more and more dependent upon contributions and less and less on state support, were thinking about how do they get more revenue. And they came up with the idea of being able to use some of the 1,000 acres, plus some of the inclusionary 510 acres they had bought—and enter into ground leases to people who would build commercial office buildings on the campus. We always restricted them from doing that because the other deed restriction on the gift land was that it could only be used for university purposes.

13-01:09:38

Lage: Right.

13-01:09:40

Watson: They came back and said how about the inclusionary lands, could we do that? So I talked to Donald Bren about it and he thought, well, why not, if we can restrict it so that the money that they derived had to be exclusively used on the UCI campus; it was not money for universitywide.

13-01:10:07

Lage: Now, how did you come up with that?

13-01:10:07

Watson: How did I come up with what?

13-01:10:10

Lage: That idea—

13-01:10:12

Watson: The solution to that?

13-01:10:13

Lage: Why did you think of that as a solution?

13-01:10:16

Watson: Well, because people like Jack Peltason told me where the money's going to go is it goes to the university and they distribute it to all campuses they think need it, and the university takes the view that the campus doesn't own the land, it's the university's.

13-01:10:28

Lage: Yes.

13-01:10:29

Watson: And they do.

13-01:10:30

Lage: I see.

13-01:10:31

Watson: So once we learned that, I said, “Well, Jack, we don’t want that. We want that money to be here locally.” He says, “I do too, but I can’t make the argument.” So he was sort of the guy that was boosting me all along behind the scenes. The lawyers come down from Berkeley to negotiate this right for them to use some of the inclusionary lands for commercial ventures. And they didn’t—it was sort of like the Clark Kerr thing all over again. They didn’t want any restraints on it.

13-01:11:06

Lage: They wanted to use the money however they wished.

13-01:11:08

Watson: How they wish. And they gave me this big speech about why this is not authorized. And I said, “Well then, fine. But we won’t agree to you doing it. The only way you’re going to get this is you have to agree that the revenues will go on this campus and nowhere else,” and they said, “We can’t do that.” Then they came back at a subsequent meeting and said they had researched it and they had concluded that they didn’t need our approval.

13-01:11:29

Lage: Hmm.

13-01:11:30

Watson: And I remember to this day exactly what I said to the lawyer. I said, “Fine. Then go ahead and do it. I don’t know why you’re wasting your time negotiating with us. If you believe that you don’t need our approval to do that, just go ahead and do it.” I said, “I’m going to tell you one thing—I just want to suggest one thing—I know a little bit about real estate. I know there’s a restriction on the deed. I know if a private developer comes and you offer them a ground lease, he is going to go try to get a loan from a bank to build the building. They’re going to do a title search, they’re going to find that restriction, and they’re going to say, ‘What will the Irvine Company say?’ And we’ll say, ‘No,’ and you won’t get the loan. But,” I said, “if you can get around that obstacle, be my guest.” Within a month later they came back and they said, “We agree to the restriction.”

13-01:12:12

Lage: [laughs] They did their research.

13-01:12:13

Watson: And as a result of that, there is a lot of what we call Bren Fellows that have come out of it. What happened ultimately is the land was designated, a big chunk of it was taken out of the inclusionary restricted land and made into a research park. We own the land adjacent to it and are also building a research park. We then made a proposal to the university that we would agree to a master lease on their land—that you own that we had sold to you years ago for \$6,000 an acre—but at a much higher price. We’ll give you the ground rent, we’ll own the buildings for thirty years, after thirty years you own the buildings.

13-01:12:54

Lage: So you built the buildings and—

13-01:12:55

Watson: We're building the buildings, yes. And we're renting out the buildings.

13-01:13:00

Lage: And then the money derived from that goes back—

13-01:13:02

Watson: To the campus.

13-01:13:02

Lage: To the campus, and used to create the "Bren Fellows."

13-01:13:03

Watson: Well, from the ground lease. Ultimately, when they own the buildings, all the rent, building and ground, will go to the campus for millions of dollars. We did a financial projection for them. Now, because they had to be open with regard to anybody else who makes a similar offer—nobody could touch us because nobody had the ability to make the decisions we did with regard to turning the buildings over to them, and all those other things. So ultimately that's what we're doing. And it's a very good arrangement for both of us. The only negative is it reduced the inclusionary land for university housing, which may be a future problem.

13-01:13:39

Lage: Is it like any other research park or is it research that involves the university?

13-01:13:43

Watson: Well it—

13-01:13:43

Lage: I'm going to stop you though because we have to change the tape.

##

Lage: Okay, we're back on and I just asked you that question, what was it? [laughs] Was the nature of the research and the relationship between the university and the companies different from the ordinary research?

14-00:00:14

Watson: Actually, there was a period of time, from the time we reached the agreement to allow them to do that, that the university embarked on a process of trying to do it themselves with regard to receiving offers from potential users.

14-00:00:27

Lage: You mean building the buildings?

14-00:00:28

Watson: Not to build them, make agreements—make business agreements with companies that wanted to locate a building there and make a ground lease with them. The university didn't want to expend the capital to build the buildings. They were really quite

unsuccessful at that, and I used to kid them about it. They'd ask me to advise them and I'd say, "Well, tell me what it is you're doing." They got the faculty involved—they would only lease to companies that had some contribution to make to the university with joint research, or whatever it is, and they made it so complicated that no company ever made an agreement with them. I'll give you what I thought was one of the funniest things I found from them. One of the requirements that they had written was, if you were a company that was prospectively going to ground-lease a piece of the site and build your own research building, besides satisfying this university committee that the research was related to something they were doing—they had to also give the university their business plan. Well, business plans are very proprietary to any company.

14-00:01:36

Lage: Yes.

14-00:01:36

Watson: And I said, "What were you going to do with the business plan?" Well, they didn't really know but they figured they should have that; the faculty said they should have it, and so forth. I said, "My prediction is you'll never make a deal," and they never did. Ultimately, when the company built its own research park adjacent to it and made the ground lease on the land adjacent—Dick Sim, who was our executive vice president in charge of commercial development—very good activist guy, a good developer but also very much involved in the university—he was able to solve the problem of whether what the companies did was acceptable or not. The companies that went there, and have gone there, they like the status of being close to the university, and so forth, but it's hard for them to say to perpetuity they're going to agree that their research is compatible. So what Dick Sim did: we started developing ahead of time on our side of the road, but we said, "We'll bring prospects for your land to you, and if you turn it down then we'll move it to our site up in Spectrum." What happened was that every time he'd bring someone to them, they'd say, "Oh, no, don't move them up there!" They would give up, you know, and they would agree with a variety of cooperative things with the university. Sometimes it's letting students work there, at other times it might be a contribution to something. They've worked out a very informal relationship that goes on, and every company there has somehow a relationship, whatever it's in. I think that's more reality, because what does "relationship" mean? The people that are going there to begin with, like the fact that they're close to the campus so they're going to be good supporters of the university, but how do you get that in writing? So they have a good informal relationship. The Faculty Club, so-called University Club, that is close by—did you eat there?

14-00:03:42

Lage: Yes.

14-00:03:44

Watson: That's open to the public. I was asking the chancellor last week, I said, "Do you know if you get many people from the research side over there?" And he says, "Not really; we have trouble." I said, "You know, I bet you many of them don't even know this place exists." But it's a perfect place when they have guests to their business, to come and--because people like to sit among the faculty and look out over the lawns, and so forth.

14-00:04:05

Lage: Yes.

14-00:04:07

Watson: So they don't market very well, but the research park has turned out to be a very good thing for them. Now, the good thing is—that's the good part of it. The negative is that they're running out of land they had left for the housing.

14-00:04:20

Lage: Oh they are?

14-00:04:21

Watson: Yes.

14-00:04:23

Lage: Because they used it for the research park?

14-00:04:25

Watson: Hm-mmm.

14-00:04:23

Lage: I see. So the housing may not be sufficient?

14-00:04:27

Watson: Right. And, in terms of building houses, I mean the idea was staff, faculty, and married students. That would mean somebody like you would have the opportunity to buy a house in there. What happens in the inclusionary, as the university has done—and they've done a good program—they enter into a ground lease based on the price they purchased the land for, the \$6,000 or an acre land. That's pretty cheap isn't it?

14-00:04:57

Lage: Hm-mmm.

14-00:04:58

Watson: And then they get a developer to build one of their houses, a bunch of their houses on there, so you're paying only the construction cost of the houses plus this low rent. You have to agree, however, when you sell your house to sell to another faculty person or another university-related person, and you can only sell it for what CPI [consumer price index] increases are. Well real estate values have gone up much faster than CPI, so they sell it well below its true market value. Thus the university buyer loves it going into it, they hate it going out of it.

14-00:05:29

Lage: They feel cheated when they leave.

14-00:05:30

Watson: Right. "Look at all the money I could have made—why can't I—?" Ted Dienstfrey, my friend, he says his argument is, "Why can't the poor make money just like the rich?" So it is a difficult problem they have, but right now the housing that they have—there's a tremendous demand for the housing, and the chancellor's put a restriction that it's only for tenured faculty.

14-00:05:50

Lage: Oh really? That's too bad. They're the ones who need it the least.

14-00:05:53

Watson: I argued exactly that argument, but that doesn't go very well when you talk to other tenured people. I mean, the argument they give back, which I don't want to engage in a dialogue with them about, is: "What makes this university great is the tenured people."

14-00:06:06

Lage: What is the Bren fellowship program? How did that come about?

14-00:06:12

Watson: It came about in terms of gifts that Donald started out making to them and it was transformed into Bren fellowships. Bren has a foundation where he does this through, and I'm on that foundation board. The university, like any other institution, comes to it and says, "We need to have four more professors in this field." Donald has an interest in a scientific field—how it came about, I don't know. And so it just evolved into he would give x millions of dollars for Bren Fellows that fit a certain category.

14-00:06:50

Lage: And they're for professors?

14-00:06:52

Watson: They're professors, yes.

14-00:06:54

Lage: That must have made a tremendous difference in building up the campus.

14-00:06:58

Watson: Oh yes. There's millions of dollars worth of fellowships and there's going to be more. As time goes on there'll be a lot more.

14-00:07:07

Lage: Interesting. [laughs]

14-00:07:09

Watson: I have no misgivings about the fact that we were fighting for that campus to get the benefits of the largeness of the company, and it is a unique relationship. The company did give the land and it did sell this land less expensively, and if it benefits that university, it'll benefit the whole community.

14-00:07:33

Lage: Right, yes. Another item we had here having to do with the university was coordination between the company and the university in two areas. Town planning. I guess we've done the university research part.

14-00:07:47

Watson: Yes we've done that, you are right—town planning.

14-00:07:50

Lage: Maybe you've already told the story about town planning?

14-00:07:51

Watson: I think I have. I talked about the siting of it. Actually, the siting of it is not a good location for commercial enterprise. There's no major freeway—

14-00:08:04

Lage: The siting of the—

14-00:08:05

Watson: Where the town center is.

14-00:08:07

Lage: The town center next to the university.

14-00:08:08

Watson: Because our first plan, the campus was there and right adjacent to it was a place like— Telegraph Avenue in Berkeley is the best example I can give you. Palo Alto, in a sense, but Palo Alto is somewhat removed from the campus. At UCI there's a bridge that goes across Campus Road linking the two. Pereira appropriately designed the major heart of the campus, I mean the administrative part of the campus, right on the edge of the campus, which has got the administration building, the library, and so forth there. On the campus across from the town center a performing arts facility was built by volunteers from the city but used by both campus and community. Again, the motive was to strengthen the community/campus involvement. But the town center merchants have struggled economically attracting primarily university patrons.

14-00:08:53

Lage: Because the students can't afford it, or—?

14-00:08:56

Watson: Students are not great customers for most commercial enterprises.

14-00:09:02

Lage: There's a lot of housing around there. Don't people use them?

14-00:09:04

Watson: There's housing around there but they have their own neighborhood shopping centers where they buy their groceries and local needs. It's got restaurants, an office building—it had a theater. I think I've mentioned already, the issues of—the university at one time had the bookstore there, but then they voted to put the bookstore on campus even though Dan Aldrich was hoping the students would vote to build it in the town center.

14-00:09:29

Lage: The students actually got to vote.

14-00:09:31

Watson: The students got to vote. Student unions are owned by the students so they ultimately decide where they want to locate them.

14-00:09:36

Lage: Right.

14-00:09:37

Watson: So the argument came about where should they build their new student union—they didn't have one, and Chancellor Dan Aldrich got them to at least consider a site on the campus and a site in the town center. They chose, overwhelming, the campus.

14-00:09:57

Lage: Yes, and then the town had a chance to put the city hall there.

14-00:10:00

Watson: And the city council chose not to locate there. So when you take those magnets away from it, what do you have left? And the theater was a single screen theater—they don't work anymore. We built a twenty-one screen theatre up in Spectrum, leaving the town center to run specialty films. Pretty soon you're left with the yogurt shops and the funny ties, you know, and so forth. And then people say, "But we need to do something about that town center to make it vibrant." Well, you know the company owns it—we don't like to lose our money—but we've tried everything. And what the reality became is, you can spend all your money on remodeling buildings and making them look good, but some merchant still has to come in there and see if he can sell enough yogurt to pay the rent.

14-00:10:45

Lage: Yes. It's hard to sell enough yogurt to pay the rent.

14-00:10:47

Watson: Or the hamburgers, or whatever it is. And particularly with the student union gone, even the restaurants over there suffer because student union is less expensive to buy your meals in.

14-00:10:55

Lage: And closer.

14-00:10:56

Watson: Right.

14-00:10:58

Lage: What would you see as the future of that center?

14-00:11:00

Watson: I don't know how to answer the question. I don't know—I think we've struggled with it for thirty years, we've not found a solution to it. We spent a lot of money on it. The other thing is, we have this great problem with parking over there. The students—they don't have enough parking on campus. They have to pay for parking there, so then they park down—because it's so close, you know—they park down in the parking lot of the stores. So you put restriction on that, you have an officer down there, it costs you more money to police that. We also learned something about—we owned quite a few of the apartments. We owned all the apartments in the town center, so part of the town center is apartments where students live part of the time. We try to, as a matter of policy, to have no more than a third of the units be rented to students. And that grew out of the study by the university on what was the cause of the riots in the Santa Barbara student housing years ago. .

14-00:12:08

Lage: Isla Vista.

14-00:12:09

Watson: Isla Vista. The study summarized that by saying, first of all the adjacent community became drug-infested and dominated by students, and once the student occupancy rose above 50 percent occupancy, it drove out the non-students. And so what the recommendation was, is wherever a similar facility is to be built, try to keep the student

population to a minority of the total units so it is truly a mix. We do that there also, but that's not enough to satisfy other than a very small number of shops. Recently the company has greatly improved the outside mall areas making it pleasant for students to buy or bring lunch and sit outside to study, talk, or just eat. It's a clear recognition the town center is an off-campus student center and the added student use has given more life to it.

14-00:12:49

Lage: Do you want to say anything about the relationship between the company and UCI professors? It seems there's always a group of professors that are sort of anti-company. Has that been—? We've talked about a couple of them.

14-00:13:06

Watson: On the most part, the faculty is—you know, they don't even live in Irvine. Many of them live in Laguna Beach, or wherever.

14-00:13:14

Lage: They're not even aware?

14-00:13:15

Watson: They have their own world, and they're more interested about what's going on in Iraq and Iran and elsewhere than they are in terms of the city of Irvine. Even the planning ones are. But there are a minority that's been irritating to some of the people in the Irvine Company. It's not irritating to me—I think it's sort of fun. There is one particular individual—he's on the planning commission, he's doing a fine job—named [Mark] Petracca, who's—what is he—dean of the school of—or not dean—chairman? What's the difference between a chairman and a dean?

14-00:13:48

Lage: Chairman of a department; dean of a school or college.

14-00:13:50

Watson: Okay. I think he's chairman of the department of political science. Very articulate, very strident. Part of the entertainment of his talks is this sort of a stridence—anyway, he clearly didn't like the Irvine Company. He's also an ally of Larry Agran, politically, and so now he's on the planning commission, and Larry Agran is a good friend of the company right now. We have a good relationship so he's been very quiet, but in years past Petracca opposed many of our developments. In the affordable housing argument we had with the city—in terms of how to come up with a program that provides affordable housing—he was so strident and so pushing on that, that he just, in my view, he drove it into unreality where we all gave up even trying to come up with a policy. But I've always had personal good relations with him. I mean, we don't go out to dinner together or anything. Where you have people within the company resenting his public comments about the company and my position always was, "Well, you know. Let him talk." He thinks we tried to prevent him from getting his chairmanship, and he cites some example of somebody said something at some cocktail party. I would not be surprised that some executive from the company said something at some party, he says, "How could the university have somebody like that there?"

14-00:15:24

Lage: But you don't think the company tries to use its relationships in that way?

14-00:15:28

Watson: Well, I think the company is smart enough to know that it won't have any impact and won't have the ability to do it anyway, so why would you do it? No. And I know that they never did anything officially. I'm not saying that somebody didn't make some remark. But the cute side of it is, a couple years ago—and this would be an example of a Petraccism, as I would call it. We have pieces of literature which the company puts out—some people call it propaganda, others call it information. It was called *Planning Ahead* and tells of things we're doing. Our chief planner, named Rob[ert] Elliott, a wonderful landscape architect planner, lives in Laguna Beach. In this case, it was a *Planning Ahead* for Irvine residents, and it was sent out under his name and addressed to everybody in Irvine with "Dear Neighbor." Have you heard this story?

14-00:16:20

Lage: No.

14-00:16:22

Watson: Next thing I know—I get this letter from Petracca, a copy to the full city council, and addressed to the company, just upbraiding Rob Elliot for calling him a neighbor when he knew he didn't live in Irvine. He didn't know where he lived. He copies this to the city council—why this thing upset him, I have no idea, but that's him. So I sent him a letter, not through the company or anything—just a personal letter—because I've done this on other issues. And I copied the definition of neighbor out of the *Collegiate* dictionary, which includes neighbor as also a salutation of people that are in the general area, and so forth. It doesn't mean you have to be next door or live in the same city, and so forth. So, basically, I said "You've flunked the dictionary test, and here it is, Mark."

14-00:17:30

Watson: I said, "Mark, you flunked the dictionary test," and sent that to him. So he sends a letter back—this starts a series of letters. He sends a letter back that, well, he didn't have a fancy dictionary like I must have, so I sent one back that said, no, it was the *Collegiate* dictionary where I got it. Oh, he says, he didn't know that. So the next letter I get back from him—and this starts this chain of letters to me—was that he had tried to find out where he lived and he had checked the phone book—

14-00:18:00

Lage: Where Rob Elliott lived?

14-00:18:01

Watson: Yes and he didn't find him listed in either Newport Beach or Irvine—he forgot to check the Laguna Beach. He didn't know. And he believed that he has an unlisted phone number. And then he went on this diatribe about how much he disliked people who had unlisted phone numbers; that psychologically there's something wrong with them. [laughs] He went through this—

14-00:18:21

Lage: [laughs] All of this in writing!

14-00:18:22

Watson: All this in writing, you know. So I sent him a letter back and I said, "Mark, you not only flunked the dictionary, but you now flunked the telephone book test because he lives in Laguna Beach and he's listed." [laughs] So I got a note back from him saying, "One thing

I like about you, Ray—you're the only one in the company with a sense of humor.”
[laughs] That ended that episode. So all the stories about, you know, faculty there—there are some faculty members who are citizens of Irvine, who have taken positions on growth or non-growth or open space or whatever it is.

14-00:19:02

Lage: They're active in their community, you could say.

14-00:19:04

Watson: They're active in their community, and there's people in the company who say, “Well, gee, we gave them that land,” and so forth, you know, which is sort of silly comments too, to me. I say, “What are you taking about? They live there, they're citizens, they can do what they want, you know, whatever it's going to be.” So you've got people within the company that have what I consider a strange view about how having given that land somehow everybody should become a loyalist on the campus and march to some order, and so forth, but it doesn't find its way into anything we do.

14-00:19:38

Lage: Yes, just—

[laughs] Yes. Okay, let's stop and have some lunch.

14-00:19:57

Watson: Okay.

Interview 9: June 2, 2003

15-00:00:00

Lage: Okay, we'll begin. We're in the afternoon session of our June 2, 2003, interview, and this is tape fifteen. We were just talking off the tape. You brought up sort of changing self-perceptions over the years and I thought that was a nice way to begin as we move into your presidency of the Irvine Company. So go for it.

15-00:00:25

Watson: I was reflecting upon this with my wife, actually, very recently. I can't remember what the full occasion of it was, but thinking back about your life evolving. Maybe it's the age I'm at now that I do that. My earliest memories, going into childhood—people talk about they wanted to be this, they want to be that. I never had any of that. I didn't know. I just sort of lived life inquisitive about what's going on in life and the environment that I lived in. By the time I was almost finished with high school, I remember the mother of my best friend asked me did I want to go to college, and I said, "Sure. Absolutely." And she said, "Why?" And I had to think a minute, because I always said I was going to college, but nobody in my family had been to college. My mother had been—two years of college to become a teacher—but I didn't know her. And my answer to my friend's mother was, "Well, college is where you learn what you're going to do in your life work, and now you can concentrate on that subject, not all the general stuff you usually had in high school." Little did I know! But I didn't have a clear notion of what I wanted to study. I didn't live in an academic world, except I knew I needed to go to college and I wanted to. I was curious about it.

15-00:01:52

Lage: And you weren't pushed along by your family or your counselors?

15-00:01:54

Watson: I was not pushed. Nobody said I ought to go to college or where I ought to go to college. It was just up to me to figure all that out. I think I've already talked about my early college years and how I got onto architecture.

15-00:02:10

Lage: Right, you have.

15-00:02:12

Watson: While in the architecture school, it was a growing experience for me. It was a little bit of a fish out of water. I was interested in a lot of intellectual and societal things, and architecture sort of had been a happenstance for me to pick—my father had been a carpenter, and so forth—and other people were better at drawing than me, and so forth. I had, at times, impatience with that part of the problem, and felt I was missing some of the more interesting subjects of college, which I pursued to take on by myself. But when I got through with the college and went to work for a year in a firm, I found myself really enjoying putting together working drawings, which we didn't do much of in college. So I saw myself as sort of the technician, the person who was going to be behind the scenes. And then when I came back and went to grad school, and fortunately selected a course of study that had broad aspects to it, in terms of a combination of planning and architecture and blending it together, I found that I was really interested in that. What makes a city? How does it operate? If you were going to create a city, what would it be? And that was

what the course had to do. And then you had to design something for it. So there was a reason to design what you designed.

15-00:03:41

Lage: It had to fit within something.

15-00:03:42

Watson: And also I had to make oral presentations, and it was the first time in my life I'd ever done that and I found very comfortable at that. I found myself almost like those who were good at creatively drawing things extemporaneously. I could creatively create words, stories that just—without much preparation, just a thought of what message I want to make, and trust that somehow it came out of my mouth properly—and it did. Then I went to work up in Stockton, and I think I've told that story, but until I got my architectural license I again was working as an architectural draftsman, again sort of behind the scenes, and again I visualized myself as the chief draftsman, the chief back-room architect. There was a story recently I think probably stimulated this, in the *L.A. Times* over the weekend—"Gehry's go-to guy"—and it described the person who took Frank Gehry's idea and transformed it into the buildings they became. And that's how I saw myself. Then, that would be fun. You have a craft, you got a reputation, you do it. And then I ended up, by chance, being hired by somebody to open an office in Stockton and suddenly found I was pretty good at managing the process, keeping it on budget, dealing with clients, making public presentations. And suddenly I saw myself—began to see myself sort of emerging out of it. I found my niche—gee whiz, I can explain things to the public about what this building is going to be like or what it takes to do it and so forth and so on, and that the clients all liked it. And they liked my attitude and they liked my presentations.

15-00:05:31

Then when I joined the Irvine Company, the opportunity to be involved in 93,000 acres was overwhelming and very attractive, but once you're there you're lost at first because here's an organization that was just evolving. Everybody was lost. I found that exhilarating—to be able to afford to spend time finding out what is a city? What is the process you have to go through? What are the decisions we need to make? Having people like William Pereira, who is on the very creative architectural side and that's his thing. Mine is how to translate those kinds of things into the reality of what we were going to build and how you work within an organization. Part of my job was representing the company before the planning commissions and the city councils and the board of supervisors of the political arenas, and I started getting feedback from people who wrote notes to the president when they heard me speak. One comment I remember reading, because I just recently found it among my archives stuff, after presenting to the county planning commission our 30,000-acre general plan, somebody sent a note to the company's president that they wished more planners could speak like I did in such a way that lay people understood what they were talking about.

15-00:06:50

That was always an objective I had—to take a complicated subject and try to make it sound, to whatever audience I'm talking to, understandable. I started to see myself in that kind of role and begin to find myself very comfortable in what I was doing and how I had to do it. And then when the opportunity came up for me to move from planning into the vice president of all development of the company, and then ultimately into the president

of the company. I never had any fear of that. I fortunately had grown up now, it seemed to me, in a professional way in this company that I felt very confident about what it is we need to do, very confident about how to articulate this—whether it is to a board of directors or whether it is to a board of supervisors. And I was constantly getting feedback on that. So the evolution of myself—you know, then I end up being, wherever it was, at Disney, or on the board of directors of a natural gas company—allowed me to contribute even though I had not been to business school.

15-00:07:58

Lage: Right, you were really—sounds like you were an excellent manager.

15-00:08:03

Watson: I was an excellent manager.

15-00:08:04

Lage: Executive, I mean. Does it matter?

15-00:08:05

Watson: Well, I think, first manager and then executive.

15-00:08:09

Lage: But you never took extension courses in business or—

15-00:08:12

Watson: Well, I did take some and they were helpful to some degree. They taught me the mechanics of it, you know—how the accounting principles work, and so forth and so on. I like to make the analogy to architecture because that's one I've been through. Those students that seemed so much better than me at making sketches—I was jealous of that. That they could take an idea and translate it immediately on a piece of paper where I had to labor at it. But compared to those very same people, I was just much more skilled at or talented at articulating a position on something. I can remember even working, enjoying while you're bantering away engaging the person next to me and in sort of cocky way saying, "Okay, what are we going to debate today? You pick either side, I don't care what it is and I'll take the other side." I just enjoyed verbal dialogue. Fortunately for me, what I have been involved in most of my life has required that.

15-00:09:16

Lage: Hm-mmm. That's interesting.

15-00:09:17

Watson: So the self-awareness grew out of, I think, a very modest family background in which I had no role models.

15-00:09:24

Lage: You mean this growing self-awareness—

15-00:09:26

Watson: Yes, the growing self-awareness. I grew up in a family that was wonderful and loving, and so forth, but it couldn't be really called traditional. There was no father figure there except on weekends, and he was very quiet and I loved him much, but we didn't really spend a lot of time together. And then part of the time living with a great aunt up in

Seattle and so forth. I mean there was no lawyer in the house, there was no professional in the house, there was nobody saying to me you ought to do this, you ought to do that—

15-00:09:54

Lage: Or even to just be a quiet model.

15-00:09:56

Watson: Or just be a quiet model.

15-00:09:57

Lage: Well, what about William Mason and Charlie Thomas as models, or—

15-00:10:01

Watson: Well, William Mason was a partner. He was the engineer and I was the planner. Then he became a head of land development and I reported to him, but he treated me like a partner. He deferred to me on a lot of things I did and I deferred to him, and we really did it as a partnership. Charlie Thomas was a very good model of managing, sending little notes and praising you, telling you what he wanted you to do and not how to do it. So I saw those models.

15-00:10:33

Lage: Did you read, you know, literature in business or memoirs of successful business people?

15-00:10:44

Watson: No, I never—I didn't—I was never greatly interested of reading memoirs of famous people. Maybe my wife is more than me. Not that I haven't read some but I can't think of a single person. The kind of inspirations I have is Dr. Bortalazzo teaching that class on how to study, the interest he took in me and how he showed interest in me. Or Eugene Brady, the econ professor. I mean, just intellectually challenging with regard to ideas.

15-00:11:12

Lage: Yes, and getting positive feedback from people like Charlie Thomas.

15-00:11:14

Watson: Right. But neither one of those would necessarily further you in the architecture profession, so I'm lucky that I found a career path—or I ended up in a career path—that used architecture and planning but you had to have other skills of management. And within a business organization. I found it very comfortable sitting in a boardroom with people of different backgrounds with high egos, how to get your point of view across in such a way that they'll respond to it.

15-00:11:46

Lage: Did this just kind of come naturally or did you sort of think about now how am I going to approach so and so? How am I going to—?

15-00:11:53

Watson: No. Actually, I've told people in the past when they've asked me about that, that for the most part I usually organize in my mind what I want out of a meeting, before I go to the meeting. I tell people I'm very jealous about that. I'm not going to leave that meeting until I get that done, regardless of whatever else goes on—because there's a tendency to meander in a meeting. But also I saw a little bit of a competition—how do I get the point across? How do I get the response I want out of that? And the fact that they might be

people who had great reputations and so forth didn't ever impress me. That didn't mean anything to me, so I was never intimidated by the environment. I mean, imagine going to your first board meeting. I had never been in a board meeting before. The first time you ever go to one, you'd think you'd be intimidated. I wasn't intimidated—somehow I had that confidence. But I think the profession I've been in, the world I've gone, fits me.

15-00:12:49

Lage: Yes.

15-00:12:49

Watson: I could not have thought it out when I was a teenager or coming out of college that I'll ever do that because I had no idea what it was like, what was the business world like.

15-00:12:58

Lage: That's an interesting tale, part chance, but it's really not chance.

15-00:13:04

Watson: It is chance. Also, family life was something I did think about. I thought I would be a good father. I don't know why I thought that but I just thought I would be a good father. And family life was important, partly because I hadn't really had much. Also, I'm not terribly social. I enjoy myself at social occasions but I'm not seeking social things and my wife isn't very social, so her discomfort at times to go out to social meetings was fine with me, you know. I guess, out of that you develop a philosophy that reflects what your biases are. I never ever required any executive to require their wife to come to social functions and always wanted to make them feel comfortable about that. And I avoided most.

15-00:14:05

Lage: Most social functions?

15-00:14:06

Watson: Right.

15-00:14:06

Lage: Of the company sort, you mean?

15-00:14:08

Watson: Right. In the situation I've been in for years now, I get invited to everything and I go to virtually nothing. And then when I do go, people will come to me and say, "Ray, you're here!" You know, as though this is some strange phenomenon. But I think part of it is my wife doesn't particularly enjoy—you know, she feels a little bit self-conscious at these sessions at times. If she's going to feel that way and I don't enjoy it that much, why go?

15-00:14:36

Lage: Right. Well, this sort of leads into what we were going to talk about next, which was looking at your presidency of the Irvine Company. And I would start with, how did you become president? I know it resulted after Bill Mason's death. Did you seek the job or did people come to you?

15-00:14:55

Watson: No, what happened was—if I haven't told this story—I got this phone call from his daughter, seventeen-year-old daughter, who was home alone with him. He came home

not feeling well and had said to her as he walked in the door, “What do you do when you have pain so severe you have fear?” And they were Christian Scientists, so she went and got the chapter on fear and gave it to him, and he went to his desk, sat there, and fell over dead. So she said “Mr. Watson, my father has had a heart attack and he’s dead.” I had never thought of being president of that company at that time.

15-00:15:37

Lage: He was fairly young.

15-00:15:39

Watson: He was young. He was fifty-four years old, and he was my friend. We worked very well together, and he deferred to me on issues that he believed I could do better than him and I deferred to him in issues he could do better, and as a team we were a good team. I had been offered job situations when I was executive vice president of the company to go to Ford Motor Company, to go with a developer, and so forth. And my answer always was that I feel like I’m writing a book—which was the creed of this town—and I can’t leave in the middle of the book. So I would never ever explore even what they were going to give me for the job or what I was going to do. It was never a matter of negotiation. As a matter of fact, most of my career, I have rarely ever got involved in the early stages to find out what they’d pay. I was more interested in what I would do.

15-00:16:33

Anyway, suddenly you are without a president and I’m executive vice president. I found out very quickly, by reading the bylaws, that I was now the acting CEO of the company. Until then I didn’t know that. I didn’t know that was in the bylaws and I had been serving the board of directors for a number of years so I knew all the board members. So, even though I’d never had an interest in the subject, Bill Mason is gone and I was concerned about who was going to take his place. What I said to myself—and I said to the members of the James Irvine Foundation, who I had to go to and meet with the foundation president to talk about it—that I am now interested in it and part of the reason I’m interested in it, I don’t want anybody else to sit in Bill Mason’s chair. Then I talked about what my priorities would be and asked what their priorities would be, and said that we both have to be mutual on this. You’re going to have to want me and I’m going to have to want you, and it depends upon how—so the interview is two-faced, I said. I’m interviewing you as much as you are interviewing me. But before that meeting I called Charlie Thomas up, the former president, at first, and he said definitely he would support me. And he called up Ed Carter, who was on the James Irvine Foundation and had been for years. I called up Ed Carter and went and met with him, told him that I was interested and so forth, and at the end of about an hour discussion he says I’ll support you. So then I flew up to San Francisco and met with the president of the James Irvine Foundation—

15-00:18:08

Lage: Was that still Loyall McLaren?

15-00:18:10

Watson: No. It was Morris Doyle. He’s a lawyer, tall, thin gentleman. He was president of the James Irvine Foundation, been on that board for years.

15-00:18:27

Lage: Hm-mmm.

15-00:18:29

Watson: That interview went well. Of course, the members of the company, the executives in the company, were all supporting me. Now, I've been through this a number of times at the Irvine Company and elsewhere and that generally means that they're more afraid of who else might come in that's strange, and so forth, than the somebody they know. A bird in the hand is—however the phrase goes. Better than—how is that?

15-00:18:53

Lage: Two in the bush.

15-00:18:54

Watson: Two in the bush, that's right. So they saw I was the most logical person because of the role I had played, but the board of directors had to vote on this and you had Joan Irvine Smith and the—so I talked to each board member.

15-00:19:14

Lage: Now, how many board members were there?

15-00:19:15

Watson: Seven.

15-00:19:16

Lage: —foundation people?

15-00:19:16

Watson: Four. Well, there were four foundation people on a seven-person board, and the CEO (president).

15-00:19:30

Lage: Okay, so you're the fifth and then Joan Irvine Smith—

15-00:19:36

Lage: —and then there was one other family member, wasn't there?

15-00:19:38

Watson: Well, there's two other family members. one was [M.] Keith Gaede, who was the wife to Myford Irvine's daughter, and there was Charlie Wheeler, who was the husband of Katy Wheeler, who is James Irvine's granddaughter. Wheeler was elected by the foundation.

15-00:19:50

Lage: And then Joan Irvine.

15-00:19:52

Watson: Joan Irvine, right. And Joan Irvine had not been supportive or management of the foundation, so you had to sort of expect her not to be supportive of this, and she wasn't. But the other five members all were. Keith Gaede, as a matter of fact, suggested to the board at the first board meeting, which was held shortly after Bill died, to not make a decision at that meeting. Wait until the next meeting to give him time to see if he can't talk her into at least abstaining.

15-00:20:19

Lage: Because they didn't want to have a negative vote?

- 15-00:20:21
Watson: Right. And so in September they had the vote, and I recall she did not attend the meeting.
- 15-00:20:27
Lage: Did you ever talk directly with her?
- 15-00:20:29
Watson: About the job?
- 15-00:20:30
Lage: Right.
- 15-00:20:31
Watson: No.
- 15-00:20:33
Lage: Was your relationship with her, at that time, strained?
- Watson:15-00:20:36
No, it was not strained but she didn't make it easy to have those kind of discussions. So when it was suggested to me that what they were going to do is that Keith Gaede was going to talk to her, I said, "Fine." I knew I had the votes, and I knew the foundation and the other members were not afraid of voting against her, so I knew I was going to get elected by that time. You just wanted it over with. The public was—the press was curious, and so forth. So when it got announced in September, it was sort of like headlines: "Ray gets the job."
- 15-00:21:06
Lage: The local press?
- 15-00:21:07
Watson: But the community was very supportive. There was lots of people calling in and sending notes in from the board of supervisors, the city council members, the planning commissioners, other people.
- 15-00:21:15
Lage: That's gratifying.
- 15-00:21:17
Watson: And Irvine Company is very important to them. I mean, after all, in their minds, we could wreck their town, and so forth. So they hoped it wasn't going to be some outsider who might come in and do damage to their community, so I had community support.
- 15-00:21:33
Lage: When you say you met with the foundation people and talked about what your goals were and asked about theirs, what were your goals? Were they different from what they'd been under Mason?
- 15-00:21:45
Watson: No, they weren't different at all. But I talked about the business we're in, in general terms of creating the communities we're doing. I said I had an interest in doing some developments off the ranch when the time came to fill it out, and were they supportive of that? I asked those kinds of questions of them. There was nothing really in-depth, but I

hadn't spent much time with foundation members so I didn't really know where they were at.

15-00:22:19

Lage: I see.

15-00:22:19

Watson: I said, "Where are you with regard to this? What are you looking for in terms of the company?" Where Bill Mason had met with them frequently, I hadn't. So it's more of a matter of them telling me. They didn't really say a lot, you know, but I think they liked me challenging them.

15-00:22:36

Lage: They weren't looking for a new direction, it sounds like. They were happy with it.

15-00:22:38

Watson: No. I think they had heard enough about me from the Charlie Thomas's and the Ed Carter's of the world that they knew about where they wanted to be.

15-00:22:47

Lage: Okay. So what did you do? How did you change the—?

15-00:22:51

Watson: I didn't change it. I didn't feel a need to change it. I thought we were going in the right direction. I thought Bill Mason was doing a good job. I was a part of every decision he made. There was nothing to change.

15-00:23:04

Lage: Yes. Okay.

15-00:23:05

Watson: There is, I think, a bad rap on Bill, in the sense that—and Bill was just a wonderful person. But the Upper Bay controversy caused a rift between him and the community of Newport Beach and some of the city council members and so forth. I have never been able to figure out exactly what it is. I do know that he was irritated by the opposition he got, and he used some words that you really don't necessarily want to have made public. I don't mean bad words, but I mean in terms of his characterization of Frank Robinson, and so forth, as interfering, and so forth and so on. That wasn't my style. No matter what I might feel inside, I try to be civil with people. Not that he wasn't civil. So it's just a slightly different personality comes along, a personality that the public bodies—whether they agreed with what we're doing or not—were comfortable with. But I didn't change anything in the company because, remember, the only part of the company I wasn't running was the agriculture part.

15-00:24:13

Lage: Right.

15-00:24:14

Watson: There I had to deal with—trying to understand that part of it, I almost immediately called up a representative of the University of California agriculture division. Falih Aljibury was his name, and he—

15-00:24:30

Lage: Had you worked with him before—or the company?

15-00:24:31

Watson: Yes. He had been stationed at the University of California El Toro field station of the university for some year. He was a world-renowned authority on water, but he was now up at Fresno State college or university—I guess they had a field station there. So I called him up and said, “Falih, I’d like to get a week’s education on agriculture and I’d like to meet with the dean of agriculture of the University of California or somebody like that. I’d like to go into the San Joaquin Valley area and meet with both corporate owners of agriculture companies and private owners of agricultural companies.” And I did that for a week.

15-00:25:13

Lage: Did he take you around, or just kind of make—

15-00:25:15

Watson: He took me around, he took me around. Right.

15-00:25:16

Lage: And you were talking in big terms about managing agriculture?

15-00:25:22

Watson: I was—you know, I hardly knew what question to ask, but I asked questions. For instance, we were growing—I remember we were growing—we were one of the largest producers of Valencia oranges in the state, and we were marketing them all over the world—to China and Italy and so forth. And you could buy asparagus named Irvine Asparagus in Italy. We’re a fairly large agricultural company. And we had a lot of cattle, both here and in Montana. But I remember the dean of the school of agriculture of Berkeley, I asked questions like—avocados. I said, “There’s a ban on Mexican avocados being sold in the United States and if they start to come in and they take that ban off—why do they have the ban on there? I’ve heard of a disease they’re trying to protect the American industry from.” And his answer was very forthright. He says, “That disease was solved thirty years ago, and the only reason there is that ban is the agricultural interests in the United States don’t want the competition. And if you did indeed open up the United States to avocados from Mexico they’ll underprice everything and hurt the industry in the United States.” So that said to me things like that you needed to know, that you weren’t acquainted with before. Incidentally, just as a sidelight, that ban is off now.

15-00:26:45

Lage: Oh it is?

15-00:26:45

Watson: But fortunately the California legislature got it passed in such a way that they cannot sell them in California.

15-00:26:52

Lage: Oh, so we don’t get Mexican avocados?

15-00:26:54

Watson: Right. But then I met with corporate-type agricultural heads, and they talked about it in a corporate way. Probably the best meeting I had was in a warehouse, on the second floor

with this private owner—agriculture guy. It had been his whole life; he had an empire. And he sounded much more sophisticated than the public corporation guys, in a sense. He talked about vertical and horizontal organizations. I said, “What do you mean by that?” A vertical organization, let’s say, in agriculture would be is you plant the crops, you harvest the crops, you can the crops, and you sell the crops—all vertically in all the various parts of it.

15-00:27:29

Lage: Right.

15-00:27:29

Watson: Horizontal would be you decide you’re just a grower and you grow them all and somebody does all the rest. Or you’re just a canner. I asked him why does he like the idea of horizontal organization in terms of the industry, because basically that’s part of what we did—although we sold through Sunkist, so we were more horizontal. He said, “Agricultural is so chancy.” He says, “You can be growing lettuce one year and make a lot of money, and the next year everybody grows lettuce and you can’t make any money. So,” he says, “since I don’t go to Las Vegas betting everything on one game, I grow a lot of different kinds of crops and I handle them a lot of different ways. Sometimes I make money out of the production, sometimes I make the money out of the growing, sometimes I make the money out of the distribution, sometimes it’s in lettuce and sometimes it’s in avocados and sometimes it’s in pecans.” So that whole idea of a diversified agricultural business. At Irvine what we had—the problem there is that we knew this was a phase-out, trying to expand it as we were in a way that it would ultimately be contracted down. I realized from that conversation that it really wasn’t much different than the business of development.

15-00:28:38

Lage: The same consideration—

15-00:28:41

Watson: Except you needed to have very confident people who knew how to manage the agricultural business, which we had. We had an outstanding group of people who’d been there forever.

15-00:28:50

Lage: So you already had you agricultural team?

15-00:28:51

Watson: Yes, and we had a vice president of agriculture. So the only problem I had was it was time for him to retire. He had been brought in on a five-year stint. He’d been there longer than that.

15-00:29:01

Lage: And who was he?

15-00:29:02

Watson: Bill Williams was his name.

15-00:29:02

Lage: Bill Williams.

15-00:29:03

Watson: Bill Williams was primarily a marketing person but understood the business of agriculture, and he didn't want to retire now.

15-00:29:10

Lage: Ah.

15-00:29:11

Watson: I had to go through a little bit of a song and dance with him. And if he was to retire—because I said, you know, “You're going to have to retire because we need to make sure we have somebody who's going to be here longer term than you are going to be able to be here.” And I said, “I want your recommendation on who it should be.” He said, “Well, there's nobody in the company that could do the job.” I didn't agree with that. And the chairman of our company was John Newman at that time, who was an agriculturist himself. Fred Keller was in charge of the company's Imperial County farms, and Newman said Fred would be perfect for the job. So I had to spend time with Bill Williams, who got to resent me for pushing him out of the company. But you learn—

15-00:29:53

Lage: Did you feel he wasn't doing the job that you wanted, or—?

15-00:29:55

Watson: No, the issue—well, there were two issues. One is that he was doing the job—that wasn't a problem—but he was older. We're talking about the future—we wanted somebody that's going to be there for fifteen years, not for three more years. Secondly, he was—it turned me off when he started being so negative on Fred Keller, who I thought was down-to-earth, had been there for thirty years or twenty years, who knew every crop we were doing. He ran our property in Imperial Valley for years—there's 17,000 acres there. He really knew the business. And everybody in the business liked him. Bill Williams had a personality that was a little prickly. I knew I had to make a change at some time, and the best thing to do was hold him to his original agreement when he came to the company that his job was to find the successor to him in five years, train him and get him ready.

15-00:30:51

Lage: Uh-huh.

15-00:30:52

Watson: So it was easier to hold him to that principle than it was to say, “You're no good.” He was fine.

15-00:30:59

Lage: So that was one change you made.

15-00:31:01

Watson: Right, but that's the only change really.

15-00:31:03

Lage: I guess I'm thinking about—reading about your planning committee and making a five-year business plan and bringing in other—

15-00:31:12

Watson: Those are things, actually, I began even before I became president.

15-00:31:16

Lage: I see.

15-00:31:17

Watson: See, because I ran the land development division.

15-00:31:19

Lage: Yes.

15-00:31:19

Watson: Friends of mine, like Ted Dienstfrey—who you've talked to—he's always accused me that I never really gave up the planning function, and to some degree he's right. But I saw it as so integral to the company, and you see Donald Bren—Donald Bren does not give up the planning function.

15-00:31:42

Lage: Now, when we're talking about planning there you're talking about the land planning or the business plan?

15-00:31:47

Watson: No, the land planning. The business planning there was no question about what I was going to do there. We had a very good system of doing business plans each year. We were very—

15-00:31:56

Lage: Were you already doing the business plans?

15-00:31:57

Watson: Yes.

15-00:31:58

Lage: Okay, I see.

15-00:31:58

Watson: We were already doing it.

15-00:32:02

Lage: And how did you get into that? I mean, without the business background. Or were other people—?

15-00:32:05

Watson: Well, you know you've got other people.

15-00:32:08

Lage: Yes.

15-00:32:08

Watson: Our chief financial officer was somebody who has some training in that, and he brought some outside people in to help us create a more organized business plan. Because we had to do a budget each year, I had participated in that and actually took a course at UCLA in executive management. It just became part of what we annually do. Today it's a very sophisticated part of the company. We do extensive business planning now, and we track it every month.

15-00:32:38

Lage: Did you bring in any new top people? I've written down two names here—maybe they were already with you—[Tom] Wolff and [Lansing] Eberling?

15-00:32:43

Watson: Eberling was the chief financial officer and he stayed on as chief financial officer, and was a very good hands-on chief financial officer. Tom Wolff had been the head of our Irvine Industrial Complex, the wholly owned subsidiary that handled all of the Industrial sales. I was on the Industrial Complex board of directors. I guess I became chairman of that board when I became president but Tom Wolff was the executive in charge of it. He was very articulate; he really understood the marketing of industrial properties. He came out of the Rouse Company, from Columbia, Maryland, and had been selected by the previous head of the Irvine Industrial Complex. So after, I would guess, about a year, I decided I better fill my old job, and I had a choice was between Wolff and a fellow named Al Auer, and a fellow named Frank Hughes. Frank Hughes was the former engineer who was in charge of residential development, Al Auer was the real estate vice president, and Tom Wolff was the head of the industrial complex. And I selected Tom Wolff. He was the only one that was new in his job, and so he had my old job. That worked well. Later on he became a partner of mine when we left the company, and I learned that his strength was in sales management and not in the economics of real estate.

15-00:34:13

Lage: Oh.

15-00:34:14

Watson: He was very articulate, he was very good at managing people, but he didn't have the mathematical skills. He didn't know what "present value" was. I always thought he did. It got covered over as not that important because I covered that base, and I didn't realize that he didn't understand that. It came out a little bit in the study I had done by a consulting firm on people who reported to me and people who reported to people who reported to me that—

15-00:34:48

Lage: You had a consulting firm?

15-00:34:50

Watson: No. The consulting firm we brought in to interview people who reported to me and people who reported to people who reported to me, and get feedback without telling me who they were.

15-00:35:02

Lage: Oh okay, and when did you do that? How far into your presidency?

15-00:35:06

Watson: I may have been in there a year. I don't know when it was.

15-00:35:08

Lage: Is that a—I don't mean to divert you, but is that an extraordinary thing to do or is it pretty common?

15-00:35:15

Watson: No, it's not an extraordinary thing at all. It's something I think a lot of companies do. I had never done it before but I knew a very good person who did such studies. I can't remember the name of the firm and I'm trying to remember his name now because I still get Christmas cards from him. But he would interview any executive who reported to me, and then he interviewed executives who reported to the persons who reported to me, and to get their confidence he had pledged to not reveal what each individually said. The comment about Wolff was that he didn't enjoy overseeing people who knew more about the business than him.

15-00:36:03

Lage: Hmm.

15-00:36:04

Watson: What it turned out is that he really didn't understand the business aspect of it, and he had a vice president who reported to him who knew much more about it than him. So he was being very honest about it. I found out when he became my partner that that was really true, so you had to relegate him to do things that he was good at, which is managing the marketing of it, and not worry that he did not really understand the economics of the business.

15-00:36:26

Lage: But did you sort of discount this when you got that message from your consultant?

15-00:36:30

Watson: Yes, I sort of discounted it. I didn't quite know what it meant. It wasn't until later on that I tried to—finally figured it out. As for me, the consultant said, "Do you know that you intimidate some people in the company?" His comment was actually somewhat of a shock to me. I had never had anybody say that to me before. My self-image is, "No, I don't intimidate anyone. I'm just this, you know, even-tempered little guy that floats through life." [laughs] I realize I am very competitive verbally, but that I didn't think of as intimidation. I asked the consultant, "What should I do?" And his answer—I'll never forget—he says, "Nothing." I said, "What do you mean?" He says, "Because that's how you got to where you are." He says, "The only thing you need to do is make sure you hire strong people as strong as you, because a strong person cannot be intimidated." And it was very good advice as I began to look at myself. I remember discussions I'd have with an executive and he would sort of back away, and I'd get very irritated. I'd say, "Don't back away. Kick me in the rear end, do anything, spit at me, hit me, do anything but I don't want anybody backing away. Don't give up. How do we ever resolve a thing unless we get it all out there?"

15-00:37:55

Lage: Is this within your own company?

15-00:37:57

Watson: No, while running the Irvine Company. And, you know, it's a high-speed job.

15-00:38:02

Lage: Yes.

15-00:38:03

Watson: You've got a lot of projects going on at one time, and you're—you don't want to waste time with too much verbalizing of it. So that's the only change there, and I think Wolff did a fine job in the job. It's just that I covered the economic business base and other people covered one side of the base that he wasn't as good at as I had been when I did the job, but he was better at other parts than I was, so, so what?. You adjust the job to a person, if it'll work out.

15-00:38:33

Lage: Did you bring on some new board members? Was that something the chief executive could do?

15-00:38:38

Watson: No, the shareholders are the only ones that can really control that.

15-00:38:43

Lage: I have William Lund down as a new board member.

15-00:38:46

Watson: Oh, yes. That's to fill the vacancy left by Bill Mason's death.

15-00:38:49

Lage: I see.

15-00:38:51

Watson: William Lund was somebody I had known. He and a fellow named Buzz Price had founded Economics Research Associates, which at one time was the largest research organization of real estate in the country. And they had done the county study on what the population had done. They had done a number of economic studies of the projects we were going to do, and I figured the board would benefit from somebody with his background. And I had known him for a long time and so I put him on the board—or I recommended him to be on the board and the foundation went along with it.

15-00:39:21

Lage: So does that mean that your second-in-command wasn't on the board?

15-00:39:26

Watson: That's right.

15-00:39:28

Lage: So there were just the ones—

15-00:39:29

Watson: That's right. I never thought about that. He went on the board before I made Tom Wolff executive VP, and I guess—I just don't remember. I guess he never was on the board.

15-00:39:45

Lage: I don't know if that matters. Is there more to say then about your presidency, or what you—?

15-00:39:51

Watson: No, I think there was—

15-00:39:52

Lage: I mean, there'll be more.

15-00:39:53

Watson: —when you have an in-house, it's not unusual, when you have an in-house candidate become the president and is already part of an organization, you're much less likely to create change or turmoil.

15-00:40:03

Lage: Right.

15-00:40:03

Watson: I mean, I know through Disney, I knew through other organizations, when we made the change in 1984, they brought in all their own people and many existing executives were asked to leave within twelve months. And it's almost taught in business school: bring your own people in, do it immediately. I mean the virtue or the benefits to the other executives who might have been worried about their jobs at Irvine was that I already knew them and I thought they were better than anybody else I could bring in so I was not going to make big changes. Somebody else coming in would usually totally change management. Sure. And basically that's what happened in '77 when I left. They just wholesale changed virtually everybody.

15-00:40:44

Lage: Yes. Let's talk a bit—I want to go on to the sale of the company and all—about the company's public relations policy. I was intrigued that you had a cable channel, that you ran a newspaper and a magazine. When did that start and what was the thinking of the company on that?

15-00:41:05

Watson: Well, let's take the cable company. The cable company was—had nothing to do with communications. What we had was, as a visual thing on the property we were going to develop, we did not allow antennas on the roofs. I didn't like the sight of houses and endless antennas on the roofs, as they did in those days. And cable was a new industry. Yet we required they put antennas in their attics.

15-00:41:39:

That would work in many parts of the ranch but there are other parts of the ranch which did not get a good signal, and it wouldn't work. And so we were in difficulty—we were preventing people from seeing their favorite television show. Hard to sell a house if you do that.

15-00:41:57

Lage: Yes. [laughs]

15-00:41:57

Watson: So we hired a couple of consultants to study different cable companies. They were all sort of starting at that time, the cable companies. To make a long story short, at the end of the study they suggested that we form our own company, and it was only done in order to get the antennas off the roofs. It was not—

15-00:42:17

Lage: Interesting.

15-00:42:18

Watson: Yet, the local law required cable operators to do a certain amount of local broadcasting—origination, as they still do. We had them put together a budget, what would it cost. It was not that expensive to get into it, and we started by providing all the infrastructure for the cable. The conduit that goes down the streets. Then when you make a development agreement with somebody to build houses, they have to put in all the cables in all the houses. I thought it was a good opportunity, because I remember one of the first questions that I got asked when we were getting into the business is, how big should we make the conduit going down Culver Road? And I said, “How big does it have to be in order to accommodate everything you can visualize going into it?” And I think whatever size he said, I said, “Okay, double it.” I said, “I have no idea what other things we might be doing or needing, and so forth, but it cost so much less to have a bigger pipe than all the work of digging and so forth, just put it in and see what happens.” And that turned out to be very beneficial later on. But also we had to do a certain amount of local programming. Most of that was talking about what’s going to be on in the theater, what the city council is dealing with.

15-00:43:38

Lage: So did you have a division that ran the—?

15-00:43:40

Watson: We had a division. We had a company. We had a cable vision company, we called it.

15-00:43:43

Lage: A separate—

15-00:43:44

Watson: Right. But also when we went into the incorporation contest, we used it then to get that story out and to recruit people in the community to serve on a committee of citizens to study incorporation.

15-00:43:59

Lage: Were there other—go ahead.

15-00:44:00

Watson: Go on.

15-00:44:00

Lage: I just wondered if there were other times when you used it to sort of get the message out that—the company’s message.

15-00:44:07

Watson: About the company?

15-00:44:08

Lage: Yes.

15-00:44:09

Watson: Probably, but not a lot. I mean it’s expensive to put on programs. You have to program them, you have to write them, you’ve got to do all of that, and we really didn’t want that—we didn’t find a reason to do it. The other thing is it’s very low readership—

15-00:44:22

Lage: You mean listenership, visionship?

15-00:44:23

Watson: —visionship on the local programming. Just take a look at your television now. How often do you watch the local one telling you what the weather is, you know—

15-00:44:31

Lage: I don't watch it at all. [laughs]

15-00:44:32

Watson: The viewership is very low.

15-00:44:34

Lage: Yes.

15-00:44:34

Watson: So we had no incentive to do it, you know, but we would show—like when we did TICMAP, we did a presentation on it and that was good to do. And occasionally we'd have little shows with interviews, and so forth.

15-00:44:46

Lage: And what about—

15-00:44:49

Watson: You have [on your list]: why did we sell it? Do you want to finish that?

15-00:44:50

Lage: Oh yes, by all means. And when?

15-00:44:54

Watson: Well, Donald Bren sold it. We have gone through—I've left the company and I've come back to the company, and by this time we have a full-blown cable company that's serving thousands of houses and the value of cable companies was rising. There was a period of time in the late eighties when the Irvine Company was struggling a little bit on debt. Donald had bought out the company and a recession had come. I can't remember whether it was the late eighties or the very early nineties when the company really needed to raise some capital, and Donald doesn't want to sell anything. But it was easier to say, "How about non-core businesses?" That was a term that made it more palatable. And I said, "Well, you know, the cable company is clearly a non-core business. We're not in that business elsewhere." And so it became something that was more acceptable for him to accept to sell, and we sold it to the *L.A. Times* for, I think, \$120 million.

15-00:45:56

Lage: Wow! That's amazing. Did it change in nature when the *L.A. Times* got it?

15-00:46:02

Watson: No, still the same. I don't even know if they have—I'm sure they have local shows on. They do televise the city council meetings. Actually, the system that I belong to—where I live in Eastbluff was never served by the company. It had been served prior to us forming this company by a company out of Costa Mesa. It's a national company. And they show the city council meetings in Newport Beach. I maybe watch that once every six months.

15-00:46:33

Lage: Not the most thrilling fare. [laughs] Okay, so—

15-00:46:39

Watson: Okay, public relations. What did you—

15-00:46:40

Lage: I was thinking about, why did the company run a newspaper and then a magazine?

15-00:46:45

Watson: Okay, yes. I'll tell you. The newspaper was clearly a communication device.

15-00:46:50

Lage: And when was that started?

15-00:46:53

Watson: I can't remember the year, but it was when I was executive VP. Gil Ferguson was our head of our public relations, community relations, or whatever we called it. Gil was a former lieutenant colonel marine, spent a career in there and had an injured ear from guns going off in North Korea. He was good. Part of what I learned there, is that even his predecessor—I didn't know much about public relations. I always didn't have much regard for that arena, and I found that they're very professional. They thought of ways to do things that communicate, and then I became a fan of the public relations industry, if you had people with integrity and you don't just do it to sell soap.

15-00:47:47

So Gil Ferguson suggested we ought to have a newsletter than goes out to the community. There was a whole problem of how do you communicate to—you have more and more people who have located on the Irvine Ranch and you're trying to keep them supportive, or at least not opposed to what we do, tell them about what's going on. So we started publishing a newsletter, eight-and-a-half and by eleven, and then it soon became four pages. You could either have the two pagers or four if it's got a fold. And one day he suggested that we ought to make it a newspaper, that it's more readable—it's more likely to be read. It isn't just a fact sheet that comes out on the company or, you know, the brochures you get in the mail. He had a good argument, and he cited the issue of a newsletter—newspaper—if it had advertising in it, it's more legitimate in the customers' minds. It seems more real than if it's just the Irvine Company telling you everything.

15-00:48:59

Lage: Right.

15-00:48:59

Watson: And there's stories in it about events and so forth. So we started out in four pages.

15-00:49:06

Lage: Once a week or—?

15-00:49:07

Watson: Once a month. And it grew to sixty pages. I mean, it became incredible. It never made money, but it never really lost much money.

- 15-00:49:19
Lage: Was it always a weekly?
- 15-00:49:20
Watson: Started as a monthly and then a weekly and always a throwaway.
- 15-00:49:22
Lage: Ah, throwaway.
- 15-00:49:22
Watson: So it went free of charge to every house. In polling we did, though, we found that it was more popular than the *L.A. Times* or the *Orange County Register*.
- 15-00:49:34
Lage: That's fascinating. Did people get their local news from it? I mean, you tried to cover the local news?
- 15-00:49:38
Watson: Yes. Yes, and it really was sort of like the study that was done by South Carolina or North Carolina University on associations where they came in prejudiced against the associations, came out a fan of them. What they discovered when they asked people about it is they said they got more done for their community through their association than they did through the city. That when you call up the city that there's some problem in the neighborhood, three weeks later they might send a truck out. You call up the association, the next day somebody does something. It's local. It's confined. Well, our newspaper, once a week, all we talked about was Irvine. So it had in it—and it was deliberately done this way—we didn't try to compete with other papers on national news or Orange County news. You know, your kid got all-American or most valuable player in the soccer little league, that was featured in the paper. The religious organizations had their stories that they could go in there. The—
- 15-00:50:35
Lage: Would they write them and submit them?
- 15-00:50:36
Watson: Yes, right. They would write them and submit it or we'd send a reporter over and interview them. Or the local election that's going on, we cover it much more thoroughly because the other papers have to cover all of Orange County; we only have to cover Irvine.
- 15-00:50:48
Lage: Now how objectively did you cover the local elections? Was part of the goal to sort of get the company view out or were you trying to be, you know, objective journalists?
- 15-00:51:01
Watson: People like Mark Petracca thought it was totally unobjective. I believe we were as objective as you could expect us to be. We presented both sides of the argument, but, you know, the people work for the company and so—
- 15-00:51:23
Lage: Right. It would be hard to view it completely objectively.

15-00:51:26

Watson: Yes. There was no articles in the paper that said that we were lousy managers or our developments were bad or something, but we did print criticism. We had letters to the editor—

15-00:51:36

Lage: You printed letters.

15-00:51:37

Watson: We did letters to the editor. We did all that kind of stuff. And it had it—

15-00:51:39

Lage: And would you publish a letter from Mark Petracca?

15-00:51:42

Watson: Sure. Oh yes. We had—as a matter of fact, he accused us of not doing that, but we were very—I always made sure I said I want to be fair on this thing—how do they do it in the newspapers? I was told how they do it and that's exactly how our people ran it. Eventually, as the paper grew it became a separate entity. They had their own professional ethics. They were former newspaper writers from the newspapers around the area, and they had their own reputations to protect.

15-00:52:10

Lage: When you say separate, was it a subsidiary or—

15-00:52:12

Watson: Separate—it was a subsidiary, 100 percent owned but wasn't located in the corporate headquarters building. They had their own facilities out by the university, in the town center there. But, you know, people like Mark Petracca, they thought this was just a propaganda machine. Yes, I don't say that we didn't write a story ourselves that was unfavorable, but—let's take letters to the editor, for instance. The typical way I learned how they do it in newspapers is what we did there, because I insisted they just do it the same way. If you got ten letters to the editor and four are critical and six are uncritical, and you're only going to publish three of them, you follow the same ratio of pro and con.

15-00:53:02

Lage: Yes.

15-00:53:03

Watson: Because you can't publish every letter or you fill up the newspaper with it, you see what I'm saying. So we had no different policy than daily newspapers, which always get criticized all the time of not being fair in presenting their argument—every newspaper gets that. So I think, as far as a house newspaper, it was as fair as you could expect a house to do.

15-00:53:23

Lage: Did you have editorials also?

15-00:53:25

Watson: We had editorials.

15-00:53:26

Lage: So that, clearly, was the company's position.

15-00:53:27

Watson: Yes, they knew that we owned the paper, so—and the interesting thing was that the surveys we did on it, not only was it most read—we did focus studies on it—but also they knew that the company owned it, and they believed it was a fair presentation, in general. We got very good marks on the fairness of the newspaper. Ultimately, Donald sold it not too many years ago because it was losing money every year, and he didn't see the value of it. It was sold to the *Orange County Register* and they distribute it still under the *Irvine World News*.

15-00:54:08

Lage: Oh, the same name?

15-00:54:09

Watson: Same name.

15-00:54:10

Lage: Yes. Have they changed it very much, in terms of—?

15-00:54:12

Watson: You know I can't tell the difference. As a matter of fact, they are more able to be critical of the city council and other people than we were able to be.

15-00:54:24

Lage: You wanted to be careful on that?

15-00:54:25

Watson: We wanted to be careful on that. We were going before them the next week to get something approved, and the new owner is much more critical than we ever were.

15-00:54:32

Lage: Interesting. Now what about this magazine?

15-00:54:35

Watson: *New Worlds*?

15-00:54:36

Lage: *New Worlds*, which I have a centennial issue of—very informative, by the way.

15-00:54:41

Watson: It's the same issue. It's a way of communicating to the community in a pictorial—more of a pictorial sense. It, again, lost money. We thought it could make money. Magazines like that are very difficult to be profitable, but we sold advertising in it. The same reasoning, it had all that—instead of the newspaper it was—how often did it go out, does it say there? Monthly? Bimonthly?

15-00:55:12

Lage: Well, this was June/July but this was a double issue, I bet, so maybe it was once a month.

- 15-00:55:16
Watson: I don't know whether we did it monthly or whether we did it every other month or every three months or whatever it was.
- 15-00:55:20
Lage: "Seventy-five thousand in circulation. Published bimonthly." At least in 1976.
- 15-00:55:26
Watson: Right. But it was a vehicle by which we could tell a longer story, as magazines can do. We could write about TICMAP or we could write about Newport Center, in-depth stories. And the public enjoyed that, and again they knew it was from us. I mean, you know, maybe a lot of them didn't know—I don't know.
- 15-00:55:46
Lage: Was it also distributed free?
- 15-00:55:48
Watson: Yes, distributed free.
- 15-00:55:50
Lage: Sent to all the homeowners?
- 15-00:55:51
Watson: Yes.
- 15-00:55:52
Lage: Ah.
- 15-00:55:52
Watson: Right. It was put in—you could buy it in the newsstand, and I'm sure some people bought it, but for the most part it was free to the residents.
- 15-00:56:00
Lage: Now was that something that other new towns did or other development companies did that you know of?
- 15-00:56:08
Watson: I don't know. I really don't know. I wouldn't be surprised they did. You know, when you start talking about new towns, you got to narrow it down to like Columbia. I wouldn't be surprised they did it because they had 15,000 acres, they were big enough, they were around long enough, and the same issues that we had—you're looking for ways of communicating stories out there. But I don't really know whether they had a local newspaper. I think we were one of the few that had it, but we were around longer. And 93,000—part of the thing of being so big and being so long-term, you're willing to spend some money in communications that you wouldn't be able to afford in smaller projects.
- 15-00:56:57
Lage: Was it partly reacting against this kind of shifting climate of where there was more criticism of the company being too big, and environmental issues?
- 15-00:57:05
Watson: Well, it could have been. I mean I, you know, it's hard—I mean the context of when the decision is being made. As I think back on it, I can't remember consciously saying to

myself, “Well, we got to get back at this criticism.” But on the other hand, probably the argument that was made for us taking the risk of doing it is, “You know, we got to have an answer to some of this criticism.” So I wouldn’t be surprised—you know, obviously if everything you ever wanted you got, you wouldn’t spend the money to send out information about it. We send out *Planning Ahead* pieces now that have no advertising in it. Clearly, it is the point of view of the company, and we find a reason to send that out. That thing costs money.

15-00:57:47

Lage: That’s a mail—

15-00:57:48

Watson: That’s a mail thing, yes. Just like the magazine is, but it isn’t that form, you see. At the end of the day, we had a budget of managing this company, and we had a certain amount of money we could expend on communication, a certain amount of money we could spend on roads, and a certain amount of money we could spend on sales. So it always had to fit in those categories. These were tradeoffs for other things that you might do. Do you buy ads in the newspapers? I’ve never liked the Mobil Oil editorials that they write. They’re all so obviously self-serving that—like they’re talking down to me.

15-00:58:28

Lage: The ones that sort of trumpet their environmental credentials?

15-00:58:30

Watson: This way it’s more about, you know, you’ve got a byline. Somebody’s writing a story, and they’re not going to say “Ray is an ogre and lousy,” but—they’re pretty good stories actually. I mean, you’ve read it.

15-00:58:45

Lage: They’re very informative, more detailed than you would get today, I bet, if this was published—much more detailed.

15-00:58:49

Watson: Right.

15-00:58:52

Lage: You’ve mentioned polling many times, and we’ve never really gotten into your philosophy and how much you did it and why.

15-00:59:00

Watson: I can’t remember who, in the company, which one of the public relations—we didn’t call them the public relations people, but the—

15-00:59:10

Lage: Communications?

15-00:59:10

Watson: Yes, communication directors. I don’t remember who first suggested we do this, but I was taken with it because I always liked to know, “What are the people really thinking?” There is this, you know, anecdotal stuff you get out of “your neighbor said such and such” and that gets translated into “that must be what everybody thinks.” Or we’re so self-congratulatory that we have no idea what people out there feel. So polling was a way

to periodically open a window to “what is the views of the people out there that don’t know we’re polling them?” The way we would do this is contract with the university or somebody who’s doing a poll and send it out. Just like Mark Baldassare does today with the Public Policy Institute. And we would try to seek what their attitudes are about development. We would sprinkle it with other things so it was—you know, it doesn’t look like it’s just Irvine Company. You know, “what about the war in Vietnam?” or something like that. There’d be other questions in there, which are professionally done in order to get the legitimacy there.

15-01:00:21

The one that I always remember—and I don’t know whether it would be that way today—that sort of answered the question for me of the value of it, one question that went out on a polling was: Who would you favor most to plan your community? And it listed ten entities: the University of California, the board of supervisors, the city, the Irvine Company, Joe Blow, whatever it is. Irvine Company invariably came out to number one. So that said to us, even though they were suspicious of us, they thought we might be overcharging, all those kinds of things, when it finally came down to it, they respected what we did. They had bought into this community idea of planning, and that was very important to them in terms of their neighborhoods, how they lived, and so forth that they thought this big company, as maybe domineering as it might be, as profiteering as it might be. And, as a matter of fact, our focus study shows that in terms of the profiteering issue. We were interested in long-term growth and long-term values because we were going to benefit from that. So we were going to do planning in such a way that their homes would benefit from it and their lives would benefit from it, and even though we had self-interest, that translated as a benefit to them. And you couldn’t say that about a board of supervisors or a city council, who you suspect are often only interested in getting elected.

15-01:01:52

So the polling, you know, dissuaded us at times from—I probably was the one person in the company that was the least bothered by any criticism. I mean, sometimes I’d get a little bit irritated at it, but you know I’d say, “That’s life. Let them think that.” I can remember saying—even when Donald Bren complains about a newspaper article, or Bill Mason would, I said, “Bill, you’re the only one in the world who ever reads that article all the way to the end, and you’re the only one in the world who will ever remember what it said tomorrow. Unless you write a response to it, then they’ll read that and that’ll reinforce it.” So I would always say, “Let them go. Let them talk—that’s part of the health of the community.” And the polling helped us, you know, helped that cause.

15-01:02:40

Lage: Because you got results that you were happy with.

15-01:02:41

Watson: Right. Now we also did—one of the things I did—I did this when I was executive VP in charge of land development. I was disturbed—I don’t know whether that’s the right word or not—that we weren’t getting the real benefit of owning 93,000 acres and having many developments go all at one time, from a marketing point of view. So I made a decision finally—first of all I suggested we bring in the ten different home builders operating all at the same time, that we will take a certain percentage of—let me back up. It’s not unusual

that say 2 percent of the sale price of the house goes into these kind of marketing things. Or 4 percent—I forget what it is.

15-01:03:31

Lage: When you say “these kinds,” you mean—?

15-01:03:33

Watson: Communication, sales brochures, ads in newspapers—that kind of stuff.

15-01:03:36

Lage: Advertisements.

15-01:03:39

Watson: So I said that we’re going to take—and I think if 4 percent was the number—we’re going to take 50 percent of that number and there’ll be community-type advertising, and we’ll all as a group decide. All the builders will send their guys over and we’ll decide what to say. And we’ll have these group ads—because my belief was that they could buy that very same house that they were building somewhere else, but what we’re really selling here is the community that it’s going to be located in. You have to sell your house on how you model it, and you do all those kinds of things, but the extra step of why you buy it here is because of the city of Irvine and what the company is doing in this ranch and is planning all these things. So I said a certain amount of the ads have to be done that way. Otherwise, if you had left it to them—“We are no different than ten other builders building anywhere in the county. It’s just if you add it all up, that’s the budget. And we’re not learning anything. We’re not doing any research. We’re not doing any polling. We’re not doing any customer feedback to tell ourselves. So” I said, “we’re going to do that.” Well, that turned in to be like TICMAP. You got all these ego directors of communication from every company and they could never agree on anything, so I finally said, “Henceforth we’ll have your input, but we’ll decide what goes out and you have to pay your share of it.”

15-01:05:07

We started doing things that we hadn’t—hadn’t been done before. We started doing surveys of people one year later after buying a home, as to how good a feedback they got from the builder to fix the things—the crack in the plaster, the hinges that didn’t work, and so forth. We were trying to get a measuring tool for how well they were being served by our builders. Now, every builder you would talk to—and I did this—they thought they were the best, and they always had good feedback, they had the perfect things. And I said what we’ll do to the builders, we will publish the ranking. So if we had ten builders who did the best, the next, and so on. We found it had a dramatic impact. Nobody wanted to be five or six when they saw it published. Where, all the years we would be after them—you got to do a better job of follow-through and all of that—suddenly this vehicle began to deal with that. Again it was my desire for research to say what we should do rather than just, wouldn’t it be good to run this kind of ad, and so forth. We started to have people posted outside the sales offices who did pre- and post-model home interviews. They empirically picked somebody and they’d stop them as they’re going in and say, where did you hear about this project: read it in the *L.A. Times*, read it in the real estate section, heard it on the radio? All these various communication going out there, we’d get a sampling of what was working—what seemed to be drawing them there. Then when they came back out, we would interview them about how they were treated while they were in there: the sales people, were they very helpful, were they really informative, were the

models nice? A whole series of questions but most like trying to find out how they were treated, and so forth.

15-01:06:57

Lage: More than how they liked it.

15-01:06:59

Watson: Yes, it wasn't so much about whether they like this model versus another model, but about how the sales people were doing their job. And we published that with them. So we started using those funds for a series of research-driven ways of better communications or marketing or whatever it is, reflected in the fact that we were managing the job of building the community. We weren't just selling land, you do whatever you want and give us our share of the profits. And that built a whole new momentum. There was excitement within the company. The builders, who didn't like it at first, began to like it because it gave them feedback, and they couldn't afford to do that by themselves, but if you have ten builders in Woodbridge—you had ten on one time on one project—you could get it for a lot less expensive than if each one tried to do it, and it was better for us to manage it so that they didn't have to bicker among what they wanted to do or not do.

15-01:07:54

Lage: Did any of these things affect your choice of builders later on?

15-01:07:57

Watson: Yes, yes.

15-01:07:58

Lage: There were some that didn't measure up?

15-01:07:59

Watson: Sure. Interesting, what's changed in builders today, I must say—just to digress for a moment—is that in the sixties and the seventies, my reign there for the most part, there was virtually no public companies. They were all private builders who got financing from somewhere, were entrepreneurs, had been in it for a long time. Then in the seventies they started to sell their companies to public companies, and so on. Today, every builder on the ranch is a public company. The industry has changed tremendously, and that's because of the risk and the capital cost it takes to do it.

15-01:08:32

Lage: Because everything is more expensive?

15-01:08:34

Watson: Everything is more expensive, more expensive getting into the business, more expensive to do the business, and it's harder to get private investors.

15-01:09:00

Lage: So they're big companies, publicly traded.

15-01:09:01

Watson: They're all big, public companies and they have access to capital that the others don't have.

15-01:09:04

Lage: Does that change the Irvine Company's relationship with them?

15-01:09:09

Watson: First of all, they don't do a lot of that marketing stuff that I did. Their parent companies probably do it, you know.

15-01:09:18

Lage: Because they're big enough to do it.

15-01:09:20

Watson: Right, right. And they can take risks that some of the private developers can't do. I don't know—I'm just trying to figure that out in my own head, why is it all public companies? Why isn't there more of the small entrepreneurs any more? And I don't know whether I know the answer to that.

15-01:09:38

Lage: Okay, let's just pause for a minute here. We need a little—

##

16-00:00:02

Lage: Okay, here we are. I just changed the tape and it's still June 2. This is tape sixteen, and after a brief pause we're back on. You had just mentioned an anecdote about Margaret Mead, so I thought we'd record that before our next topic.

16-00:00:17

Watson: Well, why I've always—I'll tell you what the anecdote was in a minute. I was part of a support group, let's call it that. It was a board of governance they called it, but it was really a support group for the UCLA school of architecture and planning, and Margaret Mead was among the members of the group. We would meet periodically, and I think we did that for a couple of years, so I had the pleasure of meeting her a number of times. She was somebody you had to have respect for. The background is, architects and planners, particularly in that era, were ascribing—and you see it today in new urbanism pronouncements or smart cities, whatever that is, or sustainability—we seem to invent these terms without definition and ascribe to them values and benefits that we never have any evidence has ever come about. Maybe it has and maybe it hasn't. So at one of our meetings, one of the faculty members from the school of architecture made the comment about how much they disliked “cookie-cutter architecture.” And Margaret Mead, in her classical way, said, “What is cookie-cutter architecture?” He said, “You know, like the Hilton Hotels,” he says. “They're all designed the same, the rooms the same, the same decoration done, all of that”. She says, “Oh, oh,” she says “I like that.” She says, “I travel so much, it's really such a self”—not fulfillment but—

16-00:01:54

Lage: Reassurance?

16-00:01:55

Watson: “—reassurance when I go into Chicago and I go to the Hilton, and I go up to the room and the lamp is in the same place, it's even crooked in the same place, and the bed covers are the same and so forth, and I feel like I'm back at home again. And if I go to St. Louis, they have the same thing. I like that, you know.”

16-00:02:09

Lage: [laughs]

16-00:02:10

Watson: The guys sort of stand back, and then I started asking her some questions about it, if she had ever done any research in this. “Well, yes,” she says. She did a study on the atomic energy towns that were built during the war, which were all rental at the time.

16-00:02:27

Lage: You mean—

16-00:02:29

Watson: Towns in the state of Washington and elsewhere where they were working on it. Not atomic energy but the atom bomb.

16-00:02:37

Lage: On the atom bomb, yes.

16-00:02:38

Watson: Right. And so you had a whole community grow up of people that were isolated, working there. None of them owned their homes, and the question was: does home ownership make you more community-oriented than rentals? “There’s a bias as you go through the community that renters aren’t as interested in the community,” she said. Then she did a study years later after the housing they had rented had changed to ownership; she asked: how had the community changed? Her study showed that the people who are just renters were more community-oriented than the owners. The reason for that, she said, was that once they got into ownership, their primary interest was protecting the value of their homes versus the community activities they could get involved in in the community.

16-00:03:29

Lage: Hmm. That’s very interesting.

16-00:03:31

Watson: The preface of this was, I guess, when I started talking earlier, was a study—I don’t remember the name—it was two female professors from New York University who did a study on Levittowns recently. There was much—and has been much—criticism of the Levittowns in my early career among the architects and so forth because of the very same thing, that with the cookie-cutter architecture, houses that sold for \$9,500 all looked alike. They had little bit of changes on them to make them have some differentiation, but architects disliked that and would criticize Levitt. So the two professors went back into Levittown in New Jersey and did a study in terms of what kind of communities they had become, and they wrote a book about it. In summary, what they described in their book was Levittown had become a satisfying community. People liked it, they got into community activities, and it had grown into a very self-satisfied community, and that the criticism of a sprawling subdivision out there, of everything look-alike and therefore nobody caring about the community, was false.

16-00:04:42

They had come away with a different bias than when they started. It reminds me also of the historian that is no longer alive at University of California in the architectural department who wrote a book, *The City Shaped*, in which he talked about that too. If you talked to [Andres] Duany—if you know who Duany is, in terms of New Urbanism—he’s

one of the godfathers of the movement. I've read in Harvard reviews where he has described the communities he has designed. And when asked the question, "Well, why will that make any difference to anybody?" he says, "I think the young people who will grow up in this community will turn out to be better people because of what we have done." Well, what Spiro—

16-00:05:29

Lage: Kostof.

16-00:05:29

Watson: —Kostof, the professor, said in the book *The City Shaped* is that he believes what architects like to do is go to Europe and look at all the old towns and say let's do something like that. And he disagrees with that. Spiro said that, for the most part, that would be a mistake. What is really needed to be done is for architects to do research like these two women did, which is to go back in and say, "Well, whatever reasons you had for building the community the way you did do it, how has it turned out? What has it become?" And I think a lot of the stereotypes we have, visions we have, of what is good and bad, or was it productive of a better life or a better place to live, might change and reflect that. Now, a lot of my early work in this field, I started out as a cynic on some of these pronouncements that they were making and not afraid to go contrary to what my architectural peers might think we should go if in fact I thought it was something that we should do. And it's been interesting—through the years, we've done enough polling, we've done enough interviews and surveys and work to find out what is really identified by the people who lived there and have lived there for years, what they like about it. A lot of it fits what we said we want to do and some doesn't fit, but at least over forty years of work now, associated with this forty-two years of work—associated with this company—that's one of the great benefits there's been of having been there that long. We've had the opportunity to do it every which way possible and over time reach some sort of conclusion about what the residents believe makes a better community.

16-00:07:25

Lage: And how much is attributable to—

16-00:07:27

Watson: To what we do and—

16-00:07:28

Lage: —the way you built the houses and how much—

16-00:07:29

Watson: That's right, and how little of it might be contributable to that.

16-00:07:30

Lage: Right. That's probably hard to sort out, how much is due to the demographic forces or the location.

16-00:07:38

Watson: We do know from surveys that we have done and so forth that the village idea we have has really taken with them. They like the sense of community—a neighborhood community that the villages do by the work that Kevin Lynch taught us, making strong edges, entryways, identifiable where you are, and also that the mixture within it is more

than just all single-family detached houses. There's some apartments in it, townhouses in it, there's the shops and the stores in it where that was possibly done. They liked that.

16-00:08:10

Lage: The polls show that.

16-00:08:11

Watson: The polls show that.

16-00:08:12

Lage: And that is really what you focused on it sounds like, what you thought was most important.

16-00:08:13

Watson: Right, right. Yes, because the big fear we had, or the big bogey man we had at first, was this sense of suburban sprawl—everything looking alike, oozing its way out there, and you have no identity of where you live. Because, even though you're going to be working all over the region and you are part of a regional city, there is something comforting about living in a well-defined community. I call them small little towns. As a matter of fact, most of the old historical towns are very small--about 20,000 people. Woodbridge is 25,000 people. So it's easier to visualize it as an identifiable part, and at some point, if it gets too big without having an edge, it oozes over and you lose the identity of your community. Now, you were showing me today coming through the districts of Berkeley with their different names, so I can see that what must be going on is a struggle within those communities to keep some identity of their neighborhood because physically they're not identifiable, as I drove through them anyway.

16-00:09:12

Lage: Right, but they are neighborhoods, I believe.

16-00:09:17

Watson: They are neighborhoods. That's right, that doesn't make them not a neighborhood. I'm just saying physically they're identifiable.

16-00:09:21

Lage: You don't see it.

16-00:09:21

Watson: —but you have done other things to make them into a community. You know, your newspaper, whatever association you do. And that's what I think Margaret Mead was talking about. Her anthropologic background would be, she'd be more interested in that than whether in fact we have artificially—maybe, in her mind—put a different facade on a house in order to make it different.

16-00:09:46

Lage: Yes, it's many interesting issues. Now, let's see. The next story we need from you is what seems like a very interesting story of when the foundation had to sell its stock, and there was a bidding war on the Irvine Company and it was sold. I'd be interested in your take on that. You were the chief executive. What was your role?

16-00:10:13

Watson: I was the chief executive, the company was going to be sold. I knew that.

16-00:10:17

Lage: And that was required by federal law?

16-00:10:19

Watson: It was required by the Tax Reform Act of 1969, which says that private foundations cannot have controlling interest in any companies.

16-00:10:27

Lage: So you'd always known the whole time you've been there since '69 that that was going to happen.

16-00:10:28

Watson: Yes, I knew from '69 on that it would eventually be sold. The foundation, which had a will of James Irvine which prevented them from selling the company, they had to go through a process of testing the will. So they filed a lawsuit with the federal government saying that that law conflicted with the will of the donor to the foundation and they couldn't abide by it. They lost that case but that took years. So it wasn't until about 1975 that they finally ran out of time and they really had to start looking for a buyer.

16-00:11:12

Lage: Did you help with that? Was that part of your role?

16-00:11:13

Watson: Actually, actually management did not play a role in seeking buyers but it did play a role in informing prospective buyers. And then prior to that Bill Mason when he was alive, even though he died in '73. Our interest as management was to keep the company together. I mean we were devoted to the idea of being community builders. I absolutely believed that this was such a unique piece of property—90,000 acres; three times the size of San Francisco. You don't get that opportunity very often and you ought to be able to do something different than you would if you only owned 100 acres or 500 acres.

16-00:11:57

Lage: So you wanted someone who would come in with that philosophy.

16-00:11:59

Watson: I wanted somebody to come in with that philosophy. So part of what we would do is, if they had anybody that might be remotely interested and they exposed them to us, besides giving them the information about the company, we would go on a sort of a selling crusade of why it's beneficial to do it the way we were doing it. And we would get them to talk to the city council people and other people who also believed that too, because the community was also concerned about who was going to own the Irvine Company.

16-00:12:25

Lage: So who all were some of the people that didn't make it?

16-00:12:29

Watson: Well, first of all, they started looking seriously in about 1974. We were in a recession, and it wasn't very many that really had the resources to acquire it. They finally begin to have some interest from Mobil Oil, and I would say this was probably 1975, maybe '74. And that went on for some time. Mobil Oil had started acquiring real estate as a diversification, from their oil business, and so they had an organization that was acquiring property around the country. Let me back up—the concern we had, as I just said earlier,

was: who are the buyers, what are they going to do with it when they get it? Are they going to continue to do what we do or are they just going to treat it as real estate play? That was an understandable concern of ours because there are very few examples of what we do. Mobil Oil, they were the only prospective buyer in 1975 that really surfaced. We had also the controversy within the board of directors and the ownership—you had Joan Irvine Smith who was very concerned with who's going to buy it. She had control of 20 percent of the company and wanted to have a bigger voice in its operation. The James Irvine Foundation had an obligation to get the best bidder they could get for it. We, as managers, didn't have a lot of contact, I must say, with prospective buyers, but we had some. We always were seated around—as you would be, as management—saying, who is going to be our owner?

16-00:14:23

Lage: Yes.

16-00:14:24

Watson: And what does that mean to us personally? What happened is that by 1976—earlier on, maybe late '75—the foundation had reached an agreement with the Mobil Oil Company, who at that time was the only prospective buyer. The foundation had agreed to allow it to be a stock-for-stock trade, which made it tax free to the tax-paying shareholders.

16-00:14:53

Lage: Now, what does that mean?

16-00:14:55

Watson: That means you exchange Irvine Company's stock, in this private company, for public stock in Mobil Oil.

16-00:15:02

Lage: So the foundation would end up with a lot of Mobil Oil stock.

16-00:15:03

Watson: Right, right. Or cash. Now, exactly what the mix was I don't remember, but basically the stock-for-stock made it a tax-free transaction. Because the "basis" (original price) of the Irvine stock was so low for the tax-paying shareholders that when sold it would be almost entirely taxable (except for the foundation which paid no taxes.)

16-00:15:24

Lage: Right, and there'd be a lot of gain in the Irvine Company.

16-00:15:28

Watson: There was a lot of gain in the Irvine Company. However, that didn't mean anything in terms of taxes to a foundation because they don't pay taxes.

16-00:15:34

Lage: Yes, so—

16-00:15:34

Watson: So a tax free merger was only beneficial to the individual shareholder. It was a big concession on the foundation's part on behalf of the shareholders to be willing to go through that kind of transaction.

- 16-00:15:44
Lage: Were the other shareholders also going to sell, or just the foundation's shares?
- 16-00:15:49
Watson: Nobody was willing to buy the company without buying out all existing shareholders.
- 16-00:15:52
Lage: I see, okay.
- 16-00:15:53
Watson: —so they had to sell.
- 16-00:15:56
Lage: That would mean the family would be—
- 16-00:15:57
Watson: Right, they would exchange their stock. However, if all Irvine shareholders agreed on a merger the individual shareholder would receive stock and not cash and therefore not be taxable. At one time Mrs. Smith, who was important to the agreement, agreed with the merger, then changed her mind and disagreed with it.
- 16-00:16:20
Lage: Did she actually bring a suit?
- 16-00:16:22
Watson: Well, she brought a suit the next step along the way—
- 16-00:16:24
Lage: I see, okay.
- 16-00:16:25
Watson: And to make a long story short, there was an agreement to sell over her objection. What we had to do within the company is have prepared what they call a fairness opinion: is the offer to buy fair to all shareholders? And there you hire people from Wall Street to evaluate the company's worth and opine as to the fairness of the price. It isn't up to us as management to attest to the fairness because we'd have self-interest. Joan filed a lawsuit to block the sale, and it went to a trial. I spent days on the witness stand. The lawyers— it's interesting when you have the structure we had, how many lawyers were there. There's four different entities in the lawsuit represented by four different lawyers. So you would have in a row four different lawyers asking you the same questions. One lawyer represents the Irvine Company. One lawyer represents the Irvine Foundation. One lawyer represents Joan, and one lawyer is the state attorney general, who represents the public, who are the beneficiaries of the foundation.
- 16-00:17:40
Lage: This was complicated. [laughs]
- 16-00:17:42
Watson: That trial went on, and in the middle of the trial suddenly an unsolicited offer came in from Cadillac Fairview, a real estate company from Canada, with a cash offer topping Mobil Oil's bid.

16-00:17:58

Lage: Substantially?

16-00:17:59

Watson: Well, it depends on what you define as substantial. It wasn't a huge increase, but it was more. It didn't matter whether it was substantially more or not. The question the judge is asked to rule on is, is the Mobil offer fair to all shareholders, and suddenly somebody is willing to pay more. So he stopped the trial to allow the company to evaluate the new offer. Then a third party came in, which was a group of developers. Alfred Taubman was the lead of a group that included Henry Ford and a group of investors from New York.

16-00:18:40

Lage: Was Al Taubman out of the area?

16-00:18:43

Watson: Yes, they were all out of the area—all three bidders.

16-00:18:46

Lage: And Charles Allen?

16-00:18:47

Watson: Charles Allen was part of that group, right. Donald Bren was not part of that group at that time.

16-00:18:52

Lage: And was Joan at that time?

16-00:18:54

Watson: No. So with three different offers now on the table Mobil changed the merger offer to an all cash offer.

16-00:19:04

Lage: I see.

16-00:19:06

Watson: The bids differed in this way: Mobil Oil stopped talking about stock and offered cash because the one of the offers was in cash. The Taubman group's offer was what I call purchase money mortgages. It really basically said it would be a simultaneous merger of their company, which they had just created to do this, with the Irvine company. Which means that they were borrowing most of the money to buy Irvine but securing their loan with the company they would buy.

16-00:19:31

Lage: Oh, so the company would be in debt for the first time.

16-00:19:34

Watson: What the foundation had to do, in trying to determine who was the highest bidder, was take into account the forms of the offers. They had to opine the equivalent value of a purchase money mortgage; even though it might look higher, it added risk to the transaction. They discounted the Taubman offer each time to the point where they were never the high bidder during this period. This went on—I forget—for weeks, and then the whole thing was shut off. And I can't remember why was it shut off, but it was shut off as

bidding went on, for about six months. By then, Donald Bren had been contacted to join the Taubman group. By that time, we were out of a recession and Wells Fargo Bank was now interested in making what they call a bridge loan, which would be to cover the difference between what the equity partners were going to put up in cash and what it took to buy the company. And now we went into another bidding war. This time all offers were in cash.

16-00:20:48

Lage: Hold on one second, I want to stop. [tape interruption] Okay, now we're back on. I gave it a little more power. We'll continue the bidding war.

16-00:20:58

Watson: All right. Well, now we're in May of 1977, and the bidding war is on. By this time, everybody has cash. They may have got it from different sources, but they got it. And Donald Bren is part of the package, and he ended up being 35 percent of the owners coming into it. He didn't really know these other people as well, but obviously this was a great opportunity for him.

16-00:21:24

Lage: And he was local, and—

16-00:21:26

Watson: Local, right. So he was a great addition to that team, because he was the only one of the team that was local. He had built on the ranch, he was familiar with it. He had started the Mission Viejo Company as a community developer—

16-00:21:38

Lage: And you knew him.

16-00:21:39

Watson: —and I knew him, so it was a—from my point of view, it was a good addition to the bidding. In the end, that group won the bid when Mobil Oil and Cadillac Fairview finally dropped out.

16-00:21:51

Lage: And it went quite a bit higher than the original Mobil Oil offer.

16-00:21:54

Watson: It went higher. It turned out to be—I believe the number was like \$346 million, and I forget what it was with Mobil Oil. I can look it up, but it probably was \$150 million more.

16-00:22:11

Lage: Did it have this aspect of debt?

16-00:22:16

Watson: To the shareholders it was an all cash offer. To secure the cash, however, the new Irvine Company did take on debt.

16-00:22:20

Lage: I see.

16-00:22:21

Watson: Wells Fargo was on the hook, but not the selling shareholders.

16-00:22:24

Lage: Right.

16-00:22:24

Watson: It would have been the company before. You raise a question: what happened in six months that it'd be so much more? One thing happened—there's other bidders. Number two, the recession is over and it's dynamic. Number three, we had opened in '76 Woodbridge and had 10,000 people show up for the sale. Sales were just going crazy. So you went from a market that nobody had confidence in, an economic market—like today—to a market that everybody had confidence in. So that's the reason Wells Fargo was willing to make the loan.

16-00:23:01

Lage: So the timing was—

16-00:23:03

Watson: Timing is always important in these kinds of things. Unfortunately, the requirement to sell was dictated by law, so they couldn't wait for the good times, and suddenly good times appeared in the middle of the bidding. I'll just take—a response to that question, though, is: does that prove that the original fairness opinion was wrong? My answer to that is no. All it says is the times were different, plus the fact that what the original Mobil Oil transaction was was a non-taxable transaction of stock. Years later, when I was on the witness stand defending Donald Bren's purchase of Joan's minority ownership I was asked that question: didn't that make me seem foolish to have tried to defend Mobil's offer in September of 1976, and the final price of considerably more by cash in '77? And I had done enough homework on that, and I said no. They said, "Why is that?" And I said, "Because if you take a look at the appreciation of the Mobil Oil stock, the shareholders would have been ahead if they had taken that. They would have come out ahead." All that says is that, you know, you got a very complicated transaction here; you can't have any one issue govern the thing. It happened the way it happened and it turned out that way, but I don't think it proves that, that one period of time under one transaction, that was faulty because of how it came out in a totally different kind of transaction at a totally different time.

16-00:24:43

Lage: This was a major change.

16-00:24:44

Watson: This was a major change. This is a—you know it's—how did I look at it?

16-00:24:49

Lage: Yes, how did you look at it?

16-00:24:51

Watson: Well first of all, the—I made an appointment with Donald Bren, the only one I really knew of the new owners, and I told him I was not going to stay with the company. He said he was very disappointed, that he knew me and he had confidence in me. You know, actually what had happened, *Life*—I mean *Fortune*—magazine had just come out with a big story with me on the cover about the prospect of the sale, and the essence of the story:

will anybody trust anybody to run that company like they trust Ray Watson? It was such a favorable story in *Fortune* magazine. So you got people buying from the East, and so forth. They had nothing against me. They wanted me to stay.

16-00:25:36

Lage: But why did you not want to stay? You didn't really know yet what the company was going to be like.

16-00:25:41

Watson: Right. I made a very personal decision that I didn't want to stay. The concern I had right from the beginning is: will this be treated as just another real estate play, or will it, you know, be treated the way I believe it needed to be treated? I came, maybe incorrectly, to the conclusion that they were just going to make a real estate play. I mean, there's nothing wrong with that. That's what they were. That's what Al Taubman is.

16-00:26:08

Lage: Did you look at the kinds of things Al Taubman had been doing?

16-00:26:11

Watson: Yes, shopping centers.

16-00:26:12

Lage: I see.

16-00:26:13

Watson: You know, I mean that where he made his money is in shopping centers. Also I had read the new bylaws and I was no longer going to be CEO. I was going to be Chief Operating Officer, and he was going to be CEO.

16-00:26:26

Lage: Oh.

16-00:26:27

Watson: So I knew I wasn't going to have the same voice in the company that I had before. But also you see—

16-00:26:34

Lage: Taubman was going to be CEO.

16-00:26:36

Watson: Yes. And you had also the—you had a company that we had operated with a lot of internal authority to go ahead, and we had a mission we believed in. And you had somebody that had come in, who ran a campaign during the bidding, public relations campaign, of how they were going to make the company even more profitable, how they were going to do it, you know. So the insinuation of "we'll run it better," but they want me to stay. I thought, "Okay, they want a token president. They want to use my reputation with the community, but I'm not going to have the same voice that I had before." And that was hard for me. You could say, well why don't you wait and find out? Well, maybe I should have. You know, in retrospect, maybe I should have. It certainly was harmful to the other executives for me to go, because they all got swept out, virtually. Maybe it's my personality—whatever it is, it just didn't seem right for them or me to wait around and test that and see whether it works out or not. Why not let them come in fresh, get their

own chief executive officer, or somebody to run it the way they want to run the company? And I don't have to get caught up in that. I'll just go on with life and see what else I do with life.

16-00:27:52

Lage: Was it hard? Because you seem to have developed such an identity with the community you've been building.

16-00:27:55

Watson: Yes, it was hard. It was very hard. I had tears in my eyes at the time, you know. But that didn't change it. After my meeting with Don Bren, I met with Al Taubman. I'll never forget it. He said, "Young man," he says, "We've checked what you've been getting in compensation, and you're worth much more than that. You're going to become a very wealthy young man, and we have a contract that's being drafted for you right now." And I said, "Have you talked to Donald Bren?" He says, "Oh, yes. I heard that." He says, "I think it's just negotiation—I like negotiation." I said, "I'm not negotiating." I said, "I don't want to hear what it is you're going to offer me. I'll make it as comfortable as I can in the transition. I'll give every word I can of approval of what I'm turning over to you, and the belief I have that you're going to carry that on." And I did that. And I left.

16-00:28:48

In retrospect, it runs with me in two tracks. One, maybe I should have stayed. I know I would have made a lot of money, because I know what the person who followed me made.

16-00:29:01

Lage: A lot more?

16-00:29:02

Watson: A lot more. Oh, yes. Because he had a participation contract, which I would have gotten. But if I had stayed I would have missed out on my Disney experience. And that's part of my life that I treasure, being the chairman of that for a very critical period of time, that I feel I contributed to. So I can't say that I made a mistake. I didn't make a mistake. I mean, I stayed true to my conscience, I did what I believed what was right for me and them, and I didn't hold any grudges. I didn't criticize anything they did. The only period of time that I perhaps criticized them was when I was drawn into being subpoenaed for a lawsuit on the leasehold issue.

16-00:29:55

Lage: Oh, during the time when you were unassociated.

16-00:29:59

Watson: Right. When Donald Bren acquired interest in his partners—all of them; bought them out—I was, by that time, chairman of Disney. He asked if I'd come back on the board of directors. I said, "Wonderful, Don."

16-00:30:13

Lage: Because you had more faith in him?

16-00:30:14

Watson: He had asked me to go on the board of directors even after I had left the company in 1997, and I said no. My view has always been is that if you're the chief executive officer

and another one is going to come in as chief executive, you don't really need the old one around.

16-00:30:28

Lage: How did the company fare during that period? They brought in Peter Kremer.

16-00:30:32

Watson: Well, they brought in Peter Kremer, who had good experience from Newhall Land and Farming [Company], primarily in the industrial commercial sale area. I've thought often about it: what is the difference? They had a big debt to pay off. Land prices started to escalate. And over the next three years—there is an organization at UCLA that tracks real estate values—that in the 100-year history of the State of California, real estate values went up faster than ever in that 100-year history. So they were able to pay off the debt much faster than they ever anticipated. Now, I know enough about these kinds of purchases before, that if the economy had gone the other way, they would have been bankrupt. They're very fortunate in the time they bought it, and they took advantage of all that. We had left behind the beginning of Woodbridge. We had thousands of acres of lands that had gotten entitled, and they didn't have to do any of that for some years.

16-00:31:52

Lage: You mean, entitle—you mean the plan had been approved?

16-00:31:54

Watson: Entitlements. Yes, through the city of Newport Beach. Newport Center was underway. Fashion Island was open. The infrastructure was in. Woodbridge was entitled and selling well. The other developments—what we call entitlement with the various cities and the county, and so forth, had been approved. They didn't—the best I recall—get any new entitlements for the next five years, maybe seven years.

16-00:32:17

Lage: Did they attempt and fail?

16-00:32:19

Watson: I don't think they even attempted much. Soon they basically closed the advance planning department of the company with the explanation that that was the responsibility of the cities and county.

16-00:32:23

Lage: Oh, really?

16-00:32:23

Watson: Yes.

16-00:32:24

Lage: So that was a big change.

16-00:32:25

Watson: Right.

16-00:32:26

Lage: Was it because the entitlements were in place or because they weren't interested in the planning?

16-00:32:30

Watson: The feedback I got from the planning people, when they were told they were no longer going to be needed, says, "We're not planners; that's up to the cities. We're developers."

16-00:32:41

Lage: Very big difference.

16-00:32:42

Watson: Right. So, you know, I didn't expect them to have the same passion for community development that I had. None of them really had much experience in that. They were very successful homebuilders, very successful shopping center developer. They're very successful at selling automobiles and very successful—Paul Allen was—with stock, and ventures like that. I think, in retrospect, it was the right thing to do. It was the wrong time for me to be there at the company—

16-00:33:17

Lage: You would have been unhappy, I would think.

16-00:33:19

Watson: Yes.

16-00:33:22

Lage: Was Donald Bren a planner at the time? Had he planned Mission Viejo?

16-00:33:28

Watson: He had been in the early stages of doing that. Yes. He had traveled with us as part of our new community developer group. He had been exposed to that, but his major strength early on was in terms of residential development. Donald has a great taste for architecture and a great respect of the planning, and the fact is, by the time he came into the company, the reputation of the company as a community developer, as a planner, was so ingrained it was taken for granted. By 1983 he was smart enough to see that, indeed, planning was something they needed to bring back in, and it was part of the criticism he had of his partners when he bought them out. He had written a long paper that has never been published but was critical of what had been happening over the previous years, so he wanted to change the company back to that mode.

16-00:34:19

Lage: And did he express this to you? Is that why you agreed to go on the board?

16-00:34:24

Watson: Yes, he did express it to me. And I knew him well enough to believe that would be what he would do. I mean, he had grown up in the industry too, by this time, you know. My own view of him and me is that I was there at the right time for the birth of it. He's there at the right time for the maturing of it. He's an owner that can do things that I couldn't do as a manager. He could take risks as he's done, and I'm very pleased with what he has contributed to the continuation of what it is, and he's made it better than, perhaps, I could have ever made it.

16-00:35:18

Lage: And a planning mentality.

16-00:35:19

Watson: Right.

16-00:35:22

Lage: Did you ever consider yourself—this is a question I never would have thought of, but Ted suggested it—becoming part of some kind of a leveraged buyout at this point, yourself?

16-00:35:36

Watson: I know exactly what you're referring to. What happened prior to that, prior to Mobil Oil—I'm president of the company, I get a phone call from Joan Irvine Smith. She said, "I've heard a rumor that you might not stay with the company after it sells." I had made that clear I might not, I didn't want a contract. I said I wanted to find out who owns it, so I kept my options open. As I have gone through corporate life—every other executive does this differently. They get the biggest contract they can, they get the golden handcuff, all that kind of stuff—that's just not me. So I wasn't saying I wasn't going to stay. I just said it depends on who ends up owning it. So I said, "Well, Joan. I haven't made up my mind what I'm going to do," I said, "but I'll find out who the owner is." She says, "You have to stay; you're the most important person in the company."

16-00:36:27

Lage: Even though you and she had not really seen eye-to-eye.

16-00:36:28

Watson: This is the first complimentary term I'd ever heard from her.

16-00:36:34

Lage: [laughs]

16-00:36:35

Watson: She says, "I'd like to have my lawyers come in and speak to you." So I said fine, so they came in. What she had—what they laid out in front of me was that the company buy the stock of the James Irvine Foundation, using the extensive values we had in the leaseholds we had on the property. Of course, that's like buying your stock back. What does that do? That elevates her to the majority component.

16-00:37:10

Lage: Ahh.

16-00:37:11

Watson: See, because she's got 20 percent of it. If you take the 53 percent out, then she suddenly becomes more than 50 percent owner of what's left. "She wants you to be the president." I said to the lawyers, "You know, the hard part I have with thinking about me being president is that she's not agreed with hardly anything I've done." They responded, "And she's willing to give you her proxy vote for the next five years."

16-00:37:44

Lage: Give you her vote?

16-00:37:46

Watson: Right.

16-00:37:47

Lage: Wow, that was quite a vote of confidence. Or something.

16-00:37:49

Watson: Well, okay. They said, "Except on critical issues." I says, "Define critical issues," and they couldn't. But that being aside, I said, "Well, we have to make a judgement for all the shareholders, in fact, whether in fact the company has the financial strength to indebt itself to buy this stock back." So we did a study. Lansing Eberling, our CFO, brought some people in to analyze the ability to acquire the foundation's interest. Their conclusion: we were financially strong enough to do this. The other shareholders were asking me, "Are you going to stay?" The foundation said they'd consider selling.

16-00:38:37

Lage: They were willing to do this kind of sale?

16-00:38:38

Watson: Right. Because what difference did it make to them? So I called for a meeting of all the shareholders. The foundation sat in the back of the room because they were not yet a party to the idea. After we informed them of our conclusion the first question that I was asked was by Bill White, who is one of the family shareholders. We had made a presentation that it was economically feasible for the company to do this, and I said, "It's up to you as shareholders. This is your company. You have to decide whether you want to buy back the foundation's stock. First question was from Bill White, who said, "Will you stay with the company?" And I said, "Mrs. Smith has made me a very generous offer. I appreciate that, but I have spent many years here in which she has not agreed with my management. And that in fairness to her, since she will now be the majority in control, she needs to have a president that is of her choice, and I don't believe the history shows I am that person." As we walked out of the room, her lawyers came to me and said, "You just killed the transaction." I think what happened was that the banks had said that was a condition.

16-00:39:58

Lage: Oh, interesting. Or maybe to the other shareholders too.

16-00:40:02

Watson: Right, right. Well, you know, if there was not a condition by the lenders on this transaction, then they could have just gone ahead anyway with me leaving.

16-00:40:20

Lage: But is there any way—

16-00:40:20

Watson: But I didn't know that. That wasn't any part of my calculation. I had no idea. So I think that's what Ted's referring to.

16-00:40:27

Lage: Well, the impression I got from him was that he thought that you might have had a chance to become part of the deal, part of the ownership.

16-00:39:28

Watson: Well, I would have—they were offering me—the new buyers, the Taubman group, were offering me a piece of the company if I stayed. That's what Kremer got. You know, I'm

always a little wary about this dialogue here in the sense that I don't know what everybody's motivation was, and I'm not trying to put down anybody's motivation. I think that the Taubman group did what they needed to do in the period of time they ran the company. I'm glad they ended up selling it to Donald Bren, and I'm really pleased that Donald Bren has done what he's done with the company since he got it. And I think I have done very well. I've had a wonderful career. I'm not insolvent; I don't need to have \$500 million. I've got a great family, and I have a great career to have looked back on, and I still have a great career. These are incidents that go along the way that I—you could always say if I'd only done this or if I'd only done that, but I never think that way—

16-00:41:37

Lage: You haven't had any second guesses.

16-00:41:38

Watson: I have no second guesses. You do what you do at the time for the reason you do it. It's similar to the question that they love to ask me, what would you do differently on the Irvine Ranch? I said, "I don't respond to that question, because I did what I did at the time thinking it was the right thing to do." Some work out, some don't work out, but there's no great catastrophe that I can think of that I wish I hadn't done. But it's just—that's game playing. Game playing with life.

16-00:42:10

Lage: Yes. How about Elsa, did you talk to her about it?

16-00:42:13

Watson: Sure. She said, "Whatever I want to do."

16-00:42:15

Lage: She give you any advice?

16-00:42:17

Watson: No.

16-00:42:18

Lage: [laughs] That's a nice supportive wife. Okay I think this is a good stopping point. It's four o'clock, and I may have—reached our limit.

16-00:42:27

Watson: What have we got left to do?

16-00:42:30

Lage: Let me check.

Interview 10: June 16, 2003

17-00:00:00

Lage: Now we're recording, and today is June 16, 2003, and we're getting together for what looks like our final session on the Ray Watson oral history. Now, let's see Ray. We're going to talk about—last time we sort of finished up with the Irvine Company, except for maybe some final thoughts. But after you'd left the Irvine Company in '77, you started Newport Development Company.

17-00:00:36

Watson: Right.

17-00:00:36

Lage: So let's talk about that.

17-00:00:37

Watson: All right. I don't remember whether I've said anything about it or not.

17-00:00:41

Lage: Very little. Not how it was formed, and who your partners were, and all of that.

17-00:00:47

Watson: When I made the decision to leave the company, I decided to form a little company and to go into the real estate development business. It was probably as much a decision based on trying to give a plausible excuse for leaving the company, both to the people who were buying the company and to the community, and also to give me something to do. There was two partners—there was actually four partners, two of them were former executives of the Irvine Company. One was Lanny [Lansing] Eberling—that's E-B-E-R-L-I-N-G. He was the chief financial officer of the Irvine Company and made great contributions to the business planning of that company. And Thomas Wolff, who was the senior vice president in charge of land development, the old job I had before I became president.

17-00:01:46

Lage: And why did they feel that they didn't want to stay on with the Irvine Company?

17-00:01:50

Watson: They probably each had their own reasons, but they were excited about the opportunity, and [they faced] the uncertainty of working with the new owners. So, if you were going to make a change, it was the right time to do it.

17-00:02:06

Lage: Yes.

17-00:02:06

Watson: That was sort of my attitude.

17-00:02:08

Lage: And you were kind of a team, it seems.

17-00:02:09

Watson: Yes, we were a team. Then the two other members. One was a man named William Lund—Bill Lund—L-U-N-D. Bill Lund is somebody I had known for a long time, was a

real estate economist who had done many studies for people all over the world on real estate, and was a member of the board of directors—[phone rings] That's a fax. He was on the board of directors of the Irvine Company. I had got him on the board to fill my spot when I became president after Bill Mason died. And he had a partner who was a lawyer and in the development business, named Don Albrecht. So that was the four of us.

17-00:02:53

Lage: And did they—did Lund also leave the Irvine Company board?

17-00:02:56

Watson: He left the board, yes. He was not reelected to the board with the new owners. We immediately went out in search of what we could do. We looked for projects, but Lund and Albrecht also owned a piece of property in Newport Beach, which was land for condominiums overlooking the Newport Bay. So we immediately took that on as a project. That was called Park Newport Condominiums, and we merrily went on our way with what we were used to doing—getting an architect, planning it, starting to build it, and so forth. We did a number of projects that in the early years—I would say from '77 when we were sort of finding the projects, getting them ready, to maybe '78, '79, when we started putting them on the marketplace—did quite well.

17-00:03:47

Lage: And here you're working for yourself.

17-00:03:48

Watson: Here I'm working for myself.

17-00:03:50

Lage: Was that different?

17-00:03:53

Watson: The job isn't different. I mean, you don't have the Irvine Ranch, you don't have the comfort of all that infrastructure, but that didn't bother me any. And it was very successful. It was actually during the heyday of the marketplace. It went right through 1979. The first building—it was a series of buildings with—[phone rings] [tape interruption]

17-00:04:14

Lage: Okay, now let's go on.

17-00:04:22

Watson: We also did a single family housing subdivision, a small one. We built a medical building up at, near one of the hospitals in Orange County. We developed an industrial park for Henry Segreson on a piece of property he had, which became quite successful. The condominium project, though, was a blockbuster at first, when it first came out. Now these are three-story buildings with I forget how many units there was in each building, but I would say there's maybe thirty or forty units in each one of the buildings, and subterranean parking. And people were standing in line to buy them and we held a lottery to buy them. But suddenly what happened was, starting in about 1981, the money crunch came, and the interest rates started ballooning up, and suddenly interest rates were at 18 percent. Nobody would buy anything. We were building our second or third building at that time and things just suddenly came to a halt. You still build, you still hope you can

sell, and you hope the interest rates will come back down. Right in the middle of that I got asked by the Walt Disney Company to become the chairman. So in 1983—like, April or March of 1983—I told my partners that I was no longer going to be a partner in the enterprise and left. They carried on the project for several years, and other projects like that, but ultimately dissolved the company.

17-00:05:58

Lage: Had you invested money in the company? Is that what you did?

17-00:06:00

Watson: Well, you invest your time. You know, you invest—yes, we invested some money, but basically we were, like most developers are, you go out and you seek people to put the equity up.

17-00:06:11

Lage: I see.

17-00:06:12

Watson: So I didn't lose any money; made some money. The times would have come back and it would have worked.

17-00:06:21

Lage: Yes. Was it as satisfying as what you'd done in Irvine?

17-00:06:25

Watson: No, it wasn't nearly as satisfying. It was satisfying in a sense I enjoy the development part and craft, and I'm an architect so I enjoy working with architects, and I enjoy working with the marketing people. In that respect, yes. But you don't have—you're not building a community, which is the thing I'd—you know, become romanced, with with building a community. Here we're just building a project. You get caught up in that project and, yes, it's enjoyable work. But I've actually, in past number of years, occasionally reflected back on that period, and my feeling now is that probably what I should have done when I left the company was taken a year off. I should have taken a year off all by myself, because I feel a little bit guilty about having left my partners behind. And who knows what else I might have done. There were a lot of people contacting me about things, and I was just holding everybody off and saying, "No, I'm going to form my own company." Well, what I should have done is taken a year, talked to people, reflected, sort of got over the seventeen years that I had spent with the Irvine Company. By getting over it, I mean to sort of put that behind me in a way and say, "Build from that. What is it you want to do for the rest of your life?" I didn't do that, but what happened is suddenly Disney came along and sort of gave me that opportunity all over again to be involved in a company that made me proud to be part of.

17-00:07:49

Lage: So do you think that's all that's worth talking about [laughs] with the Newport Development Company?

17-00:07:55

Watson: What? I really think there's nothing more to—

17-00:07:56

Lage: I mean, do you want to say anything else?

- 17-00:07:57
Watson: No, there's nothing more to say about the Newport Development Company. I think it was an interesting experiment and interlude of one's life.
- 17-00:08:07
Lage: Do you think you would have—if Disney hadn't come along, would you have—
- 17-00:08:11
Watson: We were already beginning to back away. I was beginning to ask some of the partners whether they really wanted to continue on, and so forth. Who knows? I don't know.
- 17-00:08:21
Lage: It's hard to say "what if?".
- 17-00:08:22
Watson: Yes, you go through a difficult period, and you sort of—I'm quite conservative fiscally, so I don't know. Who knows what I would have done, but I most likely wouldn't have stayed doing that.
- 17-00:08:36
Lage: Maybe you would have taken that year as fact finding.
- 17-00:08:38
Watson: That's right.
- 17-00:08:42
Lage: Let's go to Disney then. Do you want to give a little background first about your relationship with Disney? I know you had some dealings with Walt Disney way back.
- 17-00:08:53
Watson: Okay. Now, how far back to you want me to go, back to Epcot?
- 17-00:08:56
Lage: I would like to, but if you—
- 17-00:08:57
Watson: Yes, no—that's no problem. I just—I can't remember what I've said. I've said it to so many people.
- 17-00:09:00
Lage: No, you haven't really told about it.
- 17-00:09:01
Watson: Right. Well, the relationship with Disney began in 1965, early in 1965, when I was contacted by a man called Buzz Price, P-R-I-C-E, who at that time was actually Bill Lund's partner—Bill Lund's partner when they were both with Stanford Research. They formed a company called Real Estate Research and it became one of the largest research—economic real estate research companies in the world. In the 1950s while with Stanford Research, Buzz helped Walt Disney analyze the economics of building Disneyland and then later on did the same for Disney World in Florida. In the early 1960s they did work for the Irvine Company, and Buzz Price knew me and approached me one day and asked me if I would be willing to meet with Walt Disney, who was designing

something called Epcot, which stands for Experimental Prototypical Community of Tomorrow.

17-00:10:09

Lage: I never knew what it stood for.

17-00:10:11

Watson: I was flattered and said, “Sure, I’ll be happy to meet with him.” The reason they wanted me to meet, he told me, was that my background—at that time, I was planner for the company, so I had the broad scale of trying to plan 93,000 acres. He figured maybe I could be helpful to him thinking about what this experimental prototypical community should look like, and would be. I went up to Burbank, met with Walt Disney in a large room with maps all over the wall, which is the typical way—as architects or planners talk, we got to have maps to talk from. And he had a scheme for building a prototypical community as he called it.

17-00:10:54

Lage: Was he alone or did he have his planners with him?

17-00:10:55

Watson: No, there was a room full of executives in there who never said a word during the whole presentation. He was clearly in charge, and he presented the plan to me as he conceived it. I have to describe what Epcot was, because it’s nothing like what was built in Florida. It was a large, multi-level commercial and entertainment center at the core, which was to attract tourists and other people who want to come and see this prototypical community and buy things and do whatever. And they have a vehicle at Disneyland, or used to have, called Wedway, which is little carts that went along on a track. And like spiders coming out from the center core that I just described to various parts of the land around it, then around each one of those terminus where those tracks went to would be a community, a residential community. And as I would ask Walt Disney, you know, “What’s going to happen in here? Are these going to be for visitors to see?” He said yes. So what he was trying to do is build this example of a community that would be a tourist attraction—

17-00:12:01

Lage: But people would be living in these—

17-00:12:01

Watson: —and guests would come see an experimental living community. And I asked the kind of questions that my background would cause me to ask: “Where are the schools going to be? Will the people own the houses?” He answered, “There will be no schools. There will be no children. And they will not own the houses,” because he needed to continue to control the physical community. If you think about Disneyland, nobody owns the houses in there either or the stores in there. It’s a tourist attraction, so as an entertainment place or a tourist place, you have to keep control of it. So it made sense from his point of view. He’s not trying to create the ideal community to own. He’s trying to show a physical example of one. I told him among things that he’d probably have to pay people to live there or subsidize them, and he said, “Why?” I said, “Well, imagine yourself out there. In the morning, you’ve slept in a little bit, you’re going to go out and try to get the newspaper out in front, and you got to put on a coat and tie. You know, it’s not a normal way to live. And then if you have some children, you’ll have to move out.” And he had reasons for no schools. It wasn’t that he was against schools.

17-00:13:04

Lage: What were his reasons?

17-00:13:04

Watson: The reason was is that all of Walt Disney World is also part of what we call an improvement district, Reedy Creek Improvement District, it's called. An improvement district is a public entity that can finance infrastructure, so that was very important to the whole development of Walt Disney World, the 28,000 acres of Walt Disney World. The board of directors that is selected for it—which became, by state law as part of the negotiation Walt Disney had with the state to come there—was also the planning commission which could be approved. And those planning commissioners were elected by the board of directors of the improvement district, who were elected by the property owners, and the property owner was the Walt Disney Company. So the concern he had was if he started selling houses, those people would suddenly become voters, and at some point they could outvote the Walt Disney Company and it could cause, you know, real problems with regards to further development of the Walt Disney World. So he had his business reasons for not wanting to do that. My commentary was how interesting the design was, and it was interesting.

17-00:14:12

Lage: Was it an interesting design from a planning point of view?

17-00:14:13

Watson: Yes, it was very interesting. You know, you got this multi-level entertainment and business and shopping center, and you had these sort of exotic busways going out, and so forth, to where people would live. But it was not a natural climate to say you're going to spend the rest of your life in that community, and I said so to him. And there was a number of other issues we discussed but all in all it was an entertaining day. I mean, you know, it's like a busman's holiday to me. I've done it through my entire career: asked by people in various countries, and here, to review what their plans are and so forth, and you sort of enjoy critiquing it based on your own experiences, and that's what I was doing.

17-00:14:53

Lage: But how did he respond to your—

17-00:14:55

Watson: He responded very positively. He didn't say, "I think you're wrong," or anything. As a matter of fact, he actually had asked me to come back a second time and I did that again. I can remember, as an aside, we were over in a place called WEDway—Walter Elias Disney; it's the initials of his name and they called it WEDway—where the designers of the parks worked. The sculptors, the artists, the architects, the people that conceive all the rides and what Disneyland is. He was doing Pirates of the Caribbean at the time, and the first visit I had with him it was a small-scale model set on some sawhorses, and he took me through that and he described what the ride was going to be like. The next time I went the pirates ride had progressed to the point where he's making full-size figures, where if you go through the Pirates of the Caribbean and you see the pirates, you know they are animated so they move and so forth and shoot guns and so forth. And he had—they were now full-scale, because he was getting ready to install them at Disneyland. And he then showed me how they do that. The animation was mechanically so that they will move, and how they try to adjust their movements so that it's more realistic. And he reminded

me of somebody conducting an orchestra, telling them what to do with these characters and so forth.

17-00:16:14

About six month after that, he died, and I would get periodically contacted by the executives that were now running the company after he died, which was his brother Roy Disney, Sr., and then Card [E. Cardon] Walker, who was the president of the company. They would ask me to critique things, buildings or projects they were doing in Florida.

17-00:16:41

Lage: That were more traditional real estate developments or a theme park?

17-00:16:43

Watson: No, it was—no, no, no. Everything's a theme park, but they were building hotels, for instance. Those kinds of things.

17-00:16:47

Lage: Uh-huh. I see.

17-00:16:48

Watson: They wouldn't ask me to consult about—to advise them on the entertainment part of it, but there's tons of hotels that were built there. And other facilities—golf courses and other things that I know something about. The point of it really is, I just got acquainted with them, and I did this all as a favor. I didn't charge for it. We got along well and they liked me, and then in 1973 when I became president of the Irvine Company and had reached, I guess in their mind, a stature by which they thought I would be an ideal board member to go on the board. And they invited me to go on the board, and I went in the board of directors in March of 1974.

17-00:17:40

Lage: Seventy-four?

17-00:17:40

Watson: —'74. 1974.

17-00:17:41

Lage: Let me just ask you. Maybe this is a naïve question, but what you describe for Epcot really sounds almost ludicrous to me from this vantage point. Was it, in that era?

17-00:17:55

Watson: Well, it's not ludicrous, it's—

17-00:17:57

Lage: What did it signify?

17-00:17:59

Watson: It—

17-00:18:00

Lage: It seems like a movie. [laughs]

- 17-00:18:02
Watson: Well, it's a movie. It's like Williamsburg, you know? There are examples of model old communities around the world, where you can go to, that are tourist areas, right?
- 17-00:18:14
Lage: That's true.
- 17-00:18:15
Watson: And it shows people who are—there's one in Switzerland I've been to where they pay people to come in and forge and build horseshoes, and show how they lived in the past. This would be a modern version. At one time they had at a model house, for years, at Disneyland, which was an attraction—people would go through and see all the modern equipment in it, and so forth and so on.
- 17-00:18:37
Lage: Right, kind of futuristic.
- 17-00:18:38
Watson: So this was an enlarged version of that. I think it was—
- 17-00:18:39
Lage: Except he was going to have people living there.
- 17-00:18:41
Watson: Yes. I think it was an impractical idea. They never did it, so it obviously—it didn't turn out to be practical, but that was—you know, creative people go through a lot of impractical ideas before they finally find something that they think will work and get it done. They do the same thing with films, so—
- 17-00:19:00
Lage: But he did like to kind of keep control. I've always heard that about him.
- 17-00:19:02
Watson: He was certainly, absolutely, a control man. I mean, you know, the language maybe is "control freak," you know.
- 17-00:19:07
Lage: [laughs]
- 17-00:19:08
Watson: But I'm a controlling guy, to some degree, of what you do, you have to control it. He did it more so than I, because if you're going to do entertainment, if you're going to do Disneyland, you can't have a planning commission decide what you're going to do on Main Street.
- 17-00:19:20
Lage: Right.
- 17-00:19:20
Watson: You know, so—
- 17-00:19:22
Lage: And I guess this was the same for him. It was another extension—

17-00:19:23

Watson: And this is the same thing. It was just another extension of Disneyland. And, you know, having that much land, I think he got enticed into the idea that maybe they could do a model community. They did a lot of the rhetoric. I heard speeches they would make, and it's in their literature they have talking about the need to have better cities, and so forth.

17-00:19:45

Lage: Did they draw, in the planning of—

17-00:19:49

Watson: Well, they drew the sketches of it. They never did the hard working drawings. It never got to that point.

17-00:19:55

Lage: But I mean, did they draw on the theories—

17-00:19:58

Watson: Well, they—no they—

17-00:19:59

Lage: —that were extant, as you did in Irvine?

17-00:20:05

Watson: I'll tell you the closest—I don't even know if they knew about it; I found out about it—I knew about it was that in Sweden, in Stockholm, there actually is that model that is really lived in. I mean the difference between Sweden and England, in terms of the New Towns, is that Sweden took Stockholm as the center, just like Walt Disney did in his center. And it had WEDway [people movers] systems—though it was more sophisticated WEDway systems because they're faster, had to go a longer distance out to residential communities, and the residential communities that are built around the terminus to these various spikes of transportation systems. And their idea was to preserve downtown Stockholm as the core commercial center for the region and to tie it together with a modern transportation system.

17-00:20:51

Lage: I see.

17-00:20:51

Watson: To some degree, his was a smaller version of that.

17-00:20:53

Lage: And creating the whole thing.

17-00:20:55

Watson: Right.

17-00:20:56

Lage: Yes, interesting. Thank you. Did you yourself, were you a Disneyland fan or did your family spend much time there?

17-00:21:04

Watson: We were sort of the typical resident raising a family with kids and loved to take our kids because they loved to go to Disneyland, yes. I mean, I wasn't a collector but I was

fascinated by it. You get into WEDway and you meet all kinds of wonderful artists, and people who are excited about what they're doing. That's also the challenge to be a manager of that facility when I became chairman is that you got people with all kinds of creative ideas; they can spend millions and millions of dollars developing ideas that'll never be built, you know. So it's how do you give them the freedom to encourage their art, to try different ideas, and how do you control it in such a way that you don't spend all of your money and never get anything productive that will work. Because in the end, in the entertainment business, as it is in the development community business, somebody's got to buy it. The public's got to buy it—pay enough money to justify all those costs. But they're wonderful people to be around, and I think they liked me because I was from their field. I was an architect. I wasn't a classical businessman in their mind.

17-00:22:17

Lage: You could be a little bit closer to that creative side.

17-00:22:19

Watson: Right.

17-00:22:20

Lage: What happened from—what did you do on the board in those early years before the excitement of '83? What was it like when—

17-00:22:28

Watson: Well, you just—you have—it's not an untypical board meeting. What happened with the Walt Disney Company, or the history of the Walt Disney Company, was that for a long time they had only what they called insiders on the board. That's executives who also serve on the board of directors, and Walt Disney himself did not serve on the board. That's how little regard he had for it.

17-00:22:47

Lage: Oh I see. It didn't have much power.

17-00:22:48

Watson: When he went public, as they would say, or sold stock of his company, it was a matter of raising money to build Disneyland or things like that, you see.

17-00:22:59

Lage: When he built he sold stock on the stock market, in the early days even?

17-00:23:02

Watson: On the stock market, yes. That's what they call going public. Right. To him, it was still his company—

17-00:23:09

Lage: Yes.

17-00:23:09

Watson: —so, but the banks had said you need some outside directors, and they had none that today would qualify as an independent director. In 1974, when I came on, Shirley Temple [Black] came on the same time I did.

17-00:23:19

Lage: Oh!

17-00:23:20

Watson: There was only two of us on the board that were outside directors. The truth of the matter is, inside directors don't talk much at a board meeting, because their boss is the chairman. They'll talk a lot in support of some plan, but they won't ask any critical question because they don't want to do it in front of a stranger, somebody outside the company, which I was.

17-00:23:40

Lage: Yes, and who was the third outside director?

17-00:23:43

Watson: You know I don't remember. I think it was a retired banker, but I don't recall. [There wasn't one. -- R.W.]

17-00:23:48

Lage: Did you ask questions in those early years?

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Watson: Yes, sure.

17-00:23:52

Lage: I can't imagine that you wouldn't have. [laughs]

17-00:23:53

Watson: It's my nature to ask questions, to challenge anything I can. You know I try to do it in a way which is my style, so it's not going to be offensive to somebody but not so timid that I don't get the question out there. And they seemed to—

17-00:24:09

Lage: And how about Shirley Temple?

17-00:24:10

Watson: Shirley Temple was very good at that. She's a very smart lady. I had never met her before. She was only on the board for a year, and then she was appointed ambassador to some country in Africa, and it was a conflict. She had to resign.

17-00:24:27

Lage: And did anybody else of note come on as director in those years?

17-00:24:34

Watson: Well, anybody that gets on that board would think of themselves "of note."

17-00:24:38

Lage: Yes. [laughs]

17-00:24:40

Watson: But I don't think—I mean, you know there are people who have been experienced in the business world that you bring on a board like that. Caroline Ahmanson of the Ahmanson family, and so forth. I mean Sidney Poitier in later years was on that board and was one of the great all-time actors of our time.

17-00:25:04

Lage: Okay, I can see there's a lot of changes in this period that the book is about. [laughs]

17-00:25:16

Watson: Well, chairmanship of Disney is the next subject I have here.

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Lage: Yes, now how did—

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Watson: How'd that come about?

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Lage: How did that come about? You were—

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Watson: I may have done this already, but we'll do it again and you can excise it out.

17-00:25:32

Lage: Right, if we have to.

17-00:25:35

Watson: The opening of Epcot, which was in, like, November of 1982. Now this is the entertainment Epcot which is nothing like what Walt had designed, but it's a wonderful place and a nice, wonderful attraction. And we had this grand opening. It was black tie, and my wife was along, and I think my daughter came with us. At some time during the days that we were there, for three or four, five days we were there, Card Walker, who was then the president of the company, asked me if I would meet with him and Donn Tatum, who had been the president, and Ron Miller, who was the executive vice president. Now I guess Ron Miller was either that or the executive—maybe he was the president at that time and Card Walker was the chairman. Anyway, they asked me if I would come to a breakfast meeting with them the day after the grand opening of Epcot. I didn't know what the subject was, I didn't know why, and I got there and they started talking about the fact that Card Walker wanted to retire. He'd been there forty years. He was trying to retire, and it was time to find a replacement. They had designated their recommendation—which was tantamount to doing it—making Ron Miller the president and CEO, taking over the CEO, chief executive officer, role. Ron Miller was a six-foot-four, handsome executive, who had been there since college, who had married Walt Disney's daughter, and had been brought into the company, headed up the film division for a while, and in their mind, seemed like a logical choice. And he had been on the board of directors so I was acquainted with him that way, but he rarely ever spoke up at the board meetings so I didn't really know much more about him. Remember, he was an insider that doesn't use the occasion of the board meeting to challenge what Card Walker is suggesting you do.

17-00:27:37

Lage: I see.

17-00:27:39

Watson: So that seemed logical to me. I mean, he'd been there forever, he was the president. But they said that they wanted to find somebody to also be the partner with him business-wise. Now the model they had in their mind as they expressed it to me was Roy Disney and Walt Disney, the two brothers. One was the business side, the Roy side, and the other

was the creative side, which was Walt. And then there was Donn Tatum, who was a lawyer, and Card Walker—Card Walker was the operating guy, Donn Tatum was for the governance part. He was a lawyer with a background in business. So I think they saw that—what they said to me is that Ron needed—and Ron is sitting in this meeting—that he needed some partnership with some person who could do the business side of the company, make sure the company is on the same business trail while Ron Miller did the other side, the creative side of running the company. And they asked if I had any suggestions on who that might be. I had no idea. That was the first time I'd even heard that Card Walker was going to retire. It was a brand new idea to me, and I said I'd give it some thought, and we must have talked for an hour, what I call going all around the subject. As I would ask questions, "What do you expect that person to do? What kind of role would they have?" so forth and so on. I said, "Let me give some thought to it."

17-00:29:05

So when I got back to California I said, "Let me think about it, then I'll come and meet with you." So then I arranged—shortly after I got back, a meeting with Card Walker and Ron Miller separately. I met with Ron Miller first, and I said, "Ron, if you're going to be the president, is this something you want to do? Is this something you want? Because the last thing you want is to have somebody come impose upon you that you don't want." And he says, "No, I definitely need somebody." He says, "By the way, let me tell you what they're really talking about. They're talking about you."

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Lage: And you hadn't thought of it?

17-00:29:35

Watson: And I hadn't even—I mean, it never even occurred to me that I would be somebody to do it, because that was not my background. I understood business, I knew how to run a creative organization, which—in the form of land development is creative, but not in the form of entertainment. So I was sort of taken aback suddenly. Suddenly I was having a meeting with a different agenda. My agenda—

17-00:29:56

Lage: And it's strange that they pussyfooted so much.

17-00:29:58

Watson: Right. Well, whatever reason they had. And I said, "Well, what's your view on that?" He says, "They trust you, and I trust you, and I'd like to have you do it." Suddenly I have the man who's going to become the president saying "I need help and would you be willing to come and help me?" So I went and talked to Card Walker and Donn Tatum and sort of got this situation out in the open, and I said, "Well, you know, I'm not sure this will work." I said, "It's not my background." I said—and they just kept pressing me. They kept saying, "I think it will work. I wish you would do it." And at the same time the Newport Development Company was beginning to wane. There was no reason to build anything during that period of high interest rates, and I said, "Well, okay. Let's see how it works." At first I said, "I'll just do it part time," and so I started doing it part time—

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Lage: But this is a paid job—

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Watson: It's a paid job.

17-00:30:57

Lage: —sometimes I think a chairman of the board as being, you know, just—

17-00:31:01

Watson: Well, no, the chairman of the board—there's two forms of chairman of the board. There is the active management chairman, which is what Card Walker was—that is what Donald Bren is with the Irvine Company. And there is what Michael Eisner is right now. He's the chairman and the CEO. There are chairmen who are not CEO and who are not active in the company, and that—there's a lot of literature that now suggests that. This would be the Irvine Company prior to it being sold. The chairman of the Irvine Company was not an executive of the company.

17-00:31:42

Lage: Okay.

17-00:31:43

Watson: He represented the majority shareholder, which was the foundation. He chaired the meeting and governed the meeting, but he didn't—wasn't the manager of the company.

17-00:31:52

Lage: But this chairman was a paid executive.

17-00:31:54

Watson: This chairman is a paid executive, right.

17-00:31:55

Lage: Right, and you thought you would be able to do this halftime.

17-00:31:57

Watson: I didn't know whether I'd be able to do it. I didn't know what "it" was, so I said—and I didn't want to commit myself totally to it. I said, "Let me get my toes wet and see." Well I got my toes wet by coming to work there and finding out that I—they wanted me to go to every meeting. Ron Miller wanted me at every meeting he had with the creative people, with the film people, all of them. I then spent time with the financial people because that wasn't Ron's strength. Began to learn that part, and I found that I was spending every day and longer, and Ron Miller came to me after about two months and said, "Ray, I really feel guilty. I wish you would convert to full time." So I said, "Sure." I mean, by that time I was sort of—I felt comfortable about what I was doing.

17-00:32:40

Lage: Yes, you felt like you could—

17-00:32:43

Watson: Right, could contribute and that I was being accepted. I mean that's another important thing. If you bring somebody in from the outside, you got to earn your way in to the confidence of the people you're going to work with. I mean, you may have the authority over them, but you better earn your way in.

- 17-00:32:55
Lage: Because this has been a company that was very much a kind of insiders—
- 17-00:32:59
Watson: Insiders company, absolutely.
- 17-00:33:00
Lage: —long-time employees and family.
- 17-00:33:02
Watson: Right, absolutely. Right.
- 17-00:33:03
Lage: So were you one of the first executives then to—
- 17-00:33:05
Watson: Come in from the outside?
- 17-00:33:06
Lage: Yes.
- 17-00:33:07
Watson: Yes, absolutely—not only one of, the first executive.
- 17-00:33:11
Lage: The first—
- 17-00:33:11
Watson: Now that I think about it. I never thought about it that way.
- 17-00:33:14
Lage: So what did you see as the problems?
- 17-00:33:18
Watson: At first there was not—there was just the normal problems of running a company like that as you understood it. For instance, we were starting to do—Ron Miller, let me say, is starting to do, is trying to get the company begin to do more than just family films. For instance, I started asking questions, “What is a family film? Is it a family—?” And I remember specifically sitting through where they have an indoctrination session where they’re talking about doing family entertainment. I said, “Family entertainment can mean two things to me.” That’s just my way of asking and sorting out terms that get loosely used. I asked the question, I said “Does ‘family’ mean you go to a movie, and it’s the kind of movie that the grandparent, the parent, and the child, and the little child all would enjoy together, sitting, holding hands? Or is a family film—is a family entertainment company one that you do some films for older adults, some films for teenagers, some films—you segment it?” Well, they had not ever had that question asked of them before. They would struggle with that answer, but what Ron Miller wanted to do is do the latter. It’s right in the formative stage of doing that that I came in there. And the first question from what we call a brand point of view, the Disney name—we had focus studies done. One of the focus studies of young teenagers was they would not get caught going to see a Disney movie, because it was kids’ movies. But when questioned, they looked forward to when they were adults, had children, and took them to a Disney movie. So it was a very

positive brand, but it limited the kinds of films you could do. And the film industry was changing, changing from the great musicals and really basically family films where you couldn't say "damn" in the movie.

17-00:35:13

Lage: Yes.

17-00:35:13

Watson: You know, if you recall those years. To which you're beginning to get R-rated. We'd never—the company had never done an R-rated film. So they came to a conclusion that the only way they could do it—they needed to do that to survive in the business, because actually what was happening was that Disney, including Walt—had stopped making movies virtually. They were only doing one and half to two films a year. The other thing I learned very quickly by just asking questions is that, when you have a whole organization devoted to making films and you have all the people that do the carpentry work, the lighting work, all that kind of stuff, you better do ten to twelve films a year to justify all that overhead. The company was losing money on its films, and so it needed to get diversified into other films that now the teenagers would go to. The big market for films is teenagers and the twenty year olds.

17-00:36:02

Lage: Now had they realized this when you came on, or was it your—

17-00:36:04

Watson: Yes, they realized it. They absolutely—

17-00:36:06

Lage: —they were ready to—

17-00:36:07

Watson: They're telling me this.

17-00:36:07

Lage: I see.

17-00:36:08

Watson: They're also going through the cultural change of, "But how do we do it? Do we stop making these other films?" and finally came to conclusion while I was there—and it wasn't my idea; it was their idea, but I reacted to it very positively—is that you create a second label for the non-Disney traditional films. And this is your self-censoring way of telling the public when it says Disney, it's going to be the film that grandma, mom, son all can go to at one time. If it's R-rated, it will not have the Disney label on it. It would be another label. And we went about it, including the name called Touchstone, which is still used today for that. We did "Splash" with Tom Hanks. The first movie of it was the one with the mermaid.

17-00:36:58

Lage: Yes, I've—

17-00:37:00

Watson: Not the animated one, but not the—I forget what the actress's name was. But anyway, that was sort of the start of it, but however we got into this discussion here—[laughs]

17-00:37:11

Lage: [laughs] Well, some of the changes that were going on as you came on board—

17-00:37:13

Watson: Yes, there was a lot of changes going on. Yes. You asked me how did I feel. I felt more and more comfortable with it. You do—you know, without going into the details of the needs there were of the company, you begin to get some of its costs in line, which every executive has to deal with. I felt very comfortable dealing with that. I had good reception from people with ideas I might suggest. Some, as you would expect, resistance to it. But that's just management, and my background at the Irvine Company was very helpful in that, because I dealt with the creative field too. They're architects and landscape architects that I was dealing with, and because that was my background too, I knew that their psyche is very tender, too.

17-00:37:57

Lage: [laughs]

17-00:37:57

Watson: You got to treat them in a way of respect, particularly when you're going to say no to something they were going to propose, you know. So I didn't find that uncomfortable, not hard to learn.

17-00:38:08

Lage: I'm going to refer now to the book *Storming the Magic Kingdom*,¹ because there's a lot in there. But one thing it mentioned was that they didn't have a business plan.

17-00:38:21

Watson: That's right. They didn't.

17-00:38:23

Lage: Was that a surprise to you?

17-00:38:25

Watson: I was used to the Irvine Company, having a business plan—Lanny Eberling was the one, our chief financial officer, who started us on the process. We had developed a very sophisticated business planning process in which everybody was involved. They had to put forward what they were going to be doing over the next five years. You had to estimate what it was going to cost to get there, how it contributed to the business mix we wanted, how it contributed to the communities we were building, and so forth. And I asked, "Do you have a business plan here?" They said no. I said, "Let's start to develop a business plan," and they all reacted very positive to that. I mean, it was like the executive prior to that had never brought it up, but they also thought it was necessary to be done. So we brought in Yankelovich, who does the focus studies and others on corporations, to help us understand the marketplace, what people think of Walt Disney Company. We set goals at our first meeting for what we want to achieve in terms of earnings, and how we—then we had to do a business plan how we'd get there, how many films we needed to

1. John Taylor, *Storming the Magic Kingdom: Wall Street, the Raiders, and the Battle for Disney* (New York: Knopf, 1987).

make, what we needed to do in terms of any business we needed to do in order to achieve those goals.

17-00:39:36

Lage: And did things turn out the way you envisioned in the business plan?

17-00:39:40

Watson: First of all, you got to realize we did the first business plan in late 1983, and by March of 1984 the world changed.

17-00:39:52

Lage: Yes. [laughs]

17-00:39:54

Watson: So business plans and everything took a backseat burner to everything you did from that point on. I would say, though, that the new management basically followed our business plan and enhanced it. Today they've become more sophisticated, and they have an incredibly sophisticated business planning process now, and it governs all of their budgeting. It gives the discipline to the different divisions of the company, because you have people who do the business plan who are very sharp but challenging people, questioning people, telling the people you got to get your costs in line in order to achieve your business plan. So I'd say that the growth of the company is in large measure because of the discipline of the business plan.

17-00:40:39

Lage: So March '84. We have the book—John Taylor's book—that really kind of goes day by day over what happened, and it's fascinating.

17-00:40:48

Watson: Right.

17-00:40:50

Lage: I just want to start by asking you what part—what did you contribute to his writing that book? He tells conversations that occurred, and who said what to whom—

17-00:41:01

Watson: Right. Well—what's his name again?

17-00:41:04

Lage: John Taylor.

17-00:41:05

Watson: Yes, John Taylor wrote for *New York* magazine I believe.

17-00:41:09

Lage: Uh-huh.

17-00:41:11

Watson: I spent a lot of time with him. He told me he was going to write the book, and I had to make a decision: do I stonewall him and not participate in this, or participate in it? I got acquainted enough with him to trust him. Once I trusted him, I spent a lot of time with him.

17-00:41:29

Lage: Did he tape record you?

17-00:41:30

Watson: No, he didn't tape record.

17-00:41:31

Lage: Oh, he didn't tape record?

17-00:41:32

Watson: If he did, I don't remember. He may have tape-recorded. I don't remember.

17-00:41:36

Lage: Yes. I just wondered, because—

17-00:41:37

Watson: No, he could have—

17-00:41:37

Lage: —you know he recreates conversations—

17-00:41:38

Watson: Perfectly frankly, I don't remember whether he taped or didn't tape. But I think the best way for me to answer that question is that I believe that's a very balanced story. You got Stan Gold, who was sort of the opponent at times of that thing. I think John Taylor did a fair representation of what he believed was going on and a fair representation of what I believed was going on. A lot of things that I was doing, Stan Gold didn't know. He probably read about it in the book, whether he agrees or doesn't agree. But I think it's a very fair presentation, and it's a very good chronicle of what happens in these circumstances of an organization that goes through this.

17-00:42:15

Lage: Was it a surprise to you to hear about what Stan Gold was doing, and the others?

17-00:42:19

Watson: No, not really because I knew pretty well what he was doing. Stan Gold was spending a lot of time with me trying to convince me to do certain things, and some things I agreed with, some things I didn't—I had to come to my own conclusion. I disagreed with the way that Roy resigned from the board and disappeared from the company.

17-00:42:41

Lage: Well, tell a little about Roy Disney.

17-00:42:43

Watson: Roy Disney is a wonderful person and a very intelligent man and part of the heritage of that company.

17-00:42:48

Lage: He was the nephew of Walt.

17-00:42:50

Watson: He was the nephew of Walt, the son of Walt's brother, and he looks like Walt, particularly when he had a mustache. He doesn't have it anymore now. But Roy had been

treated badly by the management of the company, and Roy would talk to me about that. I felt bad about that, and I didn't learn about any of this as an outside director. I learned about it when I got inside the company that there had been a feud between Roy and Walt—

17-00:43:18

Lage: The brothers?

17-00:43:19

Watson: —the two brothers, and that Walt had entered into a contract that protected the use of his name, which he owned, and so the company had to pay a license fee for that. Actually, Walt—they called it Retlaw; Walt spelled backwards—owned the transportation system at Disneyland, and now they were getting ready to open up more parks at Disney World, and there would be more payments being made. But that was owned by Walt and not Roy, and there was, it turned out—I found out—resentment in the Roy side of the family that they weren't getting part of that participation.

17-00:44:04

Lage: I see.

17-00:44:05

Watson: And other things like that, but then—according to Roy, I didn't experience that myself. Roy believed that Ron Miller was not adequate to the job.

17-00:44:21

Lage: He told you that right away?

17-00:44:23

Watson: He told me that right away, and he also believed he wasn't treated well by Card Walker. Whether that's a valid claim or not is not for me to decide. I wasn't around at that time, but when Roy resigned—that is, he did not show up at the annual meeting and sent in a letter of resignation, and you couldn't get in touch with him—

17-00:44:46

Lage: Resigned from the board—

17-00:44:48

Watson: Resigned from the board without saying why. That immediately causes a stir in the public market. You have to announce to all shareholders that the namesake of the Disney family has resigned without notification as to why from the company. There's something going on. Now, this is 1984. We're right in the middle of the world of business of what I call the Michael Milken world of takeovers, in which people, predators, are out there looking for unstable management or corporate situations that they can get their hands on.

17-00:45:25

Lage: And were you aware of that?

17-00:45:27

Watson: I wasn't aware of that until I immediately—

17-00:45:27

Lage: Was this in your radar?

17-00:45:29

Watson: No, not at all, because you always thought of the Walt Disney Company as somebody that nobody could take control of, this special place and so forth. But immediately when that happened, you know I called in different advisors from Wall Street, and we all started asking, “What are the consequences of this?” and they started saying, “It is very dangerous.” That it makes the company look unstable; it’s possible that somebody might try to take over the company. We didn’t have any evidence of it at that time, but before long there was plenty of evidence that that was—

17-00:46:01

Lage: That was happening.

17-00:46:01

Watson: —that happened, and that’s what that book is about, in which there was clear distinct efforts by different parties, from Reliance Insurance Company to Irwin Jacobs to the Besses, to the whatever.

17-00:46:15

Lage: Ivan Boesky—there are many names that came up—

17-00:46:16

Watson: Ivan Boesky, all the names. Right.

17-00:46:17

Lage: Michael Milken.

17-00:46:19

Watson: Right. They’re calling me on the phone, and basically what happened from that point on is that suddenly running the company wasn’t the issue, it’s the survival of the company. And suddenly I’m spending all my time on that, and Roy—I mean Ron Miller was, you know, he was at a loss with what to do. Who had—nobody had, in that company, any corporate take-over experience. Card Walker didn’t. Card Walker was on the board but no longer active in the management. Even when there was the attempted takeover by Reliance Insurance Company, and what is the name of the—well, we have the name of the man who owned it—

17-00:47:03

Lage: Is he—oh, [Saul] Steinberg?

17-00:47:06

Watson: Steinberg.

17-00:47:06

Lage: Yes.

17-00:47:07

Watson: Steinberg started accumulating stock, and we get wind of that. So that frightens the company. “What are they doing? Are they just going to collect a little bit more or are they going to—?” And he was a known takeover person. But, also, in between we were contacted by, later on, by Roy Disney and Stan Gold and Frank Wells—Frank Wells, who I had not met until then in a meeting, in which they talked to Ron Miller and I about

a possible leveraged buyout by the management of the company. The management would attempt to buy the shareholders out and turn the company into a private company.

17-00:47:40

Lage: Oh, I see. So that was another possibility.

17-00:47:43

Watson: That was another—so there was all kinds of possibilities that we were weighing. But for the next six months you're just spending more and more of your time and every moment of your waking thought on what's happening, and events are going on that are out of your control.

17-00:48:03

Lage: And was part of the problem that the stock price was low?

17-00:48:07

Watson: The stock price was low. Actually, part of the problem probably—well, the price was a reflection. Epcot has just opened, right, a year earlier. It turned out a year after—let's see, that'd be a year and several months after Epcot opened, and it was not doing as well as it had expected to do or the public had been told it's going to do, and the stock had come down in value. Not like it is in the nineties in which stock of every company has come down tremendously, because we didn't have the big bubble prior to that. But, yes, the stock was weak. It was being perceived by the marketplace as a company that needed to strengthen its management. And that's what I found out when I started talking to analysts in New York, and so forth, and finally reached the conclusion we needed to make a management change. Fair or unfair, but we needed to immediately, or else this company is going to go. And when I call it a Michael Milken era, there was not a lot of time to do the conventional bolstering up of your business.

17-00:49:14

Lage: You only had six months or so.

17-00:49:15

Watson: Right, exactly right.

17-00:49:18

Lage: Now, one of the things you did was buy—

17-00:49:21

Watson: These results—what we did, and I'll explain what it was. We started buying our—well, we started buying other companies.

17-00:49:29

Lage: Why? I didn't quite understand about that.

17-00:49:31

Watson: Well—

17-00:49:32

Lage: What that did.

17-00:49:33

Watson: I must say where this comes from is that I'd be sitting in meetings in New York with lawyers we had now hired, who are used to dealing with attempted takeovers, and with people from Wall Street who are knowledgeable and hopefully helpful on what should you do to try to strengthen yourself, because you can't immediately change business overnight. You can't immediately start doubling your income. How are you going to do that?

17-00:49:58

Lage: Yes.

17-00:49:59

Watson: So you got to do what is called defensive mechanisms, and there's all kinds of ideas that they'll throw out at you. One of the frustrations I had was, they would—like there's a lawyer advising us, and he's throwing a lot of ideas, and I'd have to stop him. I'd say "Look. You're throwing five bubbles up in the air, and they're coming down. Let's just take one at a time," and he says, "Well, there's a lot of ideas." I said, "I know there's a lot of ideas, but I want to deal with one idea at a time." Among those were, buy some other companies. Now why would that help, theoretically help? What you're doing is you're merging with another company, right? You're taking on debt to buy the company, which makes more debt in the company, which makes it less attractive to buy.

17-00:50:46

Lage: I see.

17-00:50:46

Watson: And you have another company's stock in there, and you have—they are—this is a merger, and they will be shareholders, and they will be friendly shareholders, otherwise they wouldn't have come in. That's the theory behind that. It doesn't always work, but you're groping for any idea that you have. You can go all the way to merge with another company of equal size and just dissolve it, and you don't become the management, the other company becomes the management. We actually talked to Universal Studios about the possibility of doing that. We talked to ABC about an agreement with them—

17-00:51:18

Lage: That would have defeated your purpose of keeping the company together.

17-00:51:21

Watson: That's right, that's right, but you explore every idea. All I'm saying is that you explore the idea. When you talk to other companies of equal size, you basically both sides start with the position, "Fine. Let's do it, only I'll stay in control."

17-00:51:33

Lage: Right.

17-00:51:34

Watson: So we said we'd stay in control—that's the reason we never did one like that.

17-00:51:38

Lage: What was your overall goal? You personally, what did you see as your goal?

17-00:51:42

Watson: The overall goal at that time is very short: preserve the company. As an independent company. You want—the whole idea is keep this independent, because that’s what—a company like that, much more so than just any company that makes films like Vivendi and so forth now today. I mean, who cares who owns them? There’s still a film division that’s going to make movies, and they have the Universal parks, and so forth. But Disney, for it, it was our belief and my belief that the strength of it came from the independence it had by running the company by people who really believed in the family entertainment business that was in the parks and the creativeness of the company—

17-00:52:22

Lage: And you thought they all belonged together?

17-00:52:22

Watson: —and the animated film-making. They all belong together. The first thing was that we purchased—we had been, let me back up a bit, it’s in the book but—

17-00:52:34

Lage: But give me your angle.

17-00:52:35

Watson: Well, the angle is that, first of all, I had been talking prior to this to the real estate—what is the name of the real estate company that we acquired?

17-00:52:48

Lage: Arvida?

17-00:52:49

Watson: Arvida [Corporation]. Yes. I knew the people from Arvida from the community development business, and they were in the community development business, too, in Florida and places like that. I had contacted them about the possibility of—not buying them; this is before the crisis occurred—but about some sort of joint venture with the Walt Disney Company over developments in Florida. Because a portion of the land there was conceivably going to be just a regular development. They had the 28,000 acres. It was across the freeway. What is now Celebration, the new community called Celebration.

17-00:53:26

Lage: Yes.

17-00:53:27

Watson: That’s about 10,000 acres. What to do with that. And since we didn’t really have a development organization within Walt Disney Company to do it, and I either had the choice—it seemed to me you create an organization from scratch to do it, or you find somebody like Arvida to joint venture with, and there would be some sort of business relationship. What you do, you get on the phone, you call them up and say, “Would you be interested in talking about some sort of arrangement.” Well, naturally they were. But shortly after having the first—Chuck Cobb was the president of it, somebody I’d known before—

17-00:53:59

Lage: Through your—?

17-00:54:01

Watson: Through the developer group. I get a call from Richard Rainwater—who I had actually had a contact from when I'd left the Irvine Company. When it was announced I was leaving the Irvine Company, almost like twenty-four hours later I get a call from somebody called Richard Rainwater, who I didn't know from Adam, and he said he wanted me to come to work for him. Turned out he was the Bass brothers' partner, and they wanted to acquire property all over the world.

17-00:54:33

Lage: And did you know that company?

17-00:54:34

Watson: I didn't know their company at all. And I had turned that opportunity down because I didn't really want to go to Texas and start travelling around the world, buying property and so forth. That wasn't my strength. But anyway, it turned out Richard Rainwater said the Besses really controlled Arvida. They had just, not too much before that, bought the company from a railroad company. And he says, "Instead of doing a joint venture, would you be interested in a merger?" Well, that fit together suddenly with what it is we were being advised, one of the things we needed to start thinking about. So it changed. I said, "Well, let's talk about it." That actually began the process of a merger with Arvida.

17-00:55:18

Lage: And first did you size up the Bass brothers as people that you wanted as shareholders?

17-00:55:21

Watson: Sure. Well, you spend time meeting with the Bass brothers, Richard Rainwater. Find out in this case if Disney would continue to control the company. They're much smaller than Disney. So they were going to end up with stock, and they'd be shareholders of the company—significant shareholders but not a controlling shareholder. So you have less concern there, because if this is a weapon to hold off Steinberg and it is actually fitting a need in the company, it's not a bad route to take. It is one of the possible routes that anybody would take in terms of doing that.

17-00:55:58

Lage: So that was one of the first defensive things that you did.

17-00:56:01

Watson: One of the first, right. But that didn't stop Steinberg. He kept accumulating more.

17-00:56:12

Lage: And he basically wanted to break up the company.

17-00:56:14

Watson: He basically wanted—my understanding, he wanted to break up the company. So basically what happened was that they actually—the financing that had been arranged by Stan Gold for the leveraged buyout of the company, that idea, he had actually put together a package of financing through—what was that—

17-00:56:34

Lage: Milken.

- 17-00:56:35
Watson: Milken. And then Roy had backed out of that, saying he didn't want to do it because the only way they could make it work was to break up the company—
- 17-00:56:43
Lage: I see.
- 17-00:56:43
Watson: —sell off pieces to various—
- 17-00:56:45
Lage: So they would have gone into debt and—
- 17-00:56:49
Watson: And in order to pay back the debt—in order to pay back the debt, you'd have to sell off pieces of the company to get the debt down to a manageable level, and Roy didn't want that to happen. So my understanding, and I only found this out from reading that book, was that Michael Milken apparently contacted Stan Gold and says, "Can I take that financing elsewhere?" And that elsewhere was Steinberg.
- 17-00:57:20
Lage: Oh, he took it over to Steinberg.
- 17-00:57:22
Watson: Yes, and so the package that Steinberg was putting together was that model. Basically, it was that—they actually name the people, because it's a written document—is that the people who would have owned the parks was an existing company with the real estate people. That's what they were more interested in than they were the parks. And then somebody else would buy the film division and so forth, so the company would have just been broken apart. That made it even more serious on our part with regard to fighting this off. We went through—I don't think you want me to repeat the whole book—
- 17-00:57:54
Lage: No, we don't have to repeat the book, but I was struck how you were thrust into this Wall Street atmosphere that you probably had very little contact with before.
- 17-00:58:09
Watson: Right.
- 17-00:58:10
Lage: And how did you mix with them, and how did you learn to speak their language, or did you not?
- 17-00:58:14
Watson: Well, it's not hard. I mean, you know—first of all, very few things intimidate me, okay. I'm intellectually curious, and if you go back to ask my high school teachers, I asked more questions than all the rest of the class combined. You know, it's not that complicated, I mean, in my view, sorting out the different options you have, forcing people to tell you what the options might be, what are the consequences of them. It's really not—and you know if you've been in business, I had been in business in running the Irvine Company—

17-00:58:50

Lage: Yes.

17-00:58:50

Watson: —I mean, that's no small business. It has every kind of business transaction and joint venture that's conceivable.

17-00:58:57

Lage: So that didn't intimidate you?

17-00:58:58

Watson: No.

17-00:58:58

Lage: Somehow it just seemed overwhelming as I was reading it. [laughs]

17-00:59:02

Watson: Right, right.

17-00:59:03

Lage: Did you have respect for the people that you met? The Wall Street, the Morgan Stanley people, the lawyers, and—

17-00:59:12

Watson: I had respect for some of the lawyers tremendously, and others less. I mean, they're all humans, you know. Some people are just flakes and others are thoughtful and others acknowledge they don't really know, but what do you think of this idea? For the most part I had respect for them, yes, as a group. I mean, they are some very smart people. They don't have the same passion about holding together the company that I had, but that isn't their job.

17-00:59:39

Lage: Yes. So you could—

17-00:59:43

Watson: That's my job.

17-00:59:44

Lage: Right, so you didn't criticize them for that.

17-00:59:47

Watson: Right.

17-00:59:47

Lage: What was the greenmail? What is greenmail?

17-00:59:50

Watson: A greenmail means—basically, that's how we got Steinberg out. Basically, a greenmail really means, "Steinberg, if you call off your attempted takeover, we'll pay you some money."

17-01:00:05

Lage: You mean buy him out?

17-01:00:07

Watson: Pardon me?

17-01:00:07

Lage: By buying him out?

17-01:00:08

Watson: No, you don't buy him out. You just pay him money, you buy the Disney stock he has accumulated.

17-01:00:15

Lage: It's like blackmail. [laughs]

17-01:00:16

Watson: That's the reason it's called greenmail. It's not black. It's green. And it was done. It was frowned upon by Wall Street. Why would they frown about it? Because what happens when you have a known attempted takeover, and by this time it's known that he is potentially going to—he hadn't done it yet—but potentially going to try to take over the company. However, the existing shareholders won't sell unless the new buyer pays a premium for the stock. The stock goes up in value. What happens is the normal shareholders, let's say a lot of the pension funds and so forth, don't like those volatile situations. They sell their stock immediately, and the stock very quickly gets in the hands of arbitrageurs—that is, people who just gamble on companies. They have no care about the company. They're just looking to make money because the stock will go up in an attempted takeover, and they can buy at one price and if it's only a dollar a share more, they've made money because that might happen in thirty days. So suddenly you got shareholders whom you can't appeal to for the long term, long term ownership of this company and the future of the company. They don't listen to that. That's what Wall Street was telling me, and I'll give you an example of that.

17-01:01:33

In the middle of the battle with Steinberg, Card Walker, God bless him, calls me up and he's all excited and he's worried about his company. And he'd say, "Ray, let's get on a train, let's go across America, because people love Mickey Mouse, they love Disney, they won't let this happen. We got to tell the world of that." And he got me excited. So then I call up Morgan Stanley that I was working with, and the lawyers on Wall Street said, "What do you think of that idea?" And they said, "The arbitrageurs who own stock don't care about you on the train." Now, you've got shareholders of the classic old school that cared about Disney and suddenly find themselves in Wall Street with people who don't care about the company. They just care about what the price of stock is going to be.

17-01:02:22

Lage: But these people on Wall Street owned it.

17-01:02:24

Watson: Well that's right, and they're spread all over—who knows who they are. And what greenmail basically is, the company offers to just buy out Steinberg's Disney stock at a premium over what he paid for it. If he agrees, the threat of a takeover goes away and usually the price of the stock falls. At first Steinberg refused to sell and announced his intention to buy controlling interest in Disney at a price higher than it was currently selling for.

17-01:02:54

The chances of losing the company was very severe. So finally when I was in desperation saying, “Well, what can we do now?” We had a short window of time if we were going to make a greenmail offer. Since Steinberg has begun to process we will lose control of we don’t act quickly. It just has to run out to the election, you see? And the idea that was suggested to me, and I can’t remember who did it, is that we would—this is before we offered the greenmail—what we would do is buy our own stock back. By doing that we would go out and raise a billion dollars, which we were able to do, and that would give us cash to buy our own stock back. What that would do is add a billion dollars of debt to Disney and significantly increase the risk to Steinberg’s offer.

17-01:03:48

Lage: Now who’s “we”?

17-01:03:49

Watson: “We” the company itself—

17-01:03:51

Lage: The company itself could buy it.

17-01:03:51

Watson: —buy its own stock, which companies do all the time. So you just buy enough of it that you have taken the control away from them. By putting debt in the company, in essence Steinberg suddenly would, if it succeeded, he was buying a company that had way more debt than he and his business planners showed that they could tolerate, you see?

17-01:04:10

Lage: Hm-mmm.

17-01:04:13

Watson: I called it Russian roulette. You don’t know whether it’s going to work, and the deadline schedules we had—I called for a meeting on a Monday to approve the self-buyback and accept the debt on a Monday. We—through the lawyers—had them call the contacts for Steinberg, and said to him, “We are going to start this, Monday.” And I instructed them to say if he does not—and we then offered him \$25 million, that was the greenmail, to drop the attempted takeover. They had a hard time getting a hold of him, wasn’t getting feedback, and I said, “Make sure you communicate to them that I have a board meeting starting at 9:00 a.m.” in the morning on the Monday. From that point on, no more discussion with him; we go forward with this. That’s what I meant by Russian roulette. And we played. At five minutes to nine he calls in and gave up.

17-01:05:22

Lage: So you didn’t buy him out. You just—

17-01:05:24

Watson: We gave him \$25 million.

17-01:05:27

Lage: In return for that, what kind of a guarantee do you get? He still owns—

- 17-01:05:31
Watson: Well, he has to write—sign a document, he has to do all kinds of legal things to make sure—
- 17-01:05:36
Lage: So there is some kind of a legal procedure with this greenmailing.
- 17-01:05:37
Watson: Oh yes, you bind that together with the whole legal things. Sort of a sidebar to that, is that that engendered after that, some time after that, a lawsuit—
- 17-01:05:46
Lage: Yes.
- 17-01:05:47
Watson: —quote “shareholder lawsuit”—against the greenmail, and his \$25 million got held up and he never did get it.
- 17-01:05:54
Lage: [laughs] He never got it?
- 17-01:05:55
Watson: No.
- 17-01:05:56
Lage: Did he die or something?
- 17-01:05:58
Watson: No, no the judge ruled that—I can’t remember what the legal terms were, but he didn’t have the right to it since the remaining shareholders didn’t receive any.
- 17-01:06:03
Lage: Oh! How interesting.
- 17-01:06:05
Watson: Which was strange. Nobody expected that.
- 17-01:06:06
Lage: Yes, yes. And so you didn’t have to do the self-buyout.
- 17-01:06:10
Watson: We didn’t have to do that, but then Steinberg sort of went away, and then Jacobs started accumulating stock, and then we started talking to the Gibson Card Company.
- 17-01:06:23
Lage: Yes, that seemed to be a big part of the book, the Gibson Card—
- 17-01:06:25
Watson: Gibson Card Company, right.
- 17-01:06:26
Lage: —owned by Bill Simon.

17-01:06:27

Watson: Right.

17-01:06:28

Lage: So that would have made Bill Simon one of your major shareholders.

17-01:06:30

Watson: Right, and he was wooing us about what a wonderful director he would be and all that kind of stuff. It was just him and he wanted, you know, the stock. But then, you know, I started getting word as I talked to the people on Wall Street that the shareholders just didn't like the fit. Now, I wasn't deciding the fit. I was playing the role of what we tried to do. Each time I would go to Ron—I was told it could be a good fit, I mean that there is a lot of things you do in the card business in terms of using characters from Disney and so forth and that kind of cards, and so forth. There's a lot of skills that are carried over in the creative side of the card business and so forth and so on, but I said, "That's not my role. You have to tell me, Ron Miller—and other people within the company—is this a good fit?" And I pretty much got a unanimous belief that there was.

17-01:07:21

Lage: People in the company, in the management of the company—

17-01:07:21

Watson: In the company, yes. Right. They're the ones that brought the idea to me, but the Besses didn't like it. They had their own reasons about it. They didn't want to be diluted down, because we'd be issuing more shares to acquire Gibson. So now suddenly my allies, the Besses, now suddenly are criticizing the Gibson idea. Then other analysts were saying how to do it. Finally, I just pulled the plug on it. I said even though we'd gone a long ways towards the possibility of buying Gibson, it just wasn't worth the battle of the friends we did have to try to do this, and I pulled the plug on it. Of course, Simon got irate. But that's his problem.

17-01:08:14

Lage: You must have had a lot of angry phone calls you had to take.

17-01:08:17

Watson: Well, you had angry phone calls and desperate phone calls and—you know, I think back on it, it was a very tense time, but it wasn't overwhelming to me.

17-01:08:28

Lage: It wasn't? It sounds like it would be totally overwhelming.

17-01:08:31

Watson: Yes, but I think that maybe my personality, whatever it is, you know—still come home to a nice family. [laughs]

17-01:08:37

Lage: But it sounds like even while you're here, you're constantly getting—you were constantly getting these calls from all over.

17-01:08:43

Watson: Right. Oh yes—out on the patio and everywhere. It came out okay.

17-01:08:50

Lage: Yes. Well, was it kind of exciting to be in that kind of intense hothouse?

17-01:08:56

Watson: It's exciting—it's not what you signed on for. You know, it's totally different from what you've signed on for. It was new to me, but I didn't find myself lacking confidence that when I made a decision I didn't know whether it's the right decision. You don't know if any decision is right.

17-01:09:17

Lage: Yes, yes.

17-01:09:18

Watson: But you're willing to make it. You've thought it out enough, you've asked enough questions, and you go forward, and you have to set your mood that way.

17-01:09:28

Lage: And it sounded as if you had an opportunity to switch also, you know: Gibson was on, then Gibson was off. So it wasn't like your decisions were set in stone.

17-01:09:35

Watson: Right. Well, it isn't set in stone until it's set in stone. [laughs]

17-01:09:41

Lage: [laughs] Until you actually buy it. The trip down the Grand Canyon, I don't know why that intrigued me so much, but why was that even set up? Morgan Stanley set that up?

17-01:09:53

Watson: Well, Morgan Stanley had nothing to do with what was going on.

17-01:09:55

Lage: Oh, I see.

17-01:09:56

Watson: It had to do with—it's their way of keeping friendly relationships with business executives.

17-01:10:04

Lage: So who all went?

17-01:10:04

Watson: And they had set this up some time before all this started to happen. We had just finished with Steinberg, and Jacobs really hadn't started yet, and I decided—and they invited me. I said, "That's a good way for me to get away from the world for a week."

17-01:10:19

Lage: Yes.

17-01:10:20

Watson: Which it turned out to be.

17-01:10:22

Lage: And who else was on it? Were there other executives?

- 17-01:10:25
Watson: There was like twenty or thirty. No, it might be twenty executives. I can't remember them all. There was Gillette, the CEO of Gillette, and the CEO of this company and the CEO of that company. It's a beautiful ride. I've never done that before, and it's like riding a bronco, you know—
- 17-01:10:43
Lage: It wasn't floating down. I thought that was one thing where John Taylor got it wrong. He talked about floating down the Colorado.
- 17-01:10:49
Watson: Yes, it was floating down the Colorado.
- 17-01:10:50
Lage: But wasn't it more than a float?
- 17-01:10:53
Watson: Well, much of the Colorado is flat. By flat I mean it's smooth, but then you come to sinkholes. The raft is made of pontoons that are tied together.
- 17-01:11:03
Lage: Oh, they were all tied together?
- 17-01:11:04
Watson: They're all tied together, yes. And you have two guides. One guide, the head guide, and he actually turned out was an English professor from University of Utah. He does this each summer, and he's wonderful telling the history of the Grand Canyon. And he showed us where the airplane that crashed into it, remember the airplane that crashed into the Grand Canyon?
- 17-01:11:22
Lage: Yes.
- 17-01:11:23
Watson: Showed where that happened. But occasionally you would come on to a sinkhole that could be twelve feet deep or deeper, like that. It really is a sinkhole in the water, and so at that point you hold a rope in front and hold one in back. He gets a motor ready, because you go down, straight down, and then you come up and you feel like you're going to fall over backwards, and he puts the motor on to get it over the hump to get in the other side. That's the exciting part of it. The rest of it is just a beautiful trip.
- 17-01:11:53
Lage: Oh, I see. I was thinking of the rapids. I've actually never gone down the Colorado, but I've gone down other things.
- 17-01:11:57
Watson: Right. There's little rapids on various parts of the river, but most of the river is smooth.
- 17-01:12:02
Lage: I see. You didn't have major rapids?
- 17-01:12:04
Watson: No.

17-01:12:05

Lage: Did people talk business or were they enjoying it?

17-01:12:07

Watson: They—you know you—when you get together with businessmen, yes, you talk some business. But, you know, they knew what was going on at Disney and I'm very circumspect about what I'd talk about that. I'd start talking about my family or something, you know. Change the subject. [laughs]

17-01:12:22

Lage: Yes. Right, so you didn't want to talk business?

17-01:12:24

Watson: A lot of business is private, too, in that case.

17-01:12:27

Lage: I would think so. Now, what was the relationship with Ron Miller during all this? It sounded like, over a course of time—

17-01:12:32

Watson: Ron Miller was—the relationship was fine. I mean he felt—I think he felt lost. We all, you know, to some degree you feel lost because it's a different world. It wasn't until finally when I made the decision—I mean, you had Stan Gold pushing to get him out, and me standing up to Stan Gold and standing up to the Besses and some of their attempts to get him out.

17-01:13:00

Lage: And why did they want to get him out so badly?

17-01:13:04

Watson: Well, remember Stan Gold is Roy Disney's business partner and lawyer, and Roy felt, and rightly so, he'd been badly treated by Ron and the management part of that, so there was bad blood going right on in the beginning there. Ron Miller also was Walt's son-in-law, and—

17-01:13:28

Lage: Rivals between the two sides of the family—

17-01:13:29

Watson: You got in the middle of this, and it's in the book, you know, the meeting I had with Stan Gold in which he stormed on how terrible how they were treated, and so forth, and the family argument. I just got completely irritated and said, "I don't give a goddamn what the personal family problems are. I've heard it from the Roy side of the family; I've heard it from the Walt side of the family." I says, "You know, the fact that they've had bad relationships is irrelevant to me now. We're trying to save this company."

17-01:14:00

Lage: Yes.

17-01:14:00

Watson: “And so don’t talk to me about that anymore. It’s of no interest to me.” But that was, you know, part of their motivation. That didn’t figure into my plans about what was right to do with the company. The company was bigger than all of that, in my judgement.

17-01:14:16

Lage: Hold on one second because—

##

We’re recording now on our next tape, still June 16. Let’s see, where were we?

18-00:00:10

Watson: Right around the end of Disney, I think.

18-00:00:12

Lage: Right.

18-00:00:13

Watson: I did want to say one thing about Roy. Not Roy, I’m sorry, but—

18-00:00:18

Lage: Ron Miller.

18-00:00:19

Watson: —Ron Miller.

18-00:00:20

Lage: Right, right. We were discussing Ron Miller.

18-00:00:22

Watson: Actually, by the midsummer of 1984, I wrote a piece while we were going to Stanford Camp with my family, while my wife is driving. Basically, I had just returned from New York and all of the Steinberg thing and the Jacobs thing and all the turmoil was going up, and the prediction that some people had is that we only had a short period of time before we were vulnerable to losing this company. I remember writing that, basically, I saw the company as a ship at sea in a violent storm with no perceivable skipper, and that I couldn’t be that perceivable skipper because my background wasn’t entertainment—if this had been the Irvine Company that would have been another thing, but I hadn’t been there long enough. And that Ron Miller—it was clear that Ron Miller was not being respected in the Wall Street investment market, and to some degree he was having personal problems.

18-00:01:21

Lage: And was this what you were hearing when you were in New York?

18-00:01:23

Watson: Yes, that’s while I was in New York. But also I knew—if this hadn’t all happened, all this crisis hadn’t happened, the company probably would have come out fine. I don’t think it could have grown to the extent that Michael Eisner has grown this company, but it would have—you know it wouldn’t have been hard to raise prices in the parks, which were underpriced, and do a lot of things that they did when they came in too. But the unfairness

to Ron is that he never was nurtured for the job. I mean he was brought in by his father-in-law. I was told stories about the father-in-law complained to his daughter that—or to his wife—that Ron didn't speak up, and then his wife would talk to his daughter and his daughter talked to him, and then he'd speak up and so forth. But you also had very dominant people. You had Walt Disney, who's a dominant person; Roy Disney Sr., is a dominant person; Card Walker, extremely dominant person, and trying to work under them nobody took the time to get him prepared for that job. And then in the worst of all worlds, you have this thing that nobody was prepared for—this Wall Street takeover era.

18-00:02:36

Lage: Was Ron Miller a creative person? I mean, Walt Disney was certainly a creative leader.

18-00:02:41

Watson: He did not have any signs of creativeness. You know, it's hard to say what it was he really was strong at. I mean he was a big man and strong personality, but you know, even within the company, executives were taking me aside and not expressing strong support for him, so—

18-00:03:03

Lage: Did he speak up to you, or did he defer to you?

18-00:03:06

Watson: He asked—he basically deferred during this thing, for the most part. Naturally, if it had something to do with a film or something, which I didn't have anything to do with, he did that, but on this business he went to the meetings, yes. And he asked, but he didn't ask even a lot of questions. He was out of his element.

18-00:03:25

Lage: Yes. Well, you weren't exactly in your element but you grabbed hold of it.

18-00:03:30

Watson: Well, yes. It wasn't in my—it isn't my experience, right? But, you know, turmoil is something that I've known how to deal with so—I don't know how to explain it. Everybody has a different personality.

18-00:03:46

Lage: I'm impressed with your loyalty to the company. You had that same loyalty to the Irvine Company—

18-00:03:54

Watson: Right.

18-00:03:54

Lage: —and now the Disney Company.

18-00:03:57

Watson: Why are you—?

18-00:03:58

Lage: Well, I don't know that everybody would react the same way. Often they're looking out for their own good.

18-00:04:06

Watson: Right. There's no question but what—as I know and have experienced—what people have done to feather their own nest. That's never been my thing. I'm not shy about myself, but there is—the similarity between the two companies is what attracted me to them. They're both creative organizations, they're creating a product that you're proud of, that you identify—that I identified with in both cases, and I saw that as something that I wanted to contribute to, not take advantage of. If my taking advantage of it also contributes to it, it's fine, but I didn't see it that way so that's not where I come out.

18-00:04:54

Lage: It's probably not a quality—I mean, you just take it for granted, but I would guess it's not a quality everybody has.

18-00:05:01

Watson: I'm sure not everybody has it, but that's their problem.

18-00:05:04

Lage: [laughs] It was about that time you began to see that you needed a change of management.

18-00:05:14

Watson: Actually, I came back from the camp after having written that note and thought about it all week long and taking all those phone calls—because now I got Jacobs trying to get ahold of me and other things are going on, and I just see the turmoil continuing.

18-00:05:25

Lage: Yes.

18-00:05:25

Watson: Something had to happen. I immediately call for a meeting with—was it Hawley Hill?

18-00:05:37

Lage: Oh, Hawley—Philip Hawley?.

18-00:05:38

Watson: Yes, Phil Hawley, who was a director, very corporate guy. He's sort of the quintessential executive on a board of directors of a company, active in the Chamber of Commerce, active in the California Club, neither one of which interested me much. But I also respected him. He understood corporate things and so forth. So I called a meeting with him and privately over breakfast told him that my view was that the company was vulnerable, didn't know whether it was going to survive, that I didn't believe that it could survive with the present management—we needed to do something about it—and suggested that the way to deal with the situation was to create a committee of the board to look into the whole greenmail thing we had done, the whole thing that had happened there. Aside from the management of the company, for an independent board of directors to look at the issues, and come to whatever conclusions. If it was a problem of management, they needed to deal with that. If it was a problem of some other way—it was my way of trying to look at the Ron Miller situation independent from everything else. My view was I didn't want to just go in there and say he needs to leave. They did that, but they knew from the conversations I had with each one of them what they were really looking at.

18-00:06:56

Lage: Did you say it forthrightly?

18-00:06:58

Watson: I told them very frankly that I think we needed to make a change, and so that's the conclusion they came to and he was informed, and that was a great blow to him.

18-00:07:08

Lage: Did he feel bitter about it against you?

18-00:07:10

Watson: He felt very bitter against me, and he still does, which I can understand, though. He felt, you know, as he said to me, he said I was brought in to help him—

18-00:07:22

Lage: Yes.

18-00:07:23

Watson: —and, you know, I thought I was brought in to help the company, and I'd help him as far as it's help to the company, but at this stage you didn't have time to take time. You know, you couldn't say, "Well, let's give it another four months and see how it works out," when people are saying, "In two months you could be losing this company."

18-00:07:44

Lage: Yes.

18-00:07:44

Watson: So you had to make a decision, and you couldn't worry about whether it's the right or wrong decision. You just had to make a decision.

18-00:07:51

Lage: And the Stanley Gold group seemed to have the strongest influence around this time, is that—?

18-00:08:00

Watson: That's what they wanted to have happen.

18-00:08:04

Lage: They wanted to take—

18-00:08:04

Watson: I was resisting that at first, and I didn't like the tactics that Stanley was using, and I would stand up to him on that. But at this stage, yes, he came aboard. Now the question really was, we formed a committee to find a new CEO, and you had Phil Hawley, who wanted to have—what was the fellow from Paramount?

18-00:08:27

Lage: Stanfill?

18-00:08:28

Watson: Stanfill. Dennis Stanfill, right. I didn't know him but I got acquainted with him by interviewing him. He was sort of the quintessential corporate director that Phil Hawley liked. I met with Michael Eisner. I met at his house, and he sort of took me through what

he had done at Paramount, and he started with the creative side of the company, which I was very attracted to, like a business planner, like a creative person. Saying that he came into Paramount when it was low, and when he was about to leave it, it had done extremely well over the period of time he had been there, and that's what he would expect to do with the Walt Disney Company. I interviewed Frank Wells. Frank Wells' first point to me was, "If you only hire one person, hire Michael Eisner, because I think that's what you need." And I was very impressed that he would say that. Then I said, "What about you? What is your strength?" He says, "I love the business of business." I don't like the business of business by itself. I like using business to further the creation of what it is I'm involved in, right. He is saying, "I just like the business of business." That's where you need a creative person, so it was a good balance.

18-00:09:47

Lage: Yes. Where did he come from, Wells?

18-00:09:48

Watson: Wells was a combination of things. He was a lawyer, an entertainment lawyer. You know, many of the actors use him as a lawyer and so forth, and he had been in the film business as a lawyer and executive for a long time, and Stan Gold was his assistant lawyer before Wells left that practice and became an executive with Warner Brothers.

18-00:10:07

Lage: I see, so he—

18-00:10:08

Watson: And he was Roy Disney's lawyer.

18-00:10:09

Lage: Oh, okay.

18-00:10:10

Watson: So that's where he came in. He had gone to Warner Brothers from the lawyer field and become president of Warner Brothers, so he actually had management experience in running a large studio. Then he left Warner Brothers, went to climb Mount Everest, didn't quite make it, came back, and he and Stan Gold, his ex-associate, came up with the idea of the leveraged buyout of the company. That's when I first met him. And he was a good friend of Roy Disney. But he was a very smart guy, extremely smart guy, a great executive, and the fact that he also himself knew what he was good at and knew what he wasn't good at, which I liked.

18-00:10:47

Lage: So you were impressed by both of them.

18-00:10:49

Watson: Yes. Stanfill, I was impressed with him, but nowhere near. So now you've got Phil Hawley on the board, he's got Caroline Ahmanson and several other directors who are more sort of establishment type, who he's going to influence. We tried several things. Somebody suggested, "How about Frank Wells running the film division?" That was a crazy idea; he wasn't even in the field. But you know, "Well, have you asked him?" I said, "No, I'll go ask him." So I'd go ask him, and he thought it was a crazy idea and said no. You go through these little charades. But finally, you come down to it. So then, Stan Gold

is meeting with me, and he's pushing for Michael Eisner. There's some resistance on the board because Michael Eisner is sort of a free spirit and whatever it is that they were bothered by. He wasn't a corporate type. And they were also worried—why they wanted a corporate type is we were still in the battle of takeovers.

18-00:11:44

Lage: Oh, I see.

18-00:11:46

Watson: So you sort of need the person who knows how to take a machine gun and shoot off the predators, rather than run the company. And I'm more concerned, I think, that you need to have somebody who knows how to run the company. The combination of Frank Wells and Michael Eisner was a perfect combination. But we got that gradually. The Basses weren't sure about Michael Eisner. They knew about Frank Wells; they were impressed with him. He had spent time with them. So they weren't that supportive of Michael Eisner.

18-00:12:11

Lage: Oh, my goodness.

18-00:12:13

Watson: So you had this sort of whirlwind going around. Finally, I had said to Stan Gold one time and Frank Wells, I said, "Look, if I had been chairman of this company for ten years or something and had a relationship with the board and in the industry, I could probably just maneuver this right in. But if Michael Eisner wants this job, he has to sell himself to the rest of the board members." He wasn't doing that. So they started a whirlwind tour of all the board members. I just set a time for a final decision on this in September. And they did that like three days, two days before the meeting and won over enough of the directors. They didn't win over Phil, but when I got the count—because I counted directors, where their position was after their tour. What I did is, basically, I would call the directors that I knew were pro-Eisner, and I got the votes up above majority. So I would tell the next director I would talk to where the vote already was. When I got to Phil, I says, "Phil, you're the last one, and everybody else is for Eisner." And he says, "I'd like to make the nomination."

18-00:13:19

Lage: So you knew what order to go to them then, also. I can see you planned that.

18-00:13:24

Watson: Right.

18-00:13:25

Lage: Now you were planning yourself out of a job.

18-00:13:27

Watson: Right.

18-00:13:28

Lage: Was that, would you have liked to stay on?

18-00:13:30

Watson: This was not about—my goal was not to preserve my job. My job was to preserve that company. That's the only way I thought about it.

18-00:13:39

Lage: But was there ever a deal where you might have been in the business end? Was that something that you would have wanted to happen?

18-00:13:46

Watson: No. I think the atmosphere was so chaotic at that time that we needed to make a clean sweep. You need new management to come in and have their own people. It's like when Joan asked me—the time she called up and said she had heard I was gonna leave the company if the company changed. Here's someone who had never said anything nice to me prior to that and said, "You're the most important person in the company." And then they had the proposal for the company to buy the shares of the foundation. I would have been the CEO; she would have given me power, and so forth. But I knew—I said to the other shareholders when they asked me would I stay if that happened, I said to her that for years she has not agreed with anything I have done. I think she deserves to have whoever she chooses to run this company, and I don't think it's fair to her or me to assume that that could work out. I felt the same way here. I just think it was time to clear out what management was there during this turmoil, get the new people in and let them run it they way they needed to run it.

18-00:14:44

Lage: But you stayed on the board.

18-00:14:45

Watson: Stayed on the board; still on the board. Thirty years.

18-00:14:49

Lage: Do you want to say anything about these characters that you dealt with who are such well-known names, what they were like?

18-00:14:54

Watson: Like who?

18-00:14:56

Lage: Well, here are the names that I knew: Boesky, Milken, Gold, Bill Simon, Al Checchi—

18-00:15:03

Watson: Checchi.

18-00:15:03

Lage: Checchi, is it?

18-00:15:04

Watson: Okay, well let's take it in order because some of them I don't even know. Who was the first one?

18-00:15:10

Lage: Boesky. Did you do—

- 18-00:15:11
Watson: Boesky, I never met him.
- 18-00:15:12
Lage: You didn't meet him. You just—
- 18-00:15:13
Watson: Never met him, never talked to him. He was behind the scenes. He was behind the scenes doing his thing.
- 18-00:15:19
Lage: Milken, did you talk to him?
- 18-00:15:21
Watson: If I did, it was a very cursory—you know, he had no interest in the company. He was the guy who arranged the financing and got a fee for that.
- 18-00:15:31
Lage: Another behind-the-scenes guy.
- 18-00:15:32
Watson: Right.
- 18-00:15:34
Lage: What about Stan Gold? What kind of guy is he?
- 18-00:15:36
Watson: Stan Gold is a—I think he's a brilliant executive, extremely self-assured, which means high ego, but we all have that. The short-sightedness of Stan, maybe he considers it a strength, is he alienates people. He's caustic and even the current little battle we've had recently internally in the company, he has a way of trying to make it sound like he's the only one who's asking good questions, intelligent things. And now we've got some very strong ladies on that board who have set him straight on that, but basically he's very smart. I think he thinks he could run that company better than anybody else. I think he's doing the right job for what he's doing.
- 18-00:16:35
Lage: Did you have dealings with Bill Simon when you were—
- 18-00:16:38
Watson: I had dealings with Bill Simon only through—
- 18-00:16:39
Lage: —Senior this is.
- 18-00:16:40
Watson: —his partner, and when the greeting card company thing fell apart then I called it off. His partner called me and said, "Bill Simon's in Europe and he's irate and he wants you to call him," for changing our mind on doing this. And I remember telling his partner—I can't remember his name. It's Ray or something like Ray—but it's Simon's partner. I had met Simon before because he had been on the HUD [Housing and Urban Development] board when I was on the board, maybe he was the chairman of it, I don't know. So I had a lot of respect for him, but I also found out he had a temper. The way it was described by

his partner, he was irate and wanted to have me talk to him and call him in Europe. I said, "Look, if he wants to call me, he can call me, but I see no advantage of me making a long distance call to somebody who wants to chew me out for something." That was the full extent, but I did have respect for him at the times I became acquainted with him on the HUD board.

18-00:17:38

Lage: From the book, it sounds like he would have been a difficult person to have on your board.

18-00:17:42

Watson: Yes. Yes. Well, I don't know. He could have been. I had been on a board with him, but he wasn't difficult, so.

18-00:17:50

Lage: Oh, okay. Is it Al Checchi? I only know him from the fact he went into politics.

18-00:17:59

Watson: Well, he ran for governor, and lost out in the primaries. Al Checchi was sort of the boy analyst, a young analyst for the Basses and Richard Rainwater. That was his role in those days. I liked Al Checchi. He was very smart and so forth, but he was still young at the time. So he made some derogatory comments about Ron Miller and other things in front of people, and I think it's in the book where I challenged him on that at a meeting. I went to him, when he was there with the lawyers and Stan Gold and everybody else in the room. They were pushing on me, and before I started, I turned to him, and if you recall in the book, I said to him, "You made some comments that I never want to hear from your mouth again. You haven't ever run a company like this; you have no idea what this business is like. And you have no position to be criticizing Ron Miller the way you were publicly." And he apologized to me. He came to me later, not just right then, he came to me later and said, "I thought about it, and you're right." So I respect him for that. But other than that, he played the role of the guy who did the number crunching for the Basses. And he ended up being a multi-millionaire. He is now one of the owners of Northwest Airlines.

18-00:19:22

Lage: Oh, that's also where I've heard of him. Now, what about the Bass brothers. Are they still major owners?

18-00:19:29

Watson: Sid Bass, as I understand it, is a large owner—he had a margin call on a lot of their stock that they'd pledged with Disney stock. Whether it's a year ago now, whenever it was, they lost a lot of stock. But my understanding, and I don't know the numbers, is they own still—Sid Bass, himself, owns more shares than Roy Disney does of the company. I like Sid Bass. I think he is a shareholder, an investor of companies. He buys companies, buys stock, does power plays. He's the one that really, basically, saved the company in the end with stock accumulation. When Michael Eisner and Frank Wells held a meeting with him after they came in to say here's what they're gonna do with the company. They presented the plan, and you had Boesky accumulating out there, you had—

18-00:20:27

Lage: Jacobs.

18-00:20:29

Watson: Jacobs out there, and so forth. That's when Sid said, "Okay, I'll go with you for five years." He had more stock than all the rest combined, and that weekend, he started buying out the stock of all the others and really, in essence, gave some protection to the management to get its act in order and start to do what it needed to do. Because it needs time. Since then, I've been with him at meetings at Florida and elsewhere, and been at his house with the board. I have a lot of respect for Sid Bass. I think he is very independent. He's not the standard Wall Street guy that belongs to all the Chambers of Commerce or whatever that is. But he's very smart, and he is a good shareholder. He stood up for what he believed. If he didn't think you were doing something right, he'd tell you.

18-00:21:27

Lage: Do you get the sense that he cares about the company? Or does he care mainly about the stock?

18-00:21:32

Watson: I think he cares a great deal. From every feedback I have, actually in later years through Michael Eisner, is that he was very proud to be a shareholder of the Walt Disney Company. It was such a unique company, same way with—why am I forgetting these names? Because I'm seventy-six, I guess. The second richest man in the world—

18-00:21:55

Lage: Not Getty.

18-00:21:56

Watson: No, no, no, no. Berkshire, you know, he's head of all these investments. What's his—?

18-00:22:08

Lage: He's not one that's come up.

18-00:22:09

Watson: No, I know. Well, anyway, he was a large shareholder of Disney at one time, this unknown person that I can't remember the name of.

18-00:22:18

Lage: We'll fill in later [Warren Buffett].

18-00:22:20

Watson: We were at a meeting down in Florida several years ago, and he came along with Sid Bass to our business meeting. I remember chatting with him, and he was just saying what a unique company the Walt Disney Company is, that the kind of creativeness it has and so forth is very rare in the business. It takes a different kind of management. So they both had respect for the uniqueness of that company. And they're kind of unique. You don't just get another MBA from Harvard who's been running some railroad company to do that business.

Lage: 18-00:22:49

Yes, well that's good that the shareholders realize that. Shall we talk about what happened after Eisner took over? You became chairman of the executive committee, and a member of the board.

18-00:23:06

Watson: I was chairman of the executive committee before it happened, and it just continued on. It's not that important a position in a company. You use the executive committee for decisions in between board meetings, and it has the full power of the board. But beyond that, I don't think we can build more into that than it deserves.

18-00:23:25

Lage: But just anything to evaluate how Eisner handled it?

18-00:23:29

Watson: How Eisner handled it?

18-00:23:30

Lage: Yes. The stock certainly went way up.

18-00:23:35

Watson: Yes, but what they immediately recognized—first of all, they announced that they were going to start making more films. They brought in Jeff Katzenberg, who had worked for Michael over at Paramount. They started making films, and the first thirty films they made—and they did that in two years, that's incredible, three years, whatever it is. Every one but one was successful. I don't know any record that's ever been that successful. The film business is a very precarious business. That boosted the image of the company.

18-00:24:09

Lage: And the stock.

18-00:24:11

Watson: And the stock, right. But the other thing that they did that hit the bottom line faster than anything, is they started raising prices in all the parks. Before, there was a reluctance by Card Walker and the existing management to do that. They kept doing these surveys, and everybody was giving it 95 percent value, in terms of entertainment value for the dollar they spent. But Card was very mindful of what it costs for the middle-income family to come to the parks. But as you took a comparison between other entertainment—the Lakers, the baseball games, other things—it was really one of the least expensive entertainment things in the world. And so they just started raising prices; you know, if you have twelve million visitors a year going to Disneyland alone and you raise the prices by \$1, that's \$12 million that goes straight to the bottom line without a dime extra expense. They started putting it up \$2 at a time, and they started doing the same in Florida. Immediately, they were able to show more earnings from the company, and the stock just started going up.

18-00:25:17

Lage: Had that been discussed, or there just wasn't time to think about those things?

18-00:25:19

Watson: Well, there wasn't time about it. It was discussed, and we were probably going to raise it anyway. But you had this turmoil going on, you had the papers full of the possibility of the company being torn apart, you suddenly have the messiah comes in. Michael Eisner comes in and Frank Wells come in. They get the Bases to support them and that becomes very clear. They start making films—they couldn't make a film overnight so the park prices go up, the earnings of the company go up, and confidence in the company goes up and that drives stock prices up. And of course it happened to hit a good market time too.

18-00:26:01

Lage: Yes, yes. A lot of luck in it. [laughs]

18-00:26:02

Watson: A lot of luck, yes. Right.

18-00:26:04

Lage: You had something, some negotiating with Disneyland France during your period, is that right? It's mentioned—

18-00:26:13

Watson: Right. Well, that's where we started—where are we going to put a European park? Ron Miller asked me to come with him as we looked in France. We had different people within the company advocating different places, which is always true and it's healthy because that forces you to look at issues. Some wanted to go to Spain, some wanted to go to Italy, some wanted to go to Germany, some wanted to go to Great Britain. Probably the favorites within the company were either France or Spain. The problem with Spain was affordability. Spain got ruled out. I think Richard Nunis, who ran the parks, really favored Spain, because they loved the parks. The problem in Spain was their per capita income is so low and the parks so expensive to build. Actually, the format by which they put together the development in France is dramatically different than what was put together in Japan. In Japan, Disney does not own the park. It's a license agreement. Disney got a fee for designing the park, they got a fee for managing the development of it, and they get a fee for overlooking its operation now, but they have no investment in it and they get a percentage of the gross income. So we get hundreds of millions of dollars for that, and yet the Japanese own and control it. Just trying to merge an American company with a Japanese company is very difficult.

17-00:27:48

In France, Disney actually came up with this idea which basically Eisner and Wells just adopted. It was very much like a real estate deal. I mean, now you got some of my background. And so basically you form a French company separate from the Walt Disney Company, an independent public company, that in turn would sell stock to Europeans and become independent of the Disney Company, and Disney would have license agreements similar to what we have in Japan. We would own a piece of it. We would hold less than a controlling interest of it. And so basically when we were going through the battle of the company, the Wall Street people asked me to describe the model of what that should be, and that's what I described doing. Ultimately, that's what they did do, but in terms of any negotiations, I played no role in that. Yes, I went over with Ron Miller and we looked at different sites and talked to people in Paris, around Paris, but we didn't zero in on a site. That was done after I left.

18-00:28:56

Lage: It seems like something of a political issue in France—you know, worrying about the Americanization of French culture and all that. Did you run into any of that or you didn't?

18-00:29:05

Watson: Well, yes there was lots of talk about it running around. The feedback that I got, which I think is both during that time and afterwards is—I believe, I can't say "it's true" because only God knows that—if it's true or if it was not true. And I'm not sure he's too clear on that—

18-00:29:26

Lage: [laughs]

18-00:29:27

Watson: The French elite press doesn't like the Americanization of France. However, what we knew as a company was French people were among the most loyal supporters of Mickey Mouse and Disney characters in the world.

18-00:29:52

Lage: And how did you know that?

18-00:29:53

Watson: Because France was one of our biggest markets for our films, our animated films, one of our biggest markets for Mickey Mouse dolls, for the books—we were a huge publisher of children's books. So France and Germany were huge supporters, but France particularly, and the French people. So we weren't concerned. It's sort of like Irvine. I'm very experienced at this—is that, if you go to Harvard, even to this day they look down their nose at Irvine. It's suburban sprawl to them—it's not urban. They got all the sort of East Coast sophisticated thinking of what a city should be, and we're none of those things. But they also never go to an entertainment park, or they don't live in these kinds of places, and we weren't catering to them. So as we looked at the European market, the people who were the fiercest supporters of buying things Disney was French people, and that's true today.

18-00:30:53

Lage: Yes, so you think—

18-00:30:53

Watson: So it depends on what paper you read, you know.

18-00:30:56

Lage: [laughs] Okay. Let's see—

18-00:31:01

Watson: Well, the same thing if I went to the University of California, Berkeley, School of Architecture. I mean they don't travel down here to look at what we're doing because they see their view of the world. Part of what I think has hurt my profession is that they have so trained students going through architecture school to dislike what they call suburban. They don't participate in it. Now that's begun to change. Now they're participating in it, but that's the same thing in that field. It's very popular. Now, with the parks, I must say that through the difficult times in France the parks attendance went down. It wasn't the parks. We'd do these huge surveys with people leaving the park, asking what's your impressions, and they have overwhelmingly liked it, the French people.

18-00:31:51

Lage: And they must get tourists from other countries.

18-00:31:53

Watson: Oh, they get tourists from elsewhere, but you asked me about the French. I'm just saying that—

- 18-00:31:56
Lage: Yes, yes.
- 18-00:31:57
Watson: Naturally, it's self-designing. I mean, we're asking them after they actually paid the money to go to the park. They had to be predisposed to like it, to go there, wouldn't they? So—
- 18-00:32:07
Lage: Right, right. You've got a self-selected group.
- 18-00:32:09
Watson: Right.
- 18-00:32:10
Lage: Did you do any other residential or real estate development when you were with Disney?
- 18-00:32:18
Watson: You mean on the side?
- 18-00:32:19
Lage: No, no no—as part of the Disney, you know they had a lot of property, you mentioned, in Florida.
- 18-00:32:25
Watson: No, no. I looked at a site Disney owned on the East Coast of France that they were trying to figure out what to do with. And the only thing you could do is build a hotel, and I was not a big fan of them building hotels. They ultimately, after I left, made it a time-share and it didn't work out. They had to sell it.
- 18-00:32:42
Lage: Now, what's Celebration?
- 18-00:32:44
Watson: Celebration is on 10,000 acres. If you took the 28,000 acres, the freeway sort of slices off a portion of it and Celebration is across the road. So while I was there—
- 18-00:32:56
Lage: Now what—are we talking about Florida?
- 18-00:32:57
Watson: Florida, I'm sorry, in Florida. And so you got a freeway cutting off a piece and sort of separating it, and my notion about edges—that I spoke of in the Irvine stuff—is that, that freeway is an edge to what we would call the entertainment area. If you want to do something with the land in Florida other than entertainment, the best place to do it is outside of the edges of the entertainment empire they had.
- 18-00:33:20
Lage: Right.
- 18-00:33:20
Watson: We struggled over what to do with it, and when Eisner and Wells came in they struggled. They actually had me head up a conference of Graves, the architect, and Jim Rouse, the

developer of Columbia new town, and a scientist from Bell Labs and other thinkers—on the subject of what to do with the property. And all of them came up with building a new town.

18-00:33:41

Lage: Were you a strong encourager of that plan?

18-00:33:44

Watson: No, I think they shouldn't have done it.

18-00:33:46

Lage: Oh, you didn't.

18-00:33:48

Watson: I just didn't think it was their field. But they did it, and they built a very nice, well-publicized community that has got all the urban qualities that the East Coast architects like. And on the Disney board was the chairman of the school of architecture at Yale—why, is it I can't think of his name? Anyway, I'll think of it.

18-00:34:16

Lage: He's on the Disney board?

18-00:34:18

Watson: Was on the Disney board, he just went off.

18-00:34:19

Lage: Was he brought on because of Celebration?

18-00:34:21

Watson: No. He did a lot of work for Eisner. Bob Stern was his name. Wonderful architect. But his influence, again, is that he's got that East Coast influence. He turned Celebration into a wonderful, photographic, a little town center and a neighborhood store.

18-00:34:48

Lage: Kind of a New England village?

18-00:34:50

Watson: Right. Now all of that is plus-plus, right? The negative is that it wasn't profitable for the company. So as a business, you look at those things and you say, "Why is that?" And part of the problem is the infrastructure up front—putting the lake up front, putting all these design architects to design all these buildings in the town center before you had a population to support it, so forth—hurt it. So it had the creative skills like you were doing Disneyland, only the problem is you're not selling tickets to go into it. Somebody's gotta buy a house. So what happens, then, it became, if you talk to the salespeople over there, is they have this large exhibit center where they've got the town model. They get thousands of guests taking buses over there because they heard about Celebration. They've got to entertain them and show them the town, but they are not prospective buyers, so this is very expensive for the company.

18-00:35:42

Lage: They are visiting, like Disney had envisioned people would visit Epcot.

18-00:35:46

Watson: My view is that—

18-00:35:51

Lage: Why don't people want to live there?

18-00:35:53

Watson: Well, they do live there. The people are buying houses.

18-00:35:55

Lage: But you implied that it wasn't profitable.

18-00:35:59

Watson: Living there doesn't mean that they are profitable. The thing is that they spent, from a business point of view, they spent too much money up front. We were very careful in Irvine when I started. My wife complained; we didn't have shopping close enough to us because I wouldn't let a store be built in our neighborhood until there was enough population. My argument, internally, when people would complain, "We're not the ones that really are gonna lose the money. It's the merchants we get to come in here, rent space from us on the promise that there will be a lot of customers show up, when there's not enough people around." You build up the population. They should have done that. But, you know, it was a nice experiment. It's just not their business. It's like any company going into a business it doesn't know that much about.

18-00:36:42

Lage: But how do you evaluate it, just as a new town?

18-00:36:44

Watson: I think it's a very interesting, nice community. Yes. I mean it's got physical diversity, it's got a nice architectural character to it, it's very popular for people to live there. It's good.

18-00:37:00

Lage: Is it expensive to live there?

18-00:37:02

Watson: Yes, expensive to live there, but—if it doesn't make money for Disney, you could have just sold the land off, and you would have made some money out of it.

18-00:37:15

Lage: Yes, there is that.

18-00:37:20

Watson: It's not part of their business. It's not like I'm gonna try a new ride at Disneyland or a new park at Disneyland. If that doesn't work out, I can fix it up. You can't really fix up the town once you've got all the investment in the town center and everything in the stores and the shops and the lakes and all that kind of stuff. You've got the money sunk in that, and you're not charging tickets at the gate to get in.

18-00:37:39

Lage: Did you advise them against it, as a board member?

18-00:37:42

Watson: I didn't advise them against it. I participated in critiques about it. They had a good group of people that were doing it. They were from Arvida. But they also were frustrated because they thought their concerns weren't being heard. It's like Disney owning the California Angels baseball team or the hockey team, the same way with Celebration. It is such a sideline to the main core of the business, the top executives of the company don't know that much about it and don't pay that much attention to it. So they let the cast of urban town planners take over. The result was attractive but too expensive. The Angels lost money, the hockey team loses money, and Celebration basically makes some money, but not enough to justify the investment. It isn't in the core of the business. It's an example of a company that takes on a project, gets excited about it because it's easy to get excited: We're going to change America, we're going to build a quintessential great new community! You bring in some of the top people from Harvard and elsewhere to design it, and you don't have top business people like what was my role to say, "Wait a minute. That's a great idea, but the market that buys these kinds of houses aren't willing to pay that."

18-00:39:06

Lage: Yes, because their managers don't have that expertise.

18-00:39:11

Watson: Right, exactly. Right. It's just, I think, a good example of where you get off doing something that is not your core business.

18-00:39:21

Lage: Now do board members—your being a board member now, just a normal board member—do they question management of things?

18-00:39:28

Watson: Sure they question management.

18-00:39:28

Lage: Why do we own the Angels? Why do we—?

18-00:39:30

Watson: Yes, oh yes, absolutely. We've been pushing for them to sell the Angels for several years, and it isn't because they didn't want to sell them, it's because they had to find somebody to buy it.

18-00:39:38

Lage: I see. So it's a board that's active and—

18-00:39:41

Watson: Right. But its sale is not mentioned very often because there's other things more important going on in the company. But yes. No, we've been talking about selling the Angels for several years. But it was done for a reason. The Angels was a different reason than Celebration. The company buying the Angels was a very legitimate reason at first, because what it was part of was the whole renovation of the city of Anaheim around Disneyland—the infrastructure, the streets, and the buildings around there. Once the company made a decision to build a second gate, they wanted as part of that a revitalization of the whole town around, the land all around it. So the company said it would buy a lot of the buildings around it. The city would put in millions and millions of

dollars of infrastructure, the state put in a freeway ramp coming down in the parking structure, but one of the concerns the city had was the Angels. The city owns the ballpark the team plays in, and Gene Autry, the owner of the Angels, was going to sell the team, because he was getting older, and the city's fear was that whoever bought it would move it out of Anaheim to somewhere else. So, as part of this whole package, Disney bought the Angels from Gene Autry and made a deal, a transaction with the city about rebuilding the ballpark. That was all part of the good relationship there was of revitalizing the whole town.

18-00:41:05

Lage: Which was good for business.

18-00:41:05

Watson: Sure, good for business. And the money that Disney lost with that ballpark was really more than paid back with all the infrastructure and so forth they got. But now once that's done—that's all I'm saying—once that was done, when we were past that phase, that's when the board members—and Michael Eisner himself—said it's time to sell the club.

18-00:41:23

Lage: But will they sell to somebody who'll keep them in Anaheim?

18-00:41:26

Watson: That was part of any agreement with the purchasers. That was part of what we had as a restriction. That's why it took longer is that they have a twenty-five year restriction. They can't move it for twenty-five years.

18-00:41:34

Lage: I'm learning more about Disney than I knew was to learn. [laughs] Okay. Is there more to say about Disney, or do you want to go to some comparative—?

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Watson: No. I don't even know what to compare it with.

18-00:41:49

Lage: You said you wanted to compare the—

18-00:41:52

Watson: Oh, I think I've done that. I was comparing that to the Irvine. The three things you can think of—a board I was on for twenty-some years was Pacific Mutual Life Insurance Company, and then I'm chairman of the Public Policy Institute of California, and Irvine Company. You can say, is there any comparison? Yes, there is a comparison I make. The similarity is that the Irvine Company had a clear mission of what it was going to do, not just being the business. Our business I describe often at Irvine Company is: we're in the land development real estate business. That's the business we're in, but we have a clear vision of what our product is, which is building communities, and we are managers of the process of building communities. Most everybody else in the real estate business is in the real estate business. They're not building communities. They're building little fragments of a community here, there, and everywhere, but they don't think of the whole job of incorporating, what kind of city council you're going to have, how the schools will operate.

18-00:43:00

Disney is the same way. Disney is in the entertainment world, you can think of it just as another entertainment company: MGM, Vivendi, Sony. I mean, all of them, they're in the entertainment business but they are not in family entertainment. Disney clearly set a niche of being in the family entertainment business with a sideline of making other films like everybody else does. But for the most part, it is the only company, film company, that there is a brand association with in people's mind about what films Disney makes. If you asked somebody what kind of films Paramount makes, they have no clue. So there is a similarity between the two. The Public Policy Institute is the same. It is a public policy research organization. There's a lot of public policy research organizations that do public policy of all kinds, but what the PPIC, the Public Policy Institute of California, did under a grant from Bill Hewlett. And Roger Heyns, who is a former chancellor of UC—he was the one who was a guiding light behind this organization and a close friend of Bill Hewlett—set certain parameters upon the kind of research. One, it had to be confined to issues that affect California, and it had to be in the area of education, economy, governance, and immigration. Issues that are all related to those kinds of things. So it directs the research efforts by all the people who do research into those fields. Again, it has a clear mission of where it's going and confines it. As hard as it is may be for people to see, because they're such divergent things, there is that great similarity and that's rare, really rare to have that. At Irvine, I still remind all the executives that while they are building all their office buildings, shopping centers, apartments and housing—just remember your main job is to build communities.

18-00:44:35

Lage: Rare to have a company that has that kind of nature?

18-00:44:37

Watson: It's rare to have the mission described other than the broad aspects, you know? Microsoft is somewhat the same. It does software; it doesn't get in the hardware business. But more and more companies are conglomerates. You see what I'm saying? They're a little bit of this and that—one division selling soap and somebody else is selling cars and somebody else is doing something else.

18-00:44:59

Lage: It seems to interest you to get involved in the mission.

18-00:45:04

Watson: Sure. That's what draws me. Some people like the business of business. They don't care what it is, but I'm not that way.

18-00:45:11

Lage: [laughs] You have some comments you wanted to talk about corporate governance. Is this the time to do that?

18-00:45:19

Watson: Well, yes and I can do that very quickly, I think. This is the period of corporate transparency. "Transparency" is a fancy way of saying "to see within the company by the public, particularly the shareholders, what's going on there." Are the board of directors transparent enough so that there is a view past this wall there has been between corporations and the public of what's going on? You see a lot of Enron and bad examples now, what went on—when it wasn't visible what's going on?

17-00:46:04

I think it's a very healthy period we're going through. It reminded me of my first exposure to that as a young student at Berkeley when I wrote a paper called "A Time-Life-Fortune Line" in which, through the encouragement of an econ professor, I started looking into—see if I could find if there was an economic line as I called it, that Time Inc. had with their publications. Did they represent owners, or did they represent the managers of corporations? And I concluded after looking at what they were doing in the thirties and the forties and the fifties—I was doing this in the late forties, or the early fifties; it had to be early fifties, I graduated in '51—that they represented the managers of business, but up until about the mid-forties they had represented the owners of businesses. The point of it really is I had an interest in that. But now all the corporate governance issues that are coming on now, and all of the lawsuits that have been filed, and the concerns about the corporations, I think that this transparency we're in now is a very healthy thing, whether it be Disney or—even the Irvine Company. And Pacific Mutual.

17-00:47:09

Pacific Mutual is an interesting company—a mutual insurance company. Really, what "mutual" means is that the insurance holders, those people who buy insurance, are the shareholders. They don't know they're the shareholders, most of them. Ninety-nine percent of them don't know. So you hold an annual meeting at the Pacific Mutual Life Insurance Company and nobody shows up, so it's just the management sitting around there and talking for about fifteen minutes, and go on to your business.

18-00:47:33

Lage: And what's the role of the board?

18-00:47:35

Watson: The role of the board is to represent those insurance carriers who are the shareholders, you know, just like any other board would be. But the transparency isn't there because there's nobody looking in at the company. I don't mean that as a criticism, I just mean that I think, a lot of people in corporate life resent the transparency, but I think it's a healthy thing. I think a lot of the managers, the chief executive officers of corporations, just don't like to be challenged and questioned. I think the fact they're challenged and questioned, they have to learn how to respond to that and not give into it necessarily if they don't think it's right. It's nothing more than that. That's all I was wanting to comment on.

18-00:48:19

Lage: It sounds like at Disney you were challenged in spades by the shareholders.

18-00:48:24

Watson: Right, right.

18-00:48:25

Lage: And sometimes going around the board, not using the board—

18-00:48:29

Watson: Right, just—

18-00:48:30

Lage: —but just running a separate campaign.

18-00:48:32

Watson: Yes, and you expose yourself to this, but you had a very special period in that time, though. I keep saying “the Michael Milken period,” but I don’t want to put the whole thing on him. He was doing what he considered a very legitimate thing, but they weren’t the normal kind of shareholders. They were just shareholders who were in there for five minutes. Arbitrageurs, if they own the stock, what they call “spin the stock,” they could do it in an hour. Buy it and sell it and make money, you know. So I don’t really care that much about transparency in that world. But I think we have more institutional owners of stock who are becoming much more active owners of stock.

18-00:49:15

Lage: Like Morgan Stanley and the other groups?

18-00:49:15

Watson: Well, Morgan Stanley, yes, but people who manage mutual funds.

18-00:49:19

Lage: Yes, the mutual funds.

18-00:49:20

Watson: What they do for the most part, if they start to dislike what a company is doing, they don’t try to tell the company, “You ought to improve.” They just sell their stock and go on to another company. They don’t take the time to do that. So the transparency thing is sort of despite that. It says, “You’re going to have to, as a board member, really exercise your role more vigilantly than before.”

18-00:49:49

Lage: Did you feel, like at Pacific Mutual, was it just sort of a figurehead thing, or did you actually—?

18-00:49:53

Watson: No, no, no. Not figurehead at all. Fortunately, Pacific Mutual was managed by very responsible executives that did care about their shareholders. Now, first of all, they had to because they were competing with other people selling insurance. So the company—you know when you buy life insurance—not term life, which is merely one year at a time; but long-term life insurance depends on its assets to grow in value. The more they can invest in things, stock, land, developments, other things that make their assets grow, the more your insurance will grow in value too. And they have to compete and it’s a tough competition, so they were—the board of directors, first of all, I think had great—and still do have—great CEOs in those companies as long as I was exposed to them, who really did bring in strong board members who were not afraid to ask questions.

18-00:50:54

Lage: Can you give me an example of the kind of thing that would come up on a—

18-00:50:58

Watson: In a board meeting?

18-00:50:59

Lage: At Pacific Mutual, for instance.

18-00:51:03

Watson: Well, there's hundreds of small issues that come up, but let's take, for instance, at one time Pacific Mutual had a—one of its businesses was health insurance and they were one of the early people in the preferred provider, the HMOs, and so forth. There is a business that you would lose \$20 million in one year and the next year make \$5 million. It so fluctuated, and the problem with it is that—as we learned; because we were all new pioneers—as there was a movement towards health insurance. Health insurance at one time was handled by corporations, who would offer health insurance to employees as an incentive to come and work for them. The human resource officers sort of ran the program. It was just another perk.

18-00:51:59

Lage: Yes.

18-00:51:59

Watson: Except when it started getting expensive. And what happened, which I learned from Pacific Mutual, is why is it we can lose \$20 million one year and make three the next? It's that, when you have a preferred provider contract with a lot of physicians, if you're going to sell insurance for a year to a company that's going to offer it to their employees you have to tell the company what it's going to cost per year, and you're trying to figure out what health costs are going to be for a year. Suddenly health costs were going up twice the rate of the consumer price index of the country, and still are escalating out of line. So what a board of directors does is deals with that like he does any other problem. It starts questioning, "Should we just get out of the business? How can we get a better handle on the cost of business?" They had all kinds of businesses that a board of directors would deal with.

18-00:52:52

Lage: And the manager—what is the power relation between the management and—

18-00:52:54

Watson: The manager will bring the—the power relationship of the real power is with the CEO, but he has to have the support of the board. In the end, the board could fire him. I mean that's the power the board has.

18-00:53:07

Lage: So if you don't like the decisions he makes, you get rid of him.

18-00:53:08

Watson: Right, but you know you lean awfully heavily towards not firing the manager because you don't want to have to do that because you also selected that person.

18-00:53:20

Lage: Who were the CEOs at Mutual?

18-00:53:23

Watson: When I came on, Walter Gerkin was. Prior to that I forget his name, but he was a well known—Asa Call was one of the real powerhouses in the state, and he was CEO in, I think, the thirties and forties. There's a strong history, and it is a board that was very prestigious. I mean it had people from chairman of Edison Company, the president of the telephone company, Bank of America, the Irvine Company and the chancellor of the University of California, Irvine.

18-00:54:01

Lage: And were you on it when you became president of Irvine?

18-00:54:04

Watson: When I became president of the Irvine Company, once again, status.

18-00:54:06

Lage: That came with a lot of—

18-00:54:08

Watson: Right, right.

18-00:54:08

Lage: —a lot of associate things.

18-00:54:09

Watson: But they also were right in our neighborhood. They were ground lessees of the Irvine Company. We brought them down—when I was executive vice president we leased a piece of ground for them in the Newport Center to build their corporate headquarters, and there had been a long history, for whatever reason, of a president of the Irvine Company being on that board. A “good ole boys” club.

18-00:54:36

Lage: Yes.

18-00:54:39

Watson: It's like how do you get to be a regent?

18-00:54:40

Lage: Well, maybe that's next.

18-00:54:42

Watson: No, no.

18-00:54:43

Lage: That's a good question.

18-00:54:46

Watson: But it's not dissimilar; that's my point. It's not dissimilar. For whatever reason that you get the governor to pick you as a regent, you have to have some status that plays well in the political world as well as in the public world.

18-00:55:03

Lage: Right, in the political world, too, it seems.

18-00:55:04

Watson: Right.

18-00:55:07

Lage: Shall we talk more about PPIC? You gave a very brief summary of it, of what it's about. When did you get on that board and how?

18-00:55:17

Watson: I got on the board shortly after it was founded, probably 1994 or 1995. It was founded in 1994, so it might have been a year after it was founded. I was one of the original board members.

18-00:55:28

Lage: And how did you come to their attention?

18-00:55:31

Watson: They saw a picture of me and said, "He is handsome!"

18-00:55:34

Lage: Well, I can see that.

18-00:55:35

Watson: [laughs] No, what happened was I got a phone call from—I didn't even know about the organization—from David Lyon, who is the head of them, who had been hired—the first core of the board was Bill Hewlett, Roger Heyns, Arjay Miller—do you know who he is?

18-00:56:02

Lage: I've heard of Arjay Miller being on other boards. He was on Levi Strauss board.

18-00:56:06

Watson: Well, Arjay Miller was president of the Ford Motor Company at one time, and then he was for ten years chairman or dean of the graduate school of business at Stanford. He was on the Hewlett board, see, so he was one of the founding members. They were—Roger Heyns, Bill Hewlett; it was Bill Hewlett's money.

18-00:56:29

Lage: And Heyns was head of the [Hewlett] Foundation.

18-00:56:32

Watson: Right. And Arjay Miller. This idea that Heyns had is that what California needed was an institute that provides research information on policy issues that affect California and Californians. There are a lot of national ones like Rand Corporation and so forth. He convinced Bill Hewlett to put up the money to do that. They went looking and found David Lyon, who for twenty years had worked at the Rand Corporation doing that kind of work. He was a graduate of the University of California, Berkeley, school of planning.

18-00:57:11

Lage: Did you know him from that?

18-00:57:13

Watson: No, I didn't know him at all. I get a call from him one day, asked if he could come and have lunch with me. He told me about this foundation. It turned out, like a lot of things, is that what he did the first year he was hired was to spend time with the universities and elsewhere to find out what research is going on so that before they start doing research, they say what areas, if you're gonna do education, what's missing in terms of information? You aren't just sort of duplicating what somebody else is doing, or whatever it is. Also, who to be on the board of directors? They had an original rule, which is still true, that you have a three-year term, and you can only stay three terms. So there is a replenishing. It turns out I'm gonna stay longer than that because it tolls while you're

chairman. But that even has to rotate. So I'll have three more years before I go off that board. But that's good—they have good governance rules.

18-00:58:08

So anyway, David Lyon calls me up and asks me for lunch, and we chat. He tells me what they're doing, and now, it turns out how he got my name, is like anything else in life, a fellow who used to work for me, being Ted Deinstfrey—

18-00:58:24

Lage: Ah, Ted!

18-00:58:25

Watson: —was in David Lyon's class at school. And so he talked to Ted Deinstfrey and asked if he had any idea, and he says, "You ought to talk to Ray Watson," and that's how it happened.

18-00:58:38

Lage: That's a nice connection.

18-00:58:40

Watson: Right.

18-00:58:41

Lage: What do you do as a board member? And then also, what does the organization—?

18-00:58:45

Watson: Well, you do as a board member, first of all you don't—you have very little voice of what studies are being made other than that whatever studies are being proposed have to adhere to the core areas of interest from governance to economy to the state, and so forth. But other than that it is just like it is a public corporation board. In other words, you're looking over the economics of the board, the investment funds that we have worth like \$200 million. We don't manage it. We hire the managers. We have a finance committee that looks at that. I go up for two days. Four times a year. Two of those times, they have one day devoted to advisors. At the advisors meetings different PPIC researchers explain the projects they are currently working on and how they are going about the study. The advisors ask questions, at times challenging some of their methods, etc.

18-00:59:55

On the day of the actual board meetings we do governance. Now we're very jealous, as an institution, just like Disney is jealous of their name, Irvine Company is jealous of their name, we're very jealous of our name at the Public Policy Institute. Jealous in the sense that we are nonpartisan, independent. That's our reputation, and that's our strength, and that's what's clear from Roger's writings on the subject that it was very important to do. So as a board, we are very jealous about how they handle themselves as researchers. When they've done a study on immigration, for instance, they don't suddenly find themselves out pushing, advocating some solution of it. They can suggest different things that can happen out of that, but they can't become advocates. We do not want to be known as advocates. We do not want to be known as a liberal research tank or a conservative research tank. It takes a lot of care with regard to that, so you have board members who are asking about articles that appeared in the paper, or whatever it is. They say, "Are we protecting those issues?"

18-01:00:59

Lage: It's a hard line to draw if you do a study and it shows kind of clearly a problem. Is that all you want to do is identify problems?

18-01:01:09

Watson: Yes, because that has power if it comes from somebody that can be respected. For instance, we did a study a couple years ago on the minimum wage. Well, everybody has a view on whether there should be a minimum wage or not, should it be raised or not. You got the liberal side of it saying you need to raise it because you got to have a living wage and so forth. All we did there was try to find out who benefited from the minimum wage, who were those people, and who would benefit from it if it went up, and we found out the middle class could benefit more than the poor.

18-01:01:49

Lage: How is that?

18-01:01:50

Watson: Because most of the people who are earn minimum wages working in places like McDonald's and so forth, and most of those workers are children of the middle class who are doing that to make side money. So we want to make sure we're not advocates of not raising the minimum wage and we're not advocates of raising it, but the study is powerful in itself for those who are in that arena. When the federal government started pushing, a number of years ago now, a lot of the social costs of the poor down to the states to solve with the argument they can better do it, the states had all kinds of ideas. They said, "Give it to us. We can do a better job." But they weren't thought-out ideas. They made a contract with the Public Policy Institute to test and measure different approaches to dealing with the cost and the effectiveness of different ideas the state staff were considering.

18-01:02:47

Lage: The State of California did?

18-01:02:48

Watson: The State of California, the departments there, because now, suddenly, they were going to get this responsibility in a year or whatever it was, and they had to come up with a program that had to go through the legislature. And the legislative analyst's department would estimate the cost of any of these ideas they had, because when the feds were responsible the state didn't have to worry about their costs.

18-01:03:08

Lage: Right.

18-01:03:09

Watson: So they asked us to do those studies. What did the early studies do? They showed that many of the ideas they had bankrupted the state. The role we played was not as an advocate nor an opposer of the plans. Since the PPIC was not an advocate of any of the proposals our only interest was testing the potential cost and effectiveness of the proposals. So that's the reason independence is extremely important for us. Many other "research" organizations end up being advocates or opponents of something.

18-01:03:43

Lage: But you feel like you've been able to keep your independence.

18-01:03:46

Watson: Right now what you'll see is in the legislature, particularly the staff people, they really want and trust the Public Policy studies. When Bush came out here a year ago, he flew out on his plane, the first thing he wanted was our political survey work that says what are the tendencies going on in the state politically. When the newspapers report on our studies, they refer to our studies as by "the independent PPIC organization." So that's part of what the board governance is about, is that you protect that brand, as one of independence.

18-01:04:23

Lage: But you don't come up with the research questions?

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Watson: Usually we decide what topic we will research. But sometimes we also respond to questions posed by others.

18-01:04:27

Lage: Who gets to design the research questions?

18-01:04:28

Watson: David Lyon, PPIC's president. Mark Baldassare, PPIC's director of research. They might decide we need to do some work in education. They have spent time exploring current public policy issues as to the need for research. They conclude, "Here's an area to take a look at." Then they come back with an idea of what needs to be studied. They put together a research program with a budget to do it, and then they either give the go-ahead or not go-ahead. And they will report it to the board merely as the board is looking at it to sort of, "Here's some of studies we're doing," but also as a way of showing how we're staying within the parameters that we were originally established for PPIC.

18-01:05:13

Lage: So that's one—is that one of the board's functions to see that it does remain independent or impartial?

18-01:05:18

Watson: Yes, yes. That's one of the biggest. I'd say that probably—the two biggest, in my view, responsibilities of that board is to make sure it stays solvent and it stays independent, otherwise it's lost its reason for being.

18-01:05:34

Lage: Does the board have people who are identified with both sides—both political parties, or people who aren't very—

18-01:05:43

Watson: You mean does the board have both Republicans and Democrats?

18-01:05:47

Lage: Yes, or does it have mainly kind of independent folks like yourself?

18-01:05:51

Watson: We talk about that. We probably have more Democrats than Republicans. I don't really know what everybody's registration is. I'm registered Democratic but I'm an independent. But we are looking for new board members all the time. We have—let's

see, we have three women on the board and they have different backgrounds. One of them is a Latino, who is a professor of psychiatry at UCLA. Great lady, Cynthia Telles is her name. We've got Cheryl Mason who is an African American lawyer, used to be with O'Melveny & Myers, now works for the county or the city government, in a role there. We had A. Alan Post, remember him? He's about to go off because he was one of the founding members—

18-01:06:59

Lage: Yes, a former legislative analyst.

18-01:06:51

Watson: Right, he's terrific. Great artist too.

18-01:06:54

Lage: Oh, I didn't know that.

18-01:06:54

Watson: Very good artist. His wife is a sculptor. Yes, he's a professional. I mean he sold a lot of his art. We're looking for another Latino. Yes, we'd like the board to be reflective of the mix too, but we don't want a public official on our board, and we don't want Ralph Nader on the board. I mean they're clearly advocates of policies. I mean nobody in the business of research really expects Ralph Nader's "research" to be objective since they're advocates. That's not what their role is, to do impartial studies.

18-01:07:33

Lage: True. [laughs] But does the state contract with you to do—

18-01:07:38

Watson: No, we don't contract. We don't want to become employed by any agency. But if a public agency needs us to conduct research on a policy issue we may receive expenses for our work but we alone control the work.

18-01:07:46

Lage: So they don't pay you?

18-01:07:48

Watson: But we might be willing to contract with them if it is an independent enough study that we're going to do. That's something we're exploring now. For a long time we would not even joint venture with any other organization because there's a fear that we become allied with advocates. Fortunately, we have the independence of not doing that, but now Roger Heyns, from the beginning, said eventually we need to get to the point where we need to do some joint ventures with other funding organizations, not advocates but funding—like James Irvine Foundation, like the Hewlett Foundation—

18-01:08:30

Lage: I see.

18-01:08:31

Watson: —like the Packard Foundation and other foundations, and that's what we're starting to do.

18-01:08:35

Lage: Now what kind of thing would you do?

18-01:08:37

Watson: Well, you come up with a study they're interested in. Like, some of the education studies the Hewlett Foundation is extremely interested in, and they're jointly paying us for that work.

18-01:08:45

Lage: I see. So you get grants?

18-01:08:48

Watson: We're doing a study, just starting out, with the James Irvine Foundation, for instance. We do a statewide survey, Mark Baldassare does, of sort of the political attitude about the governor, about issues in the state, and we bring it up to date and we publish that periodically throughout the year. Then we do a local one for Orange County and other regions. Now, we get local people—Irvine Company is one of the sponsors, Pacific Life is one of the sponsors, the Orange County Business Council is one of the sponsors. It cost \$100,000 to do that study. We bear 50 percent of the cost of that, and the other supporters pay the other 50 percent of the costs. Our 50 percent is all the overhead that an organization has.

18-01:09:39

Lage: I see.

18-01:09:40

Watson: So all they're paying for is the actual survey work that is done. Again, PPIC conducts the polling and summarizes the responses independent of any of the sponsors.

18-01:09:55

Lage: What is it you're trying to find out in Orange County?

18-01:09:57

Watson: Orange County, this is called the Orange County Survey. Actually, Mark Baldassare, who was a professor at UCI for years, he started it and he carried it over into our organization and does it from there now. And he does a statewide survey also. Questions like: "What do you think of Governor Davis?" Or during an election, "Who do you think—?" You throw the issues out—

18-01:10:18

Lage: Mainly political.

18-01:10:19

Watson: Yes, and issues. "The economy? Health cost?" Because the surveys are conducted annually, you track the evolving trends and attitudes within and between different regions of the state. We then publish the results.

18-01:10:46

Lage: Yes.

18-01:10:46

Watson: Of course, newspapers love to pick it up.

- 18-01:10:48
Lage: They do, don't they?
- 18-01:10:49
Watson: Right.
- 18-01:10:49
Lage: Yes, you read—the PPIC name comes up so frequently, especially with Mark Baldassare's survey.
- 18-01:10:55
Watson: Right, right.
- 18-01:10:55
Lage: He's on NPR [National Public Radio] a lot, also.
- 18-01:10:57
Watson: Yes. He's great. He really is great.
- 18-01:11:02
Lage: And it's mainly polling, right?
- 18-01:11:04
Watson: No. He does mainly polling, but—
- 18-01:11:06
Lage: I mean a lot of his work is polling.
- 18-01:11:08
Watson: A lot of his work, but look, we got forty-five PhDs pumping out studies.
- 18-01:11:10
Lage: Doing all kinds of stuff.
- 18-01:11:11
Watson: Yes, they're doing all kinds of studies. Take a look in here.
- 18-01:11:17
Lage: Should I come in here with this?
- 18-01:11:19
Watson: No. Turn it off a minute. [tape interruption]
- 18-01:11:25
Lage: We're back on recording, and we just looked at some of the studies that PPIC has done. And you were prompted to think about connections.
- 18-01:11:37
Watson: Well, the connection that I like between Irvine Company, Disney, and the Public Policy Institute is that they all have a mission that I can put my hands around, I can describe, and I'm interested in. You can say, why would I be interested in public policy? Well, that's just a human thing. I'm interested in it. I was interested when I was at Disney because I asked, why do people go to these kinds of films? Asking questions, what do you mean by

family entertainment? And so forth. At the Irvine Company, I was tremendously interested, and am still interested in it, in terms of what is a community? What causes people to like a community? What role does a physical community play in the social community? Things like that—that always interested me.

18-01:12:22

Lage: You like asking questions.

18-01:12:24

Watson: I like asking questions, and I like to have some meaning to what I do.

18-01:12:32

Lage: Did you in Irvine Company use polling more than your counterpart now?

18-01:12:39

Watson: Yes. I'd say yes. I don't really know how much they do now.

18-01:12:50

Lage: I noticed in this book on Disney that one of the footnotes says that Irvine Company used polling to see what kind of floor plans people like, what kind of a façade people like, what kind of a kitchen.

18-01:13:06

Watson: Right, but we also did polling about what their attitude was about the company because we are working in a glass bubble. Everybody knows what the Irvine Company is doing.

18-01:13:18

Lage: I knew you'd done that because that's come up.

18-01:13:21

Watson: Well, we did that—we did another thing. Actually, I did it when I was executive vice president. We had as many as ten different home builders building at one time on the ranch. We don't own those companies, but they have to build the style of house and the price of house we wanted. That's how we got the mixes we got, and so forth. And they had to do it in a pattern that we had established for them. But also, we would also get often the complaints that buyers would have about their builders not following through on fixing the construction deficits. So we started doing surveys of the builders as to customer satisfaction after a year. Then we posted the responses. At first, we couldn't get the builders to accept that there was legitimate complaints about their work. We didn't claim that it was legitimate; we just said there was complaints. By publishing, I mean we would send a report out once a year on how the different developers, homebuilders, were rated by their customers.

18-01:14:18

Lage: Just to the developers.

18-01:14:19

Watson: Just to the developers.

18-01:14:20

Lage: I might have to stop you here because I—

##

19-00:00:11

Lage: Okay, we're back on, and you were saying—

19-00:00:14

Watson: I was talking about the Public Policy Institute.

19-00:00:17

Lage: But just finish the story about polling.

19-00:00:18

Watson: Oh, the polling at the Irvine Company. We used it not only to get the attitudes about the company, but at one time—I don't think we do it anymore now—but when I was executive vice president once a year we would poll the home purchasers, their ranking or rating of the developer, and follow-through on deficits that they found with construction, or whatever it was. Did they do a good job in following up and fixing or not? And then we would publish that report for all the builders to see how they rated in there, whether they were the best or the worst or in between. We found that much more effective than one-on-one calling, telling them, "We've heard a lot of complaints about your construction," and they would all deny it. We no longer said it was us that said it; we just polled the buyers. It was an effective tool.

19-00:01:15

Lage: Yes, I'll bet. Now, I'm interested in the idea of polling to see how people want their homes designed. Was that something you did?

19-00:01:23

Watson: Well, we did, yes. Not a lot of that. Basically, when you're selling houses, you're polling them. If they don't sell, you change the rooms. You'll hear from people coming through the sales office all the time. So you've got people in the sales who hear the people who have gone through the model homes. That's how you hear it.

19-00:01:47

Lage: So you didn't have formal polling.

19-00:01:48

Watson: No, you didn't have to. You don't have to do it for the design of the units.

19-00:01:52

Lage: You hadn't mentioned it, and then I saw it in the book about Disney, and I thought hmm, I hadn't heard about that.

19-00:01:58

Watson: Yes, right.

19-00:01:59

Lage: Okay, let's see if there's more you want to say about PPIC.

19-00:02:04

Watson: Not really.

19-00:02:04

Lage: It sounds like a great organization to be involved with.

19-00:02:07

Watson: Now you know how to get it on the Internet.

19-00:02:10

Lage: Yes. As chairman, did you have a special role with it? As chairman now?

19-00:02:19

Watson: Well, your special role is you chair the meetings. You don't chair the company, you're chairing the meetings. And you've got—yes, your special role is to go over the agenda with David Lyon at the beginning to get issues added onto it, making sure we're following through with what we said at the board last time. That kind of role. Then, during the meeting, you're mostly chairing the dialogue, going through the agenda, making sure we can get it done in the time period we have. As always happens with any group, somebody starts talking on something, and pretty soon your tight schedule is devastated, and I have to remind everybody we now have only five minutes left on this agenda item or else we're gonna have to stay here overnight.

19-00:02:58

Lage: [laughs] Sounds like you run a tight ship.

19-00:03:01

Watson: Well, you have to. I mean, that's part of your job. They appreciate it, you know, because they're not keeping track of the time. They don't even know what the schedule is.

19-00:03:08

Lage: And they're all-day meetings.

19-00:03:11

Watson: They're all-day meetings, yes. But people are gonna catch an airplane. We finish at three, so you can go catch an airplane.

19-00:03:18

Lage: But you don't have an adversarial role with David Lyon?

19-00:03:22

Watson: We don't have an adversarial role with David Lyon, but we may have some disagreements with him. They're all normal and healthy disagreements over some issue of—the latest issue, which is sort of the times were in, is that the endowment value has gone down significantly because stocks have gone down. You try to make sure that you can run the organization, that is pay for all these researchers and everything, and run the organization for 5 percent of the value of the endowment. So now, when the endowment goes down and you've been spending twelve million dollars a year to suddenly you can only spend nine and a half million dollars a year. The management doesn't really want to lay-off researchers. You have the normal thing you would have at the regents meeting, probably, or the chancellors meetings in the campuses.

19-00:04:15

Lage: So, you have to—

19-00:04:16

Watson: You have dialogue, and you have some disagreement among the board members. Some people are not at all bothered by running the endowment down. They said it's better to have all this work come out, and if we finish the endowment twenty years from now, so what? Others say, no absolutely not, we want to live on forever, and that's a natural debate to have.

19-00:04:35

Lage: But isn't that part of the rules of the organization that the endowment has to—can't be tampered with? Or you have that ability to run—

19-00:04:43

Watson: Oh yes, you have the ability to do it. You can give it all out in one year if you want. There's nothing opposed to that. The only thing is you have a minimum of what you spend, not a maximum.

19-00:04:53

Lage: You have to give a certain amount.

19-00:04:55

Watson: Yes, and it's 5 percent of the endowment.

19-00:04:57

Lage: So when the times were flush—

19-00:05:00

Watson: We grew fast.

19-00:05:00

Lage: —you grew. And you had to grow? I mean, could you have said we know these times aren't going to go on forever, let's tuck some away?

19-00:05:06

Watson: That was part of the dialogue we had in the good times and the conversations I had with David Lyon. Do we leave our flexibility for the times inevitably when it will come down, and it wasn't coming down at the time. One of the things that he came up with is that I think he had a million or a million and a half dollars of the budget of a twelve million dollar budget that would be for—grants would be given to faculty members on the campuses and elsewhere to do certain studies, and that's easier to cut off after they'd done a study and not do it again than it is to fire a full-time researcher. So it was things like that.

19-00:05:49

Lage: So he realized that it wasn't going to go on forever.

19-00:05:51

Watson: Right.

19-00:05:54

Lage: I'm not sure all the organizations did.

19-00:05:56

Watson: Right.

- 19-00:05:58
Lage: Okay, let's just pause and see if we want to continue or— [tape interruption]
- 19-00:06:03
Watson: That and the bidding war, because that won't take long.
- 19-00:06:06
Lage: Okay, very good. Okay.
- 19-00:06:08
Watson: I think I've already done the bidding war. I mean I went through the trial and so forth, but—
- 19-00:06:12
Lage: Right, but you have more thoughts on the bidding war [to buy the Irvine Company, 1977].
- 19-00:06:15
Watson: This has to do with how I saw the business and during the bidding itself, without going into the details of the bidding. I think I already did that—how I went back and forth and who won the bidding.
- 19-00:06:29
Lage: Right.
- 19-00:06:30
Watson: What concerns did I have over who might get it. My concern was that by the very nature of bidding the price up and the attractiveness it had to those who were going to bid for it, that they would not see the company in the same way I saw the company as building communities. They saw it just as a piece of real estate that they could just extend the business they're in elsewhere in the United States. And that was a concern I had. I had no evidence to indicate they wouldn't, but—
- 19-00:07:03
Lage: Now, who was bidding for it that you—
- 19-00:07:04
Watson: First you had Mobil Oil; you had Cadillac Fairview, which is a Canadian real estate company; and then a conglomerate of Henry Ford, and Al Taubman, and then Donald Bren, and a guy named Max Fisher, and I forget who else—oh, Charles Allen, one of the investment from Wall Street.
- 19-00:07:24
Lage: So here again you were—I mean, it wasn't "here again," because it was before Disney—but you were head of the company and there were all these different people trying to buy it up.
- 19-00:07:34
Watson: Buy the company, right.
- 19-00:07:34
Lage: Yes.

19-00:07:35

Watson: Now, the thing is that a concern is you have a very proprietary interest in what this company has been successful at doing. It's a mixture of being a strong business organization that was profitable, and it was also building communities that we thought were a stage above or some element of better than what had been done before in building communities. Only time and history will tell whether that's true or not on the latter, but that was what concerned me. Would the new buyers think of it as anything other than just buying a piece of dirt like they were used to buying elsewhere and seeing how fast that they could profit from it? Now, I'm a little bit nervous about characterizing it in that way, because we were trying to make as much profit as we could out of it too but within the product we were doing. Just like Disney tries to make as much profit out of filmmaking as it can but it restricts itself to a certain kind of films. In the end, the way I word it is: my concern was would the new owners see the Irvine Company as anything more than a real estate play, and I didn't know. But—

19-00:08:56

Lage: Did you have some indication, though, from talking to them?

19-00:08:58

Watson: I had the indications—Mobil Oil just goes around the world and buys property and does investing. You know, other than my ability to persuade them to do otherwise, I can't think of them—I'd have to convince them. It was just clear that we're not foregoing the appropriate profit for the company or the security of the company by pursuing some other goal in building communities, which is what I think to some degree Disney did at Celebration, you see?

19-00:09:26

Lage: Yes.

19-00:09:28

Watson: So it's sort of an ambivalent view you have when you're the manager of something, you've been involved in from the beginning, and you wonder what the new owners are going to do going forward.

19-00:09:38

Lage: Yes, yes.

19-00:09:39

Watson: Now, you express that without any end to it other than now you can look back and say what did happen. What did happen is that, in my view, from 1977 when I left to '83 when—I break it at '83 when Donald Bren bought out his partners and has been owner since, those are two different eras.

19-00:10:02

Lage: Right.

19-00:10:03

Watson: Then, in my judgement, from '77 to '83 essentially they saw it as a real estate play. They had the advantage that we had started Woodbridge, we had various communities already planned and approved by the city governments as communities, and they just finished out our plans. They didn't really change any of our plans, and so that was very satisfying. But

they were sort of reaching—by '83 they had to go into different areas of the Irvine Ranch to start planning anew. Would they do as well? I hoped they would have. I didn't know.

19-00:10:32

Lage: Did they lay down any plans?

19-00:10:36

Watson: Yes, they started to lay it down. But what happened by then, which was gratifying, is that the city itself was now incorporated, and they themselves, the citizens of Irvine, wanted nothing but villages in the new areas. They would not allow the company to do other than that. So, in fact, the characterization of what this community was going to be that we established had taken hold among those who lived there.

19-00:11:00

Lage: That's interesting, especially in view of your desire to have it incorporated.

19-00:11:04

Watson: Right. But the company did it, as best I could tell, somewhat—not reluctantly, but so long as it didn't get in the way of profits. But they didn't have the zeal. They laid off most of the planning department.

19-00:11:18

Lage: Oh they did? Well, that's an indication.

19-00:11:19

Watson: They said, "That isn't what we do, that's what the city does." When Bren bought out his partners, he did it partly out of: this is a great opportunity to own all of it. Number two, he's better off to own all of it, and thirdly, he was complaining that they were not paying enough attention to the planning that had been going on beforehand.

19-00:11:45

Lage: Were you in on any of this?

19-00:11:47

Watson: No. No, I had no role in that at all. Donald Bren, since then, has really brought the planning element back into the company in spades.

19-00:11:58

Lage: Did he bring in a new planning—re-create the planning department?

19-00:12:01

Watson: Yes. He brought in very good—Rob Elliot is now there. Roger Sykes, prior to that. These are very skilled professional people in that field. They're physical planners, but most of the political and social elements are always going on as in the very beginning. They were already established. The community associations were established, the role of the community association; the school district boundaries had been all set. The incorporation is done. The governance of the city by the city council was already done. So really, they no longer had to do that role. I'm not sure Donald had as much interest in that at the beginning, but he didn't have to. His interest was, from a design point of view, that he really does believe in the planned communities. He believes the value of that. He physically is very interested in the architecture, and he devotes a great deal of his time to overseeing that, and he brings in the very best people there is in the business to do that.

And then he added something that none of us expected, which is the 50,000 acres of open space.

19-00:13:03

Lage: Did he do that out of the goodness of his heart, or was he pushed into doing it by the political climate—the environmental—?

19-00:13:15

Watson: There was no concern—it was a complete shock to the community when it was announced.

19-00:13:18

Lage: Oh, really?

19-00:13:20

Watson: And to the very community you are talking about. There's people who stood up and said, "I didn't like you before but I like you now, Donald Bren."

19-00:13:27

Lage: [laughs]

19-00:13:28

Watson: But that isn't the reason he did it. Yes, he was influenced by the fact that you can get a tax deduction for it. There's people who accuse him of only doing it for that, but that's part of the wonder of our capitalist system—that you can figure out a tax policy that will encourage people to do things that are beneficial to everybody, and that they ought to get something for it. I mean I come from ideals—you know, I'm a Democrat. I'm an independent. I vote Republican. I vote very independent, but I do believe—for instance, let's take parks. I used to argue all the time that people wanted parks but they wanted the company to give the land for the parks. But if the park is for everybody, everybody ought to pay for it. How do you pay for it? You pay for it by being taxed, and you buy the land from one property owner. Now, it was always easier to do it with the Irvine Company because they own so much land, but if you only own twenty acres and that was your entire ownership, and somebody wanted to take half of that land for a particular park in that location and therefore you ought to give that land, they've taken half of all your assets away. Why shouldn't all those people who are going to benefit from that, pay for that? Now that's where I come from. Well, Bren—the fact is that he got a tax incentive for giving that land. And the land is difficult to develop, I mean it's physically difficult to develop but it's not impossible to develop.

19-00:14:42

Lage: Right.

19-00:14:43

Watson: But the fact is, that he could have just sat on it and not given it and at some time in the future, when it becomes even feasible maybe to develop it, it wouldn't have been open space. The fact that he chose that, and I think he's added an element to what Irvine is, as a total, as a piece of property, in his legacy, that now half of it is going to be open space. But not only that, that he spends his money to hire the Nature Conservancy for years to be planning this property. As open space, how do you protect the habitats? Where is the public going to be allowed to go in? How do you protect the habitats from the public

coming in there? How do you protect the streams of water that run off in the road areas? What should you do before the government gets ahold of it? Because, previously, the company had given land to the government and they didn't know what to do with it.

19-00:15:31

Lage: So is the Nature Conservancy an intermediary stage, where eventually it will be a park?

19-00:15:34

Watson: Yes, it's been intermediary for ten years and it's going to be intermediary for the next ten years. And they're getting paid a substantial sum of money by the company to do this work. Everybody trusts them in this for what they're doing.

19-00:15:44

Lage: Yes.

19-00:15:45

Watson: So anyway, I think that my concerns about the company is no longer a concern. I think that Donald Bren has brought an element to this equation that we're very—I think everybody is very fortunate that he is an owner of this property, because I know the business well enough to know what most owners would have done with his property. It wouldn't have been a disaster. It would have been financially successful. I mean, it's a great location.

19-00:16:14

Lage: Yes and how could it have not been successful, really?

19-00:16:15

Watson: Yes, it's just that that little element of effort it takes and thought it takes and discipline it takes to try to create a, what we call, communities—that you're thinking about it, you're striving for it. We can all criticize what the end result is, but at least somebody thought about it.

19-00:16:31

Lage: [laughs] You know you always hear about the right wing and the strength of the right wing in Orange County. I don't know if that's true any more, but did you experience, you know, the John Birchers and that type of thing?

19-00:16:45

Watson: Sure. You heard it sort of in the periphery, you know. You'd hear—you'd read about it in the paper, you'd run into somebody, a neighbor that wants you to sign a petition for the John Birch Society, and you sort of joke with them and laugh and let them go on their own way. I mean, it had very little influence, if it even had any.

19-00:17:05

Lage: Didn't affect the course of events and all?

19-00:17:06

Watson: No, no.

19-00:17:07

Lage: Was there any interplay between the political activism that you've described mainly over issues of environmental issues?

19-00:17:14

Watson: Well, yes, there's—

19-00:17:15

Lage: And others?

19-00:17:16

Watson: It's unrelated to left wing or right wing, the political activism of environmentalism. You got the bringing together of the nimbyism—that is, “Not in my backyard. I don't want any more housing. I don't want any more people, there's too many cars already”—and environmentalism that helps support that opposition. Nobody is there in that group saying, “How we're going to solve the housing problem in the state or in the country or in the world?” You know?

19-00:17:54

Lage: Are any of these groups overlapping with the conservative groups or are they more on the other side?

19-00:17:59

Watson: No, I think you will find among that group, a splattering of liberals and conservatives. I think it's independent of that.

19-00:18:08

Lage: I see.

19-00:18:08

Watson: I can remember growing up believing that, when I begin to read about the rigidness of the Soviet system and Stalin and what he did—and the way they punished people for not adhering to things—as being very consistent with the extreme groups on the left and the extreme groups on the right in this country. That that personality that says, “I'm right and they're wrong, and by golly I'm going to put them in jail if they don't adhere to this—”

19-00:18:38

Lage: They're on both ends. [laughs]

19-00:18:39

Watson: And so that's how I just sort of get rid of the right wing/left wing thing. When they get extreme, they have no tolerance for another point of view.

19-00:18:50

Lage: Just back on this political thing, we were talking [off the tape] when we looked in the other room, about immigrant communities often not voting. Now, here you have well-off immigrant communities that have moved into the area here, and largely Asian. Do they participate in the political process? And do you know—?

19-00:19:14

Watson: Right now, there's not much evidence that—the city of Irvine is the example. The campus of Irvine, the largest single ethnic group is Asians. There's a large Asian community within the city of Irvine. Most of the record seems to indicate they don't vote much.

19-00:19:34

Lage: Even though these are well-off and well-educated.

19-00:19:36

Watson: Yes, and it doesn't seem to have affected that any. Yes, and the Asian people that came over here mostly—other than the nineteenth century Asian people that came over to build the railroad tracks, but other than that—many of them are scientists and engineers and well-to-do people. I think that'll change. I think it'll change in China, but I think it'll change here earlier. Right now they don't really—they have their own community—and they're shy people. Whatever the reason is, I just think it's a matter of time. But I think they've become—I think I've said this earlier—become Americanized. An example of what happens when they do switch over and become activists is that a small percentage of them are activists in the Asian community or the Latino community, but most of them are activists in whatever cause—right or left—that they happen to believe in.

19-00:20:33

Lage: Just another mix.

19-00:20:35

Watson: Right.

19-00:20:35

Lage: Yes. Okay, well I think we've covered a lot here. Do you have thoughts sort of to finish up, some personal reflections?

19-00:20:46

Watson: Personal reflections.

19-00:20:47

Lage: About career and family?

19-00:20:50

Watson: Well, there's not—it won't take long. I don't have big, huge reflections. The way I am, who I am, has always identified family first and career second. I have been exposed to an awful lot of people in the business world that are the other way around, career first then family second. I don't know how I came to that or not come to that. I didn't think of myself as a career person growing up, because I grew up in very modest circumstances. But I looked forward to having a family, and I ended up very fortunately with a wife who should win all prizes for being a wonderful, loving wife and a great mother and a great grandmother. And that fits exactly what I believe. I made clear within any organization I was part of that, if executives had spouses, where in a lot of cases they have their social functions and so forth they expect the spouses to come out to them, I didn't expect it. They were welcome, and I actually had to say that at times within our human resource people, who were trying to encourage people to bring their spouses to some sort of affair. I said, "Don't encourage them to bring them. If they want to come—but they've got children, they've got other things to do." And yet I wanted them to know they're welcome. I don't want them to think they're not welcome. So—

19-00:22:33

Lage: Were there times when you had to make a choice? Do you think your career was affected by saying I want to put my family first?

19-00:22:40

Watson: No. No, I don't think it was affected. The comment that I wanted to make was that you just can't have that as a philosophy and not do something about it. It's like the business,

and that's the wordings I used. Both your career and your family need a vision and constant care.

19-00:22:59

Lage: Yes.

19-00:23:02

Watson: And you got to balance it, and sure my wife at times is bothered, particularly in the early years when I had to go to nightly meetings all the time, and so forth, that maybe I wasn't home enough. Then I'd try to adjust to the extent I could, but she was very understanding too. You got a meeting in the city council you got to go to it—that's what your job is. What I didn't do, which a lot of executives do, is that when I did have spare time I didn't go out and spend five hours golfing on a Saturday and on a Sunday and leave her behind. I did it one day playing tennis and tears came, and so I knew—[laughs]

19-00:23:37

Lage: [laughs] That wasn't going to work.

19-00:23:40

Watson: Right. But my only reflection, because it's not very complicated, is that I've been blessed to be able to be fulfilled in both my career and my family life.

19-00:23:49

Lage: Well, that's very nice to be able to say that.

19-00:23:51

Watson: Right. Sounds like we're at the end of the boat here.

19-00:23:56

Lage: I think we are.

ANN LAGE

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