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# FORTUNE

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Today's young  
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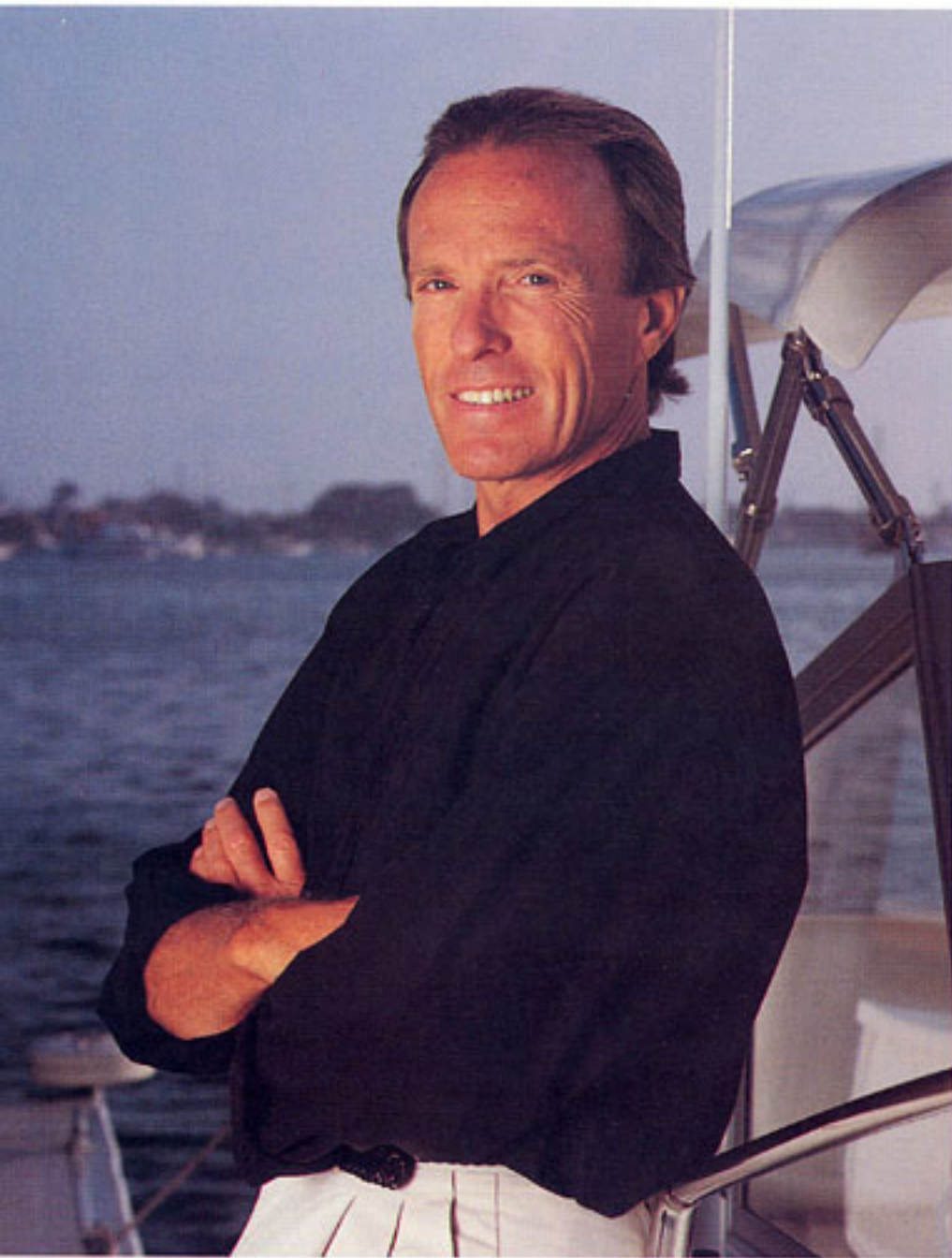


*Intel's  
Aaron Evans,  
25, and friend  
Meredith  
Mendelsohn*



# AMERICA'S RICHEST LAND BARON

Donald Bren's stunning property covers 100 square miles of California. He's worth \$2 billion now, and his "build and hold" strategy promises to keep his wealth climbing. ■ *by Gary Hector*



**T**HEY TROWEL ON the glitz and hype their newest building as "the eighth wonder of the world." Their chest-thumping antics are calculated to coax lenders to pile ever more money on their illiquid little souls. Why is it that in the age of Donald Trump so few mega-builders seem able to make money *quietly*?

Here's a Donald who has. No developer is more understated—or more likely to end up rich beyond the dreams of Plutus—than a little-known Californian named Donald Bren. His Irvine Co. owns a duchy-size swath of real estate in the heart of Orange County—100 square miles of mostly raw land sitting squarely in the path of Los Angeles' southward sprawl. No one else in North America controls a single property of such vast size and potential as this.

Bren, 58, bought Irvine Co. in 1983, a transaction one admirer describes as "the best real estate deal since Peter Minuit bought Manhattan Island." He has since risen into the ranks of American billionaires. Today his 93% stake in Irvine and his other assets, which include companies that build homes and office towers throughout California, give him a princely net worth of \$2 billion. But, says Carl Reichardt, CEO of Wells Fargo Bank and a member of Irvine's board, "no one but the Lord knows how much the land is really worth."

Bren intends to find out. He calls the Irvine property his "raw canvas" and plans to devote the rest of his life to its development. And what a spectacular canvas it is. Irvine Co. land begins at the Pacific, with 10,000 acres of scrub brush overlooking a breathtaking stretch of coast. To the north lies Newport Beach, one of California's toniest cities, and on the south is the exclusive enclave of Laguna Beach. The property ex-

Not just a pretty face, Bren, here at ease on his boat off Newport Beach, is a driven perfectionist who calls Irvine Co.'s land his "raw canvas."



tends inland in a rough rectangle, spilling across the coastal hills into a rich alluvial valley with thousands of acres on which the company still grows fruits and vegetables. Thence it rolls on into the rugged Santa Ana Mountains, with its easternmost border some 20 miles from the Pacific.

**B**REN'S AMBITION is as big as the land he controls. He wants to turn his mostly empty acres into the model American community of the 21st century, filling his canvas with the familiar landmarks of late-20th-century commercial civilization—office parks, housing tracts, and shopping malls crisscrossed by highways. Loath to talk about himself, he will pop open a Budweiser aboard his 28-foot power boat as he surveys the coastline and spin grand visions of bringing the timeless beauty of Italian Renaissance architecture to his sun-parched property. Says he: "Developing this property in the best possible way is the most important thing in my life. I expect to be working on this into my 90s."

The very lushness of the Irvine holdings that makes them a builder's dream also stands as a major obstacle to their development. In real estate jargon, the Irvine land is an "in fill" project, perhaps the largest in the world. It is a hole of open territory surrounded by the established communities of Orange County. Only 125,000 people live within its borders, but some experts forecast that the number will nearly double by the end of the decade. And on Bren's domain are some of the most environmentally sensitive coastal and wetland properties in a state concerned with preserving its dwindling supply of open space and worried about overbuilding.

Development on the scale Bren envisions calls for unusual financial prowess, a deft feel for politics, and first-rate public relations skills. He follows a "build and hold" strategy—unconventional in the real estate business. Unlike most developers, whose time horizons can best be measured in nanoseconds as they scramble to extract capital from one completed project so they can finance the next, Bren works from a plan that



Bren's land, four times the size of Manhattan, covers a sixth of booming Orange County (below). His projects (map, left, and accompanying photos) blend residential and commercial development with spectacular open space.



could take 35 years to complete. He refuses to think of his holdings as a portfolio of assets to be swapped or sold and says flatly, "There is no price that is acceptable."

Bren knows that the ultimate value of his property depends on his adding aesthetically pleasing new developments that raise the worth of all that has preceded them and enrich the quality of residents' lives. This is the happiest of business imperatives, for besides

making the owner wealthier it helps him win trust—and building permits—from the state agencies and local zoning boards that exert approval power over his plans.

Bren's conservative approach to financing also reinforces public confidence in his company's stability while giving it the staying power to ride out a real estate slump. His balance sheet is lean. Irvine Co. boasts a blue-chip debt-to-capital ratio of about 50%, vs. the 80% typical of other big builders.

Perhaps Bren's strongest suits are his passionate pursuit of perfection and a compelling drive to succeed. They are characteristics jarringly at odds with his quintessentially Southern California personality. Lean and tanned, he looks more like Clint Eastwood than like a corporate tycoon. He is twice divorced, with three grown children, and is portrayed as a playboy billionaire, squiring stunningly attractive women to social events and weekend ski trips to Aspen, Colorado. But beneath it all he tends to be a loner with a small circle of close friends.

His underlying personality became evident in his earliest years. Born in Los Angeles, Bren grew up in Beverly Hills surrounded by wealth and privilege, but his character was molded by the strong views of his parents and step-parents. His father, Milton, was a self-made success who helped support his family by taking a job in the mailroom at MGM studios. He became a producer in his 20s; his film credits include several Top-

The elegant marble towers of the Irvine Business Complex draw blue-chip tenants like Geneva, a merger advisory unit of Chemical Bank.





per films. His mother, Marion, is a patron of the performing arts. The two divorced when Donald was about 10. Milton married actress Claire Trevor. Marion wed Earle Jorgensen, another self-made man, who rose from a shipping clerk's job in San Francisco to become one of California's top industrialists and a member of Ronald Reagan's kitchen cabinet.

Surrounded by Hollywood glamour, Bren's parents wanted their children's feet firmly planted in reality. Donald and his younger brother, Peter, attended public schools. Pocket money was scarce, and the boys worked during school vacations, mainly as carpenters' helpers on buildings Milton developed in his sideline ventures as a real estate investor. Peter, who is also a developer as a senior partner in Lincoln Property Co. of New York City, remembers Donald as a perfectionist from the start. Says he: "In high school we would take old cars and turn them into street hot rods. I'd build one and it would run, but there would be a couple of screws left over. Not Donald. He would spend hours in the garage going over every detail. Everything had to be perfect. He starts at A and ends up at Z. He goes right down the alphabet."

The young Bren sought out challenges that tested him against the highest standard in whatever undertaking captured his imagination. As a member of the University of Washington ski team, he is remembered by former teammates as a stylish skier and as the team's only wearer of stretch pants, which earned him the nickname "Buns." He was an avid competitor as well, placing among the top ten U.S. skiers at the National Alpine Ski Championships in the downhill and slalom combined at Squaw Valley, California, in 1956. After college—which the rich kid from Beverly Hills partly paid for himself with the help of an athletic scholarship—Bren did a three-year stint as a Marine Corps officer, training other corpsmen to survive the winter cold of the Sierras and leading reconnaissance teams in mock amphibious assaults on the

## Bren yearned for the chance to test himself against the biggest development challenge in the country.

beaches at Camp Pendleton.

It was in real estate development, however, that Bren's perfectionist zeal and competitive drive shone. With a \$10,000 loan from Bank of America when he was 25, he built his first house on Lido Isle near Newport Beach. Plowing back the profits from the sale of each successive custom-built house he put up, he soon increased the scale of his projects. He began designing and planning whole communities, the largest of which was a 10,000-acre development in Mission Viejo just south of Irvine.

With Orange County real estate booming by the late 1960s, Bren's homebuilding firm flourished. Big companies wanting to diversify into fast-growing businesses started paying top dollar for the assets of established developers. When International Paper Co. offered Bren \$34 million for his company in 1970, he grabbed it. But then recession struck and the superheated property market cooled. International Paper despaired of the business and sold the company back to Bren for just \$22 million in 1972.

Having worked on the periphery of the enormous Irvine spread for his entire, still young career, Bren yearned for a chance to test himself against the biggest development challenge in the country. Known locally as the Irvine Ranch, after a Scots-Irish immigrant merchant named James Irvine

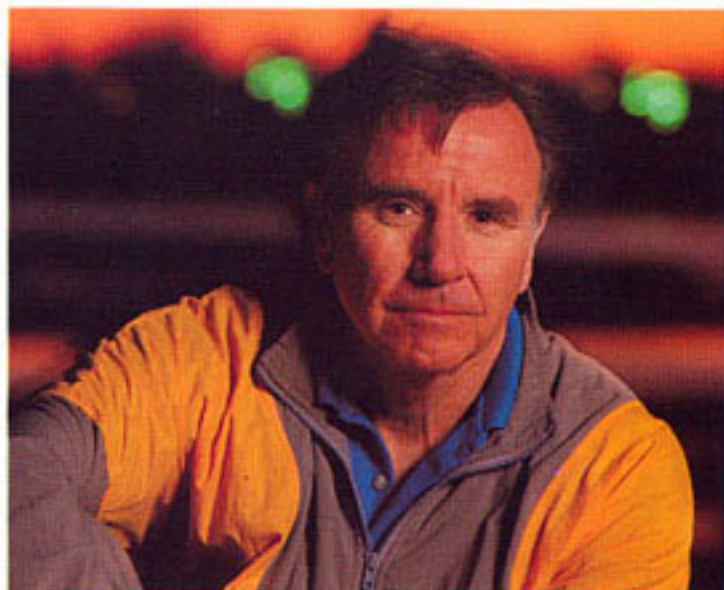
who bought it in the late 19th century, the property was originally part of a colonial Spanish land grant. The remote and water-poor territory was a fine enough place to raise livestock and a few crops, but not much else. Irvine's son and heir deeded a majority stake in the ranch to a nonprofit foundation in 1937. What little building the genteel custodians did financed itself and was accomplished at a leisurely pace.

**A**TIGHTENING of the tax laws caused the Irvine Foundation to divest the property in 1977. The proposed sale piqued the interest of Mobil Corp. and other deep-pocketed companies. Lacking the money to make a run on the property himself, Bren teamed up with A. Alfred Taubman, a successful shopping-center builder from Detroit, who agreed to take about 40% in the deal. He, in turn, parceled out parts of his share to close friends—the late Henry Ford II, retailer Milton Petric, industrialist Max Fisher, and investment banker Herbert Allen Sr. To strengthen their chances, they joined forces with Joan Irvine Smith, a great-granddaughter of the founder, and her mother, Athalie Clarke, who had inherited their own stakes in the property. The pair ended up with an 11% share.

With the equity supplied by Bren and the wealthy Easterners and a loan provided by a consortium of banks, the partners' bid of \$337.4 million prevailed. Once in control, the new owners tapped Irvine's cash and refinanced some of its properties to repay all their acquisition debt within a year, well ahead of schedule. Says Wells Fargo CEO Reichardt: "That deal was an absolute slam dunk."

As great as the deal was, relations among the new owners steadily deteriorated. While Bren emerged as the largest shareholder, with 34%, the Easterners called the shots. Taubman, backed by his friends, was named chairman of the board. Bren didn't even get minor billing in the name the partners gave their venture, Taubman-Allen-Irvine Inc.

More substantive disagreements arose over development strategy. All the partners were eager to quicken the pace of building from that of the old foundation days, but how? The



Former Walt Disney board chairman Ray Watson is Irvine Co. vice chairman.



Taubman-led majority wanted to sell off developed parcels of commercial real estate and concentrate on putting up high-income housing. But Bren favored keeping the property whole. He was willing to sell off residential projects but thought the company should develop a mix of housing, including some that would allow moderate-income families to be able to afford to live within a short commute of their jobs.

In 1982 two events brought the simmering tension among the partners to a boil. First, a deep recession hit Southern California real estate hard and new construction lending dried up. But it was a community backlash against the company's management that caused the partnership to come unglued.

The company had leased land to some home buyers in Newport Beach and in the city of Irvine in the late 1950s, and the long-term leases were up for renewal. A decade of inflation had pushed up land prices sharply, justifying enormous rent increases. The frightened leaseholders formed a political action group, called the Committee of 4,000, to try to persuade Irvine Co. to hold down the threatened rent hikes. But when Taubman told the tenants that a deal was a deal, the committee threatened to keep "the Eastern carpet-baggers" tied up in lawsuits and to stall their plans for further development.

**T**HE SETBACKS cost the company millions of dollars and left Bren fuming. He knew the problems wouldn't end until one pair of hands, namely his, were firmly in control. He offered his partners \$518 million, which the Easterners, fed up with the tangles and eager to realize their 3-for-1 gains, accepted.

Bren's offer for 100% of the equity put a value on the whole property of about \$1 billion, a figure partners Smith and Clarke considered woefully inadequate. They took Bren to court, arguing that the land was worth over \$3 billion. The litigation, which dragged on for seven years, was finally settled in June when a court-appointed referee determined that the property was worth \$1.4 billion at the time of the sale and awarded Smith and Clarke \$149 million for their shares.

Even with the extra payment ordered by the court, the buyout was a financial coup. Against the money he borrowed to pay off Taubman and his buddies, Bren could tap Irvine Co.'s cash and accounts receivable, which totaled just over \$473 million. He will



Giving California mall-crawlers a taste of Old World ambiance, the colonnaded Newport Center/Fashion Island shopping arcade rings a fountained courtyard with boutiques (above). Shaded archways (left) encircle the complex.

them their tracts at prices that came close to prevailing market values of up to \$1 million per lot. But he offered them discounts for the property improvements they had made and 15-year loans to stretch out their payments. Says Watson: "Donald's solution brought him credibility. It was fair to him, to the company, and to the people."

The deal was typical of the win-win solutions Bren continues to pursue. The company had struggled for 25 years before the California Coastal Commission and county authorities ultimately approved its plan to develop the jewel of its holdings, the oceanfront property. But when irate local environmentalists sued to block the dense development, Bren realized the project would undermine the broad community support his company needed.

Rather than fight a pitched battle with his opponents, Bren set out to disarm them with concessions that other builders, working within tighter boundaries, could not afford. He scrapped his proposed high-rise office towers. His modified plan leaves three-quarters of the 10,000 acres as permanent open space and limits building to a few resort hotels and 2,600 houses, apartments, and high-priced condominiums. Though the cost was high, he turned

pay off Smith and Clarke—an amount that may total just over \$200 million, including back interest—by drawing down unused lines of credit.

Once in control, Bren quickly recast the company in his image. To help him, he asked Raymond Watson, then chairman of the Walt Disney board and a popular former president of Irvine Co. from the genial foundation days, to rejoin as vice chairman. The first task was to mend fences with the community by finding a way to compromise with the angry leaseholders. Bren agreed to sell



local opposition into broad community support, and his showpiece development is now under way.

Bren cultivates political influence with a similarly pragmatic long-term view. An early backer of Pete Wilson, an old Marine buddy, he helped finance Wilson's first bid for the U.S. Senate in 1982. Wilson is now the Republican candidate for governor of California in the voting this fall. Bren's early support for George Bush helped the then-Vice President carry the crucial California presidential primary. Bush now consults Bren on housing, the environment, and other issues important to the state—and to Bren.

**E**VEN BREN'S philanthropic efforts have a utilitarian bent. His largess goes to causes that will make Irvine a better place to live—and thus a more desirable place to own real estate. For example, he sold the University of California at Irvine 500 acres of land at a cut-rate price, allowing the school to erect two million square feet of private industrial and commercial buildings. The university will use the rent it collects to recruit leading scholars in medicine and the natural sciences. Bren hopes the industry that the university attracts and the reputation it achieves as a high-technology leader will lure additional corporate R&D facilities to property he controls.

Bren's most sizable change was to inject management rigor into his company. In the six years since he took control, the inventory of completed leasable buildings in the Irvine portfolio has increased to nearly 13 million square feet—over three times as much as the company had built in its entire history. He added 60% in retail footage, more than doubled the number of apartments and offices, and increased industrial space nearly fivefold. Yet as the number of projects rose, Bren slashed overhead, cutting Irvine's payroll from 1,480 to 340. He requires contractors to work out detailed site plans that were formerly done in-house, but he retains absolute veto power.

It's a power he exercises freely, because top quality is his guiding principle. To give his properties the look he desires, he dispatched a team of executives on a fact-finding mission to visit Mediterranean coastal towns. They brought back photos showing the colors and styles Bren wants to emulate. He had the pictures bound and handed

out as inspiration for developers to get the subtle touches right.

Bren's fingerprints are on everything down to the smallest detail. When a recent new high-rise was planned, the company erected a scaffolding in the parking lot of its Newport Beach headquarters so the chairman could see how the light played off marble slabs and glass at different times of day. Cost doesn't seem to bother him. Says Donald Koll, a wealthy

competitor and friend: "He'll plant 50-foot palm trees. The rest of us buy 20-foot palms and hope they'll grow." For a technology park called Irvine Spectrum, Bren spent \$250 million laying roads and constructing a freeway overpass and other infrastructure before breaking ground on a single building.

All this has created an aesthetically appealing mix and a pleasant quality of life. Clusters of graceful marble office towers sit in manicured settings. Surrounding these are residential properties adorned in stucco with clay tile. Houses range in price from \$1 million mansions to \$170,000 starter condos in mixed-income developments like Westpark. Shopping malls with colonnades, fountains, and shady arches like Fashion Island in Newport Beach evoke a feeling more akin to an Old World marketplace than a tacky shop-o-rama.

The system works: Of the 1.1 million square feet currently under construction, nearly 75% has been preleased. Even in the current soft commercial market, the occupancy rate of Bren's established properties is a splendid 90%, vs. just 80% for Orange County as a whole. And his office parks draw top-flight corporate tenants that include AT&T, Toshiba, and Hewlett-Packard.

Bren is pleased with what he has achieved so far. Standing at the wheel of his boat off Newport Beach, he says, "If you squint real hard, you can see the outlines of a Saint-Tropez." Today's development covers just 15% of the Irvine property, so it's hard to say whether Bren, as he fills in more of his canvas, will leave an architectural monument worthy of a Medici prince. But he's almost certain to end up as rich as one.



Birds feed on Irvine Co.'s Upper Newport Bay. Cactuses dot Limestone Canyon.



The Mediterranean architecture at Westpark sits on manicured grounds. In the project, a mix of rental and owner-occupied housing, apartments start at \$825 a month; houses sell for up to \$500,000.