Oral History Interview
with
John T. Martin

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Interviewer:	Robert David Breton
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The reader should remember that this is a transcript of the spoken, rather than the written, word. The interview must be read with an awareness that different persons' memories about an event will often differ. The reader should take into account that the answers may include personal opinions from the unique perspective of the interviewee and that the responses offered are partial, deeply involved, and certainly irreplaceable.

John T. Martin

April 21, 2012

Robert David Breton,
interviewer

BRETON: Today's April 21, 2012, and I, Robert David Breton, am interviewing John T. Martin, former Vice President of Marketing and Sales for the Mission Viejo Company, at the studios of MVTV [Mission Viejo Television] inside the Mission Viejo Library as part of the Oral History Project.

Good morning, Mr. Martin.

MARTIN: Thank you. It's a pleasure to be here.

BRETON: Where were you born and raised?

MARTIN: I was born in Long Beach, California. We traveled a lot around the state in my early years, but we ended up in Los Angeles when I was in grammar school. I went to junior school and high school in Los Angeles at Audubon Junior High School and Dorsey High School. I entered UCLA [University of California, Los Angeles] in the fall of 1952 and graduated there in 1958 with a wife and two kids in tow.

BRETON: And a degree in what?

MARTIN: My degree was in business administration. The courses that I enjoyed the most were in real estate and marketing, not, of course, in those days, having any idea where my career path would go, but as it turned out, that's exactly what I ended up doing in my career.

BRETON: When did you graduate?

MARTIN: Graduated in the summer of 1958.

BRETON: Where did you work before working for the Mission Viejo Company?

MARTIN: Well, in 1958 when I graduated, to get through school, I was a claims adjuster for an insurance company and living in Inglewood [California] at the time with my family. We were evaluating different places we might go for our future, and in those days from Los Angeles, you could go to the San Fernando Valley or you could go out to San Gabriel [Valley] or you go down the freeway into Orange County.

Seemed like Orange County was the place of opportunity, so in 1959 we were out looking for a house in Anaheim and I ran into a broker who was selling houses for a builder. He'd just gotten the contract with John Lusk. He knew that I had graduated from UCLA in business and already had my broker's license, so he asked me if I wouldn't join his firm to sell homes for John Lusk, but what that entailed was going out on the weekends while I still had my full-time job and taking names for the future opening of the models of a project called Green Hills in La Mirada. So I worked with [Thomas] Tom Key Realty, the real estate agency, for two years, became their general sales manager, and then John Lusk hired me away to be his Vice President of Marketing and Sales early on, so my third year in my career I had already advanced pretty quickly.

I think the important point there, though, as it related to my career and the path that I took was that in being a salesman, I didn't consider myself a very good salesman and I was not comfortable in that role. What I really enjoyed was talking to people and finding out what they were interested in as far as a home purchase might be concerned. I think it was at that point that I fully understood—well, maybe I didn't fully understand it yet, but I was certainly to understand it quickly thereafter—that a salesperson, their responsibility is to represent the producer. In other words, they've got a product and they're expected to sell it, and don't come up with a lot of good ideas about what you might do differently. Sell the product that you're given.

Marketing, on the other hand, represents the consumer and the customer. So if you can imagine, and me being what I thought was Mister Sensitive at the time, I didn't like dealing with objections. People would come through the model homes. They'd say, "I don't like this and I don't like that." I'd kind of take that personally, and I wasn't the type of person that wanted to then convince them that they should buy something that might not fit them.

So as a result of that understanding, I took it on myself, my own initiative here, to do a survey of my homebuyers in this particular project where I was selling. Very interesting. Nobody in those days was doing consumer and market research, and when I turned the report over to John Lusk, the builder, lo and behold, the next thing I know, he's telling his bankers and his landowners that he's doing business with—"Well, I got this guy that does market studies," and I had never done one before, but I had done this first one. That was, I think, the reason that he hired me to come onboard to handle his marketing and sales.

So I was there for another two years, and then my interest in market research and consumer research led me to be recruited by the only company in the industry at the time, the Sanford R. Goodkin Research Corporation, that was doing marketing studies for builders all over Southern California and, actually, across the country. [Sanford R.] Sandy Goodkin hired me and said, "I want you to set up field offices." His office was in Sherman Oaks, and he said, "You go down to Huntington Beach. There's a builder that's got an office downstairs, and you can work out of their office and do studies for us in the Orange County market area."

So I go down there. It's the Deane brothers, and they're right in the middle of creating—this is 1963. They're right in the middle of, I think, transforming our industry, because they had found an idea in the Florida market in Fort Lauderdale [Florida], which was a garden kitchen, and a bath concept that a builder—actually, somebody that was in the garment industry had come down to Florida and looked around at what builders were doing and said, "We need to take the ideas from the retailing and bring them into housing," and at the same time, they imagined this garden kitchen concept which integrated indoor/outdoor living in these plans.

The Deane brothers saw this. They had been at a Homebuilders Association meeting in Miami. They didn't go back to it. All they did is spend all their time photographing the indoor/outdoor kitchens and these garden kitchens, said, "We've got to bring this to Southern California."

So it was fortunate for me, because I was right in their office as these builders, an obscure small local builder, had an idea, and lessons for the future here, this one idea, this big idea, catapulted them within a few years to be purchased by Occidental Petroleum [Corporation] during the period of time in the mid to late sixties, where large public companies were buying local homebuilders, and they, like overnight, became one of the largest homebuilders in the entire United States, so it was based on one idea.

As I think I mentioned, I teach a course with the Urban Land Institute, and one of the things that I try to share is that what are the big ideas and what are the lessons learned and how can you apply those to the new drivers that demand now and take those ideas forward to what I call invent the future with vision and creativity. This is exactly what the Deane brothers did, so I was very, very fortunate to be in their office.

Then one day Sandy Goodkin said, "Well, there's this young developer down here's got an office near the Orange County Airport, and he's thinking about doing some planned community down in South Orange County somewhere, and why don't you go talk to him."

So I go over to—I think it was 4500 Campus [Drive], Campus Drive at the airport, go upstairs, and [Donald L.] Don Bren steps out, introduces himself, and he said, "I need a market study. Would you do that for me?" With Sandy Goodkin, that was my job, to do the market study for the Mission Viejo community in probably the early part of 1964, because Bren and [Philip J.] Reilly, Phil Reilly, and [James G.] Jim Toepfer had consummated their agreement by that time with the O'Neill family to carve out the first 10 to 11,000 acres of the 53,000-acre Rancho Mission Viejo.

So that gave me an opportunity to do the market study, because with the Goodkin organization, I had had exposure to all of the large builders in Orange County, so by the time that I did the study for Donald Bren and the Mission Viejo Company, I probably had about ten of them under my belt, and so I really understood what the dynamics were and the moving patterns in Orange County as it would relate to a community developer jumping 12 to 15 miles over open space, because Mission Viejo in those days, there really wasn't much going on down there, and the only reason it had been enabled was that the I-5 Freeway [Interstate 5] had been punched through by that time, and that was the reason that the O'Neill family wanted to get into the development business and thought there might be an opportunity.

So during that period of time—and I could certainly go into what the competition was and how Bren was attracted by [Anthony R.] Tony Moiso and Richard [J.] O'Neill to be the one that was selected to build that, but that happened before my engagement here, because I was brought in to do this market study.

So I stayed with Sandy Goodkin for another two years, but the interesting thing for me then, because Mission Viejo had opened with the Deane brothers, so here the convergence is starting to come together. I had an opportunity to do the market study for the Mission Viejo Company and Donald Bren. At the same time, I'm in the office with the Deane brothers while they're creating this garden kitchen, and they had opened in 1964 in the Diamond Bar area and had literally transformed the industry in that period of time, because this is a cyclical business.

In 1963, Southern California had more permits issued than anytime in the history. There were almost 200,000 permits that were issued in the Southern California area, if I remember correctly, and that had plummeted to about 50,000 units in '64, in '65, but here the Deane brothers open a project in Diamond Bar in the San Gabriel Valley, and they ended up selling twice as fast, believe it or not, as eight builders combined in that same market area, based on this one bold idea, which was the garden kitchens. So I'm not sure if it was Sandy Goodkin that said to Donald Bren, "If you're going to open up a new community down here, you really need the Deane brothers in your community," and Bren being as wise as he is, I mean, he could certainly see the benefit of having a builder that was selling homes quickly if he was going to do something that was going to cause Mission Viejo to enter the market and make an impact immediately, which is exactly what happened.

Now, fast-forward just a short while there. The Deane brothers open up in Mission Viejo Deane Homes, I think by the end of 1965, but the development of the Mission Viejo lands was very difficult because there's a lot of topography here, so it wasn't a matter of just going out and designing and developing a lot of lots on flat terrain here. You had hillsides, very expensive to build.

So one day Bren called me into his office, says, "John, I've got to get into the homebuilding business here because I can't make any money selling lots to the Deane brothers. What should I build?"

So having done at least a year's worth of market research in Orange County, Los Angeles County, San Diego County, in particular, what I had identified was the five best-selling floor plans by the best builders in Southern California, and I can recite those to you to this day. One of the floor plans was John Lusk that I had sold for in La Mirada. Another one was by American Housing Guild in San Diego called Bay Ho. Another one was by Pacesetter Homes in San Clemente at a Shorecliffs community. Another one was by Robert H. Grant [Corporation] in La Palma, Dairy Valley area, and the last one was by William Lyon Homes in Huntington Beach.

What I did is, having identified that these were the best-selling floor plans, I said to Donald Bren, "This is where you ought to start your design process here, with something that is known, is successful in the marketplace, and that's where you start the design process."

He had already retained an architect, [Edward] Ed Malone, out of Naegle & Malone out of San Diego, and so one day the three of us met. Malone brought in his recommended floor plans, which, to me, didn't make any market sense, and I laid out my five prototypes here. Bren accepted them all, and that became the genesis.

Now, I can't draw anything, and Malone was a really very creative architect that had traveled a lot in Europe and understood the Early California and the adaptation of the mission influence and Spanish Colonial Revival. I mean, he was really an artist and a very effective architect, so combined with Donald Bren and the right prototypes to start the design process, out of that came La Paz Homes. La Paz Homes enters the market and, lo and behold, within that year Deane Homes and La Paz Homes are the two fastest-selling projects in the entire Orange County market and probably two of the most popular and best-selling projects in all of Southern California. But literally what that did is that that put Mission Viejo on the map.

As I mentioned here, I write case studies about the garden kitchen and La Paz Homes and later Madrid Homes as ideas, case studies of what people can do to create new products or residential housing in the future. In writing the case studies, I interviewed a lot of people. I must have interviewed a hundred people starting ten years ago, because I wanted to get all of the background here, and one of the people I interviewed was a fellow named Jim Wood who, in the early days, was selling houses across the freeway on a Macco [Development Corporation] project. As Jim described it to me, one day the traffic in his model homes stopped completely, and he was mystified, couldn't figure out why nobody was coming to see his models anymore. They were all across the street looking at the Deane brothers' garden kitchens. So you talk about an impact in the market and the point of being if somebody's going to introduce a master-planned community, they'd be well served to get the best builders in with the best merchandising and the most exciting products to be able to ignite consumer interest at the outset.

BRETON: And the whole foundation for that is the marketing research.

MARTIN: Right. Yes.

BRETON: Up front you decide to ask the consumer what they want in their home. You do that marketing research, and then you build a product to suit that need, and then you're going to attract buyers.

MARTIN: Right. And it's the artistry then—you know, I've always been a disciple of the fact that it's the balance of the art and the science, and so it's the intuitive part and the design part of that, and that's what I think was so much of Donald Bren's genius not only in the design of the homes, because he was very much into authenticity, and in working with Malone, who also believed that Early California good design was something to do, that the combination of the two of them, with Donald Bren leading the design and the consultant team that he put together.

So the next big event was the opening of La Paz Homes, and Donald Bren attracted Virginia Douglas, who was an interior designer that he had worked with in Huntington Harbour. A landscape architect named Courtland Paul was doing the best work in our industry, and so

Bren put Malone and Virginia Douglas and Courtland Paul together and created La Paz model complex.

So the next thing in doing my case studies, I'm interviewing a builder, [Harold] Hal Lynch, who's the President of RecreActions Group of Companies, a builder that I, later in my career, had brought into the Irvine Company in late eighties and early nineties. But Hal told the story of how he had been retained by Macco to reposition a project that wasn't selling across the freeway, and he wandered into La Paz Homes with all of this new merchandising with this consultant team and went back to his client and said, "You're a dead duck. This new presentation is so far beyond what anybody else has been doing in the industry here, that you'd better wake up to the new reality of what's happening in the market."

Then Lynch, as he described to me, he took that entire team, went down for Kaiser Aetna to, I think—I'm trying to remember the name in Temecula, California, big master-planned community. He took the entire team down there because it had been so successful up here.

BRETON: Isn't it true that not only do you need the art, the artistic element, and the scientific element, but there's a third leg on that stool, which, to me, is affordability? The homes have to be designed beautifully, artistically, and technically, scientifically correct, but then the magic here was that it was also affordable. You're trying to attract people to commute all the way from L.A. [Los Angeles] or to move way out here in the middle of the sticks and keep the cost down.

MARTIN: Yes, no question. Well, part of the strategy that came out of the market study—and I think Phil Reilly even mentioned that in some of the background material that I've read—is that to be able to influence people to move 12 to 15 miles further out—and I think Tony Moiso said the same thing, and certainly that was our findings here—that you needed to be about 15 percent below what the pricing was in the Irvine Ranch, and the Irvine Company was not getting enough entitlements to stay ahead of the employment gains that were occurring in Long Beach and in Anaheim and other parts of Los Angeles, so therefore that was one of the reasons why the people would say, “Okay, I can get a better value down here, more affordable,” because those homes were opening in the 19,000 to—really most of those houses were from $19,000 to $30,000, or actually 27[,000]. Well, maybe 30,000. It’s 29,900, I think, when they first opened, both Deane Homes and La Paz Homes. So you combine the strategy of making sure that it’s affordable to induce people to make that extra commute, and then if you combine that with the artistry, and design counts. So it’s pleasing to people to say, “Well, I really want to live here because this is an attractive place. The housing is attractive.” But that was also a part of what I thought distinguished Mission Viejo.

As I drove across the bridge this morning, it reminded me that I used to say when I was here that 30 to 40 percent of the decision to buy in Mission Viejo occurred as they drove over the bridge and saw the entry. In other words, so they knew they were arriving at a place, so it wasn’t Jane Jacobs, I think, saying, “There’s no ‘there’ there,” you know, she said a long time ago. There was a there here as the people drove across the bridge and get to the first intersection, saw the Barcelona walls, saw the Mission Bell lamppost, saw the character of the small retail center on the left-hand side, saw the planted medians. Then there was olive trees is what they thought was the thing to do, although I think over time they didn’t work out as well. But they had the planters in the medians with the olive trees. They had the eucalyptus trees on the side. They had an open space with the high school in the near distance there, so you had a feeling of open space and you were in suburbia.

You had this concentration, and I believe it was Bren and Reilly and Toepfer’s, a lot economic constraints, where they had to design what they called [unclear], and in my travels, because I've been doing consulting work full-time now since 1996—and the biggest mistakes that a lot of developers make is they put too much infrastructure in ahead of the housing, and they may disperse their housing in pockets, and then there's a lot of open developed land in between, and the consumers say, "What's this going to be like?"

What the Mission Viejo Company did under Bren and Reilly and Toepfer's leadership back in those days was to focus all of this tastefully done, well designed, based on authenticity, and I think that had a lot to do with setting—well, it had a lot to do, I'm absolutely convinced, with setting Mission Viejo apart from their competition.

It's interesting, just an aside, Donald Bren offered me the job as his first marketing director, and I thought it was going to be too small. [laughter] But I didn't really understand at that moment yet where my love of planned community development was really going to be, and so I took a position in 1967 with William Lyon, who was the biggest builder in Southern California, doing about a thousand houses a year at that time.

Bill Lyon was a very astute businessman, and he realized that the houses that he had been building, which were kind of this Cinderella, Dutch Haven, cookie-cutter kind of approach, needed to be updated. I had a chance to do some market studies for him, and, actually, he had asked me to speak at the Homebuilders meeting in 1965. So he thought I'd be a guy to bring onboard to go out and hire architects and design new floor plans for his projects, which allowed me at a very young age to fly all over the state and hire architects and design products, and so that two years I wouldn't trade for anything, but it was interesting that I was to then come back around to join the Mission Viejo Company a little bit—maybe, say, less than a year—well, no. That was '65, so I joined the Mission Viejo Company on January 1st of 1968.

In the meantime, there was a kind of an intervening thing here. I had a lot of friends at the Mission Viejo Company while I was with Lyon, and I would come down here and see how everything was going because I was just intrigued with these campouts that were occurring. I mean, you know, they'd sell ninety houses in two hours or whatever. It was off some of the things that I'd helped create, which was the La Paz Homes, in particular, and then having been a part of the Deane brothers' projects. So, boy, they were just—I mean, it was the talk of the industry nationally, what was happening in Mission Viejo.

So I'm down in the Mission Viejo offices after they had moved to the shopping center here and Donald Bren said, "Why don't you come in and talk to me here a minute." So I went into his office and he said, "Well, John, I'm leaving the Mission Viejo Company and I'm starting the Donald L. Bren Company." That was, like, in the summer of 1967.

I said, "Well, that's interesting. Well, I've really done my bit with William Lyon Company here and I've started my little consulting business here."

He says, "Well, why don't you come down and you can hang out at my office at Karam's Restaurant here while I get this thing started," which was where he was for a while before he went out and set his office up on Ventura Boulevard to really build his first project away from the Mission Viejo Company, which was in Valencia [California].

Now, the interesting part of that is Bren must have known, astute as he is, that the relationship with the O'Neills and Mission Viejo Company wasn't going to work out over time, because he planted Ed Malone out there in Valencia to start the development of that project, so when Bren leaves in '67, almost by the end of that year he's already building houses in Valencia, and very successfully.

Another interesting aside there, I think, is that the Deane brothers were actually the first choice of Newhall Land [and Farming Company] to build in this new community called Valencia, but as you know in driving around and looking at the Deane brothers homes, they're kind of, I would say, an eclectic no-design-theme exterior-design palette here. In other words, you can't say that's something, whereas you could look at La Paz Homes and say, well, that's Early California, and they've got the adobe bricks and they've got the different massing of the houses. But you really had the character of California Ranch, Early California in the La Paz Homes. You didn't have that so much in the Deane Homes, but they weren't relying on that. They were relying on this merchandising indoor/outdoor thing, and people, once the landscaping was stripped away, they kind of had more barebones houses, point being that Deane brothers might have been the first choice of Newhall Land in the Valencia community, but they didn't want to change their exterior designs to adapt to the Early California theme that Newhall Land thought was appropriate also, not unlike what Donald Bren and Reilly and Toepfer and that group and the family, O'Neill family, thought was appropriate for Mission Viejo. So that was Donald Bren's entrée into Valencia, and so he had back-to-back hits within—I mean, here we go, within a short compressed period of time, and I know that's how he got on the Irvine Ranch very quickly with his first project there, which was Harbor View Homes, which we could talk about that also. So I'm now at the end of 1967.

BRETON: Okay, let's stop for a second now. When you first met and worked for Donald Bren, you were then working as a consultant.

MARTIN: Yes, as an employee of the Sanford R. Goodkin Research Corporation. It was at the end of that thing where Bren was saying to me, "Okay, what should I build?" for La Paz Homes during that period of time.

BRETON: So eventually you came, and when you were at Karam’s, he had his office on the first floor of Karam’s Restaurant, or around the corner?

MARTIN: Well, you walked in upstairs to an accumulation of small offices up there above Karam’s Restaurant, and he let me hang out there. I set up an office very quickly at the Orange County Airport, so I wasn’t in and out there very much, but I do remember, characteristic of Donald Bren, a fellow named Roger Benson [phonetic]—I’m doing consulting work, and Roger Benson said, “I’d like to hire you here to tell me what to build on one of these projects somewhere.”

Then Donald Bren said as aside to me, he said, “Well, why do I need that guy if he goes out and hires you?” In other words, he expected his people to be able to not be middlemen, but to actually do the work, which I think is—well, the Irvine Company goes through staffing up and staffing down, but he’s looking for his people to be very competent, and that’s my story there.

BRETON: So as he is about to leave to go up to Valencia, then he asks you to come to work for the company?

MARTIN: No, just to hang out, because he knew I was starting my consulting business, and so, “Here, I’ve got a little office for you, and you can come down here,” and that’s where I ran into Roger Benson, who I had known from—Roger had worked for Sunset International Petroleum back then, and Bren knew of him and put him on as a project manager. I don’t know which ones Roger was working on, because at the same time Donald L. Bren Company not only working in Valencia, was looking at Westlake Village and had something out in the San Gabriel Valley and other places. So I can’t remember exactly, but Roger was a project manager on that, and that’s when that comment was made to me, which I thought was insightful, as far as Bren was concerned.

BRETON: What led to your hiring on January 1, 1968? Who hired you?

MARTIN: Phil Reilly hired me. When I first met Bren on the Campus Drive and I was doing the market study, I was aware that Phil—you know, "Hi, Phil," and, "Hi, Jim." They were in the offices, but my dealings were with Bren directly there.

Well, now I start my consulting business, and Mission Viejo Company has been in business now since the opening in '65, and now we're talking '67, and the La Paz Homes are starting to slow down a little bit. Deane brothers are leaving Mission Viejo after building—they're in the final stages there of 726 homes, I think they did, because now Occidental Petroleum's behind them, and Jim Deane's a little bit miffed that Donald Bren's come in directly in competition with him, he thinks.

My job was to try and make them so they would be complementary within that square footage range of 1,400 to 2,400 square feet, which I think I did, but still the builder's saying—Deane's saying, "No, I've got to build my own community," so with Occidental Petroleum they go up and buy property in Lake Forest and create Lake Forest at that time.

So now in the latter part of '67 I'm doing consulting work for Macco across the street. Phil Reilly, I'm in contact with him and he says, "Well, why don't you do an update of La Paz Homes. Why aren't they selling as fast or why are we losing buyers to other areas? Well, just do an assessment of this."

So I did an evaluation of La Paz Homes and I said, "Well, what you really need here is to add another plan which has a bonus room," because Larwin [Company] had opened a project called Greenbrook all over Southern California and they were very, very successful. In fact, I'd gotten my pants beat kind of like going in competition with them when I was doing some of my housing with Lyon at the time. Larwin had hired Barry [A.] Berkus and they did some phenomenal houses, but one of them was this bonus room plan, Plan 67. I'll never forget it. I always know these names.

So I recommended to Reilly that he add this bonus room plan, which then became the model next to the San Martine—I don't know if you remember these plans or not—Plan 40, and this became Plan 70 in the La Paz line, based on this recommendation.

I also said to Reilly, "What you really need," because I go out and talk to the sales representatives and I analyze what the sales are of different plans, and I said, "What you really need also is a four-bedroom version of your best-selling plan." The best-selling plan at that time was Plan 40. It was called San Martine. I said, "All you need to do is put a bedroom downstairs, and that'll push the garage out a little bit, and you put a walkout deck off the master bedroom, which is on the front. You don't even need a model because people—." Okay, overnight it becomes the best-selling house. They don't even have a model of the darn thing.

So I think Phil realized that he needed that kind of strategic look and more on the product development side, and we're back to the distinction between sales and marketing, because the fellow that he had in his position there was the quintessential salesperson type, and he wasn't coming up with the ideas that enable change, which is what I do.

BRETON: Who was that?

MARTIN: A fellow named George Jupin, was his sales manager at the time, and he was, like, the lead salesperson that my predecessor, [James L.] Jim Manley, Jim Manley was the first marketing and sales director that Bren hired to be part of the initial management team, which was Jim Toepfer; Frank [L.] Fehse; Ed Akins; who he came in to build the La Paz models; Wendell [F.] Strong, who was the CFO; and Jim Manley. That was Bren's first team, pretty well intact until Bren left in 1967, and he took Manley with him and he took Wendell Strong with him. Toepfer and Fehse stayed here.

So now I'm coming in. So you asked me the question how did I get the job. Well, Reilly said, "Well, Bren trusted you, so I need something other than what I've got here, so how about coming aboard?" I said, wow, I really like community research, planning, design, development, marketing, a bigger picture than just squirting out houses, which is what my role was with Lyon, who, good builder.

The other thing that just comes to mind here of what was intriguing me, too, also about Bren being different from the other builders of that era, most of the high-volume builders at the time, it was William Lyon, it was Robert H. Grant, it was [Lawrence] Larry Weinberg with Larwin, it was Nathan Shapell. Most of these builders came out of finance and operations. They were engineers or developers or had come from the banking industry. John Lusk was another one.

Bren had a different combination. He was ten years younger, but he had a different combination because he had business acumen but he also had the artistry part. In other words, design was important to him, authenticity was important to him, and that was right down my alley because I believe the same thing. My uncle was an architect, and I like beauty, I like architecture, I like pleasing places, and so I really said, "Hey, Bren knows what he's doing here," which I think had a lot to do with his future success, because he's combined the art and the science and the business and the business acumen with the artistry and the emphasis on design and authenticity. So anyhow, that's just kind of an aside here.

So I go to work on January 1st for Phil Reilly.

BRETON: 1968.

MARTIN: 1968, okay. Now, the new team is Jim Toepfer, Frank Fehse from the old regime. [Donald G.] Don Zellner has now moved up to take Wendell Strong's place as CFO. Ed Akins is still there. When I came through the door, Ed Akins was still there running all operations, but he had two very bright, energetic young guys, [Robert M.] Bob Maurer and [Robert E.] Bob Osborne—Bob Osborne was running production under Akins and Bob Maurer was running purchasing under Ed Akins—and me.

So now this is the new team under Reilly that's going to take this thing forward. That's where Reilly and his management style—like I say, I was only thirty-three years old. Maurer and Osborne were both younger than I was, so was Zellner, and Frank Fehse and Jim Toepfer, I think, were probably in their late thirties, maybe early forties. So it was a very young team, and Phil would just set it up here that it was like the guys vying for the princess, vying for attention here or influence within the company.

My biggest challenge was that Maurer and Osborne, taking over for Akins, wanted to be in the position of hiring the architects and designing the residential product types. To me, I mean, I can't stand that because it's going to be cost-driven, design will be second, and so I want that job. So we're in very heated competition, who's going to be the one that hires the architects, because I would establish the design or the product criteria based on the research I do, but if I turn it over to the construction guys, I have no idea how they're going to screw it up here, are going to end up with boxes that—not that they didn't have taste or anything, but their job is to get it at the lowest possible cost.

There I have to hand it to Phil as far as my career is concerned because he stuck with me. And El Dorado Homes, which followed La Paz Homes, had already been designed and opened under Bren's regime, and it was selling very well. That, I think, was a reflection of the fact that the market had been overbuilt in that ’65-’66 period, and so Bren said, “I’ve got to get to lower price points with a more economical product line,” which he did with El Dorado Homes.

Now, though, based on La Paz Homes slowing down, and lo and behold, Donald Bren’s over here in Harbor View Homes building houses, like, overnight. So he’s gone from La Paz Homes in Mission Viejo to Valencia Homes in Valencia to Harbor View Homes, and by the end of ’68, he was already open, so he had parlayed that experience into a relationship with [Ramond L.] Ray Watson to build those houses.

But now part of my job, big part of my job, is I’m monitoring what’s happening here and I’m doing a lot of market studies, follow-up with my homebuyers and doing traffic interviews, I’m doing homeowner interviews, I’m analyzing buyer characteristics, and what I’m finding is that some of the people that are living in Mission Viejo, now that they’ve been there a year, two years, they’re ready to move up. They want a bigger house. A La Paz Home from 1,400 square feet to less than 2,000 square feet isn’t big enough, and the Deane Homes were, say, from 1,500 to, I remember, 2,300 square feet. They’re looking for something bigger here. Damn, they’re moving up to Aegean Hills right outside the door here. They’re moving down to Newport Beach, not that some of them wouldn’t have moved anyway, because they wanted a Newport Beach address and they might be working in Newport Beach or Anaheim, because by ’67, ’68, the major cities where people were employed of those that lived in Mission Viejo was Anaheim, Santa Ana, Los Angeles, and Newport Beach, in that order. So you could see if somebody’s coming up with something that’s desirable that’s closer in, that’s in an affordable range, and these people are becoming more affluent, particularly some of those that had moved into Monterey Masters, which is up on the top of the hill, attorneys and professionals and so on, we didn’t have anything for them here that was in that next group.

So my first significant, I would say, learning experience, now I have responsibility for hiring the architects, and one of the best architects at the time was Morris and Lohrbach [Morris, Lohrbach, and Associates], and they had designed homes for Broadmoor Homes and Dick Smith and were very, very successful in the Tustin area and in Orange and in that area, so I hired [Edward D.] Ed Lohrbach, very creative architect, because he had this unique exterior style. How would I—well, it escapes me what it is, but it's very, very attractive, but it's more expensive to build, and in Tustin you can get away with it.

So my job is to design homes for Granada Homes above the golf course on the south side, and the only thing that is a disadvantage, I mean, because it's fairly close to get to and the off-ramp at Crown Valley [Parkway] is coming through by then, is the fact that's it another school district, so they can't go to Mission Viejo High School; they go to another school.

But anyhow, so I hire Lohrbach and we design plans, so now I've got curved staircases and I've got bonus rooms and I've got all kinds of thing and I've taken the—you know, here again, if I didn't say it, my whole philosophy has been creative imitation, taking what sells, and then evolve it what the market will want now. You know, just don't copy; you just evolve it, creative imitation. So I've done that with Granada Homes. I take it in to Maurer and Osborne and they run the numbers on it and the costs are too high. It was very sensitive at that time. I mean, if you build a dollar a foot more when you're only building at seven or eight dollars a foot direct construction cost, it'll kill you, because, I mean, there's a very price limitation. These things have views over the golf course and so on, so forth.

So the next thing I know, Maurer and Osborne are stripping my features out on the exterior, see, so I'm starting to look at houses that don't look like what I envisioned them to be. Granada Homes opens up and they don't sell as well as our expectation was, so, boy, am I going to lose my job here hiring architects and coordinating design? I would say I've got to hand it to Phil again. He stuck with me.

So the next thing that we knew that we were going to lose buyers unless we came up with more move-up houses that were not only cost-contained, I would say, or cost-conscious, but that had good design, so I hired a architect that had built homes for Robert H. Grant in Tustin Meadows, which was an Irvine Company project which was very, very successful. So I had a architect that was now proven to be successful, was very cost-conscious and so on, and so I set up the criteria for Madrid Homes based on what we had learned with La Paz and Deane and Granada and some of those mistakes we'd made.

But my next step was I went out and hired a cost estimator, and this cost estimator sat on my shoulder here, so we counted nails as we were going through this thing so the Maurer and the Osborne guys in construction and purchasing here could not say, "Well, if you did this or you did that, you'd have saved this or that," or nickels or dimes or whatever, but I had learned. Okay. So it was irrefutable. I mean, when the costs came out, I was right in budget for houses that had a lot of the features that people wanted, which were curved staircases, bonus rooms, indoor/outdoor relationships. Whatever we had learned in the prior three, four years were incorporated in this.

So when you will ask me what are some of my things that I really accomplished here when I was at the company, it was the opening of Madrid Homes in the end of 1970, early part of 1971. I did that completely on my own. Phil came out, the models were already up. Talk about delegation. I mean, he just delegated, and I was able to do that. That project, I was just looking at one of the audits here, sold 2,700 of one product line in Madrid Homes, Madrid del Lago, Madrid IV, Madrid España, Madrid whatever. So of all of the product lines over the thirty-year history of the Mission Viejo Company, more Madrid Homes were sold than any other product line.

So I drive out there. You say, "What do you do in this business?" I say, "Well, I did that," or, "I had something to do with that," so that's kind of cool.

So that's 1968 through 1969 into 1970, and I can go on and on about our lessons learned and what we did during that period of time. One of them that just pops into my mind here is that we needed to introduce some apartments in the community, because we had been doing single-family detached housing for sale, so Bob Maurer and I go to Indianapolis [Indiana] to attend an apartment market seminar. We're trying to learn, because here we are, I mean, we're learning on the job. We hadn't done much commercial, hadn't done any multifamily apartments. There'd been a real emphasis on the recreation programs with the Montanoso [Recreation] Center and the Marguerite [Tennis] Center and the golf course and all that kind of stuff, but we're learning on the job.

So we're back in Indianapolis learning about apartments and we fly back into town and it was almost like the residents here were rioting in the streets. I mean, in the exact spot of where this City Hall and the municipal buildings here is where we were intending to put our first apartment. The homeowners didn't know about it, so the La Paz Homes that were sitting right on the bluff here—there was one gal—I mean, they had, like, ringleaders, and one of them was June [G.] Schwartz. Another one I'll remember is this, and they had galvanized the absolute resistance to putting an apartment in this location, saying that, "It's going to affect my values, and we don't want those kind of people," and it was really the NIMBY [Not In My Backyard] thing. They were already here. They didn't want anybody else here, particularly if they were going to be ostensibly "low-lifers" here, going to move into apartments. You know the mentality here.

Jim Toepfer and I spent the next three months in the living rooms of the people that were in the community trying to quell this. In fact, they must have had three or four hundred people show up in the auditorium at Mission Viejo where Toepfer and I gave a presentation on, "Boy, the company is looking out for you, and look at all the things we've done." They didn't care. We had a list of twenty-five things that we had done as a community developer for the people. They didn't care. I mean, they just didn't want this apartment down here.

What came out of it was that—well, a couple things came out of that. One of them was what we called a Contiguous Area Report. It's called a CAR. So I said, "We've got to write down everything that is going to be in the future in the plan and not rely on the fact that they saw a map somewhere that might have said, or it might not have said, every time the buyer signs up for a house, they read a Contiguous Area Report that states in detail, and then they sign it." Okay, so that was the genesis, because I don't know if anybody in any master-planned communities were doing CARs at the time, so that came out of that.

The other thing that came out of it was that Reilly and Toepfer said, "I think we'd better—." See, I have a very thin department at the time. I've got a sales manager, but we're going big time and I'm stressed here. Well, a couple hires, so they wanted me to staff up my department here, and they said, "Well, we've got this guy that is homeowner with Deane Homes and he's active in the Mission Viejo Activities Committee," and so on, so forth. "Why don't you talk to him. Because I think you ought to hire the guy," which turned out to be Harvey Stearn. Now, Harvey, very active in the community and a brilliant mind, is a chemist, though. I mean, he didn't know anything about housing, but he had the analytical mind and he was public-relations oriented, even though that didn't necessarily match up with what you might thought would have been a introverted chemist here.

But anyhow, he came onboard, and now I'm starting to structure my department, the Marketing and Sales Department, by function, because we're big time and we're the biggest builder in Orange County and maybe one of the biggest builders in the country building our own houses in our own community. So Harvey's responsibilities are market research and public relations. Okay. Strange combination, but a very bright guy, and he had the ability to do that.

Then the next hire, they said, "Well, you've got to get somebody that's going to—." I'm aware of this, but they're telling me how I ought to staff up, because as you get into these positions, you're spending more time in meetings, and I'm fighting off these other departments and this kind of stuff.

So the next guy was Buck Bean, and Buck Bean was known to someone, maybe Phil, I don't know. He was more or less like a display creator, very artistic, very dedicated. He was really a craftsman.

BRETON: Mockups, layouts.

MARTIN: Yes, he would do mockups and he would do displays, say, for sales offices or that type of thing. Okay, well, here's another combination functionally, merchandising and advertising and promotion, not the public relations part of that, but the advertising and promotions part of this, so hired Buck and he comes in. Now, he's handling those things, so I got Harvey in market research and public relations, and now I've got a guy in advertising and promotion and merchandise, so I'm filled there.

Then Phil said, "Hey, there's a woman that I know, works for the Saddleback Junior College down here and her son's just graduated from 'SC [University of Southern California]," and so Steve Swanson comes through the door at twenty-four years old.

I said, "Well, I could use an assistant here so somebody's doing something while I'm in all these meetings."

So now my staff's come up, so I move out of the office in the shopping center. I've got to take my office out of here so we can get something done, so I move them across the street into the one house in the La Paz models that isn't selling as well. They had the Plan 20, 34, 50, 60, and 40, but Plan 50, I think it is, 50 or 60, isn't selling very well, the San Angelo. So I said, okay, I'll move my department into this and we'll be right in the model complex, but at least we'll be there together with all the distractions that happen if you're in a big corporate office.

So anyhow, I hire Steve Swanson. I put him in a conversion of the bath where all the things are out and I just put stuff under the door, "Here, analyze this, analyze that," because we didn't have computers in those days, so he would give me all of the buyer characteristics. I mean, we were tracking who it is that we're buying, buying our homes and what the traffic is saying. So Steve came onboard.

Then I needed to get another sales manager because my sales manager was good, but now, like I say, we got five programs going, so I hire a guy named [David E.] Dave Maddocks, M-a-d-d-o-c-k-s, and he's now my general sales manager. I hire Pat Ruecker, who I think my still live in the community in La Paz Homes, and she's my sales administrator, because we've got a thousand sales coming through the door here all the time, processing that stuff, and Ruth Ochoa, who is my escrow officer, working for Pat. So I really have a great—I thought I had the best Marketing Department in the entire United States. I mean, these were really good people, and we were doing a good job.

Now, learning on the job again, I say, well, what are some of the services here that we might be providing as we grow? So what I'm very aware of is that you've got a carpet salesman coming in and going to the salesmen here and getting the names of the people and going directly to them. I thought we ought to be starting our own Decorator Center here. So a friend of mine, John Lay, is one of those guys that has been talking to all the salespeople, gets their names, knocks on the door, and selling carpet to the people. So that was the genesis of the Mission Viejo Design Center or decorator center [Mission Viejo Decorating Center], which we put right down in the shopping center.

The other thing that it was pretty clear is now we're in the resale and we're losing all these resales to brokers that are on the outside of the community, so I went to Phil Reilly, I said, "We got to start Mission Viejo Realty [Group]."

I didn't particularly like the management, at my level, executive compensation bonus program because I couldn't see it. It was in a piece of property, and now I've got four kids and I need the cash flow. So I said, "Okay, I'll set up Mission Viejo Realty, and what I want is 10 percent of the gross," which I got.

We set up a guy named Bob Duff [phonetic] and Nell Shukes in a garage of the model we had added in the La Paz model complex, which I don't know if you ever saw the model complex there. It was probably wiped out. I mean, it was right across the street from the offices. So I set up Mission Viejo Realty in there, and we probably had a two-year run before I left. But those were the kinds of things that once you're growing as a planned community developer, opportunities for additional services for your residents just become, and they become additional revenue sources that the community developer can control.

BRETON: What about the escrow services?

MARTIN: Well, the escrow was already in-house. June Boyd [phonetic] and Nell Shukes were on staff in the office, and they were processing the sales as fast as you could, because we were our own builder here.

BRETON: So the entire sale process was one stop.

MARTIN: Yes. I mean, in my office was all the administration, with Pat Ruecker and Ruth Ochoa, and then in the main office was the escrows, which Don Zellner as CFO had—in fact, the escrow reported to him rather than to me, and the administration reported to me, so Don could be watching the cash flow, because his—

BRETON: Title insurance there, you had loan application, everything.

MARTIN: Yes. We didn't have the buyers coming in to buy. I mean, that would have been chaos if I needed to be over there, sell a house.

One of the other things we did was as the people moved in, was that we need more of a service to acquaint the people with all of the facilities and services that are in the community, so we came up with the idea of—we called them the Mission Belles. Now, it turned out that we couldn't use that name because that was the rah-rah team at Mission Viejo High School, but the first name was the Mission Belles, and I'll be darned if we didn't outfit these women that were wives, I mean, they were living in the community, loved the community, and we dressed them like airline stewardesses. I don't know if you've seen the photographs or not—

BRETON: Yes.

MARTIN: —but, you know, very attractive women here, and they'd knock on the door and they'd have this Mission Viejo move-in manual that they would give the people. I don't know what happened to that, whether that continued or not, but it was all a part of what we were trying to do in a public relations program to really further what was already engendered through the Mission Viejo Activities Committee that was started by Toepfer and them way back in '66, and that had a lot to do with getting the [Mission Viejo] Nadadores here and the swim team.

Because when I teach the course and I go back on Mission Viejo, what were the big ideas, one of the real big ideas was the commitment of the company to the athletic programs early on. So they got it with setting up the Montanoso first rec[reation] center, and then they said, "Well, the swim team—." I don't know who came up with it. "We're going to concentrate on really having great swim teams here." So maybe that decision was made in '66. By 1976, some of our swimmers in Mission Viejo were winning events in the Olympic games, Brian [S.] Goodell, who grew up with my kids. So that really put Mission Viejo on the map.

In fact, I got a query from Russia about, "What would you, John, recommend if somebody's going to build a planned community in Russia?"

I said, "Well, you ought to take the Mission Viejo model here and dedicate—." I don't know whether it was soccer there or skiing or what the heck it is, but, I mean, basketball—you know, focus on, like, an institute there that occurred here devoted to the swim. Then [Gregory E.] Greg Louganis years later was the top swimmer, once they got to the Marguerite Center.

BRETON: Diver.

MARTIN: Yes, diver. So that emphasis was really something that I think set this community apart with the active engagement of the homeowners, with the support of the Mission Viejo Company to keep—you know, they would provide the place for the Activities Committee to—

that's where Mission Viejo Days came out of that and the St. Patrick's Day Parade and all the kind of community events that really create spirit and the hometown atmosphere that people were looking for.

So it was all a part of what was happening that had already been created by Bren and that first group. In other words, I mean, you could spoil it, but the bones were there to really continue the velocity with affordable housing, well-designed community enthusiasm and support, the athletic programs, and all of those things were part of the mix that enabled this community to be one of the fastest-selling in the entire United States over a period of less—I think they reached their 30,000 units here in twenty-five years at an average of a thousand units a year over time, which is pretty incredible that it was in that timeframe.

[Begin File 2]

BRETON: How long did you work for the company and when did you leave, and why?

MARTIN: So during this period of time that I joined the firm, '68, and we're doing all the things that I've described here, Philip Morris [USA, Inc.] is entering the picture, because by—I didn't realize until I went back and reviewed some of the stuff that one of the reasons that, say, Phil Reilly put Jim Toepfer and Tony Moiso in the role of conducting the staff meetings on a weekly basis, because he was off doing something else here, which was trying to find the investor or the funder, and that was happening in 1969.

So this A. [Arthur] D. Little that was brought onboard to do the due diligence for the different companies that Mission Viejo might be considering as a partner or an investor or somebody that would buy the company as a part of the wave that we've talked about. Donald Bren had been bought by International Paper [Company], and [Raymond A.] Ray Watt by Boise Cascade [Corporation], and Bill Lyon by American Standard [Corporation], and Deane by

Occidental Petroleum. There was all of these mergers that were going on because this is an expensive business to do the front end. Even though you're doing the radial stuff and you're containing it and you're not putting all this infrastructure in, it's still—and the margins are thin because you're trying to be affordable and all that.

So Reilly was on the road here. In fact, the story of a plan that works, that document, I really think, was what Phil—one of his primary things that he was using to go out and sell. In fact, he came to me. He said, "I need you to write this story of a plan that worked," and I kind of spun my wheels and stumbled on it because I didn't have all of the background that he had of the genesis of this thing and the family heritage and the Bren era and so on and so forth. So that was one of the things he kind of took back from me, and I think he did a wonderful job. I mean, that document here really tells the story of how this thing started and what the context was at the time.

So anyhow, Phil's out doing the Philip Morris thing, and these guys fly in with their Marlboro Man stuff, and we're in these meetings, and these guys, they're smoking like crazy. I remember they want to know who we are, the management that they might be getting into here, but at the same time, I'm kind of looking at this thing and saying the smaller entrepreneurial thing that we've got here with one operation, one guy, Reilly, and Toepfer, and then the functions for this business unit, makes a ton of sense. But now they've got me on a plane to Phoenix because they've got a project called The Lakes, and they're doing something in Aurora in Colorado, and I'm flying there, and lo and behold, the guy flying back at the same time was Maurer or Osborne. In other words, there was a functional overlay on a decentralized operation that was important to Phil in selling the company and important to Philip Morris that this management could take it beyond just this place, Mission Viejo here.

In fact, I even took the initiative to write Phil, "I think the organization's got to adapt here," and Phil did adapt it, but he didn't—it's like I got promoted during this period of time, but it was almost one of those I'm promoted, but I'm kind of like promoted—I'm losing. I've got a title here, but it's more the strategic planning stuff, when I wanted to be more the operations developer guy, and I think they probably chose the right person in Osborne to do that, but they had environmental systems and operations systems and strategic planning, and what it was was Phil's reshuffling of the functions to report to him, but it still didn't change the fact that you needed somebody in Colorado to run that show, which eventually happened when they sent Toepfer over there and so on.

But all I'm saying, why'd I leave? In the Little report it said—and I don't whether they were thinking of me as being one [unclear]—we've got some good functional guys here that are going to go on to be their own operators. Don't know who they had identified, but they said three or four of the seven, or whatever, could go out and do their own stuff and so on. Well, as it happens, I think Bob Maurer leaves first. No, Don Zellner leaves first, because Akins had already left, and he goes into a partnership right away with Akins. Maurer goes and does a partnership with some of the people that he knew in Costa Mesa [California].

Then it's my turn here, so I'm looking, and now—in fact, I ran into an executive recruiter that I had actually interviewed with. Just out of the blue here, I ran into this guy on Balboa Island just the other day and he said, "I remember recruiting you, because Mission Viejo was so visible nationally that all the executives were being looked at by companies to come in and be general managers." So anyway, that happened to me. I was being recruited by Leadership Housing Systems, [Inc.] that had an office in Newport Beach, to be their division manager for Los Angeles and Orange County.

Now [James G.] Jim Gilleran's coming in, and you can see the corporate thing, and I'm watching this go from a hundred people to, like, five hundred people overnight, and I'm saying, okay, what's happening here is that Phil's staffing up with his people to deal with their people. In other words, once you've got this big corporate thing going on here, you've got to have your own corporate thing or they'll drive you crazy. You've got to have all these guys talking to each other, and it was a good decision. It was no longer the place for me or Maurer or Osborne or Zellner.

Then Fehse left also to start a building company. Of course, Tony, because he remained, but as soon as Philip Morris is in the picture, he's off doing the rest of the ranch stuff, so I think Jim may be—I'm trying to remember whether there was anybody that stayed and continued once the Gilleran-Philip Morris regime came into the picture.

So I had these offers to go somewhere else and to be a general manager, so I'm taking my functional market—if I've got leadership and management abilities, then I'm growing into this. So that was a good experience for a year. Then they wanted to send me to Florida to run an operation down there, but a good part of the other story here is with this golf course down there in Mission Viejo being as challenging as it is, "Mission Impossible," I've got golfing privileges but I don't like golfing. I don't like fly-fishing. I just like to learn stuff.

So I go down there and try, and I have no patience for golf. I just don't want to do it, but my son, [Thomas] Tom Martin, is only thirteen years old, and he's a small kid before he got his growth spurt, and he's trying to play baseball, and he hits the ball to centerfield and they throw him out at first, he's so slow. I said, "We'll go down and try golf here. I've got these golfing privileges." I'll be darned, one of the pros down there kind of adopts Tom, and the other pro, Mark [F.] O'Meara, is living next door. Mark O'Meara's living next door, see, and so he's adopted by another pro, and the two of them team up as freshman. I think Tommy was a sophomore at the time and Mark was a freshman, one year behind, and I'll be damned if they don't start going undefeated. Tom's number one. Mark O'Meara, who ends up winning the Masters [Tournament] and the British Open [Championship], is number-two golfer on the team, and by the time they're either juniors or seniors, they go on and win the Southern California state championship, and Tom's number-two golfer in the entire state—well, southern section, and that's the majority of it—which came out of that experience.

So you say, okay, what are the things that you like about being in this community? Well, it enabled my kids to have opportunities that I wouldn't have, kind of growing up in a ghetto over here in L.A. somewhere. So the planned community was one of the reasons why so many families came here trying to find a better place to raise their kids, and that's a perfect example. Tom's used that golf experience now. It's really furthered his career, and my other kids have certainly benefited from being here, so that's kind of a little aside.

BRETON: So what did you do after you left?

MARTIN: So I went to work for Leadership Housing Systems, running that division, ran it for a year. Like I said, they wanted to send me to Florida. Because Tom's sixteen years old, I'm not going to take him out of Mission Viejo when he's thriving down here and the rest of my kids are doing fine, to go down and run a division in Florida, so now I'm persona non grata, but at the same time, I've got another company saying, "We want you to be Division President for American Housing Guild," based wherever you want to base him, because we've got an operation. The corporate office is at San Diego, but they had divisions in nine places across the country, "Want you to run L.A. and Orange County."

So I go to Irvine, set up an office, and I become a builder running my own division as President of American Housing Guild. Let me make sure I get my chronology right here. Oh, '72 to '74 is when I'm division president, but we're in a cyclical business. Everything, I don't know which one, the oil embargos or which one was that caused that recession there. It probably was in the '74 era, because I think in the eighties it was interest rates increasing, stuff that was going on, but there's some reason you go through these.

So anyhow, lo and behold, they start shutting down divisions across the country and going back to the corporate office, so what the hell am I going to do now? Well, easy. Irvine Company calls me and said, "We want you to come here and work for us to work with the planners on because Woodbridge is in the planning stage." This is 1975. Woodbridge hasn't opened yet and Turtle Rock, the extensions of Turtle Rock, were two big things, and then Harbor Ridge on the top of the hill and miscellaneous projects all over the place. Irvine Pacific was the homebuilding arm of the Irvine Company at the time.

So I drop in there as the—I'm back to marketing and sales again, but I'm enjoying that because I can see very clearly that the way that the guy that's running that division is like design by committee, which isn't going to work in our industry, so I finally convinced him, "Get me a project manager. I'll go to the architect's office. We'll get the design criteria right." Okay, so things that were taking them six months to eighteen months and couldn't even get schematic approval I was able to accomplish in a couple weeks because I'd done it before.

So I got involved in Woodbridge, and I don't know if you've ever seen those houses on the loop street that look like big—I coordinated design of those, because I used my same architect that I had worked at Madrid Homes, brought him on, and I said okay, and I had built some townhouses as a builder with American Housing Guild that were townhouses with the garages in the front, and while they were screwing around for six months here trying to get this idea—wasn't my idea. The idea came from a fellow named [Kenneth W.] Ken Agid who was the corporate vice president for—A-g-i-d, for the Irvine Company on the corporate level, had come up with this idea of duplexes and triplexes that are elevated like big estates, but the system, design by committee, couldn't get anywhere, so creative imitation again. I take townhouses I've already built, garages are in the front, put the garages in the back, go to a good designer, say, "Well, here's my box of a duplex. Here's my box of a triplex. Let's elevate these things," and that became Woodbridge Estates and some other things that I was able to do.

But now I got the bug, and so I want to start my own building company, which I did in '76, and I lasted through '84. I lasted all the way to '84, and then the other cycle took me out because I was undercapitalized, and then I said to myself, "I don't want to do this anymore. This is really brain damage, building this thing up." And I was a deal junkie. I was able to promote these deals, and I had them all over the place, too many partners, undercapitalized, but I really lasted three years longer than I should have lasted in '84.

Then [James M.] Jim Peters—I don't know if you remember that name or not, but the J.M. Peters Company—

BRETON: Oh, of course.

MARTIN: —was the best builder in Southern California, doing more upscale houses, and Jim and I'd gone to UCLA together. Back then I knew him very well and I would see him all the time, and I called him one time and I said, "Hey, my son's looking for a job here as a marketing director, a sales director, and he's had experience with Bramalea." Or maybe he hadn't had it yet, but he'd had some experience.

Jim says, “Well, what I really need is you,” because a fellow named [Thomas] Tom Hover who had been his marketing and sales director, had just left him to form A-M Homes, [Inc.]. So I went to work for Jim, which was wonderful because in ’85 there was a whole lot of projects that were in the aftermath of that downturn that needed repositioning, and this is what I do. I go out and talk with salespeople and do the research, figure out what we can do to tune something in to make them more marketable.

So I was with Jim for a while, loved the job, but lo and behold, the Irvine Company calls, and I heard later that it was actually Don Bren saying, “Well, go get him,” because at that time, see, Bren buys the company in ’77, but the new entitlement wave—and there’s a lot of environmental pressures and so on. So let’s say Woodbridge opens in ’76. Bren buys the company in ’77. Now we’re all the way to ’85 and they’re just now starting to get the communities under way in Orange. It was called Santiago Hills and Tustin Ranch in Tustin, Westpark in Irvine, and the Newport Coast, which had dropped from 20,000-plus units to an approval for 2,600 units, and so all those communities are poised now to be developed.

So my job, Marketing Department, so now I’m Corporate Vice President of Marketing, and Ray Watson, the president, before Bren, of the Irvine Company, is now taking me around to all of the planners within the company saying, “Okay, work with John here. John’s going to tell us what to build. So I started to build up my staff.

Absolutely I felt at that time, 1986, that the homebuilders who are customer knew more about the market than we did, so therefore they were dictating the price of the land and dictating price of the land and what they would build. So I said, “We’ve got to know more about the market than any of our homebuilders,” and that’s what we set up to do.

So I built a staff, and in that way we could say, “Okay, homebuilder, this is our product array. The different product lines are complementary. This is where you’re slotted in,” because what I found was that, say, in Santiago Hills they had a product array, and the most expensive houses, they had put the William Lyon Company there. Well, that didn’t make any sense because he’s more the commodity guy, and they had Jim Peters not even in the program. In other words, they had the wrong builders matched with the wrong product in this product array, but that comes from the market knowledge and understanding what the different builders can and should do in your planned communities to make sure that you’re going to maximize the sales absorption and increase the land values, because at that time we were selling developed acreage to builders at less than $300,000 a developed acre, low, because you can hardly cover your development costs at that acreage amount.

But now the market’s starting to heat up. See, we’re in ’86, into ’87, into ’88 and it’s starting to come back, and so part of my job then—oh, and in the meantime, Bren one day in a meeting says, “John, I want you to go to Europe and study hillside development, urban places, because we got all these new communities coming up here, particularly the Irvine Coast.”

So with the head of development and the head of planning, we jump on a plane with our wives and we fly to Europe in ’87. We’re down Saint Tropez [France] and we’re in Portofino [Italy] and we’re coming up. Well, the upshot of that is that I come back and I package all of this imagery. I mean, here’s some ideas that you may be able to bring into housing and projects here on the Irvine Ranch.

So I started going to builder groups and anybody that would listen. I got my presentation, I got my slides, but it’s conceptual about, well, how do you take these images and do something a little bit different rather than boring hip-roof pink Mediterranean houses all over the place, and let's do something a little bit different here.

In attending was a fellow named Hal Lynch who was the President of RecreActions Group of Companies, which I mentioned his name before, and he's sitting in the first row. Well, this guy is really a prominent land planner. I don't think he was an architect, but, boy, what a designer this guy was, and he's sitting in the first row. I said, man, I don't think I have anything to teach this guy. But he's in there taking notes because he's not a builder on the Irvine Ranch yet, and I know we need new blood. In other words, we've got good builders in [William] Lyon [Homes] and Standard Pacific [Homes] and Cal-Pac [California Pacific Homes, Inc.] and Peters and so on, but we need new blood. We need new ideas.

By that time, Bren's really got the idea that if we put the builders in competition with each other to bid for sites, we can increase our land values. I remember this vividly. By the time we'd taken the $300,000 developed acreage up to $580,000, which was the highest price that we got in Westpark at the time, then another site comes available in Westpark, and so now I'm giving our presentations, and I'll be darned if RecreActions and Hal Lynch come up with the first motor court, attached motor court project. It's called Corte Bella, and lo and behold, they offer $1,169,000 in acres.

The competition, they were in against three or four, and the highest that anybody else was bidding was $780,000, because I'm looking, okay, how much is it attributable to the ascending market, the market's heating up, so you're land value's going to be better, and how much is product innovation? So that gave me kind of my standard, so from $580 to $780 is just the fact that the market's improving. Up to a million dollars is product innovation, because the other builders didn't come up with anything like that. So this project opens finally in 1990, bad timing, because the million-dollar-an-acre then in the next downturn gets back to 500 to $600,000 an acre, but what it proved was design counts again, innovation counts again, and so on. So that period of time through 1989.

And then I got into a little bit of trouble there because—have you ever taken the Myers-Briggs [Type Indicator] profile? There's sixteen different profile types, and I had one done at my department. I wanted to know what the personality profile is of my department and why we weren't as successful as I thought we could be within the Irvine Company bureaucracy. So I really wanted to know that. Well, I found out that my strength is that I can see the future. I mean, I study all of this stuff, I look at the trends, and I then have the courage to say that's what it's going to look like in the future. But I find most people aren't that way. They want to be led or they don't want to make a mistake, this kind of stuff. Well, the point being is that I started spreading the word within the company that, "Look, this isn't going to last through '88, '89, '90," getting into that period of time here, said, "These prices are going to peak and your builders aren't going to be stepping up to buy the land like you thought they were." Boy, I'll tell you, nobody wanted to hear this, so it was suggested that I become a consultant, which is the best thing—

BRETON: The polite way of putting it.

MARTIN: Yes, best way, which was great because I wouldn't have want to have gone through what the Irvine Company went through to extricate themselves from all of the collapses that occurred in that next five to ten years. Now, here, because anybody that's worked for the Mission Viejo Company, anybody that's worked for the Irvine Company is kind of like a pedigree here, and Newhall Land and Farming Company was looking for somebody to head residential real estate, so actually it was a job with more authority and more responsibility.

So I went out to Newhall Land in ’91 as Senior Vice President of Residential Real Estate. The job that they were telling me it was when I went out there was, was to get us out of the building business, because for ten years they have been, like Mission Viejo did and had happened to the Mission Viejo Company also, that the homebuilding company becomes bureaucratic. It loses its entrepreneurial spirit. Well, man, it had lost it completely out there in Valencia Company, which is the development company for Newhall Land and Farming Company that has a lot of other interests.

So I thought my job was to get them out of the building business. Well, I soon found out that for me to come in and decimate their building company was not the kind of thing that let an operations guy do that with his own company. What I identified was that they had to figure out how they were going to reposition their community and all of the neighborhoods. I called them village/development phases. So I hired at the time PBR [Phillips Brandt Reddick Corporation] land planning company. I had a young guy. It took me two years to get to the point because the resistance to change in these bureaucratic organizations, but finally Tom Lee [phonetic], the CEO, said, “Hey, I’ve run out of excuses to my shareholders. John, take this thing.”

So I created what I would describe as a market-driven strategic planning process where we took actually literally outside the bureaucracy, and we were able to move fast because I could make the decisions on what we would do to create a lake here, to create a high-end community here or an active adult community here or a TND village here, and all of these things could come into the market and be very complementary, so that’s what I was able to do through ’96.

Now I think, “Wow, I’ve had all this experience. I’d like to teach this stuff.” I went down to USC [University of Southern California] in their MRED [Master of Real Estate Development] school and I taught there for a year.

BRETON: Emeritus?

MARTIN: No.

BRETON: What was it called?

MARTIN: Well, it's called the MRED program at USC. My first semester was really great, but I'm starting my consulting business at the same time, and I'm also doing adult education in partnership with 'SC, and I had three jobs when I really should have had one. In fact, I've kind of heard that somebody that comes from business, goes into teaching, within the first year to two years they find out whether that's really what they want to do, and that wasn't really what I—I still wanted to be able to be closer to the action, and my consulting business was taking off, which I really did. So I did that for a year up there, but you can imagine leaving at four o'clock in the afternoon from here to drive to teach a seven o'clock class at 'SC is brain damage, so that was good not to do that anymore and focus on the consulting business, which I've been doing now since 1996.

BRETON: What about the [Urban] Land Use Institute?

MARTIN: These are all kind of stories that relate, but in 1996 the Urban Land Institute is having their spring meeting in Cleveland, Ohio, and one of the programs is Master Planned Communities 2010, so what they're doing is looking out fifteen years, so from 1996 to 2010. Apparently the chairman of the Newhall Land had been asked to be on this panel. He says, "John, will you do this for me?" Interestingly, I had not been involved in the Urban Land Institute up at that point. You'd think I would, but Donald and his—I say "Donald" respectfully here, the chairman, Bren, he doesn't necessarily encourage people to be involved in the Urban Land Institute or something. They kind of got all their answers and they're kind of insulated over here, or I wasn't aware of it. I don't know.

But anyhow, I go back to the Urban Land Institute. I'm sitting on this panel with some really prominent people from around the country and I'm representing Newhall Land and Valencia and Master Planned Communities 2010, looking fifteen years out, and I'd have to say that Mission Viejo experience, Irvine Ranch experience, Newhall Land experience, I did what most people do, is looked in the rearview mirror to project the future. In other words, I was just saying kind of the patterns of what we've done and carry this forward and so on and so forth.

Well, sitting next to me was the general manager for Disney Development Company, and they hadn't opened yet, but it was the community of Celebration [Florida] in Orlando, which I don't know if you've heard of or not. But anyhow, Disney isn't going to make a mistake. If they're going to create a community, man, they're going to pour their resources into this thing, and they spent years. It was Yankelovich [Clancy, Shulman], which does national consumer surveys and have done it for—I think it was they had really sourced, like, eighteen years of Yankelovich consumer studies, and the idea was let's find out how people want to live in the future.

None of us were thinking that way about what were the societal trends, what were preferences of consumer, what do demographics say is going to happen in the future, and here is Disney and Todd [W.] Mansfield, brilliant, brilliant guy and general manager for Celebration, is sitting there, he says, "Well, what we're doing here is we've done all this analysis and we're figuring out how people want to live in the future. We have four cornerstones for development, and those four cornerstones are health and wellness, education and lifelong learning, technology, and sense of place." Sense of place had two components, like create great people-gathering places, but also the social dimension, the social design, not unlike the Mission Viejo Activities Committee. So those four cornerstones.

I’m sitting there and this guy absolutely blew me away. So, fortunately, I had something to say about the organizations of the future and how they ought to be different than the past and don’t be too bureaucratic. So it wasn’t a total loss. But I was blown away by what this guy had to say, which then was energy for me to say, “Okay, what do I do now?” So I said, “Okay, well, there’s four cornerstones.” This is, like, 1996, ’97, and I’m doing work in Las Vegas [Nevada] and Henderson [Nevada] and I’m doing work all over the place, but I said, “Okay, boy, that’s a great framework.” So I evolved my four cornerstones to twelve strategies and guiding principles, I called them.

So anyhow, there’s a local architect, [Arthur] Art Danielian, had this contract to do a planned community in Henderson and he brought me into it. So I took one of his architects and we made a presentation to the community development manager of the City of Henderson, and I roll out my twelve guiding principles and strategies, and I have never had this kind of reaction before. I mean, this planning development director says—what I had added to was environmental sensitivity and a couple of things to get to twelve. So she says, “This is exactly what we’re looking for in our city.” The neighborhood crafting street-friendly architecture was just kind of the TND approach, so it isn’t all subdivisions marching over the hills, which reminds me, I should talk about the lake [Lake Mission Viejo] here before we leave that, or you’ll double back on it, the lake.

BRETON: We will. Sure.

MARTIN: So anyway, now my architect gets up and he starts getting into the neighborhood character, neighborhood crafting about how we’re going to subordinate the garages and how we’re going to bring back the parkways and we’re going to do all this kind of stuff, and she stopped and she said, “This is exactly what we want in our city. You work with public works and you work with fire and you work with—we want this in our city.”

Wow. I walked out of there saying, “Man, we’re on to something here.” I mean, the jurisdictions are supporting development here. They aren’t going to fight us; they’re going to embrace us and facilitate the entitlement process and do all that kind of stuff.

So I think, as you probably know, we learn from our kids, you know. They’re our mentors, too, and following that, I’m up in San Jose, and Peter Calthorpe—I don’t know if you know that name or not, but Peter Calthorpe is the West Coast guru of neo-traditional new urbanist traditional town planning, this guy Andres Duany on the East Coast, and the first awareness that our industry had was 1993 when a fellow named Peter Katz wrote a book—you probably have it here—well, I know you’d have it in your library here—called *The New Urbanism [:Toward an Architecture of Community]*. But that was kind of like the light that was going on that let’s not just create commodity snout houses across our horizon here where all the houses look the same. Let’s do something a little bit different here.

So anyhow, I’m driving around with son Tom and we’re up in—it’s called Laguna West, but it got the reputation of even it was named “Laguna Worst” because it was the neo-traditional alley-loaded concept, but it was a poor interpretation of that. It was really kind of ugly. Anyhow, I’m driving around with Tom and I say, “Hey, I’ve got these twelve guiding principles here. What do you think?” And I read them off.

He says, “Well, Dad—.” Because now he’s in the business and he’s out monitoring. “Well, where is the community developer as the grand conductor?” Which is right back to knowing more about the business than the homebuilders do. In other words, the community developer has to direct this overall process or the wheels fall off the development process, I mean, like overnight, and the builders take over and you get crappy houses and the whole—not necessarily. You got some very good builders, but the builder will build, as I've had one builder describe to me, "John, I'm going to keep building what I'm building until the day my sales stop." Well, good, but if you're building the wrong stuff and your leadership doesn't invent the future with vision and creativity, you could have a problem here.

The other thing Tom says was, "What about critical-mass marketing and merchandising?" Oh, okay, what that means is like Ladera Ranch or something, where you pick a date and all your builders, your nine or ten builders, come to where they're going to open all their models on the same date. You don't have it sporadically coming here, and it's all focused in like kind of the radial thing from here. All that development is focused, but all these ten product lines are all complementary. They all open on the same date. Then a year from now you've got another village that's coming up with a complementary diversified product program based on market segmentation. You open that and say, okay, well, that's critical-mass marketing and merchandising, because you can then recirculate and circulate new people. Another 10,000 people come out to see the new stuff that you're doing rather than what you did a year earlier that now is worn because everybody's seen it.

So when I say I preach this stuff, my client in Florida that I'm working a lot of time, I'm preaching this stuff to him to this day. "Let's set up a new model complex. You're already open. You're not selling as fast as you thought you were going to sell. You've got some dated products here."

I just got an email from him today. He said, "I'm interested."

The interest was I said, "You've got to come out and see this new project that [Lawrence] Larry Webb—." Does that name ring a bell? He was the President of the John Laing Homes, and a fellow, [Thomas] Tom Redwitz, was the President of Laing Luxury Homes, and they did very well until the crash, when the person that bought them and paid $2 billion for them collapsed. But anyhow, they started a new company called the New Home Company, and I've been really advocating designing houses for multi-generations for the last three years, but I've had some problems selling it to builders who can't quite get there, but that's kind of another story.

But anyhow, Tom Redwitz called me, he says, "John, I want to take you through the models here before the opening, because a lot of the ideas you've been talking about here of creating housing for multi-generations we put into our plans," and absolutely they did.

So as soon as I saw them, I emailed my client down in Florida, said, "You've got to come out here and see this thing, because what I've been telling you is on the ground and more."

BRETON: Like father, like son. Your son is in the same business now?

MARTIN: Well, he's in the same business, and that's part of the extension of this story. Last May he called me, says, "Dad, what is it that you've been talking about here, these multi-generation housing and so on?"

Well, Lennar [Homes], he's the chief design creator. He's the place-maker for Lennar. I said, "Well, I've got my bars and charts and projections and all of this stuff that I've been doing.

He said, "Well, come on down."

And lo and behold, number-two guy in the entire United States is sitting in the meeting. I said, "Okay, something's going to happen here," because the people that would resist the change that are sitting there would say, "Oh, well, we don't want to do that, because let's take our plans off the shelf." This guy is in the meeting, and so I know something's going to happen.

Well, next thing I know, they pay me my little fee for my ideas and they take it to Florida, give a presentation to their division presidents down there on the trend of multi-generations and more the one generation coming together to live under one roof, which, like I say, I had identified three years earlier based on the monitoring I do in the market. They have gone into eleven cities already and have introduced these plans. My last speaker in the course on March 28th was Jeff Roos, who is the president of the presidents in the Western Region for Lennar, and this guy's now the evangelist and guru for multi-generational housing. But Tom got me in there because he's been listening to me, and then now he is the one that is creating all the housing for the [Irvine] Great Park that is coming up here, so it's going to be some real innovative stuff.

So we're going to see some—it's taken a long time. Let's say this market crashed in 2006. I wrote a book called *Hope, Vision & Value Creation* [*Based on Lessons Learned in Housing Cycles, Community Development and Residential Design*] and published it in the fall of 2009 saying, hey, if we get off our butt here, we can start selling some houses in 2010, but the industry's just been too paralyzed. It takes longer for change to occur. Bren did a good job in 2010 when he put builders on a contract and went back into Woodbury and some of the places where he had developed land.

One of my students said to me, he said, "John, has the Irvine Company come up with the best-selling floor plan? Because it looks like the floor plans are all the same." Here was one of my students seeing what I didn't see. I went out there, but I went through them so fast I didn't see it, so I went back and I lined up the three floor plans, three floor plans, three floor plans. By god, the layouts are pretty much the same.

So I sent an email to Donald Bren's executive assistant saying, "Hey, this is what one of my students said about the fact that you might be building a lot of the same houses. You could reach the point—," so on and so forth.

Now, of course, I didn't expect to hear anything. I'm at a breakfast meeting at UCI's [University of California, Irvine] Business School and I'm sitting in the first row and Tony Moiso's top guy, Emile Haddad, who is doing the Great Park, and [Daniel] Dan Young, who is Donald Bren's number-one guy, are all on this panel talking about the future, and it's kumbayah, you know, everything's going to be fine and inventories are down and the world's going to be great and that's their purpose.

All of a sudden, Dan Young says, "John Martin's teaching this course with the Urban Land Institute," and he sent a note to the chairman, and the chairman came into the meeting and put the email on the table and said, "John is right. Change the mix," which blew the audience away, because nobody knows what's going on in the towers there and nobody knows what Donald is thinking, but it was kind of a difference thing.

I bring this up saying Irvine Company did a brilliant thing by going into the market and do this, but you can always do too much of a good thing. Now their sales are picking up because the economy's starting to pick up, but I think as soon as Tony Moiso's project comes in, the ranch plan [Rancho Mission Viejo] now right off Ortego Highway, and what my son Tom's working on at the Great Park, there's going to be a new competitive environment here coming on, like the end of this year and the early part of next year. So that's where we are.

BRETON: Fascinating. And we can call the multi-generational concept the "John Martin concept," because that's fascinating. That's something that I think we're ready for. The market is definitely ready for that. We've got children who are not moving out of their parents' homes.

They can’t afford even entry-level housing, and so you have three generations that want to stay together.

MARTIN: And that’s just hitting the shore too. I mean, the way I picked up the idea was a part of this monitoring thing, so anything that I teach and share with the students is, boy, get out there and talk to people that are on the firing line, particularly the resale agents that are talking to people all the time.

This probably goes back four years ago now. I’m doing work for John Laing Homes in the Huntington Beach market area and I’ve identified who the best brokers are, the best resale agents. Jody [A.] Clegg, she’s number one in Huntington Beach. So I’m developing rapport with her, and she finally says to me, “John, let me bottom-line this thing for you. There’s two trends that are happening here.” This was four years ago. She says, “One of them is that the Baby Boomer wants to move down. They’re living in their 3,500-square-foot house. The master bedroom’s up. They’re worrying about their knees. When they bought them, they were forty-five years old and they had teenage kids. Now they’re sixty years old, the kids are gone, the house doesn’t fit them anymore, but we’re not creating anything for them to move to.”

Okay. The other part of that, she said, is in downsizing, they want to stay in the same community because now they’ve got to work ten more years because of what’s happened in the erosion of their net worth. They’ve got to work longer. Their friends, their church, their business association, all that stuff is right there, and they love Huntington Beach. The other thing, though, that they’re interested in is having a small place where it’s either in the desert or Hawaii or the mountains or whatever. It’s kind of like their retreat haven where they go on vacation. They’d like that other small place there so they can get out and get the equity of this, and if they don’t already have that place, downsize here, but our industry isn’t building stuff for them and it hasn’t been. I preach that in all my classes, which is coming.

The other thing she said is the number of multi-generations coming to live under one roof. I said, “Well, Hispanics, Asians, that’s always been part of their culture.”

“No, no, no. It’s happening in the white population here.”

I said, “Well, yeah, but just because of economic—.” You know, I’m trying to find out what’s going on here.

“Oh, no, no. No, it’s for health and family support reasons as well as the economic part of that,” which family support, but, I mean, it’s family support in Grandma taking care of the grandkids so the wife can go out and the mother can do—all those dimensions.

Then now I start doing research and I mentioned to Kerry [D.] Vandell who is the head of the real estate school at UCI, that I was on to something here, and he said, “Boy, you’ve got to read this book by one of our professors. They’d written a book on this.”

I said, “What is it?” It’s called *Together Again* [*A Creative Guide to Successful Multigenerational Living*, by Sharon Graham Niederhaus and John L. Graham]. So I read the book, but he’s stating the same thing, but he has no analogs for it because the only thing that he’s got is a big lot in Oregon where they put a casita in the back of the lot, or a little house back there, because the lot’s big enough, see.

BRETON: Granny [unclear].

MARTIN: Granny, yes. We don’t have the luxury of that because our lots are too small and the bedroom we put on the lower floor is too small to accommodate Grandma. So the two things that this author—his name will come to me—said the two key principles here are proximity and privacy. Oh, boy, that makes a lot of sense. So we got Grandma there, we don’t have to put in assisted living, proximity, and we got privacy. Okay, so let's put another door in. When you go out and look at a Lennar house, they've got a separate entrance coming down. They've got this little unit.

Now, we did it in an attached building that was more than just what Lennar has now done. They took 6,000-square-foot lots and created two units there because they got a lot of inventory of lots they need to burn through. What we came up with was a unit where on the lower floor—and we described the buyer profile, that the daughter who's thirty-two years old is going through a divorce, lost her job, and starting an Internet company, so she lives on the lower floor, see, in a small unit, 1,300 square feet. Then you've got a little staircase with an elevator that comes out of the garage, private elevator. Baby boomer's got 1,700 square feet on the upper floor all on one level, but it's lock-and-leave, see. So then we said, okay, how about Grandma? So we got Grandma over here that's got a door connecting to granddaughter and the great-granddaughter, but she's got a private court, and you can close it off and they could share a front court if they want. But Grandma dies, and now you close the windows off, so you can rent that thing out, because it's 900 square feet, so now it becomes a rental unit.

We had it as a triplex, and we took it to the Pacific Coast Builders Conference, and I'll be damned if—because they had a program up there. It was called "Imagining the Future," and they were looking for ideas. So I put this team together of people that wanted to be on the team. I had architects and land planners and attorneys and community management company. They all wanted to meet, so we met for a period of about eight weeks, defined who the profile was, and we created this multi-generation building that turned out to be about 5,000 square feet with four units in it all distributed.

We took it to the Pacific Coast Builders Conference, won a Gold Nugget Grand Award here for an innovative idea, and then I took it on the road to the planning departments of these cities and they ate it up, but I couldn't get the builders. I tried to get Shea [Homes] to do it and Vantis in Aliso Viejo, because they had a project, three-story townhouses, that wouldn't sell, but kind of a resistance because it isn't proven yet, but more than that, we've got a Homeowners Association, and therefore if we change this and that, we've got to do all the—ride-it-out mentality. It'd be hurtful, we're not selling well, but let's ride it out.

That's what's coming in terms of doing it in more urban settings where you can have a three-unit, because the evolution of that then became a four-unit building where now we have a separate entrance coming up for the college kid that can't get a job and is living in the little loft over here that has a single-car garage, which then becomes another rental unit. So we got the idea, but that one hadn't hit yet.

The one that has hit yet is the Lennar, and it's proven, because part of the research that—I must have pulled off fifty—this is the second book I need to write and get it out there now, because it's so relevant for—I got a little bit of proof. In fact, I was saying—what was it? It was like a beacons—it had something to do—because you're a word guy here, it had to do with beacons for the housing recovery or something. In other words, there are some proof here. I just can't go out and preach this stuff because I can't prove it yet, except maybe Lennar picked it up. But you do have the Lennar experience now and you do have the Bren experience of coming into the market and great rooms and doing research, and that sold, and now you have this third thing.

It's almost like I needed my third thing, which is this Lambert Park here where they've done such things as here's a lot line between two houses. They've created two central courts, and the model merchandising doesn't have the wall in between, so when you go into this house, you can look across. An Asian family can buy this house and the kids are over in this house and they share this central private thing between the two houses. I mean, you've got to go see them.

BRETON: Perfect.

MARTIN: Yes, I mean, it's great.

BRETON: If you could, copyright the concept.

MARTIN: Well, I didn't know how to do that, you know. It's just kind of like all the architects I deal with, somebody comes in and changes one little wall and you're gone.

BRETON: Intriguing. Fascinating.

Let's take a break.

[Begin File 3]

BRETON: What was the overall strategy of the Mission Viejo Company?

MARTIN: Back starting in 1963?

BRETON: Yes.

MARTIN: From the point of view of the landowner or the Mission Viejo Company with Bren, or what?

BRETON: What was the strategy as far was what were they trying to create?

MARTIN: Well, there had been a new town movement nationally, not many examples of it, but I think Donald Bren and the O'Neills were aware of that, and the O'Neill family was motivated, because a lot of taxes on the land, to do something, to get into some development thing. So the idea of creating a planned community 15 miles past open areas from Santa Ana and Anaheim and Orange and those areas, in the vision that was imagined for the community, they needed to do something other than just a lot of subdivision tracts which had proliferated most of Orange County up to that point.

In other words, there really wasn't any significant planned community development in this area, because the Irvine Company was just getting started. They had done The Bluffs [Newport Beach], which was pretty innovative, and they had done some development on the hillsides in Newport Beach, and they might have been into Turtle Rock, but nothing was envisioned on this scale, and you had a land holding of 53,000 acres, which the first 10,000 to 11,000 was going to be carved out for Mission Viejo in the location that was closest to existing area, which was the Santa Ana and up the freeway.

To create place out here, then I think the basic strategy was, well, let's create some "there" there, and they could do that with some statement of entry at the closest point, which was La Paz [Road], and they had to spend the money to go across the railroad tracks, so what are you going to do? So with landscaping, with an entry monument treatment, with wide medians, with these Barcelona walls with specially selected stone or blocks for it, and with a theme, which was Early California, that there might be an opportunity here to create something aside from what all the subdivision housing was that was really pretty nondescript.

Then part of our job in the market, not that somebody didn't have—if they had never done a market study, they might have imagined this anyway, but I think they were getting verification with some of the work that I was involved in. Okay, who the buyers are going to be and how do you price those houses to be able to induce those people to move out here? The prevailing thing was somewhere 10, 15 percent below what they could get houses for on the flatlands on the Irvine Ranch. So there was a positioning thing here as it related to price. You had to be more affordable, but you needed to create the kind of housing that would be exciting to these people, and the Deane brothers absolutely accomplished that with their garden kitchen."

So, what was the strategy? Create a sense of place. Do it now. Get the schools involved and make the deals with the schools. I mean, like having the high school come out here early on was magical. Having that open-space farm thing down below was great because you had a feeling of you didn't have housing coming, because if there was any development on the way down here, it was just rows of houses that were really pretty unattractive. Here you had a setting before you got to the housing, but it was still contained close in, which filled the purpose of not getting too far out on an under- or low-capitalized company that put in infrastructure early on, that you didn't just spend it on sewers and storm drains; you spent it on the kinds of things that people could see and that they would embrace.

BRETON: It was more than just a bedroom community that they were planning, then. They were master-planning a community that would be a blend of houses with parks and schools and churches and—

MARTIN: Right. It wasn't just subdivisions of housing. It was the idea that it was a planned community that would have all the uses of—eventually. You couldn't put them in at the beginning, but you had the promise of that, and the advertising, promotional program, was very tastefully done. In other words, there was sophistication level here, I think, that was above the red-tag sales or selling on price. You were selling community, and it was pretty sophisticated with theme architecture and all that went with that.

So, was it a gamble? Yes, but there are other examples of people commuting to be able to get price. I mean, their options were you buy in Orange, you buy in Santa Ana, or you buy in Anaheim, and you buy in a subdivision, and you don't necessarily have the parks or the open space or the schools close by or the aesthetics. So it was a departure from what existed that people could see and the promise of what this could become, which I think was very effectively communicated.

BRETON: You speak about the aesthetics. Why did the company invest in building infrastructure beyond what was that which was required, streets that were wider, parks that were larger than what was the minimum required by the county, landscaping that was installed that was certainly not required by the county in order to build the homes? Why was the company trying to create something that cost a lot more up front to build as far as the infrastructure, the slopes, the medians, the width of the streets, the number of parks, the size of the parks?

MARTIN: Well, it just seems to me that it's an investment in what people want in terms of a community. So how do you imagine what people want? I think a good part of that is what would you like yourself? In other words, you ask yourself, "What would it take for me to be attracted to this place 15 miles further out?" And if I go over the bridge and I saw the entry and I saw the trees and I saw the tasteful architecture, which is an indication of the promise that the developer's going to be here and it's a part of a larger land holding, and so, yes, I'm going to take that.

It didn't appeal to everybody, but it was the kind of thing that people will commute for, something that will, I'd like to say, enhance and enrich the quality of their lives and their opportunities for their kids and all the things that Toepfer and Bren and Reilly had in mind when they decided, hey, these components, the schools, the parks, the aesthetics, the theme architecture—

BRETON: The rec centers.

MARTIN: And the rec centers. So they did their list of priorities that it would take that still was financially feasible to put up front, given the fact that I think they only started with $200,000 initial investment, which is small. And then the willingness of the family to go along with this, it took vision and commitment and faith also in somebody that hadn't done this before. I mean, Bren had not done a planned community before and certainly Reilly had not. He was an attorney with Rutan & Tucker [LLP], and Jim was working in an urban city.

BRETON: To what extent was the success of the company's ultimate vision and strategy a function of a single developer rather than multiple developers? In other words, to what extent what their success predicated upon convincing the residents that they were in it for the long haul, that the developer would be here to see to it that all of the promised amenities would be installed, and that they could count on this single developer to continue the plan all the way through to full implementation? Was it important that there be a single developer overseeing the entire plan?

MARTIN: It's important, but I don't know how on the ranking of the potential buyers, in the equation, how much that factored in their decision to buy. That's hard to quantify here. It's important, but the essential thing was, hey, here's a real great-looking house that I can buy and afford, and it looks like what I'm going to need here is going to be here, because the school's already under construction and the streets are already in and the shopping center's already there, and so it's enough that I'll take—then I think it's the feeding frenzy, that once it caught on and you saw fifty other people in the parking lot camping out for a week, you say, "I've got to be in on this," and that was all a part of the flocking of people to be there, because, hey, I mean, if there hadn't been anybody in the parking lot and no houses were selling, then that set some kind of tone here, and I don't know if I want to be a part of that. This looked like it had the ingredients for success.

BRETON: What were the key ingredients to the company's success?

MARTIN: Well, I think they had good leadership with a visionary guy that was creative. They had a complement with Reilly to begin, that they understood all of the components and how you get there with the planning and the engineering. So they had real strong vision and implementing action team to cause the vision to become a reality, because they were experienced people. They went to Boyle Engineering [Company] because they thought that was the best local engineer, and they hired Frank Fehse away, who was one of their principals.

They go to the city, and Jim Toepfer had not done a master-planned community before, but I guess in talking to the guy, you'd say, "Hey, if he's got his own family, where would he like to have his family grow up?" He was one of the first residents here, Reilly the same thing, and Bren just had this sense, well, if you do it tastefully, if you do it with authentic design, if you do it tastefully, if you embellish everything with a lot of landscaping, then maybe we've got something here. So I think it was a good combination of astute tight management. There was no bureaucracy here.

There was a quote somewhere where Bren was quoted saying, "Just do it." Maybe that was before the Nike thing or whatever, but just get it done and have faith. Because, I mean, over the years as I've had people describe Donald Bren, it's kind of no-nonsense. He has this sense that he knows what to do, and I think that was imbued in the organization, and then when the success was there, Reilly and Toepfer and the rest of the group, me included, made sure that it happened.

BRETON: Part of the company's brilliant success is attributable to the fact that it always hired the right people, but could you also describe the climate that pervaded within the company? Was it intense? Was it hectic? Was it full of creativity and thinking outside the box? Was there a lot of micromanagement? Was there a sense of teamwork, or was there a competition between departments? Could you describe the atmosphere and the climate?

MARTIN: I would describe it as intense. I would describe it as competitive, but the overriding consideration of this was, hey, we're on to something big here. I mean, how many opportunities do you have as a young executive to be involved in creating a town that is going to become a city and work with some very bright people? So it brought out the competitive juices, and the organization structure was set up so the functional guys competed against each other. It was almost like a survival of the fittest, but we were all friends. I mean, we then played a lot on the weekends or—I mean, we played a lot, but we worked tremendously hard and we were very competitive, representing our functions in the bowels of the company, and Phil just let us go at it, and then when a head pops up, he could either lop it off or embrace it. I think it worked.

BRETON: Was he a taskmaster?

MARTIN: Well, yes, one of the things he said to me one time when I went in to him and I said, "Well, Phil, this is what I think we ought to do. This is my future plan," and I'm trying to describe what this thing is, he said, "John, don't tell me what you're going to do; tell me what you've done."

Ooh, okay. Now, fine, I understand that, so I'll gear back on talking about all these things that we might do that might not come to fruition, and then I'll mix that in with, "Well, Phil, what we've accomplished here—." It could have been de-motivating, but in a sense it was, "I'll prove it to this bastard."

BRETON: What happened when someone came and reported back to Phil and had failed at some task?

MARTIN: Like I say, I think it was a minor fail, but I think I failed on the Granada houses, because at least they didn't meet my expectations, and I don't know what his was. But I think he was the kind of manager to say, well, people are going to make mistakes, but they don't make mistakes unless they try and do something, and in this organization you can't hide out, because the thing's going too fast. I mean, we're creating a thousand houses a year here, and then, of course, part of my job was I made sure that the *L.A. Times* knew, like, every week what we were doing. I mean, we're the fastest-selling project, and I'd have all the recordings, and as soon as I knew that we outsold everybody else, I got this information out. I mean, it was a constant flow to the media of what we were doing down here, because I knew when I joined them—and they were already successful, so all I was trying to do is make sure that that engine was finely tuned and we made the changes that took us from that period to '71, and that's where the discussion of the lake comes in.

BRETON: *Fortune* magazine published an article stating that any new town project would require $60 million in cash and a $300 million line of credit in order to succeed. The company did not have that. How did it do so much with so little cash flow with only a starting cash flow of $400,000? How was it able to implement its ambitious plan with so little capital?

MARTIN: I don't have all the information about what every component cost here, but what I think was the confidence-generator, taking whatever that was, tight management so you aren't spending it on a lot of overhead and you aren't spending it on a lot of meetings and you're spending it on going out and doing something, and then the initial success feeds on itself.

So, okay, now we've opened Deane Homes and, wow, they're really selling. So, okay, let's open up this next project. Wow, they're really selling. Then you're starting to get the cash flow in within a short period of time.

So let's say company's formed in '63, things are expedited. One of the problems with this investment thing that they're talking about here is they're factoring in now resistance because of environmental movements and regulations and how long it takes from the idea through all the process you've got to go through before you can actually build something. Back in those days, '63, you come up with the idea, you got a specific plan or whatever the document is, that general plan. Man, all of a sudden you've got approvals and you've opened a project within two years, and so you're turning fast and they aren't spending money on what is unnecessary or protracted overhead expense or whatever.

So, yes, *Fortune* could very well be right in what they're saying typically, and particularly it depends also on what the organization is that is trying to do the master-planned community. If it's a public company that's bureaucratic, it's hopeless. I mean, they won't get there because they can't make the decisions. So what we had here was a very entrepreneurial action-oriented—I'm tapping again here, but you know what I'm saying. In other words, it was light on your feet, move fast, get results, capitalize on those and just keep getting into the market and change where you needed to change, adapt where you needed to adapt, and that all happened.

I'm sitting here thinking it was Deane Homes that were successful. La Paz Homes came in built by the company, first product built by the company. That was successful. El Dorado was perceived as needing to get into a more affordable price range quickly, which was accomplished. So all of that occurred between '65 and '67, because I didn't join them until '68 and El Dorado was already on the ground and open and selling very well, very well.

I mean, if you look at the population statistics in the audit, whatever they call that census thing that was done at the end of 1967, you had those three projects, Deane, La Paz, and El

Dorado, all selling really very well, and I think it was like they had a thousand residents by the end of ’67. That happened overnight. Boy, a lot of credibility comes with moving that fast, and then it’s monitoring what’s happening in the market, and that’s where the Madrid thing came, opening by ’71. So here you are, ’65, boy, that’s within six years. You’ve got a pretty going machine here that is beating the pants off the Irvine Company and what they’re doing in terms of any volume projects.

BRETON: Could you describe the type of surveys that you conducted for the projects that you were in charge of in Mission Viejo?

MARTIN: Well, when you had model homes open, I used to station interviewers there with a clipboard and a survey form, so people would come through the models and say, “Hey, can I have a few minutes of your time?” And they fill that out, so you’d find out where they’re coming from, what their age is, what they’re looking for, what they thought of these particular models, what do they think the developer or builder ought to do differently. So you’re getting that information.

As soon as you got homeowners moving in, then you go in—I used to leave questionnaires off and so, “Okay, fill this thing out and put your survey in a hat here and you’ll get a free TV,” or something, kind of like a raffle thing to get people. Or you have them knock on the door and interview them. So you’ve got homeowners that you’re going out and you’re interviewing.

Then through all the credit reports and everything, you have all the buyer characteristics, so you know what their ages are, where they lived before, what income they make, and you tabulate all that. Then you correlate that by Plan 20 has this profile and 34 has that profile and so on. So you get, okay, who’s buying each one of these houses, and if one starts to slow down, then you know who to promote to. In fact, then we used to say, okay, where's the address that they came from, and we used to take a map and we'd plot the addresses that they came from on a particular block in Orange or Anaheim or whatever. Okay, well, now we can do direct mail to that block and say, "Your neighbors are buying. Come out and buy like your neighbors," or whatever. So you're doing a whole array of sources.

Then the other thing, in fact, to do the Madrid houses, I identified what the best-selling competitors were, and I knew that Greenbrook and Fountain Valley [California] and Tustin Meadows and Tustin and so on were selling really very well, so we took interviewers and we went to their houses, said, "Why'd you buy here, and what do you like about these houses?" Then, of course, monitoring of going out and checking and talking to the salespeople, "What's your best-selling plan? Why's it selling? Who you selling to?" You get boots on the ground. Then you talk to the resale agents and saying, are people coming down here and are they looking for something that we're not offering, and what might that be? If we offered something, would we sell more houses? And you get that kind of input.

So it's really an intel system here where you don't want to overdo it, but you don't want to not have the information that you need to make informed decisions, and so that was a constant monitoring program, research program. I mean, it was ongoing, and I think that's why Madrid houses was so successful. I really should write a book on that one because it would be relevant today, even though today you might do more focus groups where you would go in and you'd get ten people there and you'd ask them, but you really need the plan's design before you get a focus group going, because they'll tell you they want the moon. You need to have specific plans to say, "Well, what do you think of this relationship to the kitchen?" to this and that and so on, and you could pick up ideas. That would probably be the only thing I would add to what we did back then as a part of this research process.

Then you're watching the economy too. Where are the jobs coming in? You go to the employee department, the human resources, and say, "Hey, can I survey your people?" Sometimes you can't through them. I mean, they're looking for the right places for their people to be happy or they're trying to recruit them in or whatever. So the whole bunch, you just kind of go down your laundry list and you pick and choose because you can't do everything, so you prioritize.

BRETON: Was Mission Viejo originally trying to attract entry-level homebuyers?

MARTIN: Well, they had to because there wasn't any market for move-up yet, because the project that was the weakest was the Monterey Masters that had gone for a move-up, more affluent buyer, but the product wasn't that great and the positioning was too high. Those were kind of like—I'll say $29,000 to $40,000 range, and they were just too high too soon out in this area. So the market was young families. I mean, it was a bull's eye. They got that, and that first audit was—I'm not going to try to remember the statistics here, but the majority of the people were from twenty-five to twenty-nine. There was a huge number next that was from twenty to twenty-four, and then they had the group that was from twenty-nine to thirty-five, but it was focused right there.

The median was still right smack in the middle of the twenties, which in those days—and then I went back and I figured out, okay, when were those people born, because I could subtract the age. Okay, they were born from 1928, so they were actually representative of a demographic group that was small, because those were the [Great] Depression babies, a lot of them born in '28 before the crash in '29, but the rest of them were—I mean, it was a small market.

So, okay, but they were the ones that were having the Baby Boomers as their kids, so the babies were starting to be born in ’46. My kids are in their fifties now. They were born primarily in the fifties, and they were the second half of the Baby Boomer generation, and that was the market that you were going after that then became the homebuyers. By 1970, the oldest Baby Boomer was twenty-four years old. Born in 1946, you’re twenty-four years old in 1970 and, bam, that thing is just—it took off for—well, it took off forever, until the sellout of Mission Viejo.

BRETON: At what point did your surveys then indicate that you needed to start looking at some move-up housing? Is it through your surveys that you came to that conclusion?

MARTIN: Well, because, in fact, even in that A.D. Little report, they mentioned my name of some of the communities that I suggested they go out and survey, so they surveyed people from Tustin Meadows and from Lennar’s project and our own buyers that were here, and they asked the question, “Do you plan in five years to be living in Mission Viejo, or are you planning to move somewhere else?” Okay, so they were getting the idea, uh-oh, they’re moving up, but they’re moving out. They’re moving to Bren’s thing down in Harbor View Homes, and then they’re moving to Aegean Hills, as I mentioned. So there was already this movement going on.

And then now we have our own resale market, Mission Viejo Realty, so I’m down there talking to the brokers, the resale agents, “Hey, what’s happening here?” Well, boy, this guy sold—where’s he going? Well, he’s moving to Anaheim Hills or he’s moving to Newport Beach or he’s moving to somewhere else. Uh-oh, we’d better stem that tide and we’d better create those opportunities.

So we saw it early on, because even though it wasn’t great, there was price appreciation going on, but also the people in the aerospace industry were starting to make higher incomes and, okay, do we have those move-up opportunities for people? That's where I think a huge number of the Madrid houses, we had a group of one-stories and we had a group of two-stories, and the two-stories were primarily in the 2,400- to what ended up to be the 3,300-square-foot range, which was a perfect move-up opportunity when you had that much square footage on a 6,000-square-foot lot. So we saw that and we responded to it as fast as you can, but if you're asleep and you're not doing the monitoring of the market, you could easily miss that, and then the competition beats you up.

BRETON: Just a couple of questions about the O'Neill family. How do you think the O'Neill family's philosophy regarding land conservation, habitat preservation, open-space dedication, as opposed to urbanized haphazard urban sprawl, how do you think that factored into their decision to go with Donald Bren and Phil Reilly and Jim Toepfer, or was there another reason why they were convinced that they should take a chance on this management team? Why do you think they decided to go with this particular offer as opposed to Macco or some other proposal?

MARTIN: My sense is, coming from a lot of generations living on the land, and I would say that it was probably in their DNA not to envision a lot of subdivisions where the houses are all packed in together, that you'd actually have some relief there. With what is at the entry, Old MacDonald's Farm was the one that was down at Crown Valley [Parkway], but what was this? This was some 4-H Club or something that's right at the entry at La Paz on the right-hand side.

BRETON: As part of the Mission Viejo High School, there was a farm there.

MARTIN: And it's still there.

BRETON: Yes.

MARTIN: Okay, but that gave you the open-space feelings. I mean, you could have built that thing, filled that hole up, and put a shopping center down there.

“Uncle Richard,” [Richard J.] Dick O’Neill, and his sister and their mother were the three primary—

BRETON: Marguerite [M. O’Neill] and Alice [O’Neill Avery].

MARTIN: Yes, the owners at the time, and Tony was very young, although I think he really was imbued with a sense of the heritage of the land. I mean, his tradition and all of that’s just part of who he is. How much they perceived that or not, I don’t know. I think they were just taken with the energy and the imagination of Bren and his team and said, “Okay, this is certainly in our mind—.” I wouldn’t even say “certainly.” I would just of the choices that they had to solve their problem of avoiding the taxes and “Let’s do it right,” they had somebody here that would say, “Okay, I believe in what they’re doing,” all they had to do was go across the street and see what Macco was doing. If they did do that, they would say, “Well, we don’t want that over here.” So they were taking a leap of faith with somebody that had never done it before. If I would have to describe Bren, I would say he was a very creative visionary promoter and salesperson.

BRETON: Could you describe the financial arrangement that the Mission Viejo Company had with the O’Neills?

MARTIN: Well, the first deal going in, as I understood it, Bren had 40 percent, his investors had 40 percent, and the family had 20 percent, and that was part of the Bren moving on, because as those numbers work out over time—I’m just guessing here. That relationship with Donald Bren didn’t last from ’63; it lasted until mid ’67, and Don was bought out and he went on and do his magic from there on.

So the structure to get into this probably going into it was to everybody’s satisfaction. Then now you’re at it, and does this make sense with what the family’s doing in terms of the terms on the land and what the returns are and the capital requirements and the need to get somebody else in here? Things change, but it started out fine and it got launched and it was successful. So did I answer your question?

BRETON: Yes, but to piggyback on top of that, could you describe the options that were available as far as the acquisition in thousand-acre increments?

MARTIN: No, I don't know enough about that to really comment on it. I just knew it was—I'm not going to say "generous." It wasn't onerous in the sense that they had to take down stuff too fast and it would have eaten them up on terms of the carrying costs of doing it. It was very compatible with long-term community development, and I think Reilly makes a big deal out of that—and he knows; he was right in the middle of all of that—and structuring that way. I think probably a lot of credit would go to James [E.] West who was the advisor to the family over a period of time. I don't even know if he knew Bren before that or whatever happened, but the way that they conceived what they needed to do to be able to facilitate a guy coming in here and being successful with that amount of low capital, that all came together and it worked.

BRETON: Could you describe how you met Tony Moiso and the offer that Donald Bren made to him?

MARTIN: Well, my history of that part of it is from Tony coming and speaking at this leadership course where he traces the past and that relationship. I mean, he jokingly said, "There were different entities that were vying for getting to do this deal with the family and one of them was offering me big-screen TVs in those days or whatever."

Bren says, "What are you doing, Tony, after you get out of the army?"

He said, "I don't know."

He says, "I'll offer you a job."

Now, whether that had—how much influence, but Tony said it three times in meetings, that I'm sure it was just part of the Bren philosophy and approach to engage the family, because he could see, I mean, this young guy who was in his probably mid twenties at the time was the heir apparent that he would be dealing with, and he might as well be part of the family, and he was. He was brought in early as executive vice president, and then when Donald Bren left, then he continued in that role.

In fact, in the A.D. Little report they were saying, well, Tony at twenty-five or twenty-six needs about another four or five years of grooming to be able to take over James West's job, but they all thought he had what it took to do it, because he was a good listener and he was smart and he had the values of the family heritage and he would continue that. He wouldn't be a numbers cat that was just looking at the bottom line too soon.

BRETON: Would you agree that owning all of the land gave the Mission Viejo Company more flexibility to do its job the right way?

MARTIN: Oh, yes. You're talking about the importance of a single ownership enabling a master-planned community to happen and then flourish. The comparison of small ownerships in cities like Orange, Santa Ana, Huntington Beach, all those where you had all the—you can't bring those owners together because they all have their vested interest in doing what's good for them, and so you can't pull it all together. To do master-planned community development, you can't do it with multiple owners. I mean, I haven't seen it done where you can bring multiple ownerships together, so the fact that this was all under one large ownership was the enabling factor that Mission Viejo could be created on the scale that it was for a long-range perspective without it being aborted. They could have screwed it up, but they didn't.

BRETON: Now, if you could describe for us a little bit about the garden kitchen, what is it?

MARTIN: Well, when the Deane brothers discovered the garden kitchen, it was in a project by a company called Haft Gaines [Inc.] in Fort Lauderdale, and the concept that this homebuilder created, came up with, was how do you take the kitchen area and integrate it with the outdoor spaces. In the Florida market, as you know weather as it is, they needed screened rooms to keep the bugs out, and the relationship of how they created, like, white cabinets that were different than all the dark cabinets that were in everybody—and they did some old gold anodizing of those white cabinets. They had the sliding windows that were, in this case, gold-anodized, but the windows came all the way down to the deck, to the countertop, extended over, sliding glass door, came right over to the glass, so you had this relationship of the indoors and the outdoors with a pool. Nobody bought a screened room. They don't need it in California. But the merchandising appeal of this—and they also did the same thing with the baths, so you would have a tub with a sliding glass door that would go out to a private garden, so it was romantic and it was different, and people just ate it up. Like I say, it catapulted an obscure small builder to absolute national prominence. I've got a wonderful case study on that one if you want to read it.

BRETON: Why did the company decide to price the homes at the lower end of the market, especially at the beginning, and then wait to build more expensive homes? Now, you've described the competition with Irvine and with other communities to the north.

MARTIN: I believe if you're going to enter the market with a new planned community, your pricing strategy related to the competition both in the new home market and the resale market has to be finely tuned, and then you ask the question, the price range of where you feel it needs to be to be able to get people to commute out there. I mean, a lot of times 15 miles, you need to be $1,000-a-mile lower price. We used to come up with those kinds of formulas. That doesn't apply in this case because the prices were so low, but there's some measurement that you say, okay, I've got to be that much lower than closer-in communities. In this case, I think, reading back on the material, we knew we had to be, say, 15 percent lower than closer-in options.

But who are the buyers going to be? The buyers are going to be those that could afford these lower prices and would be motivated to move, and those that would be motivated to move would be families that have children that want a family-friendly environment, because you're not going to get singles, and why would older people move out here, that you don't have the hospitals, you don't have the services, and you don't have anything for them to do? So young people, they're going into apartments. I mean, there's certain household types. You've got married with children, you've got married without children, and you've got single persons as the three primary types, and then you've got age groups in ten-year increments. So you say, okay, our market is families with children that are young, because the homeowners are young. That became an absolute target which was matched with the kind of product that was offered, the kind of housing that was offered at the time. It was positioning, yes, positioning, identified a market, knew what the prices had to be, knew what the product needed to be to attract that market, and then merchandise it beyond what the competition was offering, and it worked.

BRETON: And brilliant marketing plan, advertising.

MARTIN: Yes. Tasteful, creative, wasn't oversell, wasn't big. By 1995 here, that wasn't the thing. It was the imagery of the Early California heritage out here that, as I remember, I mean, they even had a young gal sitting in a chair. I remember one of the photographs, and I—"Wow, this is really tastefully done here."

BRETON: Of course, even though you had a lower profit margin, you had high volume.

MARTIN: Yes, which you had to have. You needed rooftops.

BRETON: And you were able, with that high volume, to pay your front-end costs.

MARTIN: Yes, and also support services faster. In other words, if you're going to have a barber shop and if you're going to have a grocery store, you need some bodies out here, and so you get the body count. "Body count." You know what I'm saying. I mean, people out here in the rooftops that will buy in your retail. And then the dentists start to come. I was still here when that shopping center at the corner, not the first shopping center on the left-hand side, but that commercial area on the right-hand side—

BRETON: Professional at La Paz and Chrisanta [Drive].

MARTIN: Yes, and I remember Dr. [Robert J. O'] Callaghan was our—I mean, you start getting the services here because you've got the people that need the services right there, so it all kind of feeds on itself.

BRETON: How did the company go from zero to 32,000 residents in just nine years?

MARTIN: Thirty-two thousand residents in just nine years. Okay, we're talking from '65 to '75, yes. Well, it was still maintaining this what I would say affordability compared to the competition and good positioning. I mean, we used to make a big deal out of coming out here where the terrain is a little bit—we used to call everybody in there the "flatlanders." If you want to live in monotonous flat land, you buy there, but here we've got topography and we've got variety and we've got those kind of things.

Then, let's say, Deane sold out, La Paz is still in the market by the seventies, '71, El Dorado's still selling along, and then we open up this Madrid thing and, boy, that thing, in and of itself, in ten years they sold 2,600 units at an average like, 260 a year out of that product line alone. So you start building up the momentum here. And then other projects—I can't remember when Casta del Sol came in. That was saying, okay, there is a market for this fifty, fifty-five, and older, not big time, but it's another segment that we can go after.

BRETON: Gate-guarded communities.

MARTIN: Yes. Where did that come in? Casta del Sol being privately gated?

BRETON: Right.

MARTIN: I can't remember what year that came in, but the lake didn't open until 1976, but then that was the next generation of people, because you could diversify the product, which we saw in 1970, which we've talked about, unless you want me to talk about it more.

BRETON: Not now. How did the company determine the size, not only the housing design, but the size of the front yards, the backyards, the setbacks? How did you determine how big a lot you needed in order to keep up your absorption rate and still maximize your profit? You're dealing with hilly territory, very expensive to grade.

MARTIN: Well, there's just industry knowledge. As I've watched the evolution of lot sizes, if you were in Huntington Beach and in Orange and in Santa Ana, the standard lot size was 6,000 square feet with a 50-foot-wide house with 5-foot side yard setbacks and 20-foot setback or 18-foot setback to the front of the garage. I mean, that's standard, and what that does is allow you to generate four to four and a half dwelling units per acre. So if your lots are bigger, then you're forced into a higher price range. If your lots are smaller, then the design of the houses isn't going to be that attractive.

What came first, the chicken or the egg here? I would say it was probably a little bit of both, where if you're going to be talking to the Deane brothers about them building in your community, and they just have been very successful in a community Diamond Bar a year earlier and they're on 7,000-square-foot lots, well, maybe you ought to be doing 7,000-square-foot lots down here to get the same plans, because you may not get that builder if he has to redesign.

Okay, now you're into the market with 7,000-square-foot lots and it's selling like crazy and you're getting the rooftops and so on, and then Bren says, "But I can't make any money with three and a half to the acre and hillside with all the grading for what the consumer's going to pay for the price residual down to what the homebuilder could pay for the lot," which in those days was 6,000 or 6,500. I think what Bren said, "I can't make any money selling lots to the Deane brothers at $6,500 finished lot. Okay. So now his criteria was, we've got to get under that, so our basic lot size was 6,000 square foot minimum, because you need a pad that's 60 feet wide to accommodate a 50-foot-wide house, and all those houses in the La Paz series are 50 feet wide on a 60-foot pad. If you have side slopes and stuff, you may have a lot that's a little bit bigger.

Anyhow, now you're in the heart of the market. El Dorado's coming up here. Well, maybe we don't want to squeeze them to 5,000-square-foot lots. We better keep building these 6,000-square-foot lots, even though we're downsizing the house. So now we got a smaller house on a lot that's 6,000 square feet, but that's a judgment call. They might have been able—because some of the lots that followed three, five years later were 5,000 square feet. Even Stonybrook was on 5,000 square feet, but that was a mistake because they built too much house on that lot.

So it's kind of the educated art of the business on how you're going to program these with the setbacks, because standard's 5,000 square feet by county. There's a front-yard setback, and then you know in the rear yard that your consumer probably isn't going to respond to anything less than 30 feet in those days. You need a 30-foot clear from the house to the rear of the lot, so you're building within that envelope on a 60-by-100-square-foot pad.

BRETON: So did the company engage in a feasibility or profitability analysis, taking into account everything, the cost of the land, the building criteria, all of these elements, and then decide whether a project was a go or a no-go?

MARTIN: Yes. I mean, going, “Okay, what can I sell these things for? What’s the square footage going to be? What are my direct construction costs going to be? What are all my other costs going to be? What does that residual down to? Is that a lot cost that I can deliver?” Then you work the other way. If my lot cost is going to be 6,500, and it’s going to cost me $7 a foot to build a 2,500-square-foot house, and I’ve got profit at 10 percent for the builder and I’ve got overhead at 3 percent and I’ve got marketing at 5 percent and I’ve got finance at 5 percent, I mean, the numbers—you know going in that if you can achieve these sales prices with this product and it’s going to sell, you’re going to make enough money for the project to be feasible to develop.

On the Madrid series here, took one more step, saying, “Okay, got to sell the house at $35,000,” at that time, “that has 2,900 square feet in it.” Okay, that’s the market. That’s the value that’s going to cause this consumer to respond. So, now I know it’s going to take the 5 percent for the finance and the 5 percent for the marketing and the 3 percent for the overhead and the 3 percent for indirect construction, which is the superintendent and all that kind of stuff. You know all those numbers and your lot cost is going to cost you 6,500, so what’s left for the house? Okay, that’s my target budget to design this house. If I just go out and design this house and I don’t know what it’s going to come out costing, then I may have to sell it for 40,000 to make that profit, and it isn’t going to work because the market isn’t going to respond.

So that’s when I say I brought the cost estimator on, we counted the nails, and the time I was there, I worked hand-in-glove with Don Zellner, who was the chief financial officer, because I knew what I was doing, he knew what he was doing. In fact, it was mandated by Reilly that Zellner and Martin go out and walk the lots together and agree on what the lot premiums are going to be. So if a new subdivision, a hundred lots, was coming up and they were graded, we’d take our lot list of one to fifty and we'd go out there and, "Well, I think it ought to be worth five."

"No, no, six."

Then we had to agree between finance where he's trying to get the number up and I'm trying to get the number where I'm not going to overprice my houses, and then we finally agree. So that was part of the give-and-take. I'd get out there with—I've got pictures of me and Toepfer on lots looking at premiums. I've got pictures of me and Osborne on lots looking at premiums. So it was a collaborative thing where, under the Reilly thing, we clanged our heads and we came up with some kind of agreement. We couldn't go back to him and say, "We can't agree. It's up to you to make the decision." That wouldn't have worked. That wouldn't have worked.

BRETON: How did the company establish new marketing criteria?

MARTIN: Marketing criteria for the residential product design?

BRETON: Yes.

MARTIN: Well, I have a form, or I had a form. In other words, you've got the project name and you've got who the builder might be and you've got the lot size and you've got, okay, I want four floor plans, one, two, three, four, and based on the research we've done, the plan we need is something that's a one-story three-bedroom at 1,800 square feet to get the couple that wants to buy that. Then I've got another plan here that's got a big bonus room. It'd be 2,400 square feet. It needs to be priced at that.

So you just do a design criteria that summarizes what it is that the research is telling you you need to offer, the kind of house you need to offer at that price to be able to be marketable, to sell at a rate, a minimum rate, of, say, a home a week. In those days we were selling faster, but a builder can make it if he sells one home a week or fifty-two a year. If he's only selling twenty-five, overhead's eating him up or the indirects, too much supervision, all that kind of stuff. So a certain criteria that you know, being in the business, makes for a feasible project.

So let's say it's one a week, fifty houses a year. How am I going to have to price those to sell fifty a year? And therefore what's my budget for direct construction costs and all these other things? And you set that up. In this case, in my regime there I might have shown it to Reilly, but maybe I didn't. I just went ahead and did it because I felt I knew what I was doing and I knew how to get there, and the less people I had to interface with or get approval from, the better. I'd just go.

In fact, in the Madrid Homes the first time Reilly even saw the plans is when he came out with the models. I remember looking at him. He says, "Well, John, do you really need that clock outlet?"

I said, "Those purchasing guys have been talking to you about the fact that I put something in there that they didn't need to do," because he had no idea what a clock outlet was, see. But that's just part of the stuff. So he delegated to me. He was good. He delegated to people that he had confidence in, and then he wanted to come out and put, of course, his stamp on it, and he's the boss and he gets all the credit.

BRETON: You speak about the number that you sell per year, and the company was selling by the thousands. How did the company oversee and monitor and coordinate and control all of this, the construction and the sales, as the houses were in various stages of construction, coordinate the in-the-field scheduling and in-the-office scheduling?

MARTIN: Well, I'm trying to remember. Does the name [Timothy] Tim Ledbetter ring a bell? We would have weekly staff meetings, and every tract—let's say a tract is 50 houses, and you may have 7 tracts and 350 houses in a product line. That's small, but let's say got 350 houses. You've got 7 phases of 50 houses each. Well, each one of those tracts has its own schedule with all of the detail. You've got to come up with the working drawings being final and you've got to do the plot plan and you've got to get the financing arranged and this kind of stuff. It's all barred out.

So we'd sit down there and we'd go over, well, are we there on each one of these dates to be able to hit an opening date. I thought it was pretty sophisticated. We weren't hip-shooting here. We had schedules that had all the line items of what we needed to do and we all met. Say, Tony Moiso ran those meetings. Jim Toepfer would run those meetings. Or if they weren't available, one of us would step up and run the meeting, and Phil would come in every once in a while and just stir stuff up just to let us know he was still in charge.

[Begin File 4]

BRETON: How important was it to have a good Home Warranty Division or Department?

MARTIN: Well, that's just for credibility of what we always thought. Referral sales is really important, so if your homeowners are happy with the customer service and the responsiveness, that has been a—I was going to call it a science, but it's kind of like an evolving priority on the list. But when the market is hot, the builders just go out and build anything and then hope that the quality's going to be good. But now it has become such a part of the more consumerism, where people—I just got a report coming, J.D. Power [and Associates, Inc.]. I don't know if you're familiar with them. They do customer satisfaction surveys. The builders now really are trying to raise the bar so they get higher ratings, because they use that in the promotional—I think it was Standard Pacific [Homes] and it was David Weekley Homes, which is out of Florida, and Shea Homes were only two builders that were just recognized in the top fifty of all organizations that have this J.D. Power's blessing. Well, they use that in their promotion and so on.

Back then, some companies would have the philosophy, "Well, let them bitch enough and maybe they'll go away," but they aren't going to go away. So there's been an evolution of being much more proactive to satisfy your consumers, and I thought the company always did a good job of that, of at least trying to satisfy and do the pickup items. So when people are going through their checkout, they get back and pick them up, so you're not aggravating your consumer.

I mean, that was a long time ago, so the satisfaction level, I'm just thinking—I think our Construction and Purchasing Department did a pretty darn good job, because they understood the importance of it and they're not trying to get away with anything and they're trying to keep their subcontractors on their toes and getting them back, but some things you can't get the subcontractor back timely, so you've got to go out and do it yourself. I mean, that wasn't my end of the business. I just saw the results of it if it wasn't done well.

BRETON: And it obviously avoided bad publicity.

MARTIN: Yes, I mean, if things really got bad, like slopes falling down or houses with—

BRETON: Foundation problems.

MARTIN: —or this kind of—yes, you don't want to [unclear]. No, I think the company did it because they were in for the long haul too. It wasn't like they were going to build a tract and move on. I always thought that that was good.

BRETON: How important was it to the company to hold down the inventory costs by timing closings of sales as close as possible to the completion of the house?

MARTIN: You want that to be as tight as it possibly can. If you're going to build fifty houses and it's going to take them six months to build them, then you want to be selling at a pace that you come down to the end here and you have very few houses that are unsold so you've got enough lead time to get the buyer in, get their loan approved, and they're ready to close, because as soon as the Notice of Completion is filed, you want those escrows to close. So, I mean, it's just part of the strategy to run a tight organization and get it in. So I think that just kind of goes without saying. The objective is close the escrows as fast as you can as soon as the houses are completed.

BRETON: Now, you've alluded to the long lines, the overnight camping, and the lotteries, and we had phenomenal growth in Mission Viejo. We had 55,000 in 17,000 homes by 1983. Did the company foresee such phenomenal growth, especially through a couple of recessions?

MARTIN: Well, through some of those recessions things really dipped, and then they picked it up in the hot times. I just think it was an overarching goal to do 30,000 units in 30 years at an average of 1,000 units a year. I mean, you don't want to do it at 500, because you don't want to be here 60 years, if you've got 30,000 units, so there's kind of like what makes sense, because if you're doing 1,500 a year or 2,000 a year, you're probably under-pricing your product and you're not making enough money. If you're doing 500 a year, your carrying cost is just too great and your extension is just too far out, and the competition may come in and eat you up.

So what is the optimal rate? And given the number of housing units that were planned for 30,000 units and a population of 90,000, how do you then diversify your products enough to sustain that momentum? Because you just kept building La Paz and Madrid and El Dorado houses, you would have dropped off. You wouldn't have been able to sell them. That's where the lake came in.

BRETON: To what extent do you think that the new homebuyers were attracted to this far-out master-planned community by the prospect that their investment would immediately reap a huge reward, that they would buy a new home that was not landscaped, that they would install the landscaping, that all the amenities would be installed around them, the rec centers, the golf courses and everything, and suddenly their land value would escalate, would grow exponentially, and therefore they wanted to buy out here not only because of the amenities that were offered, but because it was a good investment for them, they would build equity very fast?

MARTIN: Well, sometimes they did and sometimes they didn't. Depends on when they were buying in the cycle. I think the primary motivation is, "Hey, this is a house I can afford in a community, in a place where I want to live." It wasn't done so much as an investment, in my view, as the fact that, "Hey, this fits my family's needs and I'm not going to lose money on it," because there aren't many people that could anticipate that that kind of appreciation—we don't have the perspective of history, and certainly a young buyer coming in has never had a house before and never experienced appreciation before. All they did was experience it after the fact. They'd buy at $30,000, and next thing you know, it's up to 45,000, and, "Wow. Look at me." Then the next downturn, may be back to 35. Wow. Then all the cocktail talk is, "Wow. Look at how much my house has appreciated," and you go through another downturn and you lose some of that.

So, I mean, I've tracked the prices from the beginning, say, in 1966, '65 when they were buying, and then that it was kind of like a line that went like this [demonstrates] until you went to these crazy things like just happened in this last upturn, which was totally artificial. Those that bought in that 2002 to 2006 range are screwed because they paid too much, but those that didn't just, "I'm not losing money and I'm paying it down." It used to be the old-value stuff, "Well, I'll pay off my house, and that's my nest egg."

BRETON: That's right.

MARTIN: That's kind of changed because of this speculation mentality, but now I think we're back to that, so we're back to multigenerational housing and we're back to housing is the place I want to live instead of an investment. So take away the crazy times.

BRETON: Now let's discuss the marketing analysis or study that you conducted that led you to believe that a lake in Mission Viejo would be an amenity that would attract buyers and something that we really needed to have and that led you to go to Phil Reilly with that idea.

MARTIN: Okay. I joined the company in 1968. We tune in La Paz Homes because we know that it needs some planned adjustments. We create Granada houses, Granada Homes, and we create Madrid Homes, and now all that planning is going.

We're in 1970, but now we're looking at, well, how much longer can we sustain ourselves and the momentum that we want to achieve here with subdivision housing marching over the horizon until they hit Saddleback Mountain here, practically; in other words, the envisionment of a sea of subdivision housing marching over the hills that we knew we were getting into more difficult terrain. Frank Fehse would say to me, "Well, John, just realize that the intersection of Trabuco and Marguerite's going to be busier than Harbor Boulevard near Disneyland."

I went, "What?"

So you're looking ahead as to what it's going to be, but then you're going to say is that something that is sustainable? Is that desirable just to be squirting out the same kind of lots across the horizon? That sense hit us, not just me, but others, saying, "Ooh, I don't know if that's sustainable or not.

Then the next part of that, though, is are there market segments that we're missing, buyer segments? Are we missing singles? Are we missing couples without children? Because we're getting the family market with children big time, and you're getting them, more established families, they call them, where the kids are in the teenage stuff because they've been here a while, and you've still got the young families coming in and just getting started, and you may have couples buying a house with the expectation they're going to have kids. But what about these other segments that are happening here? Because we've got a one-dimensional community here. We've got a community of people buying single-family detached houses on subdivided lots with backyards, and there isn't much product differentiation between that. You can say some of them are smaller, some of them are larger, but it's all kind of the same ilk here. Okay.

So the idea—well, let's go away. Let's get out of the office, get out of what I call the tyranny of the urgent, because we're dealing with all of the day-to-day problems and what's besetting us. Let's get out of here. So I said, "Okay." So Steve Swanson, Harvey Stearn, Dave Maddocks, Buck Bean, me, maybe Pat Ruecker was with us, I can't remember, and [Philip L.] Phil Charlton, who was Jim Toepfer's number-one planner guy on staff, we go down to Palm Desert and we have all the plans for the build-out of the community where we can stretch it out and we can look at it, and we just start talking about, well, what does this look like to us.

Now, did I say there was a lot of research? No, there really wasn't formal research. We already had all that information about who we were attracting, but we were also aware of those that we weren't attracting. So it wasn't based on formal research; it was based on our intuitive and our monitoring of the market.

So then we go out there, this little retreat, and I don't know whose idea it was, but somebody said, "Well, how about water, the magic of water?" Whether we knew that the Irvine Company was coming up with Woodbridge that had lakes or how far along Westlake was with the lake out there in their end of the world, and, of course, I think by that time Deane brothers had gone over to Lake Forest and had started the lake environment there. So, okay, what about the magic of water here? Because we've got the ocean, but we're inland, and we're going to have subdivisions everywhere unless we do something. Well, what about a lake?

Then as we talked about the lake, we said, okay, if we did do that, then we would be able to get into some attached housing. So I don't know whether Mallorca was overlooking the golf course or there was these three-story stacked flats that later came around the lake, and also on the lake you were able to get to some custom lots that you wouldn't have been able to get to, so now we've got some heavy hitters. Maurer bought on the lake, Reilly lived on the lake for a while, some of the people that were upwardly mobile and they were making more money, and a Madrid house on a view lot looking at Saddleback wasn't going to satisfy these people, or they were going to go somewhere else. They were going to go to Nellie Gail [Ranch] across the freeway here or whatever. Okay.

So what that idea did was allowed us to imagine what other residential product types could be introduced in what we call a more diversified product program or palette of opportunities for people to buy. It happened. I mean, people bought the custom lots and built houses down there, people who now you're in the community a little bit longer here and there's some divorces going on here or there's single people that are—the dentist may not—you know. Okay. But if you have that lake environment, you've got a reason for those people going into low-maintenance attached housing. There was Finisterra, I think was built there, and there was a lot of things that never would have been built if there hadn't been a water amenity there.

So we came back, and I'll find it in my archives here, but the memo to Phil Reilly was, "Hey, let's think about doing a lake thing," because the only example we had was there was recreation lakes that were being built out in the desert somewhere, and they were taking water bodies out in the lake to create lot sales and so on, and there might have been another example. So we were just imagining what this could do for the community, which we felt needed to be done, or we're going to be stuck in too much of the same thing. In other words, you can overdo the same thing.

Then it took from, say, '70, '71 to '76 for it to open, but lo and behold, the Irvine Company was thinking the same thing, and they opened in 1976 with the Woodbridge Lake and wherever other—there was other lake thing. Santa Margarita's lake [Lago Santa Margarita], which was really well done, later opened in 1986, so that was ten years later, and then that was evolved based on what we learned in Mission, because the mistake at Mission Viejo, in my view, was that you didn't have the public realm going around the lake. You had the houses come down and freeze out the walkability, so it didn't become a public amenity like Rancho Santa Margarita. I mean, there's different—the homebuilder will say, "Screw you. I don't want the people walking in front of me." I live on Balboa Island. It's fine. The people come around.

But the custom-home guy is saying, "I don't want people walking behind my house." Well, okay. Put you up here with a view of the lake and you don't have to mess with that, and maybe down there you've got—but the public realm is a community amenity for everybody to enjoy, and now you go to that little Mexican restaurant and that's the only place you can get out on the lake. You've got that activity thing where you can get your boats and so on. Well, that's kind of cool.

In Woodbridge half the lake had the walk-around and the other lake was frozen out. Well, the part that people could walk around is the most popular one, and the planner with the Irvine Company at the time that did Woodbridge, as he tells the story to me, he said, "Well, Tony, I'll come to work for you to do Rancho Santa Margarita if you allow me to design the lake the way I want to," so that's a one-mile loop around the Rancho Santa Margarita lake where everybody can walk around it, and you've got the experience every 300 feet. I mean, that's an analog here for people doing it in the future, but the key point is that it made a difference in Mission Viejo, and it came out of what I would call a visioning session at the time. Get away. Think about what the future's going to be. Get out of the tyranny of the urgent. Let's be creative here and imagine what the future might hold, and so that was that process.

BRETON: And it was important, was it not, that the lake be constructed and designed to be self-sustaining financially and physically, that it be a quality lake? There were lakes up in the San Fernando Valley in some community, I don't know, Thousand Oaks, somewhere up there, where they had to dredge it every ten years because it wasn't designed properly. Of course, to build it right and then to maintain it right, you have to have a financial foundation. You need to have everyone in the community a member.

MARTIN: Yes, how that worked, that was after me. I left in '71. It opened in '76, so all of the machinations that went on in that period of time to ensure that it was really a viable thing and not a liability happened, but I'm not aware of what all that's about.

BRETON: How do you build a sense of community identity and belonging and pride and spirit? How did the company do that, in your perception? You were here. You bought a home here. When did you move here?

MARTIN: In ’69. Well, when I moved my family from Inglewood, we bought a typical subdivision house in Orange, and then my kids were getting a little bit older. Because I had four kids, and two each in a bedroom, we needed a bigger house, so we moved up within Orange, typical subdivision housing. Now I get the job down in Mission Viejo and I say, “Wow. This is just better. Where I’m living is boring, and where this is, every time I go over to the bridge, I’ve arrived somewhere. The schools are here, the aesthetics of the themed architecture here. The maturity of the planting that will happen.”

I drove up La Paz coming here, and those trees were this big when I was here, and now they’re huge. That street almost looks like Rancho Santa Fe. I mean, it’s really kind of cool coming up that with all of the stuff, and then you look over to the sides and you see cars lined up with all of the activities for families still going on, so that much hasn’t changed. So you’ve got the entry establishing space. You’ve got the theme architecture of saying this is really kind of cool. You’ve got the amenities and design elements here that are saying, hey, this is going to be a place that looks good and is going to look better over time.

Then you have the identity through all the promotional pieces. Things like the *Mission Viejo Reporter*, I think, was huge, the Activities Committee that the Mission Viejo Company got behind and enabled. They gave them a space to meet, and then they’d have representatives there. I never was on that committee, but they had some really bright people that cared about creating community and getting their neighbors together and all that kind of stuff, so that thing, and then part of the programs in the Marketing Department that we did with welcome-wagon kind of thing and making sure that—so the whole array of things. The customer service is good, so the referrals are up, because I think we always felt that 30 percent of the sales came from direct referrals, people saying, "Hey, I'm living down here and love it, so come down and join us."

And I think the concentration, too, of activity, so you didn't have developed areas that were voided in the middle, it was forced on the company because the radial thing they talk about, that they didn't have the money to put in the infrastructure, but it was also, I think, a profound development marketing strategy that all of this was focused in one place.

BRETON: Describe the radial concept.

MARTIN: Radial meaning—and I picked that up in the description I was reading, because I hadn't termed it when I was here. I was just reflecting back on it. You're developing, and then you're developing again, and then you're developing again, but you're not developing over here with a big void in the middle. In other words, you're concentrating, so when I say "radial," maybe like the radial tire, it's round and it's sequential and it's contiguous.

BRETON: Did you work at all in your interdepartmental meetings with the advertising?

MARTIN: Yes, that was my responsibility, my department, yes. No, my responsibility was market research; product criteria; product development and coordination; pricing; merchandising of the model complexes, but the merchandising of the community; the publicity and public relations; and the advertising and promotion. I didn't have customer service. That was in the Construction Department. I had the plotting. In fact, I had the guy moved over from the Planning Department to work in my department so I could get him to plot the—so it wasn't an engineering plotting job; it was a sensitive plotting job where I put the one-stories on corners and I'm trying to maximize the values by individually plotting of the houses. So that was our responsibility.

I thought at the time it was probably the best marketing job in the country because I had everything under my control that I needed to be able to create value without having to negotiate until I drop with the construction guy or running it up to Reilly, who wouldn't want that. So I had enough that I could get the job done—

BRETON: Of the control.

MARTIN: —and be a busy guy.

BRETON: Did you hire an outside advertising agency?

MARTIN: Yes. The one that preceded me, I think, was Howard Vineyard Advertising that Jim Manley had hired, and there was a guy named Larry Manzo who was the public relations guy that I think Manley had hired. When Manley left and I brought in Buck Bean to help me with the advertising and public relations coordination, he brought in Joe Martin, Martin Advertising [and Public Relations] —no relation—and a combo advertising and publicity, public relations under one roof. So Buck dealt directly with them as a part of our overall Marketing Department. Marketing is the umbrella. Sales and all these other things are subordinate functions.

BRETON: Did you ever interface with [Donald B.] Schulz?

MARTIN: Yes, he was like a sales manager in our team before. Whether he succeeded me or not, I'm not sure. He may have. I would run into him afterwards. By that time, it's a different company. Philip Morris is in the picture, and Don, I know he was sales manager. I think he was also marketing director. Whether he had product, I don't know, I don't know, but, yes, he followed me, and he was on staff, one of my sales managers, I think, at the time.

BRETON: How would you describe in advertising terms the pitch that you were making to the potential buyers out there throughout the country? What was the sales pitch? What were you trying to capture in your advertising to describe what they could get if they bought a home in Mission Viejo?

MARTIN: I might mix that up with what I've heard since, but it was, I mean, you're buying more than just a house. You're buying a home in a community in a new town. We're very family oriented. It's safe, it's beautiful, and it has all these activities, and so your family is going to have an opportunity to enhance and enrich the quality of their lives. I'm reflecting now because I'm sure that was what we were trying to convey, and that's what I think happened here. But it was tastefully done. It wasn't a hard sell. It was really a soft sell done tastefully with the attraction of being houses you could afford, well-designed houses in a community that you can afford.

BRETON: So you're buying a home that is surrounded by amenities that you're buying into.

MARTIN: Yes, rather than a tract. All you had to do in the comparisons we would make is you drive down the streets of Huntington Beach and the wall comes right up to the sidewalk and there's no green and it's just rooftops until you drop, and here's topography and here's beauty and here's landscaping integrated and here's services and the schools and the rec centers.

BRETON: Golf courses.

MARTIN: Golf course, and a way of life—

BRETON: The horse stable, the lake.

MARTIN: —thing that is far beyond. Now, the critics of Mission Viejo is suburban sprawl. I mean, they look at it and they say, man, it's just a sea of subdivision lots. Well, you can't see that from the roads that much, but if you drive the subdivisions, some of them are not holding up that well, and I think if there had been a modest Homeowners Association that had some control over how you put a fence in front or put—but, I mean, the prices were so affordable at the time, I think there was any thought of putting another burden on there, and Homeowners Associations weren't a big deal then. You had Homeowners Association if you had attached housing somewhere because you needed that for the liability and the structures and the painting and all that kind of stuff.

BRETON: And the common areas.

MARTIN: Yes, and the common area. And here, in retrospect, it would have contributed to the neighborhoods holding up better than some of them are. I've driven through some of the La Paz, and they're getting a little bit rundown. They're getting a little ratty. Okay, well, there's no watchdog over there, and you can't do it through the CCNRs, so Homeowners Association—there would be one now going forward and there would be more like what Ladera Ranch did of what I call neighborhood crafting, where the garages aren't the thing that you see on every lot. We didn't care in those days. We just put the garages out because we thought everybody wanted them, and then when we went to three-car garages, we thought everybody wanted that, and it wasn't until the mid nineties that we saw, boy, if you offer an alternative to three-car inline garages and you tandem garages or you subordinate them, people just eat that up because they don't want the subdivision look.

So we got a lot of subdivision look here that would be done more sensitively now to craft the desirability of the neighborhoods. I like to say we think of the neighborhoods in composition now, so what a street scene is going to look like, not just how an individual house is going to appear, and then they just happen to line up. We did a lot of that, the massing, one-story three-bedroom, one-story four-bedroom, slant-roof this, a roof coming down this way, and we varied them and it got worse, not necessarily here, but in a lot of places. Man, they just lined up houses that were similar, and it's just commodity stuff that makes you choke, and you wonder how people can survive living in sterile environments like that. It's better here, but the next evolution, you do all the things that were done here and then you create the neighborhoods a little more attractively.

BRETON: You're referring to, in other areas, the cookie-cutter—

MARTIN: Yes, cookie cutter.

BRETON: —look.

MARTIN: Yes, and we've got our own cookie cutter, but it's hidden better because of the landscaping embellishment here—

BRETON: And also the contour of the land.

MARTIN: —and the terrain, yes.

BRETON: How important is it that, now that we are a city, that we continue to invest in not only maintaining, but improving, what was bestowed upon us by the pioneers, the original founders of Mission Viejo?

MARTIN: Well, when you have a build-out community, how do you do that? In other words, there isn't a mechanism or an opportunity to come back in and create a downtown or create a Main Street. I mean, that wasn't envisioned in the original plan. Now, if a Main Street gathering place had been envisioned, that might be an improvement over what is here. I don't know, but I don't know how you do that.

I talked to Randy Jackson at the Planning Center, who was brought in to review some things, but politically—there's some things I just don't know how you can take it. It is what it is. It's good. People love living here. You're still getting Heisman Trophy people coming out of the high schools. I mean, you're still having people love this place, but I don't know if I get your—what are you trying to accomplish?

BRETON: Well, let me put it this way. We want to improve the quality of life by maintaining and improving the rec centers, for instance. There was a proposal when I was on the council to sell the rec centers, turn them into homes, just raze the rec centers.

MARTIN: Who did that?

BRETON: The company was approaching us with—

MARTIN: Mission Viejo Company?

BRETON: Yes, "We'd like to sell the—."

MARTIN: Shea? Shea Homes?

BRETON: "Sierra Rec Center and offer it to a daycare center," let's say, or a Catholic school. Or, "Let's tear down Montanoso and build schools or build homes there."

MARTIN: I had no idea. Now, this is after it was sold to Shea?

BRETON: I'm talking about in the late 1980s.

MARTIN: Oh, late 1980s. Well, that was Philip Morris trying to get cash flow, or what the hell?

BRETON: Well, I don't know.

MARTIN: We lost the vision, then.

BRETON: But you know that at no time have the rec centers been a revenue producer. There was always a subsidy involved from the company because they wanted to make it affordable for the families, and as long as they were attracting buyers, homebuyers, they kept the rates down. But the city has come along and been able to—well, first of all, in the eighties, Community Services District built the Community Center. Have you seen the Community Center?

MARTIN: Are you talking about—

BRETON: The Norman P. Murray Senior and Community Center. And then since then, we've expanded it. We built the library and now we've expanded it. We kept the rec centers and we improved Montanoso now to where it looks more like a country club atmosphere, and lower Marguerite, the same. We're improving a new Tennis Center down there. There's a new lake promenade. There are other areas where the city has built upon what was given and improved it, enhanced. The Sierra Rec Center has been completely renovated. I'm just asking to what extent would you advise the citizens or the City Council that it's important for us to be vigilante in maintaining and improving upon what was given here and trying to enhance the quality of life?
MARTIN: Well, to me, everything comes back to leadership. In other words, somebody's got to have the vision and they can see what the future is if you don't do those kinds of things. In other words, is somebody saying the rec centers were important then but they aren't important now? I mean, are those rec centers still important to the people that live there? If they are, then the leadership ought to stay in the game to maintain them. That's why they're there. So if somebody gets elected that wants to wipe all that stuff out—and how you monetize is beyond what I know or how you do it.

Melinda Masson, do you know her at all, that ran Merit Property Management for a long time? I think Merit has the contract for Aliso Viejo or whatever. Melinda speaks on a lot of panels with me because she's kind of like the guru of community management organizations. Part of the problem is that if the promise that the developer puts out there to induce the sales at the beginning, if that level of activities is not sustainable, that's a real problem.

So what she and her organization's trying to do, okay, well, what is it going to cost and what are those funding mechanisms which might be the transfer fee of an eighth of a point when every home is sold, or what are the things that can be put into the equation here that what the expectation level is can sustained and continued over time? That's out of my league here in terms of what I know and how you do it, but the threat is, of course, if you don't do those things, then your community goes downhill. Prices drop. That equity thing you're talking about is at stake here because the values won't be sustained.

One of the reasons why people were moving early days in the first place is because they could see the pockets in Santa Ana or Anaheim that were deteriorating already, and they wanted to get out and get away from that. So you're out here in a planned community trying to protect those values, and now that it's a city—and you're going back to the eighties, so that era—I mean, is this still occurring, or is that threat over?

BRETON: It's still occurring.

MARTIN: It's still occurring. Well, who's behind it? Who cares now? I mean, who's the deficit coming to? The city? The deficits of the city, maintaining these rec centers, or who's on the tab, then? Who cares?

BRETON: The city is maintaining the rec centers, yes.

MARTIN: What's the contingency or—what do you call it? The constituency that doesn't care anymore?

BRETON: There are those who think that the city should not spend money on amenities.

MARTIN: Oh, go shoot 'em. I don't know what you do with that. I mean, this guy wants to retreat to his lot and doesn't care about anybody else.

BRETON: Just fill the potholes and [unclear].

MARTIN: I mean, there's a bigger picture. Here again, without leadership that stands their ground, you're screwed. So it will all depend on the commitment of the leadership to what is better for everyone overall than what some individual's—I mean, that's why we've got horse races and that's why we've got politics and all the crap that's going on now. So there's going to be those that are only looking out for themselves and there's going to be those that have a bigger picture, so be in the big picture, as I'm sure you are.

BRETON: I'm trying to be.

We're on the last page. What awards did you or the company receive when you were with the company, if you can remember?

MARTIN: Well, there was a lot of things through the title companies and *New Homes* magazine, where America's most successful new town. I've got a lot of pictures of being given trophies and stuff like this. In 1970 I was awarded the Max C. Tipton Award for Marketing Excellence. I was here in 1970. Max Tipton was a wonderful marketing executive with—Robert H. Grant was killed in a plane flight to Las Vegas or something, so the Sales and Marketing Council of Southern California set up this Max Tipton Memorial Award, and I was the first recipient of that. The reason I got it is because I'm doing this stuff and I've got the success of the Mission Viejo Company, a lot somebody else is doing and partly mine, but I rode that wave to that recognition.

My other things really kind of came after that. I was a Legend of Residential Marketing by the National Association of Home Builders and I was inducted into the California Building Industry Hall of Fame three or four years ago.

BRETON: Congratulations.

MARTIN: So those are kind of stuff that came after. Here, well, it just seemed like you go back to the *Mission Viejo Reporter*, there was always somebody handing us some kind of award, which was good for them and good for us, and it was legitimate. We were the fastest-selling homebuilder in the county and people were loving this place and we were getting recognized for it, and I'm sure that continued.

BRETON: Did you experience something wonderful during your tenure here as part of this adventure here, a once-in-a-lifetime opportunity to work with a company that's building a town from scratch?

MARTIN: Well, certainly because of this experience I'm now experienced in what it takes to plan, design, develop, market, and manage planned communities, so there aren't too many cats that have the experience that I have, that I got here boots-on-the-ground, and I utilize that in my consulting business, but also, I think, more important to that is, say, this alliance with the Urban Land Institute where we're teaching a course with just that subject. I have Bert Silva, who's the CEO and president of Shea Homes. I've got Scott [D.] Stowell, who's the president and CEO of Standard Pacific. I've got Larry Webb, who's the president and CEO of the New Home Company. I've got Mark Buckland, the president and CEO of—all of these leaders come in and talk at my class for three hours over ten sessions, and they share their lessons learned and their backgrounds and what we can do, their vision of the future and their outlook and so on. So that's kind of cool. I couldn't do that if I hadn't had this experience, because I've got enough credibility where I call these guys and, "Oh, yes, John, I'd love to do that." I mean, they want to share their experiences as more of a mentoring thing, so if I hadn't have been here, I wouldn't have had that ability.

I think also as far as my children were concerned, they had an opportunity to see what a planned community environment is like, and each one of them benefited, I would think, in its own way, and particularly the oldest son, Tom, being the best golfer in Southern California right off this golf course down here.

BRETON: So you look back with fondness on those days?

MARTIN: Oh, yes. I mean, this was a unique—it was a point in time. It was unique because it was so entrepreneurial. I would not have survived the Philip Morris era. I could not have dealt with the bureaucracy and the meetings and the B.S. that goes on with a big corporate environment. So my point in time was good.

If I'd been here earlier, if I'd taken up Donald Bren's thing in the first thing, those paths, you never know where it's going to lead, but I think the choice that I made to go learn what I did with Lyon for those two years of coordinating all that design, the mistakes I made and the things that I did right served me well when I came here later, because my shining thing is the Madrid housing series, because nobody ever, that I'm aware of, created something that absorbed 2,800 units, too many, but still brokers will say, well, that's still the best housing program here, because of the diversity of the floor plans and the longevity of that thing. I mean, they took it from here to the Lago to the España to the [unclear]. It's all over the place. It really had legs.

So, yes, I should, before I throw in the towel here, write the case study that has to do with how we did that, because it is the quintessential research process. Nobody, I think, needs to do as many things as we did in terms of the analysis to get there, but the fact that we did it, the results is there. I mean, it really went on and went on and went on and went on, and part of it, though, I think, is that Harvey and those that followed didn't have anything that they could come up with that was better. So it just kept going, and it was like a machine that just kept mining money as the prices went up. So it lasted from '71 to early eighties. Somewhere I've got a map on all of the different tracts that each one of the product lines was built in, and, man, they're all over the place. So that feels good to me.

I think being able to run a department that was as full-service and as complete as that was was something that I'll never forget, because what it does is just only confirms my belief that if somebody’s going to run something, they need to have authority over what they do to be able to make informed decisions and the right decisions without having to negotiate with other departments till they drop. But you’ve got to have the right person in the right slot.

The best community manager/developer in my book, is Paul Johnson, who works for Tony Moiso and did Ladera Ranch and is now doing the ranch [Mission Viejo] Ranch plan. He was one level up from where I was, because he’s got marketing and he’s got the builder program, he’s got all of that, but what it does to me is say, okay, if somebody’s a head of a department or a business unit, get the right guy, and then give them the authority and responsibility commensurate that allows them to do the job so they aren’t fighting with the guy that wants to get rid of the rec center and have that guy might be able to have a voice that could forestall that or could prevent it.

BRETON: Now, you know that your interview will be seen on our library website all over the world. What advice would you give to future city planners?

MARTIN: Well, I’d make sure at the outset that you had a vision of what you really want to create here. What is that vision? What is that view of the future of how you see what you’re working on, how that’s going to be day one, and then how is it going to be on completion of the development of it, and then how is it going to live in the future? So I would say enumerating those guiding principles and strategies that we talked about earlier and getting them out there and say, so therefore, when you run into something like you’re talking about here where somebody wants to get rid of the rec center, that’s a core value of this community. So what are your core values?

So the things that I said about the health and wellness and the education and lifelong learning and the technology and the creating the sense of place, the planners ought to get together and say, okay, this is what we're basing what we're doing on and this is what we want to create and this is how we want it to live in the future to the betterment and benefit of the people that live there, because what we're really trying to do here is enhance and enrich the value of the lives of the people that live here so they can end up—there's surviving and there's striving and then there's thriving. So how do we get to the thriving thing, which is higher up on [Abraham H.] Maslow's scale of whatever that thing is, hierarchy of human needs. In other words, how do you raise the bar to get there so we're just not hand-to-hand combat every day or we're not just surviving every day, but we're really thriving and you really create community in the broadest sense? So you need the strategies, you need the principles, you need the vision, you need the implementing action plans and you need the harmony.

I would say what I learned along the way was respect for differences, and so all of the people that come together to create something, they have different things to bring to the table, different skill sets and different priorities and different things that they can contribute to this overall whole. If people don't respect the differences, in other words, you're an engineer, you know what the hell you're doing, and I'm the marketing guy and I know everything, that's not too cool here, because I need you and you need me. You can develop a great infrastructure here or whatever it may be, but if you're not selling houses, it doesn't mean anything, and if I sell houses, I can't flush the toilets, it doesn't mean anything. I mean, everybody's in this collaborative sense.

So the respect for differences—because I really had to go to school on this—is to figure out how to get by people's resistance to change, and getting by resistance to change starts with a respect for differences. Then when you respect for differences, then you can get to harmony, because as I was told here, if you don't respect the differences, every time we get together we've got to renegotiate. We've got to start from scratch of where it is, because if you don't trust me and I don't trust you, we're wary and we're negotiating again every time we meet over anything. If there's respect for differences, then we're past that, okay. Now we're on to harmony, and harmony, to me, is the last step in creativity. All we're trying to do here is to get to creativity here so we can adapt and change and invent the future with some vision and creativity rather than get stuck in the past here. I've been through a lot of organizations.

See, my three mentors, Winston Churchill is my number-one mentor. Number two is Richard Reese, who is a planner. Richard Reese was the planner for the Irvine Company for fifteen years, and then went to work for Tony Moiso. Richard had—it was like sagacity. He really understood human nature and what do you need. He says, "John, you can't make changes in an organization."

There's three things you need. You need power, you need friends, and you need information. First of all, you have no power because you're not writing any checks. Second of all, you have no friends because you're trying to make change, and people resist change. I mean, they don't want to change, because most people, change to them is synonymous with loss. In other words, what do you mean I've got to change this? What am I going to lose? Unless they have vision that will see, okay, my gain is going to be greater than the perceived loss.

But what you have is information, and information is what can lead to the knowledge that can enable the change, and so wherever I've been effective in an organization is, well, I try to get the power with the CEO behind me to give me a budget. I have to line up a friend or two here because, as Richard Reese says, "Well, John, one person, all he does is complain. Two people get together, all they do is commiserate. Three people get together and you can start to collaborate and make some change, because you're now kind of a force. You've got the three things."

So that was one of the things that Richard kept dropping these things on me as I had been through the Irvine Company resistance-to-change thing. Then I go out to Newhall Land and the bureaucracy there was stultifying. I mean, I couldn't get them to change, even though they had no sales and the world was coming to an end. But finally, with Richard, he became one of my mentors out there, and it was those kinds of things that he would share with me that helped me understand and the difference in human nature.

I had a COO out there that every time I'd go to him with a new idea—in fact, he even came down to my office one day and he says, "Well, John, can't you keep those thirty ideas a month or a week you come up with at about three a month?" I mean, this was the guy running the whole show. Then the other thing he said, he says, "Well now, I want you to understand here that nobody gets between me and the CEO." Oh, wow. Okay.

But then my third mentor was a psychiatrist, a psychologist. I went to him and I said, "How do I enable change in an organization? How do I do that?" That was part of that thing that I just described about getting to the harmony and respecting differences and that kind of stuff. A good part of that was understanding who you're dealing with here, see, and the different personalities, because the COO that you're dealing with here, he's got the mentality where you go out into the field and you say, "Boy, this is an orange tree, and isn't it going to be great?" But there is no orange tree there yet, and you've got the seed, you put it in the ground. Well, that's no orange tree. The tree goes up and he says, "Well, that's no orange tree." Bears fruit. He sees the orange, but it's still not an orange tree. He takes a bite. It tastes like an orange. He says, "Ah, it's an orange tree."

In other words, you have to prove it to the guy and take it all the way, because it's a show-it-to-me kind of thing here, which I'm not saying what Reilly said was that, but it was still, "Don't tell me what you're going to do. Tell me what you've done," kind of thing. Well, that's good. I mean, that's good management because it makes a guy like me work that much harder to prove that I know what I'm doing and that change can be enabled, and it's better for you and it's better for the organization and it's better for everybody if we do accomplish these things and we don't wait till the last minute, necessarily, if you understand what it will take to make the changes now, which will accrue to benefits earlier or avoid disaster, because a lot of people do wait. Anyway, I don't know if that answers your question.

BRETON: It does.

MARTIN: What did you ask me?

BRETON: I was asking what advice you would give to future city planners.

MARTIN: That's my advice.

BRETON: Is there anything that you would like to add that I have not covered in this interview, anything you'd like to add?

MARTIN: No, I just appreciate the opportunity to share some of what I've learned, because I absolutely believe that history repeats itself. Human nature is what it is, and we can take those lessons in the past, we can apply them to what is going to drive demand and what people preferences are in the future, and then we can do some things differently.

A lot of things don't change. History repeats itself, but those lessons will just keep coming back, and in this period we're going to get through this down cycle. We're going to go like this [demonstrates], and eight years from now we're going to hit a peak again because something's going to drive it crazy. Everybody will ride the euphoria of it's never going to end.

It ends. We're down in the dumps. It's never going to end. We're down in the dumps. I've gone through that in the sixties, the seventies, the eighties, the nineties, and now this one. Dynamics are the same. What may have driven it up, it was public companies in the first go-ahead. I think it was the Canadians in another one. It was the Japanese in another one. It was the savings and loan in another one. Then it's crazy Wall Street in this last stuff here. So something inordinately drives demand beyond what it ought to be in every one of these cycles, and then we collapse again and we'll do it all over again. So the idea is to be circumspect and get out before the—and try not to feed the frenzy here beyond capitalize when you can. The smart ones will get out before the peak is hit.

BRETON: How important to all of this is the overarching principle of integrity?

MARTIN: Well, I think Tony Moiso says it best, and I think he's the best disciple of this. I mean, your word is your bond, and doing what you say you're going to do is really important, and building that trust, because that's part of, I think, the respect for difference, is to build that trust. So integrity is huge. Maybe you've got your vision based on principles of integrity, I would think. Yes. What's good for people? What's going to enhance and enrich the values of their life? The principles of integrity that are the pillars of that, to me, make sense. So, yes, it's really kind of cool. So it's a longer-range picture here. A lot of people deal in the tactical deal-by-deal range. I know there's a bigger, more strategic picture here, a longer-range outlook, and I think the integrity is compromised and people deal too much in the short-term gain and not the long-term value creation part of all of what we're talking about.

BRETON: Isn't Mission Viejo a good example of that? Because you have a California Promise that was fulfilled here, versus developers in other areas that make huge promises, sell the homes, and then cut and run. They're gone.

MARTIN: Well, I think maybe a good thing is the distinctions that can be made and should be made between the priorities and preferences of the community developer, the landowner, community developer, and the homebuilder. Intuitively I knew there were differences and so on, and I think in some of the things you've been reading here—like Tony Moiso will say, "Land development's a lot different than homebuilding," and it is.

But Steve Kellenberg, who is one of the most brilliant planners, urban planners, I know, has been with EDAW [Eckbo, Dean, Austin & Williams, Inc.] for a while, was with PBR [Phillips Brandt Reddick Corporation] before, did Rancho Santa Margarita, did Ladera Ranch and so on, we hired Steve to help us at Valencia in, say, '92 on, where we created the strategic plan out there. Steve and I would drive back and forth 80 miles one way for meetings and back. I lived out there a lot, but I still didn't give up my residence here. A few of those trips we said, well, what are the differences between community development and homebuilders? And we came up with eighteen. I'll send it to you if you would like. In other words, more of the strategic and more of the tactical, more buying lots at this price versus the long-term value creation, the homebuilder looking at his floor plan and the community developer looking at as street scene, the homebuilder looking at its view premium out the back and the community developer saying, "What's that going to look like on the hillside from a public perspective?"

In other words, you can go on and on and on about what these differences are, but, boy, I mean, it's symbiotic here. You need both. I mean, the community developer can't do it without the builder and the builder can't do it without the community developer, and sometimes they're in the same organization, but a lot of times that doesn't last.

Bren went into the homebuilding business this time because there was a real—well, he used builders under contract, but it was all his money to do it. Now he's got his own building company coming in and building on his own property, and it'll work for a while. Then it'll become too bureaucratic. There won't be enough entrepreneurship. There won't be enough creativity and imagination, and that'll fade away. It's an orchestration process where you say, okay, it works now, but don't overdo it.

Like when I went out to Newhall Land here, I mean, they were five years past when they should have gotten rid of their building company, because the houses were totally out of phase, and I couldn't believe it. They used to come down to Orange County and look at what we're doing here, but you wouldn't have believed that with what they ended up building out there, because it just became committee decision-making, bureaucratic and all of that. So it's a matter—but I think those distinctions are important to understand. You don't want the quarterback playing defensive end here. I mean, you've got to get the right guy in the right position doing the right thing, and that takes discernment. That was the other thing my third mentor, this psychiatrist, says we need to discern here what stays the same and what changes.

BRETON: And with Mission Viejo Company you had both. You had both the homebuilder and the developer, land developer.

MARTIN: I'll tell you, a few years into that thing it became totally bureaucratic. I mean, that's when they ended up selling lots to other builders, because they couldn't within that organization be creative enough to create the products, and their land inventories got way out ahead of them. They developed too many lots and they couldn't—no, we went into a downswing and all that kind of stuff, but you needed the Jim Peters coming in. You needed these creative builders coming in to build the housing products that the company themselves—so there's a point in time where it worked to have Deane brothers come and be the first builder.

Bren, if he'd started his own building company there, he'd probably would have screwed it up, that he had that experience, he did his own building company. It worked for a while, for quite a while, and then it became bureaucratic and didn't work anymore, and then they're selling lots to builders, but if they're selling lots to builder and it isn't under a controlled program with the community developer, landowner, being the orchestrator—remember, we're back to the grand conductor here, per Tom Martin—then you could screw it up and you're selling too many lots to the wrong builder.

KB's [Home], say, a good homebuilder, but if you sell them 300 lots and they don't sell, they drop the prices and screw up your entire value proposition, which is what happened in Rancho Santa Margarita. They ended up selling too many lots to the builders and the commodity builders and dropped all their values, and it really hurt them. So it's kind of like you've got to be at the controls all the time.

BRETON: Sure. John, thank you for your time. Thank you for sharing.

MARTIN: It's been fun. It's fun.

[End of interview]

Index