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BAY AREA RETAIL REPORT

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San Francisco developer Michael Covarrubias set out to find the silver lining to celebrate the 25th anniversary of his company, TMG Partners. To aid his search, Covarrubias invited a scientist, a financier, a futurist and a politician to air their views May 21 at the San Francisco City Club. They were, respectively, Marc Tessier-Lavigne of Genentech; Ron Sturzenegger of Bank of America Securities; Jurriaan Kamp, editor of Ode magazine; and Jim Wunderman, president of the Bay Area Council. Silver linings were found: Public and private investment in basic science is propelling disease research forward, and cancer is more treatable than ever in the early stages, Tessier-Lavigne said. Complete financial meltdown has been averted over the last year because "we got after the problem as Americans do," Sturzenegger said. Futurist Kamp, who came to the Bay Area five years ago in search of solutions to the world's challenges, said, "We as a species are very innovative, and we will solve all of our problems." The Registry asked Covarrubias how he got to his company's 25th year and what he learned while celebrating it.

Looking Toward Better Days Ahead

By **Sharon Simonson**

When did you figure out that you wanted to be a developer and how?

My first job out of college was at Union Bank as a management trainee. The bank did lots of construction lending to real estate companies. I started out on the commercial side, lending to businesses. When I was a senior loan officer, the bank suggested I go do real estate because they thought it would broaden my career. Initially I didn't want to. But I got into construction financing, and it became an exhilarating tangible-asset world. I could work with developers doing interesting fun projects. I got to see them go through down cycles, and in 1988 after running the real estate center, a guy I had worked with had formed a development company and I said I thought I had to try this. That was 20 years ago. That guy was David Martin, and it was called The Martin Group. He left in 1995 to go run a publicly traded REIT. That was when I took over running the company.

Who are your parents and how did they make a living?

My parents were both immigrants. My mother was from Portugal; my dad was from Spain. Both worked in a glass factory in Oakland. I was an only child and the first generation born here and to go to college. I went to the University of San Francisco with the help of financial aid and a scholarship. I was raised by my mom and an aunt.

Why did you stage an intellectual discussion to celebrate your firm's 25th anniversary?

I really believe in giving take-home value if you ask people to do something. Taking a marketplace in a huge amount of change and focusing on what the changes have been and more importantly finding the silver living seemed like a good value. The panel was intended to represent a broad spectrum from Bank of America to the life sciences and the Bay Area Council, state and local government, roads and transport.

Bay Area founder and President Jim Wunderman teased you about never working and instead attending all of his events. I've also seen you out a lot. Obviously, for you, this is your work. Why do you approach it in this way?

I do step up and get as involved in the Bay Area Council as I can. It includes major government and business leaders. I think that the relationships that you form on those committees and people you meet are unique. Part of my job is to make connections and have relationships. They are valuable. I would disagree that it's the largest part of my job. It doesn't help with money or lending. It gives us insight and connectivity to the real issues such as where is the light-rail system going to go and where is BART having problems. I am chairman of the Bay Area Council's housing committee, and we make recommendations about infill, high-density projects around the Bay Area, and we get leaders to support them at the council levels, to go out and say we need housing and to counter the NIMBYs.

Banc of America Securities Managing Director Ron Sturzenegger said at your event that he expected to see no new real estate development in the next five to seven years because there would be no financing. What do you think? How do real estate developers survive that?

I think the question of when there will be development is less driven by the fact that there is no money than it is by the fact that there is no demand. Whether it's three to five years before we have new development or five to seven, no one knows. My guess is three to five years. But when there is demand there will be money. I think apartments will come back first and retail will come back last. I have no doubt that there is going to be a pretty dramatic thinning of the development herd. For us, recovery means not development but working on other people's broken assets. We have been presented half a dozen real ones in the last 60 days. We will fix historic buildings and turn shopping centers into housing. We will convert uses and entitlements and make structural changes that will enhance buildings. In the meantime, we are chasing some longer-term entitlement projects.

At the end of the program, you called out an observation by Ode Magazine Editor Jurriaan Kamp to the effect that people who acted solely out of greed, as opposed to some greater public purpose, led the country and world into the current morass. Do you believe this? How do you justify not pursuing the greatest monetary return on any given project in the name of passion or social purpose?

I think our perspective is that we never do projects just for the money. If we did, we would develop warehouses in Bakersfield. They are a lot safer and less complicated. But that is not what we want to do. We want to do buildings with a broader purpose. We believe we are known by the buildings we do, that they are a statement of who we are. Also, we are just a Bay Area development company. The city manager of San Bruno is going to tell the city manager of Fremont, 'These are people you need to do business with' or not. Of all of our development people and senior managers, our average with this company is 15 years, and this is a company that is only 25-years-old. That's because they get both psychic and financial income out of the projects we do. ■