

*Coddington
had to pay a
\$24 million
settlement
from a
lawsuit.*

HUGH

THE BIOGRAPHY OF HUGH CODDINGTON

BY JAMES DUNN

C H A P T E R VII



One of Hugh's buddies created a spoof of his tussles with Santa Rosa government.

L A W S U I T
W A L L O P S
C O D D I N G

Codding's tug-of-war with Santa Rosa city hall resurfaced every few years. In the late 1970s, when Codding was trying to bring Mervyn's to Coddingtown, the organizers of the Santa Rosa Plaza were trying to coax Mervyn's into the Plaza. The city declared a building moratorium that extended a mile around Coddingtown, Codding says, on the pretense that it needed to study the area. "It was an excuse so we could not build," he says. "I was very unhappy about the moratorium."

He expected that the Plaza, when it opened, would cut Coddingtown's business by 15 percent.

At the time, State Farm had its office in Santa Rosa, with nearly 1,000 employees. The company had submitted an

application to the city to add a building on Cleveland at Russell Avenue. Codding went to see Charles Cox, State Farm's regional west coast manager, and suggested that the company relocate to Rohnert Park. Codding proposed giving State Farm a 10-acre parcel in which he held a 17 percent ownership; the company needed a total of 30 acres for its new building. The deal closed, State Farm paid \$600,000 for an additional 20

acres and Codding won the contract to construct the 268,000-sq.-ft. facility. "Santa Rosa lost State Farm, and it put Rohnert Park on the map," he says. Codding paid State Farm \$3 million for its building in Santa Rosa.

But Mervyn's went into the Plaza. "That killed us when we lost Mervyn's to downtown," Hugh says. "We had big ideas about a regional enclosed mall. The downtown went in, and we were screwed."

Ernest Hahn, developer of Santa Rosa Plaza, sued Codding for \$40 million, claiming that his efforts to delay the Plaza violated antitrust laws. The decision to fight the case hard was really Neil's, Codding says. "She thought the mall would put Coddingtown out of

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business. What Nell objected to was the city paying \$10 a square foot for the property and then selling it to Hahn for \$1 a square foot.

"She was like a bulldog. Once she got her teeth into something, she would never let go. With me, if it looked like it would not pay off, I would let go." Codding decided that if the fight were successful, he would take all the credit; if it failed, he could blame it all on Nell. "I have been blaming it all on her ever since," he says, chuckling. The case dragged on for years, finally settling out of court in 1983 for \$24 million. By then the Plaza had been purchased by the Trizec company in Canada.

The Coddings paid the settlement within seven months by selling smaller properties they owned, including apartment houses, the Crossroads shopping center and the Bank of America building in Coddington. His insurance company paid \$8 million of the total.

Two directors of Codding Enterprises at the time, the second- and third-biggest shareholders after Codding, thought that the settlement would severely damage the company, so they asked Codding to buy out their shares. The Coddings ended up buying out 700 shareholders at \$25 a share for a total of \$12 million, most of which they borrowed from Bank of America. At the time, only 18 shareholders remained—employees of Codding Enterprises. The corporation was changed to a partnership in about 1986.

When the Plaza was built, Codding wanted to sell Coddington for \$8 million, but Nell disagreed; she wanted to spend \$4.5 million upgrading the center to compete with the Plaza. In 1976 the Coddings sold half their interest in the 104-acre Merced Mall to actor Paul Newman for \$2.5 million to raise money for the mall upgrade. Nell's move was smart business, it turned out; now Coddington is worth an estimated \$75 million, Codding says. He owns 85 percent of it.

But the sale to Newman resulted in a diminished opportunity. The Merced Mall, which Codding had purchased in 1969 for \$1.1 million and built up with a Sears, Mervyn's and J.C. Penney, is now

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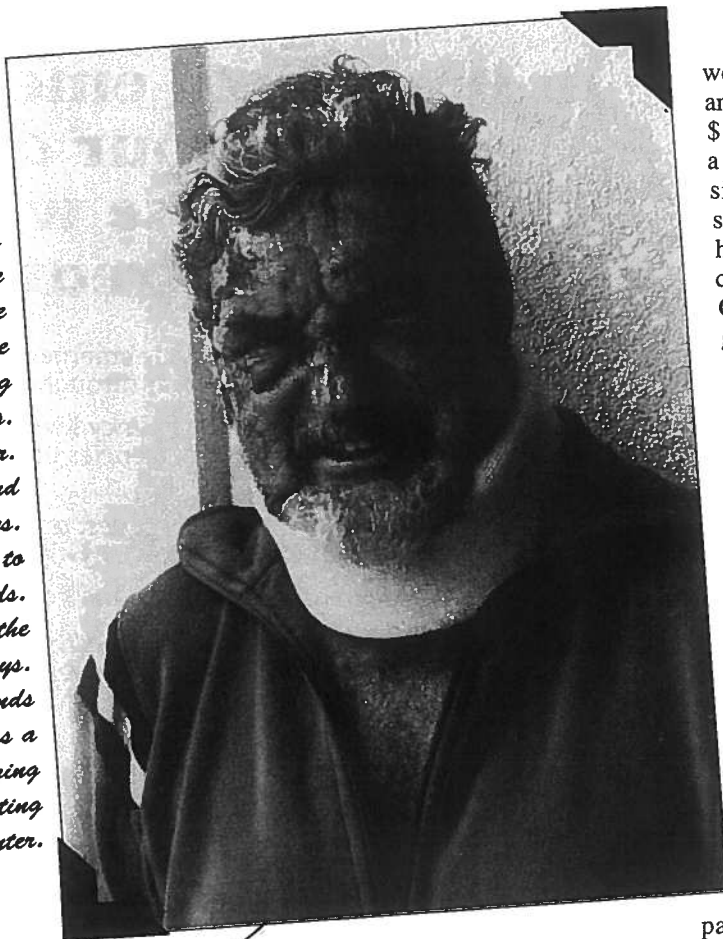
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NOVELL

About three years ago Hugh Coddling was diving in Hawaii. He was climbing out of the water when a large wave hit him, pounding him into rocks. "I shot through the water. It broke my neck and crushed the mask," he says. It took 70 stitches to close his wounds. He remained in the hospital for 10 days. Now he claims the wounds were inflicted as a result of his shopping trip to a competing shopping center.



worth about \$15 million, Coddling says, and the mall brings in gross revenue of \$1.8 million a year. "I have not even had a Christmas card from Paul Newman since the day he bought it," Coddling says. "They're a terrific partner. I never hear a damn word out of them." His contract with Newman specifies that Coddling can't sell his half without giving Newman the chance to buy it. "We're doing too well to sell," Coddling says.

The State Farm deal was one of many Coddling would make in Rohnert Park, which became his second biggest development market after Santa Rosa. In about 1967, Coddling had purchased 200 acres on the west side of the freeway in Rohnert Park for \$500,000, he says. After initial resistance by the city, Rohnert Park eventually annexed the land. "We figured there was a lot of future here," Coddling says, but it took more than five years before the Rohnert Park Expressway interchange was built.

About 20 years ago Coddling also bought 100 acres of land, with partner Connecticut Mutual Life Insurance Co., on the east side of the highway and developed it into shopping centers anchored by Raley's and Ross Stores. Coddling also developed apartments near the shopping area, and an office complex called The Commons on Enterprise Drive. Until about three years ago, Coddling's offices were behind the library next to the shopping center.

On the west side of the freeway, Coddling built the Empire Theater, Sizzler, Great Western Inn, Carl's Jr. and Kmart. Recently the area has exploded in development, with the addition of PriceCostco, Target, Food 4 Less and many other stores. The development has earned about \$4.5 million in profits, Coddling says.

THOUGH his hands were full with business concerns, Coddling also had family responsibilities. Coddling's first son Hugh, Jr., nicknamed "Brooks," was 12 years old when Coddling divorced Brooks's mother. "When he got around high school age, he got into drugs," including heroin, Coddling says. "He was in the joint several times. He had several scrapes with the law." Brooks worked for Coddling's company for awhile, digging footings for the J.C. Penney store in Coddlingtown, according to Coddling, and

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(Look for details in the next issue!)

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enjoyed parachute jumping. "He had no interest in the business," Codding says.

When he was about 30 years old, Brooks ran off the road as he was passing a car, Hugh says, and died. "Tragically, it was just when it seemed he was straightening himself out. I have wondered what I could have done to save Brooks."

Codding's younger son David came to live with Nell and Hugh when he was about 12, after living with his mother for several years. When he was in high school, David worked for Hugh as a laborer, then later worked as a manager for the Montgomery Village shopping center. Seeking independence, David asked to be bought out of his shares in Codding Enterprises and took Lakeside Village as part of his share. "I wanted to get out from under my dad's wing and break out on my own," David says.

"Without saying a word to me he went into the restaurant business," Hugh says, with four Taco Time franchise restaurants, two in Santa Rosa and one each in Healdsburg and Rohnert Park. "He lost about \$500,000," Hugh says. "It hurt his ego that the company was going to hell. But when you fail, you learn what not to do. That's how you learn what to do."

**'IT HURT
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David managed to talk his father into buying the equipment from the Taco Time in Rohnert Park. "That was really stupid on his part," David says. The business failed because Taco Bell countered aggressively, David says. "I expanded too quickly. I was not on top of my own

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operations." He got behind in paying payroll taxes. "I put too much reliance on one or two people. That is death. I liked building the property. I did not want to go in there and make tacos." A few years ago when Nell Codding died, David returned to work for Codding Enterprises, and he's now its president and an active member of the Codding management team.

**'I TOLD HIM
HE HAD THE
MOST BEAUTIFUL
GIRL IN HIS OWN
OFFICE.'**

Hugh and David have a relationship characterized by affectionate jousting, and Hugh is not reluctant to offer his advice to David on matters of romance. After a divorce from his first wife, David met Betsy when she was a receptionist at Shapemakers. He made the mistake of asking her out to lunch while her boyfriend was sitting 10 feet away. Later he asked her to apply for his secretarial position. She did, and he hired her. But they didn't go out for two years while she worked in the position.

Watching his son lament that he hadn't found a new relationship, Hugh nudged David into action. "I told him he had the most beautiful girl in the world in his own office," Hugh recalls. "He hadn't made a move." David ended up marrying Betsy, who now works as a model in Los Angeles. David regularly flies her to L.A. in his plane for modeling jobs. □

**Don't miss the last chapter
of Hugh Codding's biography
in the December issue!**