

# Developer

THE BUSINESS OF CREATING SUCCESSFUL SUSTAINABLE COMMUNITIES

WINTER 2007

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# Strategy Master

Costa Pacific's Rudy Kadlub uses market research as the go-to tactic in his development playbook.

Rudy Kadlub  
CEO, Costa Pacific  
Communities

# calling the PLAYS

**T**he key to cracking the code of Rudy Kadlub's business success comes down to one simple thing: his first post-college job, which had nothing to do with real estate.

Long before the inventive developer masterminded Orenco Station into one of the most lauded transit-oriented projects in the country—and before his recently launched Villebois community—Kadlub was a football coach at the University of California at Davis.

That experience, which included coaching stints in Colorado and Idaho, still influences the actions and attitudes of Kadlub, the 56-year-old CEO of Costa Pacific Communities, a

## Will Costa Pacific's Rudy Kadlub score again with Villebois?

real estate development firm in Wilsonville, Ore. “Rudy knows how to call the plays and pick the players,” says Lee Iverson, principal of Iverson Architects in Newport Beach, Calif., and a member of a tight team of consultants Kadlub has worked with for more than 20 years.

“He’s the pied piper,” agrees John Schleimer, who, as founder and president of the Roseville, Calif., research firm Market Perspectives, has also been a close collaborator of Kadlub’s for more than two decades. “He has a masterful way of working with elected and non-elected

officials, and he does a great job talking with the community, the stakeholders. What [Kadlub] brought out of the coaching arena is knowing how to motivate people and convince them that his approach is the right one.”

The immediate team Kadlub heads right now is relatively small. Just 10 people are on the Costa Pacific payroll, and the company’s headquarters is downright humble. But Kadlub’s reason for moving from Lake Oswego to Wilsonville was all about making it easier for his extended team—employees, consultants, and eventually city and state officials—to work on Villebois, his latest project.

Launched in 2004, the 500-acre Villebois is an ambitious

BY KATHLEEN STANLEY





**TEAM EFFORT:** As a former college football coach, Rudy Kadlub, CEO of Costa Pacific Communities in Wilsonville, Ore., knows all about motivating his players. His success hinges on the work of his long-standing team of employees, a top-notch researcher, and an architect/planner.

undertaking. A good chunk of the property was once the grounds of the Dammasch State Hospital, a mental institution that closed in the 1990s. Kadlub and company now occupy the main hospital building, a 1950s-era brick structure that has little in the way of graceful touches.

It's an unorthodox location for an unorthodox developer who got his start working with Peter O'Neil, a forward-thinking developer in Boise, Idaho. After a summer job selling real estate in

Boise brought in almost as much money as Kadlub's previous year of coaching had, the young football coach began reconsidering his career path.

Bitten by the sales and marketing bug and anxious to work in something that didn't require "28-hour days," the soon-to-be father switched careers in the late 1970s, working first with O'Neil at River Run Development.

It was an influential experience. "Peter was a very progressive developer who had a vision of

doing quality things," says Kadlub. "He also wanted to do the kinds of things that would have little impact on, and really enhance, the environment. At River Run that meant rerouting an old logger's creek, which not only provided streamside frontage for homes, but also improved the trout spawning habitat."

Kadlub also worked with nationally known architects and planners while at River Run, encountering all kinds of residential product types—townhomes,

condominiums, and small-lot detached homes.

But Kadlub wasn't destined to work for River Run forever. In 1990, he bought River Run Homes, a division of River Run Development, in a leveraged buyout after its relatively new owner, Portland General Electric, decided it didn't want a real estate subsidiary after all.

"I changed the name of the company to Costa Pacific Communities," Kadlub says. "And, with about \$5 in my pocket and a \$100,000 loan from Key Bank, I started off as an entrepreneur."

## THE DEVELOPER

### RUDY KADLUB

**Age:** 56

**First job:** Worked on his brother-in-law's dairy farm, feeding, milking, and slopping cows.

**Best advice someone gave you:** You make all your money in the planning stage and work like hell to keep from losing it in the execution stage.

**Leadership philosophy:** Search for the good in everyone—and let them know about it.

**Favorite quote:** "Whatever the mind can conceive and believe, it can achieve."

**Favorite book:** *The Four Agreements: A Practical Guide to Personal Freedom (A Toltec Wisdom Book)* by Don Miguel Ruiz

**Hobbies:** Powerlifting (Oregon and California record holder), skiing, waterskiing



### RESEARCH AND DEVELOPMENT

Market research would be the theme for Kadlub's first 10 years heading Costa Pacific. When he launched the company in Portland, his competition was predominantly small builders offering very standard house plans: two-story, single-family detached homes on large lots.

"The only thing that distinguished the builders' products was whether they were building a plan with the garage on the left or the garage on the right," recalls Kadlub. "They were all the same. That and upscale apartments were the only things being built."

Until Kadlub got involved. He remembered seeing research showing that 47 percent of Oregon buyers were single heads of households and 37 percent were traditional families. "Yet 98 percent of what was being built was for that 37 percent of the market," says Kadlub. "I said, 'There's got to be a niche for us here somewhere.'"

In the late 1990s, he got the opportunity to test that notion when a number of municipal authorities deemed that 150 acres owned by Pacific Realty Trust (PacTrust) were destined for a new type of development.

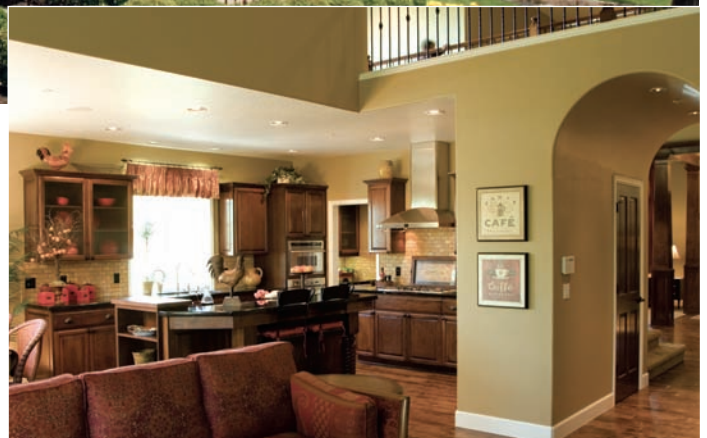
"A new light-rail system was being extended to downtown Hillsboro, and certain transit

BRETT PATTERSON/BLACK STAR





**VINTAGE FLAIR:** The housing at Villebois is patterned after the architecture of many of Oregon's established neighborhoods. The first of 850 homes from Arbor Custom Homes—showcasing various architectural styles—reflect the overall feel of the 500-acre project.



stops were to be town centers,” says Kadlub. “One of these was Orenco Station at 229th Avenue. The bodies said, ‘Thou shalt re-designate your land from industrial to a high-density, residential, mixed-use pedestrian-friendly thing.’ At the time it was just a bunch of words. No one really knew what that was or how to go about it.”

That included PacTrust, which began searching for a residential development firm to develop the site. Costa Pacific got the nod. Kadlub started, as always, with research, turning to his team—researcher Schleimer and architect and land planner Iverson—to make the “mixed-use pedestrian-friendly thing” work.

If the future Orenco Station development could tap into the needs of those who worked in

the high-tech office buildings, dubbed Silicon Forest, it would be off to a good start. But each of the nearby companies, which included Intel, Fujitsu, NEC, Komatsu, and Toshiba, declined to let their employees participate in a Costa Pacific survey on the topic.

So the football coach got tough and went to Hillsboro city officials. “We cannot move forward with our planning until we know what it is we’re going to build,” Kadlub remembers telling them. “This part of the research is so important that we have to have it.” He got it. The city sent out the survey on its own letterhead; Kadlub agreed to share the results, and Costa Pacific got a 37 percent return rate on its questionnaire.

“We are all about really un-

derstanding the market, almost to a fanatical or obsessive level,” Kadlub explains. “It’s beyond the numbers. It’s psychographics and social-psychographics and really understanding what people value most, what their priorities are, what’s important for them, and what they’re willing to pay for, and what they’re not.”

At Orenco Station, buyers wanted trails, open space, and places where they could meet friends for a beer or a cup of coffee, and they were willing to live in smaller homes as a trade-off. Costa Pacific created just that, and Orenco Station, named by

the NAHB as “America’s Community of the Year” in 1999, was a huge success. Homes there still fetch 20 percent to 30 percent more per square foot than anything in the area.

#### DEVELOPMENT TRINITY

Such success soon led to a new project: Villebois. “I firmly believe that we were awarded Villebois based on what we had accomplished at Orenco Station,” says Kadlub. But it was hardly handed to him.

Costa Pacific’s work on this newest project, which means “village near the woods” in French, began in 2000, after the



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state of Oregon and the city of Wilsonville began a nationwide search for a firm to develop a 500-acre parcel near a proposed light-rail line.

It cost Costa Pacific more than \$100,000 in research time and planning hard costs to create its presentation, which won the contract in 2001. As pricey as it sounds, it represented only the beginning of the development firm’s financial commitment to Villebois.

By the end of 2003, Costa Pacific had invested \$5 million in planning Villebois and involved 175 people. At build-out, which is projected for 2008, Villebois will feature approximately 2,500 homes, more than 100 acres of parks and open space, a mixed-use village center, and proximity to the city’s rapid transit system.

The community will also increase Wilsonville’s population

by an estimated 7,000 residents, which should improve the city’s current jobs-to-housing imbalance. Finally, in a nod to the property’s historical use, 10 acres of the Villebois site will be dedicated to community housing for people with mental illness.

As complicated as it sounds, the approach behind the new community is actually quite simple. At Villebois, Kadlub has refined a business philosophy that had evolved over the years into a three-word mantra: connectivity, diversity, and sustainability.

“We’re talking about connecting people in every way people can be connected, through the built environment, having architecture that connects to the street, having transit, connecting with your neighbor down the street,” says Kadlub. “Diversity means creating variety, the kind of variety that makes a great

place. We find that the most boring places in America are those that are homogenous. And there are three heads to sustainability, including environmental, economic, and social sustainability. You need all three.”

Lest anyone on the team forget these tenets, there are banners emblazoned with the Kadlub troika on conference room walls at Costa Pacific’s headquarters.

“In the heat of battle, when we were working through issues, Rudy would look up and ask, ‘Does this support diversity? Is it increasing connectivity? Have we minimized or increased sustainability?’” reports Iverson. “We tried to use those things to measure the decisions we were making.”

As Villebois progresses, the success of following such a playbook will soon emerge. But regardless of the project, learning

what buyers want and working with the best people to make that happen remain Rudy Kadlub’s essential strategy in his work as a developer.

“When we did follow-up research at Orenco Station, people said that their lives were happier, healthier, and more social for living there,” says Kadlub. “That became sort of an epiphany for me. If we have the ability and the knowledge to create places where people’s lives are happier, healthier, and more social, then why in the world would we ever do anything else? Why would we not continue to create those kinds of places and improve on those as we go? We think complete communities add value to people’s lives, and they add value to the real estate.”

*Kathleen Stanley is a freelance writer in Washington, D.C.*

## THE COMPANY

### COSTA PACIFIC COMMUNITIES

**Founded:** 1990

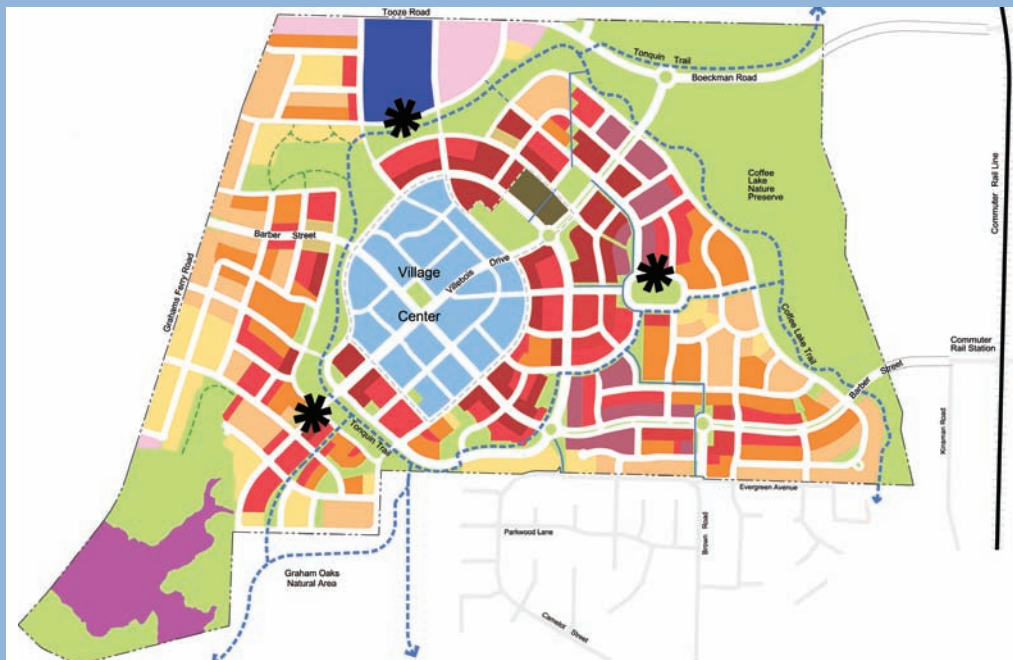
**Headquarters:**  
Wilsonville, Ore.

**Communities built to date:** 10

**Estimated value of Oregon projects:** \$1.05 billion

**On the boards:** Two transit-oriented communities for Sacramento, Calif., Regional Transit

**Largest project to date:** Villebois (site plan, right) with 2,500 homes planned, including 1,200 single-family detached homes, 450 row houses/townhomes, 274 apartments, 580 condos, and 100,000 square feet of commercial space. Villebois is the largest non-resort master planned residential community in Oregon.



RUDY KADLUB: HEADSHOT: BRETT PATTERSON/BLACK STAR; SITE PLAN: COURTESY COSTA PACIFIC