



# Goodwin Court, Pendleton, Oregon

**Project Type**

Mixed-use/residential/retail/commercial

**Description**

Number of Apartments: 26  
 Total Square Footage: 26,646  
 Residential Sq. Footage: 22,050  
 Commercial Sq. Footage: 4,587  
 25 parking spaces

**Site**

Mixed-use apartment building with three stories of affordable housing above retail and commercial space in the heart of downtown Pendleton

**Location**

445 Myers Street, SE  
 Pendleton, OR 97801



**Developer**      Telos Development Co.  
 445 Myers Street, SE  
 Salem, OR 97302  
 (503) 371-8014

**Architect**      MulvannyG2 Architecture  
 601 SW Second Ave., Suite 1200  
 Portland, OR 97204-3153  
 (503) 223-8030

**Equity Syndicator**      Homestead Capital  
 805 SW Broadway, Suite 1500  
 Portland, OR 97205  
 (503) 276-1555

**Pendleton City Manager**      Larry Lehman  
 500 SW Dorion Ave  
 Pendleton, OR 97801  
 (541) 966-0201

Land Acquisition Cost	\$88,000
Total Hard Costs	\$2,998,033
Total Soft Costs	\$894,025
Total Project Costs	\$3,980,058
Cost per unit	\$94,448

# Introduction

The small town of Pendleton, Oregon seems like an unlikely candidate for a modern mixed-use development project. Typically, high-density mixed-use projects are found in larger cities, but the story of Goodwin Court shows that a market exists for these projects in smaller towns. With a strong vision for the community, city staff, a citizen task force, and a private developer worked together to make this project a reality for Pendleton.

Once a major trading depot along the Oregon Trail, Pendleton continues to embrace its historic past. Evidence of its history is found in the Pendleton Roundup rodeo, the family-owned Pendleton Woolen Mills factory founded in 1909, and in the traditional facades of downtown storefronts. The addition of Goodwin Court enhanced downtown Pendleton, while simultaneously maintaining its historic character.

Not only did Goodwin Court complement the existing buildings, but it also provided much needed affordable housing and high-quality retail space. Comprising three connected buildings and a courtyard, the completed project includes 26 apartments situated above 4 commercial spaces. The commercial space includes 4,587 square feet on the ground

level with frontage on South Main Street. Residents and retail customers share 25 parking spaces located behind the structure. Moreover, Goodwin Court's central location enhances residents' transportation

choices; they can easily walk, bike, or drive to meet their daily needs. In addition to providing transportation choices, Goodwin Court efficiently used existing service infrastructure.



“The city’s goal was to put a productive building back on the site.”

– Larry Lehman  
City Manager  
Pendleton

# The Story of Goodwin Court

During 1999, a fire that destroyed Pendleton's downtown 99-Cent store marked the first stages of the Goodwin Court project. Larry Lehman, Pendleton's City Manager, formed a task force made up of one citizen, two downtown business owners, and one city council member to study possible outcomes for the site. According to Lehman, "The property owner was amicable, but was not willing to pay for site remediation or restoration." With encouragement from the task force, Lehman approached the out-of-state owner with an offer to buy the property as a way of securing the land for development aligned with city goals. After considerable negotiation, the city purchased the land and the burnt-out shell of the store for \$25,000. Wells Fargo donated to the city a small adjacent parcel that was also destroyed in the fire. Once the city had acquired the land, site preparation was initiated.

Before creating a plan for the site, the City of Pendleton hired contractors to clean out debris and fill in the basement of the original structure. To make the site more

attractive for potential developers, the parks department installed large planters with trees. After prep work was finished, Lehman, with assistance from the task force, issued a Request for Proposals (RFP). According to Lehman, "The RFP was broad in scope and did not specify exactly what should go in the vacant parcel. The city's goal was to put a productive building back on the site." Out of two proposals submitted, the city chose the one from Telos Development Company.

Telos Development Company was formed in 1990 by its president, David Glennie. Formerly involved with retail and commercial real estate development of neighborhood shopping centers in rural Oregon, Telos has expanded to include affordable housing and downtown mixed-use projects for tenants in smaller communities. In addition to Goodwin Court, other Telos housing projects include Ridgeview Commons in Prineville, Quail Court in Burns, and "N.K. West Building" in La Grande, Oregon. Each of these projects used unique financing structures

to take advantage of government incentives promoting construction of affordable housing. According to David Glennie, "Telos' projects are filling a needed niche in the housing and commercial markets in small Oregon communities."

Following the City's investment in remediation and visual site improvements, Telos purchased the site for \$88,000. According to Lehman, "Although the city didn't immediately recoup some \$30,000 between the purchase, cleanup, and what we received from Telos, property taxes from the project will make up the difference."

Once Telos gained title to the land, it moved forward in assembling funds for design, engineering, construction, and project development. Much of the project funding came from federal tax credits available for affordable housing projects. Perhaps the most interesting element of this project is the complicated financing partnerships and structuring that made its completion possible.



# Affordable Housing Tax Credits

As a stand-alone project, Goodwin Court would not exist today if it were not for Telos' experience in obtaining available Low Income Housing Tax Credits, commonly referred to as "LIHTC." In fact, financing the Goodwin Court project was a complicated process that few developers are patient enough to attempt. With years of experience in navigating the maze of applications and processes, Telos raised approximately \$3 million for the project through LIHTCs issued by Oregon Housing and Community Services (OHCS).

## Financing Process

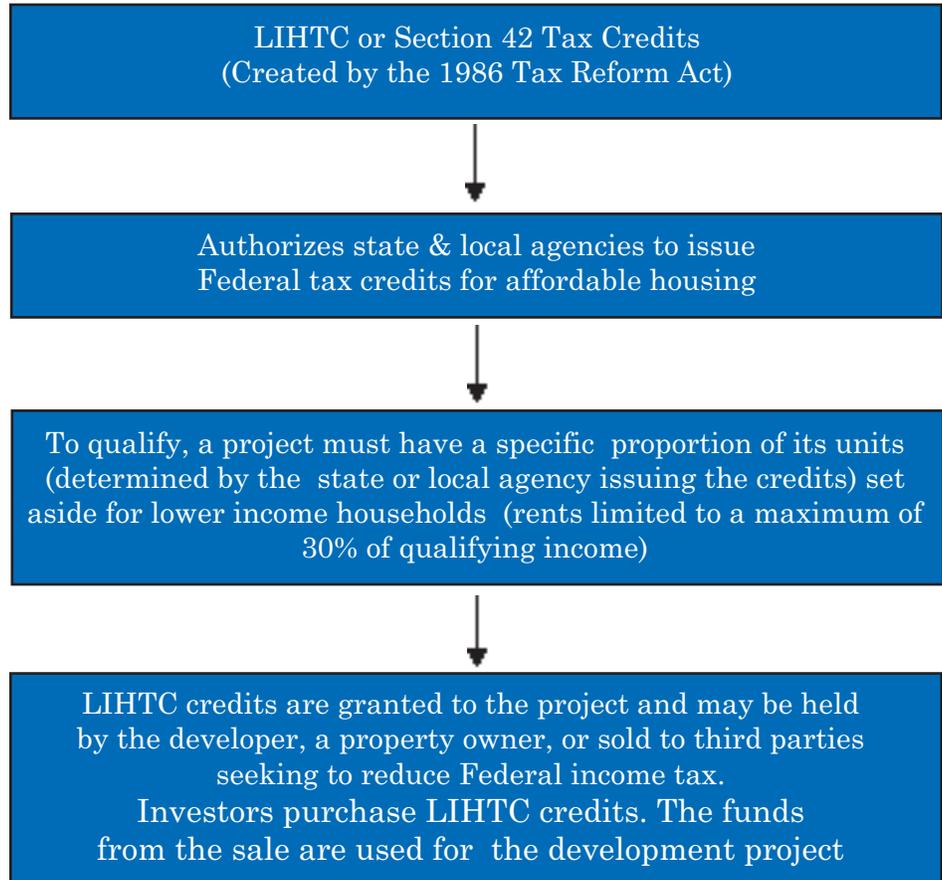
From start to finish, the entire financing process for Goodwin Court took 2 years, raised nearly \$4 million, and involved multiple individuals and organizations. Project financing came from six sources: the sale of awarded tax credits on the open market; grant funding from OHCS; a contribution from the City of Pendleton; a construction loan from Community Bank; permanent financing from Network for Oregon Affordable Housing (NOAH); and equity in excess of \$530,000 from the developer. Key players in the financing process were:

<b>Community:</b>	Citizens and City of Pendleton
<b>Developer:</b>	Telos Development Company
<b>Tax Credit Issuer:</b>	Oregon Housing and Community Services
<b>Tax Credit Buyer:</b>	Homestead Capital
<b>Financing Partners:</b>	Network for Oregon Affordable Housing Community Bank of Joseph, and the City of Pendleton

Preliminary steps in financing Goodwin Court began after the project opportunity was identified. One of the first steps was Telos' conditional agreement with Homestead Capital to purchase tax credits (if awarded) from OHCS. In fact, the financial feasibility of Goodwin Court depended on Telos obtaining LIHTC from OHCS.

With Homestead Capital's conditional agreement to purchase LIHTC from Telos, the process moved forward. Telos then applied for LIHTC from

## Low Income Housing Tax Credits



OHCS. The lengthy application and legal process ended approximately two years later when OHCS awarded Telos LIHTC of \$355,096 per year and a Housing Trust Fund grant for \$100,000. Telos, the developer and general partner, then sold the OHCS issued tax credits to Homestead Capital, the tax credit buyer and limited partner. Homestead Capital purchased these credits, valued at \$355,096 per year for 10 years (\$3.6 million), for \$2.9 million or approximately 82 cents on the dollar. This sale immediately raised enough funds for the construction and development costs of Goodwin Court.

### Low Income Housing Tax Credits (LIHTC)

Since its inception, the LIHTC has become the principle subsidy mechanism for building new and rehabilitating older low-income housing units in the United States. The state agency charged with granting LIHTC to sponsors is the Oregon Housing and Community Services (OHCS). According to OHCS, LIHTC are available for both for-profit and non-profit sponsors with eligible properties who successfully complete necessary applications. For additional information, see [www.ohcs.oregon.gov](http://www.ohcs.oregon.gov)



Table 1: Goodwin Court Development Budget and Costs

	Cost Category	Budgeted	Actual Cost	Difference
(B) Hard Costs are the construction costs for a project and include building materials, land, labor, infrastructure, equipment, etc.	A Land Acquisition Costs	\$ 88,000	\$ 88,000	\$ -
	B Hard Costs			\$ -
	C Residential Construction Total	\$ 2,211,322	\$ 2,455,654	\$ (244,332)
	D Commercial Construction Total	\$ 326,900	\$ 362,379	\$ (35,479)
	E Parking/storage	\$ 81,000	included	\$ 81,000
(I) Soft Costs include professional, legal, and permitting fees, insurance, appraisals, etc.	F Contractor Overhead/Profit	\$ 140,000	\$ 180,000	\$ (40,000)
	G Contingency (7.5% of hard Costs)	\$ 230,427	\$ -	\$ 230,427
	H Total Hard Costs	\$ 3,077,649	\$ 3,086,033	\$ (8,384)
	I Soft Costs			\$ -
	J Development Costs	\$ 240,175	\$ 3,086,994	\$ (33,819)
(N) The Contingency Fund is intended to cover any additional costs—including cost over-runs—that may not have been accounted for in the budgeting process. For Goodwin Court it was 8%-10% of the total project cost.	K Architecture and Engineering	\$ 150,623	\$ 163,593	\$ (12,970)
	L Developer Fees	\$ 346,335	\$ 343,359	\$ 2,976
	M Construction Interest	\$ 74,521	\$ 71,437	\$ 3,084
	N Contingencies & reserves	\$ 85,346	\$ 41,642	\$ 43,704
	O Total Soft Costs	\$ 897,000	\$ 894,025	\$ 2,975
(P) Total Project Cost = Land Acquisition (Line A)+Total Hard Costs (Line H)+Total Soft Costs+(Line O)	P Total Project Cost	\$ 3,974,649	\$ 3,980,058	\$ (5,409)
	Q Construction Cost Per Residential Unit 8	\$ 85,051	\$ 94,448	\$ (9,397)
	R Construction Cost Per Commercial Sq. Ft.	\$ 74.75	\$ 82.87	\$ 8.12

(Q) Construction Cost Per Residential Unit = Residential Construction Total (Line C) divided by 26 (number of residential units)

# Construction and Completed Project

After approximately 13 months of construction, Goodwin Court opened in the summer of 2002 to a crowd estimated at about 700 members of the community. The official grand opening was a huge event for Pendleton, and according to Glennie, “some people were pleased enough to cry tears of joy at the sight of the completed project.” This marked a turn-around from earlier opposition by a few residents who were suspicious of any relationship between the city and a developer. Today, residents of Pendleton take great pride in Goodwin Court.



The shift from early opposition to later support was encouraged by the high quality and attractive design of the finished project. Goodwin Court’s street level was developed into retail and office space and the top three floors were developed into 26 affordable apartments, with 12 one bedroom and 14 studio apartments. Tenants in these affordable apartments earn between 40% and

50% of median family income. The apartments face inward to an open plaza and each unit features high ceilings, abundant natural light, and energy efficient heating and cooling. The residential units were fully

leased within four months. “Good management,” he added, “is critical to the success of residential projects in general, and Goodwin Court is no exception.”

The ground floor of Goodwin Court includes 4 commercial spaces, which were customized during construction to meet the specific needs of tenants. Even though leasing costs at Goodwin Court were more than twice those of the surrounding buildings, all of the commercial units were leased out within 45 days of opening. According to Glennie, “The going commercial market rate in this area was about \$0.40/sq.ft., whereas the spaces in Goodwin Court went for a starting average of \$0.90/sq.ft. The rapid lease-up rate demonstrates the strong demand for centrally located high-quality commercial space in the community.



# Smart Development Principles

Goodwin Court's design and location assumed that some of the residential tenants would not own cars. Despite the absence of a public transit system in Pendleton, many public services and retailers, with the exception of a large grocery store, are located within easy walking distance. Within a quarter-mile radius, there are retailers, entertainment, public parks, a senior center, and the Greyhound Bus station. Goodwin Court's walkable location **encourages transportation choices.**

Goodwin Court **incorporates a mix of uses.** It offers affordable housing, retail, and commercial space, thus promoting economic growth in the heart of town, rather than on the fringe. Not only does Goodwin Court provide needed affordable housing and retail, it does so while maintaining a **human-scale design.** The brick façade and the overall historic

feel of the building fit in well with the surrounding structures. Goodwin Court is **located in the City with full urban services.**

Goodwin Court used five sustainable design solutions. First, redevelopment allowed the **use of existing infrastructure** and increased urban density, decreasing pressure for low-density suburban development. Second, demolition material from the site was used as structural fill for Goodwin Court's foundation.

Third, the project integrated an energy efficient centralized heating and cooling system that, while more expensive to build initially, will provide cost savings down the road. Fourth, services are available through Goodwin Court's "Resident Service Plan," well suited for older tenants. Finally, fewer parking spaces were provided for the project than are typically required by city



code. This promotes use of transportation alternatives, while at the same time limits impermeable paved areas. Combined, these factors contributed to Goodwin Court's award winning status.

In 2003, Goodwin Court received the Downtown Achievement Award from the Oregon Downtown Development Association (ODDA) for Goodwin Court's contribution to the City of Pendleton. The recipient of this award meets criteria related to downtown revitalization. By providing affordable housing, transportation choices, attractive commercial spaces, and maintaining the historic character of Pendleton's downtown, Goodwin Court was a clear choice for the ODDA Downtown Achievement Award.

## For more information...

### ***Oregon Transportation Growth Management (TGM)***

#### ***Program:***

635 Capitol Street, N.E.

Suite 150

Salem, OR 97301

Tel- (503) 373-0050

[www.oregon.gov/LCD/TGM/index.shtml](http://www.oregon.gov/LCD/TGM/index.shtml)

### ***Congress for the New Urbanism:***

[www.cnu.org](http://www.cnu.org)

### ***Urban Land Institute:***

[www.uli.org](http://www.uli.org)

### ***Smart Growth America:***

[www.smartgrowthamerica.com](http://www.smartgrowthamerica.com)

### ***Center for Excellence in Sustainable Development:***

[www.sustainable.doe.gov](http://www.sustainable.doe.gov)

### ***National Neighborhood Coalition:***

[www.neighborhoodcoalition.org](http://www.neighborhoodcoalition.org)

### ***Local Government***

#### ***Commission:***

[www.lgc.org](http://www.lgc.org)

### ***Joint Center for Sustainable Communities:***

[www.usmayors.org/uscm/sustainable](http://www.usmayors.org/uscm/sustainable)

### ***Smart Growth Network:***

[www.smartgrowthonline.org](http://www.smartgrowthonline.org)

## Lessons Learned

### ***One: Transform Constraints into Opportunities***

What first appears to be a problem or constraint for the city can be turned into an opportunity through creative thinking. In Pendleton, the problem of having a local business and building burn to the ground was turned into an opportunity for positive redevelopment. Looking at the situation as an opportunity allowed the city to move forward with a project that gave the area a much-needed facelift.

### ***Two: Community Involvement***

Involving the community in the decision-making process will raise more support for a project. In Pendleton, a task force provided insight into the needs of the community and their ideas for potential uses of the site.

### ***Three: Partnerships***

Partnering with a developer to complete a project aligned with city goals is important. Because of their unique experience, Telos Development and David Glennie were able to partner with a broad range of government and financial institutions to make Goodwin Court possible. Awareness of partnership possibilities between city-developer-financer is important to make these projects financially feasible in smaller towns.

### ***Four: Use Creative Financing to get a Quality Project***

Choosing an experienced developer to complete a project in often means the difference between having a sub-par development and a successful one that will serve the community for decades to come. Cities should be aware of the variety of incentives available to make development projects feasible. In the case of Pendleton, many in the community were amazed that such a high-quality project was possible in the downtown area, especially considering the fact that the municipal investment was only about one percent of the overall project cost.

### ***Five: Maintain an Effective Working Relationship with the Developer***

Developers want cities to make decisions and stick with them throughout the development process. Having clear expectations and clearly written codes that specify the city's desires are critical to successful projects. Cities must recognize that development is still a market-driven enterprise, therefore if the project proposal aligns with city goals, the city should be an advocate for the developer.