



<p>Work Session</p>	<p>WS</p>
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Milwaukie City Council



MILWAUKIE CITY COUNCIL WORK SESSION

City Hall Conference Room
10722 SE Main Street
www.milwaukieoregon.gov

AGENDA
NOVEMBER 5, 2013

A light dinner will be served.

Page #

- | | | | | |
|----|-----------|---|----------------|---|
| 1. | 5:00 p.m. | City Manager's Report | Bill Monahan | |
| | | <ul style="list-style-type: none">• Portland General Electric Franchise Agreement• Clackamas Fire District #1 Lease• Ed Zumwalt Volunteer of the Year Award Nominations | | |
| 2. | 5:30 p.m. | Ballot Measure Discussion | Grady Wheeler | |
| 3. | 5:45 p.m. | Bond Support Team Discussion | Casey Camors | |
| 4. | 6:00 p.m. | Comcast Franchise Agreement Extension | Casey Camors | |
| 5. | 6:15 p.m. | Moving Forward Milwaukie – Market Study | Ryan Marquardt | 1 |
| 6. | 6:45 p.m. | Management Study | Tim Ramis | |
| 7. | 7:00 p.m. | Adjourn Work Session | | |

Information

Executive Session: The City Council may meet in executive session pursuant to ORS 192.660(2). All discussions are confidential and those present may disclose nothing from the Session. Representatives of the news media are allowed to attend Executive Sessions as provided by ORS 192.660(3) but must not disclose any information discussed. No Executive Session may be held for the purpose of taking any final action or making any final decision. Executive Sessions are closed to the public.

Public Notice

- The Council may vote in work session on non-legislative issues.
- The time listed for each discussion item is approximate. The actual time at which each item is considered may change due to the length of time devoted to the one previous to it.
- The Council requests that mobile devices be set on silent or turned off during the meeting.
- The City of Milwaukie is committed to providing equal access to information and public meetings per the Americans with Disabilities Act. For special accommodations, please call 503-786-7502 or email ocr@milwaukieoregon.gov at least 48 hours prior to the meeting.



MILWAUKIE CITY COUNCIL
AGENDA ITEM SUMMARY

Agenda Item: **WS 3.**

Meeting Date: **10/1/13**

Title: **Bond Support Team**

Prepared By: Casey Camors, Finance Director

Department Approval: Casey Camors

City Manager Approval: Bill Monahan

Approval Date: October 23, 2013

ISSUES BEFORE COUNCIL

Council direction on moving forward with negotiating contracts with consultants needed to complete a potential tax-exempt debt issuance.

STAFF RECOMMENDATION

Move forward with negotiating contracts with bond counsel, financial advisor and underwriter for potential tax-exempt debt issuance.

KEY FACTS & INFORMATION SUMMARY

Three consulting groups are needed to assist City staff with the preparation and execution of the issuance of tax-exempt debt. In order to complete issuance within the potential timeline, the City should contract with these consultants at this time to ensure that the City is fully prepared.

OTHER ALTERNATIVES CONSIDERED

Hold on contracting with consultants until the decision to go to the voters has been solidified.

CITY COUNCIL GOALS

Funding to prevent loss of services.

FISCAL NOTES

Consultant fees are estimated as follows:

- Bond Counsel: Orrick Herrington & Sutcliffe, LLP – Not to exceed \$25,000
- Financial Advisor: Est. \$17,000 - \$30,000
- Wedbush Securities, Inc. - \$30,000 (\$7.50 per \$1,000 of bonds issued – changes in the value of bonds issued will conversely affect the fee)

ATTACHMENTS

- 1.
- 2.
- 3.



MILWAUKIE CITY COUNCIL
STAFF REPORT

To: Mayor and City Council

Through: Bill Monahan, City Manager

Subject: **Bond Support Team**

From: Casey Camors, Finance Director

Date: November 5, 2013

ACTION REQUESTED

Council direction on moving forward with negotiating contracts with consultants needed to complete a potential tax-exempt debt issuance.

HISTORY OF PRIOR ACTIONS AND DISCUSSIONS

N/A

BACKGROUND

The issuance of bonds, specifically tax-exempt bonds, is a complex task that requires a broad scope of experience and expertise. Although the City of Milwaukie has a very capable Finance Department, it is common place and appropriate for a municipality to utilize outside consultants for tasks related to tax-exempt financing. Staff consulted with Richard Seals in anticipation of Council's consideration of the use of these consultants and it was agreed that it is appropriate to bring in this level of consulting assistance.

In preparation for a potential tax-exempt bond issue, the City Finance Department has been identifying consultants needed to complete a bond sale upon a passing vote by the citizens of Milwaukie. If a bond measure passes, the City will have a very short window to sell the bonds due to the timing of the next payment due to TriMet. To ensure that we are best prepared, we have been coordinating with the professional team, including the consultants needed to complete a bond sale. Generally, the three types of consultants needed are the bond counsel, financial advisor and underwriter. We've listed below the role of each team member and our plans to secure each party below:

Bond Counsel:

Every municipal security must be reviewed and approved by an attorney known as bond counsel. They offer their legal opinion which is an authorization of the debt and covers two main issues:

- 1) It ensures that the bonds are legal, valid and binding obligations of the issuer.
- 2) It verifies the tax status of the debt; that is, interest on the bonds is exempt from federal income taxes (as well as state and local taxes in some cases).

Bond counsel is one of the key participants involved with issuing debt and is usually selected in the very early stages of the process. Issuers will usually choose a law firm that is expert on relevant state and local finance laws. Our City attorney's agree that a firm that performs bond counsel services should be engaged.

The role of bond counsel varies depending on the complexity of the issue. Bond counsel assembles all relevant materials into a Transcript of Proceedings, which is used as a permanent record or reference. The Transcript of Proceedings details all the steps in the issuance and the terms and conditions of the payment and security arrangements.

In addition, bond counsel carries out the following tasks:

- Prepares and oversees bond proceedings;
- Gets required government approval;
- Ensures that the issuer meets all the legal requirements and authorization of the bond offering;
- Discloses and analyzes all relevant legal proceedings that may have a bearing on the validity of the offering;
- Interprets relevant regulations and laws and assists in structuring the issue;
- Writes key financing documents.

The City is contracting with Orrick Herrington & Sutcliffe, LLP to act as bond counsel. The primary bond counsel will be Doug Goe and Greg Blonde.

Financial Advisor:

A financial advisor represents the issuer and only the issuer, acting as a financial and business agent in the analysis, negotiation and structuring of financial transactions and in long-term capital planning and budgeting.

A financial advisor:

- Makes recommendations of financing options including size, timing, maturity schedules and marketing;
- Reviews debt structure for compliance with local, state and federal regulations;
- Prepares the official statement in compliance with disclosure guidelines, as appropriate, and the printing and distribution of same;
- Makes recommendations of competitive or negotiated sales and participation in the negotiation of price and terms for negotiated sales;
- Coordinates the printing and delivery of bonds, and interaction with Bond Counsel and rating agencies;
- Makes recommendations of acceptance or rejection of bids
- Performs other services related to capital financing normally provided by a financial consultant but not mentioned above.

The City's RFP closed on October 11th. The City is in the process of analyzing the proposals. We expect to select a firm by November 1st.

Underwriter:

An underwriter is a securities dealer who helps government entities bring bond issues to market. The key role it plays is to buy the bonds from the issuer and then resell them to investors. In doing so it assumes a financial risk and thus expects to make a profit on the transaction.

An underwriter may be independent or part of a securities firm or bank. Often, securities firms and banks have municipal bond departments that carry out functions such as underwriting, marketing or trading municipal securities.

Municipal bond underwriting is one of the functions performed by investment banks, which also underwrite corporate stock and bond offerings and advise companies on mergers and acquisitions.

The City is contracting with Wedbush Securities, Inc., to be the bond underwriter. The City's primary underwriter will be Katie Schwab.

CONCURRENCE

N/A

FISCAL IMPACTS

The anticipated fees are as follows:

- Bond Counsel: Orrick Herrington & Sutcliffe, LLP – Not to exceed \$25,000
- Financial Advisor: Est. \$17,000 - \$30,000
- Wedbush Securities, Inc. - \$30,000 (\$7.50 per \$1,000 of bonds issued – changes in the value of bonds issued will conversely affect the fee)

Contract costs for bond counsel and the underwriter are contingent upon the issuance of tax-exempt debt and will be paid out of the associated proceeds. It is currently unknown if the financial advisor contract will also be contingent upon the issuance of tax-exempt debt.

WORK LOAD IMPACTS

N/A

ALTERNATIVES

Choose alternate consulting firms.

ATTACHMENTS

- 1.
- 2.
- 3.



MILWAUKIE CITY COUNCIL
AGENDA ITEM SUMMARY

Agenda Item: **WS 4.**
Meeting Date: **11/5/13**

Title: **Comcast Franchise Agreement Extension**

Prepared By: Casey Camors, Finance Director

Department Approval: Casey Camors

City Manager Approval: Bill Monahan

Approval Date: 10/23/13

ISSUES BEFORE COUNCIL

Direction on moving forward with the Comcast Franchise Agreement extension.

STAFF RECOMMENDATION

Move forward with the Comcast Franchise Agreement extension.

KEY FACTS & INFORMATION SUMMARY

The City's current Comcast Franchise Agreement extension will expire on January 31, 2014.

The proposed extension of the Comcast franchise is necessary to allow adequate time to complete the required ascertainment process and franchise negotiations with Comcast, if desired.

OTHER ALTERNATIVES CONSIDERED

None.

CITY COUNCIL GOALS

None related to this action

FISCAL NOTES

None.

ATTACHMENTS

1. Draft resolution
2. Previous Franchise Extension Agreement



MILWAUKIE CITY COUNCIL
STAFF REPORT

To: Mayor and City Council

Through: Bill Monahan, City Manager

Subject: **Comcast Franchise Agreement Extension**

From: Casey Camors, Finance Director

Date: November 5, 2013

ACTION REQUESTED

Direction on moving forward with the Comcast Franchise Agreement extension.

HISTORY OF PRIOR ACTIONS AND DISCUSSIONS

July 2012 – the City’s Comcast Franchise Agreement expired.

October 2011- City Council adopted a resolution extending the Comcast Franchise Agreement to January 31, 2014.

BACKGROUND

The City’s current Comcast Franchise Agreement extension will expire on January 31, 2014. City staff recommends extending the current franchise agreement another two years. In order to extend the agreement, City Council may adopt a resolution and approve the franchise extension agreement extending to January 31, 2016. Reconsider ascertainment to begin in the spring of 2014.

CONCURRENCE

Comcast will need to agree to the proposed extension.

FISCAL IMPACTS

None.

WORK LOAD IMPACTS

None.

ALTERNATIVES

Begin and expedite the ascertainment process in conjunction with a shorter franchise agreement extension:

- Ascertainment would entail:
 - Review of operator’s past performance
 - Assess future community needs
 - Public hearing
 - Process can take between six months and a year
 - Staff (.25-.50 FTE – est. \$75,000) and financial resources (est. \$50,000)

At this time, there are no identified benefits to going through the ascertainment process.

ATTACHMENTS

1. Draft resolution
2. Previous Franchise Extension Agreement

Attachment 1



CITY OF MILWAUKIE
"Dogwood City of the West"

Resolution No.

A resolution of the City Council of the City of Milwaukie, Oregon, authorizing the Mayor to sign a Franchise Extension Agreement with Comcast, extending the term of the current Comcast Cable Franchise to January 31, 2016.

WHEREAS, the Comcast cable franchise, effective July 7, 1999, expired on July 7, 2012; and

WHEREAS, the Comcast cable franchise extension agreement, effective October 18, 2011, will expire on January 31, 2014; and

WHEREAS, the City requires more time to complete the required ascertainment process and franchise negotiations than would be afforded by the current expiration date;

Now, Therefore, be it Resolved that the Mayor is authorized to sign a franchise extension agreement with Comcast extending the term of the cable franchise to January 31, 2016.

Introduced and adopted by the City Council on _____.

This resolution is effective on _____.

Jeremy Ferguson, Mayor

ATTEST:

APPROVED AS TO FORM:
Jordan Ramis PC

Pat DuVal, City Recorder

City Attorney

Attachment 2

RESOLUTION NO. 96-2011

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MILWAUKIE, OREGON, AUTHORIZING THE MAYOR TO SIGN A FRANCHISE EXTENSION AGREEMENT WITH COMCAST, EXTENDING THE TERM OF THE CURRENT COMCAST CABLE FRANCHISE TO JANUARY 31, 2014.

WHEREAS, the Comcast cable franchise, effective July 7, 1999, will expire on July 7, 2012; and

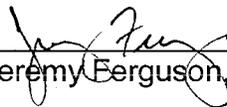
WHEREAS, Comcast initiated the renewal process by letter on September 2009; and

WHEREAS, the City requires more time to complete the required ascertainment process and franchise negotiations than would be afforded by the current expiration date;

NOW, THEREFORE, BE IT RESOLVED that the Mayor is authorized to sign a franchise extension agreement with Comcast extending the term of the cable franchise to January 31, 2014.

Introduced and adopted by the City Council on October 18, 2011.

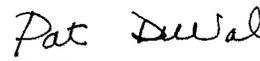
This resolution is effective immediately.



Jeremy Ferguson, Mayor

ATTEST:

APPROVED AS TO FORM:
Jordan Ramis PC



Pat DuVal, City Recorder



City Attorney

Document10 (Last revised 09/18/07)



MILWAUKIE CITY COUNCIL
AGENDA ITEM SUMMARY

Agenda Item: **WS 5.**
Meeting Date: **11/5/13**

Title: **Moving Forward Milwaukie – Market Study**

Prepared By: Li Alligood, Associate Planner
Ryan Marquardt, Senior Planner

Department Approval: Steve Butler, Community Development Director &
Interim Planning Director

City Manager Approval: Bill Monahan, City Manager

Approval Date: October 24, 2013

ISSUES BEFORE COUNCIL

Briefing on the Moving Forward Milwaukie projects Market Study.

STAFF RECOMMENDATION

None. This is a briefing for informational purposes.

KEY FACTS & INFORMATION SUMMARY

The project consultant team is preparing a Market Study that describes the market conditions in Milwaukie and the Portland metropolitan region. The information in this study will inform what types of development and uses are viable on the Opportunity Sites.

OTHER ALTERNATIVES CONSIDERED

N/A

CITY COUNCIL GOALS

2013 Goal #5

FISCAL NOTES

Type here

ATTACHMENTS

1. Draft Market Study



MILWAUKIE CITY COUNCIL
STAFF REPORT

To: Mayor and City Council

Through: Bill Monahan, City Manager

Subject: **Moving Forward Milwaukie – Market Study**

From: Steve Butler, Community Development Director &
Interim Planning Director
Li Alligood, Associate Planner
Ryan Marquardt, Senior Planner
Date: October 30, 2013, for November 5, 2013, Worksession

ACTION REQUESTED

None. This is a briefing for informational purposes.

HISTORY OF PRIOR ACTIONS AND DISCUSSIONS

August 16, 2013: Council adopted a resolution for the City to sign a personal services agreement with ECONorthwest/Fregonese Associates to be project consultants and begin work on the Moving Forward Milwaukie project (previously the CCEP) (Res. 53-2013).

May 7, 2013: Council approved an intergovernmental agreement (IGA) with Metro to accept Construction Excise Tax (CET) grant funds for the Commercial Core Enhancement Program (CCEP), and authorized the Council President to sign the agreement on behalf of the Mayor (Res. 36-2013). The IGA was executed on May 21, 2013.

February 26, 2013: Council directed staff to proceed with final preparation of a detailed scope of work for the CCEP and preparation of an IGA between the City and Metro for grant funding.

August 2012 - February 2013: Planning Commission and Council reviewed amendments to the downtown zones and public area requirements, and directed staff to conduct a more thorough review of the downtown development, use, and design standards.

January 20, 2010: Council directed staff to request grant funds from Metro's Construction Excise Tax planning grant program to support planning efforts in downtown and Central Milwaukie (Res. 06-2010).

BACKGROUND

The Moving Forward Milwaukie (MFM) project is focused on bringing new activity to Milwaukie's commercial districts: downtown, central Milwaukie, and the neighborhood main streets of 32nd & 42nd Avenues. The major phases of the project are:

- Market Study;
- Opportunity Site Development Concepts;
- Downtown and Central Milwaukie Action & Implementation Plan;

- Downtown Plan and Code Amendments;
- Central Milwaukie Land Use & Transportation Plan; and,
- Central Milwaukie and Neighborhood Main Streets Plan and Code Amendments

The Market Study is an important component of the MFM project in that it sets a baseline for and informs the type of development and adaptive reuse that Milwaukie could expect to see on the Opportunity Sites by establishing what is economically feasible.

The Market Study will use the data about Milwaukie's economic and demographic profile, in combination with information about the current real estate market for competing areas in the Portland metropolitan region, to determine the most viable economic uses for the opportunity sites.

A draft of the Market Study is attached to this report as Attachment 1. The project consultant will present the final draft report to Council at the worksession for Council discussion and feedback. The key points of market analysis portion of the study are:

- Milwaukie is part of the larger Portland region economy. The economy is generally expanding, although it has not yet fully recovered from the 2008-2009 recession.
- Most residents of Milwaukie do not work in Milwaukie, and workers in Milwaukie do not live in Milwaukie. As in most parts of a large metropolitan area, workers commute to their jobs. This could be seen as an opportunity to provide more housing to residents of Milwaukie, or more jobs to residents of Milwaukie.
- Milwaukie is growing at a very slow rate and actually shrank slightly between 2000 and 2010. The population between the ages of 55 and 64 saw the largest increase and the portion of children has decreased.
- Household incomes in Milwaukie tend to be lower than elsewhere in the region.
- Almost two-thirds of households in Milwaukie own their own homes and about two-thirds of housing units are single-family detached dwellings.
- The market for office and retail space in Milwaukie is relatively strong. Vacancy rates are low, although rents are also relatively low.

CONCURRENCE

N/A

FISCAL IMPACTS

No additional fiscal impacts. This is part of the Moving Forward Milwaukie project. Funding for the project is provided by a Metro Construction Excise Tax grant, with local matching in the form of staff time and \$30,000 from the general fund.

WORK LOAD IMPACTS

This is part of the Moving Forward Milwaukie project, which has been included in the Planning Department work plan through December 2014.

ALTERNATIVES

N/A

ATTACHMENTS

1. Draft Market Study

Moving Forward Milwaukie: Market Study

October 25, 2013

Prepared for:
City of Milwaukie

Draft Report

ECONorthwest
ECONOMICS • FINANCE • PLANNING

Contact Information & Acknowledgements

Nick Popenuk prepared this report, in collaboration with Anne Fifield and Abe Farkas. ECONorthwest is solely responsible for its content.

ECONorthwest specializes in economics, planning, and finance. Established in 1974, ECONorthwest has over three decades of experience helping clients make sound decisions based on rigorous economic, planning and financial analysis.

ECONorthwest gratefully acknowledges the substantial assistance provided by staff at the City of Milwaukie, the Moving Forward Milwaukie Project Advisory Committee, and the other members of the Moving Forward Milwaukie consultant team: Fregonese Associates, Angelo Planning Group, DKS Associates, and JE Dunn. Many other individuals contributed to other research that this report relied on.

For more information about ECONorthwest, visit our website at www.econw.com.

For more information about this report, please contact:

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Popenuk@econw.com

Table of Contents

1	Executive Summary	6
1.1	Citywide.....	6
1.2	Downtown.....	6
1.3	Central Milwaukie	7
2	Introduction	8
3	Demographic and market trends	9
3.1	Description of Sites.....	9
3.2	Overview of Demographics and Economic Conditions.....	11
3.3	Residential Uses.....	22
3.3.1	Housing Tenure	23
3.4	Commercial Uses	27
3.5	Key trends and findings from the demographic and market data.....	43
4	Development Roundtable Feedback	45
4.1	Citywide challenges.....	45
4.2	Citywide opportunities	46
4.3	Site-specific observations.....	47
4.4	Other observations.....	49
5	SWOT Analysis Results	50
5.1	Classification of characteristics: strengths, weaknesses, opportunities, and threats.....	50
5.2	Downtown Milwaukie neighborhood characteristics	50
5.3	Central Milwaukie neighborhood characteristics.....	50
5.4	Texaco Site	51
5.5	Dark Horse Site	51
5.6	Graham Site.....	51
5.7	Cash Spot Site.....	51
5.8	Triangle Site.....	51

5.9	Murphy Site	51
5.10	McFarland Site	51
6	Implications of Market Analysis for individual Opportunity	
	Sites	52
6.1	Texaco Site	52
6.2	Dark Horse Site	53
6.3	Graham Site.....	54
6.4	Cash Spot Site	54
6.5	Triangle Site.....	55
6.6	Murphy Site	56
6.7	McFarland Site	56

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1 Executive Summary

The goal of the Moving Forward Milwaukie project is to implement the community vision for Milwaukie's commercial areas, including Downtown Milwaukie, Central Milwaukie, and the Neighborhood Main Streets of 32nd and 42nd avenues.

The analysis includes seven "opportunity sites" that have the potential for new development or adaptive reuse that could serve as catalysts for other development. The City will create development concepts for each opportunity site, including development programs, illustrations, and financial pro formas for potential new development. The selected development concepts for each site will be reflected in future City plans, including a Downtown and Central Milwaukie Action and Implementation Plan, and a Central Milwaukie Land Use and Transportation Plan.

A key principle of these development concepts is that they are financially feasible. Thus, a market study – this document – is necessary to inform the creation of development concepts, and to identify viable use(s) for each site. This market study was based on an analysis of demographic and market data; interviews with and input from local developers, property owners, elected officials, and other stakeholders and community members; and discussions with City staff.

Key results from the market study are outlined below by study area.

1.1 Citywide

- Average rents for office and retail spaces are too low to entice private development without some form of public-private partnership.
- Milwaukie's residents are older with lower incomes than the rest of the Portland region, which is a challenge for new market-rate residential development, but an opportunity for development of senior housing.
- Milwaukie has experienced very little new development over the past decade, and Milwaukie's population actually declined from 2000 to 2010.
- Milwaukie's short commute time to Portland, and affordable housing stock should make it an attractive location for residential development.

1.2 Downtown

- Downtown has good bones (e.g., sidewalks, streetscapes, block sizes), which are attractive for new development, and recognized by developers who toured Downtown Milwaukie.
- The planned Riverfront Park improvements and Kellogg-for-Coho Initiative will make Downtown more desirable as it improves access to parks, natural areas, and the Willamette River.
- McLoughlin Boulevard provides great visibility and accessibility to Downtown.

- The Portland to Milwaukie MAX line (under construction) will provide additional accessibility to Downtown Milwaukie.
- City zoning for the area is viewed as confusing and overly prescriptive, and may be an impediment to development.
- Preliminary input from the community and developers suggest that new development in the Downtown should focus on mixed-use development with residential development above ground-floor restaurants and retail, with some opportunity for new office development, as well.
- Many in the community believe that one or more structured parking garages are needed Downtown, but the best site for a parking garage is undetermined.

1.3 Central Milwaukie

- Hwy 224 provides great accessibility to Central Milwaukie.
- There is a lack of consensus among the community, developers, and private property owners on the preferred type of new development on the opportunity sites in Central Milwaukie.
- Zoning for the area is conflicting and confusing, and any development on the opportunity sites requires Planning Commission review and approval.

2 Introduction

Moving Forward Milwaukie is a project led by the City of Milwaukie with the goal of implementing the community vision for Milwaukie's commercial areas. As part of this effort, the City has identified seven "Opportunity Sites" in Downtown and Central Milwaukie. These sites have the potential for new development or adaptive reuse that, if done correctly, could serve as catalysts for other development in Milwaukie.

As part of the Moving Forward Milwaukie project, the City will create Development Concepts for each Opportunity Site. These Development Concepts will include development programs, illustrations, and financial pro formas for potential new development on each opportunity site. The most viable Development Concepts for each site will be reflected in City plans, including a Downtown and Central Milwaukie Action and Implementation Plan, and a Central Milwaukie Land Use and Transportation Plan.

A key principle of these Development Concepts is that they are financially feasible. Thus, a market study – this document – is necessary to inform the creation of Development Concepts, and to identify the most viable use(s) for each site. This market study was based on quantitative and qualitative methods, including an analysis of demographic and market data, as well as interviews and input from local developers, property owners, elected officials, and other stakeholders and community members.

This document is organized according to component of the analysis conducted to determine potentially viable uses for development of each of the Opportunity Sites. Following the Executive Summary and this Introduction, there are four additional report sections:

3. Demographic and market trends
4. Developer roundtable feedback
5. Strengths, Weaknesses, Opportunities, Threats (SWOT) analysis
6. Implications for Opportunity Sites

3 Demographic and market trends

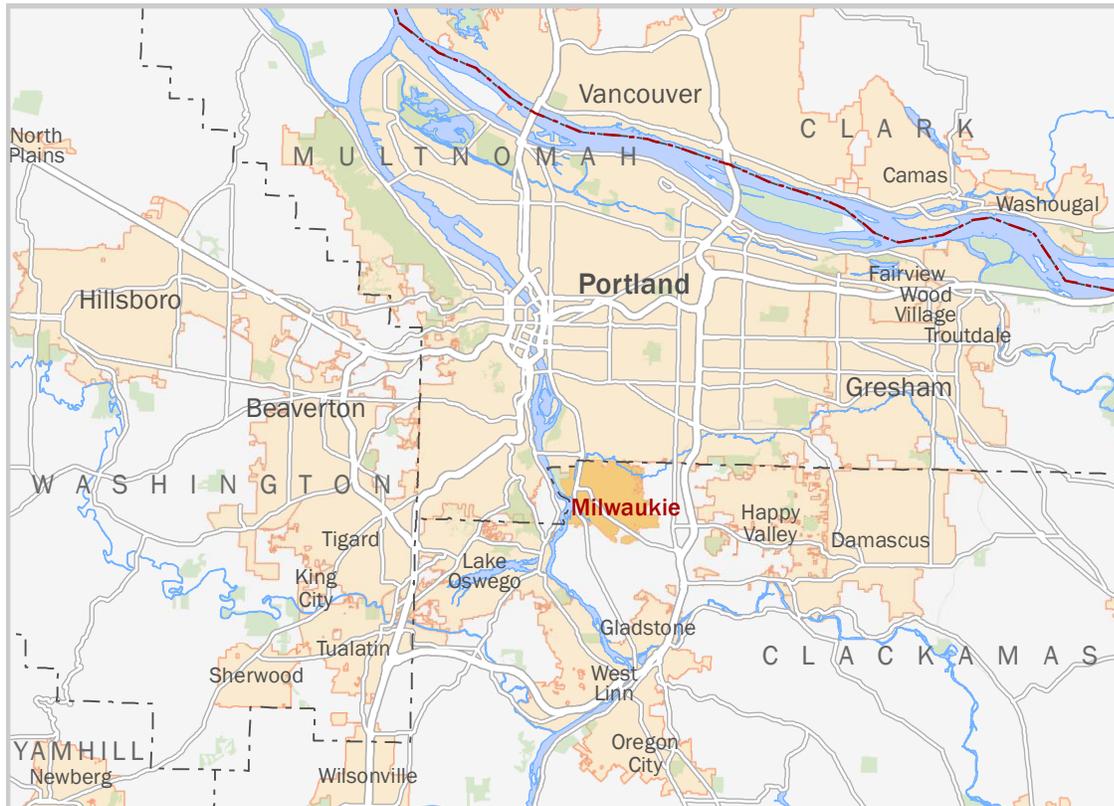
This section of the report describes broad trends found in demographic and market data for the City of Milwaukie. Its intent is to provide an overview of economic and market trends that affect redevelopment of the seven Opportunity Sites. It is organized into the following sub-sections:

- Description of Sites
- Overview of Demographics and Economic Conditions
- Residential Uses
- Commercial Uses
- Implications

3.1 Description of Sites

The City of Milwaukie lies on the southern edge of the Portland metropolitan region (see Exhibit 1), on the eastern bank of the Willamette River. The City was founded in the mid-1800s and is now a suburb of Portland.

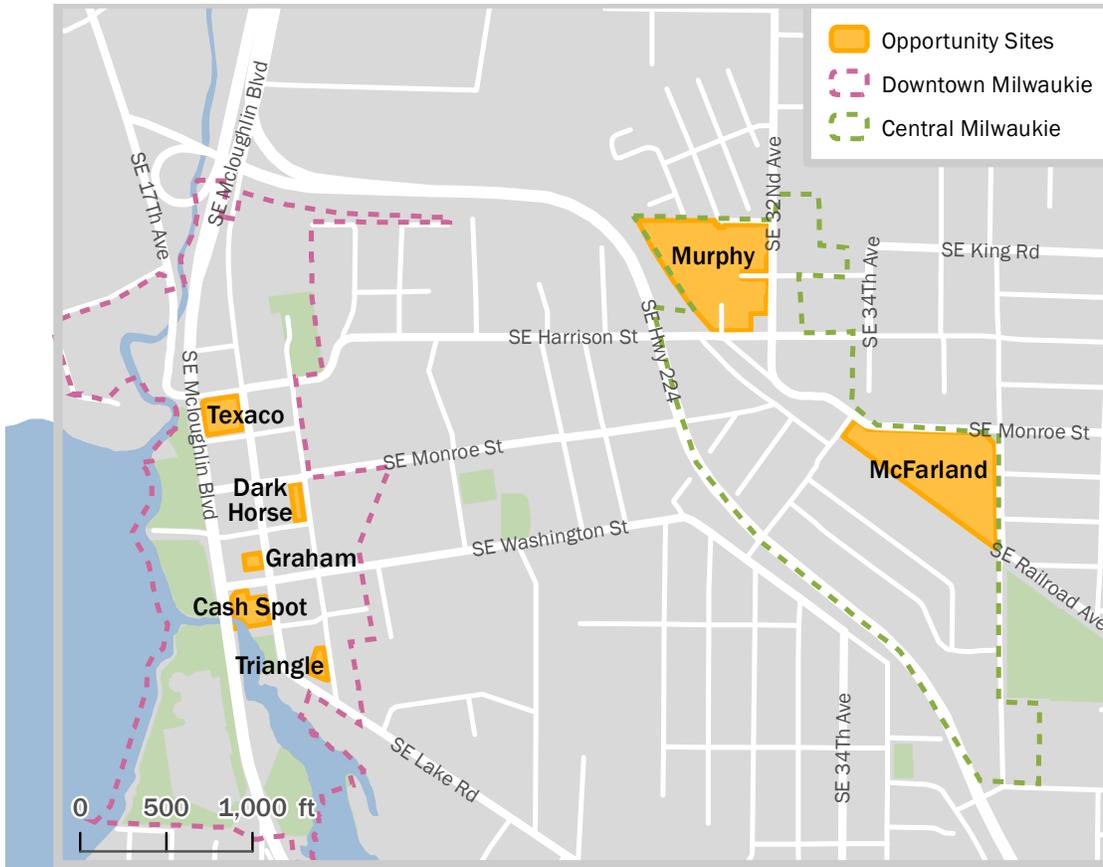
Exhibit 1. Location of Milwaukie



Source: ECONorthwest.

The purpose of this market study is to inform the determination of viable uses for development on seven Opportunity Sites in Downtown and Central Milwaukie. These seven sites (as well as the boundaries of Downtown and Central Milwaukie) are shown in Exhibit 2.

Exhibit 2. Location of Opportunity Sites



Source: ECONorthwest and the City of Milwaukie

Each of the Opportunity Sites is described below:

- The publicly-owned Texaco Site is a full block, bounded by McLoughlin Boulevard, Harrison Street, Main Street, and Jackson Street. The site is 0.96 acres, and is owned jointly by the City of Milwaukie and Metro. The site is currently used as a surface parking lot, and is home of the popular Milwaukie Farmers’ Market.
- The privately-owned Dark Horse Site is approximately one-third of a block, located on the west side of SE 21st Ave between SE Monroe St and SE Jefferson St. The site is 0.25 acres, and is one of many sites owned by Suburban Explorations LLC (Dark Horse Comics) in Downtown Milwaukie. Currently the site accommodates multiple structures and uses, including (from north to south) a commercial building housing a DVD conversion business and a corner store (Town Grocery and Deli), a surface parking lot, a single-story brick office building with two spaces for lease, and a two-story mixed-use building that is home to Sully’s Café on the ground floor.

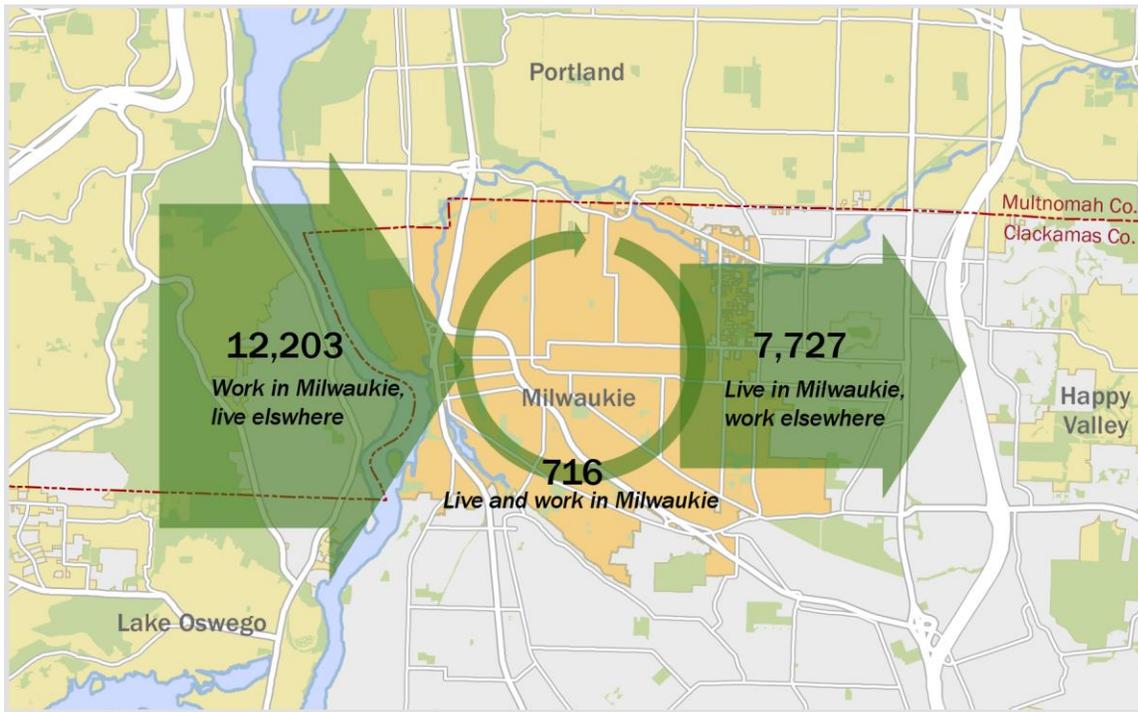
- The privately-owned Graham Site is one parcel located on the west side of Main Street between SE Jefferson St and SE Washington St. The site is 8,626 square feet, and is owned by Paul and Teri Graham. The site is home to an office and four vacant commercial spaces, and is across the street from several restaurants and bars, including Cha! Cha! Cha!, the Golden Nugget, Libbie's, and Foxy's.
- The publicly-owned Cash Spot Site is 0.81 acres of vacant land that occupies almost a complete block, bordered by McLoughlin Blvd, SE Washington St, and SE Main St. The southern boundary of the site is generally defined by Kellogg Lake and the unimproved Adams St right-of-way. On the corner of this block is a privately-owned 5,555 square foot lot developed with an approximately 7,000 square foot building, which contains a thrift store, dentist's office, and kettle bell studio. This lot and building are not included as part of this Opportunity Site. The Cash Spot Site is owned by the City of Milwaukie.
- The publicly-owned Triangle Site is a vacant site currently owned by TriMet. The developable area is approximately 8,600 square feet, and the boundary includes the MAX light rail tracks to the west, SE 21st Ave to the east, and SE Main St/Lake Rd to the south. The site will be immediately adjacent to the downtown Milwaukie MAX Station, which is currently under construction.
- The privately-owned Murphy Site is a 7.5 acre site owned by the Murphy family. The site is actually a collection of 14 parcels under a single ownership; 6.2 acres of the site are undeveloped. General boundaries of the site include the railroad tracks to the west, SE Meek St to the north, SE 32nd Ave to the east, and SE Harrison St to the south. The parcel with the convenience store on the northwest corner of SE 32nd Ave and SE Harrison St is owned by other private property owners, and is not included as part of this Opportunity Site. That parcel is currently in use as a corner market.
- The privately-owned McFarland Site is a 7.3 acre vacant site owned by the McFarland family. The site is triangular in shape, with boundaries defined by SE Monroe St to the north, SE 37th Ave to the east, SE Oak St to the west, and the railroad tracks to the south. The site is adjacent to a single-family residential neighborhood to the north and east, and the back of a retail center to the southwest.

3.2 Overview of Demographics and Economic Conditions

This section provides a general overview of key economic and demographic data, which provides context for the focus areas and the market forces that affect demand for potential uses within it.

Milwaukie is part of the larger Portland Region economy.¹ Evidence of this is shown in Exhibit 3, which shows the broad commute patterns in Milwaukie. The data show that 7,727 of the employed residents of Milwaukie work outside of Milwaukie and 12,203 of the 12,919 individuals who work in Milwaukie live outside of Milwaukie. Only a small portion (8.4%) of employed Milwaukie residents work in Milwaukie. In short, people who live in Milwaukie work elsewhere in the region, and people who work in Milwaukie live elsewhere in the region. This is common in large metropolitan areas, as individuals change their place of employment more frequently than they change homes. Living in a metropolitan area gives households their choice of communities to live in, with access to jobs across the metropolitan area.

Exhibit 3. Milwaukie Employment Inflow and Outflow, 2010



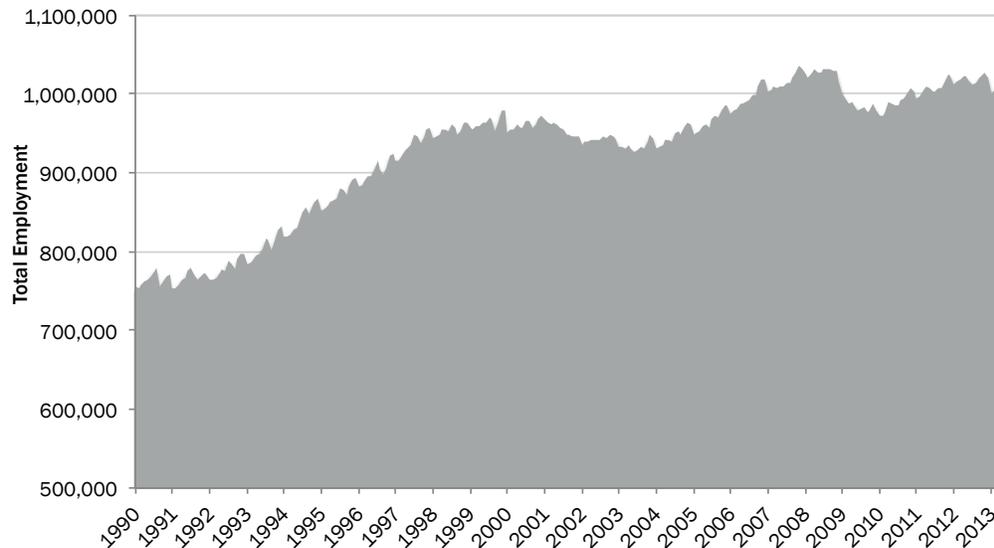
Source: Data from U.S. Census Bureau, 2010 Decennial Census. 2013 OnTheMap Application. Longitudinal-Employer Household Dynamics Program. <http://onthemap.ces.census.gov/>. Graphic by ECONorthwest.

¹ The Portland Region is defined as Clackamas County, Washington County, and Multnomah County in Oregon and Clark County in Washington.

1.1.1 Employment

Total employment in the Portland Region has generally increased since 1990, as shown in Exhibit 4. The total number of jobs in the region declined during the recessionary periods between 2001 and 2003 and between 2008 and 2009. Although the region has not yet gained back the number of jobs lost in 2008 and 2009, the long-term trend for the region shows an expanding economy.

Exhibit 4. Total Employment, Portland Region, 1990 to 2013

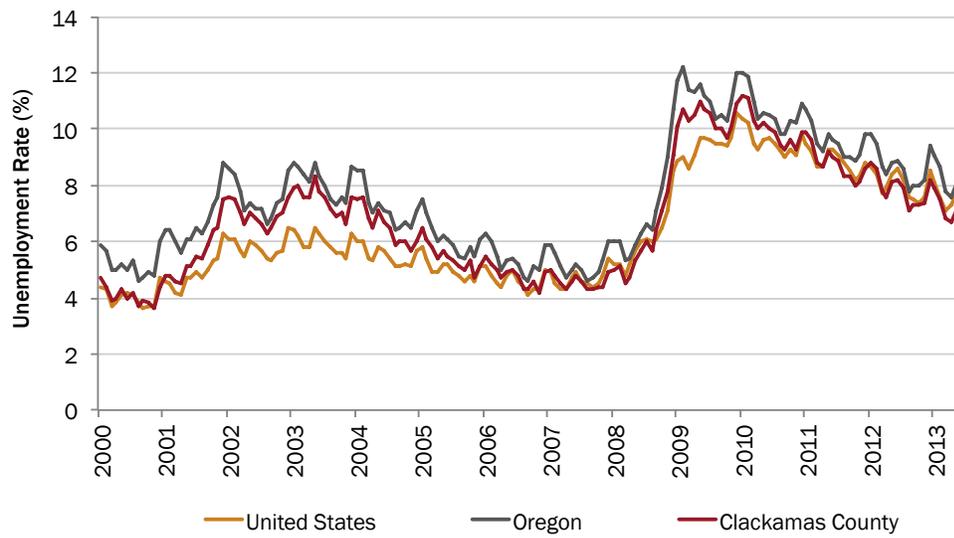


Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics, <http://www.bls.gov/lau/data.htm>. The data are not seasonally adjusted, so they show large variations within each year.

Exhibit 5 shows the unemployment rates for the U.S., Oregon, and Clackamas County, and allows for comparison of the unemployment rate over time. Oregon and Clackamas County follow roughly the same trend as the U.S. The unemployment rate in Clackamas County is generally lower than the unemployment rate for Oregon, but generally higher than the unemployment rate for the U.S. However, between 1990 and 2013, there have been a number of periods (including year-to-date 2013) where the unemployment rate in Clackamas County is slightly lower than the unemployment rate in the U.S.

Consistent with the national trend, during the 2008-2009 recession, the unemployment rate in both Oregon and Clackamas County increased significantly from around 6% to 12% and 11% (for Oregon and Clackamas County, respectively). Since 2009, the unemployment rate in Oregon and Clackamas has steadily decreased, which is also consistent with the national trend. As of July 2013, the unemployment rate was 7.7% in the U.S., 8.1% in Oregon, and 7.3% in Clackamas County. There is slightly more seasonal variation in the unemployment rate in Clackamas County relative to the U.S., but less seasonal variation relative to Oregon.

Exhibit 5. Unemployment Rate, U.S., Oregon, Clackamas County, 2000 to 2013



Source: Bureau of Labor Statistics, Local Area Unemployment Statistics, <http://www.bls.gov/lau/data.htm>. The data are not seasonally adjusted, so they show large variations within each year.

The unemployment rate for Clackamas County represents members of the labor force who live in Clackamas County. The relatively low unemployment rate for Clackamas County suggests that Clackamas County's residents are more employable than residents of the State as a whole, which is typical for cities that are part of the Portland metropolitan region. For 2007-2011, the unemployment rate in Milwaukie was 7.8% compared to 8.7% in Clackamas County.²

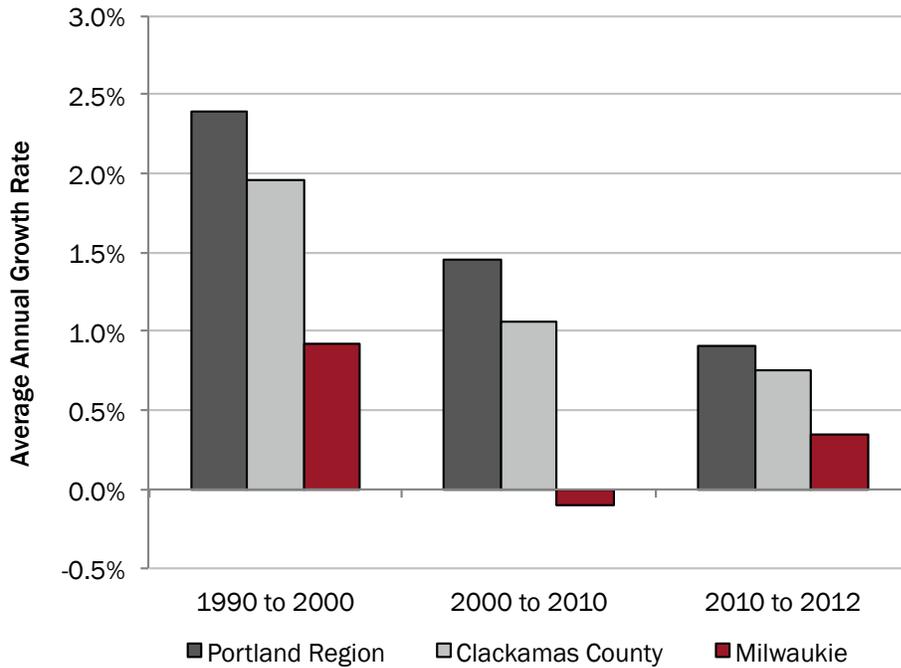
1.1.2 Population and Households

Milwaukie has about 20,400 residents. The average annual growth rate in the Portland Region is consistently higher than Clackamas County, which in turn is consistently higher than Milwaukie, as shown in Exhibit 6. Milwaukie grew at a rate of 0.9% per year during the 1990s, while the Portland Region and Clackamas County grew at annual rates of 2.4% and 2.0%, respectively. Between 2000 and 2010, Milwaukie's population shrank at an annual rate of -0.1%, while both the Portland Region and Clackamas County had positive population growth, albeit slower than in the 1990s.

The low population growth is driven by the fact that Milwaukie is mostly built out, leaving little space for new construction within in its existing boundaries. Also, as we see later, the community's portion of households with children is decreasing, so there are fewer individuals living in a housing unit.

² From the U.S. Census Bureau, 2007-2011 American Community Survey, Series DP03. This is the unemployment rate of the civilian labor force (i.e., unemployed civilian labor force divided by total civilian labor force).

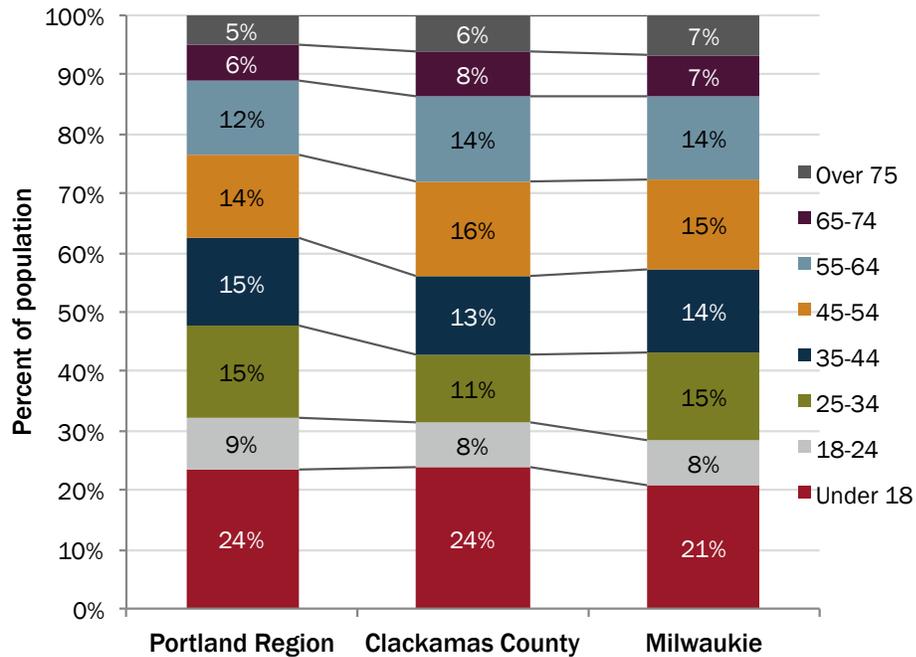
Exhibit 6. Average annual population growth, 1990 to 2012, U.S., Portland Region, Clackamas County, Milwaukie



Source: U.S. Census Bureau, 2000, 2010 Census. Portland State University, Population Research Center, <http://www.pdx.edu/prc/population-estimates>.

As shown in Exhibit 7, Milwaukie’s age distribution closely resembles that of Clackamas County, with two exceptions: 1) Milwaukie has a smaller percentage of children 18 years and younger, and 2) a larger percentage of individuals in the labor force, between the ages of 25 and 44. Clackamas County and Milwaukie have a larger percentage of the population in every age cohort from 45 to over 75 relative to the Portland Region. Overall, both Clackamas County and Milwaukie have a relatively older population than the Portland Region, with more adults aged 55 and older.

Exhibit 7. Population distribution by age, Portland Region, Clackamas County, Milwaukie, 2010

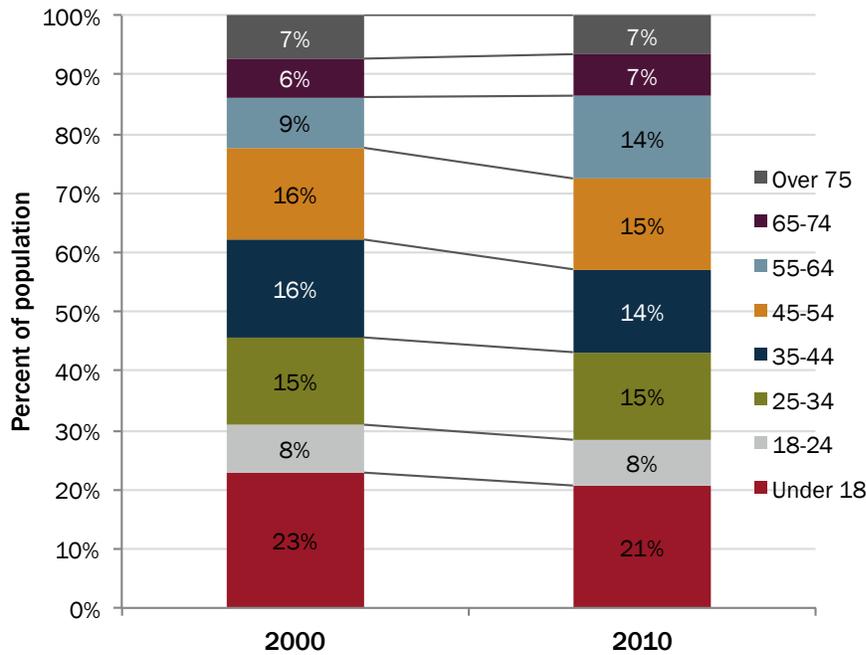


Source: U.S. Census Bureau, 2010 Census.

The portion of children (younger than 18) declined slightly between 2000 and 2010, and the portion of seniors (55+) increased, as shown in Exhibit 8. The expanded population over the age of 55 is a national trend, driven by baby boomers aging into their 50s and 60s. The portion of young members of the labor force (aged 25 to 43) held steady in Milwaukie during the decade.

The data indicate that Milwaukie is a relatively attractive community for individuals aged 25 to 34, yet the community has seen a decline in the number of children. The extension of light rail to Milwaukie is likely to enhance Milwaukie’s appeal to this age group. It is possible that the 25 to 34-year-olds will begin to start families, and the trend of a declining number of children will shift over the next ten years. In interviews with community members, ECONorthwest has heard anecdotal evidence that families are moving to Milwaukie due to its proximity to Portland, the location of the Waldorf School adjacent to downtown, and in anticipation of the arrival of the MAX.

Exhibit 8. Population distribution by age, Milwaukie, 2000 and 2010



Source: U.S. Census Bureau, Census 2000 Summary File 1, Matrices P13 and PCT12.

The mean household size in Milwaukie is 2.32, which is smaller than both the Portland Region’s average of 2.51 and Clackamas County’s average of 2.67 (see Exhibit 9). This is indicative of a smaller portion of households in Milwaukie with children, relative to the rest of the region and county. This is consistent with the age distribution of Milwaukie and shows the city is relatively attractive to older households (over the age of 55) with either fewer or no children.

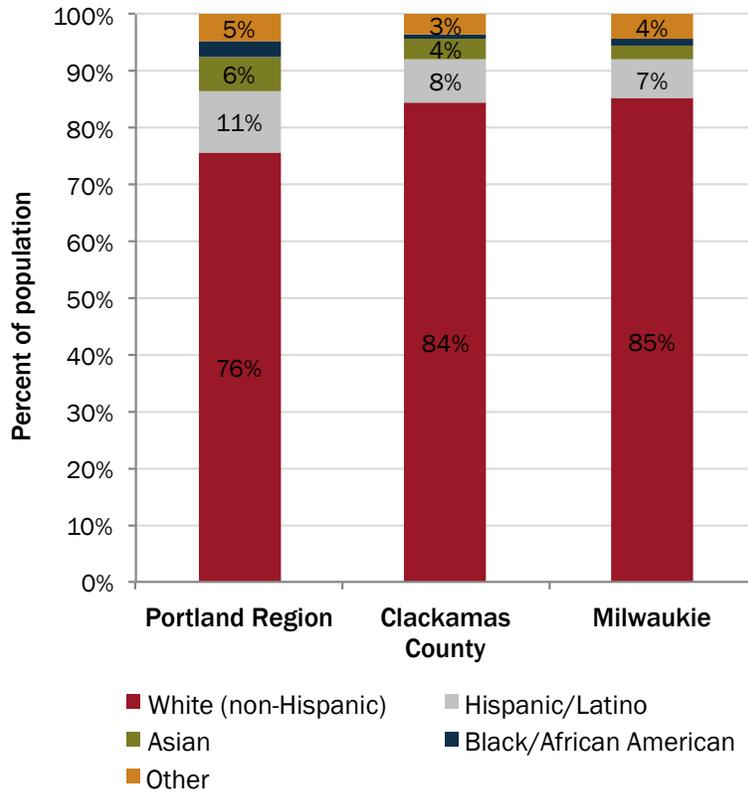
Exhibit 9. Mean household size, Portland Region, Clackamas County, Milwaukie, 2010

	Mean Household Size
Portland Region	2.51
Clackamas County	2.67
Milwaukie	2.32

Source: U.S. Census Bureau, 2010 Census, SF1.

Exhibit 10 shows the racial and ethnic composition of Milwaukie, Clackamas County, and the Portland Region in 2010. Both Clackamas County and Milwaukie have less racial and ethnic diversity than the Portland Region, with the majority of the population being white (84% and 85%). Milwaukie has a higher percentage of whites and lower percentage of all other racial and ethnic categories than Clackamas County, which in turn has a higher percentage of whites and lower percentage of all other races and ethnicities than the overall Portland Region.

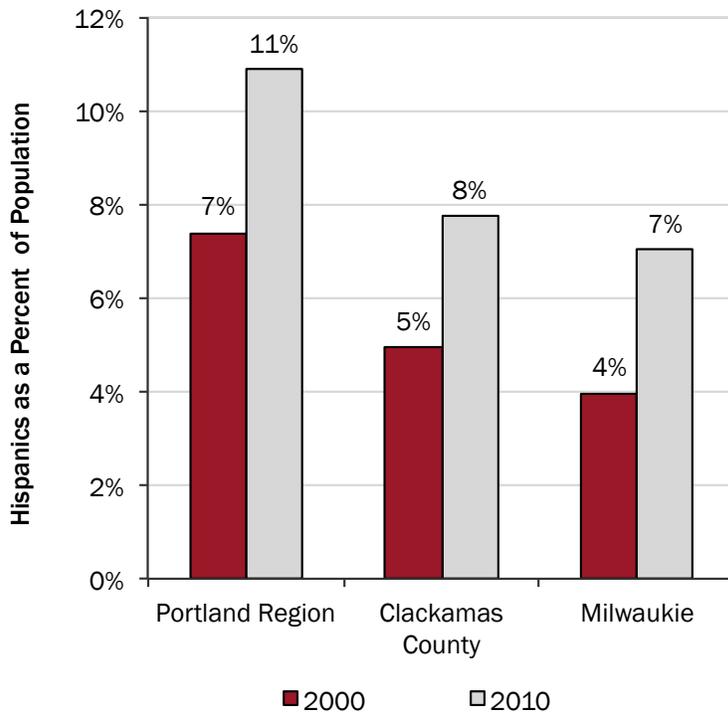
Exhibit 10. Race and ethnicity, Portland Region, Clackamas County, Milwaukie, 2010



Source: U.S. Census Bureau, 2010 Census, SF1.

Exhibit 11 shows the change in share of Hispanic or Latino populations for the Portland Region, Clackamas County, and Milwaukie between 2000 and 2010. Over the ten-year period, the share of Hispanics or Latinos in the populations of all three areas increased, but still remains relatively small in Milwaukie.

Exhibit 11. Percent of population reporting as Hispanic or Latino, Portland Region, Clackamas County, Milwaukie, 2000 and 2010

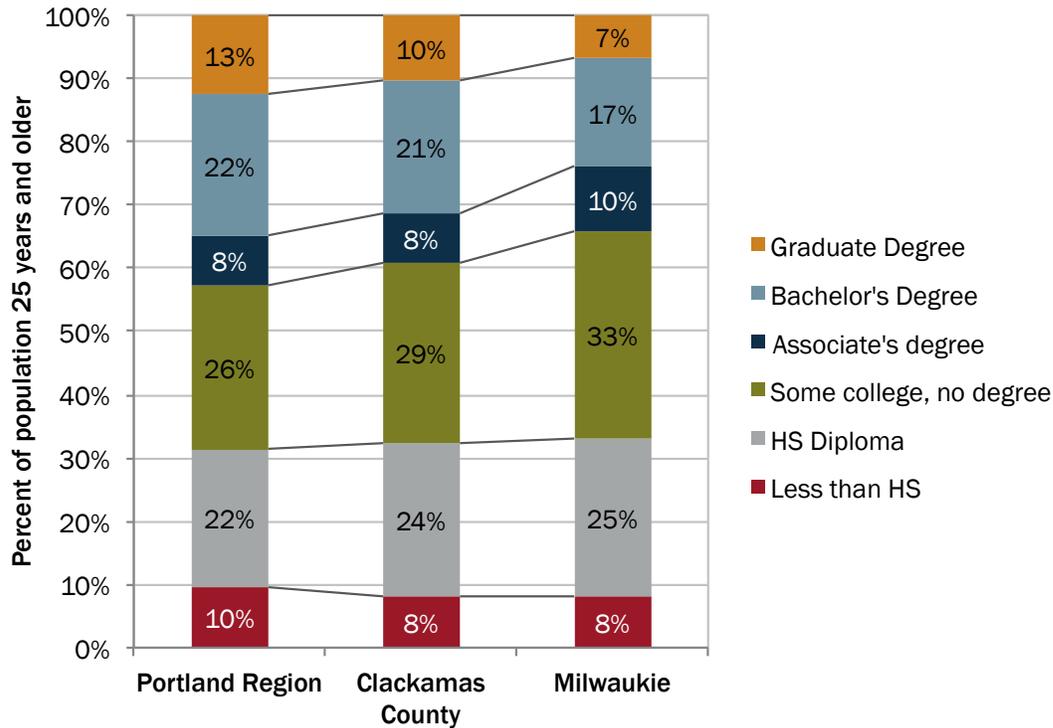


Source: U.S. Census Bureau, 2000, 2010 Census, SF1.

Milwaukie has a smaller portion of residents who were born outside the United States compared to Clackamas County and the Portland Region. In Milwaukie, 94% of residents were born in the United States, compared to 92% in Clackamas County, and 88% in the Portland Region.

Exhibit 12 shows education levels for the Portland Region, Clackamas County, and Milwaukie. The data show that, compared to the region, Milwaukie has a high portion of individuals that graduated from High School but did not finish college. Other parts of the region are more likely to be home to, or attract individuals with higher levels of education.

Exhibit 12. Educational Achievement, Portland Region, Clackamas County, Milwaukie, 2011



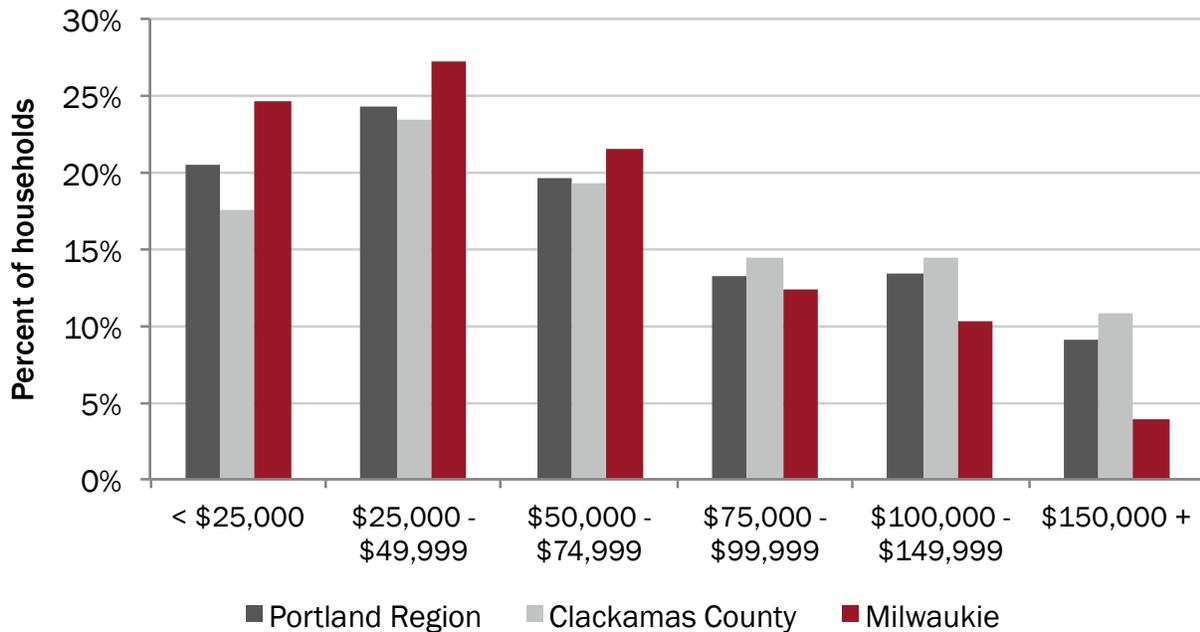
Source: U.S. Census Bureau, 2009-2011 American Community Survey, 3-Year Estimates.

1.1.3 Income and Wages

Income levels in Milwaukie reflect a working-class community that is predominantly low to middle income (see Exhibit 13). More than half of the population in Milwaukie earns less than \$50,000 a year, and almost a quarter earns less than \$25,000 a year. Less than 15% of the population of Milwaukie has a household income of over \$100,000 a year.

When compared to the Portland Region and Clackamas County, Milwaukie has higher percentage of the population at the lower end of the income distribution, and a comparatively low percentage of the population at the upper end of the spectrum. Clackamas County is slightly more affluent than the Portland Region. Milwaukie, while in a relatively affluent county, remains a relatively low-income city relative to both the immediate region (Clackamas County), and the larger region (Portland Region).

Exhibit 13. Household income, Portland Region, Clackamas County, Milwaukie, 2011



Source: U.S. Census, 2009-2011 American Community Survey 3-Year Estimates.

Exhibit 14 shows two different measures of average income: median household and per capita income for all the counties that comprise the Portland region and the City of Milwaukie.³ Both measures show that incomes are lower in Milwaukie than across the region.

Exhibit 14. Median household and per capita income, Portland Region, Clackamas County, Milwaukie, 2011

	Median HH Income	Per Capita Income
Clackamas County	\$60,600	\$31,105
Clark County, WA	\$56,829	\$26,883
Multnomah County	\$49,942	\$28,868
Washington County	\$62,326	\$30,260
Milwaukie	\$47,549	\$24,770

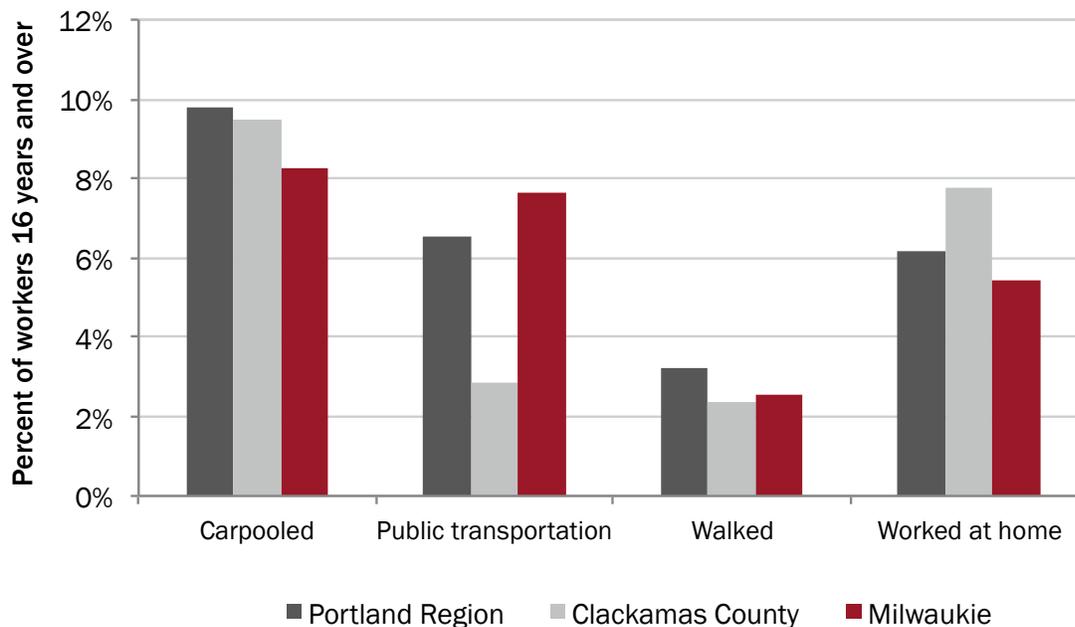
Source: U.S. Census, 2009-2011 American Community Survey 3-Year Estimates.

³ Median household income is the income level at which half the households in the community have higher incomes and half have lower income incomes; it is the mid-point for household income. Per capita income is the mean income of all individuals in the community, calculated as the total income in a community divided by the number of people living in that community.

1.1.4 Transportation and Commute

In Milwaukie, 74% of the working populations drove alone as their means to work, compared to 76% in Clackamas County and 71% in the Portland Region. Exhibit 15 shows the portion of the population for Milwaukie, Clackamas County, and the Portland Region that use various transportation means other than driving alone to get to work. About 8% of the population in Milwaukie reported using public transportation to get to work, compared to 3% in Clackamas County and 7% in the Portland Region. The higher rate of public transit use in Milwaukie is likely due to its relatively close proximity to the central city.

Exhibit 15. Means of Transportation to Work, Portland Region, Clackamas County, Milwaukie, 2011



Source: U.S. Census Bureau, 2007 - 2011 American Community Survey, 5-Year Estimates.

3.3 Residential Uses

This section describes general trends in the housing market in the City of Milwaukie. Our analysis compares the City of Milwaukie (as defined by the US Census) to the broader geographies of Clackamas County and the Portland region. The purpose of the analysis is to look at a snap shot of current market conditions, as well as historical trends, and any forecasts for the future. Ultimately, this analysis will help us understand the amount of new housing units that are likely to be needed in the City of Milwaukie in the future, and what types of new households are likely to be attracted to Milwaukie. As with any analysis that is based on historical trends and current conditions, the ability to predict the future is limited, and policy changes and other future events could result in future results that are significantly different from past trends.

3.3.1 Housing Tenure

Exhibit 16 shows that Milwaukie has a lower portion of owner-occupied homes than Clackamas County, and a similar portion to the Portland region. Around 63% of households in Milwaukie own their homes, compared to 77% in the county and 64% in the Portland Region. Nationwide, about 66% of households own their homes.

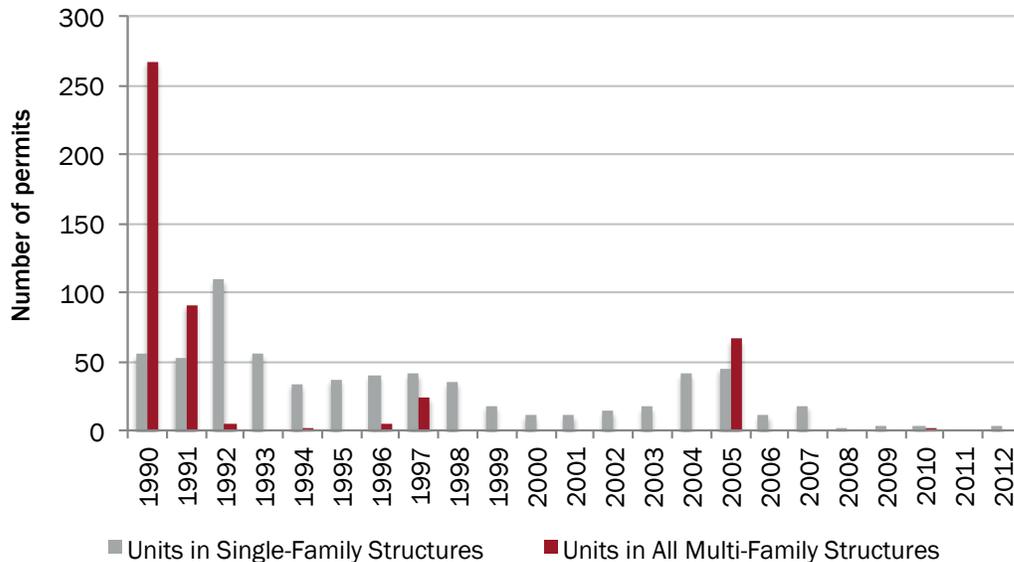
Exhibit 16. Housing Tenure, Portland Region, Clackamas County, Milwaukie, 2010

	Owner Occupied	Renter Occupied
Portland Region	64%	36%
Clackamas County	72%	28%
Milwaukie	63%	37%

Source: U.S. Census Bureau, 2010 Census, H11 SF1.

The number of building permits issued for single-family homes and multi-family units is one indicator of demand for housing in a community. Exhibit 17 shows the number of permits issued in Milwaukie from 1990 to 2012. There was a relatively large number of multi-family permits issued in 1990, 1991, and 2005, both relative to single-family permits and relative to other years. With those exceptions, there have been no multi-family permits issued for most years between 1990 and 2012.

Exhibit 17. Single Family and Multi-Family Housing Permits, Milwaukie, 1990 to 2012



Source: HUD State of the Cities Data Systems.

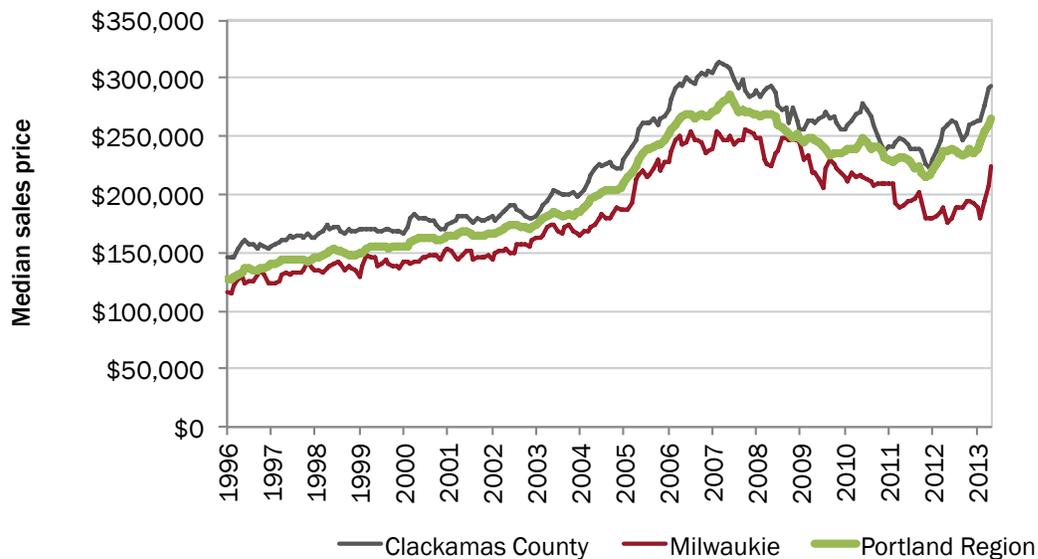
In the 1990s, the annual average number of single-family permits issued in Milwaukie was 48 and the average number of multi-family permits was 39. From 2000 to 2007, the City permitted an average of 21 single-family units per year and 8 multi-family units per year. Since 2008, the annual average number of single-family permits has been two, and zero for

multi-family units. Between 2008 and 2012, the City has issued permits for only 13 dwelling units.⁴

City staff report that the low amount of new construction is explained by the lack of buildable land in Milwaukie. There are very few vacant lots and there are few lots that are large enough to subdivide. In the early 2000s, developers subdivided some properties, but the remaining parcels lack interested sellers or the cost of bringing urban infrastructure to new plats exceeds the economic value of a new parcel.

Exhibit 18 shows the median sale value for single-family homes in Milwaukie, Clackamas County, and the Portland region. The data show that the three geographies show very similar trends—prices peaked in the first half of 2007 and declined through the end of 2011. Prices began to increase in Clackamas County and the Portland region in the beginning of 2012, and did not see an increase in Milwaukie until early 2013.

Exhibit 18. Median Sale Price, Single-Family Homes, Portland Region, Clackamas County, Milwaukie, 1996 to 2013



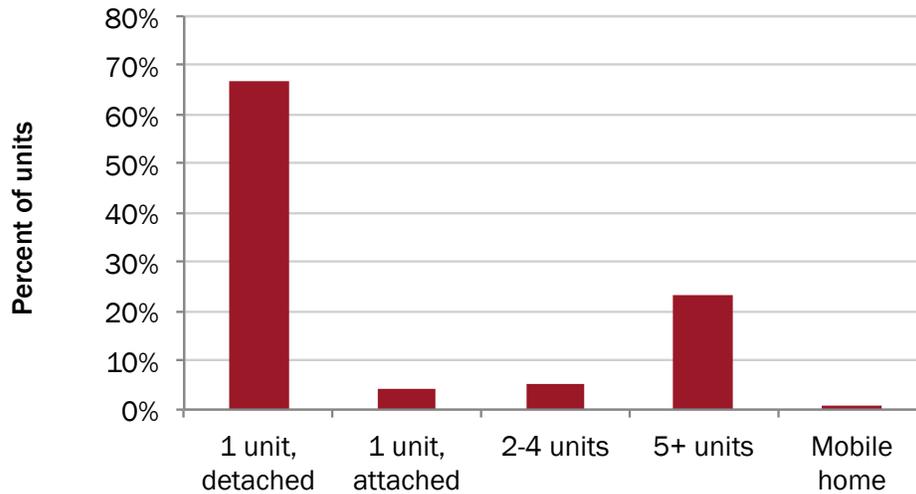
Source: Zillow.com.

Although the three geographies follow very similar trends, median values are consistently higher in Clackamas County than in the Portland Region, and median values in Milwaukie are consistently lower than in Clackamas County and, therefore, the Portland Region. Milwaukie’s median sale price was about \$16,000 less than the region-wide median in 2000; the gap has widened to about \$48,000 in 2012 and 2013.

⁴ ECONorthwest relied on permit data from the U.S. Department of Housing and Urban Development (HUD) for this analysis. We confirmed with City staff that the numbers are generally accurate in their depiction of Milwaukie’s permit activity.

Exhibit 19 shows the mix of housing types in Milwaukie. The data show about 66% of Milwaukie’s housing units are single-family detached dwellings. Another 25% of the housing units are in multi-family properties with five or more units. The remaining 9% is a mix of attached single-family units (i.e., rowhouses), duplexes, tri-plexes, quads, and mobile homes.

Exhibit 19. Housing Type by Number of Units in Structure, Milwaukie, 2011



Source: U.S. Census Bureau, 2009-2011 American Community Survey 3-Year Estimates.

Exhibit 20 shows the projected housing demand in Milwaukie by income brackets and ownership status. The analysis is based on population projections generated by Nielsen/Claritas, a firm that provides demographic data and projections.

The Nielsen/Claritas projections estimate that Milwaukie will grow by just fewer than 60 households per year, or approximately 300 households total, over the next five years. The expected incomes of new households ranges from very low (less than \$15,000 per year) to over \$125,000 per year. About one-fifth of new households are expected to be in the \$50,000-\$75,000 annual-income range. We estimate that about 60% of new households will own their homes and 40% will rent.

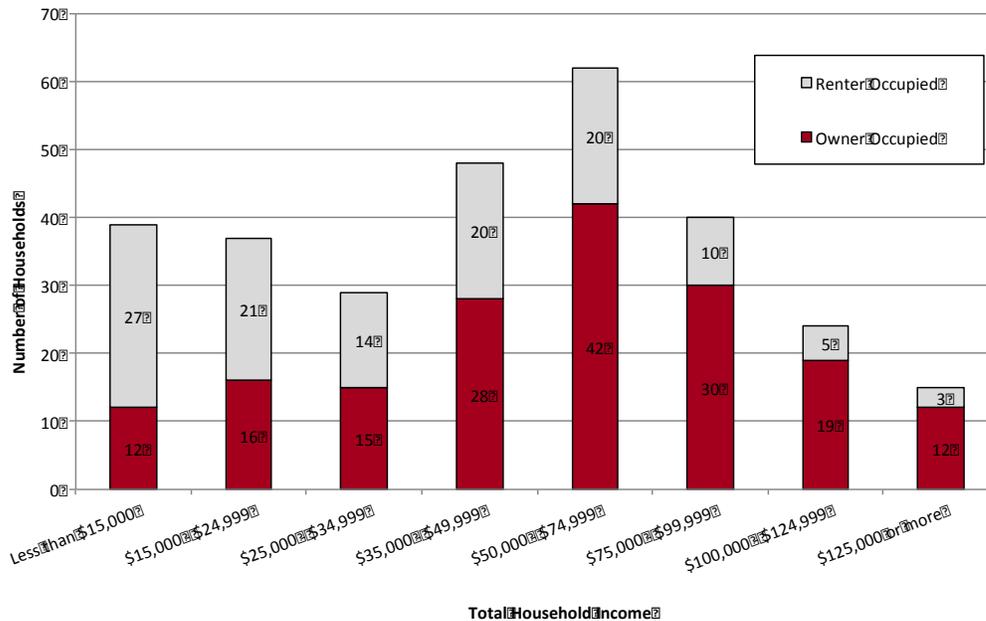
The projection of housing demand focuses on income and tenure (e.g rented or owned). It does not attempt to estimate demand for housing type (i.e., single-family detached vs. multi-family). However, national shifts in the housing market and demographics indicate an increased share of total demand will be for multi-family units, for both the ownership and rental markets.

- Recent dramatic changes in the housing market have caused an increase in the number of rented single-family detached houses, as banks and investors have acquired homes as the price collapsed and then rented those homes. That trend is likely to shift, as the cost of managing individual rental properties is greater than the cost of managing rental properties in a larger multi-family development. Over the long-term, investors will sell those properties and the most likely buyers will be

homeowners. As the single-family houses exit the rental market, the primary rental market will be in multi-family properties.

- As the baby boom generation ages, some of those households will choose to downsize and seek a higher density unit, such as a rowhouse or flat. Many of these households have owned their home in the past, and will continue to own their home.

Exhibit 20. Projected Housing Demand, Milwaukie, 2013 to 2018



Source: Nielsen Claritas and ECONorthwest.

Metro, the Portland area regional government, produces population forecasts for purposes of regional planning. Metro forecasts the number of new housing units in each city and county in the region for the years 2025, 2035, and 2040.⁵ Metro forecasts an average of 75 new Milwaukie households per year from 2010 to 2025, reducing to an average of 29 households per year from 2025 through 2040, totaling 1,561 new households in Milwaukie between 2010 and 2040. This forecast amounts to an average annual rate of 0.1% from 2010 to 2040. In contrast, Metro forecasts the growth rate for Clackamas County and the tri-county region to be 1.0% per year, which is 10 times faster growth than is forecast for Milwaukie. Metro forecasts that 1,244 (or 80%) of new households in Milwaukie would be accommodated in single-family units, and 317 (20%) would be multifamily units.

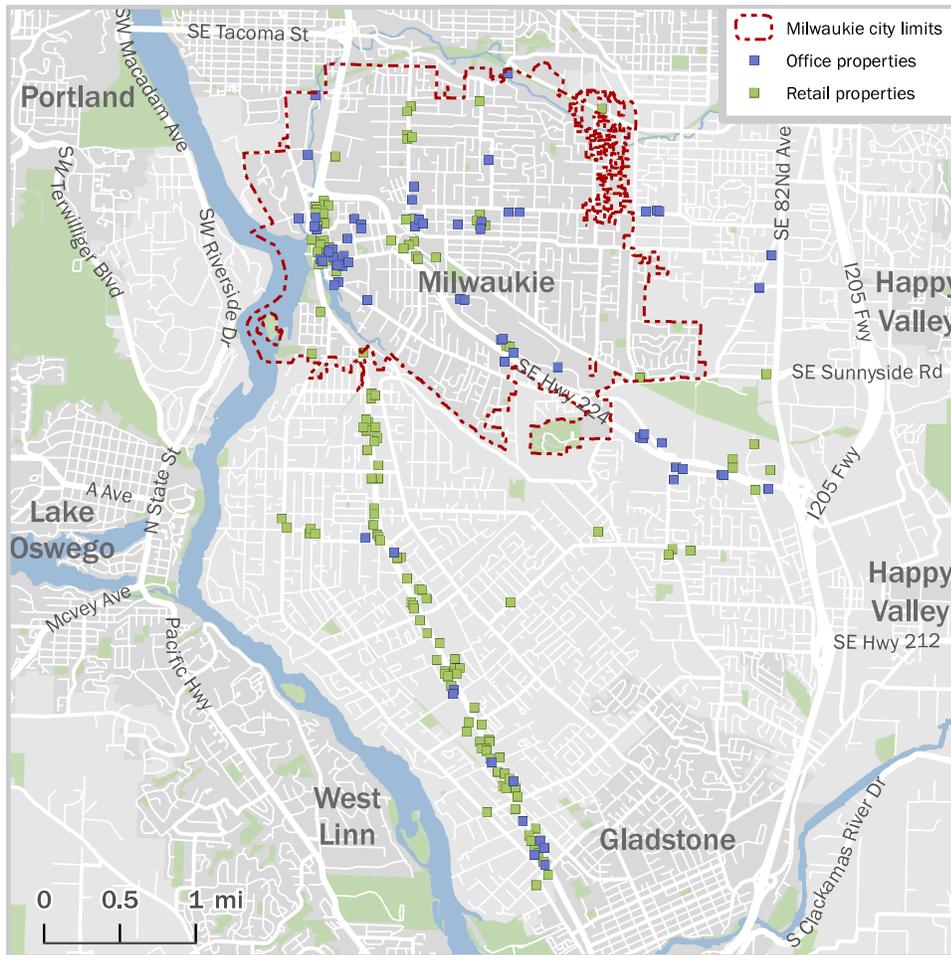
While Metro and Nielsen/Claritas use different methods, and have different forecasts for the number of units for different time periods, both the Nielsen/Claritas and Metro forecasts paint a similar picture for Milwaukie. Both of these forecasts call for relatively slow growth in new households for the short- and long-term.

⁵ Metro 'Gamma' Forecast Distribution Profiles by City and County 2025 / 2035 / 2040. Published 11/2/2012.

3.4 Commercial Uses

The analysis of commercial and retail uses focuses primarily on the “Milwaukie commercial market area.” This area does not have a physical geographic boundary, but is defined as all properties with a Milwaukie mailing address. It is important to note that this area includes many buildings in unincorporated areas outside of Milwaukie’s official city limits. Exhibit 21 shows a map of the commercial buildings included in the Milwaukie commercial market area used in this analysis.

Exhibit 21. Map of Milwaukie commercial market area



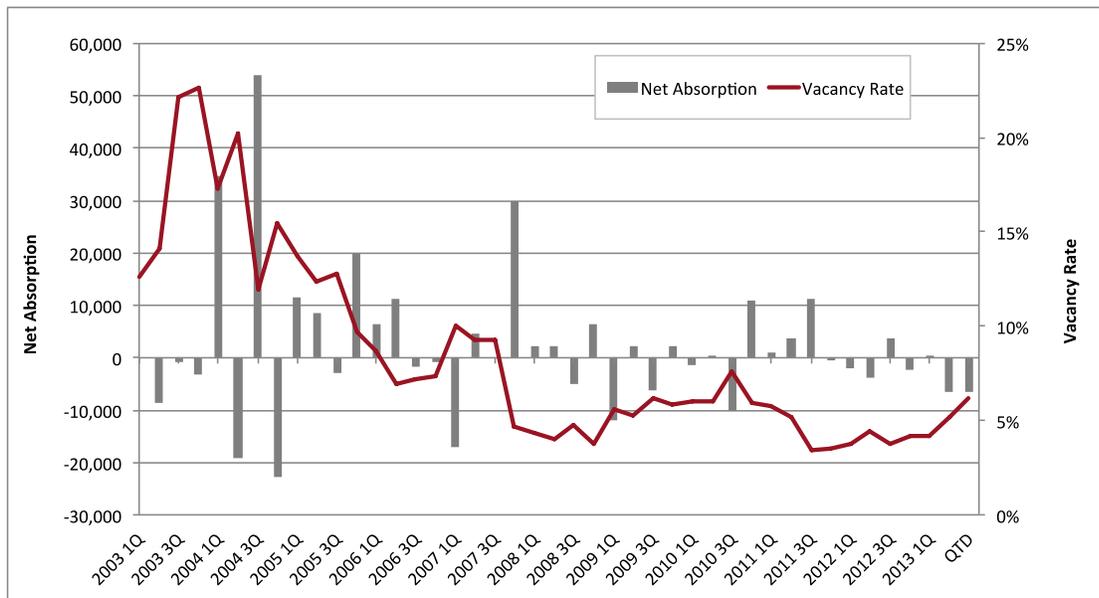
Source: ECONorthwest and CoStar

For the purposes of this analysis, commercial uses include both retail and office space. The key factors that affect the demand for retail space are visibility, access, and competing supply. Office space has different demand factors, including proximity to complementary services (such as government offices) and proximity to potential employees. Service-oriented office uses, such as financial services and medical offices, locate near population centers so that customers can access the facilities easily. Service-oriented offices often use retail space.

1.1.5 Office Trends

The office space market in the Milwaukie commercial market area has experienced positive trends since 2004. Exhibit 22 shows the vacancy rate (right axis) and the net absorption (left axis). In the middle of 2003, office space in the Milwaukie commercial market area had a vacancy rate of over 20%. The market absorbed (i.e., rented) large quantities of office space in 2004, causing the vacancy rate to quickly drop to just over 10%. The vacancy rate has steadily declined, with the most recent data in the third quarter of 2013 showing a vacancy rate of 6.2%. The amount of office space (i.e., total square footage) on the market has not changed since mid-2003.

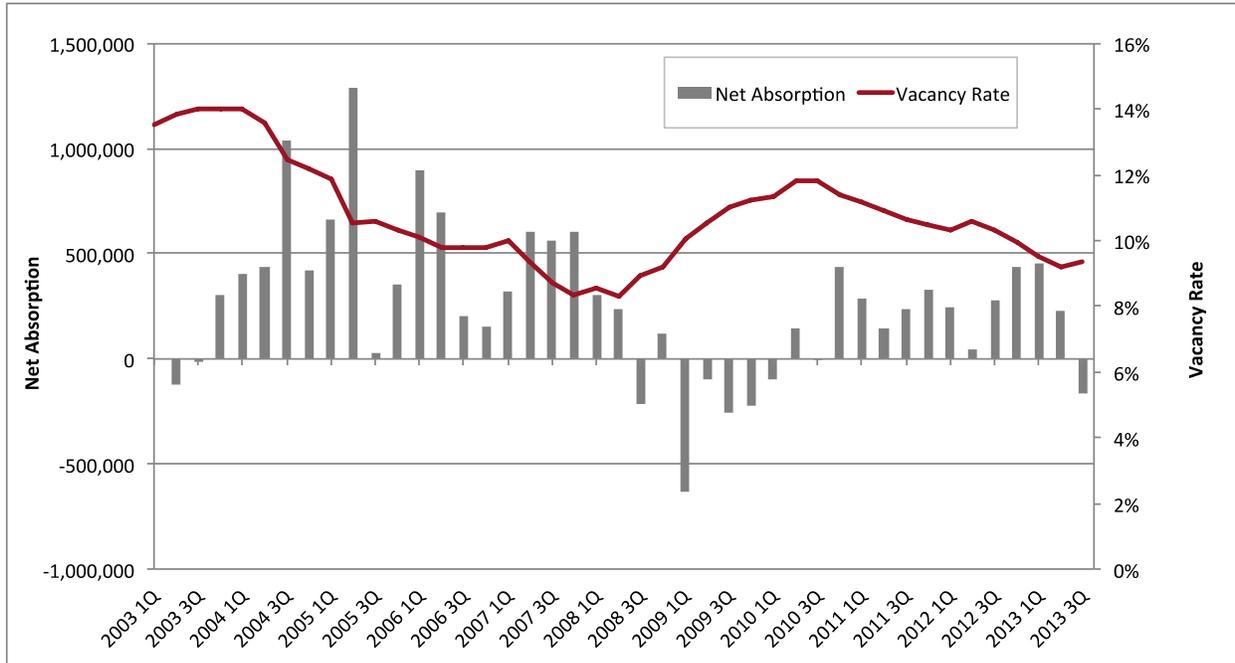
Exhibit 22. Milwaukie Market Area, Office Absorption and Vacancy, 2003 to 2013



Source: ECONorthwest and CoStar.

Exhibit 23 shows the same data for the entire Portland metropolitan region. The region has experienced much higher vacancy rates than the Milwaukie commercial market area. Milwaukie’s vacancy rate has been consistently lower than 10% since 2005 and is less than 7% in the 3rd quarter of 2013. The region’s overall vacancy rate exceeded 10% from 2009 to 2012, and is 9% in the 3rd quarter of 2013.

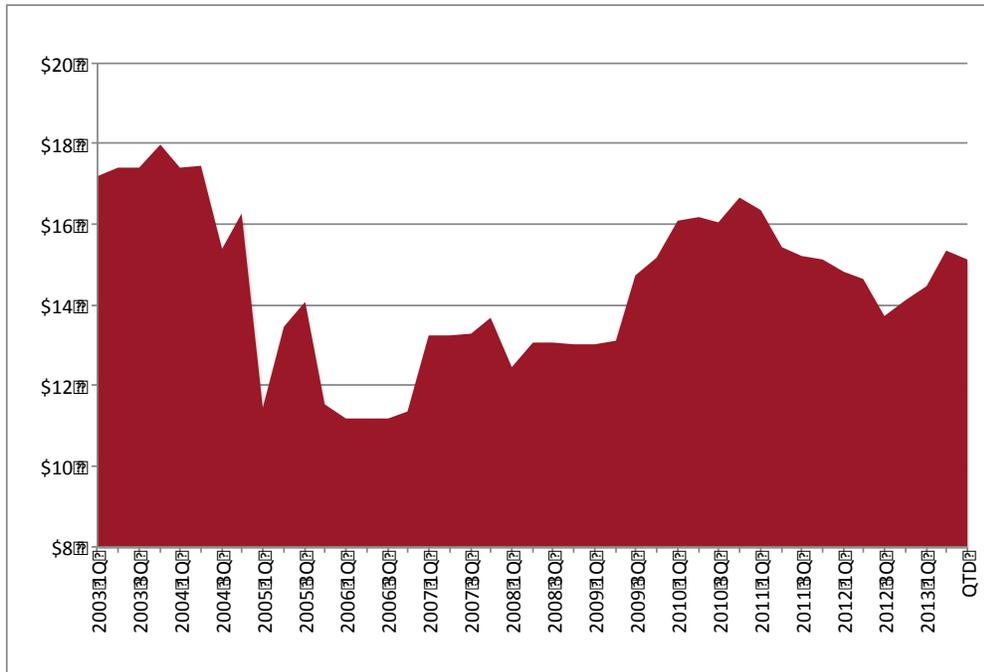
Exhibit 23. Portland Metropolitan Region, Office Absorption and Vacancy, 2003 to 2013



Source: ECONorthwest and CoStar.

Office rents in the Milwaukie commercial market area range between \$14 and \$15 per square foot (triple net rents, noted as NNN), as reported by commercial real estate brokers (see Exhibit 24). Rents dropped from \$17 per square foot at the same time that vacancy rates dropped. It is likely that a large tenant was able to negotiate a lower rate. Average rents dropped to about \$11 per square foot in 2006 and increased up to \$16 per square foot in 2011. Rents have declined since 2011.

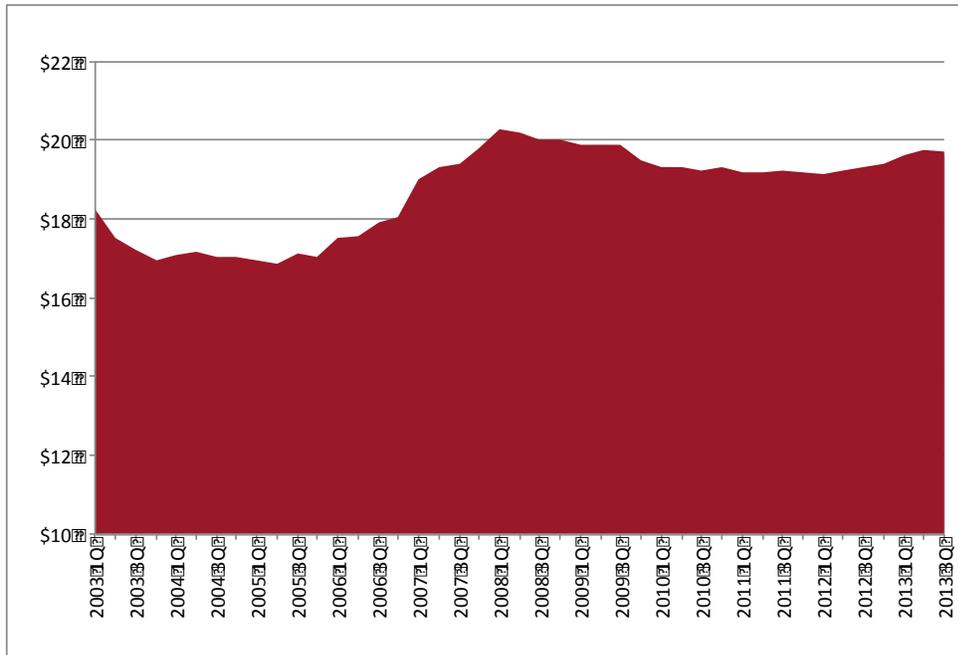
Exhibit 24. Milwaukie Market Area Office Rents, 2003 to 2013



Source: ECONorthwest and CoStar.

Exhibit 25 shows average rents for office space across the Portland metropolitan region. Across the region, rents are much more stable. This is because the Milwaukie market area has a smaller number of properties, so a property change can greatly influence the average in the market area. The regional market has many properties, so individual changes do not greatly influence the average. The average rent in the Portland region is almost \$20 per square foot, about \$5 higher than in the Milwaukie market area.

Exhibit 25. Portland Metropolitan Region Office Rents, 2003 to 2013



Source: ECONorthwest and CoStar.

ECONorthwest also analyzed rents in the Downtown and Central Milwaukie market area. Exhibit 26 shows a map of the properties included in the Downtown and Central Milwaukie market area.

Exhibit 26. Map of Downtown and Central Milwaukie market area



Source: ECONorthwest and CoStar

The office vacancy rates in the Downtown and Central Milwaukie market area have followed very similar trends to the whole Milwaukie commercial market area, with current vacancy at just over 6%. Average rents in the Downtown and Central Milwaukie market area have increased since 2004 from about \$11 to almost \$15 per square foot.

ECONorthwest compared the Downtown and Central Milwaukie market area with small, specific market areas identified as positive markets by the Project Advisory Committee (see Exhibit 27). As shown in Table 4, the Downtown and Central Milwaukie market area has a lower average rent than the comparison areas, with the exception of Oak Grove and Woodstock.⁶ Oak Grove and Woodstock are also unique because they have the fewest number of office properties (nine and eight, respectively), which suggests that they are not significant

⁶ The Oak Grove area is a sub-market of the more broadly defined Milwaukie commercial market area.

office markets. Downtown Milwaukie has a lower vacancy rate than all the other areas except for the Sellwood area, which has an exceptionally low vacancy rate of 0%.

Exhibit 27. Average Office Rents and Vacancy Rates in Comparison Markets, 4th Quarter, 2013

	Number of properties	Average Rent	Difference from DT Milwaukie	Vacancy Rate	Difference from DT Milwaukie
Downtown and Central Milwaukie	51	\$14.90		6%	
Milwaukie Market Area	70	\$15.16	\$0.26	6%	0%
Clackamas Town Center	17	\$22.73	\$7.83	19%	13%
Mississippi Ave	18	\$18.00	\$3.10	10%	4%
Oak Grove	9	\$12.59	-\$2.31	17%	11%
Oregon City	134	\$15.79	\$0.89	7%	1%
Sellwood	62	\$16.54	\$1.64	0%	-6%
Woodstock	8	\$13.44	-\$1.46	11%	5%

Source: ECONorthwest and CoStar.

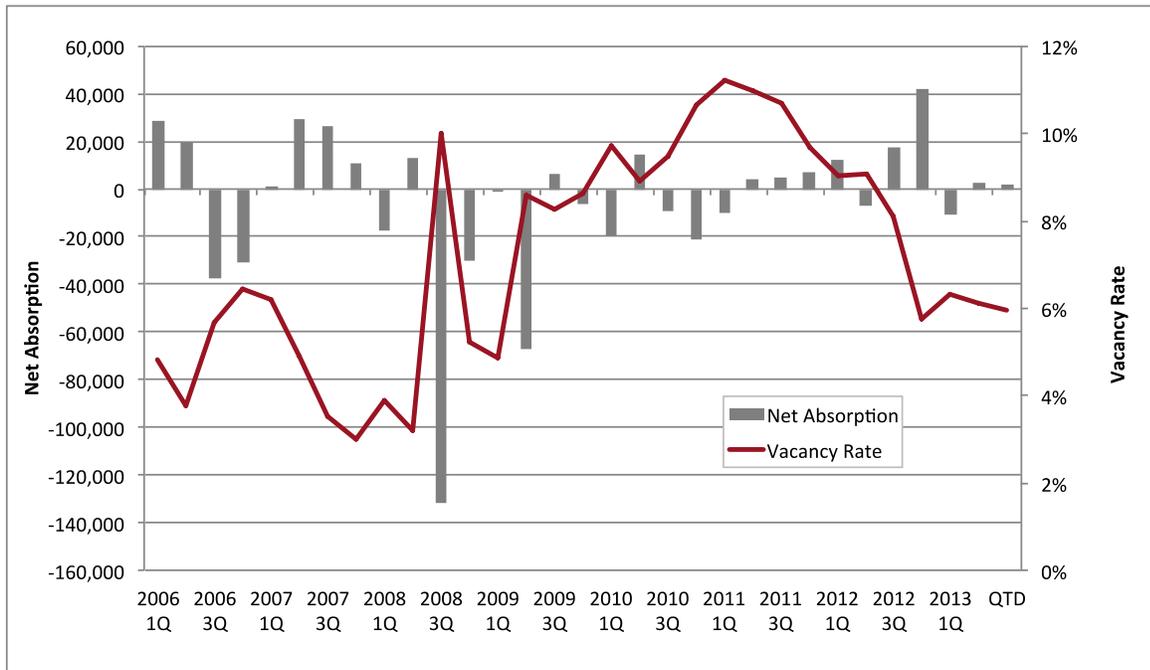
1.1.6 Retail Trends

The retail space market in the Milwaukie commercial market area has had relatively low vacancy rates since 2006 (see Exhibit 28).⁷ Vacancy rates spiked in the third quarter of 2008, when about 130,000 square feet of retail space were vacated. Vacancy rates promptly dropped the next quarter, with no corresponding positive absorption. The drop in vacancy rates was caused by the demolition of 129,000 square foot Costco building (located outside of Milwaukie city limits, but with a Milwaukie mailing address). Removing it from the market caused the overall amount of rentable retail space to drop, and the vacancy rate returned to about 6%.

Vacancy rates increased during the recession of 2008-2009, peaking at 11.2% in the first quarter of 2011. They have dropped steadily and in the third quarter of 2013 are 6.0%.

⁷ In this discussion, the boundaries for the Milwaukie market include properties that are outside the Milwaukie City limits, but the mailing address is Milwaukie.

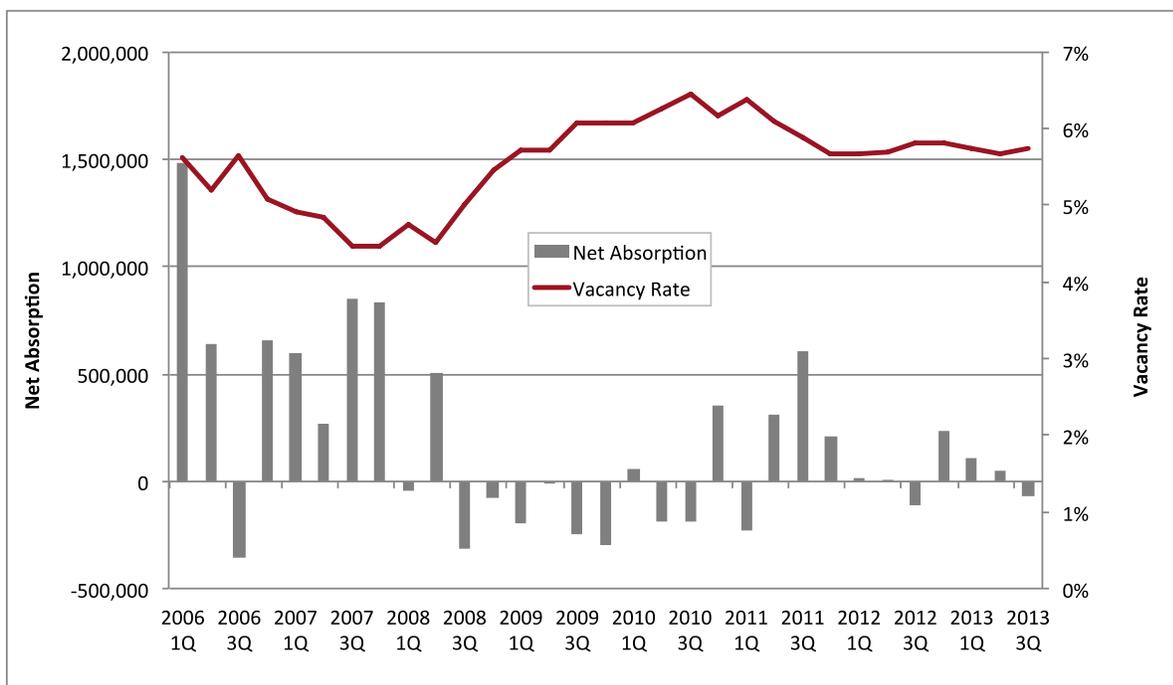
Exhibit 28. Milwaukie Commercial Market Area Retail Absorption and Vacancy, 2006 to 2013



Source: ECONorthwest and CoStar.

Exhibit 29 shows the same data, but for the whole Portland metropolitan region. The region has experienced much steadier vacancy rates than the smaller Milwaukie commercial market area, hovering close to 6% since 2008. Vacancy rates in the Milwaukie commercial market area dropped to 6% in late 2012, similar to the region-wide average.

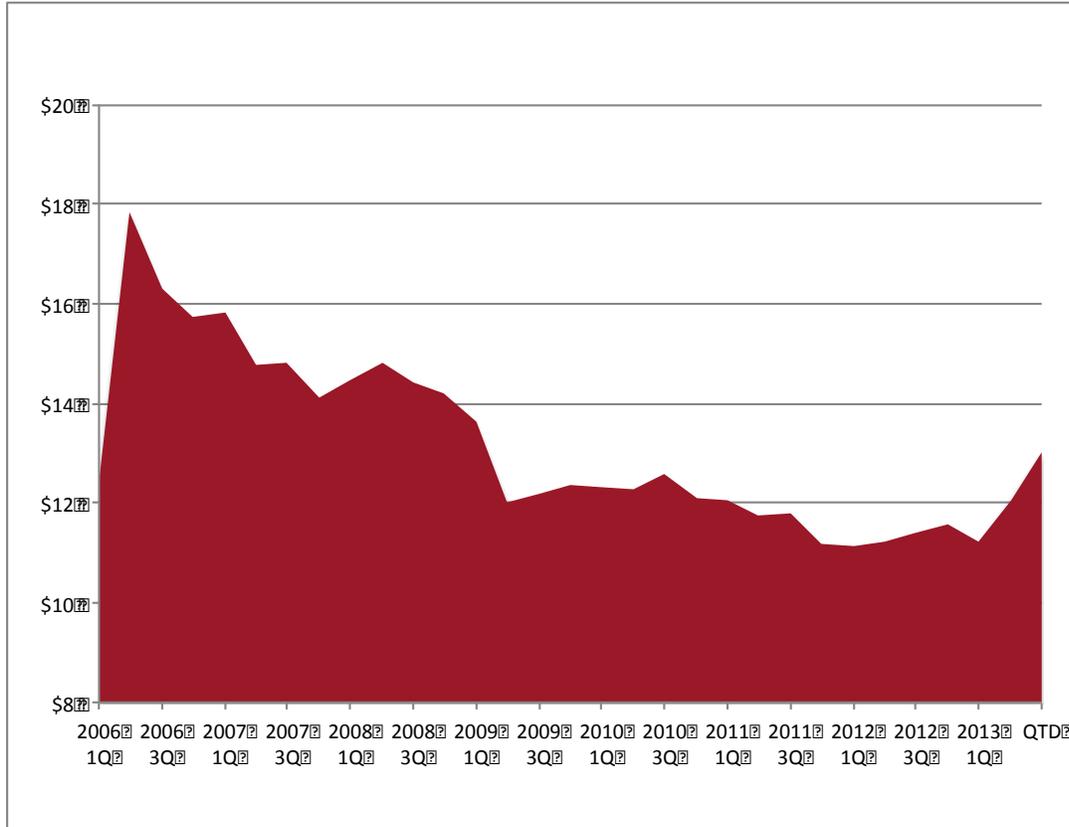
Exhibit 29. Portland Metropolitan Region, Retail Absorption and Vacancy, 2006 to 2013



Source: ECONorthwest and CoStar.

Exhibit 30 shows triple rent (NNN) rents in the Milwaukie commercial market area, as reported by commercial real estate brokers. Rents have dropped from a peak of about \$17 per square foot in early 2006 to under \$12 per square foot for 2011 through the first quarter of 2013. In 2013, rents have been increasing and are currently about \$13 per square foot.

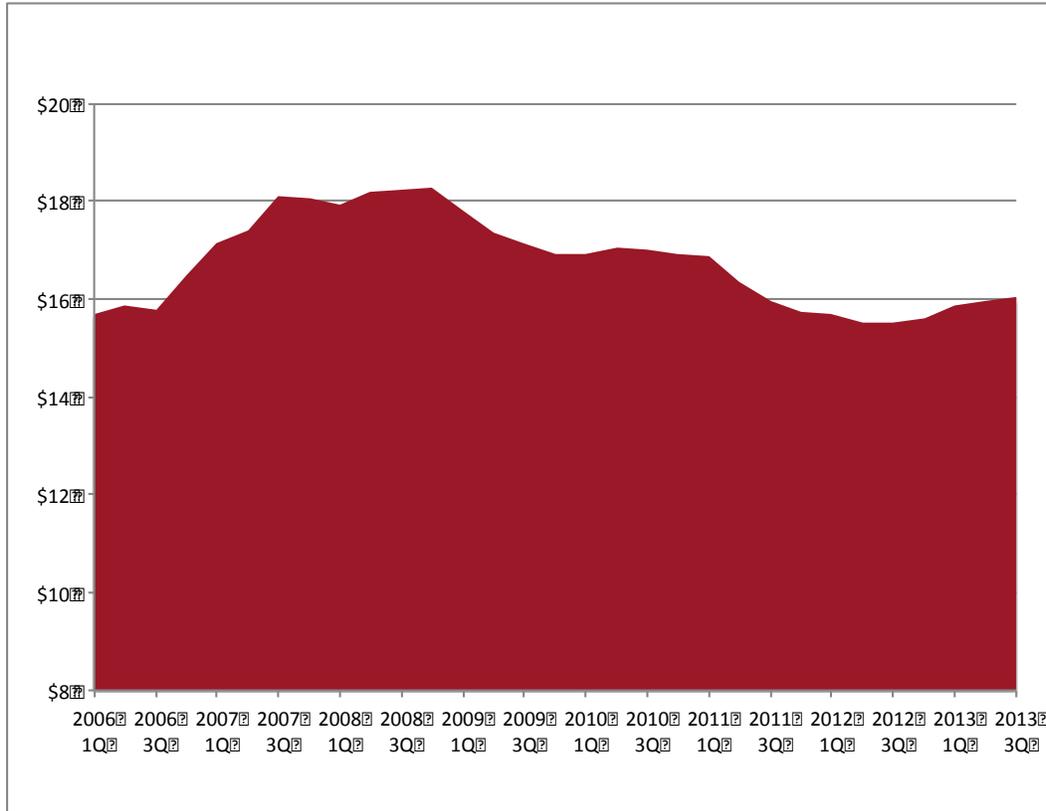
Exhibit 30. Milwaukie Market Area Retail Rents, 2006 to 2012



Source: ECONorthwest and CoStar.

Exhibit 31 shows average rents for retail space across the Portland metropolitan region. Across the region, average retail rents have held close to \$16 per square foot since 2006, higher than the \$12 to \$13 per square foot in the Milwaukie commercial market area.

Exhibit 31. Portland Metropolitan Region Retail Rents, 2006 to 2013



Source: ECONorthwest and CoStar.

ECONorthwest also analyzed vacancies and rents in the Downtown and Central Milwaukie market area. The vacancy rates in the Downtown and Central Milwaukie market area have generally been lower than across the whole Milwaukie commercial market area. At the beginning of the 2008-2009 recession, vacancy was less than 3%. Vacancies peaked at just over 8% in at the end of 2011, before starting to decline. Current vacancy rates in the Downtown and Central Milwaukie market area are only 5%.

Retail rents in the Downtown and Central Milwaukie market area have held steady at about \$14 per square foot since 2009. A few buildings in the Downtown and Central market area are asking rents substantially higher than the market area average.

10833 SE Main Street, at the corner of Main Street and Monroe Street in downtown Milwaukie, is asking more than \$30 per square foot for a vacant 240 square foot storefront. Current tenants include Enchante (a candy store) and ROXR Software. This building in the downtown core has the highest retail rent in the Milwaukie commercial market area.

Exhibit 32. Photo of 10833 SE Main Street



Source: CoStar. Accessed October 8, 2013.

10843 SE Oak Street, near Highway 224, is asking \$24 per square foot for a currently available retail space. Current tenants of the building include Dotty's and FedEx.

Exhibit 33. Photo of 10843 SE Oak Street



Source: CoStar. Accessed October 8, 2013.

ECONorthwest compared the Downtown and Central Milwaukie market area with small, specific markets identified as positive markets by the Project Advisory Committee (see Exhibit 34). The Downtown and Central Milwaukie market area has a lower average rent than the comparison areas. All the comparison areas have a low vacancy rate, with the exception of the Oak Grove area⁸

Exhibit 34. Average Retail Rents and Vacancy Rates in Comparison Markets, 4th Quarter, 2013

	Number of properties	Average Rent	Difference from DT Milwaukie	Vacancy Rate	Difference from DT Milwaukie
Downtown and Central Milwaukie	74	\$14.08		5%	
Milwaukie Market Area	151	\$15.55	\$1.47	6%	1%
Clackamas Town Center	63	\$22.78	\$8.70	4%	-1%
Mississippi Ave	38	\$26.23	\$12.15	1%	-4%
Oak Grove	84	\$16.26	\$2.18	11%	6%
Oregon City	226	\$18.12	\$4.04	6%	1%
Sellwood	165	\$14.44	\$0.36	1%	-4%
Woodstock	51	\$18.00	\$3.92	5%	0%

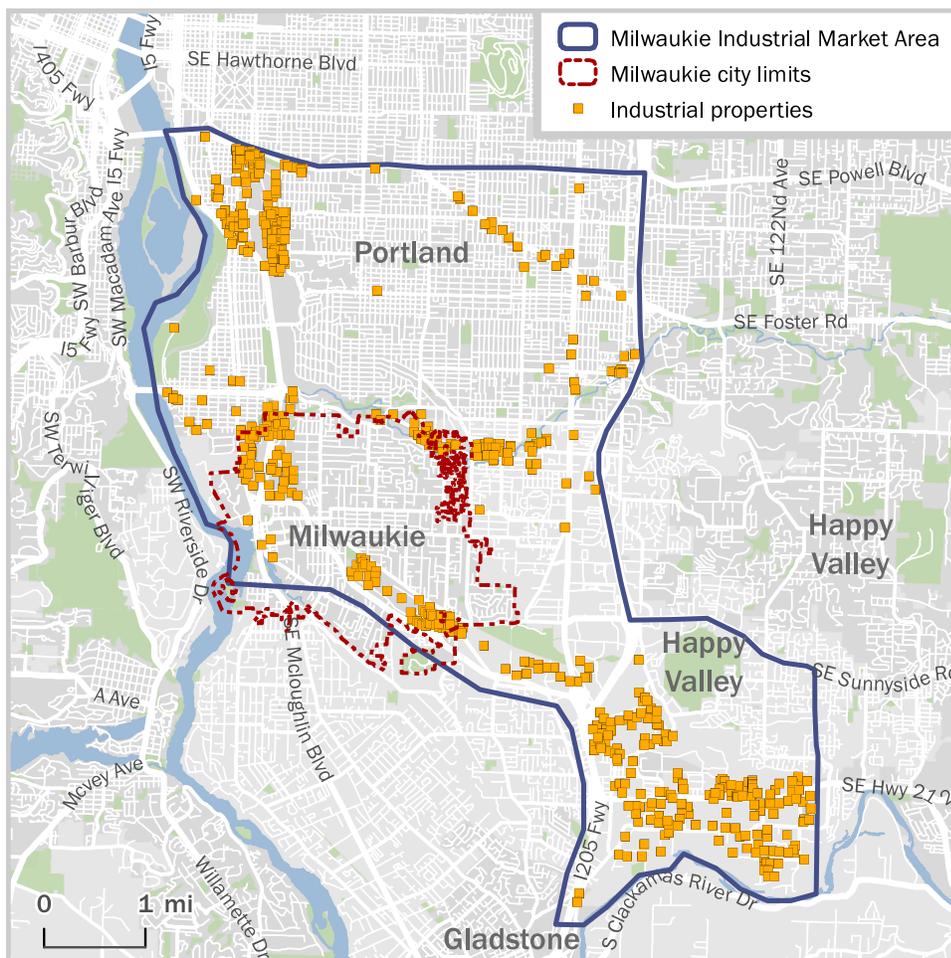
Source: ECONorthwest and CoStar.

⁸ The Oak Grove area is a sub-market of the more broadly defined Milwaukie commercial market area.

1.1.7 Industrial Trends

The Milwaukie industrial market area is larger than its commercial area. Input from City staff and a developer “roundtable” discussion suggested that industrial space in Milwaukie competes with industrial properties in a larger geographic area, stretching north to the Portland Central Eastside Industrial Area, south along McLoughlin Boulevard into unincorporated Clackamas County, and east along Hwy 224 past Interstate 205. Exhibit 35 shows a map of the Milwaukie industrial market area. Note that for the purposes of our analysis, we excluded much of the Central Eastside Industrial District in Portland (all property north of Powell Boulevard), due to the fact that demand for non-residential uses in this area may be putting pressure on industrial rents, making them not applicable to the Milwaukie market. As land values rise for property zoned for industrial use in Portland and elsewhere in the region, due to pressure to convert to non-industrial uses, it could result in increased demand for industrial land in more affordable locations, like Milwaukie.

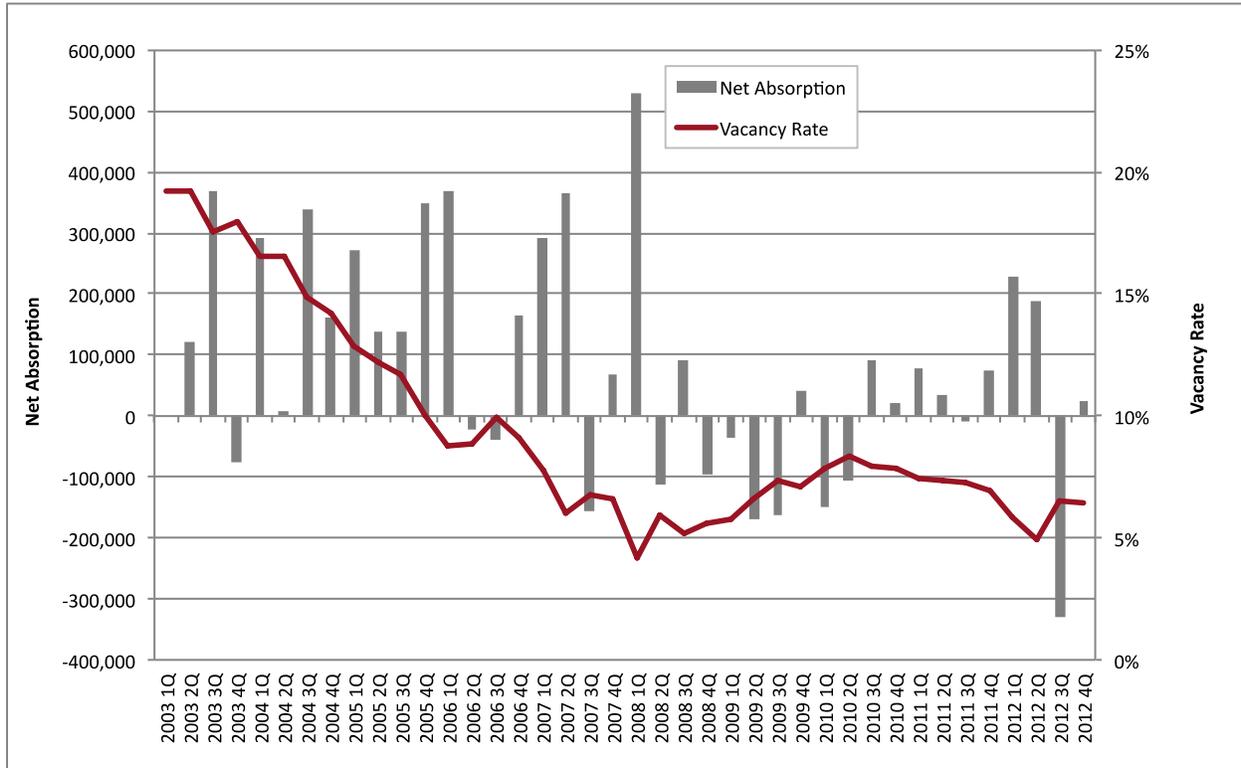
Exhibit 35. Map of Milwaukie industrial market area



Source: ECONorthwest and CoStar

The Milwaukie industrial market area has experienced declining vacancy rates since 2003. The rates have dropped from almost 20% to about 7% over the past ten years (see Exhibit 36). Absorption has been positive in most quarters and the total rentable space has grown by nearly a million square feet. Vacancy rates increased during the recent recession, peaking at 8.4% in the second quarter of 2010. They have declined since that period and are currently at 6.4%.

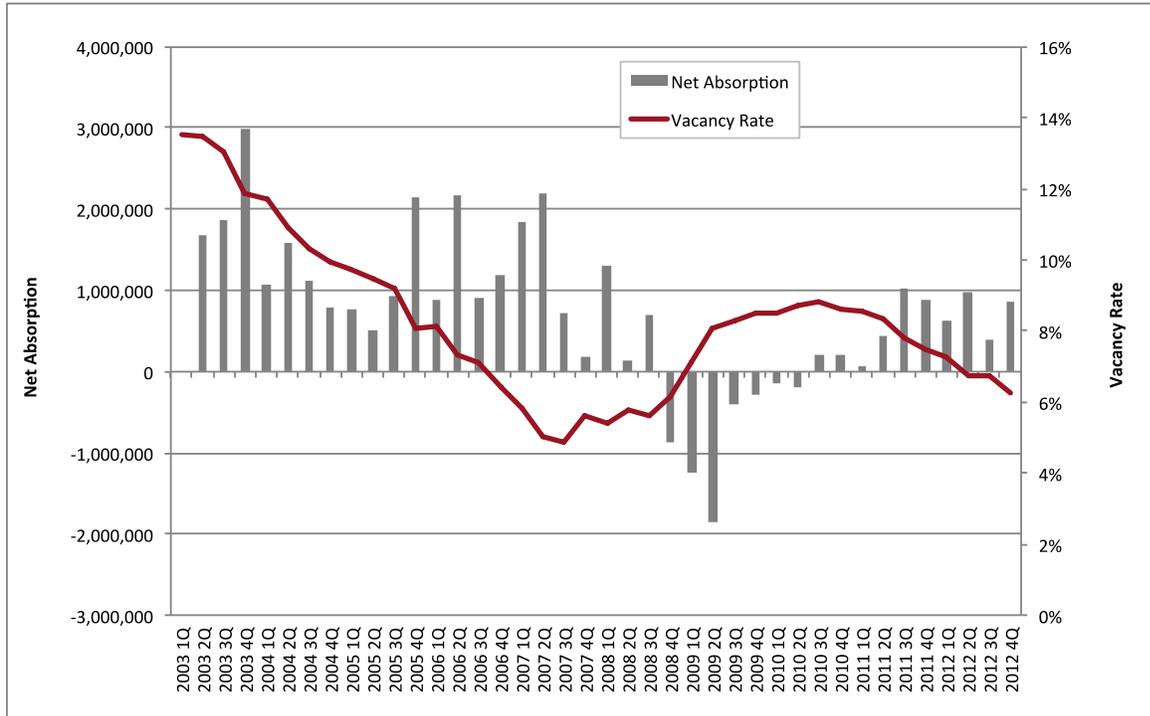
Exhibit 36. Milwaukie Industrial Market Area Absorption and Vacancy, 2006 to 2013



Source: ECONorthwest and CoStar.

Exhibit 37 shows the same data, but for the whole Portland metropolitan region. The region has experienced similar trends to the Milwaukie industrial market area. Vacancies have declined since 2003, but the recent recession caused a temporary rise in the vacancy rate. As noted earlier, total rentable industrial square footage has increased by nearly a million square feet in the ten-year period, which may contribute to this recent rise.

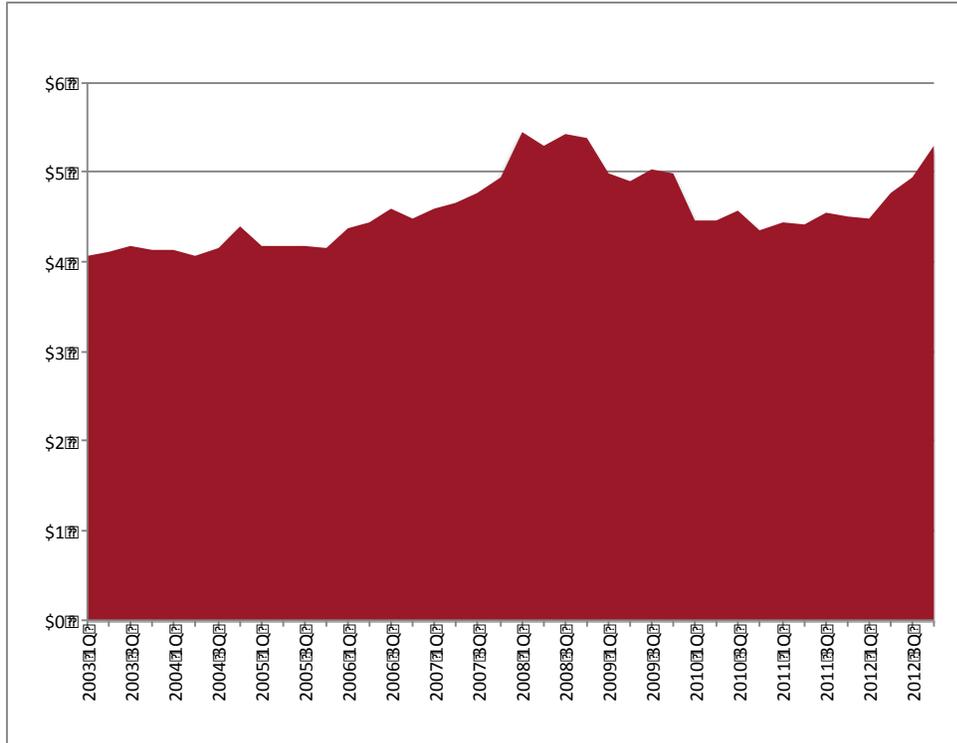
Exhibit 37. Portland Metropolitan Region, Industrial Absorption and Vacancy, 2003 to 2013



Source: ECONorthwest and CoStar.

Exhibit 38 shows triple rent (NNN) industrial rents in the Milwaukie industrial market area, as reported by commercial real estate brokers. Rents have fluctuated between \$4.00 and \$5.50 per square foot between 2006 and 2012. In the third quarter of 2013 they have increased to about \$5.30 per square foot.

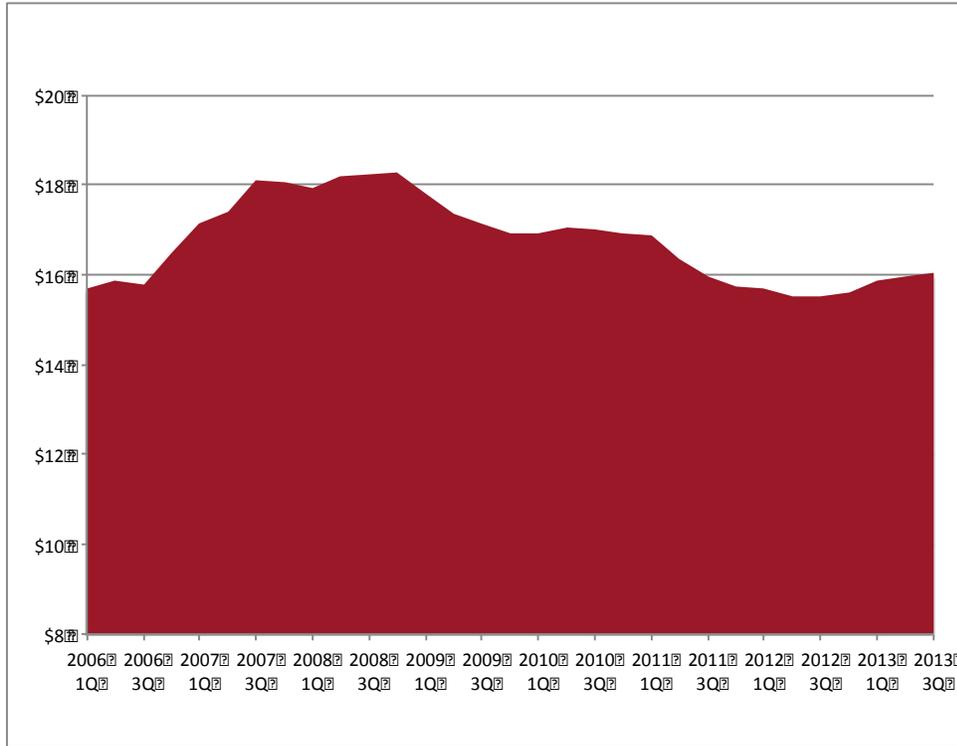
Exhibit 38. Milwaukie Industrial Market Area Industrial Rents, 2006 to 2012



Source: ECONorthwest and CoStar.

Exhibit 39 shows average rents for industrial space across the Portland metropolitan region. Average industrial rents have held close to \$16 per square foot since 2006, higher than \$12 to \$13 per square foot in the Milwaukie market area.

Exhibit 39. Portland Metropolitan Region Industrial Rents, 2003 to 2013



Source: ECONorthwest and CoStar.

3.5 Key trends and findings from the demographic and market data

The demographic and market data presented in this memorandum provide broad context for redevelopment opportunities in Milwaukie. This section summarizes ECONorthwest’s preliminary assessment of key trends related to housing and income and office, retail, and industrial markets.

- Milwaukie is part of the larger Portland region economy. The economy is generally expanding, although it has not yet fully recovered from the 2008-2009 recession.
- Most residents of Milwaukie do not work in Milwaukie, and workers in Milwaukie do not live in Milwaukie. As in most parts of a large metropolitan area, workers commute to their jobs. This could be seen as an opportunity to provide more housing to employees of Milwaukie businesses, or an opportunity for more employment.
- Milwaukie is growing at a very slow rate and actually shrank slightly between 2000 and 2010. The population over the age of 55 has increased and the portion of children has decreased.

- Household incomes in Milwaukie tend to be low. Half of all households have an annual income less than \$50,000.
- Almost two-thirds of households in Milwaukie own their own homes and about two-thirds of housing units are single-family detached dwellings.
- Rental rates for office and retail property in Downtown and Central Milwaukie are lower than the broader Milwaukie commercial market area, and lower still than the region as a whole. These low rental rates suggest a lack of demand for retail and office space in Milwaukie, and is an obstacle to new development in Milwaukie. Vacancy rates, however, are also low, suggesting that there is healthy demand in the area, which may justify higher rents, if higher quality space is available.
- McLoughlin Boulevard and Hwy 224 are popular corridors for industrial development. Rental rates for industrial property in the Milwaukie industrial market area are on par with rental rates for industrial property region-wide.
- In 2013, rental rates for office, retail, and industrial space in the Milwaukie area have increased, which is evidence that the local economy is improving, and may signal an opportunity for new development in the area if the economy continues to strengthen.

4 Development Roundtable Feedback

On September 17, 2013, City of Milwaukie staff, Mayor Jeremy Ferguson, and the ECONorthwest consultant team participated in a Development Roundtable conversation with a panel of experienced developers from around the Portland region. Developers represented successful firms that have completed a range of development projects, including small- and large-scale, mixed-use, infill, industrial, residential (affordable and market rate), and adaptive reuse projects. The purpose of this roundtable meeting was to introduce developers to Milwaukie, to review the Opportunity Sites, and to solicit their input on how Milwaukie can achieve their development goals.

Participants in the Development Roundtable included:

- Matt Brown – Williams & Dame
- Greg Specht – Specht Development
- Mary Hanlon – Hanlon Development
- David Hassin – Terrafirma
- Dwight Unti – Tokola Properties
- Jodi Enos – Northwest Housing Alternatives

The Development Roundtable conversation lasted three hours, including a walking tour of Downtown Milwaukie. In this section of the report, we summarize some of the key feedback received at the Development Roundtable. See Attachment A for complete meeting notes from the Development Roundtable discussion.

4.1 Citywide challenges

The developers shared their thoughts on large-scale challenges that affected development feasibility throughout Milwaukie. These challenges included:

- Low rental rates. The developers were concerned with the preliminary results of the market study that showed average rental rates for commercial and retail spaces below the regional average. Developers want to know that they can make a profit on new development, and it's risky if there aren't other buildings in the vicinity that are charging rental rates high enough to justify new construction. The developers said that they would like to see rental rates as high as \$25 per square foot for retail to know that a project will "pencil-out" financially. Some newer properties in Milwaukie are asking for up to \$24 per square foot, which suggests that it may be possible for developers to achieve desired rental rates. However the majority of properties in Milwaukie rent for significantly lower rates, which may constrain the confidence of developers and investors in their ability to achieve these rents.

- Lack of recent comparables (“comps”). The developers noted that the first new project in a market is going to be risky, because no one else has proven that development can work in the area. Milwaukie suffers from a lack of recent, market-rate development. The North Main Village project is encouraging, but it includes a mix of affordable and market-rate housing units, which doesn’t make it comparable for new market rate development.
- The scattered nature of Opportunity Sites downtown. Ideally, the developers would like to see a collection of adjacent parcels that have opportunity for redevelopment. That way, a developer can take control of an area and ensure that it is developed with a unifying vision, creating a critical mass of high-quality development. Because the Milwaukie Opportunity Sites are more scattered, a developer will have to take on more risk, not being able to control the adjacent properties. It is worth noting that the South Downtown area actually does have several adjacent blocks with development potential, which could be attractive to developers, even though not all of these properties have been identified as “opportunity sites.”

4.2 Citywide opportunities

- Good “bones” Downtown. There was consensus that Downtown Milwaukie had good “bones,” including the streetscape, sidewalks, and building facades. Other neighborhoods around the region that have seen recent redevelopment typically have good bones, and this bodes well for potential redevelopment in Downtown Milwaukie.
- Senior housing. Milwaukie’s population is somewhat older than the rest of the Portland region. Several developers thought that this could provide an opportunity for new housing development targeted at seniors. Many seniors are deciding to move from single-family homes to higher-density developments targeted specifically at seniors. This would have the added benefit of allowing seniors in Milwaukie to continue living in a city that they love, while opening up single-family homes for new families to move into.
- Housing Affordability. Milwaukie’s population has somewhat lower incomes than the rest of the Portland region. While this can make it challenging for developers to build high-end, market-rate residential development, it should make Milwaukie an attractive location for young families and first-time homebuyers in the Portland region.
- Accessibility. The proximity to Downtown Portland and the multiple transportation connections in Milwaukie were viewed as strong assets. McLoughlin Blvd, Hwy 224, and the soon-to-be-completed MAX light rail line are all viewed as strengths by the development community.
- Access to water, parks, and open space. Mayor Ferguson described the proposed Riverfront Park improvements and the Kellogg-for-Coho Initiative. The developers were impressed by these projects, and found that they would enhance already existing assets for Downtown Milwaukie.
- Family-friendly. Overall, the City was viewed as being family-friendly, including a perception of safety, a small-town feel, good schools (including the Waldorf School and

Milwaukie High School), and quiet neighborhoods. The developers agreed that Milwaukie has many of the ingredients that are attractive to families.

- Mixed-use Downtown development. The developers agreed that mixed-use development would be the preferred use for each of the downtown opportunity sites, with the exception of the Graham Site, which the developers agreed would be most appropriate as adaptive reuse for commercial tenants. They universally supported ground-floor restaurants or retail for new buildings Downtown, with residential uses (or possibly offices) above.

4.3 Site-specific observations

1.1.8 Texaco Site

- Several developers identified the Texaco Site as the most attractive of the Opportunity Sites because of its size.
- The preferred use for the site was mixed-use residentially intensive development.
- Advantages of the site include: public ownership, good visibility, good accessibility to McLoughlin Boulevard, nice view of the Willamette River and Riverfront Park. Proximity to North Main Village was also viewed as an advantage.
- Disadvantages of the site include: it might be too large of a site to develop in the immediate future, given Milwaukie's slow growth, and replacement parking would be expensive.

1.1.9 Dark Horse Site

- One developer mentioned the Dark Horse Opportunity Site as perhaps being the most attractive Opportunity Site, due largely to its small size, which would make development of the site less risky.
- The preferred use for the site was mixed-use residential development.
- Advantages of the site include its quiet location on SE 21st Ave., and the small-town feel provided by the Milwaukie Lumber Yard across the street.
- Disadvantages of the site include the difficulty of providing off-street parking on such a small site, as well as the lack of an aesthetically pleasing streetscape on 21st Ave.

1.1.10 Graham Site

- The Graham Site had not officially been identified as an Opportunity Site prior to the Development Roundtable, and therefore did not receive as much discussion as the other Opportunity Sites. Nonetheless, several developers were interested in the potential of the site, and likened the building to other spaces that became cool restaurants in the Portland region.
- The preferred use for the site was as a restaurant, retail, or office space.

- One developer that specializes in adaptive reuse of existing buildings was particularly interested in the Graham Site.
- Advantages of the site include its proximity to the future MAX light rail station, and the potential to remodel the building for a lower cost than new construction.
- No major disadvantages of the site were identified.

1.1.11 Cash Spot Site

- One developer identified the Cash Spot Site as the most attractive Opportunity Site for new development.
- The preferred use for the site was mixed-use residential development above a multi-story parking garage.
- Advantages of the site include: public ownership, view of the Willamette River and Kellogg Creek, proximity to the MAX station, and ease of building multiple floors of structured parking due to natural slope.
- No major disadvantages of the site were identified.

1.1.12 Triangle Site

- No developer identified the Triangle Site as the most attractive Opportunity Site.
- Advantages of the site include its public ownership and proximity to light rail and the high school.
- The preferred use for the site would be small retail shops or food carts, primarily intended to serve transit riders and high school students.
- Disadvantages of the site include its small size, irregular shape, and inability to accommodate parking on the site.
- Several developers expressed opinions that this site would be unconventional development and would probably require waiving any parking requirements and offering the land to the developers at a steep discount to encourage development activity.
- One developer suggested that market demand for the site would be unknown until the light rail line was up and running and counts of daily transit ridership were known.

1.1.13 Murphy Site

- One developer identified the Murphy Site as the most attractive Opportunity Site. This developer is already involved with the property owner to explore development opportunities.
- The preferred use for the site was undetermined. While developers understood the benefits of developing the site as residential (potentially senior housing or affordable housing), the site was viewed as less competitive for these uses than the Downtown

Opportunity Sites. Given market conditions, it was speculated that light industrial, flex space development might be the only feasible use for the site in the foreseeable future.

- Advantages of the site include its large size, ownership by one property owner, and close proximity to Hwy 224, heavy rail (for industrial uses), and Providence Hospital.
- Disadvantages of the site include the lack of immediate access to Hwy 224, the proximity of the heavy rail line (for residential uses) and Housing Authority of Clackamas County Hillside site, and the lack of a clear use for the site.

1.1.14 McFarland Site

- No developers identified the McFarland Site as the most attractive Opportunity Site.
- The preferred use for the site was undetermined. The large size, potential rail access, proximity to Hwy 224, and perceived weak market demand for other uses led some developers to suggest that the site would be most appropriate for light industrial development. However, the adjacent single-family homes, the planned “quiet zone” for the railroad, and proximity to retail shopping opportunities along Hwy 224 led other developers to suggest the site would be most appropriate for residential development.
- Advantages of the site include its large size, single ownership owner, and close proximity to Hwy 224.
- Disadvantages of the site include the lack of a clear use for the site, and the fact that one side of the site borders railroad tracks with a view of the backend of a shopping mall, which would provide an unattractive view for potential residential development.
- Site has received a statement of No Further Action from the DEQ, but it is unclear what the implications of the previous contamination for future site development may be.

4.4 Other observations

The developers were all very thankful to have the opportunity to get to know Milwaukie better. The low market rents in the area are a clear obstacle, but the developers felt that Milwaukie had a lot of positive attributes that could make it attractive for development if the public and private sectors can work together to bridge the gap in rents.

The developers stressed the importance of strong community support, staff support, and support from elected officials to make development happen. The developers were all appreciative that Mayor Ferguson participated actively in the roundtable discussion.

All developers expressed a willingness to stay involved in the process, and several were eager to continue exploring potential development in Milwaukie. After the Development Roundtable, one of the developers commented, “I was looking at Gresham and Hillsboro, but after today, I will look to do projects in Milwaukie.”

5 SWOT Analysis Results

As part of this project the ECONorthwest/Fregonese Associates team is conducting a SWOT Analysis that will assess the strengths, weaknesses, opportunities, and threats for each of the seven Opportunity Sites. The SWOT analysis will be a stand-alone document. When this SWOT analysis is complete, its results will also be summarized in this Market Study, and will influence our identification of the highest and best use for each of the Opportunity Sites.

The Moving Forward Milwaukie: Opportunity Site SWOT analysis is included with this Market Study as Attachment B. A SWOT analysis is a standard evaluation tool to assess strengths, weaknesses, opportunities and threats. In this case, the SWOT analysis approach is being applied to each of seven opportunity sites. The SWOT analysis includes information on accessibility, compatibility of adjacent uses, public perception, infrastructure, City plans and code, parcel shape, size, and slope, and soil quality, among other relevant factors. In this section, we summarize the key findings of the SWOT analysis.

5.1 Classification of characteristics: strengths, weaknesses, opportunities, and threats

- **Strengths** are the characteristics of a site that make it more desirable for development. The strengths of a site are assessed from an internal perspective as well as through the eyes of outside investors or other economic agents.
- **Weaknesses** are the characteristics of a site that make it less desirable for development. Weaknesses can be categorized as real, perceived, or unknown areas of weakness.
- **Opportunities** are external factors that a site could take advantage of to achieve more successful development outcomes. The opportunities of a site in the future are approached broadly and strategically.
- **Threats** are external factors that could limit the ability of a site to achieve successful development outcomes. Threats to a site can be categorized as real, perceived, or unknown. Understanding the underlying issues and causes of a threat, as well as minimizing their impacts are methods by which to mitigate their damage to a site.

TEXT FOR THE HEADINGS BELOW TO BE INSERTED AFTER COMPLETION OF THE S.W.O.T. ANALYSIS

5.2 Downtown Milwaukie neighborhood characteristics

5.3 Central Milwaukie neighborhood characteristics

5.4 Texaco Site

5.5 Dark Horse Site

5.6 Graham Site

5.7 Cash Spot Site

5.8 Triangle Site

5.9 Murphy Site

5.10 McFarland Site

6 Implications of Market Analysis for individual Opportunity Sites

In this section we apply our findings from the previous sections to identify viable use(s) for each site. Additionally, we identify key implications for development of each site. Note that these findings are based on quantitative research into demographic and market data, along with qualitative input from a Development Roundtable conversation with local developers and community feedback and input into a SWOT analysis. Using these multiple methods of evaluation, we achieve a more complete picture of the development potential for these Opportunity Sites.

6.1 Texaco Site

A potentially viable use for the Texaco Site is mixed-use residential development with ground-floor retail. This is consistent with the feedback received from developers at the Development Roundtable and feedback received at the October 3, 2013, Kickoff Event⁹. Public feedback overwhelmingly supported demand for more restaurants and retail space downtown, particularly on the ground-floor of buildings.

Another potential use for the site is a public plaza. As stated in the SWOT analysis, several members of the Project Advisory Committee stated their preference for a public plaza as the best use of the site.

The site could be attractive for development in the short-term, as it can build off of the momentum of the North Main Village project, and provide an attractive “gateway” project for Downtown Milwaukie on McLoughlin Boulevard.

Development on the site, however, is not without challenges. The community is divided over exactly what good development looks like, with little consensus on the appropriate number of stories. Additionally, the community has concerns and questions about affordable housing and senior housing, which may be attractive for developers, given the lack of a proven market in Downtown Milwaukie for successful, market-rate residential development.

Finding a way to replace the current uses on the site is a challenge, as the community strongly supports the Farmers’ Market, and the site provides a substantial portion of Downtown’s public off-street parking. That means that development of this site will depend upon implementation of the South Downtown Plan, specifically the construction of a public plaza that can be a new home for the Milwaukie Farmers’ Market.

⁹ Feedback at the kickoff event was regarding downtown in general and not specific to individual opportunity sites, but strongly supported active ground floor uses, including retail and restaurants, and (to a lesser degree) additional housing Downtown.

Most likely, successful development of the site will require structured parking (most likely on-site, but possibly at an adjacent or nearby location), both to replace the existing parking, and to accommodate the new retail and residential development on-site. The cost of structured parking, coupled with the relatively low rents in Milwaukie, will provide a substantial challenge to achieving short-term implementation of development on the site. If future phases of this project identify a financing gap for development concepts on this site, then it will be critical for the City to identify public-private partnerships to bridge this gap.

Potential strategies include transferring the land to private developers for a low price, and/or for the City to take responsibility for funding construction of the structured parking garage (either on site or on the adjacent city-owned half block directly south of the Texaco Site). These strategies, however, may require a large financial investment from the City, and City Council and the residents of Milwaukie will naturally want to have an earnest discussion of the benefits and costs of any public investment in these development efforts.

The intention of this market study is not to answer all of these questions, but simply to identify that mixed-use residential development is a potentially viable use for this site. During the next phase of the project, the ECONorthwest Team will create several potential Development Concepts for the site, and test the financial feasible and community support for those concepts. It is during that phase of the project that the City will home in on these challenges and consider potential strategies to overcome them.

6.2 Dark Horse Site

A potentially viable use for the Dark Horse Site is mixed-use residential development with ground floor retail. As with the Texaco Site, this use is consistent with feedback from developers and the general public.

While the Texaco Site has potential for other uses (potentially office, potentially structured parking), the Dark Horse Site is perhaps more specifically suited for residential above retail. SE 21st Ave is perceived as a quieter and calmer street than SE McLoughlin Blvd, which is attractive for many households. Additionally, the narrow shape of the parcel makes a structured parking garage on the Site more challenging.

The presence of Milwaukie Lumber across the street from the Dark Horse Site was considered as a potential challenge for residential development, but feedback from the Development Roundtable and the Project Advisory Committee suggested that the lumber yard should not hurt demand for residential development on the site. Not only is the lumber yard a well recognized local business, but it lends to the small town feel of the site, and conducts business during regular business hours.

6.3 Graham Site

A potentially viable use for the Graham Site is adaptive reuse of the existing building for a commercial use. Although a restaurant is the preferred use at this time, retail services or office space could potentially work on the site.

Because the Graham Site had not been selected as an official Opportunity Site at the time that the Development Roundtable occurred, we received limited input on the site from developers. A site visit is currently being scheduled, and one or more interested developers will be invited to inspect the inside of the building, and provide additional input on the possibilities for adaptive reuse.

In many communities across the Portland region, achievable rents are too low to justify the risk of new construction. A popular solution to this problem is adaptive reuse of existing buildings. This creates high-quality space for a relatively low cost, and allows developers to test the market potential. In areas within Portland like the Alberta, Mississippi, Sellwood, and St. Johns commercial districts, adaptive reuse has rejuvenated once-struggling commercial areas, and has started to give way to new development.

Milwaukie could pursue a similar strategy, with adaptive reuse projects prioritized over new development in the near future. The Graham Site offers great potential to transform an existing vacant building into an attractive commercial space.

6.4 Cash Spot Site

A potentially viable use for the Cash Spot Site is “ground floor” retail on Main Street, with mixed-use residential above and structured parking along the McLoughlin Blvd frontage.

The slope of the site makes a structured parking garage a compelling component of development on the site, as one or two floors of parking could be provided between the change in elevation from McLoughlin Blvd to Main St. Above the parking, ground floor retail at the Main St level would be desired. This retail would benefit from great views of the Willamette River and Kellogg Lake, as well as the proximity to the planned public plaza at the intersection of Main St and Adams St, and proximity to the light rail station. Multiple levels of residential, or potentially office space, would make sense to develop above the retail space. This mix of uses was the consensus preferred use from the Development Roundtable.

Previous planning efforts for this area culminated in the South Downtown Plan, which called for an “L” shaped building on the site, and a pedestrian bridge to cross McLoughlin Boulevard. The viable uses we have identified for the site do not preclude these elements of the South Downtown Plan, nor do they require these elements. For example, the “L” shaped building requires acquisition of privately-owned parcels at the corner of the site, and demolition of the existing buildings there. While this would be ideal from the perspective of new development, feedback from the Development Roundtable stated that this was unnecessary for new development to occur on the site. Similarly, a pedestrian crossing over McLoughlin Boulevard

would be desirable, but potentially very expensive, and again is not an essential project element from the perspective of private developers.

One alternate possibility for the site would be to develop it entirely as a structured parking garage, providing multiple stories above and below the Main Street level. Community members – both during the Project Advisory Committee meetings and the Kickoff Event – articulated concerns over the lack of parking near the light rail station. This site could potentially allow for a relatively large parking garage to serve all of downtown, without much of the expensive cost of excavation for below-grade parking, and without building a structure that towers many stories above Main Street.

Developing the site as solely a parking garage would have a few challenges. No private developer would develop a freestanding parking garage, which means it would require substantial public funding. The site would have limited or prohibited access from McLoughlin Blvd and Washington St, but access on Main St could clash with the proposed public plaza and the desired retail uses. Additionally, parking garages are typically less attractive than commercial or residential development, which means careful attention would need to be paid to the building façade, to ensure an attractive building on the site. It is unlikely that ODOT would permit access to the site from McLoughlin Blvd, which would require access from Washington St or Main St. Lastly, the site has great views of the Willamette River and Kellogg Lake, and those views would largely be squandered with development of a parking garage instead of other uses.

6.5 Triangle Site

A potentially viable use for the Triangle Site is transit-oriented retail space or a food cart pod.

Traditional uses (office, residential, retail, industrial) would be very challenging to build on the site, due to its small size and unique shape. The site offers virtually no space for parking, which would be required to support any traditional uses. While the City could potentially waive the regulatory requirements to provide parking, some parking may still be viewed as necessary from a market perspective.

Given these challenges, feedback from the Development Roundtable was to focus on small-scale development that could be accommodated on the site without parking and would focus on serving passengers of the new light rail station. Potential uses could include a coffee shop, café, or bicycle shop, or other “micro scale” retail, all of which would be consistent with previous plans and development concepts considered for the site. These businesses could potentially cater to students of nearby Milwaukie High School as well as light rail passengers.

Another potential use for the site would be a food cart pod. However, at the October 3, 2013, Kickoff Event, members of the public had mixed responses to a question of whether or not they wanted food carts in Downtown Milwaukie. More attendees were opposed to food carts than supported them, and a large portion of the audience was undecided.

It is possible that food carts could serve as a temporary use on the site until transit ridership patterns have been established and other public improvements (like the proposed plaza) have been made in the area. Then, in the future, a more permanent development could occur on the site.

6.6 Murphy Site

Viable uses for the Murphy Site are undetermined at this time. While developers understood the benefits of developing the site as residential (potentially senior housing or affordable housing), the site was viewed as less competitive for these uses than the Downtown Opportunity Sites. Given market conditions, it was speculated that light industrial, flex space development might be the only feasible use for the site in the foreseeable future.

The property owner for the site is actively participating in the Moving Forward Milwaukie project, and is eager to explore any and all realistic opportunities for development. Currently, however, there is no clear consensus on potentially viable uses, as City plans, community vision, surrounding uses, and market trends all suggest different uses for the site.

City plans have long identified the site as a location for high-density institutional/employment uses due to its proximity to Providence Hospital. Those plans may need to be revisited as they also assumed the location of a light rail transit station on the site. Also, market demand for office and retail space in the Milwaukie area is insufficient to develop a site as large as the Murphy Site. Industrial uses are more feasible based on market conditions, but heavy industrial uses would be inconsistent with the nearby residential uses, and light industrial uses (like warehouses) have relatively low density of employment (jobs per acre).

Additional feedback from the City Council and the general public, as well as ongoing conversations with the property owner will be necessary to identify potentially viable uses for the site. An interview with the property owner is scheduled for October, and the public will have an opportunity to provide input during a public workshop scheduled for October 29, 2013.

6.7 McFarland Site

Viable uses for the McFarland Site are undetermined at this time. Feedback from the Development Roundtable called out the large size, potential rail access, proximity to Hwy 224, and perceived weak market demand for other uses as reasons that the site would be most appropriate for light industrial development. However, the adjacent single-family homes, the planned “quiet zone” for the railroad, and proximity to retail shopping opportunities along Hwy 224 led other developers to suggest the site would be most appropriate for residential or mixed-use development.

City plans have long identified the site as a location for high-density residential with structured parking and limited retail. Feedback from the Project Advisory Committee suggested that the adjacent residential areas are one of the quietest neighborhoods in Milwaukie, and therefore residential development on the site could be the most appropriate use.

Additional feedback from the City Council, the general public, and the property owner will be necessary to identify viable uses for the site. We are in the process of scheduling an interview with the property owner, and the public will have an opportunity to provide input during a public workshop scheduled for October 29, 2013.