
Moving Forward Milwaukie: Market Study

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City of Milwaukie

Draft Report

ECONorthwest
ECONOMICS • FINANCE • PLANNING

Contact Information & Acknowledgements

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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.

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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

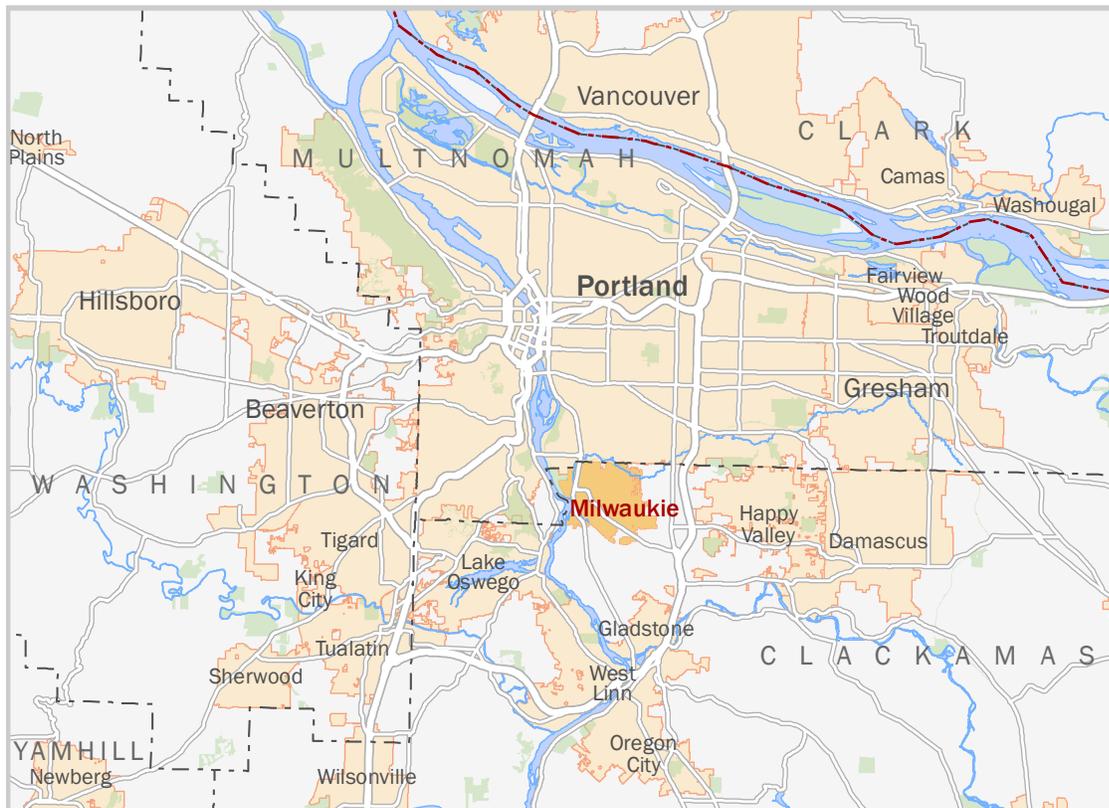
This section of the report describes broad trends found in demographic and market data for the City of Milwaukie. Its intent is to provide an overview of economic and market trends that affect redevelopment of the seven Opportunity Sites. It is organized into the following sub-sections:

- 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.

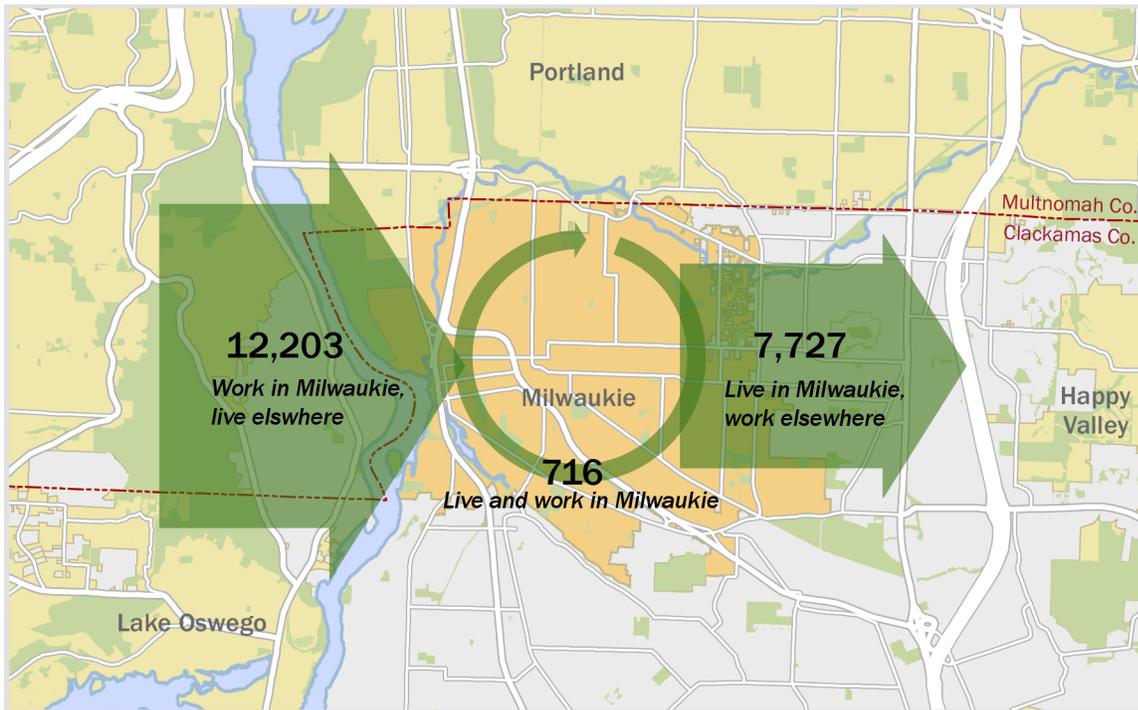
- The privately-owned Graham Site is one parcel located on the west side of Main Street between SE Jefferson St and SE Washington St. The site is 8,626 square feet, and is owned by Paul and Teri Graham. The site is home to an office and four vacant commercial spaces, and is across the street from several 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



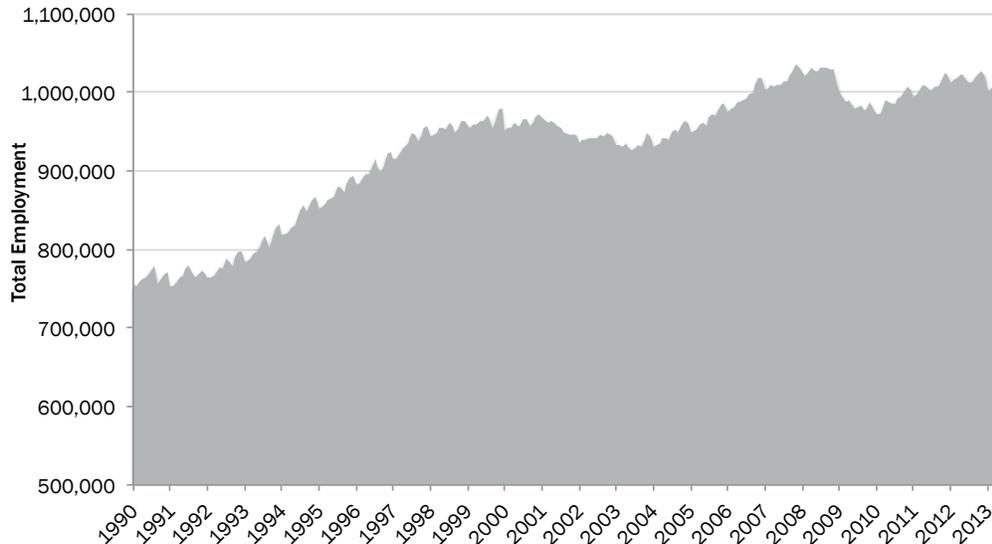
Source: Data from U.S. Census Bureau, 2010 Decennial Census. 2013 OnTheMap Application. Longitudinal-Employer Household Dynamics Program. <http://onthemap.ces.census.gov/>. Graphic by ECONorthwest.

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

3.2.1 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

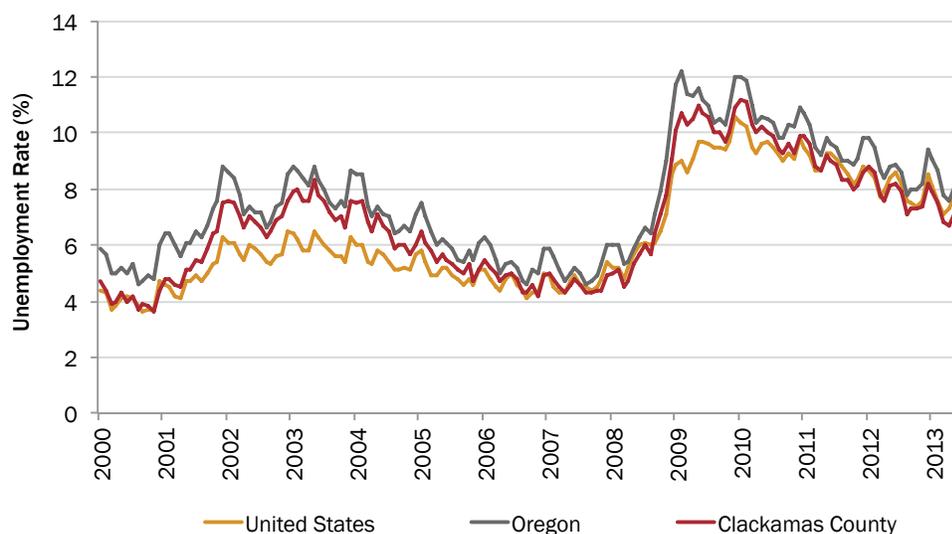


Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics, <http://www.bls.gov/lau/data.htm>. The data are not seasonally adjusted, so they show large variations within each year.

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

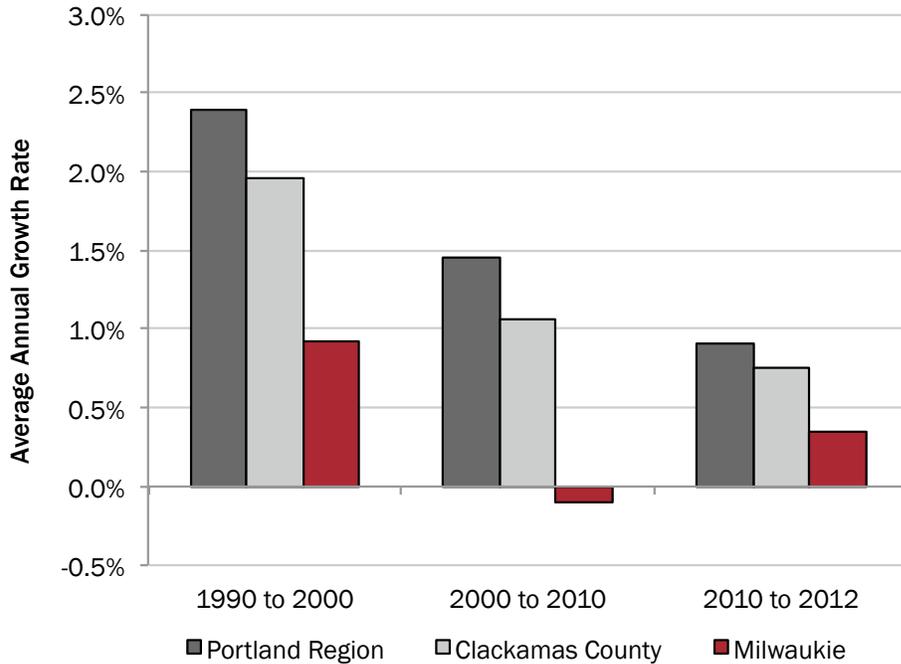
3.2.2 Population and Households

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 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).

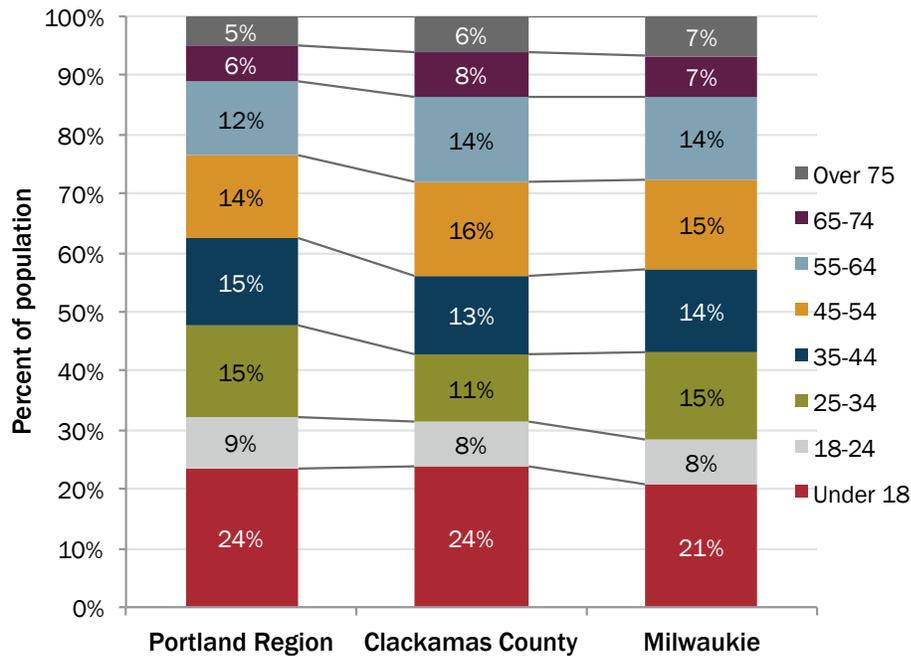
Exhibit 6. Average annual population growth, 1990 to 2012, U.S., Portland Region, Clackamas County, Milwaukie



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

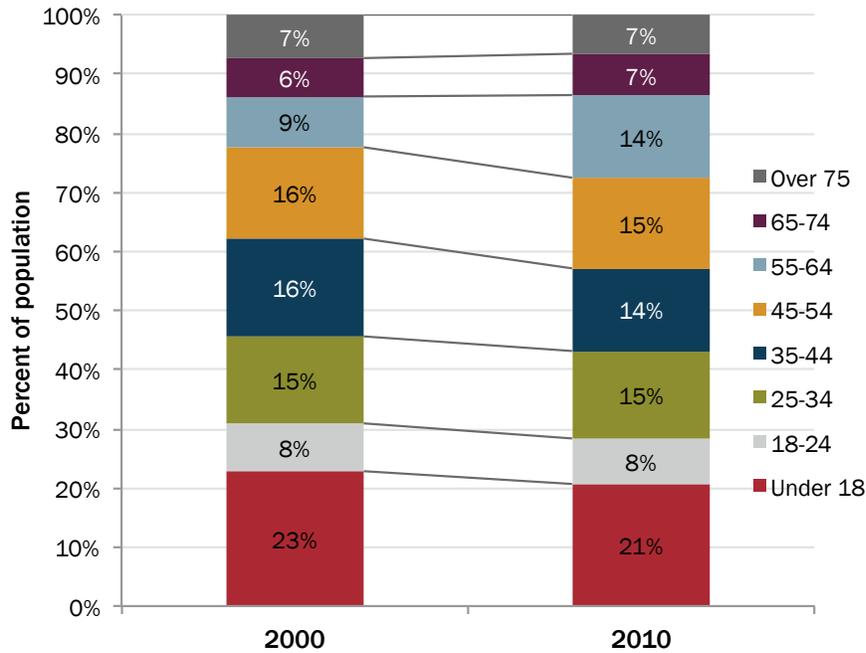


Source: U.S. Census Bureau, 2010 Census.

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.

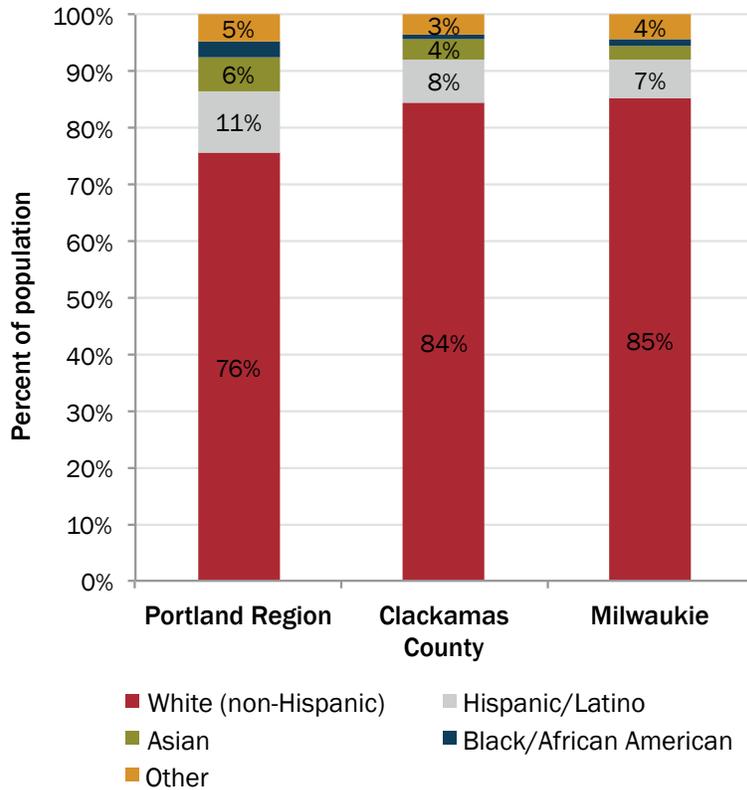
Exhibit 9. Mean household size, Portland Region, Clackamas County, Milwaukie, 2010

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.

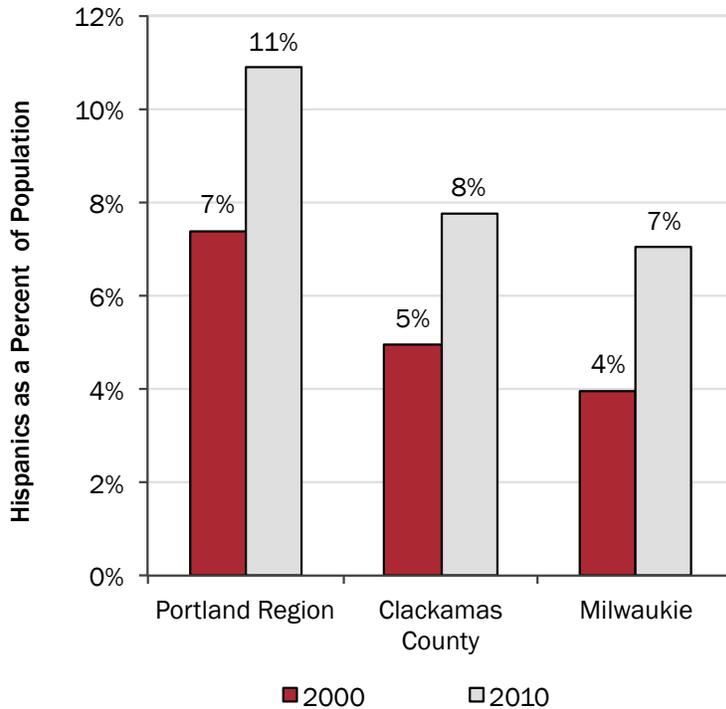
Exhibit 10. Race and ethnicity, Portland Region, Clackamas County, Milwaukie, 2010



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

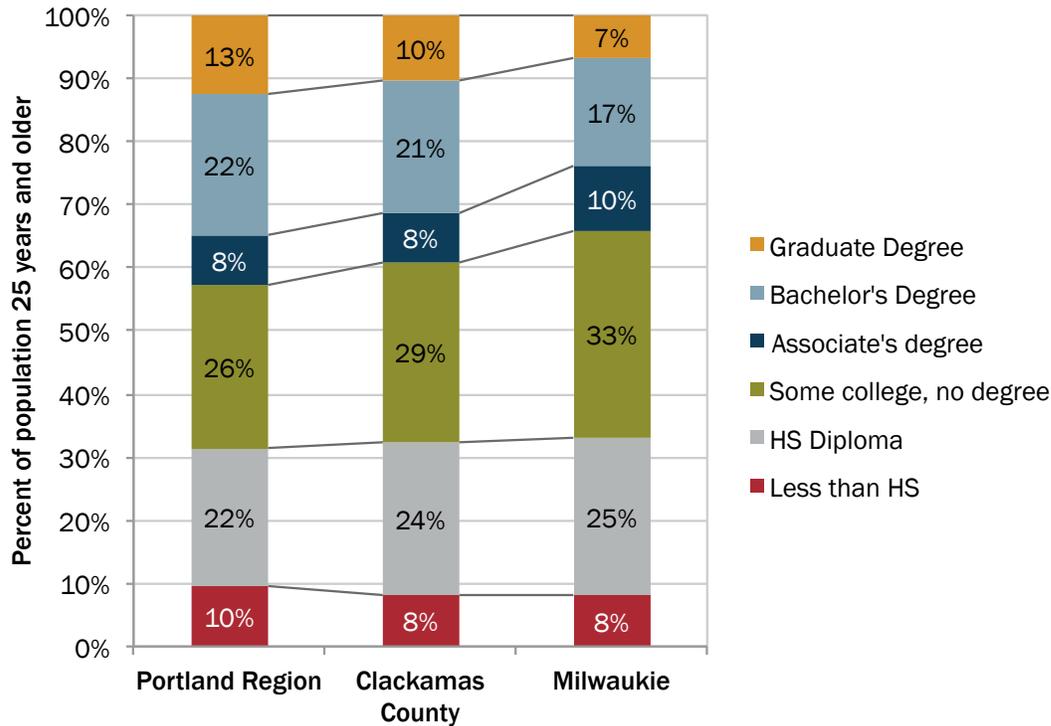


Source: U.S. Census Bureau, 2000, 2010 Census, SF1.

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



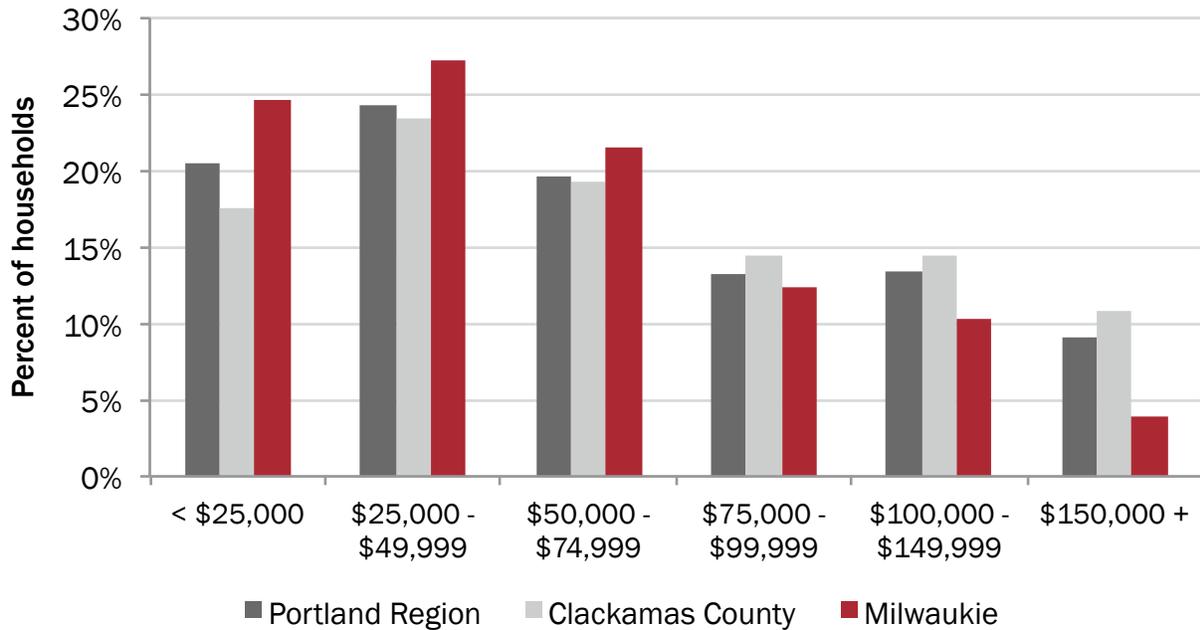
Source: U.S. Census Bureau, 2009-2011 American Community Survey, 3-Year Estimates.

3.2.3 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

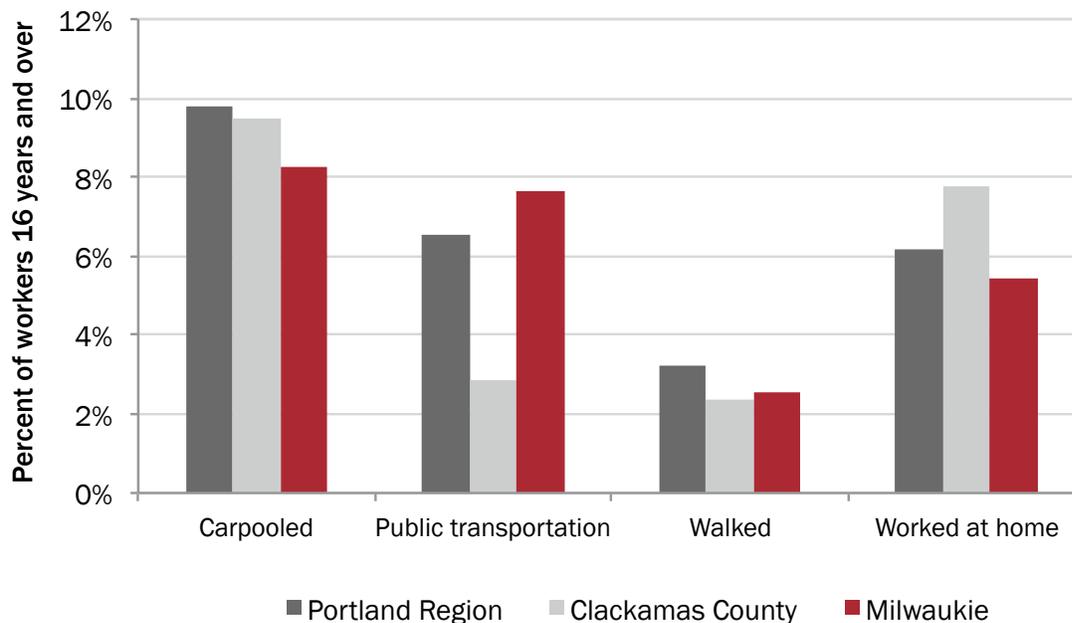
Source: U.S. Census, 2009-2011 American Community Survey 3-Year Estimates.

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.

3.2.4 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.

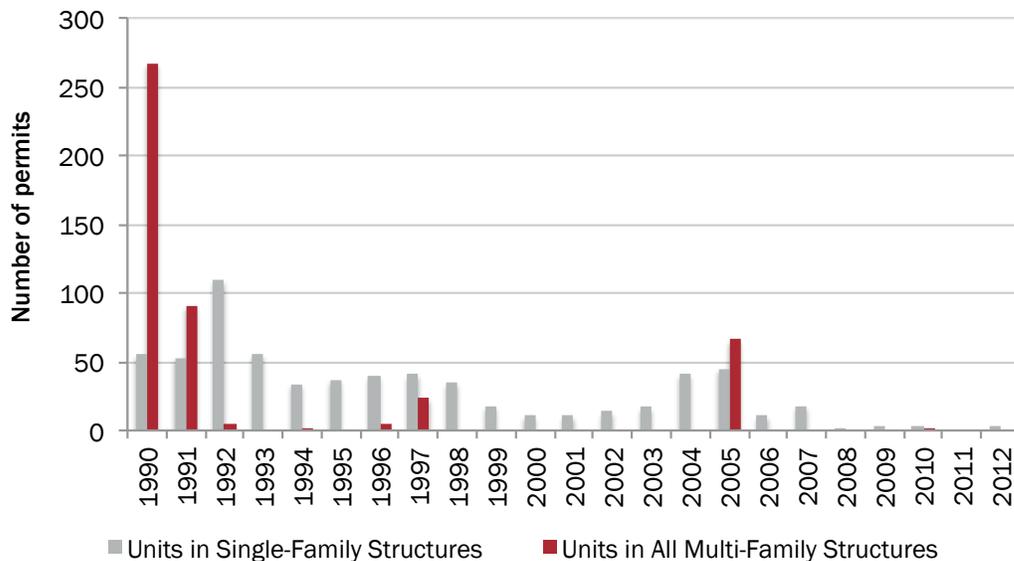
Exhibit 16. Housing Tenure, Portland Region, Clackamas County, Milwaukie, 2010

	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 were 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.

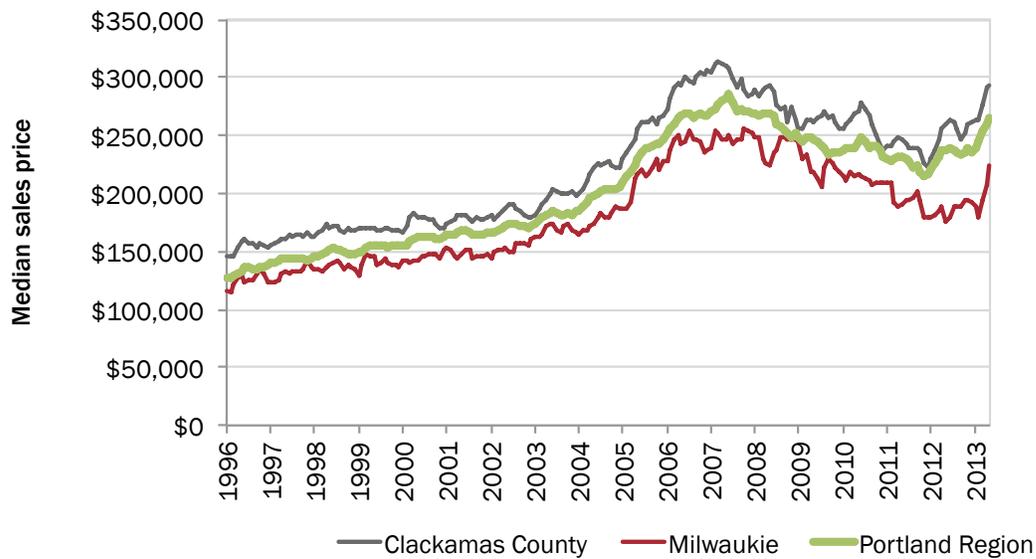
In the 1990s, the annual average number of single-family permits issued in Milwaukie was 48 and the average number of multi-family permits was 39. From 2000 to 2007, the City permitted an average of 21 single-family units per year and 8 multi-family units per year. Since 2008, the annual average number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



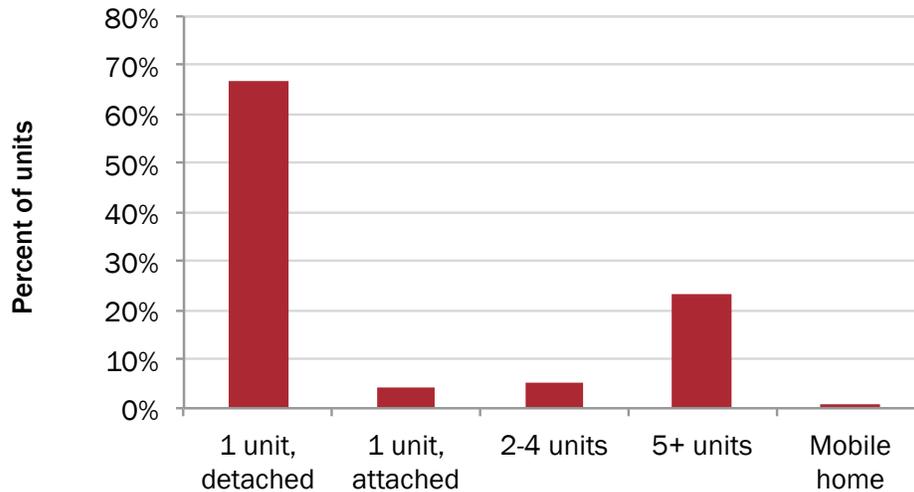
Source: Zillow.com.

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.

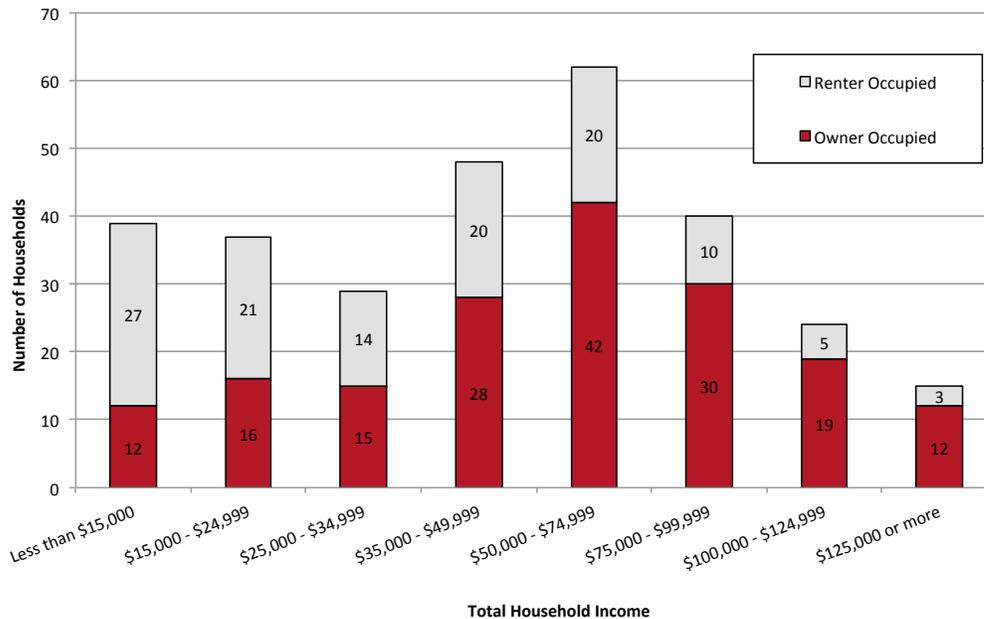
The projection of housing demand focuses on income and tenure (e.g. rented or owned). It does not attempt to estimate demand for housing type (i.e., single-family detached vs. multi-family). However, national shifts in the housing market and demographics indicate an increased share of total demand will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

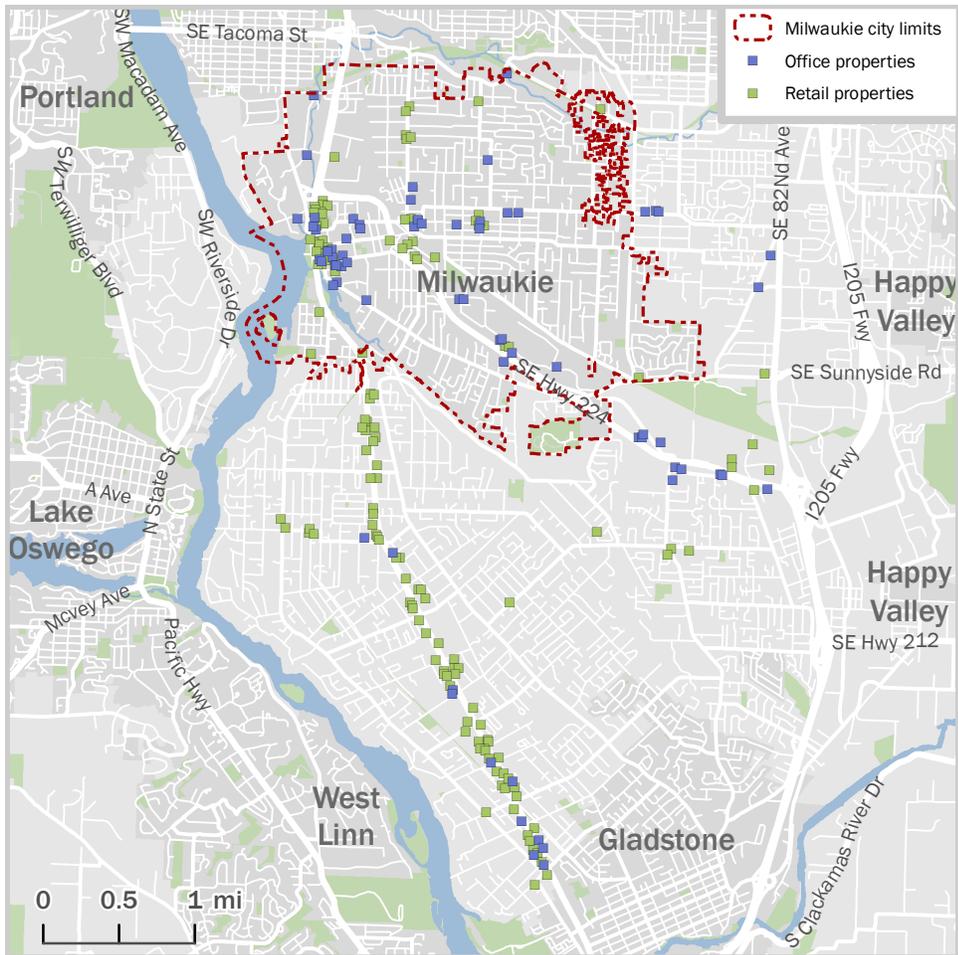
While Metro and Nielsen/Claritas use different methods, and have different forecasts for the number of units for different time periods, both the Nielsen/Claritas and Metro forecasts paint a similar picture for Milwaukie. Both of these forecasts call for relatively slow growth in new households for the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



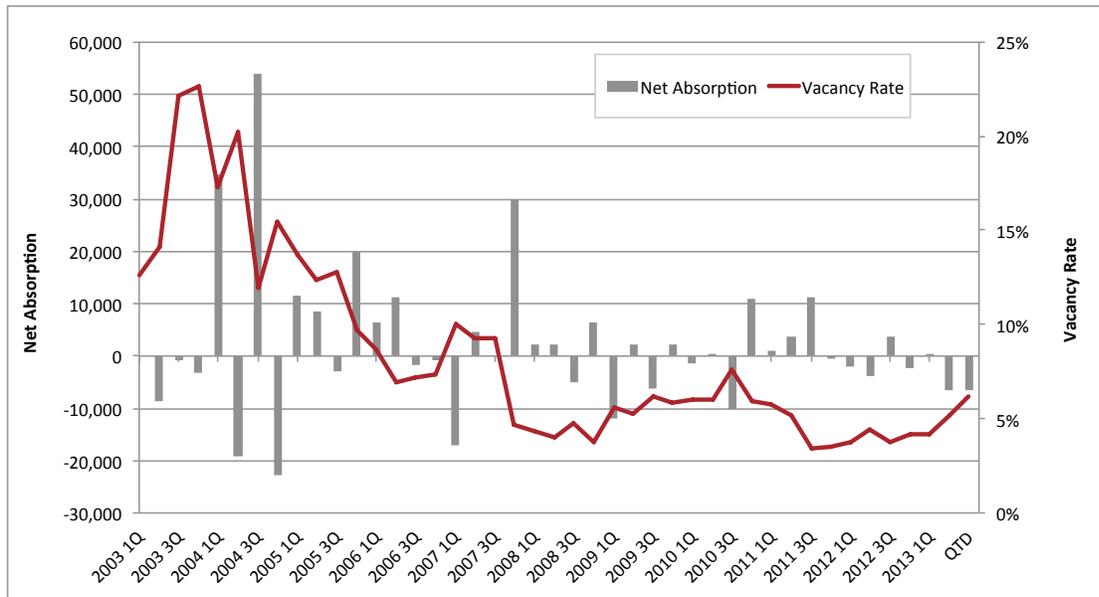
Source: ECONorthwest and CoStar

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.

3.4.1 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.

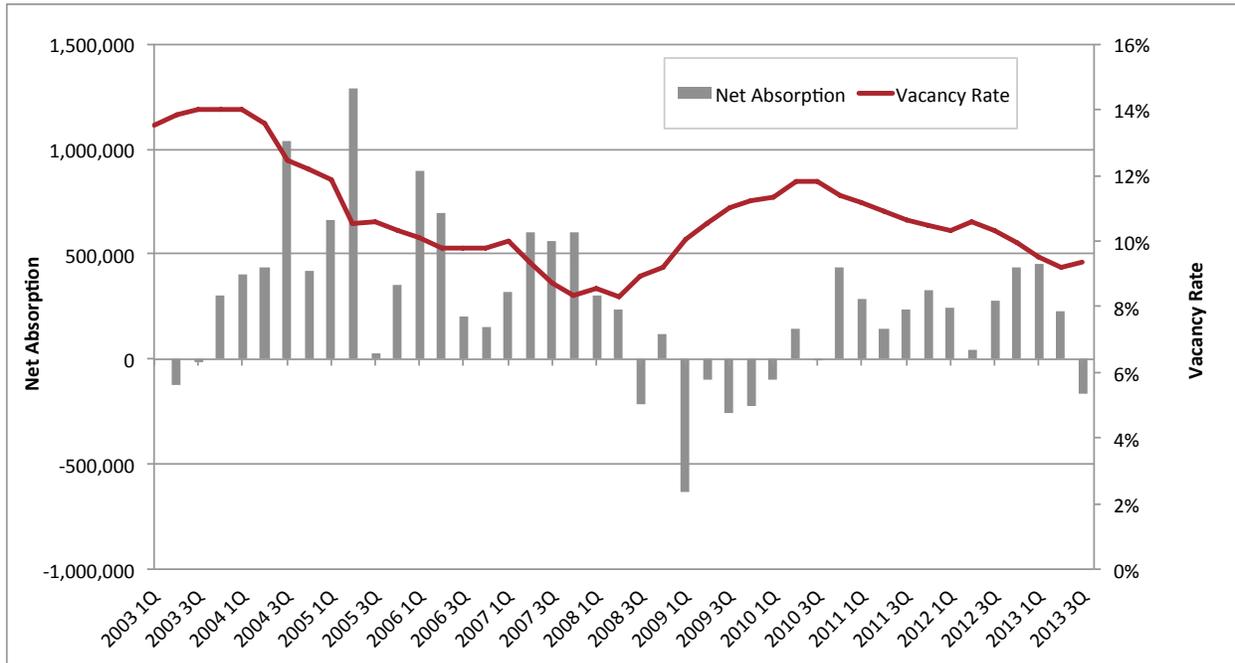
Exhibit 22. Milwaukie Market Area, Office Absorption and Vacancy, 2003 to 2013



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.

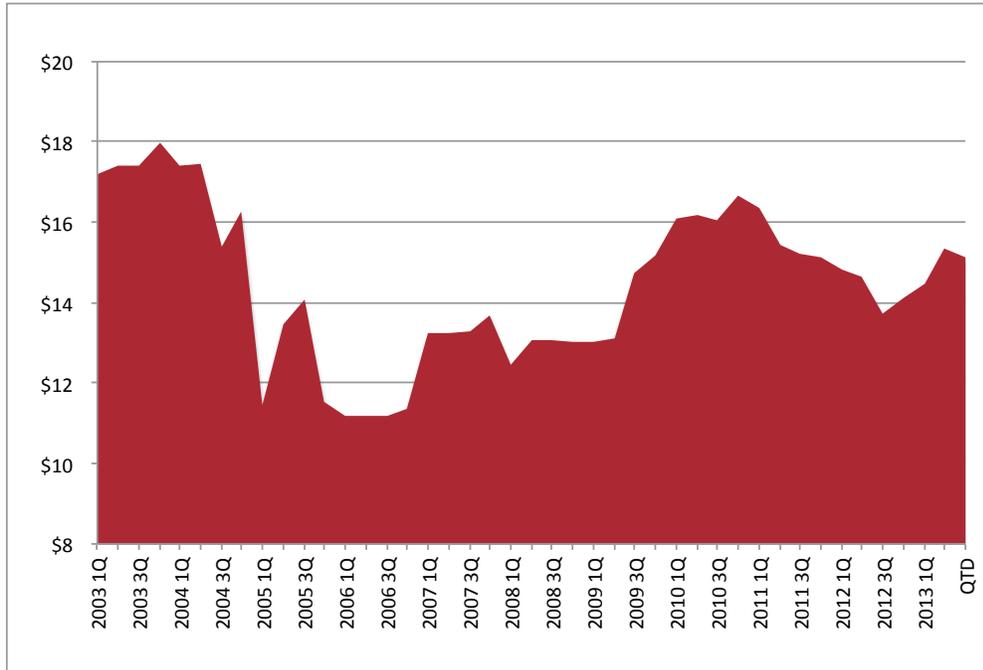
Exhibit 23. Portland Metropolitan Region, Office Absorption and Vacancy, 2003 to 2013



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.

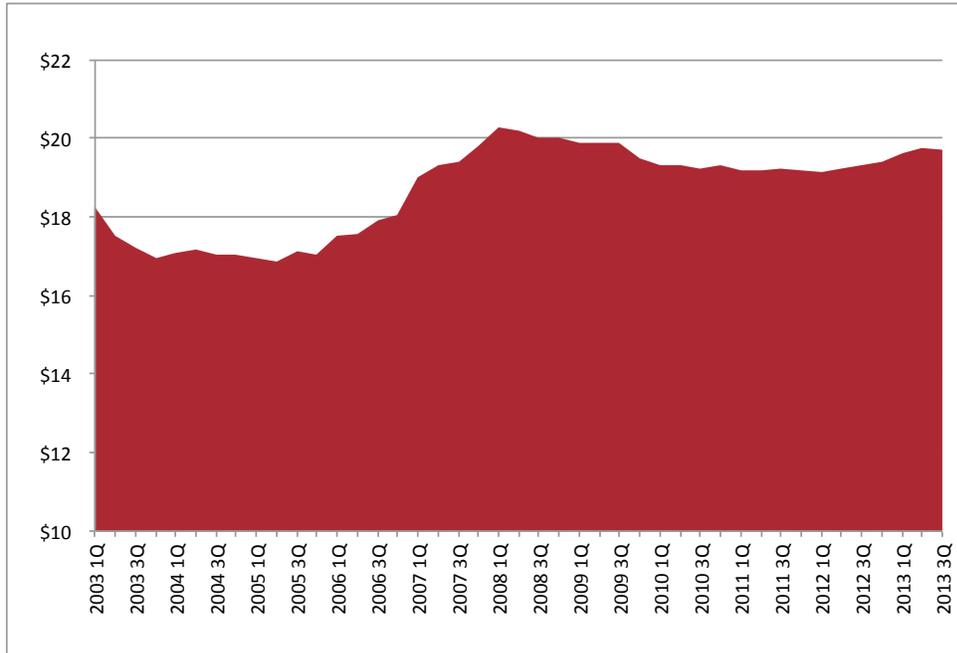
Exhibit 24. Milwaukie Market Area Office Rents, 2003 to 2013



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.

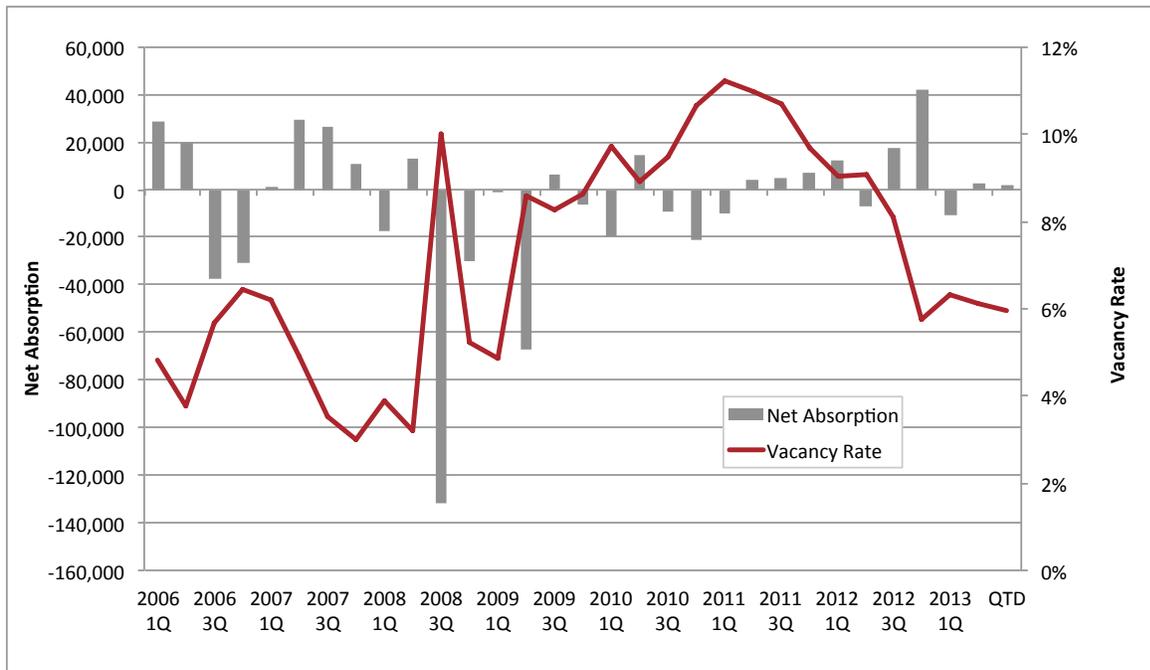
3.4.2 Retail Trends

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 129,000 square feet of retail space were vacated near the City limits. 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.

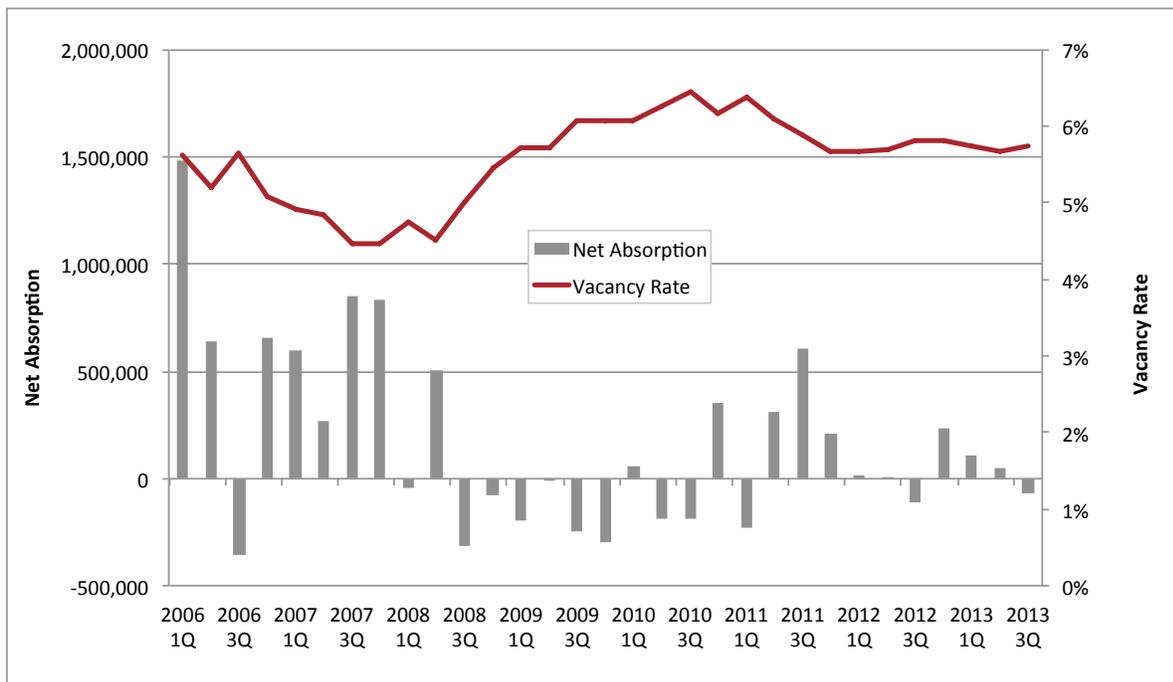
Exhibit 28. Milwaukie Commercial Market Area Retail Absorption and Vacancy, 2006 to 2013



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.

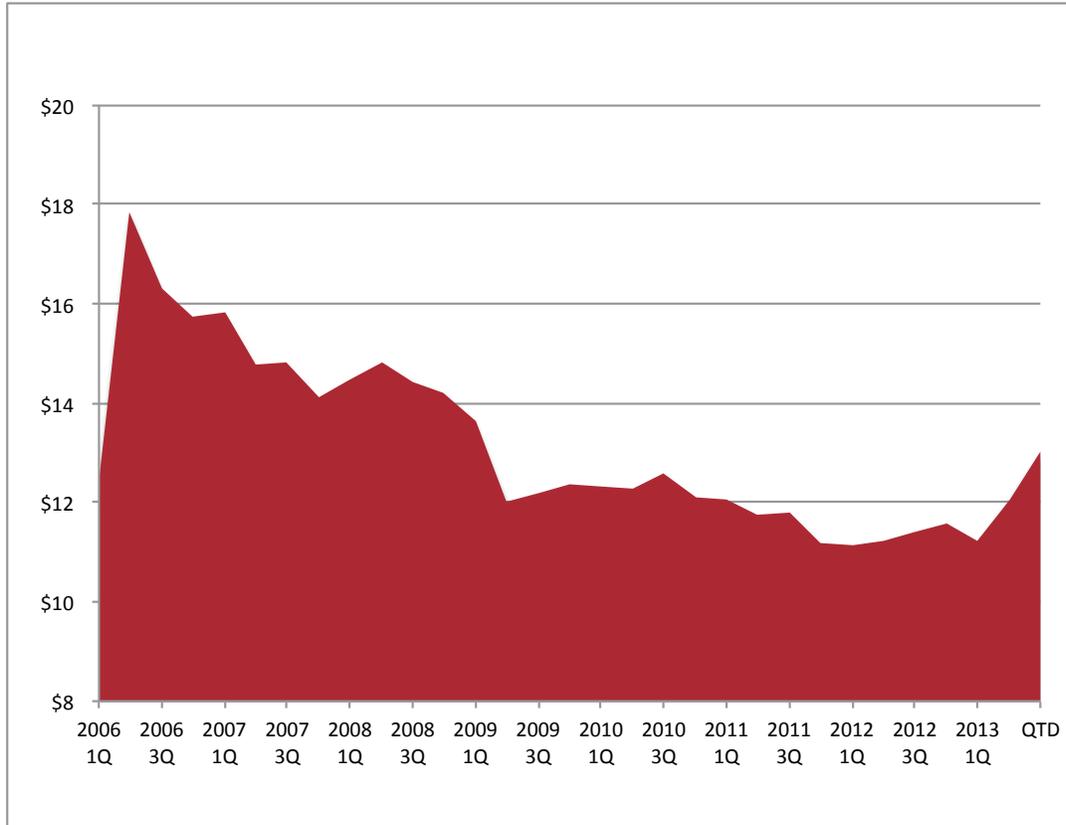
Exhibit 29. Portland Metropolitan Region, Retail Absorption and Vacancy, 2006 to 2013



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.

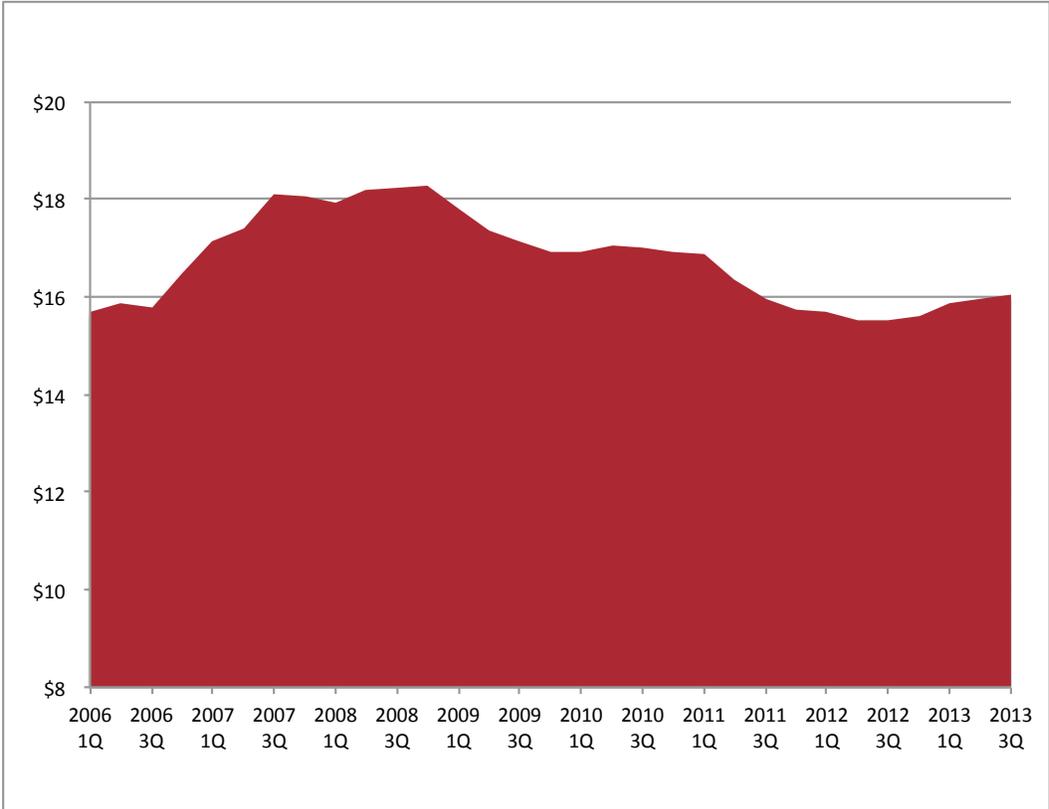
Exhibit 30. Milwaukie Market Area Retail Rents, 2006 to 2012



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 Enchanté (a chocolatier) 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%

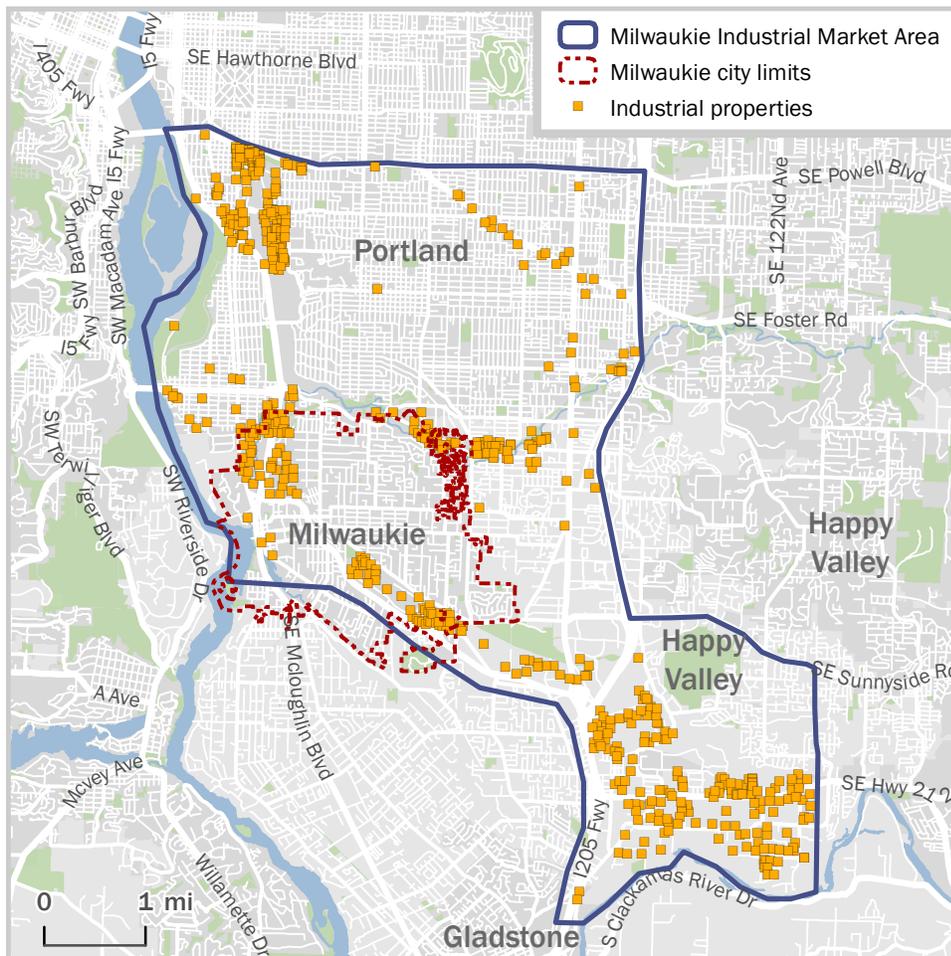
Source: ECONorthwest and CoStar.

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

3.4.3 Industrial Trends

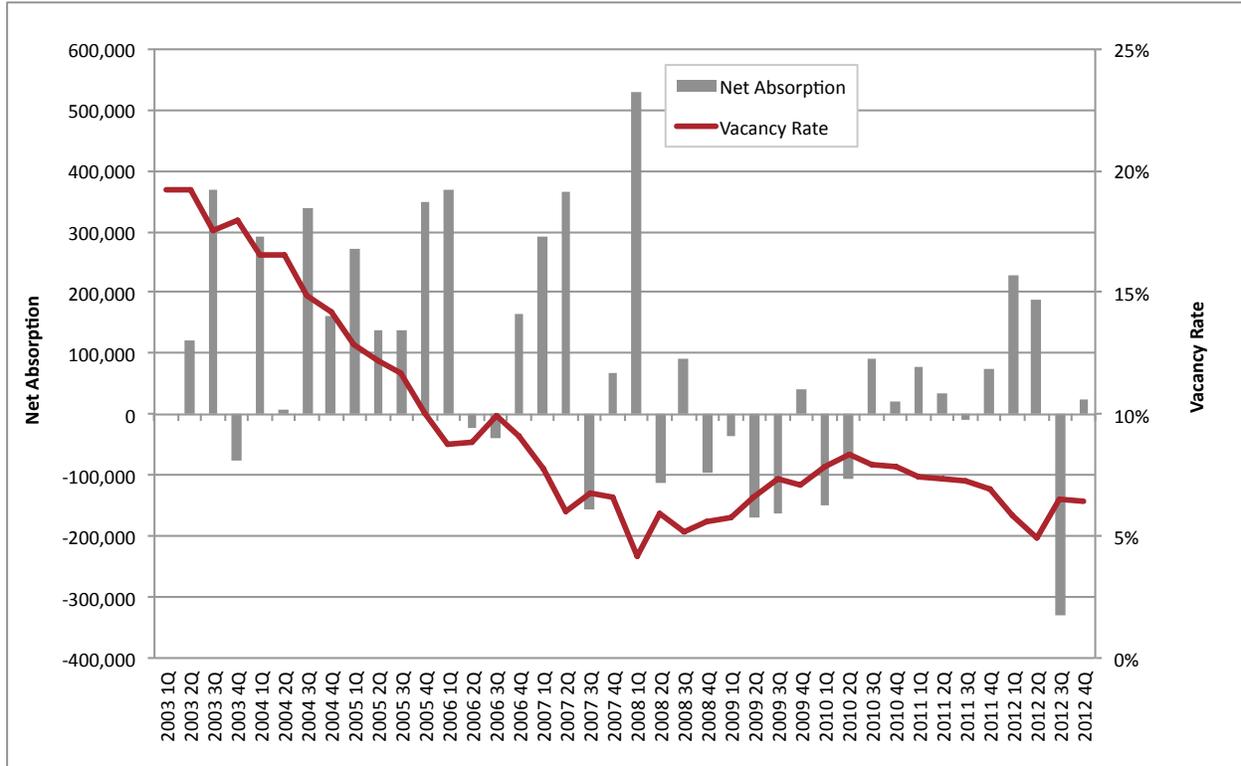
The Milwaukie industrial market area is larger than its commercial area. Input from City staff and a developer “roundtable” discussion suggested that industrial space in Milwaukie competes with industrial properties in a larger geographic area, stretching north to the Portland Central Eastside Industrial 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



The Milwaukee 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%.

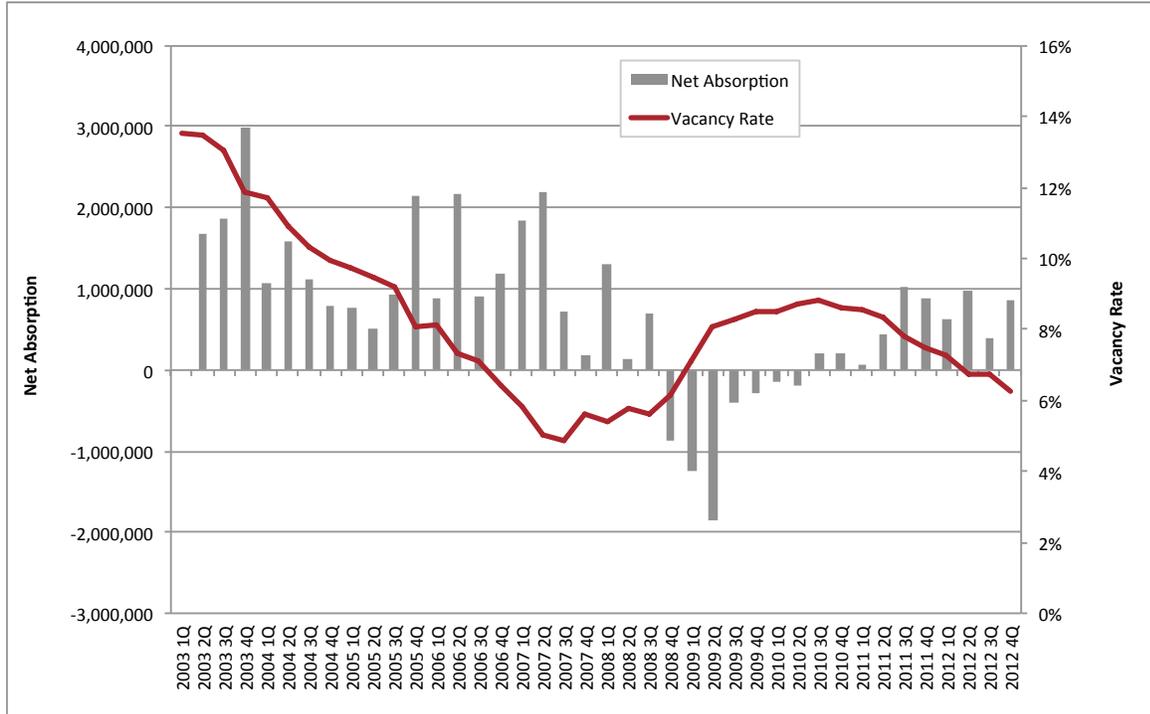
Exhibit 36. Milwaukee Industrial Market Area Absorption and Vacancy, 2006 to 2013



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.

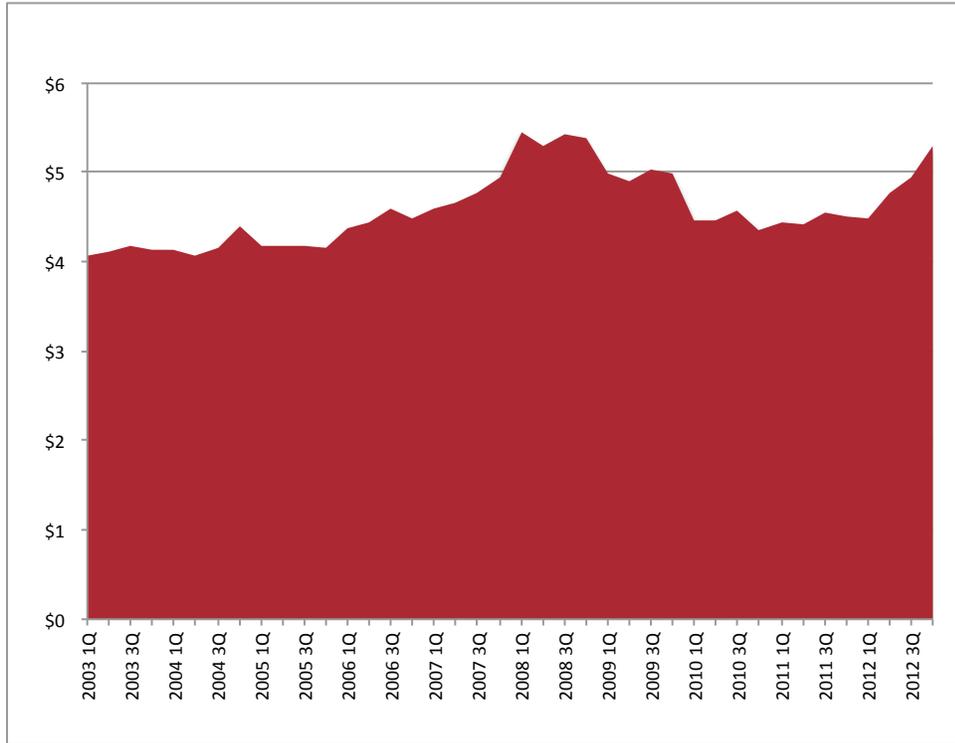
Exhibit 37. Portland Metropolitan Region, Industrial Absorption and Vacancy, 2003 to 2013



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.

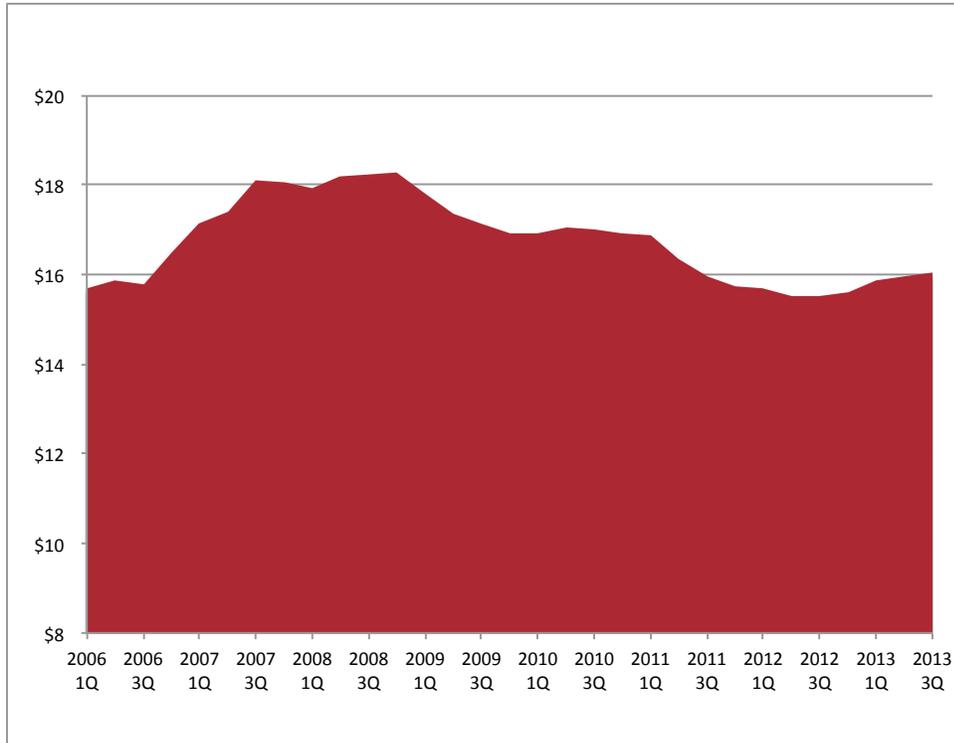
Exhibit 38. Milwaukie Industrial Market Area Industrial Rents, 2006 to 2012



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 are 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 the developers felt lessened the project's applicability as a comp for future 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

4.3.1 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. Note that development of light rail could help to attract more growth to the area.

4.3.2 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.

3.4.4 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.

4.3.3 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.

4.3.4 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.

4.3.5 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.

4.3.6 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

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. The full SWOT analysis is included as Attachment B.

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.

5.2 Texaco Site

Strengths

- Physical and visual access to the riverfront (across the street)
- High visibility: serves as a gateway into downtown Milwaukie.
- Large size: The site is just under an acre at 41,280 square feet, which could support development potential for larger scaled project.
- Flat and dry: The site is not in the flood plain and it is level.
- Centrally located: The site is centrally located in Downtown Milwaukie, with frontage on both McLoughlin Blvd. and Main St.
- Near amenities: proximity to the growing amenity base (restaurants and retailers), as well as civic and public amenities such as City Hall and Ledding Library in the heart of the downtown.

- Good multimodal access: By auto, to and from the future light rail station, and via existing frequent bus service adjacent to the site. Bike/ped connections (Trolley Trail and 17th Avenue connection) are also strong here.

Weaknesses

- Tree loss: Existing trees on the site are highly valued by the community. Development of the site would likely mean the trees would be removed.
- Adjacent to state highway: The site fronts a state highway (McLoughlin Blvd/Hwy 99E) which would likely add to development costs to offset the negative impacts of noise and pollution from the roadway and harm to rents.
- Access restrictions: Due to proximity to McLoughlin Blvd (Hwy 99E) and the status of the Harrison St/McLoughlin Blvd intersection, vehicular access to and from the site will be limited to SE Jackson St only.
- Previous use as a Gas Station: The ground floor is not suitable for residential development because of prior site contamination. However, the site is suitable for 2nd-story residential with a dedicated HVAC system.

Opportunities

- An excellent view of the river from upper floors of a multistory residential development could attract higher rents.
- The site has the potential to create a new market for development in Milwaukie due to its size and potential to bring new households and services to the area.
- A well-designed project would have a positive impact on Milwaukie's desirability for further residential, office and commercial development.
- A new development on the site would give Downtown Milwaukie a new market comparable, in addition to North Main Village, which will help support any future mixed use development in the downtown.
- The potential for a public-private partnership providing community benefits could include a land value write down and other incentives, making this site more attractive for a near-term development.
- A well-designed, signature project could transform McLoughlin Blvd into a beautiful, inviting area for Milwaukie, and further enhance the connection to the river, enhancing outsiders' view of the City.

Threats

- The site currently serves as the location of the Milwaukie Sunday Farmers Market. The Market and its location are very important to the residents of Milwaukie, and site development would require Market relocation.
- There is lack of community consensus about maximum building heights on the site.

- Current code requirements are overly prescriptive, difficult to navigate, and inadvertently prevent new development on this site.
- If the project is done poorly, it could negatively impact perception of Milwaukie from McLoughlin Blvd.
- Large size could make it harder to fund one cohesive development project on site and poses more financial risk.
- Some developers deterred by previous experience on site/failure to construct previous development project, specifically the community's opposition to heights over 3 stories.
- New development downtown requires discretionary review, which may act as a barrier to developers.

5.3 Dark Horse Site

Strengths

- Good corner location with potential for ground floor development.
- Single property owner willing to consider potential development options.
- Site is level, out of flood plain
- Milwaukie Lumber is a good neighbor
- Appeal of "small town" Milwaukie.
- Transit accessible.
- Close to schools.

Weaknesses

- Narrowness of site limits development potential, particularly if a project includes onsite parking.
- Site configuration and access poses major challenges to providing onsite parking.
- Perception that the lumber yard would negatively impact desirability for residential development.

Opportunities

- This small size of the site would make it appropriate for ground floor retail with upper-level residential and tuck-under parking.
- Location across the street from two banks makes office uses more attractive.
- Potential for a transit-oriented development - this site would not require any off-street parking except what might be required from a private funding perspective.
- Could potentially be a part of a larger Dark Horse redevelopment, which could free up ground-floor office spaces on Main St

Threats

- Potential noise from heavy freight and light rail which run approximately 300 ft from the site.
- There is a parking access easement across this property for the adjacent building at 2025 SE Jefferson St. The exact location of the access easement is unclear.

5.4 Graham Site

Strengths

- Existing building on site provides potential for adaptive reuse
- Potential river views from upper levels
- High pedestrian traffic on Main St
- Pedestrian and bicycle amenities on Main St
- Near other restaurants and retail (the Golden Nugget, Cha Cha Cha!, Libbie's, and Foxy's are across the street from the site)
- 600 feet from future Adams Street Connector, South Downtown Plaza, and light rail station

Weaknesses

- Existing building has unattractive façade
- Large amount of impervious surface
- Vacancy may negatively impact potential developers' perception of financial feasibility for onsite retail uses

Opportunities

- Rehab existing building
- Adaptive reuse of parking lot

Threats

- The owners do not own the air rights to the parcel on the west side. A new project there could block the view of the river from the site.

5.5 Cash Spot Site

Strengths

- Topography allows for a two-level site and could reduce the cost for providing structured parking.

- Riverfront views
- City-owned
- Highly visible location on McLoughlin Blvd/Hwy 99E
- Near Adams Street Connector, Dogwood Park, and future South Downtown Plaza
- Adjacent to Kellogg Lake/Creek natural area
- Frontages on Main St, Washington St, and McLoughlin Blvd
- 400 feet from future light rail station
- Bike facilities on Main Street
- No contamination on site

Weaknesses

- No direct auto access permitted from/to McLoughlin.
- Likely right in/right out only on Washington St
- Portion of site in flood plain and contains natural resources area
- Current zoning includes a maximum of 35-ft building height on McLoughlin side of the property
- Development on western half of the site subject to conditional use review due to Willamette Greenway overlay.
- Development within the natural resource area requires discretionary land use review.
- Some topographical challenges (steep downward slope from east to west)
- Current zoning does not encourage/allow transit-supportive development

Opportunities

- Riverfront Park improvements could make the site more attractive for development.
- Good location for water-based recreational businesses.
- Main St frontage opens right up to the proposed Plaza.
- Good restaurant and view potential for the “ground” floor above a parking garage.
- Potential for multistory uses (office and/and retail) in Downtown Milwaukie
- 400 feet from future light rail station

Threats

- A poorly designed parking garage facing McLoughlin may not be a desirable gateway for Downtown Milwaukie.
- Although the topography could encourage structured parking, there is uncertainty about whether this is the ideal location for structured parking to serve all of Downtown.

- Because there is a private owner at the corner of the property, there is uncertainty about ability to develop the entire site.
- Lack of community consensus about maximum heights in South Downtown
- Vehicular access from Main St could damage the streetscape

5.6 Triangle Site

Strengths

- Adjacent to future light rail station
- Publicly-owned
- View of Kellogg Lake
- Close to Milwaukie High School
- TriMet rebuilding all streets and sidewalks on 21st Ave and Main St to current standards
- Shared bike facilities on Main St and 21st Ave with future connection to Trolley Trail via the Kellogg Creek bike/ped bridge

Weaknesses

- Small developable area
- Oddly shaped
- Not centrally located – site is at south end of Downtown
- Uncertainty about future ridership levels complicates retail development
- Lack of community consensus about appropriate height for buildings in South Downtown
- Current zoning does not encourage/allow transit-supportive development

Opportunities

- Proposed Kellogg Lake bike/ped bridge
- Construction of the Adams Street Connector to the north

Threats

- Perception that transit users might loiter and bring an undesirable element and safety concerns
- Retail uses may be less viable due to limited presence of residential uses nearby

5.7 Murphy Site

Strengths

- Close to Providence Hospital
- Level topography
- Large site
- Potential access to heavy rail (strength for industrial)
- Close to Hwy 224
- Close to police and fire (safe)
- No Further Action Determination for property (former brownfield)
- Future bike access: Bike lanes planned for Harrison St.
- Four adjacent bus lines with nearby stops

Weaknesses

- Next to heavy rail (weakness for residential, commercial)
- Limited access to the site (close to 224, but hard to access it)
- Close to residential (conflicts for industrial development)
- Close to police and fire stations (sirens)
- Limited pedestrian connectivity across Hwy 224 via Harrison
- Lack of rail spur could deter distributor or manufacturer from locating on site

Opportunities

- Potential to create grid with intermixed housing and retail
- Could achieve cost efficiencies with construction of large buildings
- Job creation
- Successful residential uses have been developed next to rail in many other places

Threats

- Could generate a lot of traffic, and the transportation infrastructure might be insufficient
- Ardenwald NDA has fought against additional low-income housing in this area.
- Could be expensive to improve pedestrian connectivity to site (with a pedestrian overpass, for example)
- Warehouses generate low-wage employment
- Noise – quiet zone may not be sufficient to mitigate all noise impacts

- Lack of clarity about brownfield status (even though there is a letter of No Further Action from Oregon DEQ)
- Land values and rent levels probably don't support speculative development here
- Corner lot on site (on Harrison and 32nd) not owned by Murphy and not for sale
- Perception that industrial land should not be converted to retail or residential use

5.8 McFarland Site

Strengths

- Large
- Centrally located
- Level topography
- Highly visible
- A quiet zone will be in place by the end of the year.
- Proximity to Providence Hospital
- Proximity to Milwaukie Marketplace and Oak Street Square
- Adjacent to residential neighborhoods
- Adjacent to active rail line (could be good for industrial if some sort of access to the line was possible)
- Good transit access
- Less than a mile from Downtown

Weaknesses

- Noise impacts from trains (even with quiet zone) could make this an undesirable location for residential.
- Drainage issues
- Environmental contamination
- Weight limit on 37th south of the railroad track due to adjacent wetlands. Trucks would need to access the site via Railroad or Oak St, but not 37th.
- Uninviting backend of Milwaukie Marketplace
- Development on the site could require substantial transportation infrastructure improvements to address auto traffic.

Opportunities

- Development on a site of this size, in this location could help knit together the surrounding community
- Potential to capitalize on market demand generated by nearby senior medical facilities at Providence
- Site size creates potential for job generation
- Site size could be an advantage for light industrial or other industrial related uses

Threats

- Current minimum FAR requirement could limit parking necessary for industrial use

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.

Some key findings apply broadly to most sites throughout Downtown Milwaukie. The community is divided over exactly what good development looks like, with little consensus on the appropriate intensity and 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.

Most likely, successful (re)development will require structured parking (most likely on-site, but possibly at an adjacent or nearby location), both to replace existing parking, and to accommodate new retail, office and residential development. 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. If future phases of this project identify a financing gap for development concepts, then it will be critical for the City to identify public-private partnerships to bridge this gap.

Potential strategies include transferring land to private developers for a low price, and/or for the City to take responsibility for funding construction of a structured parking garage. 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 potentially viable uses for each site. During the next phase of the project, the ECONorthwest Team will create several potential Development Concepts for each 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.

6.1 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. This use, however, would not be consistent with the requirements of Metro's Transit-Oriented Development (TOD) investment criteria, and is not a preferred use for the half of the site owned by Metro. The core mission of the TOD program is to stimulate private sector investment to create the vibrant communities envisioned in the region's 2040 Growth Concept. The core activity of the TOD program is providing development project funding to stimulate construction of higher-density and mixed-use projects near transit.

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.

New development should address the elimination or relocation of current uses on the site. The Farmers' Market on the site is strongly supported by the community, and will need to be relocated if the site redevelops. Implementation of the South Downtown Plan, specifically the construction of a public plaza at SE Main and Adams is intended to provide the new home for the Milwaukie Farmers' Market. But other suitable locations in Milwaukie exist, and could accommodate the Farmers' Market in the event that the South Downtown public plaza is not implemented in time. The Texaco Site also provides a substantial portion of Downtown's public off-street parking. While there is no obligation to replace this parking, new development should be part of a downtown parking strategy to ensure supply and demand are managed adequately.

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

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.

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.

City plans have long identified the site as a location for high-density institutional/employment uses due to its proximity to Providence Hospital. 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.

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.

Attachment A: Development Roundtable #1 – Meeting Notes

Meeting Notes
Moving Forward Milwaukie: Developer Roundtable #1
Milwaukie City Hall, 10722 SE Main St
September 17, 2013, 9:00am-12:00pm

Attendees

Developers:

- Matt Brown – [Williams & Dame](#)
- Greg Specht – [Specht Development](#)
- Mary Hanlon – [Hanlon Development](#)
- David Hassin – [Terraforma](#)
- Dwight Unti – [Tokola Properties](#)
- Jodi Enos – [Northwest Housing Alternatives](#)

City of Milwaukie:

- Jeremy Ferguson, Mayor
- Steve Butler, Community Development Director
- Li Alligood, Project Manager - Associate Planner
- Ryan Marquardt, Senior Planner

Consultants:

- Nick Popenuk, Project Manager - ECONorthwest
- Scott Fregonese, Project Manager – Fregonese Associates
- Abe Farkas - ECONorthwest
- Tessa Krebs – ECONorthwest
- John Fregonese – Fregonese Associates
- Leila Amman – Fregonese Associates

Other:

- Meganne Steele, Metro
- Megan Gibb, Metro

Downtown Opportunity Sites

- **Large-scale Challenges**
 - Low rental rates and housing prices in Milwaukie
 - Can't build anything with current retail rates (Mary)
 - Median housing prices are so low. Cannot see how anyone can build without financial incentives. Current rents will not yield high-quality new development. (Mary)

- Rents low and vacancy rates low, which is an anomaly. Older units bringing down rent rates. (Jodi)
- “Affordable” housing prices are the same as median housing prices in Milwaukie. Residents of affordable housing are workforce people. (Mary)
- Question from Nick: What would the rental rate have to be for development here to pencil out?
 - Rates would have to be around \$25/sq. ft. or more for commercial. (Dwight)
 - Yield on cost: 8%. Just depends on what you build, what the permit costs. 8% is probably the floor. If you’ve got a credit tenant¹ and employment use you might be able to get below that. (Greg)
- High construction costs with low rental rates create a gap; need financial tools available to fill it. (Matt)
- Private property owners sometimes want to hold out; that is dangerous. The danger of a “legacy” project for private property owners is that they’ll hold out to be the last person in to make the most money. City cannot bank on getting a lot of money from developing these sites. (Matt)
- Scattered Nature of Properties
 - Any project will be pioneering. Scattered nature of properties could be a challenge to create your own market. Can’t set the tone for the neighborhood. They’re infill projects, so you’re counting on the stuff around them. Would be better if all sites next to each other. (Matt)
- Existing Buildings in Downtown
 - I think it’s great that the City is looking into these. I always felt Milwaukie had a sense of place and community. I’m not a new construction, large developer. But I do understand the ability to rent or sell at market rate is critical. If I look at the stuff I’ve been involved in: medium-density infill in close-in neighborhoods in Portland. Looking into cool, hip, interesting lots around the central core. That will bring in the interesting retail that services those individuals, and helps to buoy the core. Look at Mississippi District, young families move in, then retail and coffee shops move in, and then lease rates come up. Mississippi was \$12 per SF, and now Trammell Crow built something new and the rents are equivalent to the Pearl. It’s a groundswell – residential and retail drive each other and will help to drive up rental rates. Existing buildings: working with owners to bring in services. Have

¹ A tenant with the size and financial strength worthy enough of being rated as an investment grade by one of three major credit agencies: Fitch, Moody’s, or Standard & Poor’s. An investment grade rating is seen as a good sign that the tenant will be able to pay rent, even in economic downturns or specific market slumps. (Definition from www.investorwords.com).

people want to buy houses and property downtown. Opportunities to do new construction are greater after that. (David)

- **Larger-scale Opportunities**

- Good template with streetscape, good bones of the community. Riverfront shows creativity and that you are seriously interested in the development of downtown. (David)
- Opportunity for mix of generations. Milwaukie older residents want to stay and be a part of community. Urban living for long-time residents. They can afford the higher prices/rates. (Dwight)

- **Opportunities and Challenges for each of the sites**

- Site 1: Texaco (McLoughlin & Harrison)
 - Most potential for development if both parking lot properties [including the Texaco Site and the City-owned half block on McLoughlin south of Jackson St] could be developed together. This would be the first site to develop. (Matt)
 - Capitalize on large piece of land and the fact that City owns it and doesn't have to purchase. (Greg)
 - You're adjacent to the North Main Village. That is strength of the site. (Matt)
 - Visible from McLoughlin Blvd. for attracting people driving through. Proximity and view of the riverfront. (David)
 - There's mass there that works. Having said that, that's a big project for Milwaukie, that's a lot of money. (Greg)
- Site 2: Cash Spot (McLoughlin & Washington)
 - Concern about private owner on northeast corner of property. Ideally, would want to develop the entire property, but not impossible. (Greg)
 - Isolated right now from others. (Matt)
 - Grade is very attractive. A lot easier to develop parking structure on that site. (Matt)
 - Proximity to the light rail, access to the river, next to the lake. You have a great opportunity to get people to the water. (David)
- Site 3: Triangle (21st & Lake)
 - Potential for a one-story building such as service retail, food vendors, coffee, etc. (Matt)
 - I love the small retail that collects around transit. People get off and buy their bread and vegetables. (David)
 - Need to know what ridership at station will be before know exactly what type of retail to put there. (Matt)

- Suggest that the City waive all fees, give land to someone to do something really cool and unique. (Greg)
- Drawbacks: Not the size as shown on the map. It's about 1/3 of that. Can't do it right away. Not good for mixed-use. (Matt)
- MAX
 - Concern about lack of parking at the Main St. station. (Matt)
 - Residential around the MAX will drive ridership. I wonder how light rail works when you don't have parking? Do you need more residential within walking distance from light rail station? (David)
- Site 4: Dark Horse Properties (21st between Jefferson and Monroe)
 - Good that it is owned by just one person, which makes it easier to deal with, but bad that it faces a lumberyard and concern about the price of the property. (Greg)
 - Need activation of retail on both sides. (Mary)
 - Lumber yard isn't necessarily a killer, but why would people go back there? I think it's a mixed-use. (Mary)
- Site 5 is to be determined.
- **Uses for the sites**
 - Mixed-Used
 - I would have all mixed use here. (David)
 - If you're going to do it in a mixed-use format, we find it hard to get financing if office is 15% or more of the proposed revenue. We've created some micro spaces for garage storefront. It's 365 SF. I wish we had 10 of them. (Dwight)
 - Grocery store
 - Challenging economic formula. Downtown grocer would work, 5,000 SF or less, but still full-service, however small. Not going to get a trendy, organic store like New Seasons or Trader Joe's. We look at grocery stores as a loss leader to attract residential, similar to how clubhouses used to function in gated communities. (Dwight)
 - City could build and lease to grocer. (Greg)
 - Starting to see more small grocery stores. Green Zebra. (David)
 - Ground-floor retail
 - Will also be a loss leader, but attracts renters to the area and consequently residential development. If you've got 100+ units on the site, you can afford to carry the ground floor retail for a while. You'll need to carry it for the first 5-years. You need those amenities. (Matt)

- Will create a cool street life with interesting businesses. If you can't shop, residents won't want to live in a downtown area. (David)
- Housing: senior or for younger renters
 - My experience is that Milwaukie is competing against other areas with mixed-use development. The young people are mobile and can live anywhere they want. On the flip side, when you look at Milwaukie, you have quite a few people who are older. You're going to lose these people if you can't provide them with senior housing. The solution is: gated parking, elevator service. You need a welcoming environment where they can feel safe and secure. (Dwight)
- Affordable urban project style: tuck-under parking, 2-story does make it cheaper to build. A 1:1 ratio of parking to housing unit. (Dwight)
- Office capacity
 - Part of mixed-use building, but not the center point. Just finishing a 35,000 SF project in NW. We tried small spaces (450-700 SF), very autonomous with their own bathrooms and HVAC systems. Ones that have character and historic feeling. People like autonomy. But it cost us more to develop those smaller spaces. But they leased quickly, and the lease rates are \$30 (modified NNN). (David)
 - Hard to get financing with more than 15% of revenue being generated from commercial space. (Greg)

Central Milwaukie Opportunity Sites

- **Surrounding Amenities**
 - Milwaukie Marketplace developed in 1989; LA company is the owner. Functions for residential shopping: Albertsons, Starbucks, discount shopping stores. (Mayor)
 - Transit: bus on 32nd frequent service. #75 to Hollywood, City of Milwaukie. 31st will go to frequent once Max is in. 28 is local bus route. (Mayor)
- **Opportunities and Challenges for Each of the sites**
 - Site 6: McFarland
 - Background
 - 7.5 acres
 - Surrounded by residential, retail and railroad tracks. Property used to be fence-post treatment plant. (Mayor)
 - Still trying to contact the McFarland property owner (from Tacoma, WA) for an interview. (Nick)
 - Current zoning: Residential (Ryan)
 - McFarland is probably a seller, not a developer. (Greg)

- Uses
 - Housing
 - Housing logical, but interconnect with retail. Potential to create a grid with both. Good parallel to a project in Alexandria, VA. (Mary)
 - City's feeling about more affordable housing is that as long as its good, then it is fine. City doesn't want more development like the other affordable housing units North of the Murphy site – built in the 1940s [Hillside Park and Hillside Manor]. (Mayor)
 - Property is on the back end of retail, but people will drive to it anyway. (Mary)
 - A pedestrian overpass might be needed, but that would be expensive. It could just not be any way connected to the shopping center, but totally separate. (David)
 - McFarland is better for housing than the Murphy site, because you've got the retail right there. (Greg)
- Industrial
 - There is no rail spur. (Mayor)
 - If a spur could be put in, it could attract an industrial company. (Greg)
 - Distribution or manufacturing plant that uses rail – Wilsonville is a good example of similar uses. Industrial use is a viable market. Industrial land values: \$5-8 per foot in area. (Greg)
 - There are significant cost efficiencies with bigger buildings. (Greg)
 - The City will get a lot of flack for industrial property development. Could market it as generating jobs in the area, especially light industrial. Not really high paying, most warehouse jobs are "family wage" but not "high end" and low employment density. (Greg)
- Flex Space
 - Could see potential for industrial use, but also little spaces. Flex space for entrepreneurs that are lower cost. Could be appealing to business looking for lower rental rates, but their own space. (David)
 - It's hard to get a yield that works if its 100% warehouse space, so getting some office mix improves the yield. (Greg)
- Potential Challenges
 - Noise
 - The City is implementing a quiet zone in this area. (Mayor)
 - If train is quiet zone, then not a big problem. Noise impediment is not that big of deal. (Matt)
 - In so many places, there is residential right next door to rail. (David)

- Remediation issue: it is not a brownfield, and no further action is required per DEQ (NFA). More information is needed, but good news that there is NFA associated with property. (Nick)
- Land values around the region for industrial uses are \$5 to \$6 per SF, with a high end of \$8 per SF. (Greg)
- Depends on the occupancy in these submarkets. Rent levels are trending up around the region. But if you're building speculative product, you need to underwrite it. Need to underwrite with absorption with an 8/8.5% [related to the 8% yield discussed earlier]. (Greg)
- Difficult to get public subsidy on light industrial projects. (Greg)
- o Site #7: Murphy
 - Background
 - 6 acres
 - Met with Steve Butler and Bill Monahan. I figured we would go through the huge rezoning exercise on our own. And now we're going to go through it together with the City. (Greg)
 - Former saw mill. Current zoning is funky, but would like to change. To the north of property are a low-rise, housing authority property from the 1940s and a tower from the 1960s. (Ryan)
 - Providence Hospital is not interested in purchasing the space, but we would like to talk more with them. Murphy will do whatever – lease or sell. Murphy does not own corner lot on Harrison and 32nd and that piece is not available for sale. (Greg)
 - Next to the train line - UP main line. A proposed high-speed rail could add 6-12 trains a day that would begin in a few years. The proposal would double-track this line. This is part of the quiet zone. (Mayor)
 - Uses
 - Industrial
 - o Industrial land should not be converted to other uses. Can see this property as light or medium industrial with employment. City should make the property attractive for industrial employer. Probably not a residential or retail site. Worth somewhere around \$5-7 per SF. (Greg)
 - o Reduce minimum FAR. Similar situation on another 6-acre spot near west side light rail. Industrial buildings taking up 40% of land area is barely ok, but is better to be less. (Greg)
 - o I wish that Murphy was a good retail site, so that we could get \$25 per SF, but it's not. (Greg)
 - Medical Related

- Some kind of senior housing or medical facility. Doctor offices are also close-by. Does Providence have interest in campus expansion? Because it is on a bus route and adjacent to Clackamas County low-income site. (Mayor)
- It could be a senior housing site, and it could be a low-income housing site. (Greg)
- Potential Challenges
 - You would need minimum parking ratio of 2.5 or 3.0 per 1,000 SF for industrial. many jurisdictions don't like parking. We own a 50-acre park on the light rail line in Beaverton. Six acres right next to a light rail station that's still vacant. (Greg)

Riverfront Park

- **Plans:** build amphitheater, boat access and visitor parking (Mayor).
- **Wastewater treatment:** fund is in place that will be used to purchase trees, plants, and ways to hide plant. Also will use money for odor control to reduce smell on waterfront. The problem is primarily with the residents to the south of the facility. Noise abatement as well. There is no odor problem in downtown (Mayor).

What is Already In Milwaukie

- **Health Care:** Providence Hospital about a mile away from Downtown; across the street from affordable housing units on 32nd Ave. (Steve)
- **Demographics:** Although the numbers show an aging population, the trend seems to be younger population, primarily from the influence of the Waldorf school relocation, which is bringing higher incomes and families with school-aged children. The Waldorf parents are either moving to Milwaukie or coming to drop off kids. Many young people are trying to come to Portland from around the country. Young people are starting to look for places to settle down with lower house prices and shorter commute to Portland. (Steve)
- **Waldorf School:** Relocated to Milwaukie in 2006. Parents serve on Council and government boards, and want to be a part of the community. The school has 125 K-12 students. (Mayor)
- **Grocery:** Old Albertsons was at 32nd and Harrison [site of the Public Safety Building], now is on the east side of 224 near the McFarland site. Safeway is NE of the Albertsons; on the same side of 224. (Mayor)

Personal Interest in Any Site

- This has been very useful. It's great information. I think you're asking the right questions, rather than handing people a completed plan. Land prices must be higher. And you'll still have a five-year loss leader. The City is in a good position because they own land, so they are in a much stronger position to build something. The

barriers of government support, zoning, and community reaction have been overcome, but still barriers in low rates. (Mary)

- Potentially interested in sites 1 and 2. Would be more interested if his firm did not have to put out a bunch of money into an RFP, but rather be selected by the City based on qualifications and work with City to get what is best. Biggest concern is how the process will unfold and must see 100% commitment from government. (Dwight)
- Potentially personally interested if get help with financial tools. The cost to develop depends on the standard of the building and what they can get in rents. Right now in Milwaukie, there is a gap and how can we fill that gap? Need tools available to fill the gap. Developers will not extend themselves to fill the entire gap. What are the tools I can work with to reduce that? You won't get all the way there, and there will still be some risk from the developer. The City is doing a good job at demonstrating political will with private sector. I would agree with Dwight to select someone on qualifications rather than a detailed and costly RFP. I would ask for RFQ and not RFP. Select someone based on qualifications and give them a period of time to put together a deal. (Matt)
- In other jurisdictions, bureaus skew the whole project. The City must be in communication with the bureaus to make the process smoother. Needs commitment from government and availability of tool box is very important. Look for solutions, not problems. (David)
- Solution to permitting. Efficient permitting does not mean you should be too lenient; goal should be efficiency, objective, predictable, but also stringent. (Matt)

Suggestions/Questions for ECONW

- Pay design firms \$15,000 to \$20,000 to come up with specific idea for site. (Greg)
 - Fregonese will make 2-3 alternatives for each site. Construction and developer costs, floor plans, parking plans. Fregonese: take best site and that's the one that the City can get detailed architectural designs for. (John)
- What are the highest retail rents? (Dwight)
 - Nick to follow-up.
- Market study: where are flex rates for light industrial on Hwy. 224, what is market like for that area? (Greg)
 - ECO to include in market study
- What is the demand for industrial space? (Greg)

Suggestions to City of Milwaukie

- Tools to use

- Tools that City should consider: Transit oriented development (TOD) easement program, reduction in traffic impact fees, waivers of permits, land write-down, urban renewal area (URA), and SDC reduction tools. (Dwight)
- City needs to get fee waivers, expedited land use, permit processing and other ways to get private developers to come in. (Greg)
- Reduced SDCs and expedited permitting. (David)
- Is it valuable to see quotes from City Council to back up work from staff? (Mayor)
 - Actions are the most important, not the quotes. Must get support from community, because elected leaders change. Analysis is in understanding the will of the community, to bring private sector and development to the community. (Matt)
 - Quotes are great! Regulatory process is important, too. Framework is in place on the ground. (Greg)

**Attachment B:
SWOT Analysis**

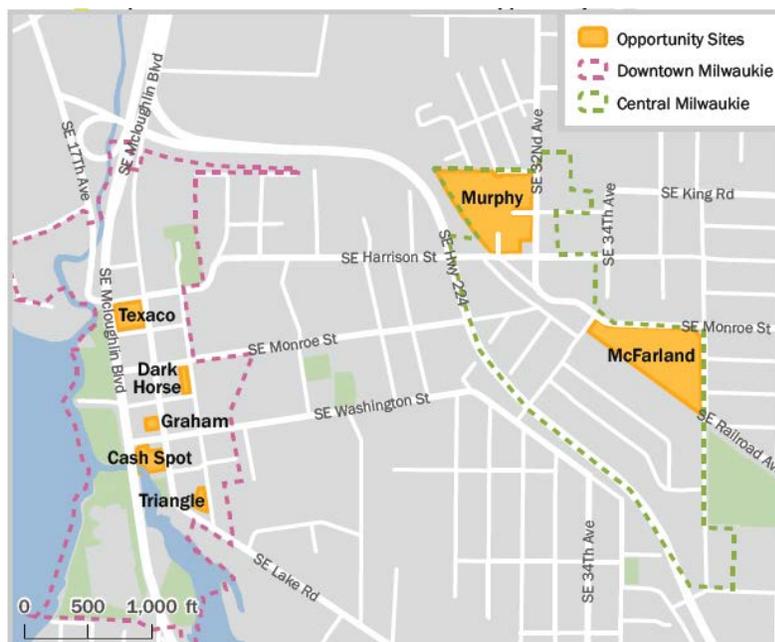
December 5, 2013

Prepared for:
City of Milwaukie

Introduction

The purpose of this document is to provide an analysis of Strengths, Weaknesses, Opportunities and Threats (SWOT) for each of seven development opportunity sites identified by the City of Milwaukie. Five of the opportunity sites are located in Downtown Milwaukie’s commercial area, and two are located in the Central Milwaukie commercial area. The project contains another area of focus, the Neighborhood Main Streets of 32nd Ave. and 42nd Ave., but there are no opportunity sites located in the Neighborhood Main Streets areas. As such, this analysis focuses on Downtown and Central Milwaukie.

Figure 1. Map of Downtown and Central Milwaukie Opportunity Sites



The SWOT analysis is intended to guide and document the process of drafting and refining feasible development concepts for each site that will support the community’s overarching goals for Milwaukie’s commercial corridors as defined during the *Moving Forward Milwaukie: Enhancing Our Commercial Corridors* project (of which the opportunity site concepts and SWOT analysis are components).

While the primary goal of the SWOT analysis is to catalyze appropriate development on each opportunity site, it is also intended that overall themes and lessons from this evaluative process can inform and be applied to strategizing to jump start development in all of Milwaukie’s commercial areas.

1 What is a SWOT analysis?

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 located in two of Milwaukie's commercial areas. The SWOT analysis includes information on accessibility, compatibility of adjacent uses, public perception, infrastructure, City plans and code, parcel shape, size, slope, and soil quality, among other relevant factors. Each element is detailed below.

Strengths

The strengths of a site are assessed by looking at characteristics endemic (internal) to a site, and that impact how it might be viewed by potential investors or other economic agents.

Weaknesses

Weaknesses are also focused on the endemic features of a site that have potential to impact its marketability to investors and other economic agents. Weaknesses can be categorized as real, perceived, or areas of uncertainty.

Opportunities

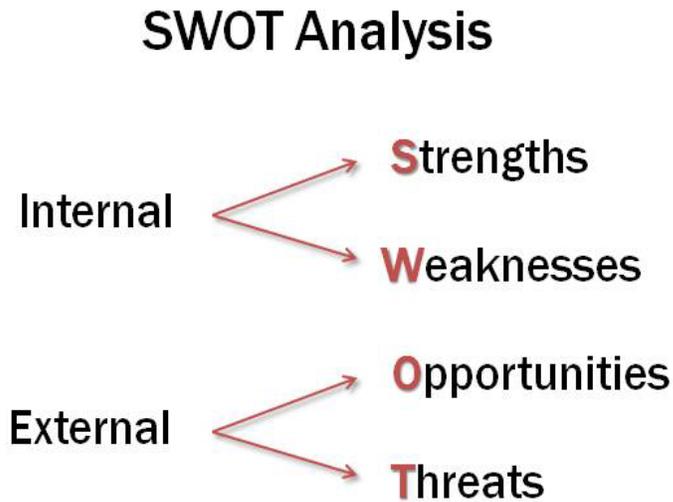
The opportunities of a site in the future are approached broadly and strategically. Opportunities are related to the physical elements of the site, market conditions and real or perceived advantages for the site.

Threats

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 their damage to a site can be mitigated.

The SWOT can be broken down into internal and external influences. Internal influences tend to be site specific, while external influences are generally area wide, or outside of the site boundaries.

Figure 2. SWOT Analysis Illustration



Strengths and weaknesses generally tend to be issues that are *internal* to the site, such as the site location or topography - things that either can or cannot be changed on the site itself. *External influences* are generally represented by opportunities and threats, those things that position a site for either success or failure that are not site specific, but rather come from outside influences. Adjacent roadways, access to transit and market conditions are examples of external influences.

SWOT strategies take the following forms:

S-O | W-O strategies – Strategies to pursue opportunities that are a good fit for the site’s strengths and overcome the site’s weaknesses.

S-T | W-T strategies – Strategies that use strengths to reduce vulnerability to external threats and establish a defensive plan to address weaknesses.

The conclusions from each site will be summarized into the above categories.

1.1 How this SWOT is organized

The SWOT will include an overview of existing plans and projects for two of the project study areas (Downtown and Central Milwaukie) to provide a framework for understanding community goals and aspirations, and efforts already underway. Overall strengths and weaknesses for each study area will also be included in this summary.

The analysis of each of the seven opportunity sites will include a summary of the site’s general characteristics and specific strengths, weaknesses, opportunities and threats. Findings for each

of the sites will be organized into SWOT strategies as a starting point for creating the development concepts.

1.2 Data Resources for the SWOT

The information included in the SWOT analysis is compiled from a variety of sources, including:

- Planning documents reviewed in the Background Memo (Task 1.2)
- Market Analysis from Task 2.3
- Interviews with property owners and stakeholders from Task 3.1
- Public input from the Project Advisory Committee, Developer Roundtables, the October 3, 2013, Kickoff Event, and City staff
- Clackamas County Assessor Real Market Value Data
- Oregon Department of Environmental Quality (DEQ) Database

2 Downtown and Central Milwaukie | Planning Context

2.1 Specific Plans and Projects

Over the past few years, the City has undertaken a number of planning efforts to understand the community's desires and goals for future development in the City. Overall the City is positioning itself to create a development-ready community and to move toward a vibrant, mixed use town center with a range of transportation choices.

The Comprehensive Plan is the official policy statement of the City establishing broad City goals, and specific policies to achieve those goals. The Comprehensive Plan provides the foundation for the development of specific area plans within the City.

Downtown and Central Milwaukie are part of the Milwaukie "Town Center" area as designated in the Metro 2040 Growth Concept. The Growth Concept defines a Town Center as an area serving the everyday needs of locals, as well as a specialty and destination retail component. Town Centers are usually connected to regional centers via major road networks and transit. A Town Center designation includes housing and employment requirements that must be included in local plans.

In 1997, following the City's designation as a Town Center, the City produced the Town Center Master Plan (TCMP),¹ an ancillary document to the Comprehensive Plan developed to meet Metro requirements for Town Centers. The TCMP is a master plan for the Town Center area, including Downtown and Central Milwaukie. The TCMP established 6 subareas and set forth specific planning approaches for each.

2.1.1 Downtown Milwaukie: Specific Plans and Projects

The community's vision for Downtown is reflected in the 2000 Downtown and Riverfront Land Use Framework Plan ("Framework Plan"), which refines the Subarea 1 content of the 1997 TCMP. The Framework Plan refines the community vision of what should occur in Downtown and the Riverfront area. The vision support new housing and an amenity-rich community with a lively and active downtown that has a strong connection to Riverfront Park. The Framework Plan includes implementation strategies and several priority projects to achieve this vision, many of which have been completed or are in progress.

The Framework Plan was implemented through five downtown zones, and led to the development of the Public Area Requirements (2000) and Downtown Design Guidelines (2003) to support and implement the plan. The Public Area Requirements (PARs) guide the development of capital improvement programs for the public right-of-way in Downtown, while the Downtown Design Guidelines provide guidelines and against which to review new development in Downtown. The Downtown Design Guidelines are implemented by downtown design standards and a design review process.

Since the adoption of the Framework Plan in 2000, the Framework Plan has been refined through the 2011 South Downtown Concept Plan. However, this plan has not yet been codified, and current regulations do not allow implementation of the plan as proposed.

2.1.2 Central Milwaukie: Specific Plans and Projects

The 1997 TCMP is the basis for current zoning regulations on the Murphy and McFarland sites. The applicable theme from the TCMP is "Infill and Redevelopment Opportunities" and "Economic Development Strategies." Recommendations for this area include rezoning high priority areas (Downtown Milwaukie, the Murphy and McFarland sites, and portions of a site owned by Providence Hospital) and financial underwriting for part or all of demonstration projects to encourage appropriate types of development, accompanied by technical assistance to illustrate project preparation requirements and financial feasibility.

¹ Also known as the Regional Center Master Plan; Milwaukie was originally designated as a Regional Center, but was redesignated a Town Center in 1999. References within the Comprehensive Plan have been updated, but the document title and content has not.

The City of Milwaukie secured a Transportation and Growth Management (TGM) program award in 2009 to fund a citywide phased code evaluation and amendment program. Project-specific findings from the evaluation include:

- There are many existing nonconforming uses in downtown
- Downtown zoning and design standards are overly prescriptive, difficult to interpret and lack sufficient flexibility
- Minimum height requirement (35-feet) for buildings fronting Main Street is aggressive compared to other Town Centers
- The current discretionary design review process is difficult to interpret and apply. The existing process can be excessive and may serve as a disincentive to developers.
- Design guidelines are difficult to apply due to their subjectivity. They do not provide adequate direction for determining compliance.
- The public area requirements (PARs) for Downtown zones may be prohibiting new investment in downtown²
- Outside of Downtown, Milwaukie has minimal design standards for commercial development relative to similar-size cities.

2.3 Transportation Access

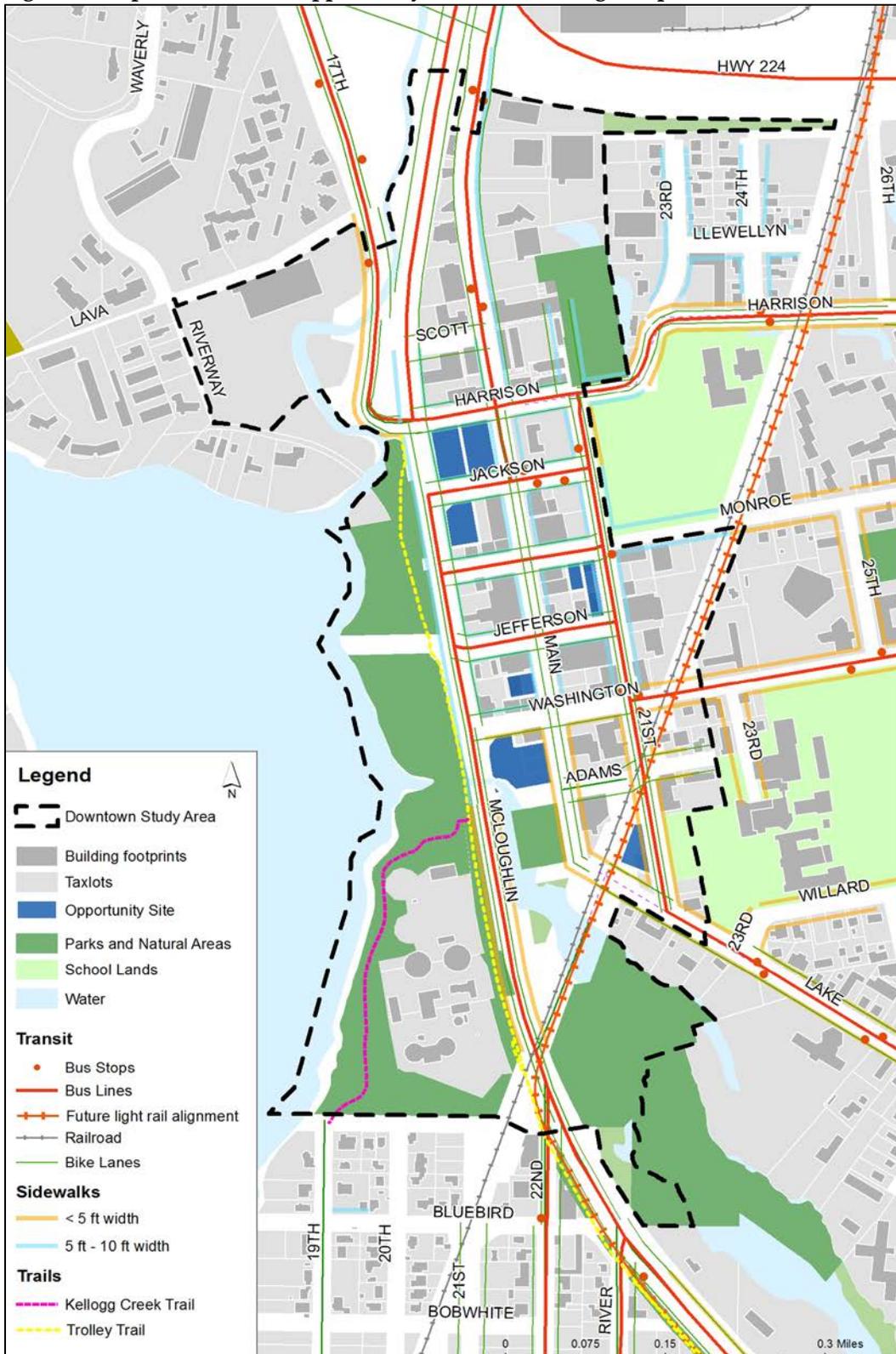
The City's TSP identifies existing issues with the transportation network (transit, auto, bicycle, and pedestrian) that could impact the development opportunity sites in Central Milwaukie and Downtown. These issues are summarized below.

2.3.1 Transportation Access in Downtown Milwaukie

Downtown Milwaukie benefits from: a traditional modern street grid; vehicular access to regional routes such as Hwy 99E (McLoughlin Blvd.) and Hwy 224; access to high quality frequent transit service; the future Portland Milwaukie light rail (PMLR) alignment, which includes stations just north of the city and in Downtown Milwaukie.

² Currently, the financial burden of constructing the PARs falls entirely on the private property owner or developer.

Figure 4. Map of Downtown opportunity sites and existing and planned transit service.



Source: ECONorthwest and City of Milwaukee, 2013

McLoughlin Blvd. presents a major barrier for pedestrian access to the waterfront, but many completed and planned projects are improving access to the riverfront. The McLoughlin Blvd. improvements—including widening of sidewalks and landscaping—were completed in 2007. Two key projects underway will improve pedestrian access to Downtown Milwaukie—the Kellogg Lake bicycle and pedestrian bridge and the Monroe Street Neighborhood Greenway.

According to the City’s Transportation System Plan (TSP), the intersections of Harrison St. at McLoughlin Blvd., Main St, and Hwy 224; and the intersections of Monroe St. at Hwy 224 are projected to fail by 2030 under a no build scenario. All of these intersections are key access points for Downtown Milwaukie. While it is important to consider the potential outcomes from a traffic modeling standpoint, the City recognizes that efforts made to enhance all modes of transportation, combined with actions to help increase access to services and goods in close proximity to population centers, is an important strategy for future growth. The efforts underway to improve multimodal transportation and the land use vision for a more mixed-use community will likely help to mitigate future traffic impacts.

2.3.2 Transportation Access in Central Milwaukie

Hwy 224 provides great accessibility to Central Milwaukie. King Rd³ and 32nd Ave. are also major connections to other parts of the region, including southeast Portland to the north and Clackamas County to the east.

Overall the area lacks connectivity and does not have a traditional street grid. The Union Pacific Railroad passes through the heart of this district, limiting access to the opportunity sites adjacent to the rail line. The TSP includes projected intersection failures at all intersections on Hwy 224 (Harrison St, Monroe St, Oak St, and 37th Ave.) under a no build scenario. These intersections are key access points to Central Milwaukie from the north, west, and south.

There is access to frequent transit in the area. Frequent service line #75 passes, through the area, and the #29 and 30 buses both stop within a half mile of each site. The opportunity sites are also less than a mile from the future Downtown light rail stop, and the bus shelter area on Jackson St. between 21st and Main St, which is served by ten bus lines.

³ Note that the TSP has also identified 42nd and Harrison as a failed intersection by 2030 under a no build scenario. This is a key access point to Central Milwaukie from the east.

Figure 5. Map of Central Milwaukie opportunity sites and existing transit service.



Source: ECONorthwest and City of Milwaukie, 2013

2.4 Conclusions

The City of Milwaukie has made in moving its Downtown toward the community vision defined in the Comprehensive Plan. The City is implementing public works projects in the Downtown and addressing issues that the development community and others have identified as major barriers to development. The City is also capitalizing on its assets by reconnecting to the river and identifying potential development opportunities on both publically and privately owned sites through this project.

Central Milwaukie does not have as clear of a vision or plan as Downtown, but as part of the Moving Milwaukie Forward project, the City will create a land use and transportation framework to guide future investment in Central Milwaukie. This framework will provide a foundation to implement projects that support the community vision.

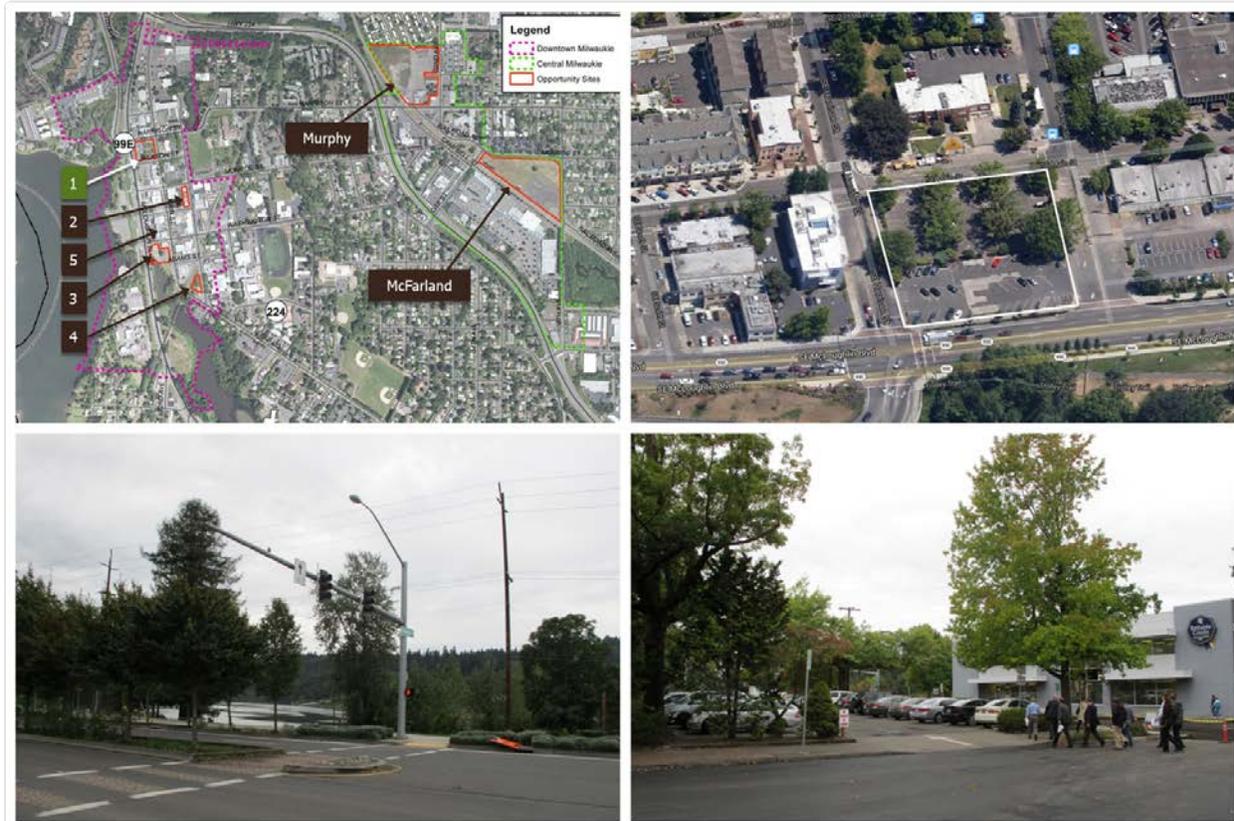
From an economic development standpoint there are opportunities, even in the challenges. There is market demand for retail and office as evidenced by low vacancy rates (see the Market Study for additional information). Low rental rates make it possible for small businesses to develop in existing buildings in the Downtown. However, new construction requires much higher rents and would be harder to fill (see the Market Study for details). Based on the market study, 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 are an obstacle to new development.

The City has an opportunity to help set the stage for new construction that fits within the community vision, to attract retail and office users that can pay a higher premium.

Shifting demographics will also impact demand for housing. Market rate products could work here but would need to target higher income households. Downtown's largest employer, Dark Horse comics, provides potential to attract "young creatives" who want a vibrant atmosphere, and access to transit that can easily connect them to downtown Portland and other parts of the region. There are also opportunities to provide housing for seniors to "age in place" by providing quality, affordable housing near services and transit.

While the Portland to Milwaukie light rail alignment is not universally accepted, it will provide an important connection to the rest of the region and may provide some relief for traffic on McLoughlin Blvd. and Hwy 224. Ensuring that the major thoroughfares are still functional will be paramount as the City grows, but multimodal and land use strategies that provide goods and services close to residents will help reduce overall trip length, and can help to reduce congestion and demand on the road network.

3 Opportunity Site 1 – Texaco Site



3.1 Overview of site characteristics

3.1.1 Physical qualities

The Texaco site consists of two tax lots; the McLoughlin Blvd. lot is addressed as 10700 SE McLoughlin Blvd. The total site includes nearly 1 acre of flat land above the floodplain. The site is subdivided into two parcels with different owners, and could allow for a phased development.

3.1.2 Market value

According to the Clackamas County Assessor, the 2012 Real Market Value⁴ of the Texaco site is:

West: \$389,436

⁴ The sites are valued differently because the western tax lot was most recently assessed in 2007, and the eastern tax lot was most recently assessed in 1990. Current market values are based on trends and do not necessarily reflect current values.

East: \$286,568

Total: \$676,004

3.1.3 Zoning

The Texaco site is located in the Downtown Storefront (DS) zone. Relevant zoning considerations for the site include:

- Lots fronting Main Street are subject to more development and use controls than those on McLoughlin Blvd:
 - Minimum building height: 3 stories (35 feet) for Main Street-fronting lots; 2 stories (25 feet) for McLoughlin-fronting lots
 - Buildings fronting Main Street must include 75% of square footage as retail or restaurant uses; up to 25% of ground floor area may be dedicated to personal/business service uses
 - Office uses are not permitted on the ground floor of buildings fronting Main St.
- Maximum building height: Mixed use (MU) Office with ground floor retail/restaurant = 3 stories (45 feet); MU Office Residential is 4 stories (55 feet) given that residential is included on 1 entire floor, or 25% of the gross floor area.
 - A 4th floor height bonus is available, contingent on the inclusion of residential use.
- Parking facilities are allowed by right on Main Street without restrictions
- No off-street parking is required

3.1.4 Ownership/financing

The Texaco site is jointly owned by Metro and the City of Milwaukie. Metro owns 95% of the western parcel and the City owns 5%. The City owns 100% of the eastern parcel. When Metro acquired the site in 2005, using TOD funds, the City and Metro entered into an IGA (intergovernmental agreement) for the disposition of the site calling for a 4-5 story development (the “Town Center project”). That project is no longer active. Future development on the site would likely be subject to the same requirement.

3.1.5 Preparation requirements

The site was remediated for petroleum contamination in 2006. Metro negotiated a PPA (prospective purchaser agreement) with DEQ. There is a restriction against residential on the ground floor but no further action is required for development assuming the project does not go underground.

3.2 SWOT Analysis

3.2.1 Strengths

- Physical and visual access to the riverfront (across the street)
- High visibility: serves as a gateway into downtown Milwaukie.
- Large size: The site is just under an acre at 41,280 square feet, which could support development potential for larger scaled project.
- Flat and dry: The site is not in the flood plain and it is level.
- Centrally located: The site is centrally located in Downtown Milwaukie, with frontage on both McLoughlin Blvd. and Main St.
- Near amenities: proximity to the growing amenity base (restaurants and retailers), as well as civic and public amenities such as City Hall and Ledding Library in the heart of the downtown.
- Good multimodal access: By auto, to and from the future light rail station, and via existing frequent bus service adjacent to the site. Bike/ped connections (Trolley Trail and 17th Avenue connection) are also strong here.

3.2.2 Weaknesses

- Tree loss: Existing trees on the site are highly valued by the community. A development of the site would likely mean the trees would be removed.
- Adjacent to state highway: The site fronts a state highway (McLoughlin Blvd/Hwy 99E) which would likely add to development costs to offset the negative impacts of noise and pollution from the roadway and harm to rents.
- Access restrictions: Due to proximity to McLoughlin Blvd. (Hwy 99E) and the status of the Harrison St./McLoughlin Blvd. intersection, vehicular access to and from the site will be limited to SE Jackson St. only.
- Previous use as a Gas Station: The ground floor is not suitable for residential development because of prior site contamination. However, the site is suitable for 2nd-story residential with a dedicated HVAC system.
- Subgrade parking costly: Construction of underground parking would significantly increase a project's costs and require further onsite mitigation.

3.2.3 Opportunities

- An excellent view of the river from upper floors of a multistory residential development could attract higher rents.
- The site has the potential to create a new market for development in Milwaukie due to its size and potential to bring new households and services to the area.
- A well-designed project would have a positive impact on Milwaukie's desirability for further residential, office and commercial development.

- A new development on the site would give Downtown Milwaukie a new market comparable, in addition to North Main Village, which will help support any future mixed use development in the downtown.
- The potential for a public-private partnership providing community benefits could include a land value write down and other incentives, making this site extremely attractive for a near-term development.
- A well-designed, signature project could transform McLoughlin Blvd into a beautiful inviting area for Milwaukie and further enhance the connection to the river, and enhancing outsiders' view of the City.

3.2.4 Threats

- The site currently serves as the location of the Milwaukie Sunday Farmers Market. The Market and its location are very important to the residents of Milwaukie, and site development would require Market relocation.
- There is lack of community consensus about maximum building heights on the site.
- Current code requirements are overly prescriptive, difficult to navigate, and inadvertently prevent new development on this site.
- If the project is done poorly, it could negatively impact perception of Milwaukie from McLoughlin Blvd.
- Large size could make it harder to fund one cohesive development project on site and poses more financial risk.
- Some developers deterred by previous experience on site/failure to construct previous development project, specifically the community's opposition to heights over 3 stories.
- New development downtown requires discretionary review, which may act as a barrier to developers.

3.3 SWOT Conclusions

3.3.1 S-O | W-O strategies

- Encourage active ground floor uses and capitalize on opportunities to enhance visual access to the river to increase the market-feasibility of a development projects on this site.
- Enhance the pedestrian environment on McLoughlin Blvd and Main St. A project could enhance connections between Downtown to the Riverfront and provide a functional connection to the transit system and bike network.
- Engage stakeholders –residents and elected officials – in efforts to leverage public investment potential (via the City, Metro, or both) to generate real market returns and positive development momentum district-wide from site development.
- Encourage design of new buildings that support walkability and conversion to restaurant/retail uses as the market emerges.

- Find resources to help incentivize restaurants and other desirable private amenities.
- Market the site and Downtown Milwaukie as a whole to prospective developers and desired tenants.

3.3.2 S-T | W-T strategies

- Conduct a demand-based parking analysis for the entire Downtown to help right size parking for future development within the downtown and provide support for developers seeking to provide less parking than what is required by typical lenders.
- Streamline the Downtown Code to provide certainty to developers, property owners and the community.
- If full development of the site is not possible consider a phasing strategy to encourage development in the short term.

4 Opportunity Site 2: Dark Horse



4.1 Overview of site characteristics

4.1.1 Physical qualities

The Dark Horse site consists of two tax lots addressed as 2036 SE Monroe St and 10951 SE 21st Ave. The site includes the entire frontage along 21st Ave, including two corners, giving the site high level of visibility. The site is level and includes three existing buildings.

4.1.2 Market value

According to the Clackamas County Assessor, the 2012 Real Market Value of the Dark Horse site is:

North: \$156,231

South: \$234,561

Total: \$390,792

4.1.3 Zoning

The site is located in the Downtown Storefront (DS) zone. Relevant zoning considerations include:

- Minimum building height: 25 ft
- Maximum building height: Office only = 3 stories (45 feet); MU Office with ground floor retail/restaurant = 3 stories (45 feet); MU Office Residential = 4 stories (55 feet) (Note: Residential is included on 1 floor or 25% of the gross floor area).
- Ground floor “Commercial/Office – Office, professional, administrative” use is allowed by right for this site
- Ground floor “Commercial/Office – Personal/business services” use is allow by right for this site
- “Commercial/Office – Manufacturing and production” are allowed as part of a retail or drinking/eating establishment
- 3 story non-residential buildings are allowed, but to gain a 4th floor at least 1 floor or 25% gross floor area of the project is required to be residential use
- No off-street parking required.

4.1.4 Ownership

This site is owned by Suburban Explorations LLC and Monroe Block LLC, which are controlled by Dark Horse Comics.

4.1.5 Preparation requirements

New development could require demolition of existing structures. There is no known contamination on the site.

4.2 SWOT Analysis

4.2.1 Strengths

- Good corner location with frontage on three streets and potential for ground floor development.
- Single property owner willing to consider multiple potential development options.
- Site is level, out of flood plain
- Milwaukie Lumber is a good neighbor
- Appeal of “small town” Milwaukie.
- Transit accessible.
- Close to schools.

4.2.2 Weaknesses

- Narrowness of site limits development potential, particularly if a project includes onsite parking.
- Site configuration and access poses major challenges to providing onsite parking.
- Perception that the lumber yard would negatively impact desirability for residential development.

4.2.3 Opportunities

- This small size of the site would make it appropriate for ground floor retail with upper-level residential and tuck-under parking.
- Location across the street from two banks makes office uses more attractive.
- Potential for a transit-oriented development - this site would not require any off-street parking except what might be required from a private funding perspective.
- Could potentially be a part of a larger Dark Horse redevelopment, which could free up ground-floor office spaces on Main St

4.2.4 Threats

- Potential noise from heavy freight and light rail which run approximately 300 ft from the site.
- There is a parking access easement across this property for the adjacent building at 2025 SE Jefferson St. The exact location of the access easement is unclear.

4.3 SWOT Conclusions

4.3.1 S-O | W-O strategies

- Encourage multi story development with active uses on the ground floor, particularly at corner intersections.
- Develop multi story office on this site and connect to the existing Dark Horse building.
- Redevelop the entire block to create one single development to house Dark Horse comics.
- Consider a range of housing options here.

4.3.2 S-T | W-T strategies

- Parcel consolidation of entire block for future larger scale redevelopment.
- Conduct a demand-based parking analysis for the entire Downtown to help right size parking for future development within the downtown and provide support for developers seeking to provide less parking than required by typical lenders.

5 Opportunity Site 3: Cash Spot



5.1 Overview of site characteristics

5.1.1 Physical qualities

The Cash Spot site is comprised of four tax lots; the western half of the site is addressed as 11000 SE McLoughlin Blvd. The total area of this currently vacant site is 0.81 acres (34,911 square feet). The site is bounded 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 on-site elevation change between McLoughlin Blvd and Main St. is approximately 20 feet.

5.1.2 Market value

According to the Clackamas County Assessor, the 2012 Real Market Value of the Cash Spot Site:

West (one tax lot): \$244,403

East (three tax lots): \$105,129

Total: \$349,532

5.1.3 Zoning

The site is located in the Downtown Office zone (DO) within the South Downtown subarea. Relevant zoning considerations include:

- Minimum building height: 25 ft.
- Portion of site facing McLoughlin Blvd is within the Willamette Greenway Overlay
 - Prohibits building heights exceeding 35 ft.
- Maximum building height: 5 stories (65 feet) for the Main St. portion. There is no height bonus for inclusion of residential use.
- Residential is allowed on the 2nd floor or higher.
- Commercial/Office (all types) is allowed on all floors.
- FAR is limited to 0.5-3 in the DO zone
- Off-street parking is required.

5.1.4 Ownership

The site is owned by the City of Milwaukie.

5.1.5 Preparation requirements

A portion of the site is in the floodplain and contains Title 3 water quality resource areas. Environmental remediation has been completed and the site is appropriate for residential development.

5.2 SWOT Analysis

5.2.1 Strengths

- Topography allows for a two-level site and could reduce the cost for providing structured parking
- Riverfront views
- Kellogg Lake views
- City-owned
- Highly visible location on McLoughlin Blvd/Hwy 99E
- Near Adams Street Connector, Dogwood Park, and future South Downtown Plaza
- Adjacent to Kellogg Creek natural area
- Frontages on Main St, Washington St, and McLoughlin Blvd
- 400 feet from future light rail station

- Bike facilities on Main Street
- No contamination on site

5.2.2 Weaknesses

- No direct auto access permitted from/to McLoughlin.
- Likely right in/right out only on Washington St
- Portion of site in flood plain and contains natural resources area
- Current zoning includes a maximum of 35-ft building height on McLoughlin side of the property
- Development on western half of the site subject to conditional use review due to Willamette Greenway overlay
- Development within the natural resource area requires discretionary land use review
- Some topographical challenges (steep downward slope from east to west)
- Current zoning does not encourage/allow transit-supportive development

5.2.3 Opportunities

- Opportunity for multiple levels of structure parking, assuming access issues can be addressed
- Riverfront Park improvements could make the site more attractive for development
- Good location for water-based recreational businesses
- Main St frontage opens right up to the proposed South Downtown Plaza
- Good restaurant and fabulous view potential for the “ground” floor above a parking garage.
- Potential for multistory uses (office and/and retail) in Downtown Milwaukie
- 400 feet from future light rail station

5.2.4 Threats

- A poorly designed parking garage facing McLoughlin may not be a desirable gateway for Downtown Milwaukie.
- Although the topography could encourage structured parking, there is uncertainty about whether this is the ideal location for structured parking to serve all of Downtown
- Because there is a private owner at the corner of the property, there is uncertainty about ability to develop the entire site
- Lack of community consensus about maximum heights in South Downtown
- Vehicular access from Main St could damage the streetscape

5.3 SWOT Conclusions

5.3.1 S-O | W-O strategies

- A full block development could help infuse Downtown with residents and/or employees. This strategy would support the community's desire to bring more people into Downtown to support private amenities such as restaurants.
- Topography makes a parking structure more financially feasible on this site relative to others.
- Phased development could include surface parking on part of the site until market conditions evolve to support additional development.
- Leverage site proximity to the transit station, Kellogg Creek, Riverfront Park, McLoughlin Blvd, and Main St. A development project could enhance connections between Downtown and the Riverfront and provide a functional connection to the transit system and bike network.

5.3.2 S-T | W-T strategies

- Develop an auto access plan for the site to guide future development.
- Identify environmental restrictions and conditional use requirements and develop mitigation strategies for any new development on the site.
- If structured parking is developed on McLoughlin Blvd, ensure a pedestrian friendly design for a structure that includes ground floor retail or other active uses.
- If project is phased and surface parked, ensure landscaping standards enhance pedestrian environment and create an attractive entryway into the city.

6 Opportunity Site 4: Triangle Site



6.1 Overview of site characteristics

6.1.1 Physical qualities

The Triangle Site is addressed as 11301 SE 21st Ave. It is currently vacant and has an area of 0.2 acres (8,600 square feet).⁵ 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 Main St. light rail station (currently under construction).

6.1.2 Market value

According to the Clackamas County Assessor, the 2012 Real Market Value of the Triangle Site is \$50,977.

⁵ The current area is 6,932 square feet; the final lot configuration will include a buildable area of approximately 8,600 square feet.

The 2013 assessment is expected to be higher once the property line is adjusted to reflect the actual buildable area.

6.1.3 Zoning

The Triangle Site is zoned Downtown Office (DO). Additional relevant zoning information includes:

- Minimum building height: 25 ft
- Maximum building height: 5 stories (65 feet). There is no option for added height based on inclusion of residential use.
- Residential is allowed on the 2nd floor or higher
- Commercial/office (all types) is allowed on all floors
- Retail and restaurant uses are restricted limited to 5,000 sq ft floor area on the ground floor, with additional 5,000 sq ft allowed for manufacturing or production areas associated with that use (e.g., brewing facilities that distributes/sells products elsewhere).
- FAR is limited to 0.5-3 in this zone.
- Off-street parking requirements are applicable

6.1.4 Ownership

The site is owned by TriMet.

6.1.5 Preparation requirements

The Site is being used for staging as part of the development of the Milwaukie Light Rail station. The site will be graded before the completion of the light rail station. There are no known environmental issues on the site.

6.2 SWOT Analysis

6.2.1 Strengths

- Adjacent to future light rail station
- Publicly owned
- View of Kellogg Lake
- Close to Milwaukie High School
- TriMet rebuilding all streets and sidewalks on 21st Ave. and Main St. to current standards
- Shared bike facilities on Main St. and 21st Ave. with future connection to Trolley Trail via the Kellogg Creek bike/ped bridge

6.2.2 Weaknesses

- Small developable area

- Oddly shaped
- Not centrally located – site is at south end of Downtown
- Uncertainty about future ridership levels complicates retail development
- Lack of community consensus about appropriate height for buildings in South Downtown
- Current zoning does not encourage/allow transit-supportive development

6.2.3 Opportunities

- Lack of vacant space (office and retail) in Downtown Milwaukie
- Proposed Kellogg Lake bike/ped bridge
- Construction of the Adams Street Connector to the north
- Milwaukie High School located across the street

6.2.4 Threats

- Transit users might loiter and bring an undesirable element and safety concerns
- Retail uses may be less viable due to limited presence of residential uses nearby
- Off-street parking requirements must be addressed to maximize development of the site

6.3 SWOT Conclusions

6.3.1 S-O | W-O strategies

- Leverage public ownership to create a transit oriented development that enhances Downtown and fosters safety through active uses and eyes on the street.
- Consider creating a usable space with flexible activities uses such as food carts or other programming to keep the site active if there is no short-term building development.

6.3.2 S-T | W-T strategies

- Allow for a range of uses that leverage odd shape and size and support the transit station
- Work with TriMet to ensure safety measures are taken at the station.

7 Opportunity Site 5: Graham Site



7.1 Overview of site characteristics

7.1.1 Physical qualities

The Graham Site is addressed as 11049 SE Main Street. The site occupies 0.19 acres (8,276 square feet) and is located between SE Jefferson and Washington streets. The site features an existing multi-tenant retail building fronting Main Street, with one mezzanine-level office and four vacant commercial spaces. The structure is set back approximately 45 feet from the Main Street sidewalk. Between the building and the sidewalk is a paved parking area with 5-6 spaces.

7.1.2 Market value

According to the Clackamas County Assessor, the 2012 Real Market Value of the Graham Site is:

Land: \$112,516

Building: \$271,390

Total: \$383,906

7.1.3 Zoning

The property is located in the Downtown Storefront (DS) zone. Current zoning requires retail or eating establishment uses on the ground floor and permits office or residential uses on the upper floors.

7.1.4 Ownership/financing

The site is privately owned by Paul and Teri Graham.

7.1.5 Preparation requirements

No remediation required on this site. The site is level and an adaptive reuse would not require any additional site preparation.

7.2 SWOT Analysis

7.2.1 Strengths

- Existing building on site provides potential for adaptive reuse
- Potential river views from upper levels
- High pedestrian traffic on Main St
- Pedestrian and bicycle amenities on Main St
- Near other restaurants and retail (the Golden Nugget, Cha Cha Cha!, Libbie's, and Foxy's are across the street from the site)
- 600 feet from future Adams Street Connector, South Downtown Plaza, and light rail station

7.2.2 Weaknesses

- Existing building has unattractive façade
- Large amount of impervious surface
- Vacancy may negatively impact potential developers' perception of financial feasibility for onsite retail uses

7.2.3 Opportunities

- Rehab existing building
- Adaptive reuse of parking lot

7.2.4 Threats

- The owners do not own the air rights to the parcel on the west side. A new project there could block the view of the river from the site.

7.3 SWOT Conclusions

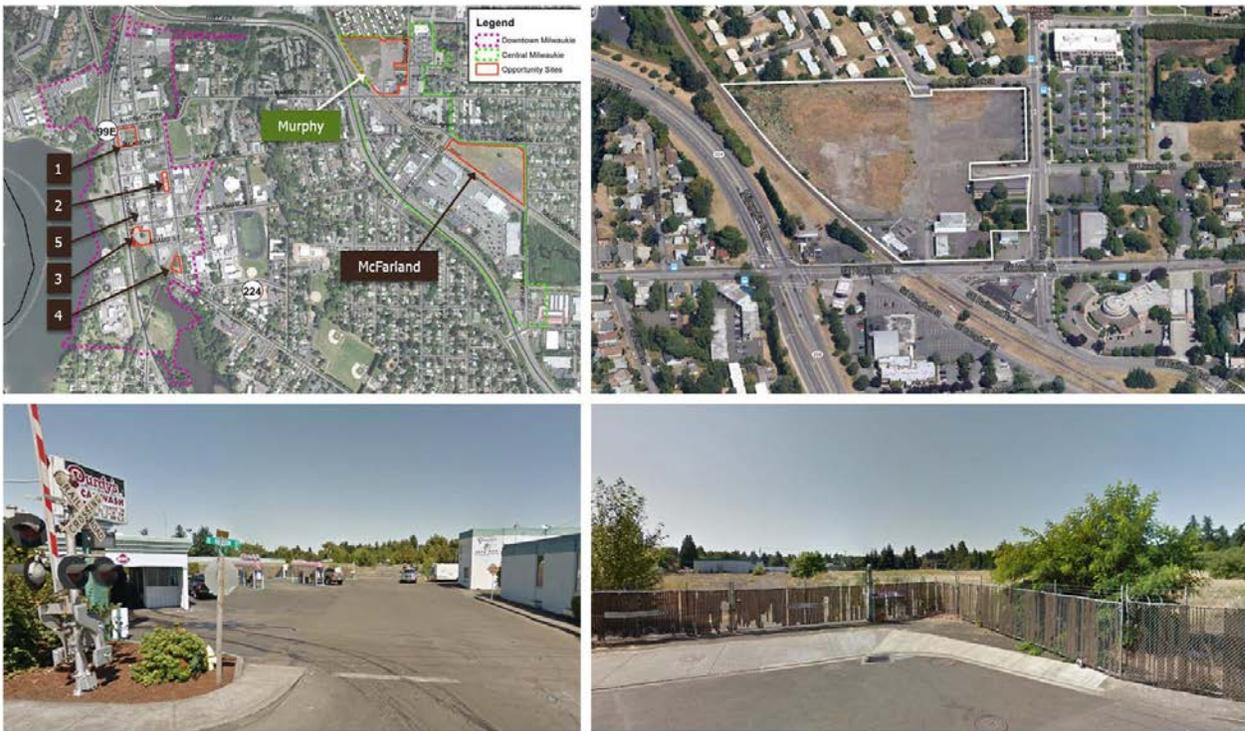
7.3.1 S-O | W-O strategies

- Location, size and potential for adaptive reuse make the site ideal for a small scale project that could have a big impact.
- Leverage existing and potential financial resources (storefront improvement program, other regional and local funds) to encourage adaptive reuse of the site.

7.3.2 S-T | W-T strategies

- Consider funding predevelopment work on a rehabilitation to offset cost for owners and encourage private investment in the building.
- Identify funding sources for a demonstration project for the parking lot to create an active space on Main Street.

8 Opportunity Site 6: Murphy Site



8.1 Overview of site characteristics

8.1.1 Physical qualities

The Murphy Site is comprised of 14 separate tax lots, 6.2 acres of which are undeveloped. The total site area is 7.5 acres. The site is adjacent to Hwy 224 with limited (right in/right out) vehicle access on Harrison St. and full access from Llewellyn and Meek Streets. There are four bus lines with nearby stops (#28, 31, 75, and 152). Bike lanes are planned for Harrison St. The lot at the corner of 32nd and Harrison is separately owned and is not part of the site. Hillside Park and Hillside Manor, a Clackamas County Housing Authority property, is located to the north of the site.

8.1.2 Market value

According to the Clackamas County Assessor, the 2012 Real Market Value of the combined tax lots on site is \$3,859,628.

8.1.3 Zoning

Zoning on the Murphy site is mixed. The northwest 2/3rds of the site (~270,000 sq ft) is zoned Residential-Office-Commercial (ROC) with a Mixed Use overlay (MU). Remaining lots (~55,000

sq ft) are zoned General Commercial (CG). Current zoning permits mixed use or light industrial development.

8.1.4 Ownership

The site is owned by the Murphy family.

8.1.5 Preparation requirements

A former brownfield, the site requires no further action for industrial or commercial uses. It is unknown whether additional remediation will need to be conducted in order to develop the site for other uses. An internal street network will likely be required to support development.

8.2 SWOT Analysis

8.2.1 Strengths

- Close to Providence Hospital
- Level topography
- Large site
- Access to heavy rail (strength for industrial)
- Close to Hwy 224
- Close to police and fire (safe)
- No Further Action Determination for property (former brownfield)
- Future bike access: Bike lanes planned for Harrison St
- Four adjacent bus lines with nearby stops

8.2.2 Weaknesses

- Next to heavy rail (weakness for residential, commercial)
- Limited access to the site (close to 224, but hard to access it)
- Close to residential (conflicts for industrial development)
- Close to police and fire stations (sirens)
- Limited pedestrian connectivity across Hwy 224 via Harrison
- Lack of rail spur could deter distributor or manufacturer from locating on site

8.2.3 Opportunities

- Potential to create grid with intermixed housing and retail
- Could achieve cost efficiencies with construction of large building
- Job creation
- Successful residential uses have been developed next to rail in many other places

8.2.4 Threats

- Could generate a lot of traffic, and the transportation infrastructure might be insufficient
- Ardenwald NDA has fought against additional low-income housing in this area.

- Could be expensive to improve pedestrian connectivity to site (with a pedestrian overpass, for example)
- Warehouses generate low-wage, low-density employment
- Noise – quiet zone may not be sufficient to mitigate all noise impacts
- Lack of clarity about brownfield status (even though there is a letter of No Further Action from Oregon DEQ)
- Land values and rent levels probably don't support speculative development
- Corner lot on site (on Harrison and 32nd) not owned by Murphy and not for sale
- Perception that industrial land should not be converted to retail or residential use

8.3 SWOT Conclusions

8.3.1 S-O | W-O strategies

- Develop a master plan for the entire site that supports a range of uses designed to fit within the existing community.
- Enhance multi modal access (pedestrian, bike, transit) between neighboring residential areas, Providence Hospital, and Downtown Milwaukie.
- Encourage housing that transitions to other uses as the site closes in on the railroad tracks.
- Pursue partnerships with senior housing and assisted living facilities that are complimentary to adjacent uses.
- Pursue partnerships with companies that provide services and jobs that are complimentary to Providence Hospital facilities. Encourage the development of a micro medical district.

8.3.2 S-T | W-T strategies

- Work with owners to find resources for further environmental testing (if necessary) and potential remediation to make the site development-ready.
- Address traffic concerns through implementation of a Transportation Plan and Transportation Demand Management strategies to increase bike, pedestrian and transit access and reduce vehicular demand on Hwy 224.
- Phase development on the site over time.
- Encourage landscaping standards on commercial buildings that front residential development.

9 Opportunity Site 7: McFarland Site



9.1 Overview of site characteristics

9.1.1 Physical qualities

The 7.2-acre 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, comprised of two land parcels, is relatively flat and has no existing structures.

The site is adjacent to a multifamily residential neighborhood to the north, single-family residential neighborhood to the east, and the back of a retail center to the southwest.

9.1.2 Market value

The Real Market Value from the Clackamas County Assessor for the McFarland site is \$1,222,837.

9.1.3 Zoning

The site is zoned Residential-Office-Commercial (ROC) with a Mixed Use (MU) overlay. Relevant zoning information includes:

- MU overlay standards supersede those of the ROC zone

- The combination of the ROC zone and MU overlay is extremely confusing
- All development on the site requires Planning Commission approval
- Off-street parking requirements apply

9.1.4 Ownership

The northwestern parcel is privately owned by the LD McFarland Company LTD. The southeastern parcel is privately owned by Tyee Management Company LLC. Both properties are controlled by the McFarland family.

9.1.5 Preparation requirements

The northwestern parcel (Parcel 1) is not contaminated. The southeastern parcel (Parcel 2) is a brownfield. It has been temporarily capped and will require additional remediation as a component of any new development in that area of the property. Parcel 2 is not suitable for residential development.

9.2 SWOT Analysis

9.2.1 Strengths

- Large
- Centrally located
- Level topography
- Highly visible
- A quiet zone will be in place by the end of the year
- Proximity to Providence Hospital
- Proximity to Milwaukie Marketplace and Oak Street Square
- Adjacent to residential neighborhoods
- Adjacent to active rail line (could be good for industrial if some sort of access to the line was possible)
- Good transit access
- Less than a mile from Downtown

9.2.2 Weaknesses

- Noise impacts from trains (even with quiet zone) could make this an undesirable location for residential
- Drainage issues
- Environmental contamination
- Weight limit on 37th south of the railroad track due to adjacent wetlands. Trucks would need to access the site via Railroad or Oak St, but not 37th.
- Uninviting back end of Milwaukie Marketplace
- Development on the site could require substantial transportation infrastructure improvements to address auto traffic

9.2.3 Opportunities

- Development on a site of this size, in this location, could help knit together the surrounding community
- Potential to capitalize on market demand generated by nearby senior medical facilities at Providence
- Site size creates potential for job generation
- Site size could be an advantage for light industrial or other industrial related uses

9.2.4 Threats

- Current minimum FAR requirement could limit parking necessary for industrial use
- Warehouses generate low-wage, low-density employment

9.3 SWOT Conclusions

9.3.1 S-O | W-O strategies

- Develop a master plan for the entire site that supports a range of uses and is designed to fit within the existing community.
- Enhance multi modal access (pedestrian/bike/transit) between neighboring residential areas, Downtown and the Milwaukie Marketplace.
- Encourage housing that transitions to other uses as the site closes in on the railroad tracks.
- Strategy to attract creative class to flexible light industrial or creative flex space.
- Provide predevelopment resources to encourage unique proof of concept projects.

9.3.2 S-T | W-T strategies

- Work with owners to find resources for further testing if necessary and potential remediation to make the site development ready.
- Address traffic concerns through implementation of a Transportation plan and Transportation Demand Management strategies to increase bike, pedestrian and transit access and reduce demand on Hwy 224.
- Encourage landscaping standards on commercial buildings that front residential development.