

Moving Forward Milwaukie: Enhancing our Commercial Districts

Compilation of Stakeholder and Property Owner Interview Notes

June – December 2013

Interviewees

- Mayor Jeremy Ferguson
- Councilor David Hedges
- Councilor Scott Churchill
- Councilor Mark Gamba
- Councilor Mike Miller
- Gene Dieringer, Dieringer Properties Inc.
- Tim Dieringer, Dieringer Properties Inc.
- Pat Dieringer, Dieringer Properties Inc.
- John Murphy, Murphy site owner
- DJ Heffernan, Murphy site planning consultant
- Greg Specht, Murphy site industrial developer
- Neil Hankerson, Dark Horse
- Rudy Kadlub, Capacity Commercial, Costa Pacific Communities
- Meganne Steele, Metro
- Megan Gibb, Metro
- Mark Gashard, Metro
- Jon Williams, Metro
- Bob Hastings, TriMet
- Dave Unsworth, TriMet
- Kathryn Krygier, TriMet
- Steve Abel, Partner, Stoel Rives
- Mark Morford, Partner, Stoel Rives
- Paul & Teri Graham
- Keith Hyde, Providence Hospital
- Teresa Peterson, Providence Hospital
- Andrew Haslam, Providence Hospital

Leadership

- Want to be visionary, but also very realistic. Would rather have something practical and functional uses than amazing.
- The Council would prefer others to start the development, and would rather not use City properties to get the ball rolling.
- Is skeptical about how much the development the Cash Spot will bring to the city.
- All new members to the Council since the North Main project

- They ask a lot of questions and want lots of detail
- Re-election in November (Bill believes at least 2 will be replaced/will not run again, but there is no term limit)
- Values consultant opinion and advice, and likes alternatives, but doesn't like any connection with TriMet or possible ulterior motive from consultant's connections
- Want economic development; industrial/commercial properties that are underutilized: Focus on retention
- Some say there is too much focus on downtown because it is such a small part of the community, and more focus should be on the other side of 224. The Council really liked the idea of adding the two projects on the east side.
- City has actually gotten things done (MAX, North Main, etc.), but they are bad at demonstrating that they are action-oriented.
- City would like a developer who wants to stay long-term rather than just a one-off project.
- It is a small town, so personal preferences get in the way of greater good for businesses. It is a painful process to work with the City Council.
- Council doesn't listen to advice, but again, lets personal preference get in the way. The Council also doesn't talk about who pays for new development.
- Typically the Council is pretty whimsical, but is now a bit more realistic, which is a good opportunity for something to actually get done in Milwaukie.

Real Estate Market and Economy

- Yes, so the assessed values are very close to market values in Milwaukie. You know, the Oregonian said Milwaukie is the hottest property market right now.
- Really, Milwaukie is a suburb of Portland, along with the rest of unincorporated Clackamas County. Jeff Klein (formerly) from the Lewelling neighborhood, would always say, "once you get in your car..." (you're not going to get out to go somewhere in Milwaukie, you're going to go into Portland). Sellwood is more of a draw because the road goes through it.
- [What draws people in] The [North Clackamas] aquatic center, boat ramp. Downtown is a specialized restaurant area – Brew Pub, Duffy's – changed hands, Libbie's, Dark Horse, Chocolate Shop. We should look at Sellwood as a model. Need to get people to drive there.
- Hwy 224 divides the community; this is a bigger issue than people think.
- Young people that can't afford SE will move to Milwaukie.
- Dark Horse might want apartments for their employees.
- Right now Milwaukie at \$14 per sf for rent, but need \$25. And that's just for cookie-cutter. For non-cookie cutter you need to get to \$32 per sf. The City's design standards are all expensive to do.

Downtown

- Office rents range from \$12 – 14/ SF not enough to support new construction (estimated minimum of \$18/SF for new)
- Current one-off small office market is weak (there are small office users in a number of older buildings but rents are low and vacancies are still too high)
- Light rail has potential to help the micro office market
- Some downtown property owners have tenants (retail and office) who are several months behind in rents
- Some landlords are land rich and cash poor so can't do much with property; others who have key sites won't sell because they're holding on for unattainable buy outs and they don't carry much debt allowing them to hang on with minimal rents; still others paid too much for key properties and though they're not getting needed rents, set value expectations
- There is a problem with parking in downtown. Yes, I would be in favor of a garage, but not a tall one. I really like the Lake Oswego parking garage on A St. and Highway 43. I like that it disguises the parking garage by having the entrance in the center of the block and is hidden from street view.
- In the future there might not be the need for as much parking, but we owe it to the older people who have lived here and paid for the City throughout the years. The next generation is a factor to consider when thinking about the future of Milwaukie, but the older generation is more important.
- It [North Main] doesn't fit in with the rest of downtown; it is not the look I anticipated. I like buildings with character that match the rest of the community.
- Yes [like mixed use buildings]. Three floors are fine, but nothing higher than that. Underground parking for customers and residents is good.
- [Ideal uses downtown] 1. Pharmacy 2. Grocery store 3. Bakery. The downtown should provide services and a reason for residents to stay in the downtown area.
- Sellwood is nice. I like the older, unique downtowns. The two that come to mind are Sisters and Bandon. They are small, older cities. They are vibrant because of the reuse of existing buildings and development of new buildings that look aged to match the rest of the downtown. Also, they don't have any high-rise buildings.
- Residential [development downtown] would be fine, but I don't want to see low-income housing; market rate housing only.
- Yes, [rents between \$1,200-\$1,500] is fine. If the residential units have a beautiful view, it should be available for people with higher incomes also, not just lower income levels. I wouldn't support building low-income housing.
- Yeah, I am ok with mixed-income, but absolutely no Section 8 housing.
- Would like to see 3 or 4 floors of housing over retail along Main St. Better quality design than most recent projects there.

Downtown (cont.)

- Parking element is important for transition to more vibrant downtown, but over longer run would like to see less emphasis on cars.
- Wants to see long-term rather than just a one-off projects.
- Would be a great place for communal facilities with retirement community
- Across from the Triangle Site there is potential for an adaptive reuse project.
- Wants us to use St. Johns (Portland) as an example of a peer downtown that is taking off
- Parking management is key to a successful Downtown.
- Think it is possible that downtown could be the historic district.
- Big problem for city [location of Farmer's Market]. Feel there is no other place for it to be. There is no site for it at the moment. Could move it near the Cash Spot, or across the street, in an oval plaza design [in the South Downtown Plan] that Walker Macy put together. The City looking to see if this is still a viable option.
- Mixed-use concerns: too much like Portland (viewed as a negative in Milwaukie)
- Milwaukie Marketplace is thought of as the place for retail, and after that was built the downtown was thought could be the business center. Graham was one of last retailers downtown with their store. Then the Safeway downtown left. All these reasons are why downtown is in such a sad shape.
- The population density is too low in downtown. The cinema used to be a draw on Main St, but it now faces McLoughlin.
- Farmers Market needs to be open on Saturdays, not on Sundays. No businesses are opens on Sundays; no synergy.
- We are jaded about all the meetings. I find compromises don't lead to highest and best uses. Most people fear density, and want businesses that don't bring people in, and parks that do nothing for economy.
- TriMet is a bad property manager, so they don't want to keep the properties they have. There will be a lot of foot traffic at the Main St station. Lots of different ideas have been tossed around: stage, adaptive reuse, retail, etc. I think one-story is wrong answer. A 3-4 story building is best.
- Johnson Reid observed market area for urban infrastructure analysis and concluded that the market is cut in half by Willamette river, the pull of Sellwood, and arterials of Portland that are bleeding people away from Milwaukie. People used to say similar things about Interstate.
- Dire view – downtown Milwaukie doing nothing, every building is distressed. But, still have a positive attitude; it is not a question of if, but when things will improve and start to look up.
- Rental Rates: Around \$10-12 for office and \$15 retail.
- The downtown is landlocked by the lake, McLoughlin and Hwy 224. It needs to be a destination for there to be reason for people to come. Dark Horse, for

Downtown (cont.)

example, has another retail store on Broadway, but the one in Milwaukie outsells it because it is a destination.

- Destination retail is the answer to revitalize Milwaukie.
 - Grocery store
 - Brew pub/restaurant: Problem of not much parking in downtown.
- This isn't just an issue of the IGA, or "what Metro wants." This is driven by the Metro TOD Program. TOD funds were used to purchase the site, and there are requirements for TOD investments. Fundamentally, TOD requires development to generate transit ridership. The level of transit ridership to justify TOD funds, typically requires at least 4 or 5 stories. Very unlikely for a three-story project to qualify for TOD funds.

Central Milwaukie

- Safeway was the only retailer until Albertsons – ¼ mile away: rents in the \$24/25 per SF. Walgreens rented for over \$30/SF, or at least that is what the asking price was when they first built it.
- The retail spaces adjacent to the Safeway site only get \$12-15 per SF
- Both [Central Milwaukie Opportunity Sites] are bad locations, but could be big box stores
- In the 1990s someone was thinking of building a grocery store there, but that idea got thrown out
- Murphy has better access from 224. The entrance is very narrow from Harrison St. The only big entrance is from a residential street. I could see flex spaces, incubator doing well there. Industrial use also has potential.
- City not clear on what it wants for this [McFarland] as well as Murphy
- Quagmire of overlays has contributed to holding up infill
- Need uses along rail that buffer rest of area
- Oak St intersection will be tricky
- Avoid County spillover of affordable units on this site
- Sees potential on the McFarland Site for Eco-District concept geared to clusters of small homes with mix of other uses including retail; "tiny house village".
- Murphy site lends itself to active senior housing – benefits from proximity to hospital. Open to including Housing Authority property – units are old/worn and better options are possible there.
- Would like to see existing warehouse buildings to the north [in the North Industrial Area] converted to light industrial – more jobs, attract new businesses.
- No, I don't see it as a problem [train traffic]. Although, the high speed rail might going pretty fast through town.

Central Milwaukie (cont.)

- Don't know if the market is there. [for big box retail]
- Don't want mandate of flex development having to have other stuff there. Can have very attractive flex development. I know lots of examples.
- What about zoning/design standards? I hope they aren't talking about minimizing parking. Well we don't want to agree to something that would preclude anything right now. We don't want maximum parking requirements. Want to advocate for market-standard parking.
- We'd love it to be retail, but can't pretend that there's a market for it. We want to do something, explore the medical. No single family, or heavy industrial
- I haven't done a lot of research on the site. My gut feel is not retail—the site's back is to existing retail. It doesn't feel like it should be industrial, except maybe very light industrial.
- 25 trains a day is going to be annoying with or without whistle. That rules out for-sale residential, there's still a possibility for multifamily residential.
- I would do flex industrial, like International Way. In fact, right now I'm looking for a 6,000 to 10,000 sf site out there, but there isn't anything available. What about on this site?
- If you could do higher density, there are about 600 units out in Wilsonville right along I-5, developed by Holland Residential. It's renting at record pace and rates. The Murphy site seems like a natural to tie in to Providence. Could limit the amount of access in and out if there was senior housing there. What about high-density cottage housing for seniors?
- I like the approach to the project that you have described: the development concepts are only illustrations of what might happen. They are not constraints on what needs to happen. The property owner will want to have flexibility for potential development.

Neighborhood Main Streets

- Revitalizing 32nd and 42nd at King Rd. Milwaukie is not built to be a 20 minute neighborhood, the lifestyle different from Europe. There is a niche market here for foodies and organic food.
- Did you know that Milwaukie Grind is an exception use – not supposed to have coffee shop on 32nd. New Season's/Trader Joe's won't locate – income levels too low
- I went to an open house meeting, and the only comment I had was for the 42nd Street renovation – it should extend commercial buildings down Harrison St a couple blocks and on King (parallel to Harrison) for the same distance
- Dieringer owns property next to Safeway and are hoping to find opportunities for the downstairs units that face away from Safeway and towards residential street; upstairs units are easy to lease.

Neighborhood Main Streets (cont.)

- Restrictions on Safeway space. Dieringer needs their approval to put any business on that property
- Safeway Corp. has allowed Dieringer to bring in a fitness company (Snap Fitness) and a couple other businesses on the property.
- Want to increase density in the area to get more business for Safeway and other businesses
- What drives a thriving neighborhood is that they have bones. If there is new redevelopment, the neighborhood needs to have design standards. Every owner needs to have same design theme.
- Streetscape [needs to be] completed for pedestrian, road, bike. There are a lot of unimproved roadways. It is more blue-collar demographic than we would like because there is not good walkability. The travel flow between Harrison and King is a challenge.
- The used auto repair on 42nd and King; next to 7-Eleven, is a big eye sore. The neighborhood needs upgraded buildings. It would be nice to get some conditional uses on King Road- such as dentist offices, etc. Zoning is an issue: re-zoning King Road.
- Yes, we would like to see the area have higher [residential] density, but what is really needed is commercial development for new residential development to be successful.
- Harrison should be more walkable. Examples: Fremont, Hawthorne, and Division: no off-street parking, but still booming.
- When you are developing a city, the high-density residential is close to commercial. Then residential gets lower density as it moves farther away from the commercial core. If there is commercial built next to Milwaukie residents with single-family homes they will get upset. In particular, we have to be aware of this on Harrison and King Road.
- Uses for 42nd neighborhood (order of importance)
 1. Coffee shop (one in Safeway, but just small stand inside) / restaurants – any place to gather / delis. Tasty Freeze – 42nd and King: too dirty and greasy, but packed with business.
 2. Bank: Dieringer tried to acquire one, but could not. Would really want to see one close-by
 3. Dentist / medical offices / professional services
 4. Residential: thought about doing mixed-use backside of Harrison before Safeway was in. Closest big apartment complex has 150 units on Bell Ave.
- Wants to foster more walkable opportunities and infill development.
- Areas could use a brew pub and small shops where people gather – suburban/urban types.

Fiscal

- Upcoming bond measures will have significant impact on property tax of most area residents – need to be mindful of this as we work through various public/private partnership ideas that also impact taxes
- Doesn't see current council support for TIF (traditional area wide approach – may be some for individual projects)
- Willing to look at these and other subsidies if sunset timeframe's shorter
- Prefers having City pick up SDC improvements associated with rehab and new projects downtown thereby reducing or eliminating SDC payments for these projects if that's what's needed to stimulate development
- Don't rule out urban renewal as tool – realizes there are two options: larger area and project by project
- Interest in exploring other funding options to address City's fiscal challenges - maybe low-level business tax (City has many significant businesses that could provide more to the community – they'll need to better understand the benefits they get back for this tax)
- I'm surprised property prices are so low. There's not a lot of income from property taxes. General/reserve fund – 25% of expected expenditures. We are saddled with paying for light rail – they didn't figure out where money was going to come from. We're going to have to pay \$5M over 20 years with 5% interest
- I am not in favor of TIF. I believe the projects have to stand on their own.
- Milwaukie is really strapped for funds, and TIF costs the area a lot of money. While I was at Portland Public Schools, I saw as much as \$450M that they lost because of Urban Renewal.
- Really need to get cash flow!
- City Council are not in favor of using Urban Renewal, but may be open to the opportunity of setting up URA similar to that of Wilsonville's TIF Zones. In other words, a parcel-specific URA that captures value from a specific new building, and invests it back in the project.

Social and Political

- Milwaukie attracts older folks who can't afford to live in Sellwood
- Majority of community is very conservative – will have impacts on tolerance for various actions including support for upcoming bond measures (\$4M for light rail) as well as subsidies for private projects
- Wants to see City and TriMet staff develop a better understanding of who their customers are and how to treat them
- I am concerned about going too far one way or another with the demographic of Milwaukie. I don't want to shut higher income people and families out because lower income people are attracted to Milwaukie's abundance of low-income

Social and Political (cont.)

amenities. There are already 16-18 halfway houses in the city. I want a balance so that young families can feel comfortable here.

- Transparency has been criticized in the past; this planning effort needs to be highly visible and very transparent.
- There is some concern that there is a lack of community buy-in. Not in this process but there has been in the past.
- A wealth of community involvement and volunteers, Milwaukie has a very active community
- There are many proponents for community natural areas and parks.
- Chasm between the old and new: demographic changes toward younger population. Younger people coming in, but the city still wants to respect the older generation who see the new crowd as a threat.
- Some members of the public and elected officials at the time were upset that so much public money would be going into the [North Main] project.
- It is the old generation who still perceives the downtown as old.
- There must be consideration on how to address these issues with the neighborhood associations, and selling them on this new change. People don't want to change. This must include lots of aggressive outreach

Light Rail

- Supporter of light rail but concerned about station area security and ability of City/TriMet to manage crime that's sometimes attracted to station areas. Believes neighborhood wants station area to work.
- Apartment complex close in that feeds crime (Spring Creek apartments are poorly managed and maintained, and have attracted population associated with crime in area). Concern is having this bleed into station area. Need zero tolerance policy on crime in station area – tough with cuts in police staffing.
- Fear that light rail station, if not well managed and secured, will drag housing opportunities down
- Not a light rail supporter, but I am willing to make the best of it. The biggest concern is safety, especially around Milwaukie High School and the middle schools. The other big issue is that there is no parking in close proximity to the Main St station. Most people around the downtown are elderly and can't use the station because it can only be reached on foot. People still need to drive their cars to get to the station. I think people will park in the neighborhood and walk to MAX. This will frustrate the local residents in the neighborhood.
- I don't support [residential parking permits]. It punishes people who live there. The people in the community that I have talked to are not in favor of a permit either.
- There is a need for a community policing center, ideally near or on the Triangle Site or the adjacent adaptive reuse site.