



**MILWAUKIE REDEVELOPMENT COMMISSION
COMMUNITY ADVISORY COMMITTEE**

AGENDA

Milwaukie City Hall
10501 SE Main Street
Milwaukie, OR 97222
Dogwood Community Room (Room 103)

November 8, 2023

Note: agenda item times are estimates and are subject to change.

1. **Welcome and Meeting Objectives** (5:30 p.m.)
2. **Economic Development Program Discussion** (5:35 p.m.)
3. **Public Comment** (6:25 p.m.)
4. **Adjourn** (6:30 p.m.)

Meeting Accessibility Services and Americans with Disabilities Act (ADA) Notice

The city is committed to providing equal access to public meetings. To request assistance services contact the Office of the City Recorder at least 48 hours before the meeting by email at ocr@milwaukieoregon.gov or phone at 503-786-7502.

Servicios de Accesibilidad para Reuniones y Aviso de la Ley de Estadounidenses con Discapacidades (ADA) La ciudad se compromete a proporcionar igualdad de acceso para reuniones públicas. Para solicitar servicios de asistencia, favor de comunicarse a la Oficina del Registro de la Ciudad con un mínimo de 48 horas antes de la reunión por correo electrónico a ocr@milwaukieoregon.gov o llame al 503-786-7502.

John Southgate, LLC
88 S. 4th Street
Independence, Oregon 97351

October 31, 2023

TO: Joseph Briglio, Community Development Director, City of Milwaukie
FROM: John Southgate, Economic Development Consultant
SUBJECT: Urban Renewal Economic Development Programs

I am looking forward to briefing the Milwaukie Redevelopment Commission Community Advisory Committee (MRCCAC) on Wednesday November 8, 2023, regarding my research and reflections thus far on three urban renewal programs that the City has funded in its Milwaukie Urban Renewal Area Five Year Plan. I view this memorandum as a sort of “mid-term” report and hope to elicit MRCCAC (and staff) direction on the next phase of my work for the City, as well as the next phase setting forth my recommendations regarding the contents and parameters of the three programs.

My work thus far has consisted primarily of research into the urban renewal programs of other cities around Oregon, as well as conversations with merchants and property owners who will be the potential and intended beneficiaries of the programs.

Background

Downtown Milwaukie is at an inflection point. Major new investments are in the wings or have recently taken place, and the City is garnering attention from the region as it provides a great alternative in terms of location, proximity to Portland, and relatively affordable commercial rents. To capitalize on these dynamics, the City has led a robust effort to engage the broader community in the formation of policies intended to revitalize Downtown and its environs that is economically vital, equitable, and walkable; featuring a mix of uses, housing choices, and businesses that serve the community but also attract visitors from throughout the region.

One of the key components of the City’s efforts was the creation of an Urban Renewal Plan in 2016. Early funding, as set forth in the Five-Year Action Plan, calls for the creation of three grant programs to support business investment and new development that aligns with the City’s vision for downtown. Those programs are the Pre-Development, the Storefront Improvement, and the Tenant Improvement Program.

The primary purpose of this memorandum is to identify the parameters and criteria for these three programs for the purpose of eliciting MRCCAC feedback and guidance. Before laying out those parameters, however, I wish to set forth a few broader observations:

- Urban renewal funds are limited in scope. They must be used for capital expenditures, or for associated activities (such as staff/administrative costs and land acquisition for redevelopment purposes).
- As a general rule, urban renewal funding starts slowly and builds up over time. Consequently, the three programs discussed in this memo may be viewed as “seed funds”; their judicious use will leverage other, larger investments that will generate significant Tax Increment Funds (TIF), fulfilling the fiscal purposes of urban renewal (i.e., to significantly increase the taxable value of real estate within the URA).
- Finally, a cautionary note: the successful deployment of urban renewal dollars runs the risk of displacement of existing, long-standing businesses and residents, including those from communities of color. As these programs are implemented, it behooves the City to work closely with members of these communities and consider adaptation of program parameters to address any displacement challenges that may arise over time.

Pre-Development Grant Program

This program is intended to provide funding for pre-development activities that will hopefully culminate in new development (either new construction or major rehabilitation) that aligns with the City’s goals for a robust, active, mixed-use downtown environment.

Below are the various program parameters that a strong pre-development program typically entails, along with my reflections at this stage of my work:

- **Eligible applicants:** Property owners, and developers who have a documented level of control (e.g., an option to purchase, or other document deemed acceptable by the City’s decision authority, see below)
- **Eligible activities:** Any professional studies associated with possible redevelopment of a property. This may include conceptual design, feasibility analysis, environmental assessment, geo-technical study, property survey, appraisal, etc.
 - Milwaukie may want to “favor” preferred development types (e.g., mixed use, with multiple floors of housing over ground floor retail). Such “favoring” may be in the form of actually restricting the program to certain uses or being more generous with grant caps and/or lower match requirements for such uses.
- **Eligible Geography:** May be the entirety of the URA boundary or may be restricted to only a particular area of the URA. Because the program is intended to ultimately lead to new development which generates TIF, it would seem reasonable to allow the program to be made available throughout the URA. That said, if there were a high demand for funds, it would make sense to concentrate the program at least initially in targeted areas, and/or for projects that are more strongly aligned with the City’s redevelopment goals.
- **Grant Cap:** Cities that have pre-development programs offer a variety of caps, generally in the \$20,000 - \$25,000 range. Some larger cities offer grants in higher amounts, on a discretionary, individually negotiated basis. Beaverton and Hillsboro both have an option for much larger grants, in the case of “extraordinary” catalytic projects as

determined by staff and/or URA Boards. In both cases (Beaverton and Hillsboro), the projects are rare – certainly not an annual thing.

- **Match Requirement:** This also varies by City, and by project type. One option is a simple 50/50 matching grant, but it is not uncommon for applicant match to be something less than 50%.
- **Decision Authority:** Most programs assign decision making authority to a Program Manager, i.e. City staff. This allows for a prompt turnaround of decisions, as opposed to having a Board or Committee make the decision. There may be some decisions that the MRCCAC or the Milwaukie Redevelopment Commission (MRC), such as appeals of the decision of the PM regarding whether to fund a project, or decisions on “catalytic” projects which are not subject to a specific dollar cap but are instead negotiated.
- **Decision Criteria:** Most cities have some criteria that are intended to limit grants to cover pre-development work that is likely to lead to development that is aligned with the City’s intentions and aspirations. A small convenience store or modest apartment building may be allowed in a particular zone but may not be a justified use of funds. Larger, mixed-use buildings are often more difficult to finance, which is one of the primary justifications for the pre-development grant program in the first place.
 - One key consideration that should be set forth in the funding criteria relates to the *likelihood* that a project will be built. “Likelihood” is not easily defined, but the City will not want to fund pre-development activities when it is clear that the applicant has limited or no ability to actually deliver on the ultimate development.
 - The City may want to restrict funding to projects that will generate TIF, i.e., it may not want to fund pre-development activities for non-profits, religious institutions, or government facilities, all of which are exempt from property taxes.
 - By means of example, Beaverton’s stated purpose for its pre-development program is as follows: *“An array of grants is offered to stimulate investment and activity, facilitate redevelopment of underutilized sites and attract business growth in targeted areas. Selected projects address key city policies and plans, are consistent with City growth targets and preferred uses and maximize site, housing, and/or employment potential.*
- **Application cycle:** Some cities make their funds available year-round (as long as budgeted funding is available); other cities have funding cycles, i.e., one or two times a year when grant applications are solicited/accepted. The year-round approach is obviously more flexible, and also puts less strain on City staff (since staff would only have to process one application at a time); however, the cycle approach has the benefit of the Program Manager being able to compare competing funding requests, awarding grant funds for those projects that he/she determines to be most closely aligned with the City’s goals.
- **Timing of Grant Disbursement:** Most cities require that funds be disbursed on a reimbursement basis (i.e., the applicant obtains City authorization of the work, the applicant commissions and pays for the work, and then he/she submits proof of payment to the City for reimbursement). The City may opt to provide partial funding prior to the work being undertaken (or provide funds in tranches as individual elements

of the pre-development process are completed), but this will require more staff time, and conceivably may require the applicant to refund a portion of grant funds if some of the work is not undertaken or the ultimate cost is lower than anticipated.

Key Questions for MRCCAC

- Do you think that the City should focus this program on particular types of development? If so, where would you focus? Mixed use? Multi-story? Particular geographies within the larger URA boundary?
- What are your thoughts on a two-level Pre-Dev program, one general program with a lower funding cap (\$25,000 or so) that is broadly available; and another program with a much higher limit but which is limited to “catalytic” projects. If you favor this approach, how might you define “catalytic”?
- Do you agree that this project should only fund TIF-generating projects?

Storefront & Tenant Improvement Programs

These two programs are intended to provide funding for physical improvements to tenant spaces in existing development (most cities do not allow these funds for new construction). As with the pre-development grant program, the programs are generally intended to assist uses that will activate an area, such as restaurants and shops that serve as a magnet for bringing new customers to downtown Milwaukie and surrounding areas.

Generally, storefront grant programs are intended to beautify a downtown, upgrading the exterior appearance of buildings with improvements that are compatible with the architecture of the building, and also contribute to the overall aesthetics of the downtown area. Tenant improvement grants, on the other hand, generally fund interior improvements, and are restricted to targeted businesses (food and beverage, or “curated” retail) that are likely to make the downtown more attractive to customers from outside the area.

Below are the various program parameters for which MRCCAC feedback is solicited:

- **Eligible Applicants:** Building owner/landlord, or business owners/tenants.
- **Grant Cap:** Grant awards vary, City to City. Some cities vary the grant award by use (i.e., targeted businesses such as locally owned eateries may be eligible for higher grant awards, and/or lower match requirements). Grant awards may also vary by scope/type of work and/or cost or improvements.
 - Some cities also include a cap on how many grant dollars can go to a single building. This puts businesses in multi-tenant buildings at a disadvantage.
 - Some cities also put a cap on how many grant dollars an individual business may be awarded over a particular time frame.
- **Match Requirement:** This also varies City to City. A 50% grant match is typical but may be reduced for certain “preferred” uses. The City may also want to consider a lower match (even a zero match) for small grants.

- **Eligible Uses:** for Storefront Grant Programs, the focus is on an upgraded visual appearance and there are usually no limits on the *use* of the interior space. For tenant improvement programs, these are usually targeted to unique/distinct food and beverage uses and sometimes also “curated” retail – i.e., businesses that will attract new customers to DT Milwaukie.
 - Most programs exclude national chains. An exception may be allowed for locally owned franchises of national chains.
- **Eligible Activities:** Some cities have a lengthy laundry list of eligible (and ineligible) uses of the funds; others have a broader statement of eligibility.
 - Most programs in other cities explicitly exclude ordinary maintenance.
- **Eligible Geography:** Many programs focus funding on any given year to a particular geography within the URA, as opposed to the entire URA. The intention here is partly to “jumpstart” a targeted area to have optimal impact (as opposed to disbursing the funds in a much larger geography such that there isn’t a concentration of upgraded properties). It bears noting that some of the commercial areas within the URA have auto-dominant development patterns, which would seem to be ill-suited to upgraded storefronts that line a sidewalk. For this reason, it would seem more logical to target the programs, at least initially, in the downtown core. If this is the case, an exception process might be included, where the Program Manager has the authority to fund projects outside of the “preferred”/targeted geography.
- **Duration of Improvement:** Some cities require that the City-funded improvements remain in place for a period of time (five or more years), with the further proviso that if funded improvements are removed within that time period, the applicant would have to re-fund the City. However, this would be problematic for some tenants, e.g., those on a shorter lease term. One option here, if there *is* a duration requirement, is to exempt smaller grants (say, up to \$10,000) from such an obligation.
- **Decision Process:** Most programs assign the decision authority on approving grant requests to a specific staff person. To assure “quality control”, there is often mandatory design advice (see below). Most cities also have criteria on which the decision authority bases his/her decision. For instance, one City uses the following criteria for its selection of which projects to fund:
 - Positive impact of the project on the aesthetic appearance of the building.
 - Positive impact of the project on the overall streetscape
 - Preservation and enhancement of the architectural integrity of the building.
 - Positive contribution of the project on the urban renewal effort.
 - Amount of additional investment leveraged by the grant.
 - Compliance with applicable design guidelines and standards.
 - Evidence of financial ability to meet matching requirements (e.g., bank statement, loan commitment letter, etc.)
 - Hillsboro’s SF Grant program purpose statement: Improve the appearance and curb appeal of commercial buildings in Hillsboro to stimulate economic performance, attract new investment, inspire community pride.
- **Funding Cycle:** As with the pre-development grant program some cities make their funds available year-round (as long as budgeted funding is available); other cities have

funding cycles, i.e., one or two times a year when grant applications are solicited/accepted. The year-round approach is obviously more flexible, and also puts less strain on City staff (since staff would only have to process one application at a time); but the cycle approach has the benefit of the Program Manager being able to compare competing funding requests, awarding grant funds for those projects that he/she determines to be most closely aligned with the City's goals. Another consideration is equity: small businesses may not have the capacity to track funding cycles and might therefore be at a disadvantage if funding is only made available through a formal cycle.

- **Timing of Grant Disbursement:** As with the pre-development grant program, some cities require that funds be disbursed on a reimbursement basis (i.e., the applicant obtains City authorization of the work, the applicant commissions and pays for the work, and then he/she submits proof of payment to the City for reimbursement). The City may opt to provide partial funding prior to the work being undertaken, but this will require more staff time, and conceivably may require the applicant to refund a portion of grant funds if some of the work is not undertaken or the ultimate cost is lower than anticipated. Nonetheless, since many applicants are small business tenants, it may behoove the City to provide at least partial funding “up front”.
 - One option is to disburse funds on a reimbursement basis but allow applicants to make the case for some or all of the grant to be disbursed up-front, documenting the applicant's cash flow position that justifies pre-disbursement.
- **Design Services:** Many cities provide free or discounted design services as part of their programs. The City may select one or several architects or related professionals that it makes available (typically in a “not-to-exceed” amount, perhaps \$2500 or so). This is a nice incentive, and it also helps to ensure that the project design will be of a quality that justifies the storefront or T.I. grant. That is, the free/discounted design services serve a “quality control” purpose.

Key Questions for MRCCAC

- Do you concur with the distinction made between storefront grants being made available to many uses, since the focus of this program is on aesthetic improvements regardless of the use; whereas the tenant improvement program which would be made available to specified uses that will make DT Milwaukie to customers from around the region and beyond (e.g. uses such as eateries and curated retail)?
- Do you favor a single grant cap and match requirement, or would you be open to different caps based on certain uses, project scopes, and/or project cost? If you favor variability, what are the sort of projects would you favor for more generous terms (i.e. higher caps, lower match requirements)?
- Do you concur with initially targeting these programs to Downtown, or would you favor allowing applicants from the entire URA?
- Are there any types of improvements that you *not* want the City to fund through these programs?
- Do you favor making these programs available throughout the year, or only on specific cycles with only one or two rounds per year?

Other Considerations:

- For the storefront and T.I. programs, the City may want to target its outreach to businesses.
- Merchants urge the City to Keep programs as simple as possible; many of these merchants lack the time or expertise to address complex submittal or compliance requirements.
- It is important to bear in mind that the City has limited staff capacity. Some cities have multiple staff marketing and administering their programs; Milwaukie doesn't have that advantage, reinforcing the need to keep the programs as simple as possible.
- That said, it will also be important to internally coordinate the City's response to applications. Specifically, the City will want to engage its planning and building department staff in the review of applications, to make sure that the City doesn't approve funding for a project that violates City code. Similarly, it behooves the City to make sure that grantees understand that their grant award is *not* the same thing as a permit.
- Many cities require that grantees be current on their taxes, and that they have current business licenses.
- Some merchants have suggested that the programs promote the use of local suppliers, vendors, and consultants where possible. Perhaps provide a more generous grant amount, or reduce the required match, for those grant awardees who "buy local".
- Many cities strongly recommend (or in some cases, *require*) that grant applicants meet with relevant staff *prior to* applying, to minimize misunderstanding or avoid costly errors.

Next steps:

- Draft Program Parameters (generally as framed in this memorandum), incorporating input/feedback from MRCCAC and from staff
- Share w key stakeholders/partners for their input and counsel
- Bring my recommendations to MRCCAC for their blessing, hopefully in January at latest
- City Council/URA Board approval (February?)
- Assist in marketing and administration as directed by City.