



Milwaukie Urban Renewal Feasibility Study

Deliverable 3: Priority Urban Renewal Projects

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I. INTRODUCTION

This memorandum (Deliverable 3) summarizes our analysis, evaluation and suggested prioritization of potential urban renewal projects and programs for an urban renewal plan in Milwaukie. It includes a review of potential projects and programs provided by staff, and shown below in Table 1.

II. CONTEXT

Some urban renewal plans establish urban renewal areas that from the outset have high assessed values, near or at the maximum 25% of the City allowed for cities and counties with fewer than 50,000 people or 15% for municipalities over 50,000. (Milwaukie's population was estimated at 20,915 in 2008.)

A high assessed value of a "frozen base" allows for a relatively high level of tax increment revenues from the maximum 3% yearly increase in existing properties, whether or not much new investment takes place. In such plans, the revenue stream allows for urban renewal investments in a wide variety of projects, including those that improve the public amenities of an area, such as parks, plazas, libraries, community centers and other public buildings.

However the high tax increment revenues from such areas come at a cost to the overlapping taxing districts, which most likely would have received most of the property taxes resulting from the maximum 3% growth in the absence of an urban renewal plan.

The suggested urban renewal feasibility study area for Milwaukie contains assessed value that comprises 14.9% of the total assessed value of the city in FY 08/09. While in the earliest years of the projected tax increment revenues the growth of the base within the 3% limit is a substantial part of the total incremental assessed value, after a few years the incremental assessed value is a function more of the development of the opportunity sites and associated

general development. Because the development projected on the opportunity sites is commercial and residential in nature, this new investment will then generally increase at the maximum 3% per year. To summarize, the revenues forecast for this urban renewal feasibility study area are predominantly generated by development of the opportunity sites.

Prior experience in Milwaukie and elsewhere in the metro area shows that many major new developments (either brand new building or substantial rehabilitation) in the downtowns of cities depend upon public incentives for their financial feasibility. The incentives can come in the form of discounted or “written down” prices for the sites, contributions toward improvements in the infrastructure serving the sites, tax exemptions and/or direct financial participation in the development. In Milwaukie, the North Main Village project required a variety of public incentives from the City, the State and Metro.

Though specific feasibility analyses of the development opportunity site projects is outside the scope of this project, it is completely reasonable to assume that some form and degree of direct public investment will be required to get these projects off the ground. The implication of this analysis is that:

- Development of the opportunity sites is the main driver of the projected tax increment revenues, and
- Development of the opportunity sites will require public investments.

The other major factor in the context for an urban renewal plan in Milwaukie’s downtown is the need for continued investment in the public facilities and amenities. The Market Analysis finds that the extension of light rail transit to the area will be essential in creating demand for multi-family housing and very important for the viability of commercial uses. Commercial uses benefit directly from the improved access for customers and employees, and indirectly from the increased residential population. The continued improvement of the Riverfront Park will result in an enhanced environment for housing in the area. And the development of a plaza in the Lake Road (South Downtown) LRT station area will be a positive factor, especially for development adjacent to the station.

III. NATURE OF FUNDING PUBLIC INVESTMENTS

In general, when looking at possible funding sources for different kinds of public investments, certain sources are more or less appropriate for certain types of public projects. Those projects that are easily recognized as providing community wide public benefits – but not generating revenues from users - such as parks, libraries and community centers are most appropriately funded by voter approved General Obligation Bonds. Investments in regional transportation improvements (e.g. McLoughlin Boulevard improvements, Highway 224, and the Portland Milwaukie Light Rail) are most appropriately funded by the federal and state governments, as that funding is allocated by the regional authorities such as Metro. (The light rail project requires a local match of federal funds, which is typical of major federal transportation

investments in recent years.) Investments in sewer and water facilities are commonly funded by revenue bonds, paid from the ongoing user fee revenues collected by these utilities.

Public investments in promoting private real estate development are most appropriately funded through urban renewal tax increment financing or supported by property tax exemptions. Though these projects provide public benefits, many direct investments in support of real estate development projects are legally ineligible for General Obligation bond financing and/or would not be likely to be approved by voters.

IV: PRIORITY URBAN RENEWAL PROJECTS

Based on the above characterization of public investment strategies, it is our overall suggestion that the highest priority urban renewal projects at the beginning of the urban renewal program are those that provide direct benefits for - and are necessary for the feasibility of - private real estate investments on the opportunity sites. We suggest that the high priority projects for funding by the public (not through urban renewal) are the light rail local match, Riverfront Park and South Downtown plaza.

If the City decides to prepare and consider an urban renewal plan, then the prioritization of urban renewal projects (along with the boundary and other elements) will be a major focus of the public planning effort. The suggestions we make in Table 1. below only reflect the judgment of the consultant team with substantial input from staff. It would be our expectation that these suggestions are no more than a starting point for future discussion.

However, we do believe that early urban renewal investments that directly support development of the opportunity sites are necessary to produce the tax increment revenues we have projected, and without them the tax increment revenue projections would be substantially lower. As the urban renewal program matures there will likely be more resources available for public improvement projects that benefit the general public and make central Milwaukie a greater place.

Our suggested high priority projects for urban renewal funding at the beginning of the plan are outlined as follows:

- Public Area Requirements (PAR): Addressing the cost to private development of the City's PAR was a primary target of the urban renewal feasibility study. Our recommendation is that the City take this opportunity to review the requirements and commit funds to offset some of the costs of streetscape improvements. A sharing of the costs of the PAR would make new development and rehabilitation more financially feasible.
- Murphy/McFarland Planning/Infrastructure/Quiet Zone: As two of the largest vacant sites in central Milwaukie, we believe public assistance is necessary to mitigate the expense of on-and-off-site public improvements.

- **Site Acquisition/Opportunity Sites:** In some cases, downtown redevelopment will necessitate assembling small parcels to meet city development standards and provide the economies of scale for feasible development. The Urban Renewal Agency’s ability to purchase sites for later sale to developers will facilitate site assembling. This type of acquisition can only be from willing sellers, as the ability to use eminent domain is no longer permissible under state law.
- **Storefront Program:** Small grants to building owners to improve lighting, signage, windows and awnings have proven to be effective incentives in other urban renewal areas.
- **Development Incentive Fund:** We believe a critical program would be financial assistance to encourage development, particularly in the early years. Examples include “gap” financing (filling the gap between private lending and total funding requirements).
- **Downtown Parking Structure:** With a limited area in downtown Milwaukie, structured parking will be a key ingredient in achieving the desired active urban environment and appropriate site development. Significant levels of public financing of parking structures will be essential.
- **McLoughlin Over-crossing:** A direct pedestrian link between downtown and the Riverfront Park will greatly enhance the market appeal of any new development downtown. It would also strengthen the shopping and entertainment uses downtown, drawing park visitors downtown for eating and shopping.

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REVISED DRAFT DELIVERABLE 3*

Table 1: Prioritization of Urban Renewal and Other Public Projects

| Project | Urban Renewal Project High Priority | Other Public Funding for Downtown Development High Priority | Notes |
|--|-------------------------------------|---|--|
| Public Area Requirements/Downtown Streetscapes | High | | Public area requirements are very high and there may be an opportunity to reduce the cost requirements while maintaining high quality streetscape improvements |
| Murphy/McFarland Site-Development Planning | High | | |
| Murphy Site Infrastructure | High | | |
| McFarland Site Infrastructure | High | | |
| Railroad Quiet Zone | High | | Possible to attract grant funding or local contributions. |
| Site Acquisition Development Opportunity Sites | High | | |
| Site Acquisition for South Downtown Plaza | | High | Possible to attract grant funding or local contributions. |
| Kellogg-for-Coho Initiative | | ? | Overall City objective, not directly related to downtown |
| Urban Living Infrastructure/Storefront program | High | | |
| 17th Ave. Connector | | ? | Overall City objective, not directly related to downtown |
| Riverfront Park Phase 3 Plaza | | High | GO Bond financing possible |
| Monroe Bike Blvd. & Hwy 224 Crossing safety | | High | GO Bond financing possible |
| ULI/Storefront program | High | | |
| Development Incentive Fund | High | | |
| Downtown Parking Structure | High | | Possible to structure local contributions. |
| W-Water Plant de-comm | | High | Possible revenue bond financing |
| Performing Arts Center | | High | GO Bond financing possible |
| McLoughlin Over-crossing (at Cash Spot) | High | | |