



MEMORANDUM

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SUBJECT: Parking Standards/Site Development Analysis

DATE: 27 July 2009

The purpose of this memorandum is to summarize our examination of the current and proposed parking standards as they impact the financial feasibility and optimal use of redevelopment sites in various downtown Milwaukie land use zones. The findings were initially presented July 16, 2009 at a workshop with City staff. Accompanying this memo are the Development Opportunity Studies including site plans and development programs, as well as the financial feasibility analyses.

Our task was to examine how the current and proposed parking standards influence potential downtown development from the standpoints of site capacity and financial feasibility. Secondly, we were asked to examine how the cost of Public Area Requirements (PAR's) impact financial feasibility. Finally, we present some recommendations on parking in downtown Milwaukie.

It is important to keep in mind, while considering the issue of parking, that there are two kinds of requirements: what the public jurisdiction requires and what the market requires. In suburban markets where land is inexpensive, high parking ratios can be easily and cheaply provided on surface lots. This level of parking availability is still the norm for many people and is critical for market acceptance. However, there are market segments, i.e. young urban adults, particularly singles, whose reliance on personal cars is often foregone in favor of car sharing services, bicycles and public transportation. For projects aimed at these market segments, high parking ratios are not critical.

Parking Standards/Site Development Analysis

Current and Proposed Parking Standards

The City of Milwaukie is reviewing the current parking standards and parking management tools for downtown and has recommended new standards for future adoption. Current and proposed standards for downtown development include:

	<u>Current</u>	<u>Proposed</u>
Retail:	3.6 spaces/1,000 sf	None
Restaurant:	9.0 spaces/1,000 sf	None
Office:	2.4 spaces/1,000 sf	None
Residential:	DR zone: 1 per unit	1 per unit
	DS zone: None	1 per unit

The new parking standards would essentially reverse the existing standards, i.e., repeal minimum parking for commercial or office uses and impose a minimum of one space per unit for residential development, regardless of zone. (These standards would apply to new development and not for buildings undergoing rehabilitation.)

Development Site Prototypes

With the assistance of City planning staff, we defined three development prototypes that were intended to reflect likely future downtown projects. Site size, location within different downtown zones, access and frontage were all brought into consideration. We were also directed to consider a potential major renovation of the building on 10818 S.E. Main Street as an additional prototype for analysis. These four prototypes are summarized below:

- Site 1:** 10,000 sf site fronting on Main Street with side street access in the Downtown Storefront (DS) zone
- Site 2:** 40,000 sf site fronting on Main Street with no side street access in the Downtown Residential (DR) zone
- Site 3:** 20,000 sf site with public streets on three sides in the Downtown Office (DO) zone
- Site 4:** 10818 S.E. Main, an existing two- story mixed use building with office over retail

Development Programs and Financial Feasibility Analysis

Parking Standards/Site Development Analysis

Based on allowable uses within each of the Downtown Zones, density requirements, height and coverage restrictions and other development guidelines, a development program was defined for each site. These development programs are illustrated and described in detail in the accompanying “Development Opportunity Studies”. Detailed cost and market value information for each site were also provided, which summarize the analysis of financial feasibility, i.e. to what extent the market value covers costs and profit. Public Area Requirements (PAR) costs are included in the analysis.

Site 1: Apartments over Storefront Retail, DS Zone

With a minimum height requirement of three stories, this program provides the required storefront space along Main Street and two stories of apartments. In response to the proposed parking standards of one space per dwelling unit, 11 spaces can be provided on-site as surface parking, but one space has to be tucked under the building. Access to the parking is provided from the side street. (It should be noted that without access to a side street, no parking could be provided on this site. This suggests that redevelopment of interior lots with housing may be problematic.)

The apartment units are 625-670 square feet, similar to studio and one-bedroom units being built in other metropolitan area markets.

Cost and Valuation: Total costs are estimated to range between \$3.4 and \$3.7 million, or \$231 and \$252 per square foot. (The variability in the cost estimates for Site 1 and all other sites are the Public Area Requirements. The higher cost is incurred when the developer pays for 100% of the PAR’s; the lower cost has the developer paying 10% of the cost and the City paying 90%.)

As shown in the detailed cost analysis, the total valuation of the project based on current Milwaukie market values is \$2.1 million, or 40%-45% of development cost. This comparison of cost and value indicates clearly that under these assumptions, it is very unlikely that a developer would undertake this project. Contributing factors include:

- Current market values in Milwaukie are lower than other markets.
- Limited economies of scale because of small number of units. However, additional units could not be built without modification of the proposed parking standard of one space per unit.
- Site costs are assumed to be relatively high because most sites in the DS zone have existing buildings that would have to be purchased and demolished. However, even if one assumes that Site 1 was originally vacant, the gap between cost and value would only be reduced about 5%.

Site 2: Condominiums With Limited Office/Retail Space, DR Zone

Parking Standards/Site Development Analysis

This large site offers many different site configurations to accommodate the required units. With an eye to a more upscale ownership project, podium parking allowing more security was designed into the building. Under current parking standards, 38 spaces would be required—31 for residents and seven for 3,000 square feet of office space. Proposed standards would eliminate the commercial parking requirement.

This conceptual program provides a range from unit sizes, from 750 to 1,125 square feet, in a five-story structure, the maximum number of floors allowed in the Downtown Residential (DR) zone. The site plan provides a large common green space for gardens or recreation.

Cost and Valuation: Total costs are estimated to range between \$14.6 and \$14.9 million. The PAR costs are less a factor for Site 2 because there are only 200 feet of public street frontage. In addition, site costs in the DR zone are lower than in the DS zone. With an average market value for the condominiums estimated to be \$280,000, this conceptual development project would be valued at \$9.3 million, or 62.7% to 63.9% of total cost. This is still not a promising outlook, but closer to feasibility than the program for Site 1. Feasibility could be enhanced by:

- Higher prices for the units that could be justified by feature and amenities.
- Replacing the podium parking with less costly surface parking. However, preliminary site studies suggest that the number of units would also be reduced from 31 to the minimum required 28 units.

Site 3: Office over Retail

Current parking standards guided the conceptual development plan for this site. Although maximum height of 65 feet would allow for a six-story building, on-site parking requirements dictate a much smaller building due to the physical and economic constraints of structured parking. Even under the proposed parking standards (no required parking), some on-site parking would be highly desirable.

The resulting program includes 13,000 square feet of office and 1,900 square feet of retail/restaurant space in a three-story building with 22 surface parking spaces and 14 tucked under the building. With the assumption that a likely ground floor tenant is a restaurant, this conceptual site plan would not accommodate the required 45 parking spaces, falling nine spaces short.

Cost and Valuation: Total costs for this office building are estimated to be \$4.6 to \$5.2 million. PAR costs noticeably impact this project, as there are approximately 400 lineal feet of street frontage. Because of the relatively weak office market, the project valuation is 40.5% to 45.6% of cost, suggesting that commercial or speculative office development may have to wait until office market conditions improve. However, there are some mitigating factors:

- Build-to-suit office development for an owner/occupant has very different financial and capital implications. Milwaukie has several corporate office

Parking Standards/Site Development Analysis

buildings and this type of development can succeed in markets and situations where speculative development is infeasible.

- If the City finances and builds off-site parking structures and no on-site parking is required, commercial office development has greater feasibility *providing the office market in general becomes stronger*. However, some parking on-site will also be desirable or necessary for visitors, corporate executives and accessibility.

Site 4: 10818 S.E. Main, DS Zone

Our final prototype project is an extensive remodeling of 10181 S.E. Main. This two-story building in downtown Milwaukie is located in the DS zone. Office uses occupy the 5,800 square foot second floor, with the ground floor used by the owner for shipping, storage and other business-related activities, but no retailing. There is currently no off-street parking and none would be required under either the current or proposed parking standards. No detailed architectural or engineering studies were conducted as part of this study, but it is assumed that a retailer on the ground floor and office uses on the second floor would achieve the full potential of the property.

Cost and Valuation: Without more detailed assessment of the building, any assumption about remodeling costs is only a rough estimate. In this case, we assumed that remodeling costs of \$70 per square foot would provide an adequate budget against which to test feasibility. On this basis, total development costs would be \$2.5-\$2.6 million, including the current value of the property, construction and soft costs. In comparison, total valuation is \$2.1 million, or 80% - 85% of cost.

When compared to the cost/valuation results of Sites 1-3, this remodeling project has much stronger viability. This is consistent with observed patterns of redevelopment and new development of emerging local markets, when the earliest projects are nearly always rehabilitation projects. In fact, it is unlikely that new redevelopment projects will be feasible until rehab projects are completed, encouraging demand for new space, supporting a higher rent structure and convincing lenders that rents necessary to support new construction are achievable. This holds true for all uses: residential, retail and office.

Conclusions and Recommendations on Parking Standards

Parking requirements, height requirements, minimum densities, off-site development costs, design standards, market realities and other factors in the development puzzle are interwoven, often interdependent and sometimes work at cross purposes. In our focus on parking standards, we have seen that minimum parking requirements can result in much less development than otherwise permitted (Site 3 under current standards) or reduce the feasibility of residential mixed-use buildings on small lots (Site 1 under proposed standards).

With proposed parking standards shifting from commercial to residential requirements, the City is reducing the likelihood of residential development outside of the DR zone. If multi-story retail buildings were a viable development form or if the office market were booming, then discouraging residential development in the DS zone might not matter at all. However,

Parking Standards/Site Development Analysis

residential development is a key component in the revitalization of historic commercial districts such as downtown Milwaukie. It provides a built-in market for retail, service and restaurants businesses and gives a district a more relaxed, lived-in feel that is more appealing to shoppers and employees than a commercial-only district.

As for parking standards required by the City, even though no parking would be required for an office building like Site 3, some on-site parking would almost certainly be provided by the developer because the market will demand it. If on-site parking were not sufficient, a developer would need assurance from the City that supplementary off-site parking would be available.

The situation holds true for the potential apartment developer in the DS zone. If no parking were required, some parking would still be need to be provided for marketability. Apartment owners don't want to own a building that is difficult to rent, and lenders would be reluctant to approve a loan for a project that doesn't address this important component. However, there are multiple solutions, i.e. on-street permits, off-site parking shared with office tenants, zipcars, secure bike storage, that can be designed to accommodate some or all of the parking needs of downtown residents. In fact, the goal of providing light rail to the Portland metro area is to reduce auto congestion and provide opportunities for high-density development. As MAX arrives in downtown Milwaukie, people will choose to live there because they can rely less on private transportation.

Our recommendations for Downtown Milwaukie parking are focused on the goal of facilitating downtown redevelopment, with the recognition that urban development requires flexibility and less reliance on private transportation.

Recommendation #1:

Create a plan with specific locations for street, surface and structured public parking to accommodate the needs of future downtown employees, shoppers, residents and visitors, with an emphasis on shared parking.

Recommendation #2:

Maintain the current parking standard (none required) for residential development in the DS zone.

Recommendation #3:

Require residential developers in the DS zone to work with transportation management prepare a parking and trip reduction plan.

Recommendation #4:

Allow resident on-street parking permits in Downtown.

We are aware that some of these recommendations run counter to the some of the proposed parking development standards. However, we feel that encouraging residential development in the DS zone is critical to the success of downtown Milwaukie. The proposed parking standard would impose a very significant obstacle to residential, mixed-use projects on the smaller sites in the DS zone. Flexibility with regards to parking and height requirements, and public area requirements are all necessary to improve the feasibility of downtown development.

Site 1- Downtown Storefront

Site Size (SF) 10,000

DEVELOPMENT PROGRAM	<u>Gross SF/Units</u>	<u>Net Leas. Area/Units</u>
Storefront Retail	4,500	3,450
Apartments	10,360	12
Parking Spaces	3,650	12
Landscaping	1,500	

DEVELOPMENT COSTS	<u>Per Unit/SF</u>	<u>TOTAL</u>
Site Acquisition	\$56.00	\$560,000
Demolition (Assumes 5,000 sf)	\$5.00	\$25,000
Site Preparation	\$5.00	\$50,000
Total Site Costs		\$635,000

Construction	<u>Per Unit/SF</u>	<u>TOTAL</u>
Storefront Retail	\$75.00	\$337,500
Apartments	\$160.00	\$1,657,600
Parking	\$10.00	\$36,500
Landscaping	\$3.50	\$5,250
Total Hard Costs		\$2,036,850

PAR's	<u>100%</u>	<u>10%</u>
	\$337,500	\$33,750

Soft Costs	35%	\$739,148	\$726,148
(Inc: A&E, SDC's/permits, contingency, construction financing)			
Total Soft Costs + PARs		\$1,076,648	\$759,898

TOTAL DEVELOPMENT COSTS	\$3,748,498	\$3,431,748
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Cost Per Square Foot	\$252.25	\$230.94
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Valuations

Apartments (per unit)	\$90,000	\$1,080,000
Storefront Retail (per sf)	\$155	<u>\$534,750</u>

Total	\$1,614,750	
Total Valuation as % of Cost	43.1%	47.1%

Site 2 - Downtown Residential

Site Size (SF)	40,000		
DEVELOPMENT PROGRAM	<u>Gross SF/Units</u>	<u>Net Leas. Area/Units</u>	
Condominiums	44,000	31	
Office	3,500	3,000	
Parking Spaces	15,200	38	
Podium	8,600		
Surface	6,600		
Landscaping	19,000		
DEVELOPMENT COSTS	<u>Per Unit/SF</u>	<u>TOTAL</u>	
Site Acquisition	\$31.00	\$1,240,000	
Demolition (Assumes 10,000 sf)	\$5.00	\$50,000	
Site Preparation	\$5.00	<u>\$200,000</u>	
Total Site Costs		\$1,490,000	
Construction			
Condominiums	\$190.00	\$8,360,000	
Office	\$150.00	\$525,000	
Parking			
Podium	\$70.00	\$602,000	
Surface	\$10.00	\$66,000	
Landscaping	\$3.50	<u>\$66,500</u>	
Total Hard Costs		\$9,619,500	
PAR's		<u>100%</u>	<u>10%</u>
		\$300,000	\$30,000
Soft Costs	35%	\$3,454,325	\$3,442,825
(Inc. A&E, SDC's/permits, contingency, construction financing)			
Total Soft Costs+ PAR's		\$3,754,325	\$3,472,825
TOTAL DEVELOPMENT COSTS		\$14,863,825	\$14,582,325
Cost Per Square Foot		\$312.92	\$307.00
Valuations			
Condominiums (per unit)	\$280,000	\$8,680,000	
Office (per sf)	\$150	\$450,000	
Parking Spaces	\$5,000	<u>\$190,000</u>	
Total		\$9,320,000	
Total Valuation as % of Cost		62.7%	63.9%

Site 3 - Downtown Office

Site Size (SF) 20,000

DEVELOPMENT PROGRAM

	<u>Gross SF/Units</u>	<u>Net Leas. Area/Units</u>
Office	13,000	12,100
Ground floor Retail (Restaurant)	2,220	1,900
Parking Spaces	10,600	36
Podium	2,300	14
Surface	8,300	22
Landscaping	4,880	

DEVELOPMENT COSTS

Site Acquisition	\$35.00	\$700,000
Demolition (Assumes 5,000 sf)	\$5.00	\$25,000
Site Preparation	\$5.00	\$100,000
Total Site Costs		\$825,000

Construction

Office	\$180	\$2,340,000
Retail	\$120	\$266,400
Parking		
Podium	\$70	\$161,000
Surface	\$10	\$83,000
Landscaping	\$3.50	\$17,080
Total Hard Costs		\$2,867,480

PAR's

100%	10%
\$600,000	\$60,000

Soft Costs

30%	\$897,744	\$874,744
(Inc: A&E, SDC's/permits, contingency, construction financing)		
Total Soft Costs + PAR's	\$1,497,744	\$934,744

TOTAL DEVELOPMENT COSTS

\$5,190,224 \$4,627,224

Cost Per Square Foot

\$341.01 \$304.02

Valuations

Office (per sf)	\$150	\$1,815,000
Retail (per sf)	\$155	\$294,500

Total \$2,109,500

Total Valuation as % of Cost 40.6% 45.6%

Site 4 - Redevelopment of 10181 SE Main

Site Size (SF)	<u>SF</u>	10,630		
Redevelopment Program				
Storefront Retail		8,000		
Second Floor Office		5,800		
Parking		0		
Landscaping		0		
DEVELOPMENT COSTS				
	<u>Per unit/SF</u>	<u>TOTAL</u>		
Site Acquisition (Market Value)		\$1,195,000		
Demolition (LS)		\$10,000		
Site Preparation		<u>0</u>		
Total Site Costs		\$1,205,000		
Construction	\$70.00	\$966,000		
PAR's		<u>100%</u> \$157,000	<u>10%</u> \$15,700	
Soft Costs	30%	\$292,800	\$286,800	
<small>(Inc. A&E, SDC's/permits, contingency, construction financing)</small>				
Total Soft Costs+ PAR's		\$449,800	\$302,500	
TOTAL DEVELOPMENT COSTS		\$2,620,800	\$2,473,500	
Cost Per Square Foot		\$190	\$179	
Valuations				
Retail (per sf)	\$155	\$1,240,000		
Office (per sf)	\$150	<u>\$870,000</u>		
Total		\$2,110,000		
Total Valuation as % of Cost		80.5%	85.3%	

Development Opportunity Studies

Selected Sites in Downtown Milwaukie, Oregon

July 2009

SERA

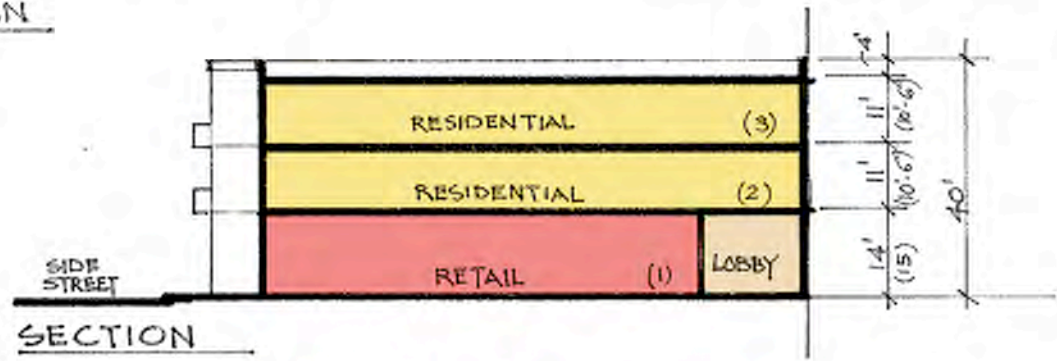


GROUND FLOOR PLAN

PARKING: 12 STALLS
 RETAIL: 3,450 sf
 LANDSCAPE: 1,500 sf (15%)



2ND & 3RD FLOOR PLANS
 6 APARTMENTS PER FLOOR : 12 UNITS



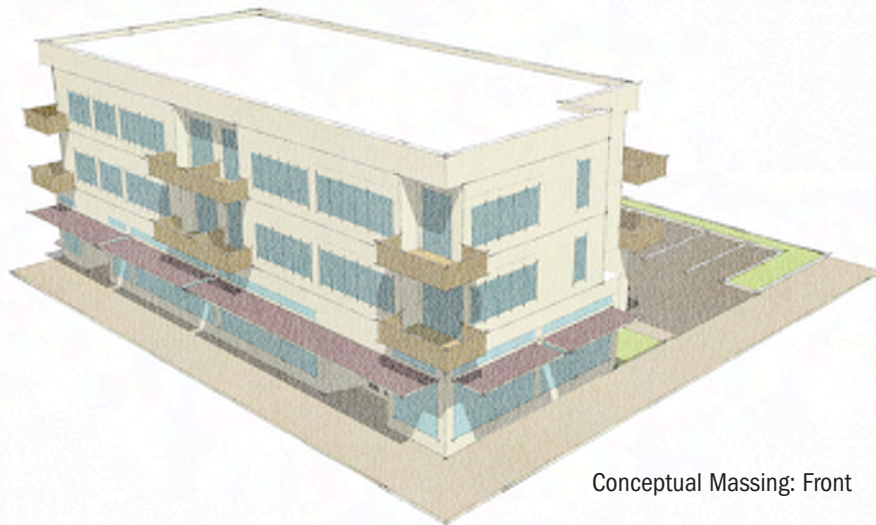
SECTION

SITE 1 - PROGRAM

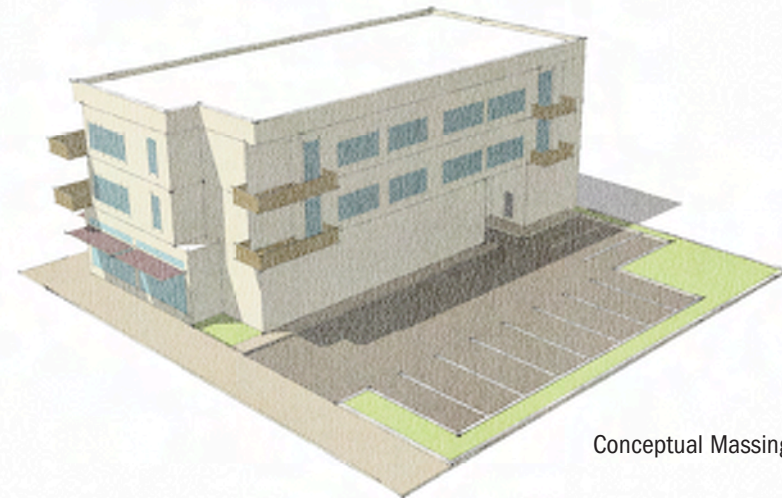
	RETAIL	OFFICE	APARTMENTS	RESIDENTIAL COUNT	TOTAL GROSS SF	REQUIRED PARKING (CURRENT)	REQUIRED PARKING (PROPOSED)	ON-SITE PARKING PROVIDED
GROUND FLOOR	3,450 SF	-	-	-	4,500	0	0	12
FLOOR 2	-	-	3,840	6	5,180	0	6	
FLOOR 3	-	-	3,840	6	5,180	0	6	
TOTAL	3,450 SF	-	7,680 SF	12	14,860	0	12	12

SITE 1 - ASSUMPTIONS

- 10,000 sf site (100' x 100') – corner lot
- frontage on “Main” street, parking access from side street
- wood-frame construction
- On-site surface parking: 7 standard parking spaces, 5 compact parking spaces (one tuck-under space)



Conceptual Massing: Front



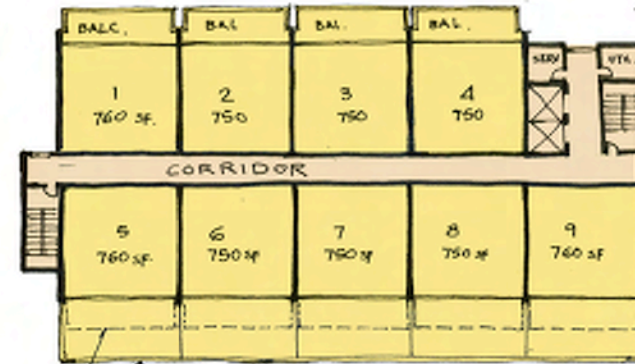
Conceptual Massing: Rear



2A. GROUND FLOOR / SITE PLAN

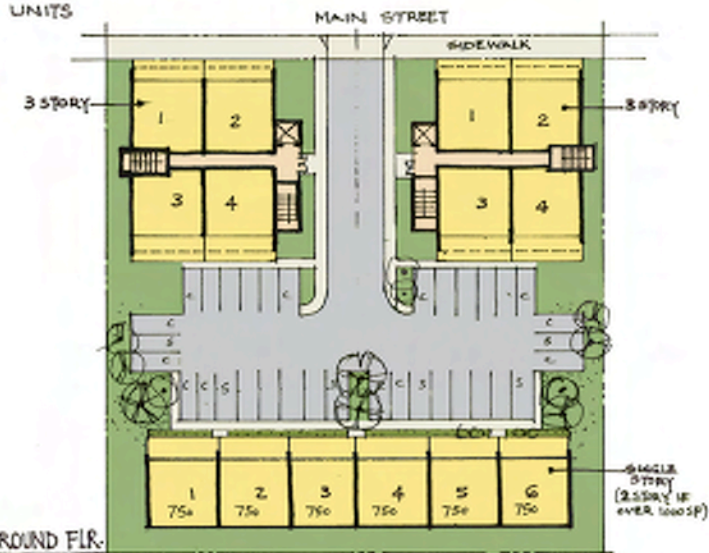
PARKING: 27 COVERED + 11 OPEN = 38 STALLS
 200' x 200' LOT (FAR: 30/ACRE - MAX. 28 UNITS)

SITE 2^A & 2^B - DOWNTOWN RESIDENTIAL (DR)



2A. 2ND, 3RD, 4TH & 5TH FLOOR PLAN

2ND FLOOR: 9 UNITS (750sf)
 3RD FLOOR: 8 UNITS (2 @ 1,125sf & 6 @ 750sf)
 4TH FLOOR: 7 UNITS (3 @ 1,125sf & 4 @ 750sf)
 5TH FLOOR: 7 UNITS (3 @ 1,125sf & 4 @ 750sf)
 • TOTAL: 31 UNITS



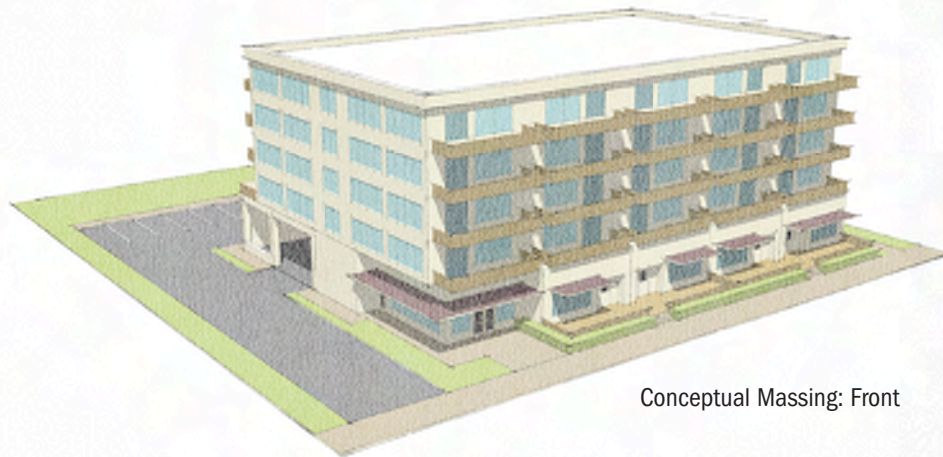
2B. GROUND FLR.
 30 UNITS / 34 PARKG. STALLS

SITE 2 - PROGRAM: OPTION A

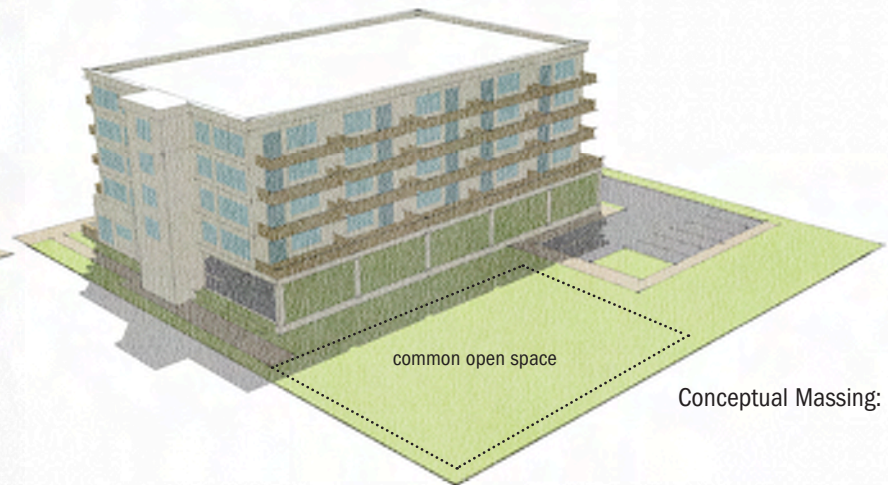
	RETAIL	OFFICE	CONDOS	RESIDENTIAL COUNT	TOTAL GROSS SF	REQUIRED PARKING (CURRENT)	REQUIRED PARKING (PROPOSED)	ON-SITE PARKING PROVIDED
GROUND FLOOR	-	3,000	-	0	15,350	7	0	38
FLOOR 2	-	-	6,750	9	11,000	9	9	
FLOOR 3	-	-	6,750	8	11,000	8	8	
FLOOR 4	-	-	6,750	7	11,000	7	7	
FLOOR 5	-	-	6,750	7	11,000	7	7	
TOTAL	-	3,000	27,000 SF	31	59,350	38	31	38

SITE 2 - ASSUMPTIONS

- 40,000 sf site (200' x 200')
- frontage on "Main" street, no additional accesses
- podium parking structure: 27 parking spaces; surface parking lot: 11 parking spaces
- 4-over-1 wood/concrete construction
- If podium parking is not utilized, the building yields 28 units (4 stories) with a surface parking lot and significantly less open space



Conceptual Massing: Front



Conceptual Massing: Rear

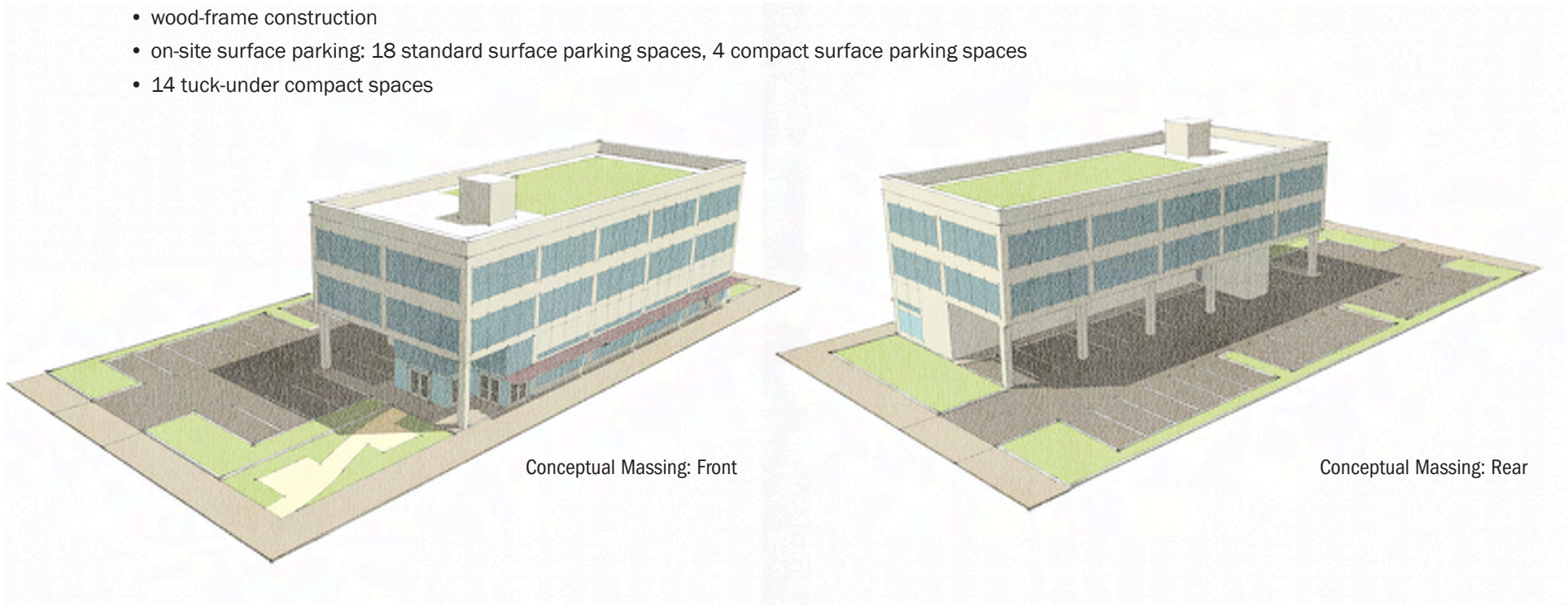
SITE 3 - PROGRAM

	RETAIL	OFFICE	APARTMENTS	RESIDENTIAL COUNT	TOTAL GROSS SF	REQUIRED PARKING (CURRENT)	REQUIRED PARKING (PROPOSED)	ON-SITE PARKING PROVIDED
GROUND FLOOR	1,900 SF*	-	-	-	6,500	16	0	36
FLOOR 2	-	6,050	-	-	6,500	14.5	0	
FLOOR 3	-	6,050	-	-	6,500	14.5	0	
TOTAL	1,900 SF	12,100	-	-	19,500	45	0	36

* 1,600 SF of restaurant use assumed for parking calculation

SITE 3 - ASSUMPTIONS

- 20,000 sf site (200' wide x 100' deep)
- frontage on "Main" street, parking access from two side streets
- wood-frame construction
- on-site surface parking: 18 standard surface parking spaces, 4 compact surface parking spaces
- 14 tuck-under compact spaces



Conceptual Massing: Front

Conceptual Massing: Rear