



Moving Forward Milwaukie City Council Worksession #3

Moving Forward Milwaukie • February 18, 2014

Presentation Overview

1. **Purpose** – why are we doing this?
2. **Overview** – what have we learned?
3. **Catalyst project** – what is it?
4. **Development Concepts** – why are we doing them?
5. **Lessons learned** – physical and financial
6. **Trade-offs** – what do these lessons mean?
7. **Discussion items** for 2/20 Study Session
8. **Next steps**



Purpose of this Project

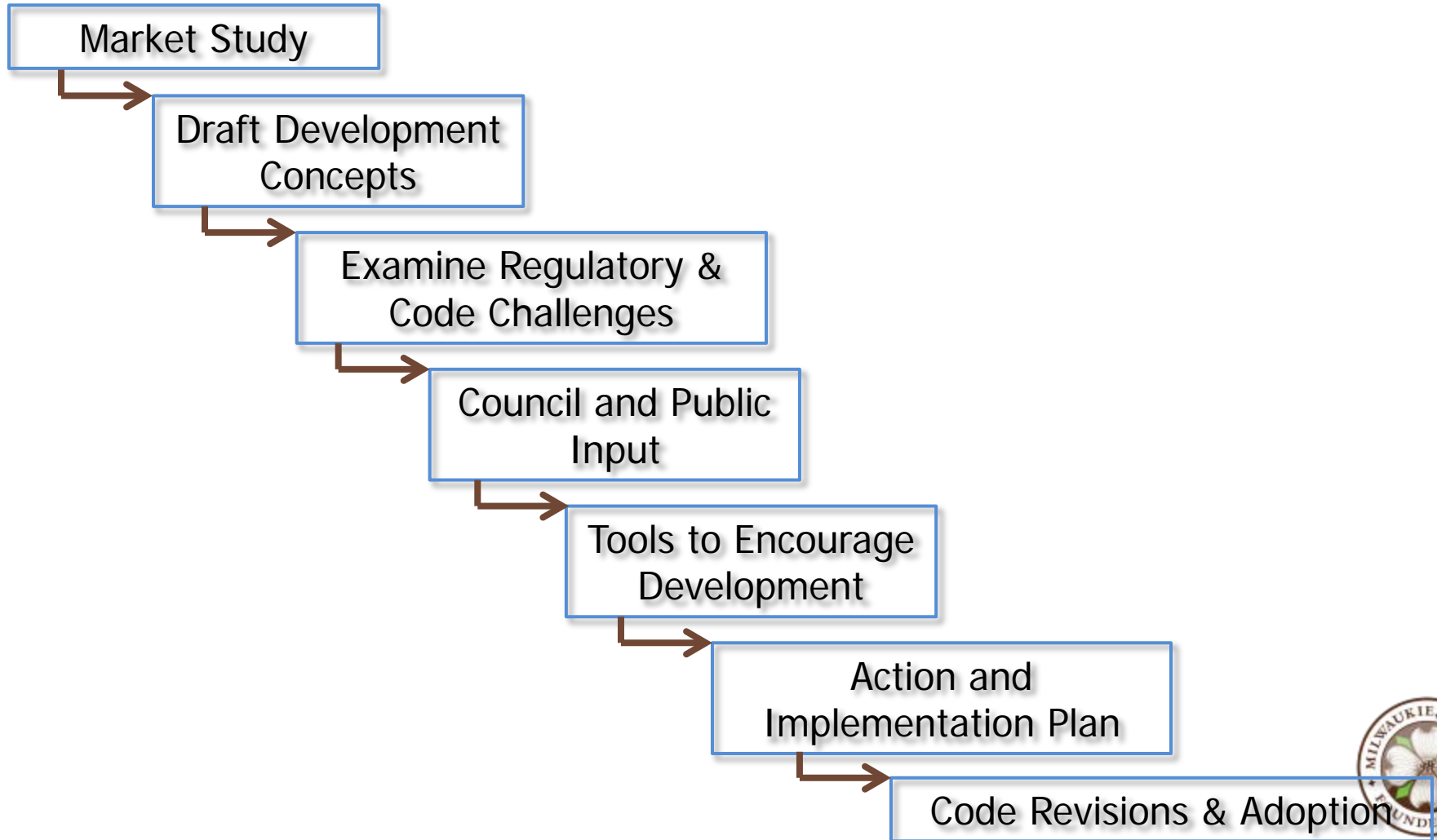
Why are we doing this?

- The goal of this project is **implementation**
- Our commercial areas are not living up to their potential
- Make sure our commercial areas look and function the way our community wants them to
- Make sure we have the right development standards in place to encourage new development
- Opportunity site analysis is one step in the process to revise our Zoning Code



Key Project Steps

For Downtown and Central Milwaukie



Project Schedule

	2013	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Project launch	■														
Market Analysis	■														
Opportunity Site Development Concepts	■	■	■	■	◆										
Downtown and Central Milwaukie Action and Implementation Plan			■	■	■	■	■	◆							
Central Milwaukie Land Use and Transportation Plan						■	■	■	◆						
Downtown Plan and Code Amendments						■	■	■				◆			
Central and Neighborhood Main Streets Plan & Code Amendments									■	■	■				◆



Overview

What have we learned so far?

- **Challenges**

- Negative cash flow situation (costs greater than revenues)
- Difficult to get financing for catalyst projects
- Central Milwaukie code is a significant barrier
- Infrastructure costs are significant



Overview

What have we learned so far?

- **Opportunities**

- Lots of potential in Milwaukie!
- Light rail and other infrastructure improvements are getting people excited
- Downtown development code is not a significant barrier
- Having one or two early, catalyst projects in downtown will be key to whether things happen or not
- With new development comes increased tax revenue to the City
- Clear vision and strong support from the public and elected officials are key



Overview

What have we learned so far?

- Developer Perspective



Catalyst Projects

What is a catalyst project?

- A project that creates activity and excitement and shows developers it is safe to invest
- A stimulus to change – inspires additional activity



Catalyst Projects

What are the benefits?

- Increased amenities (restaurants, shops, etc.)
- Increase vibrancy in commercial areas
- Increased tax revenues
- Will showcase the opportunities that exist in Milwaukie to other developers and property owners



Catalyst Projects

Why is it important?

- Very hard to get financing for projects in areas without recent comps
- Developers don't want to take on high-risk projects without potential for high returns
- Can put Milwaukie on the map, and draw attention of other developers and brokers
- Can create a lot of energy and excitement that can leverage additional private development nearby



Catalyst Projects

What comes first?

- Adaptive reuse of existing buildings is the most feasible in the short-term
- New construction will follow and create activity and excitement
- BUT, if we are able to have a new development project occur right away, then other development is likely to occur sooner!



Development Concepts

Why are we doing them?

- The opportunity site development concepts help us test potential catalyst projects
- Illustrations of potential development, if code and market allow
- “Crash test dummies”
 - Engage property owners and developers
 - Identify challenges with code and site characteristics
 - Gauge the magnitude of the financial gap
 - Test the impacts of different assumptions
- Modeled concepts based on direction from Council, public, and property owners.
- They are **not** plans to build a specific building, or definitions of the only buildings that should be allowed on a site



Learning from the Development Concepts

Code barriers to new development

- Central Milwaukie Use Standards
 - Nothing is permitted outright
- Central Milwaukie Development Standards
 - Off-street parking requirements
 - Unclear which standards apply
- Downtown Use Standards
 - Ground floor retail requirements
 - Limitations on retail uses in DO zone
- Downtown Development Standards
 - Off-street parking requirements
 - Public Area Requirements
 - Minimum/maximum building height



Learning from the Development Concepts

Central Milwaukie Opportunity Sites Overview

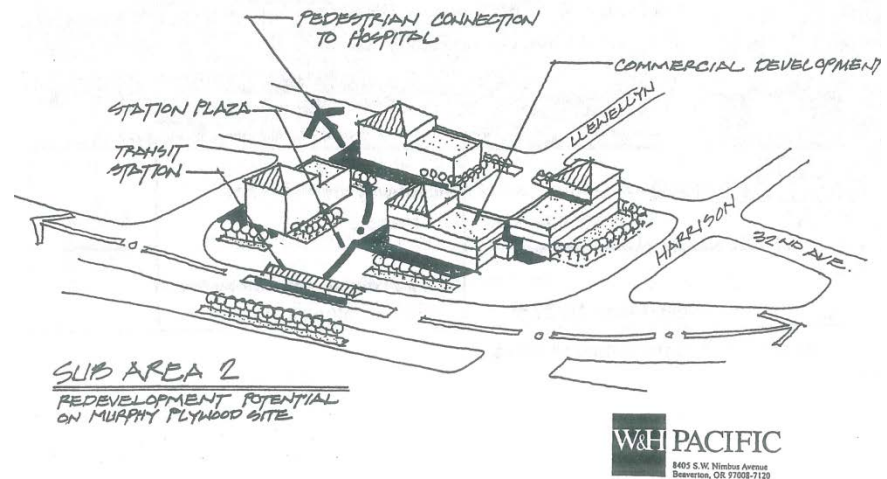
- Mixed-Use Overlay: Type III Planning Commission review required for all development
- Requires compliance with Town Center Master Plan
- **Bottom line: Nothing is permitted outright. Lots of uncertainty. Unclear if any of the concepts would be allowed.**



Learning from the Development Concepts

Murphy Site Development & Use Standards

- Minimum parking requirements result in large amounts of surface parking
- Code is very prescriptive and requires conformance with the TCMP
- Flex space is allowed, but unclear how and if it would meet approval criteria for MU Overlay
- Retail and/or service uses are required for the on-street level
- No vehicular access from Harrison St



Learning from the Development Concepts

Murphy Site – Option 2



Does not include
ground floor
commercial uses



Learning from the Development Concepts

Examples of flex space



Learning from the Development Concepts

Murphy Site – Option 3



Does not meet 50% residential requirement or include commercial uses



Learning from the Development Concepts

Murphy Site – Option 1



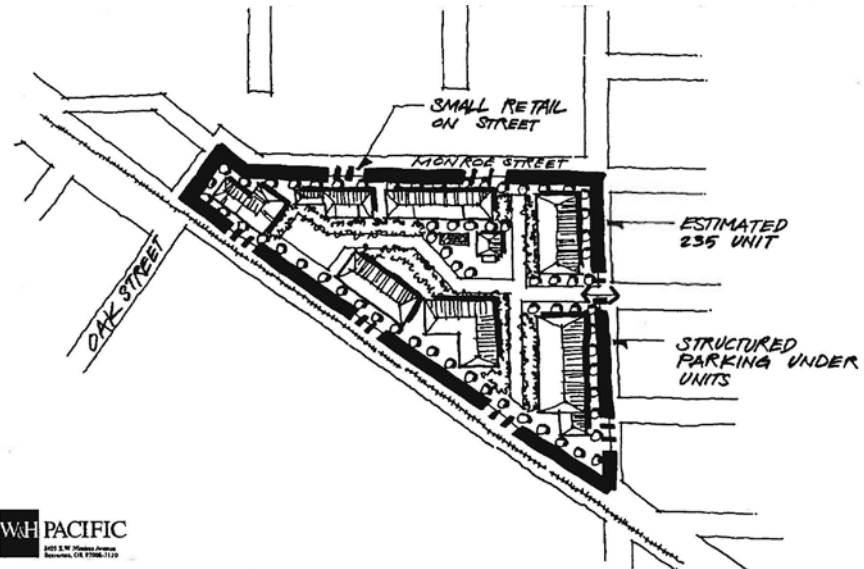
Unclear if currently permitted



Learning from the Development Concepts

McFarland Site Development & Use Standards

- Minimum parking requirements result in large amounts of surface parking
- Code is very prescriptive and requires conformance with the TCMP
- At least 50% of the floor area must be residential
- Maximum height of 2 stories/35 feet along Monroe & 37th



Learning from the Development Concepts

McFarland Site Development & Use Standards

- **Housing Types**

- Clustered residential with shared green space
- Options #1 and #2 for the McFarland Site both utilize this design
- “Cottage cluster” housing only permitted in MFR zones



Learning from the Development Concepts

McFarland Site – Option 2



Learning from the Development Concepts

Examples of cottage cluster development



Learning from the Development Concepts

Downtown Use Standards

- **Ground floor retail requirement**
 - 75% of ground floor space must be “retail or eating/drinking establishment”
 - Requirement applies to Main Street
 - Most of the concepts could meet this standard (depending on market demand)
 - Is this too prescriptive?



Learning from the Development Concepts

Downtown Use Standards

- **Limitations on ground floor retail in the DO zone**
 - Retail or eating/drinking establishments limited to 5,000 SF
 - All concepts for Triangle and Cash Spot sites potentially exceed the ground floor retail limit (depending on tenants)



Learning from the Development Concepts

Triangle Site – Option 3



Learning from the Development Concepts

Examples of ground floor retail



Learning from the Development Concepts

Downtown Use Standards

- **Willamette Greenway Overlay WG**
 - All uses permitted in the underlying zone are **conditional uses** in the WG overlay.
 - **Prohibited uses** in the WG overlay include structures exceeding 35 ft in height
 - The westerly ½ of the Cash Spot site is within the WG Overlay
 - Cash Spot Site Concepts #1 & #3 would exceed the 35' height limit in the WG overlay



Learning from the Development Concepts

Cash Spot – Option 3



Learning from the Development Concepts

Examples of 3-story buildings



Learning from the Development Concepts

Downtown Development Standards

- **Maximum building setback**
 - Full building frontage must be within 10' of Main Street
 - Texaco Concept #1 has a public plaza that violates this requirement



Learning from the Development Concepts

Texaco Site – Option 1



Learning from the Development Concepts

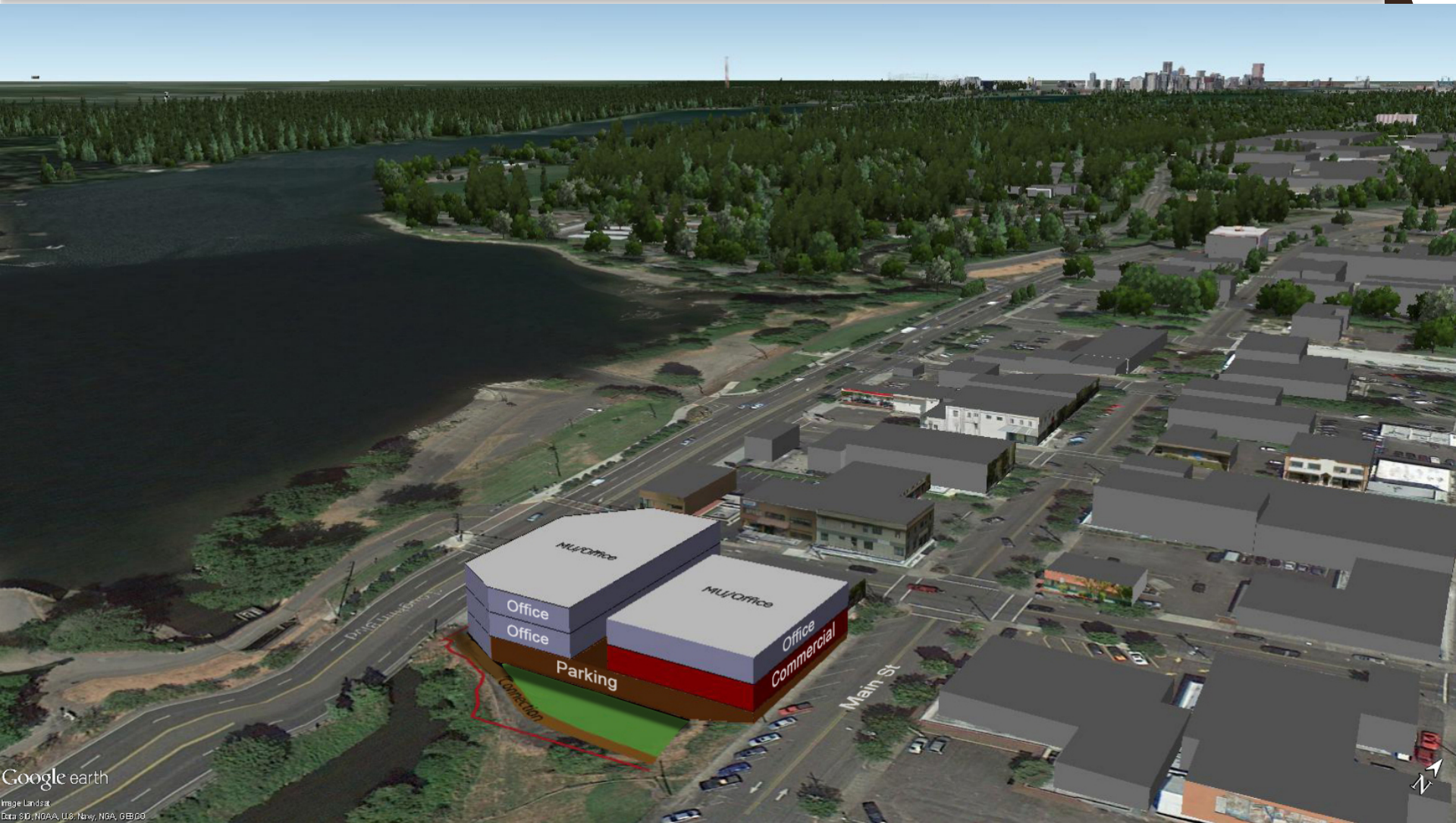
Downtown Development Standards

- **Off-Street parking requirements**
 - The parking requirement in the DO zone south of Washington Street for office and retail prevents full site build out
 - Cash Spot concepts 1 and 2, and all Triangle Site concepts provide less than the minimum amount of parking
 - Cash Spot Option 1 provides 75 spaces, minimum is 78
 - Cash Spot Option 2 provides 45 spaces, minimum is 57
 - Triangle Site options provide 0 spaces, require 19-48



Learning from the Development Concepts

Cash Spot – Option 3



Learning from the Development Concepts

Downtown Development Standards

- **Maximum height**
 - Maximum height of 45' and 3 stories, or 55' and 4 stories with residential height bonus.
 - Option #3 for the Texaco Site exceeds these limits



Learning from the Development Concepts

Texaco Site - Option 3



Learning from the Development Concepts

Examples of 5-story buildings



Learning from the Development Concepts

Pro Forma Results

- Costs are too high
 - PARs/Frontage improvements
 - Off-street Parking
 - Adaptive reuse vs. new construction
 - Cost premium for iconic “gateway” buildings
 - Tenant improvements
 - Land value
 - New streets for Murphy and McFarland sites
- Market rents are too low



Tradeoffs

What do these lessons mean?

- PARs vs reduced development costs and less attractive streetscape
 - \$500,000 per block face downtown.
 - \$1.5 million in added cost for Texaco Site (10-20% cost premium)
 - Not a common requirement for infill elsewhere in the region



Tradeoffs

What do these lessons mean?

- Use of public money vs allowing whatever the market will support
 - May be lower-quality/less attractive than community would like
 - May not happen at all



Tradeoffs

What do these lessons mean?

- Leaving properties vacant vs increased tax revenue to support City operations
 - Property taxes range from \$30,000 to \$300,000 per year for individual concepts
 - City's share of property tax ranges from \$10,000 to \$100,000 per year for each concept
 - Most sites are currently vacant or publicly-owned, contributing close to \$0 per year in property taxes.



Discussion Items for 2/20 Study Session

What makes the difference between feasible and not feasible?

- Discussion of tradeoffs and the City of Milwaukie's role in implementing private development
- How to transform economically challenged real estate markets
- Public investment: benefits and risks
- Overview of available public investment tools



Discussion & Questions

- Does the Council want to allow flex space to develop in Central Milwaukie (like on the Murphy site)?
- Does the Council agree that current zoning in Central Milwaukie is too prescriptive, and should be revised to provide property owners and developers with better clarity?
- Does the Council want to allow buildings greater than 35' in the Willamette River Greenway Overlay (like on the Cash Spot site)?
- What other thoughts does the Council have on the code issues that were discussed today?



Next Steps

- Council Work Session #4 – February 20th
 - Potential tools for filling financial gaps
- Public Event #4 – March 6th
 - Review the lessons learned from the development concepts & receive additional feedback from the public.
- Public Advisory Committee Meeting #4 – March 31st
 - Review code and transportation challenges
 - Potential policy & regulatory changes
- Council Work Session – April 1st (tentative)
 - Present results of Public Event #4
 - Select concepts for detailed development concept
 - Discussion of which financial tools, if any, to pursue



Thanks for your time and input!

