



Memorandum

To: Moving Forward Milwaukie Project Advisory Committee (PAC)

From: Li Alligood, Associate Planner (Project Manager)

Date: October 14, 2013

Re: Preparation for October 21, 2013, PAC Meeting

Greetings!

The second meeting of the Moving Forward Milwaukie: Enhancing Our Commercial Districts project advisory committee (PAC) is **Monday, October 21, 2013, 6:30-8:30 pm** at the Public Safety Building, 3200 SE Harrison St, in central Milwaukie. Light refreshments will be provided.

I have enclosed some documents for you to review prior to the meeting:

- Meeting agenda
- Results of the October 3 Kickoff Event – instant polling and visual preference survey
- Discussion Draft of the Market Study. Specific items for discussion are:
 - Pages 22 – 32: overview of Milwaukie area commercial rental rates and absorption, and comparisons to commercial districts identified by the PAC at the September meeting
 - Pages 32 – 36: Overview of Milwaukie area industrial rental rates and absorption
 - Pages 44 – 48: Discussion of highest and best uses for opportunity sites

Additional information about the project and past efforts is available on the City's web site at <http://www.milwaukieoregon.gov/planning/commercial-core-enhancement-program-ccep>.

Please let me know if you have any questions, and thanks again for helping us with this important project. I can be reached at 503-786-7627 or alligoodl@milwaukieoregon.gov.

AGENDA

Moving Forward Milwaukee: Enhancing Our Commercial Districts

Project Advisory Committee Meeting #2

Monday, October 21, 2013

6:30 P.M. – 8:30 P.M.

Public Safety Building, Community Room, 3200 SE Harrison Street

Welcome to the second Project Advisory Committee (PAC) Meeting for *Moving Forward Milwaukee*. We appreciate your continued involvement in this exciting project! Light refreshments will be served.

The guidelines for participating in the Advisory Committee from the first meeting are again included on the back of this page for reference.

- | | |
|--|------|
| 1. Welcome and Introductions | 6:30 |
| • Presentation: 5 min | |
| 2. Project Schedule Update | 6:35 |
| • Presentation: 5 min | |
| 3. Kickoff Event Results | 6:40 |
| • Presentation: 10 min | |
| • Discussion: 10 min | |
| 4. Market Study Overview - Opportunity Site Specific | 7:00 |
| • Presentation: 10 min | |
| • Discussion: 10 min | |
| 5. Break | 7:20 |
| • 5 min | |
| 6. Discussion on Potential Opportunity Site Development Concepts | 7:25 |
| • Presentation: 10 min | |
| • Discussion: 25 min | |
| 7. Preview of Activities for Upcoming Workshops | 8:00 |
| • Presentation: 15 min | |
| • Discussion: 10 min | |
| 8. Next Steps | 8:25 |
| • Presentation: 5 min | |
| 9. Adjourn | 8:30 |

Moving Forward Milwaukee: Enhancing Our Commercial Districts

Project Advisory Committee

Guidance for Participating on the Advisory Committee

The following guidance is provided to help Advisory Committee members understand their responsibilities and the ground rules for participating in the Committee. These rules are design to encourage civil discussion and decision-making.

Roles and Responsibilities

All advisory group members should be provided some orientation to their responsibilities as members of the advisory group. Individual members generally should not speak for the advisory group, only for themselves, unless designated by the group as its spokesperson. At a minimum, members should:

- Commit to attend all seven meetings, or send an alternate in their place
- Read, learn and absorb information quickly and accurately
 - Review project deliverables and provide feedback
 - Provide guidance for the project team
- Articulate their interests, concerns and perspectives on any issue being addressed
- Maintain an open mind regarding other views
- Focus on the “big picture”
- Work as a team member
- Participate collaboratively in group decision-making
- Constructively manage conflict between themselves and others in the group.
- Act as liaison between the Committee and the broader community
- Take responsibility for the success of the meeting

The group should strive for consensus where possible, but establish a "fall back" method of a simple or super majority for cases where this is not possible. Minority reports may provide a mechanism for those with different views to express concerns.

Ground Rules

The group should agree to some basic ground rules for their discussions. Post the ground rules at every meeting, so that if discussion gets off track or someone is dominating the discussion, the chair or facilitator can remind the group of previously agreed-to-ground rules. Examples include:

- Listen carefully and speak honestly
- Respect the views of others
- Keep an open mind
- Critique issues, not people
- Allow everyone to speak without dominating the conversation

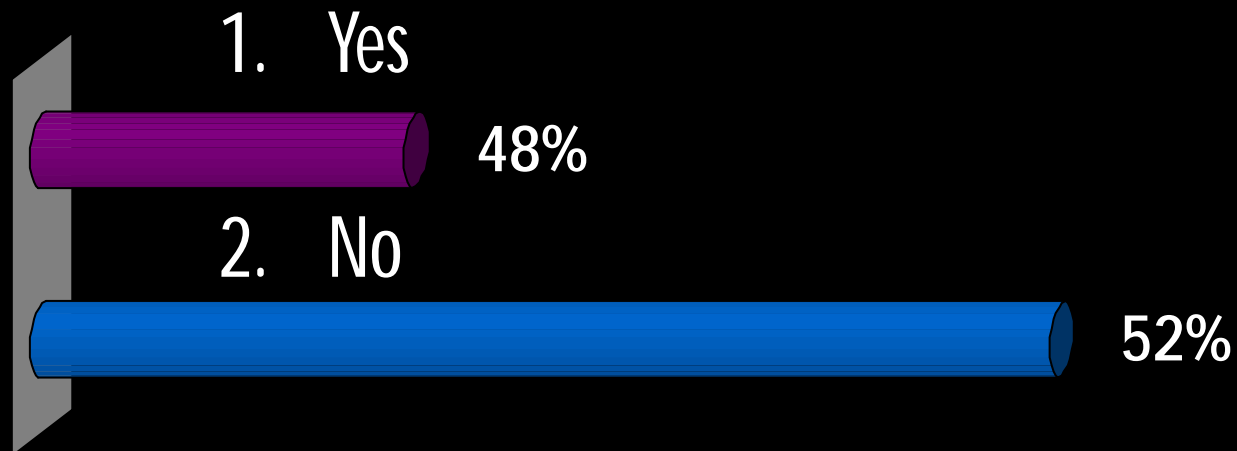
Moving Forward Milwaukie: Enhancing Our Commercial Districts

Project Kickoff Meeting 10/3/13

Instant Polling and Visual Preference Survey Results

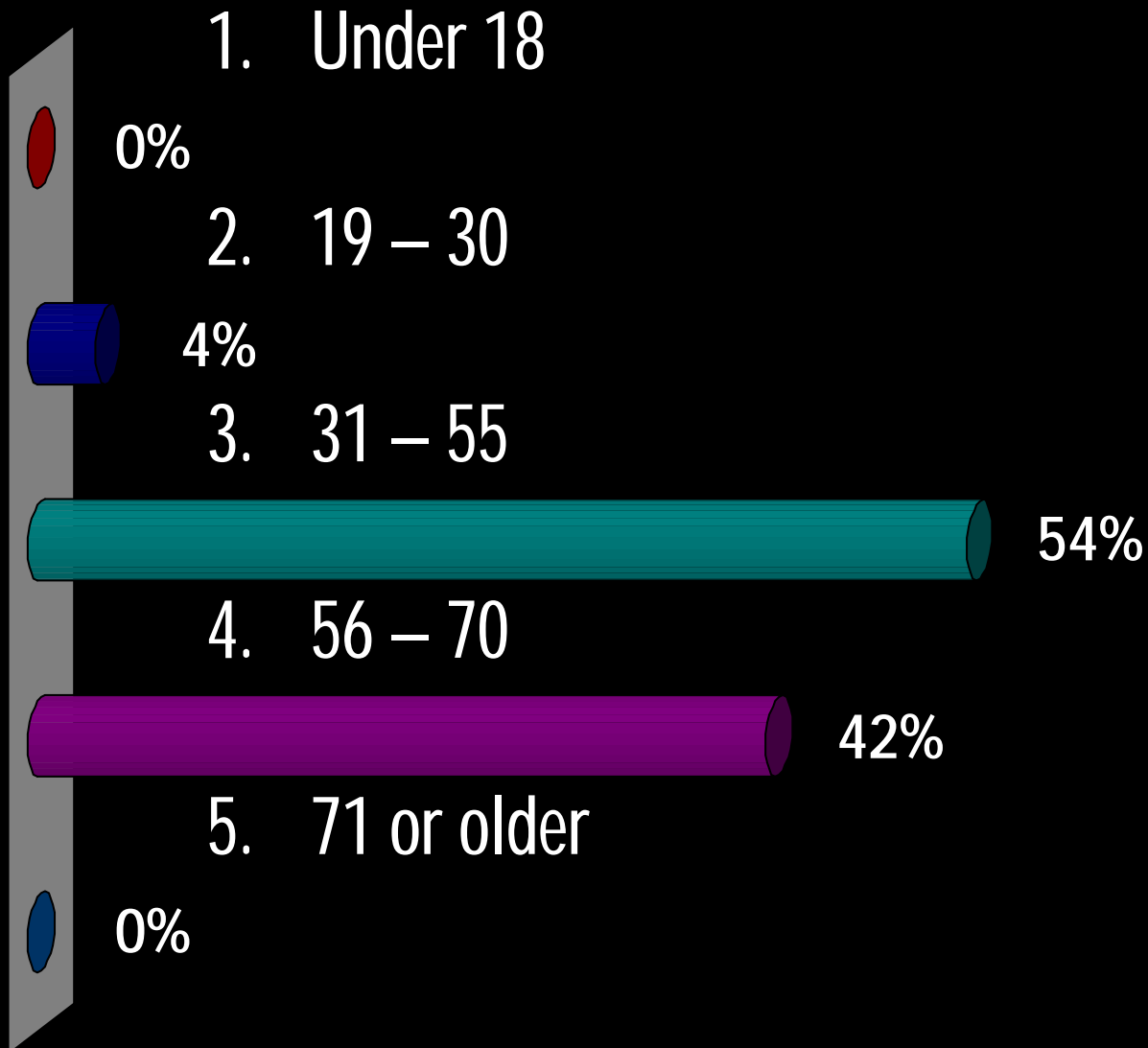
Instant Polling! - Getting Familiar with the Keypads

Is this your first time participating in a planning workshop for Downtown Milwaukie?



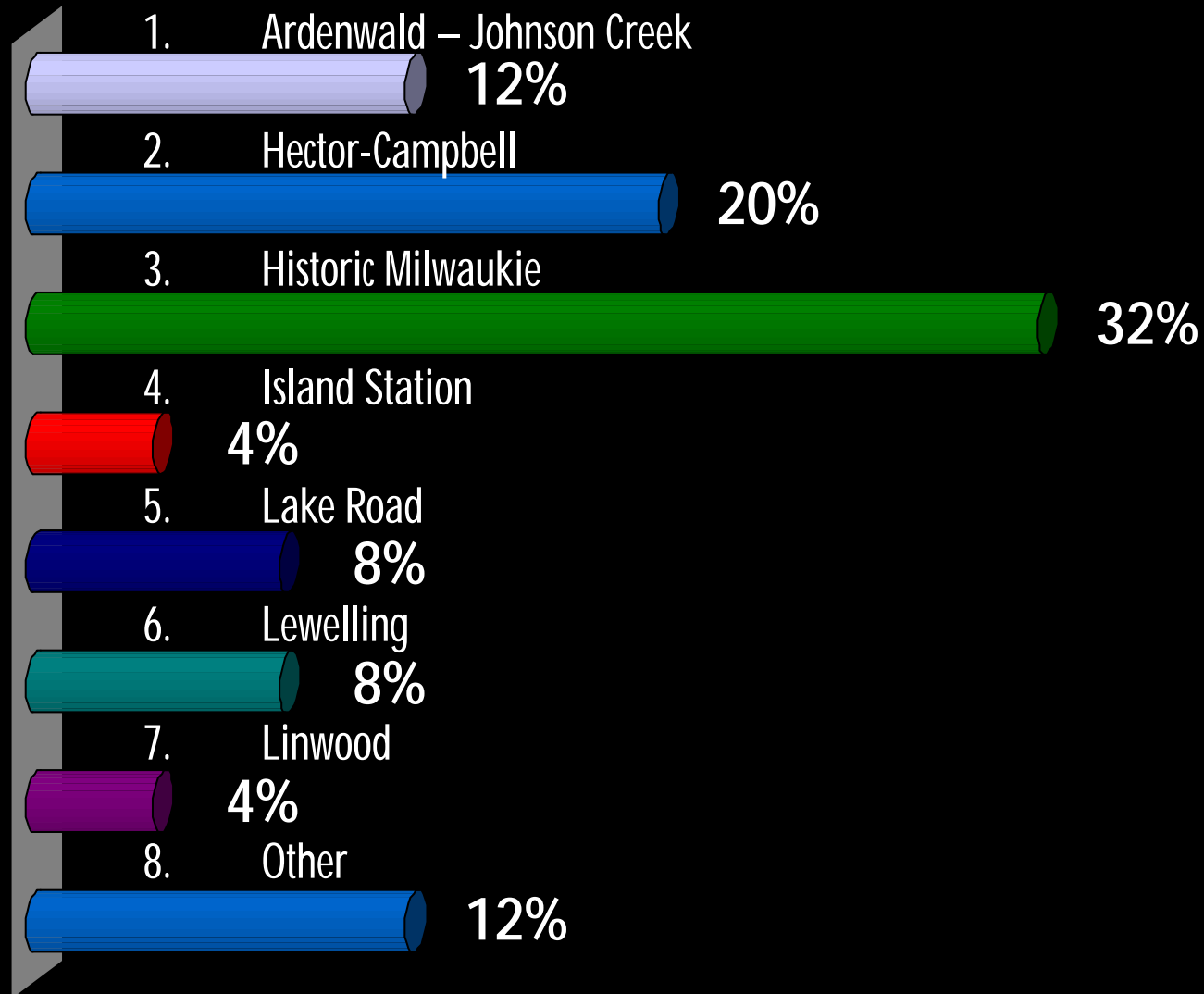
Instant Polling! - Getting Familiar with the Keypads

How old are you?



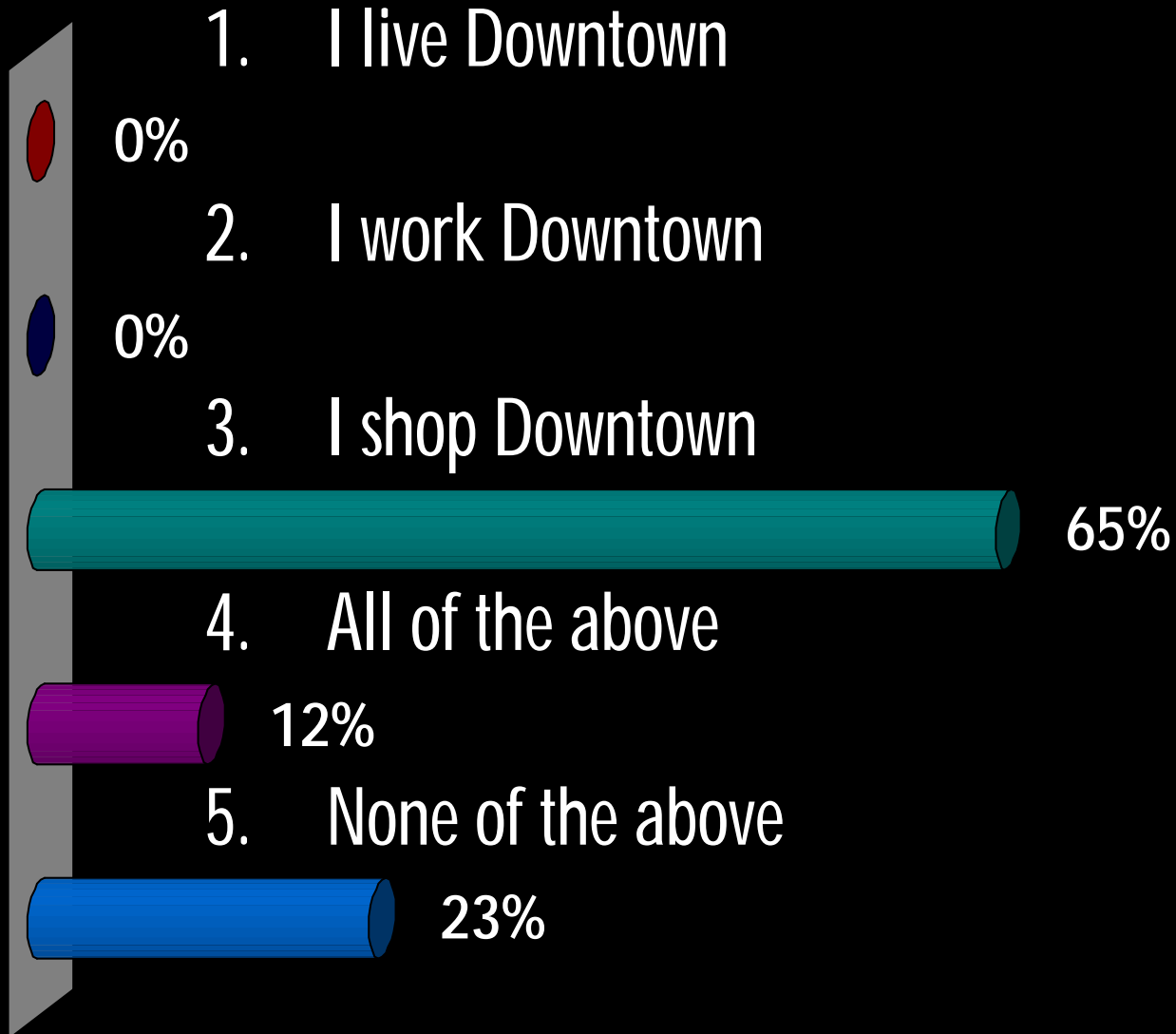
Instant Polling! - Getting Familiar with the Keypads

Where do you live?



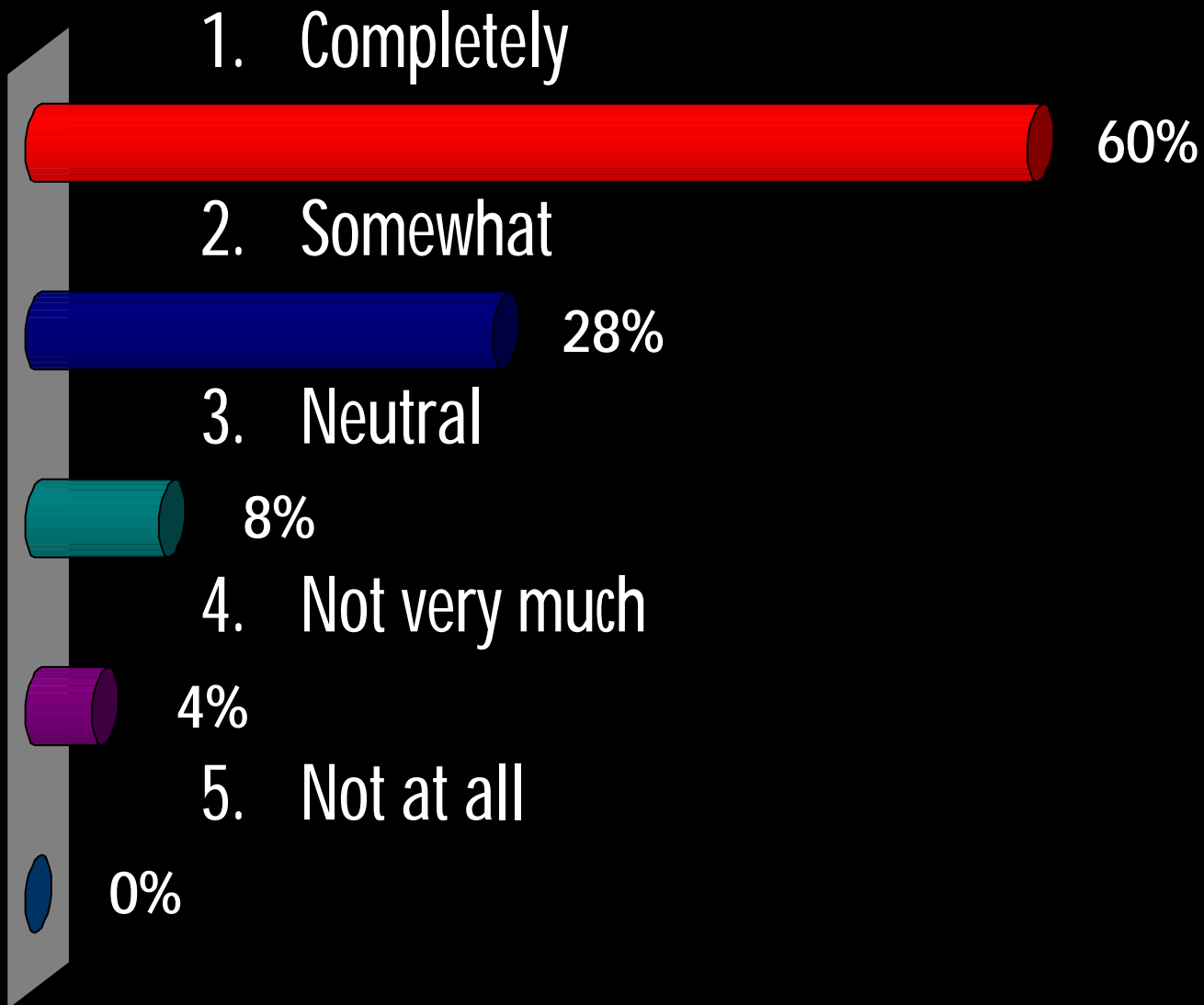
Instant Polling! - Getting Familiar with the Keypads

How do you use Downtown Milwaukee?



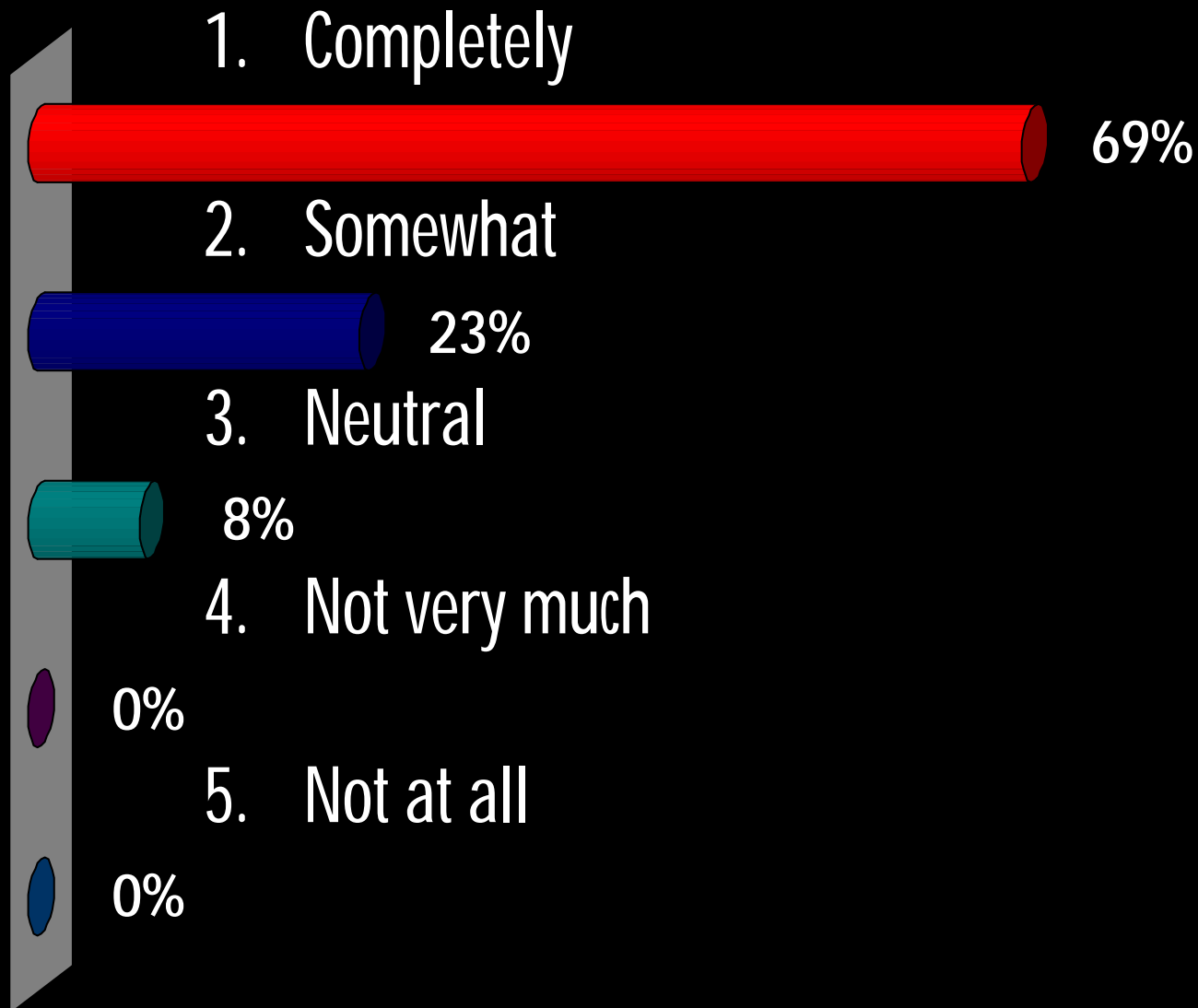
Promote and enhance shared community values

Ensure community values play a significant role in public investment decisions.



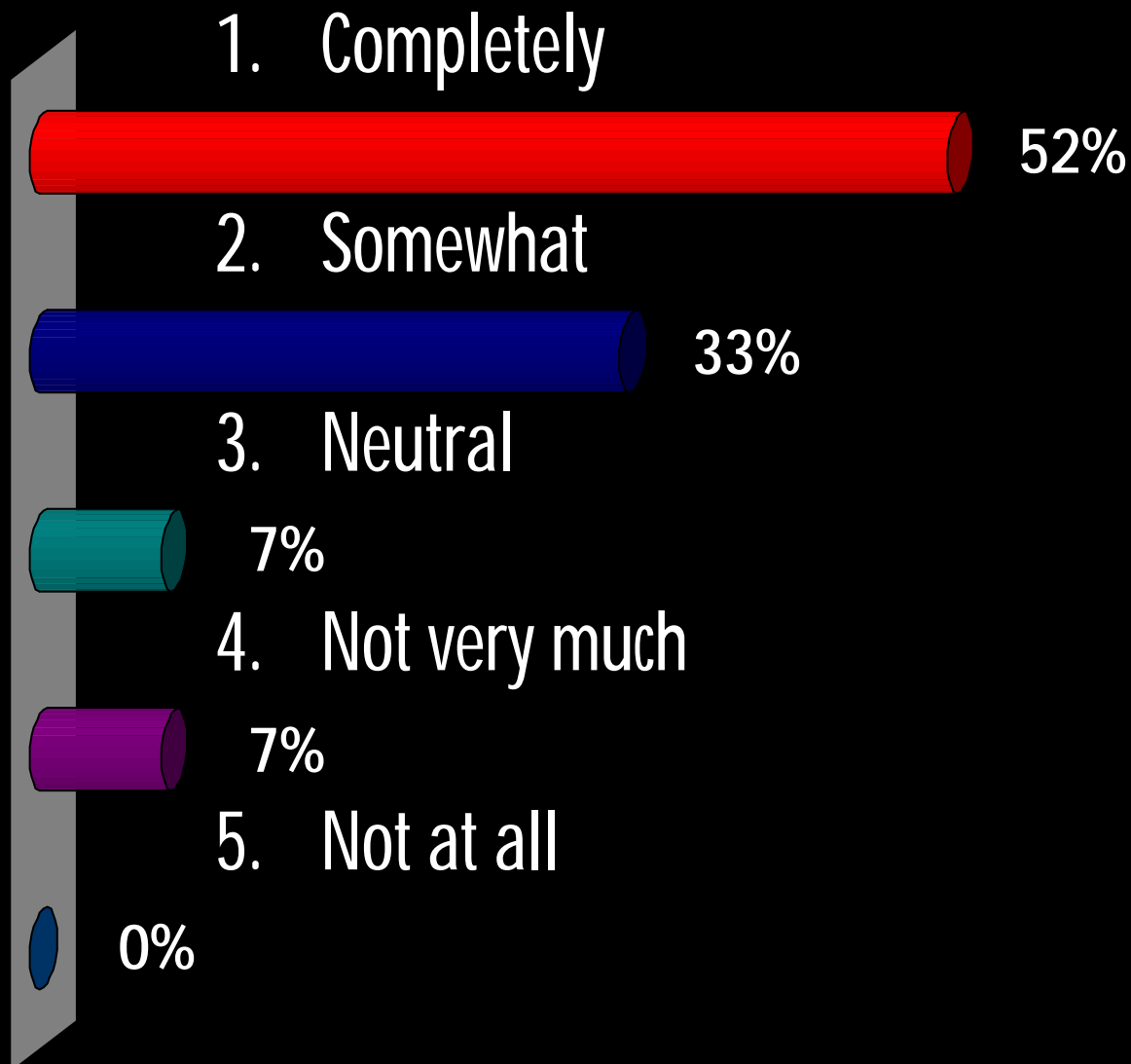
Facilitate Economic Development

Forge public-private partnerships to promote Downtown as a place of opportunity for local businesses to grow.



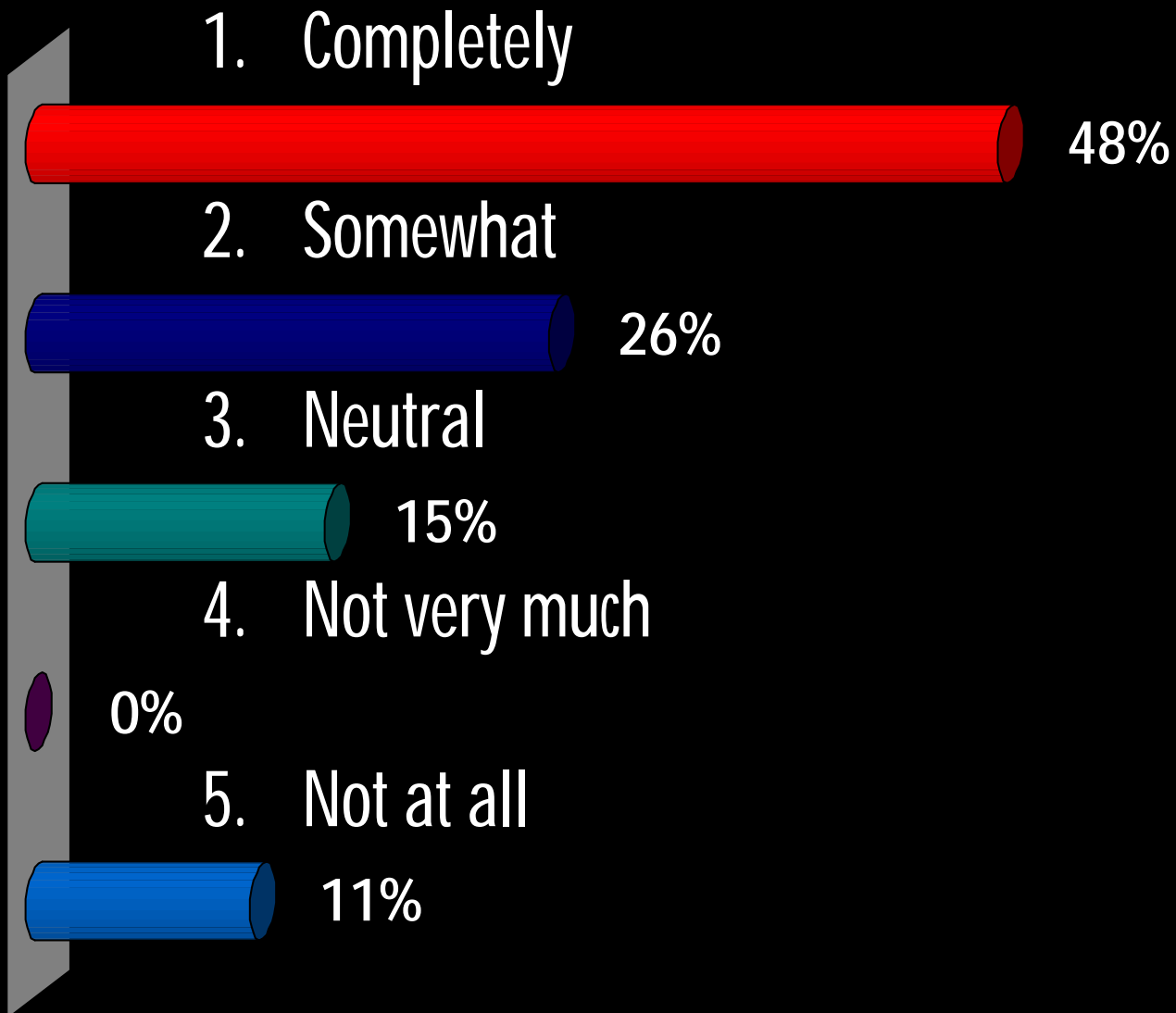
Build Community Cohesion

Prioritize projects based on points of common ground. Points of contention should be noted and set aside to address at a future date.



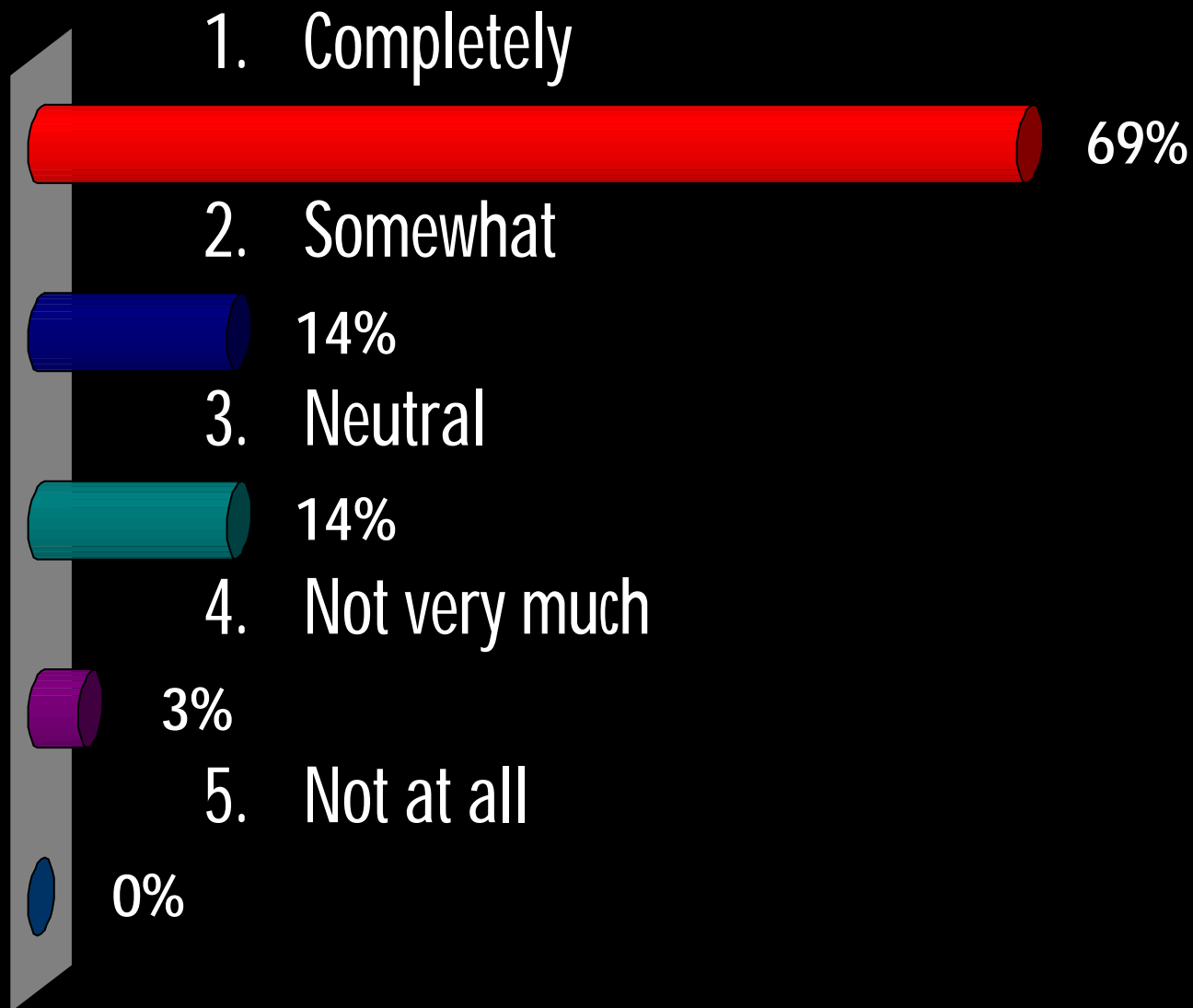
Bring 'sexy' back to McLoughlin

Facilitate access to Downtown as well as to encourage orientation of buildings and street activity toward the river.

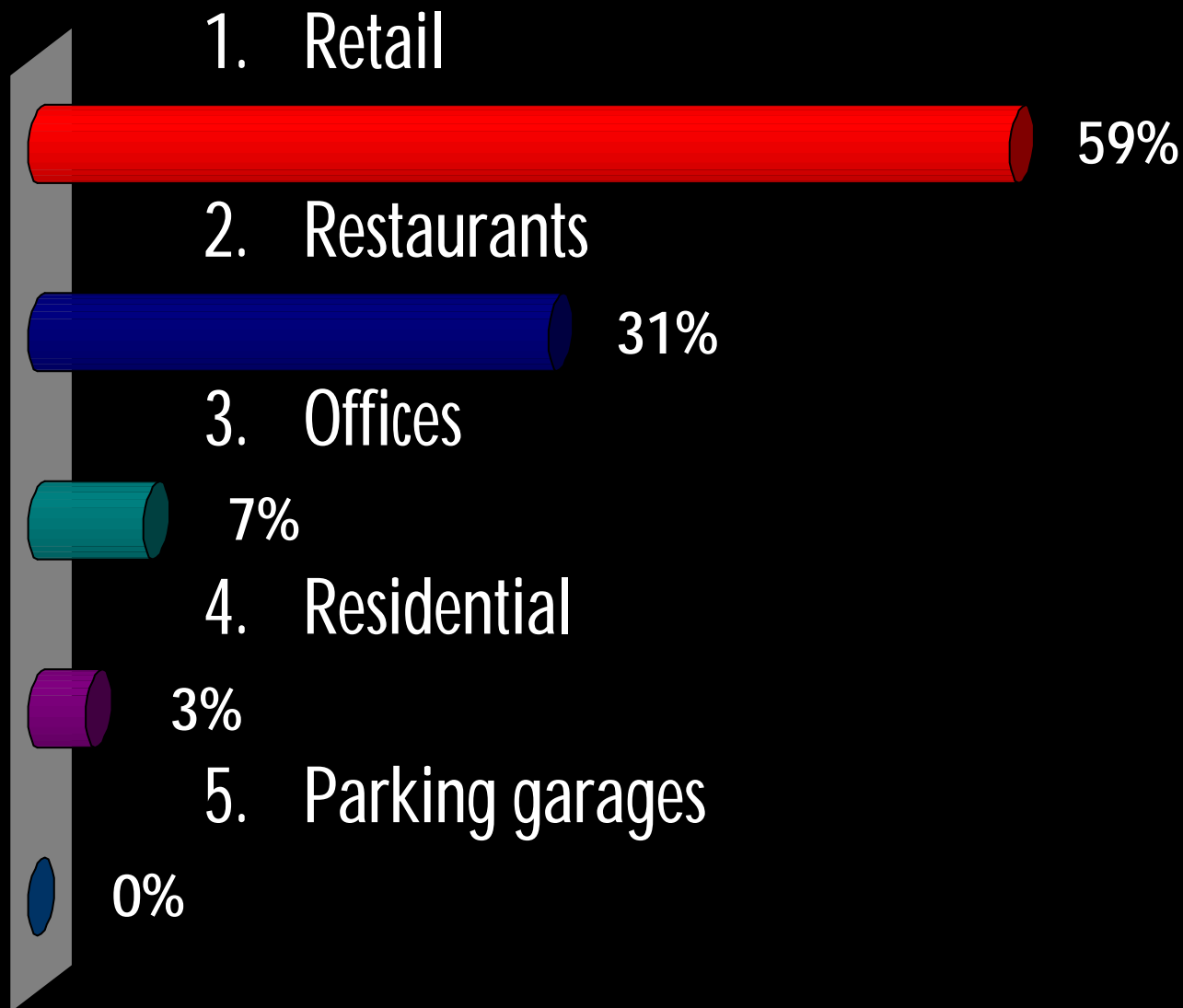


Identify and realize short-term projects

Realize achievable projects that set the tone for the Downtown's future



What is the best use for the ground floor of buildings Downtown?

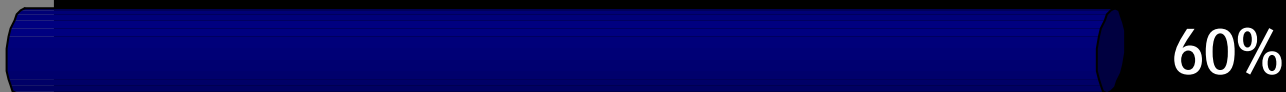


Which of these goals is most important for Downtown?

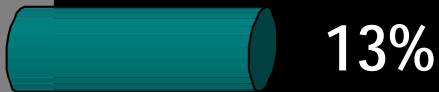
1. Reducing commercial vacancy rates



2. Increasing excitement and activity



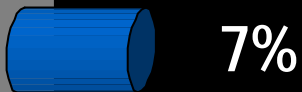
3. More attractive buildings/storefronts



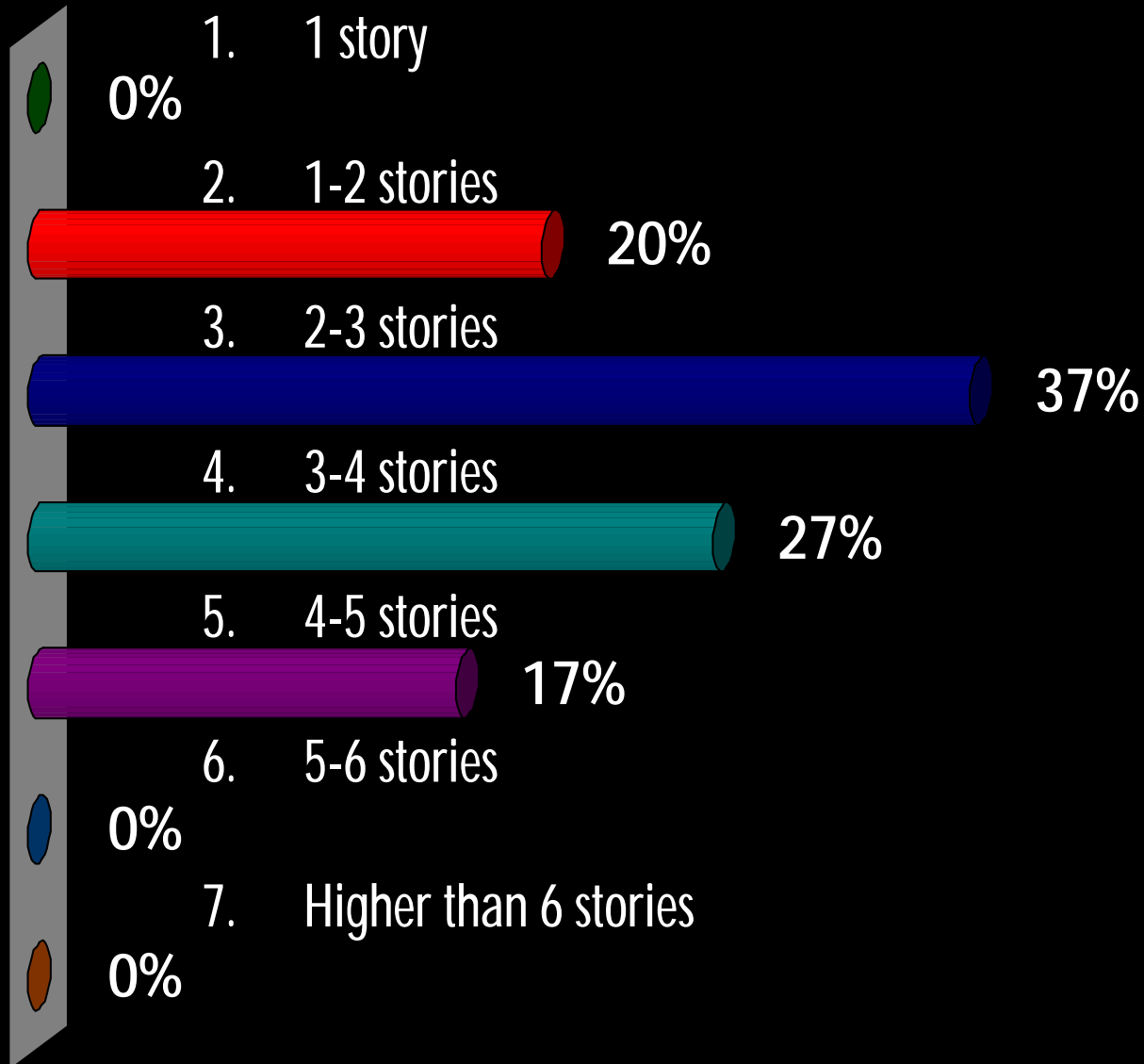
4. Improving accessibility for all modes



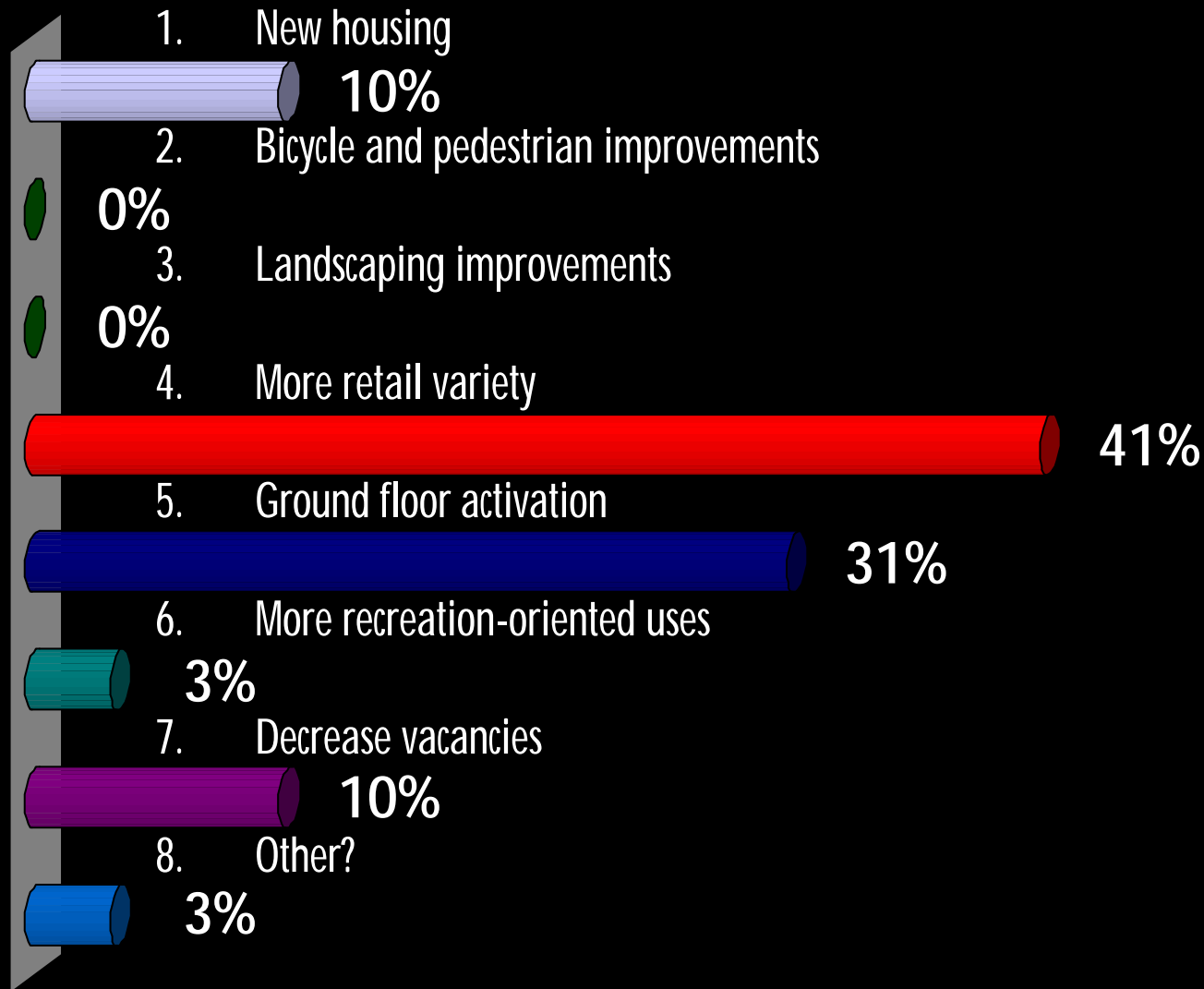
5. Increasing supply of parking spaces



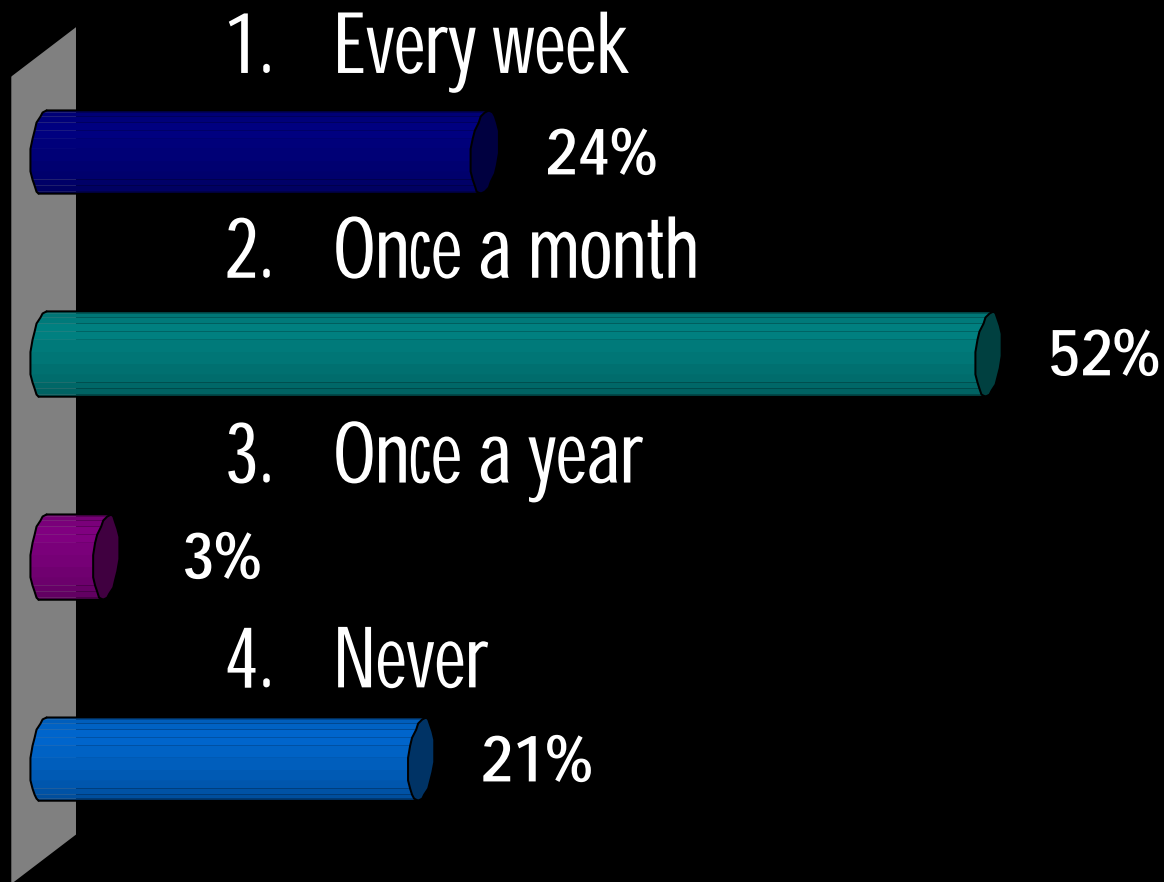
What building height is appropriate for Downtown?



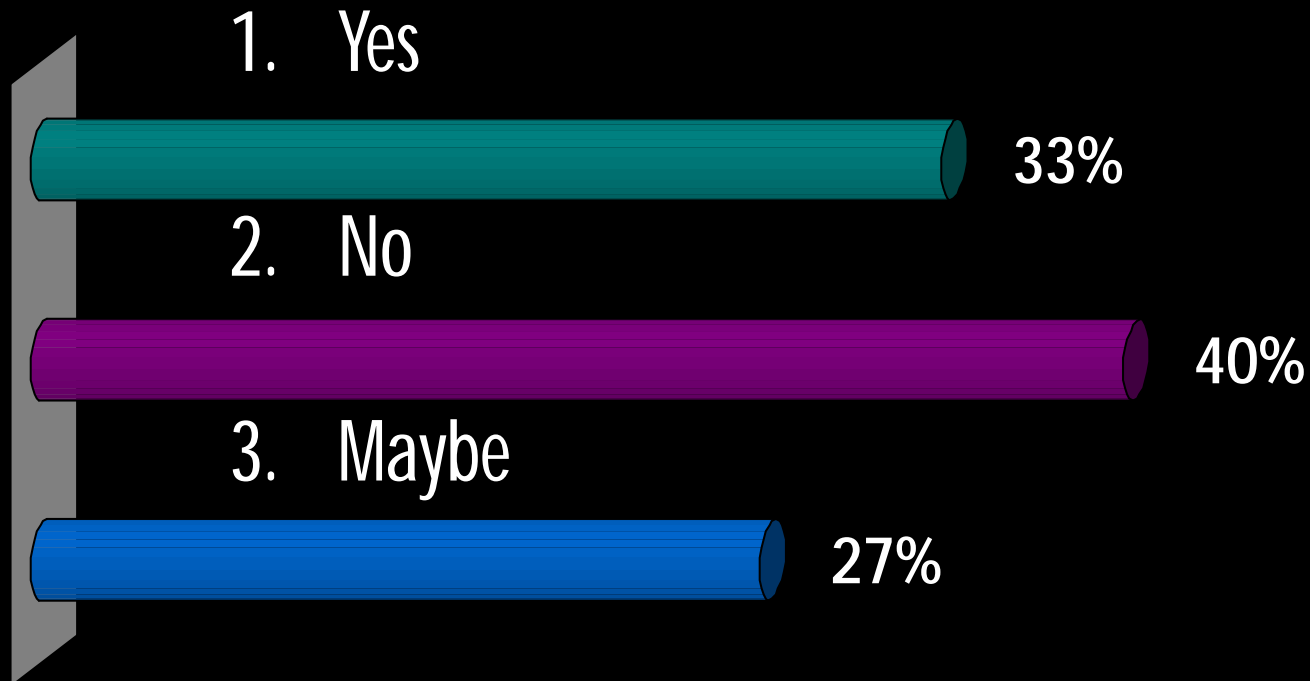
What is the highest priority for Downtown?



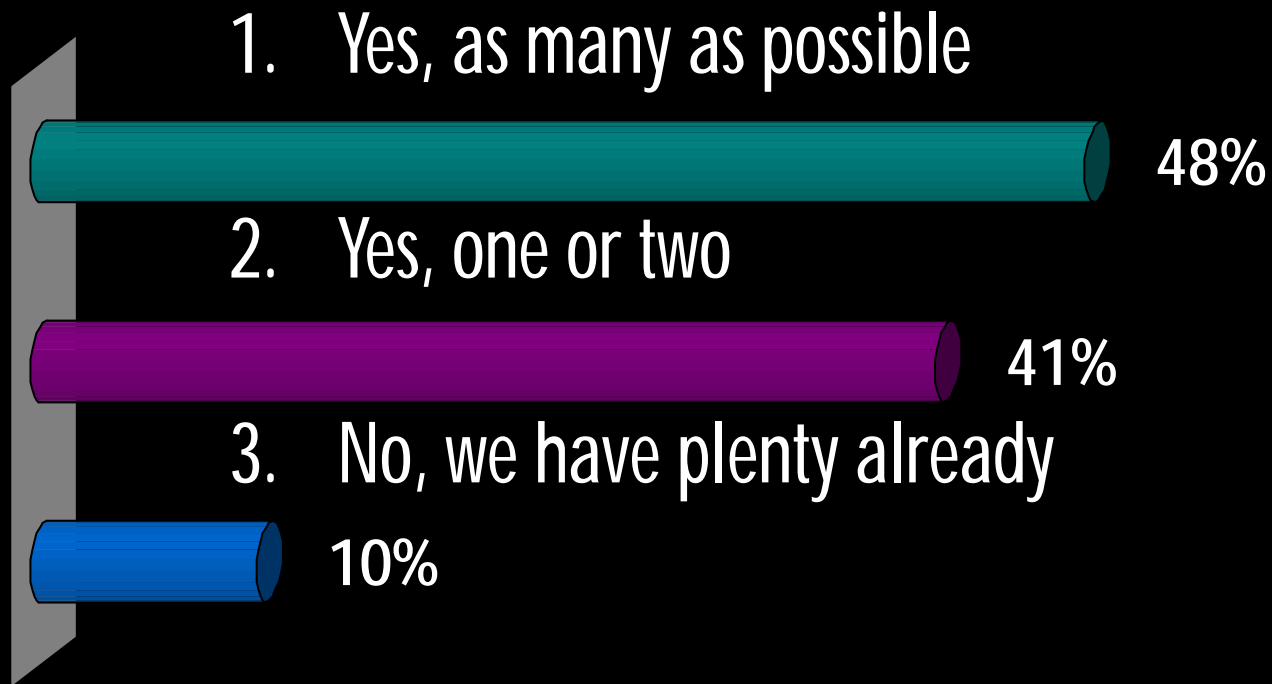
How often do you shop at the Milwaukie Farmers' Market?



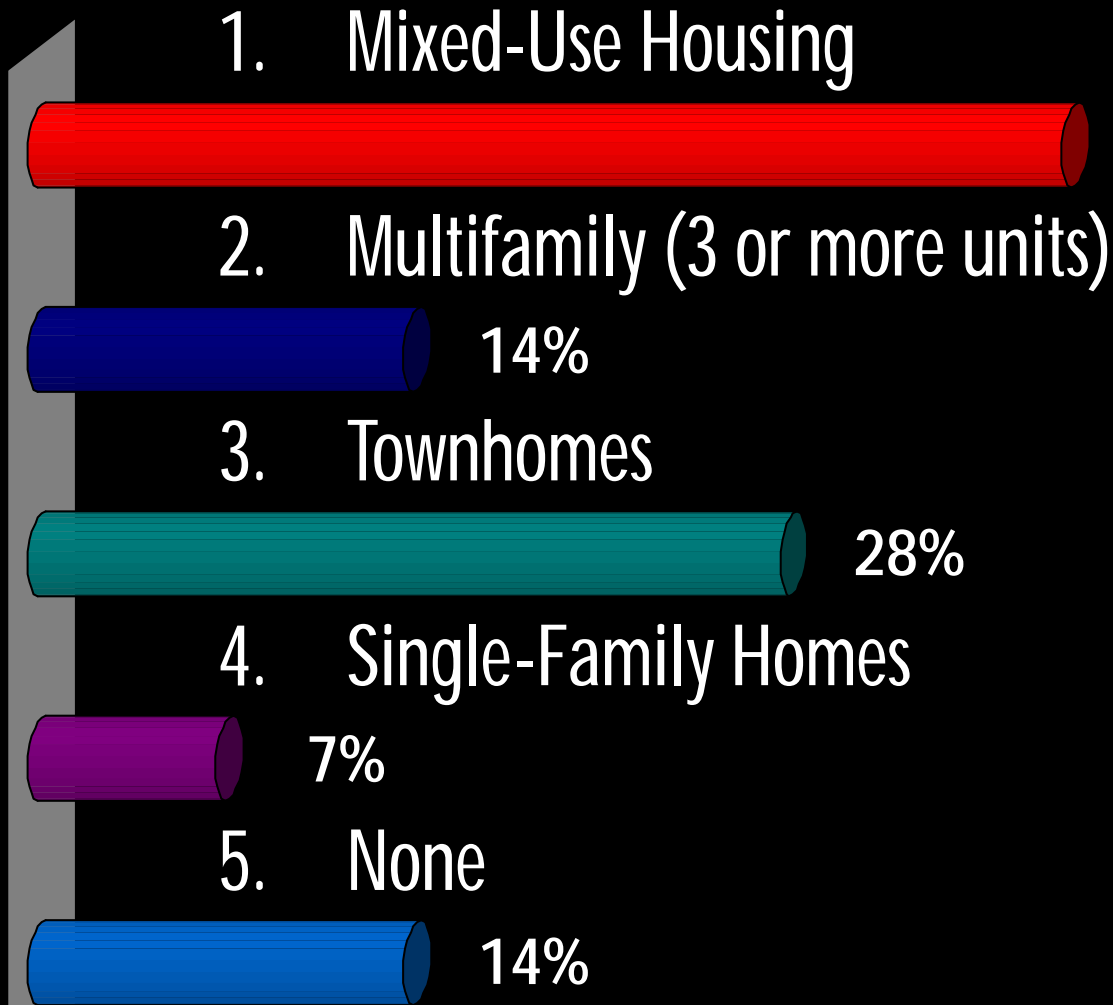
Would you like to see food carts in Downtown Milwaukie?



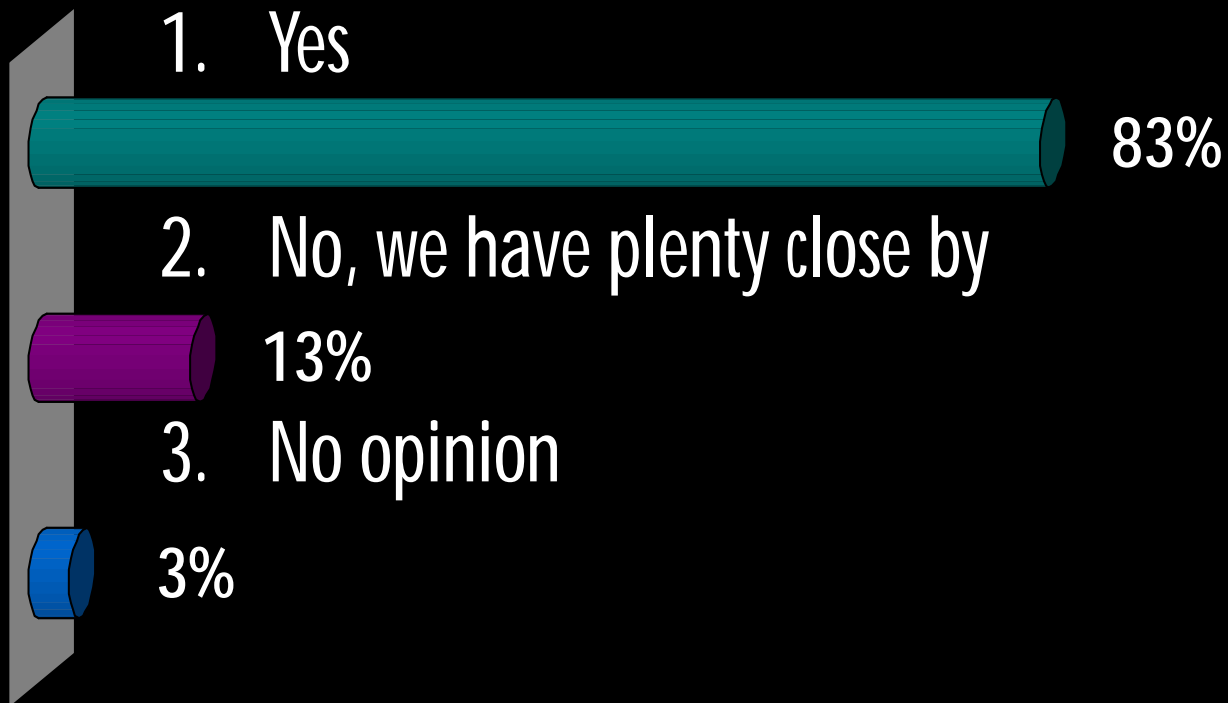
Is there a need for additional restaurants Downtown?



What type of housing is most needed in Downtown Milwaukee?



Is there a need for retail services in Downtown Milwaukee?



Downtown should have more Senior Housing

1. Strongly agree



2. Somewhat agree



3. Neutral



4. Somewhat disagree



5. Strongly disagree



Downtown should have more Market Rate Residential Development

1. Strongly agree



2. Somewhat agree



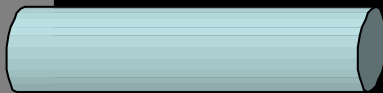
3. Neutral



4. Somewhat disagree



5. Strongly disagree



Downtown should have more Affordable Housing Development

1. Strongly agree



2. Somewhat agree



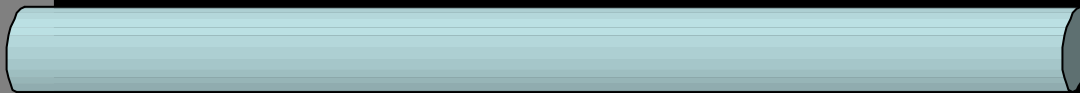
3. Neutral



4. Somewhat disagree



5. Strongly disagree



Downtown should have more Office Development

1. Strongly agree



2. Somewhat agree



3. Neutral



4. Somewhat disagree



5. Strongly disagree



Downtown should have a structured parking garage(s)

1. Strongly agree



2. Somewhat agree



3. Neutral



4. Somewhat disagree



5. Strongly disagree



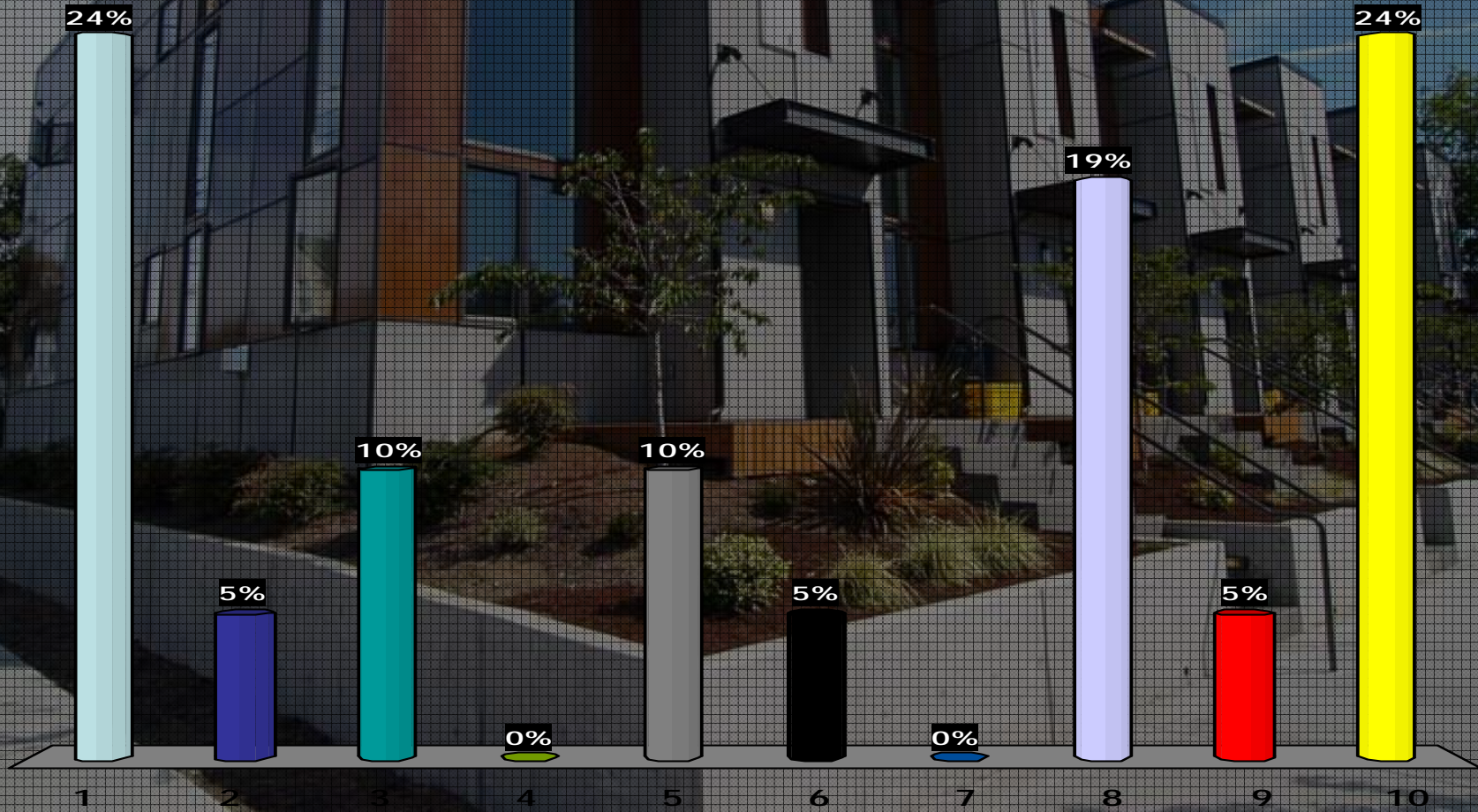
Rank Each Image from 1-10

- Use 1-10 scale:
 - 1 = This building is *NOT desirable* for Downtown Milwaukee
 - 10 = This building *IS VERY desirable* for Downtown Milwaukee
-
- Press 0 for a 10





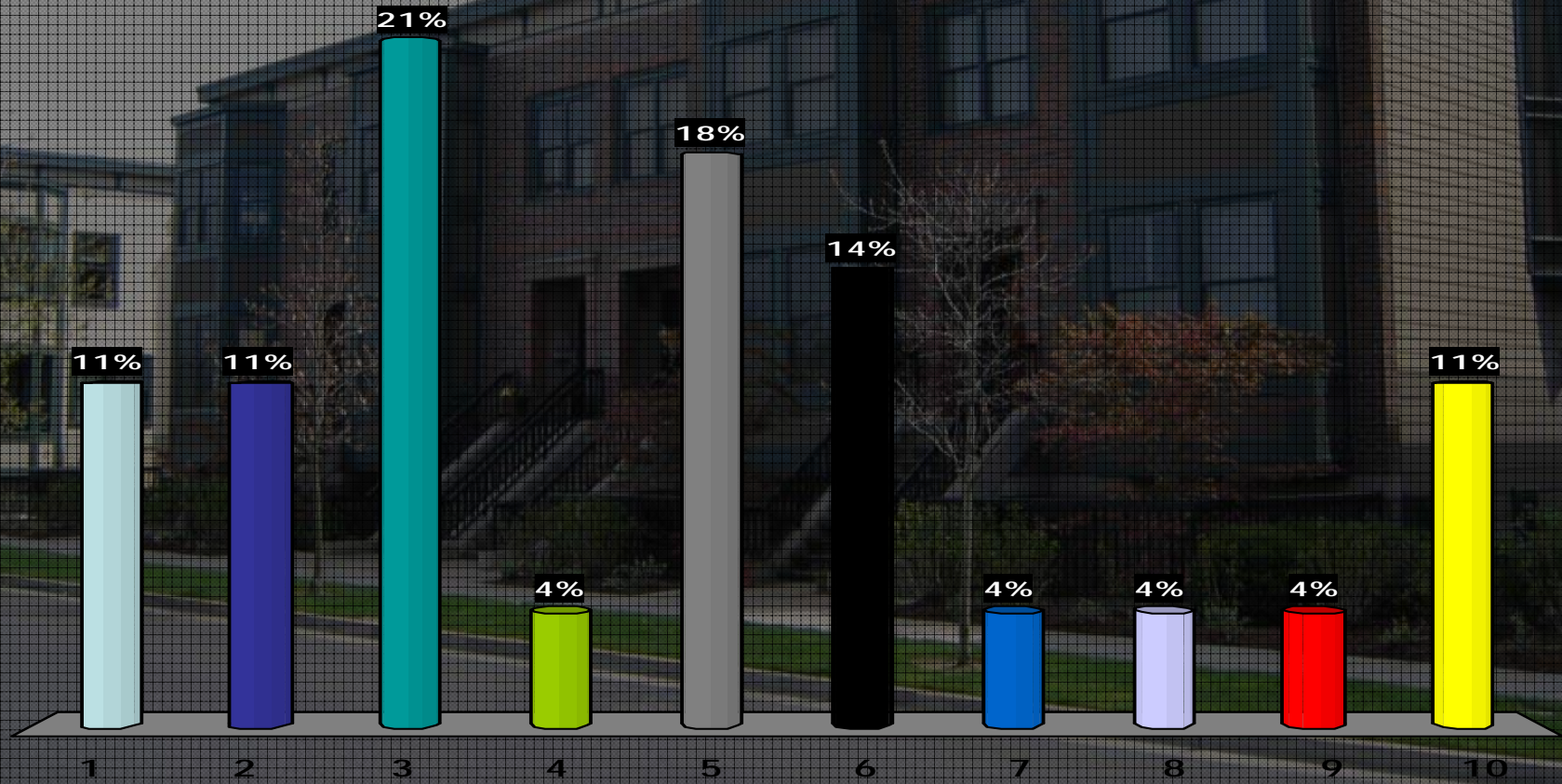
Mean = 5.7143





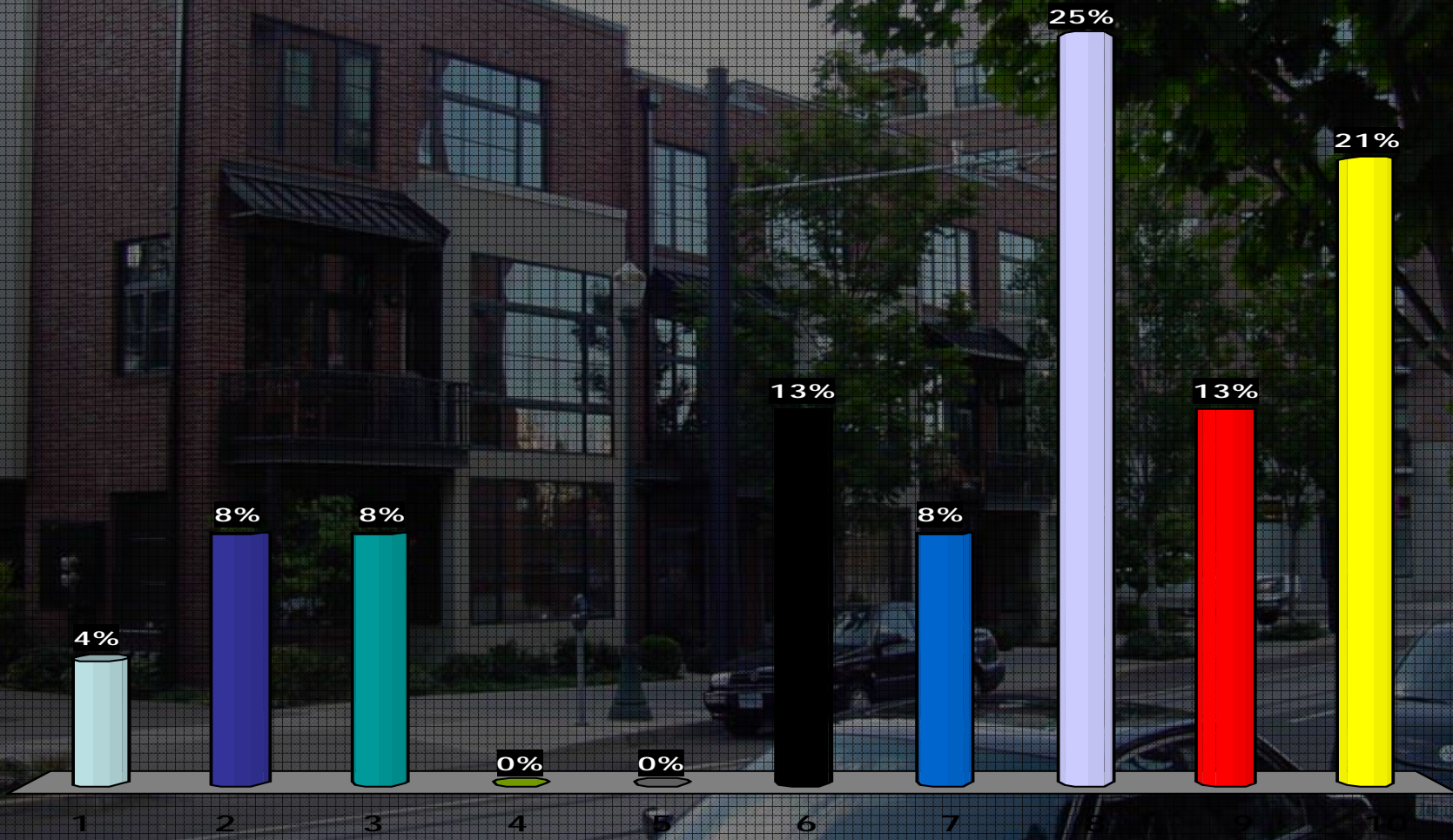
3

Mean = 4.7857



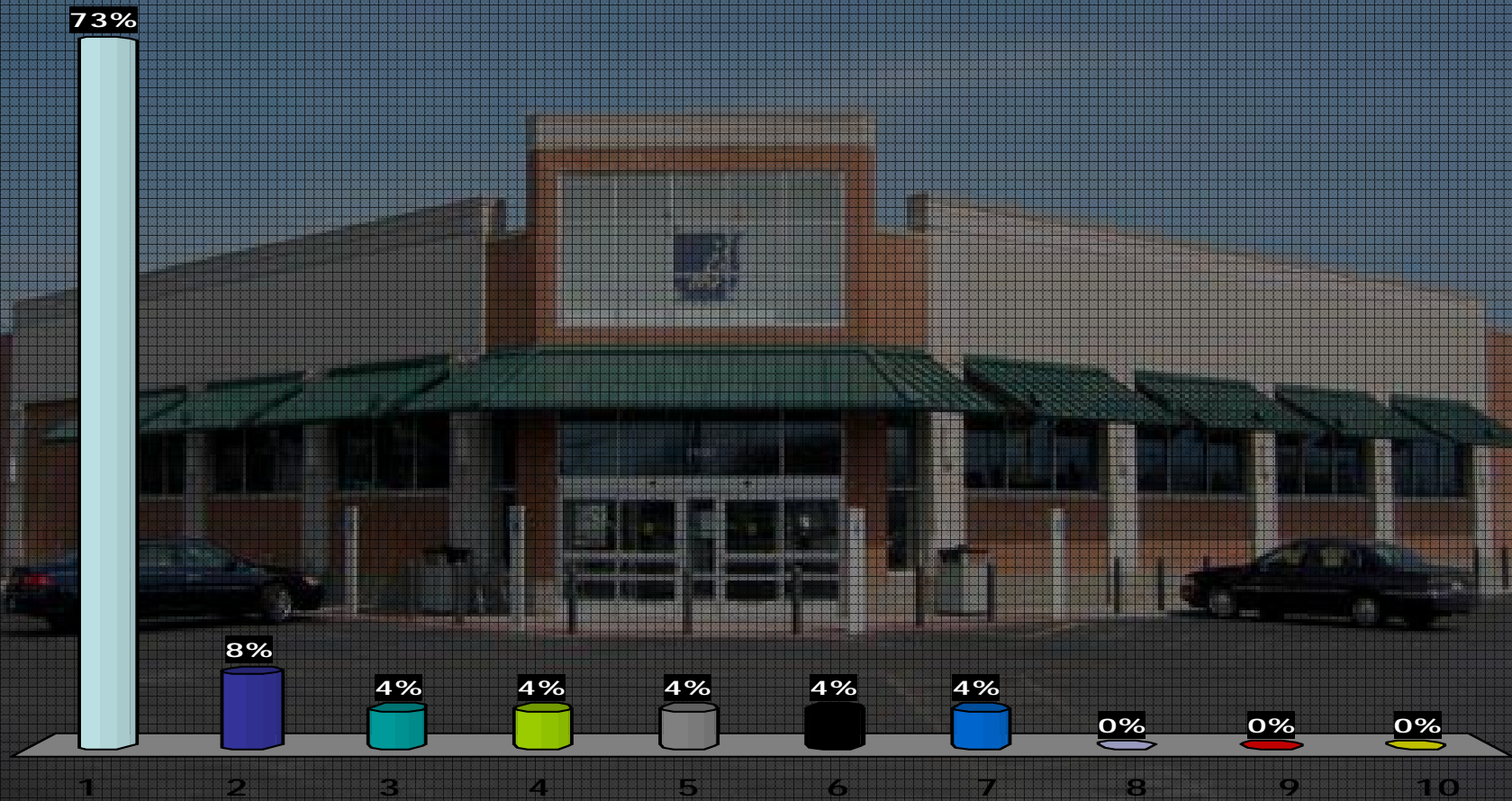


Mean = 7



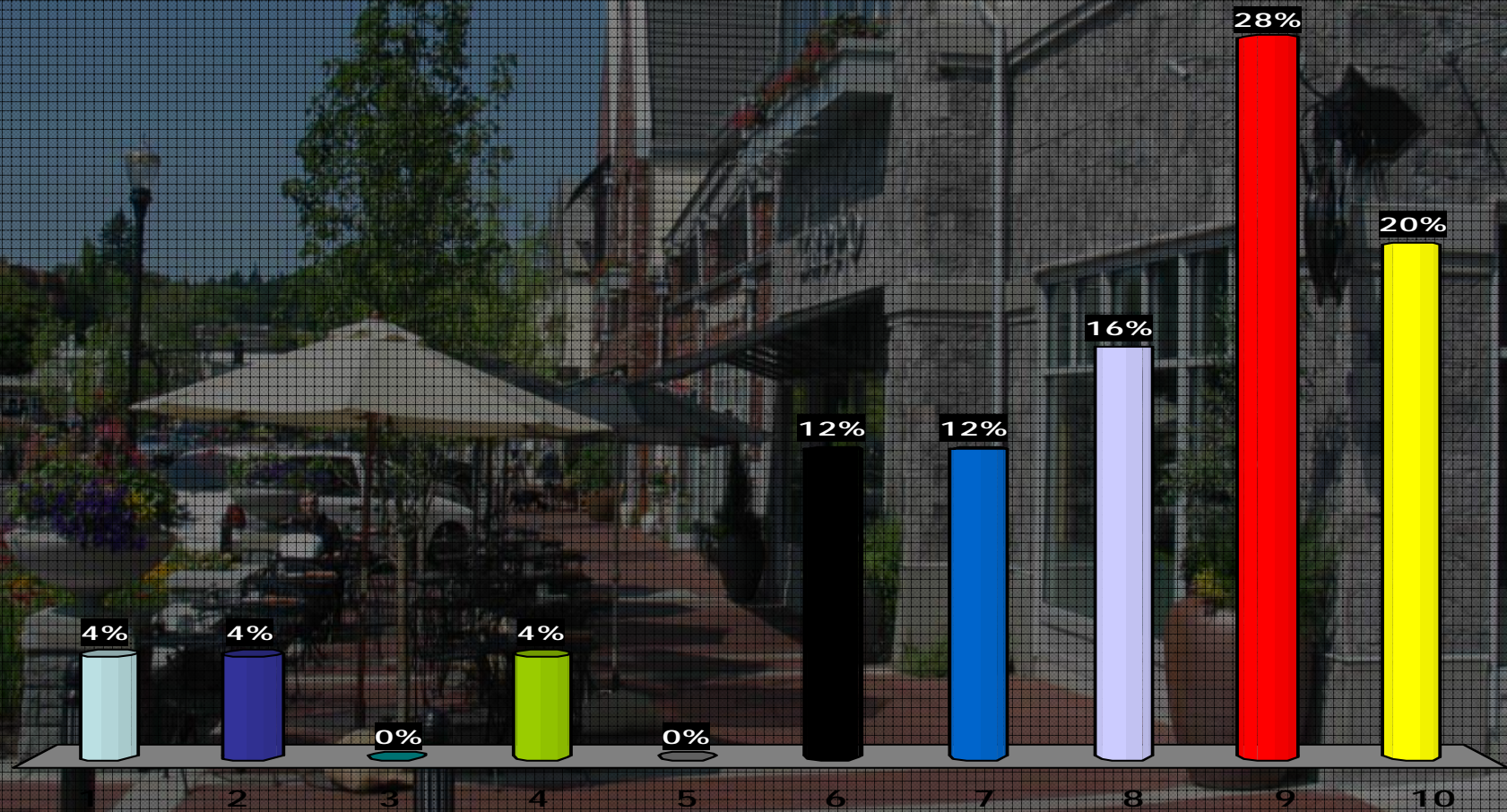


Mean = 1.8462



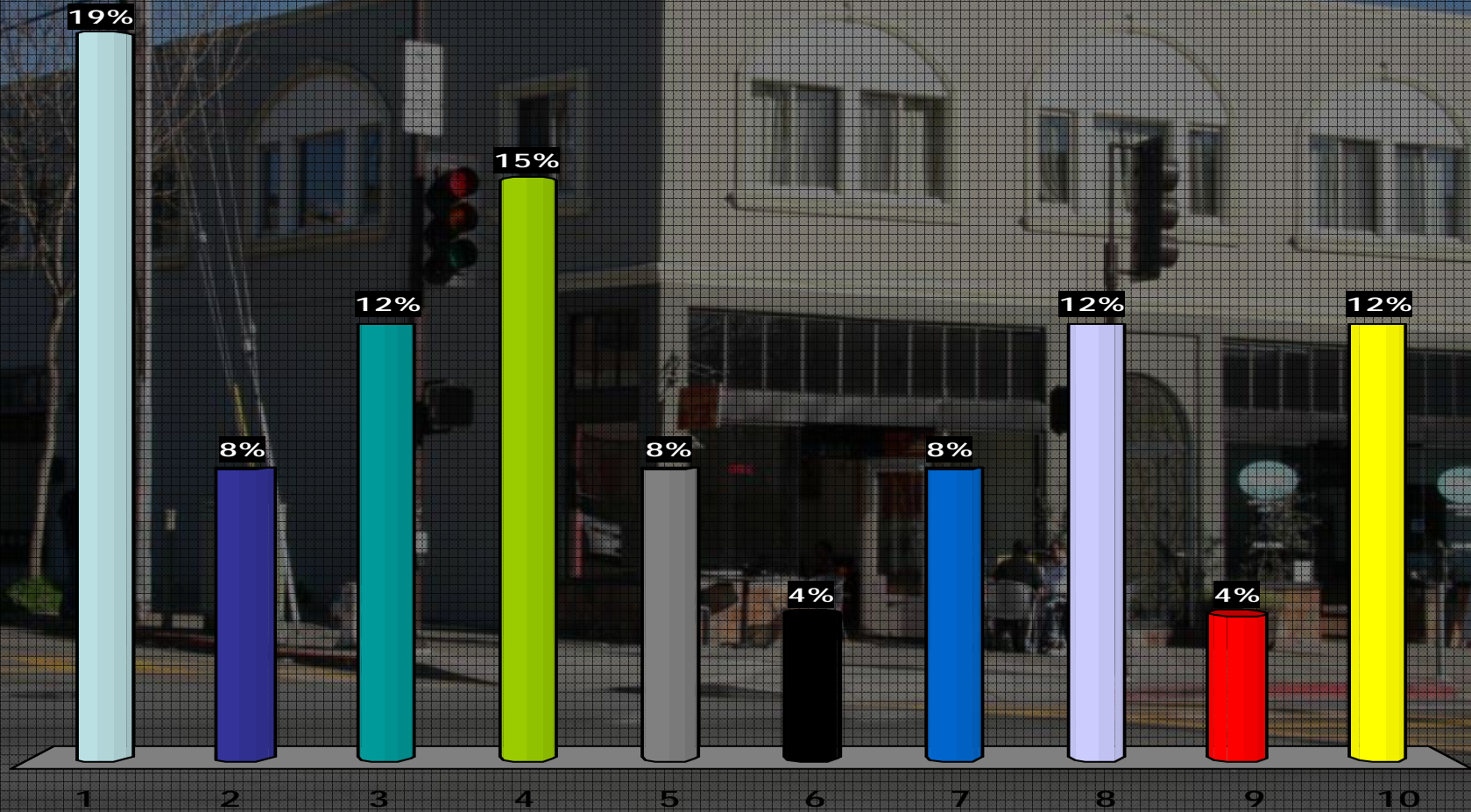


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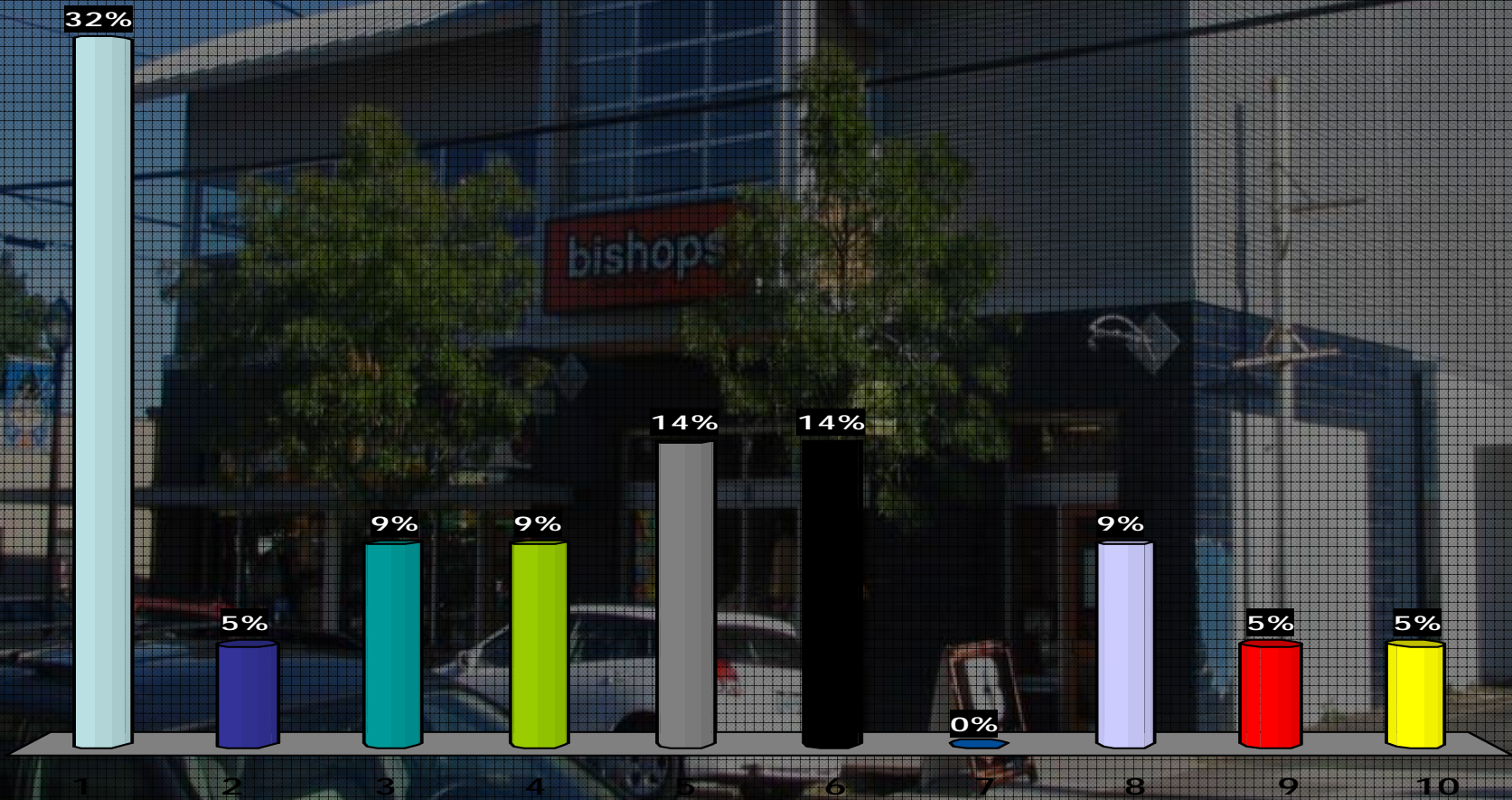


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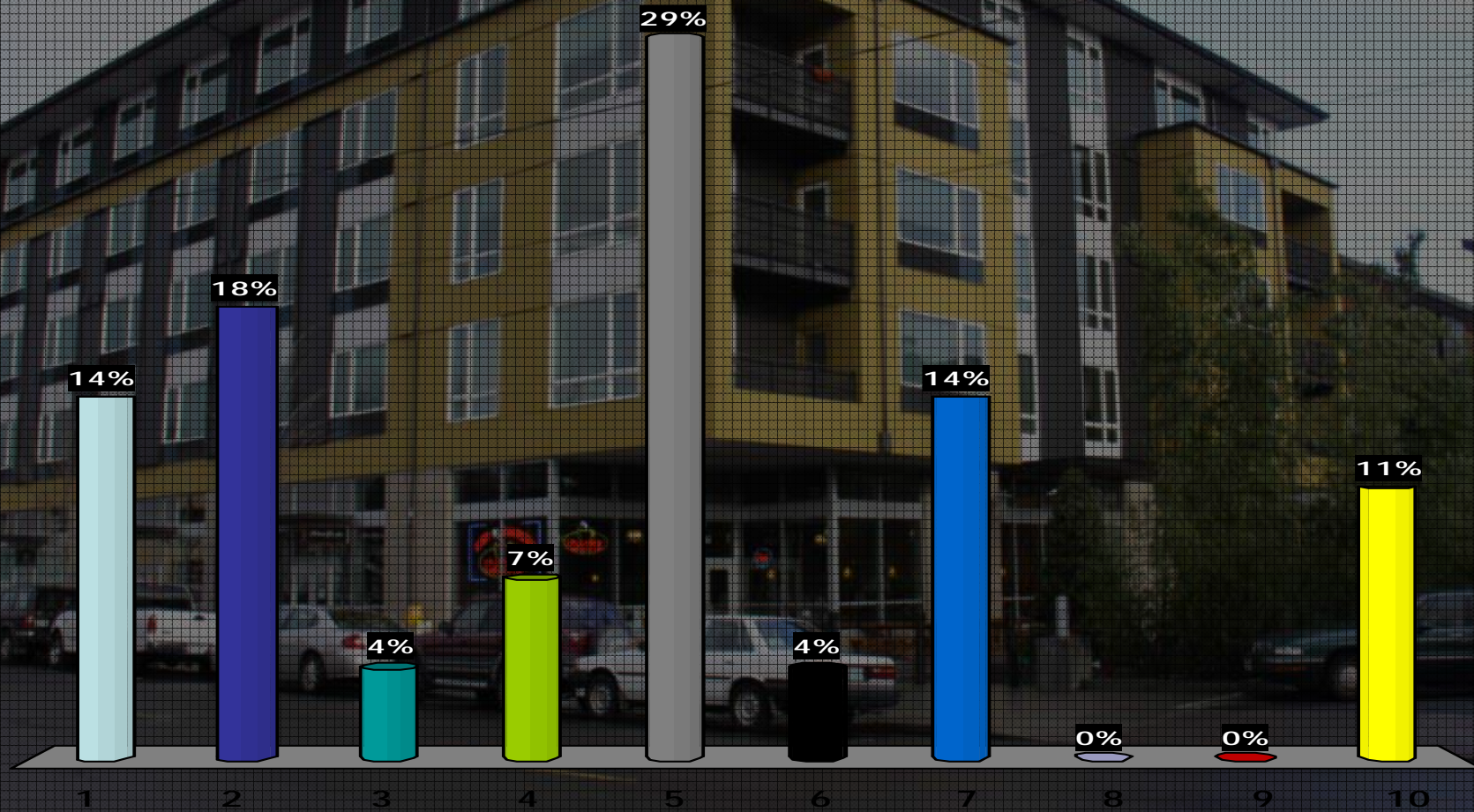


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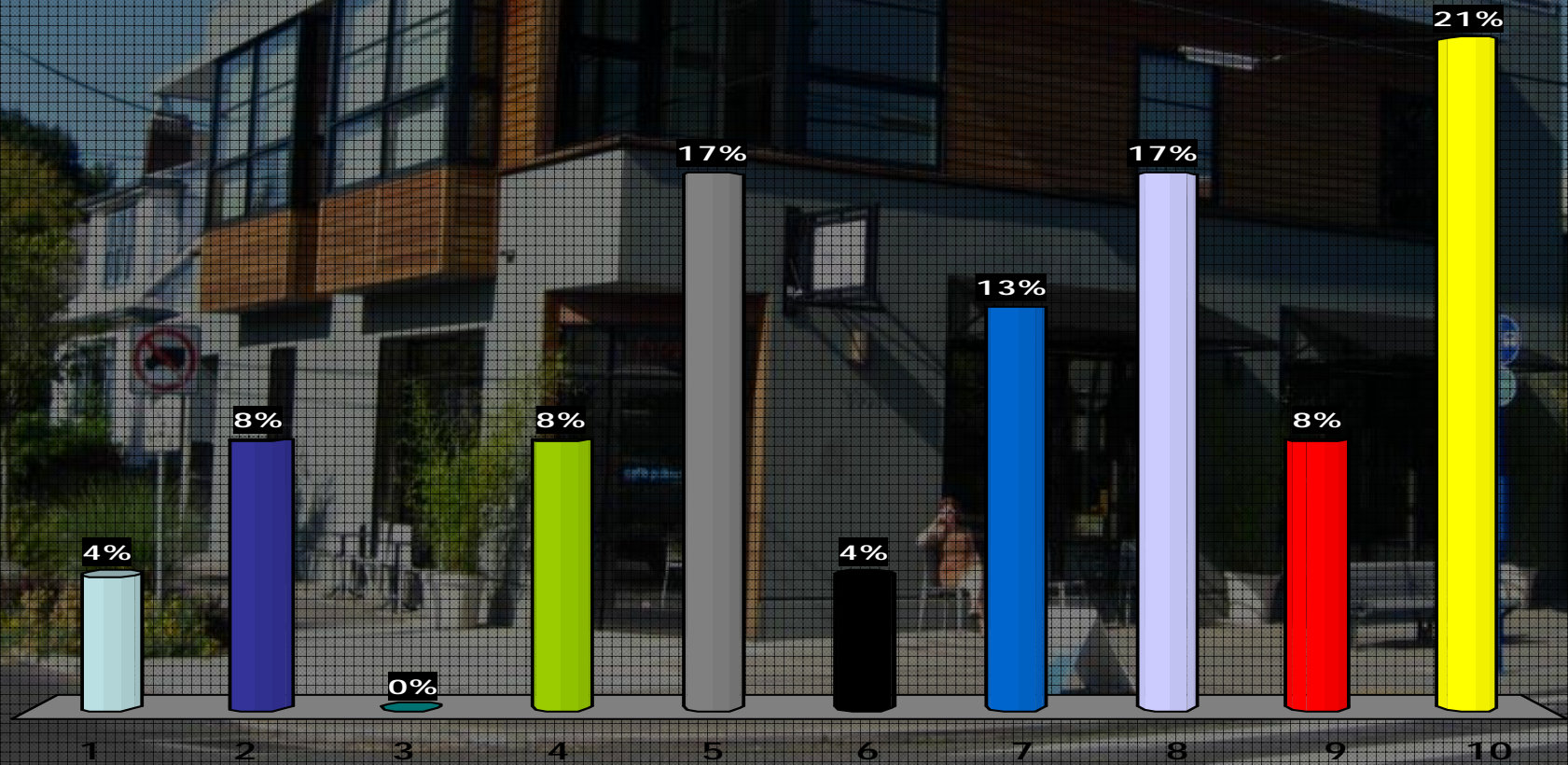


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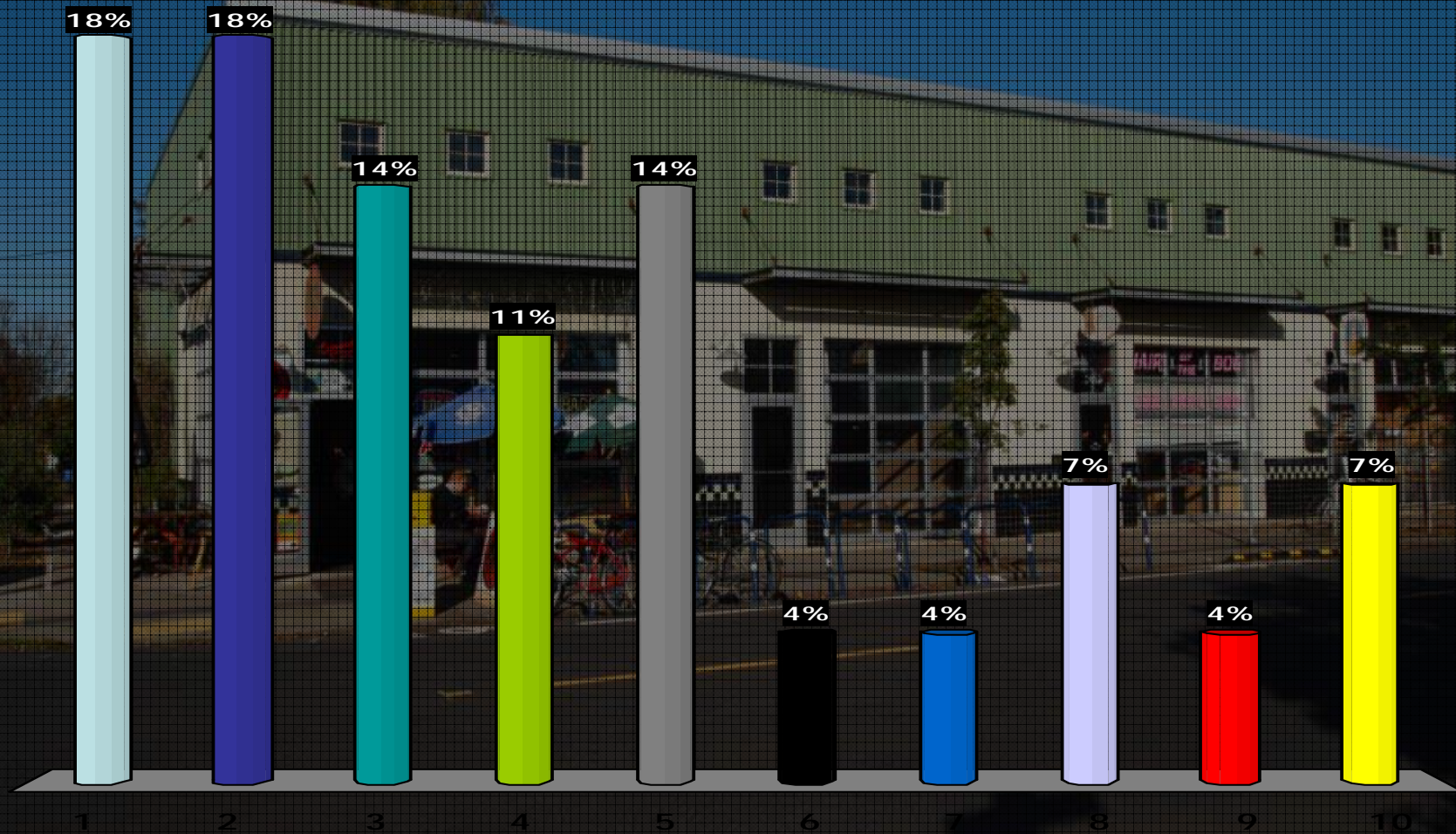


Mean = 6.6667



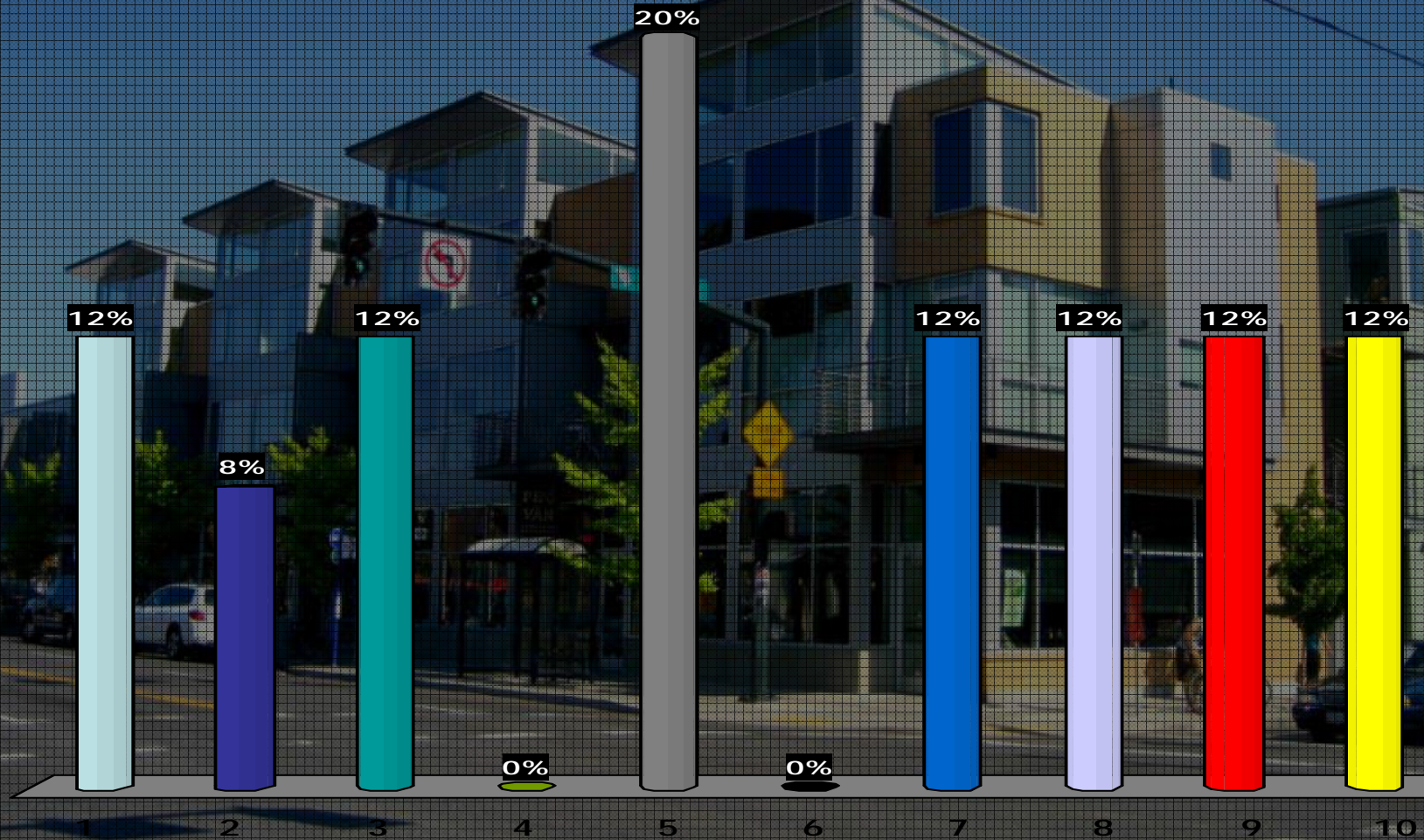


Mean = 4.1786



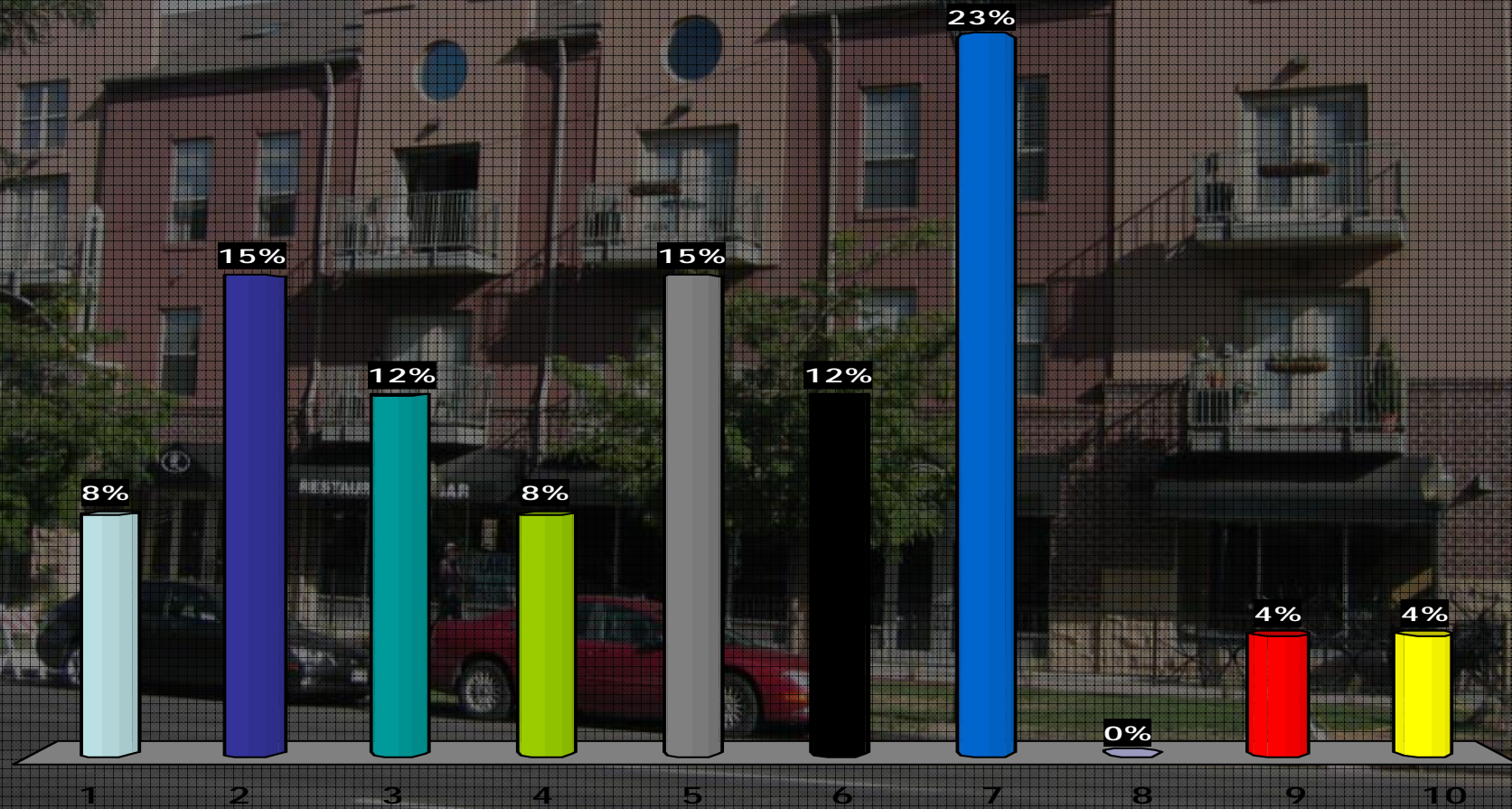


Mean = 5.72



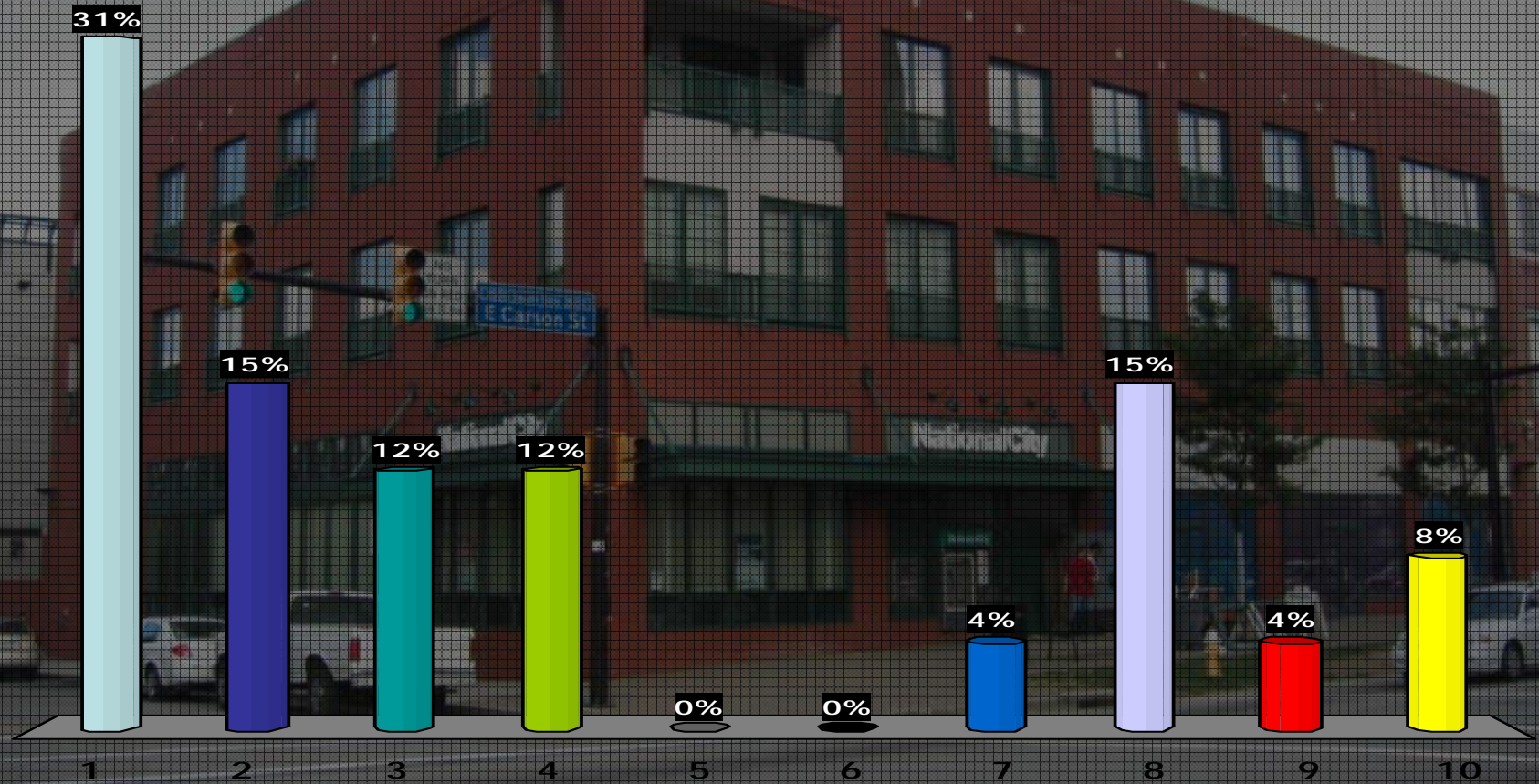


Mean = 4.8462



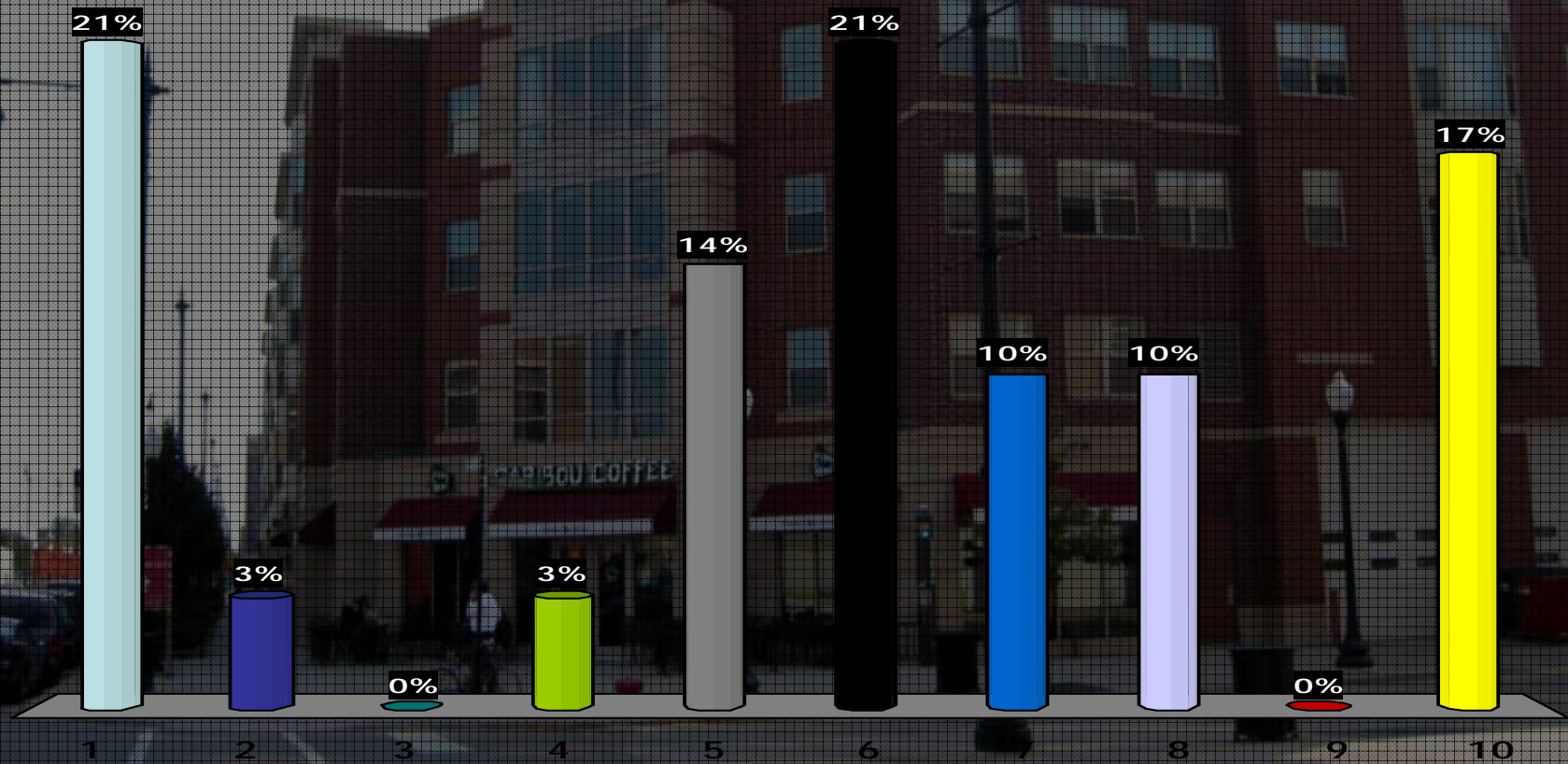


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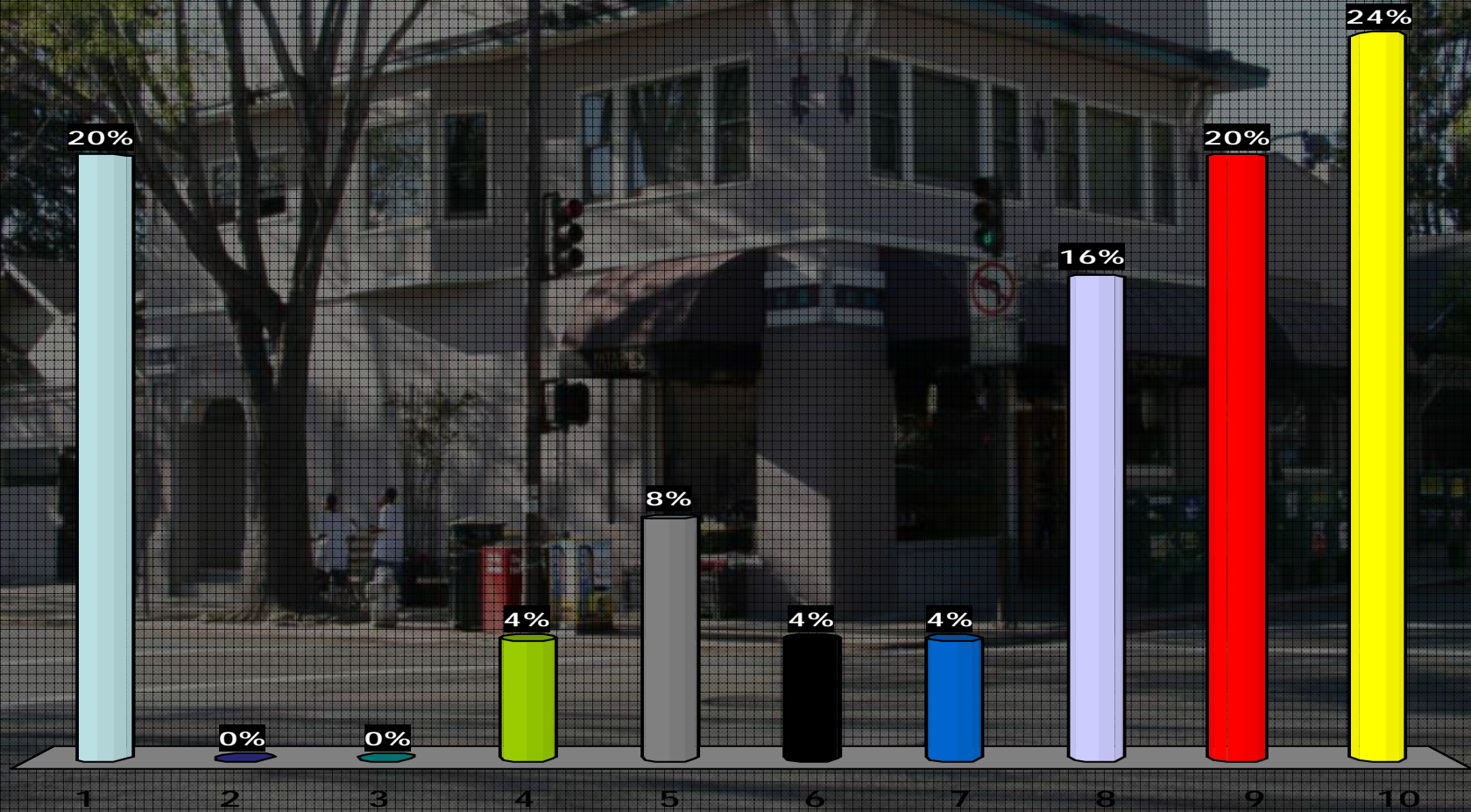


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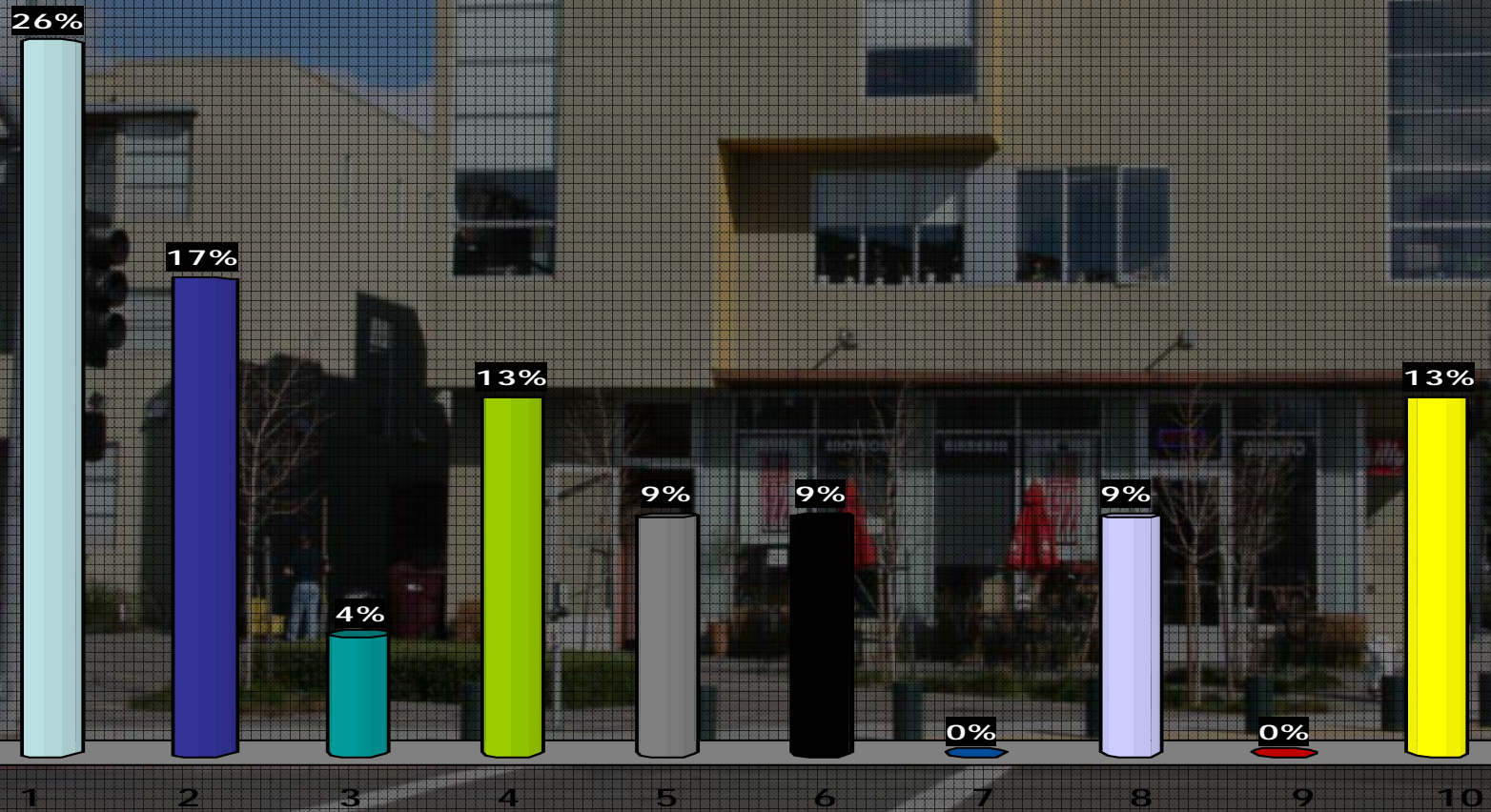


Mean = 6.76



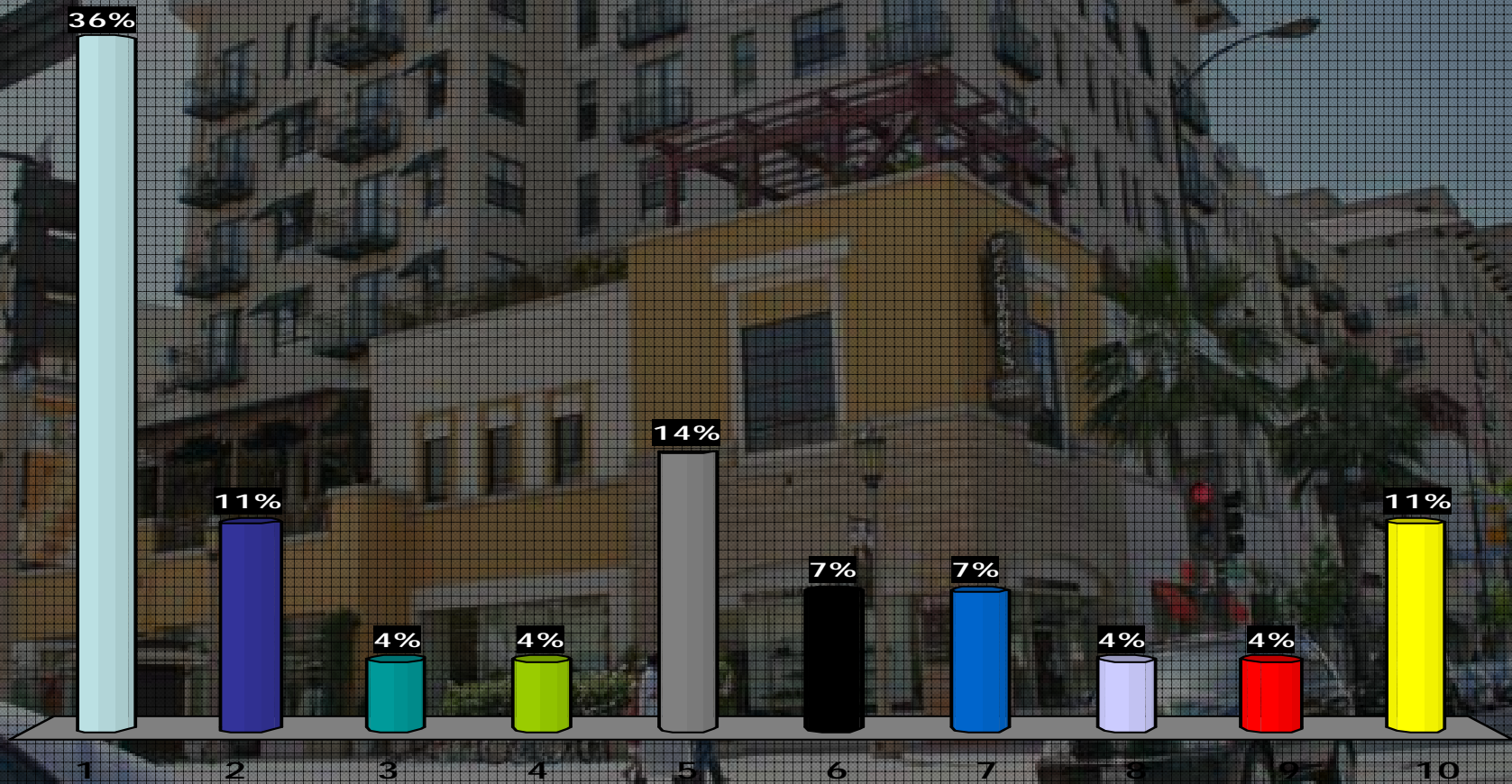


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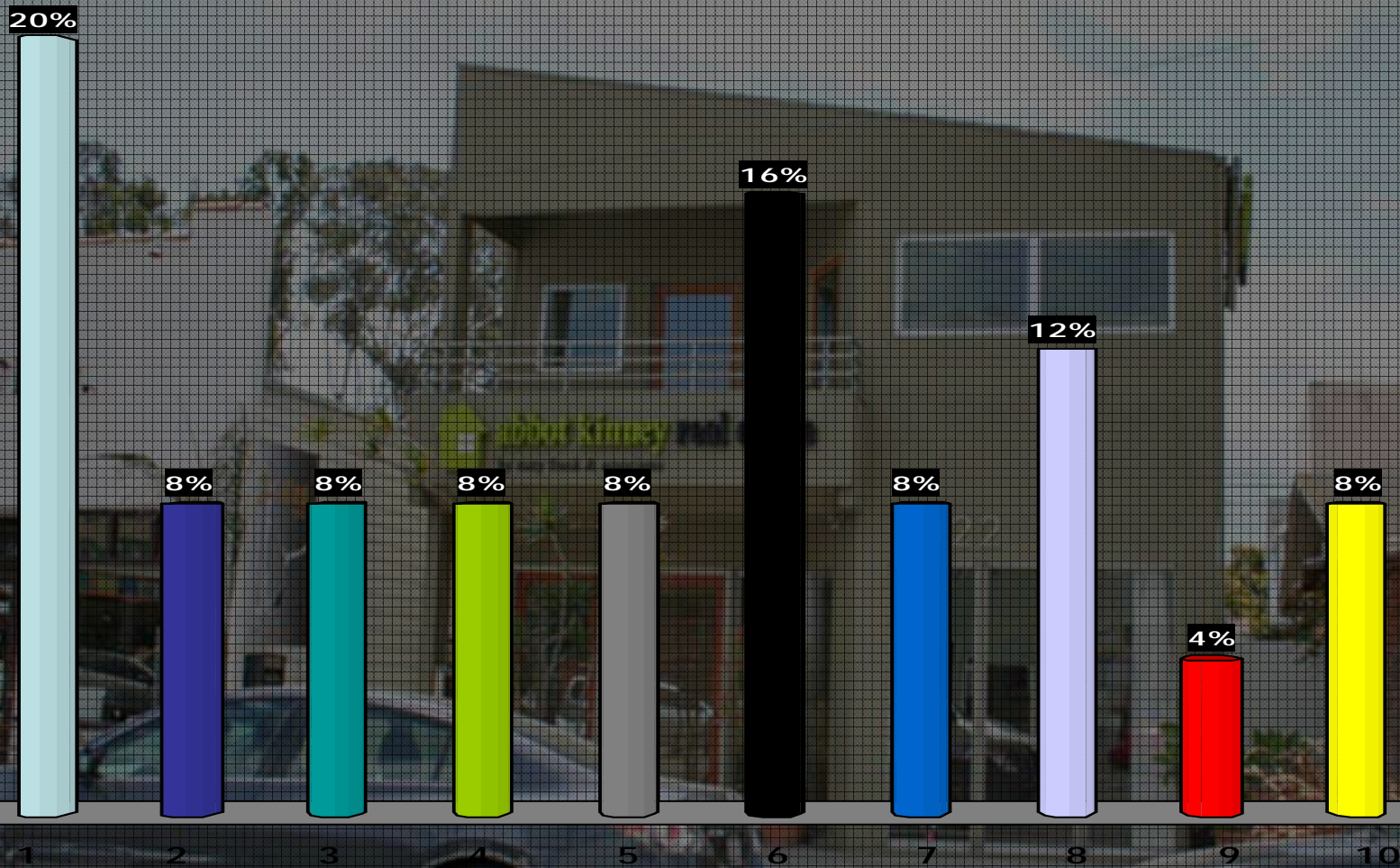


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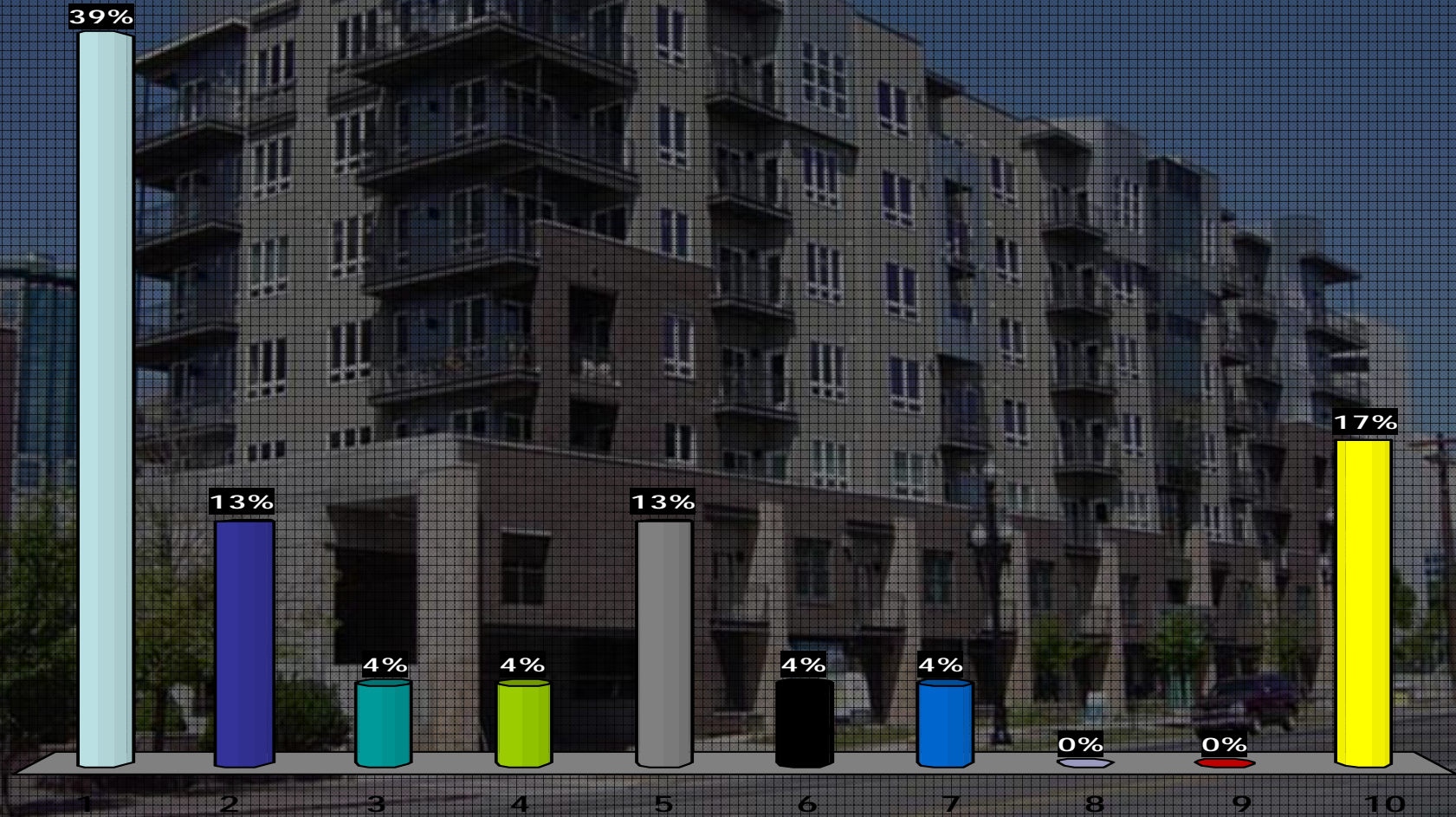


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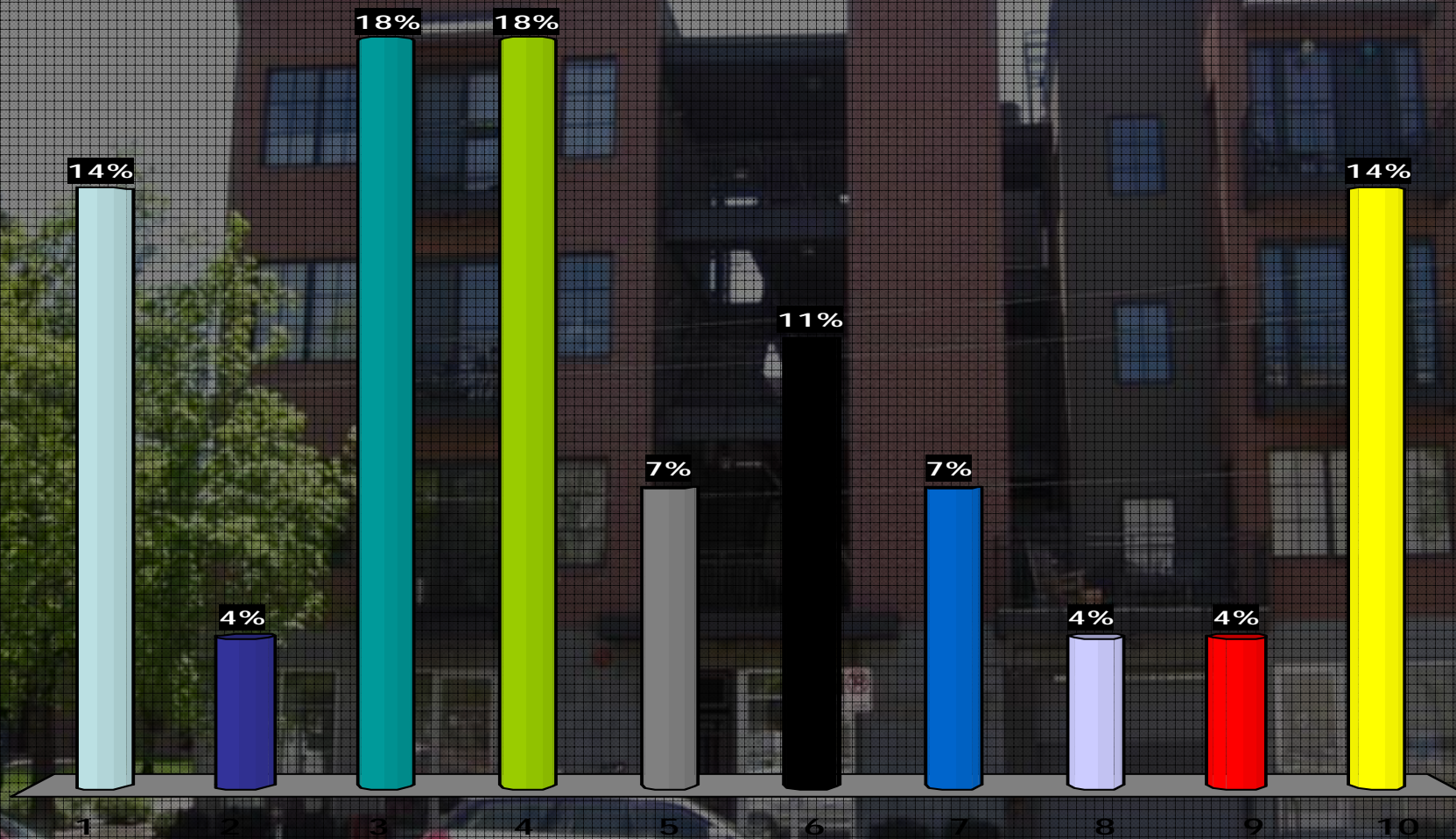


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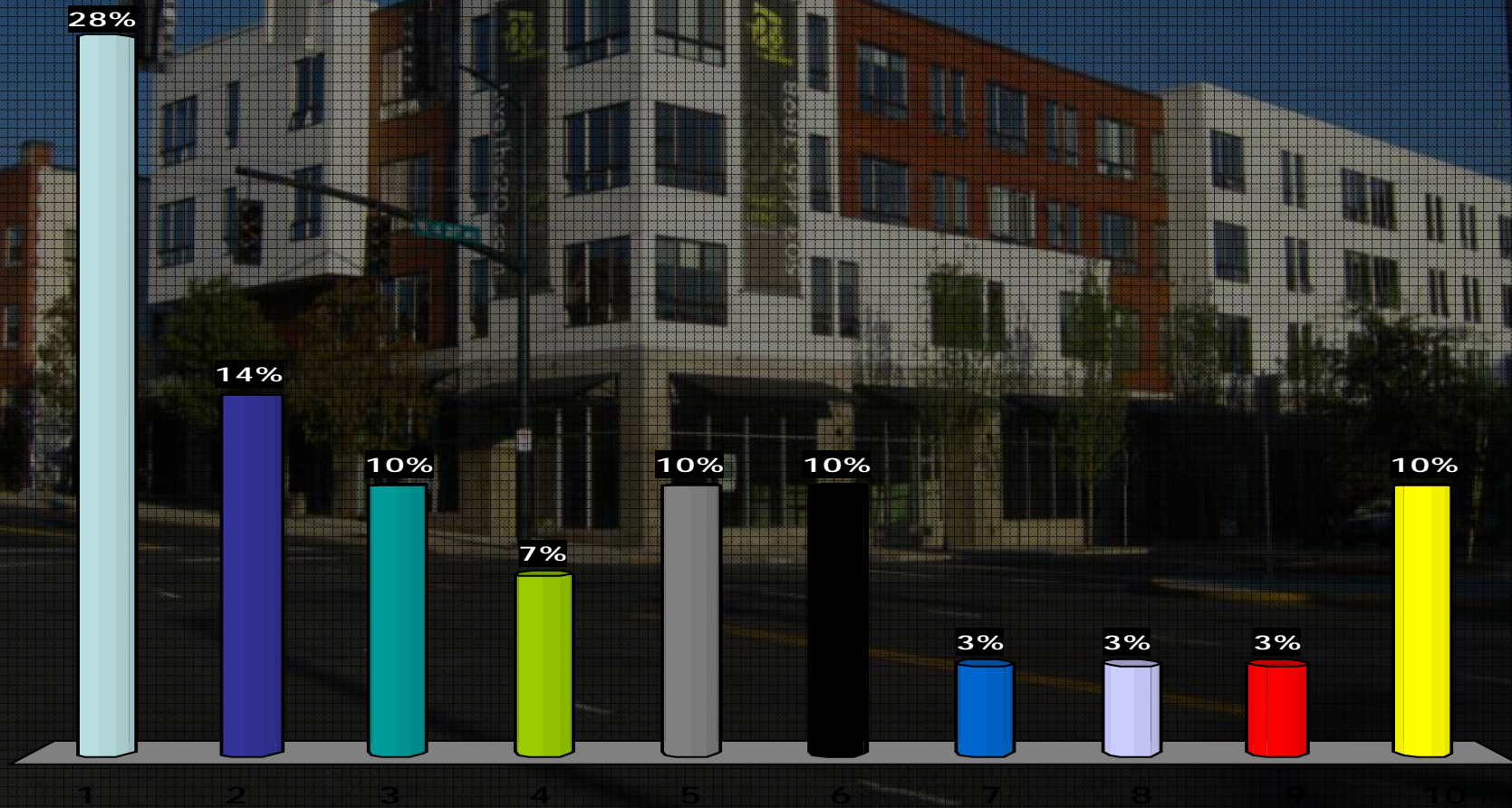


Mean = 5



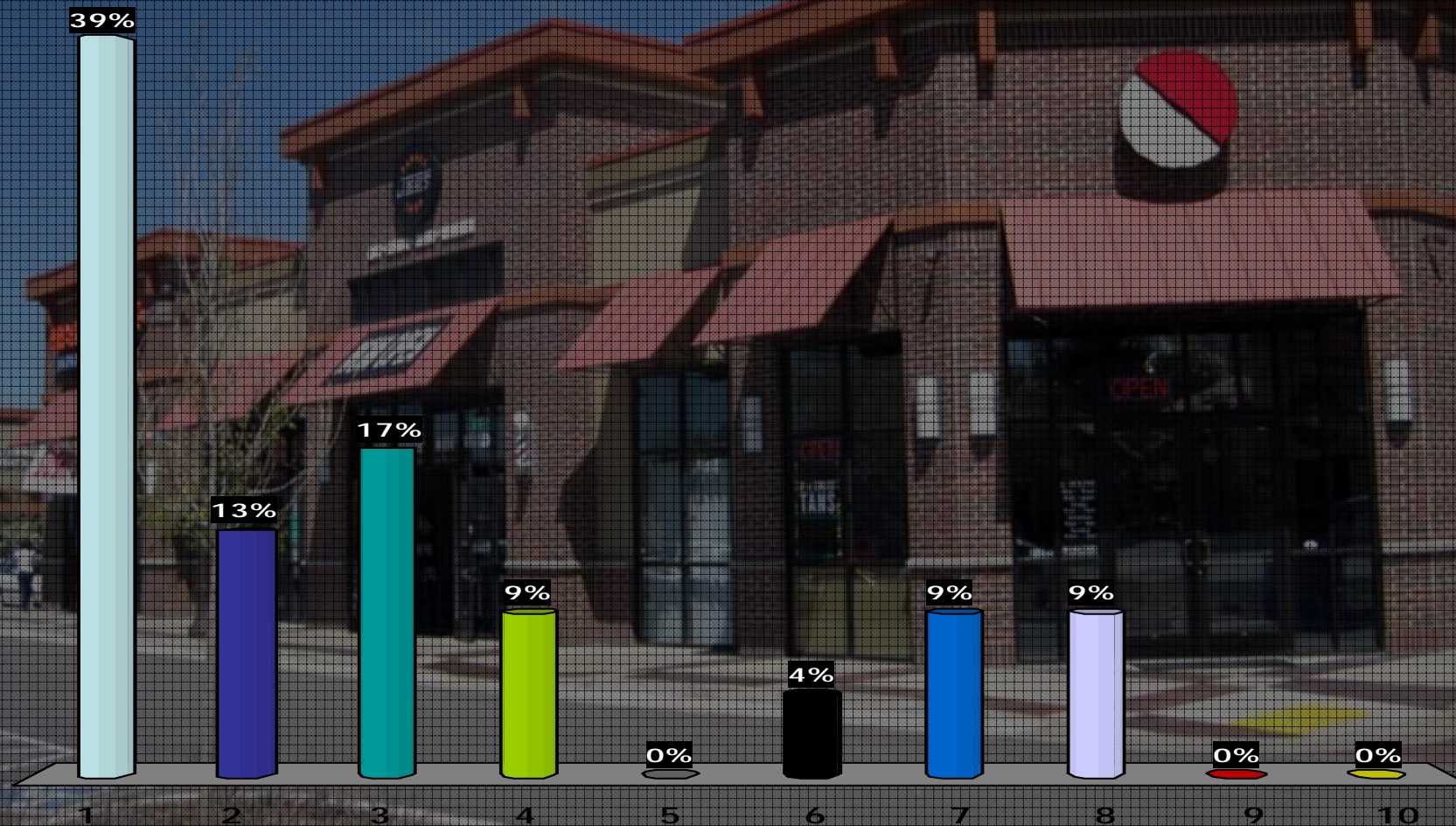


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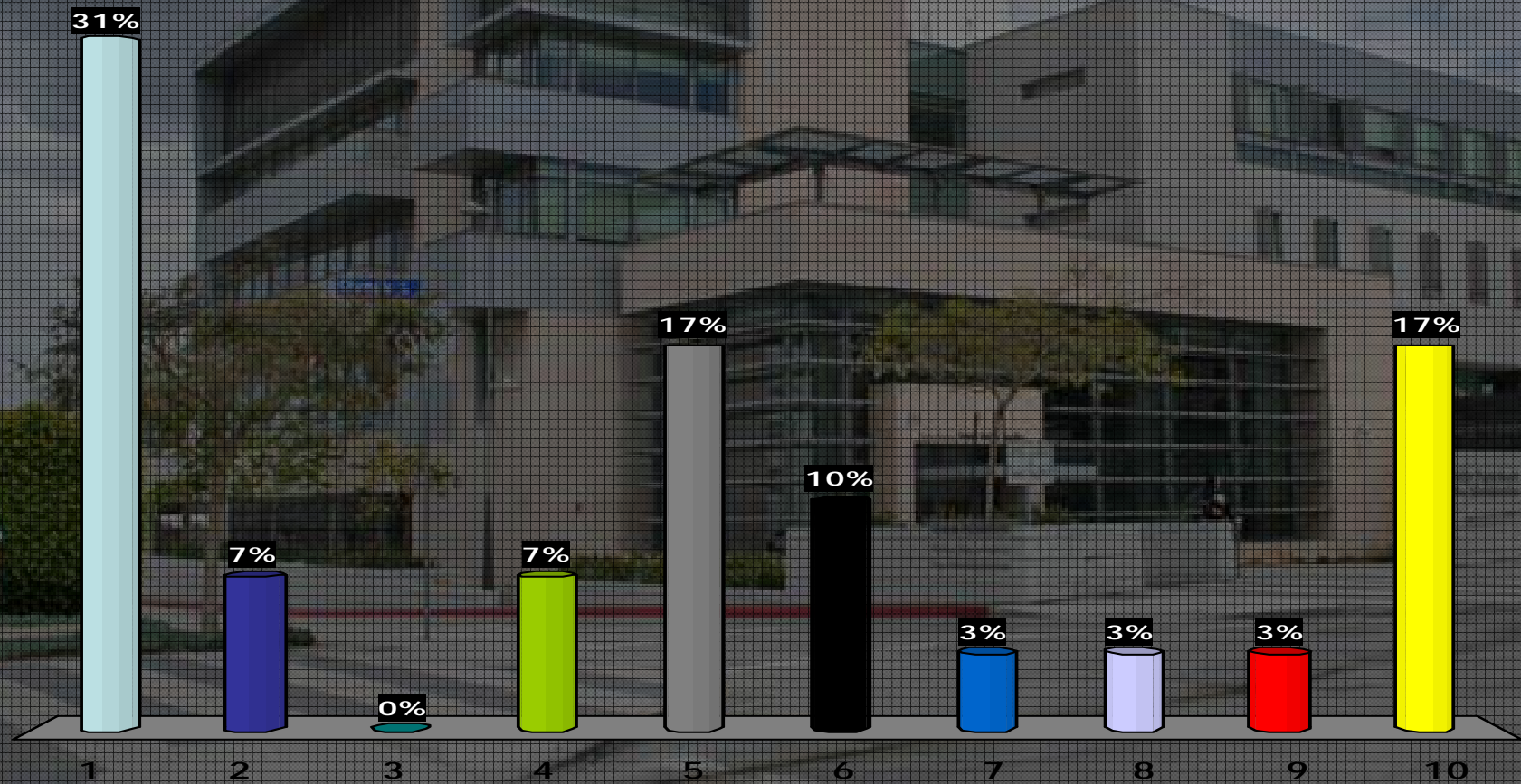


Mean = 3.087



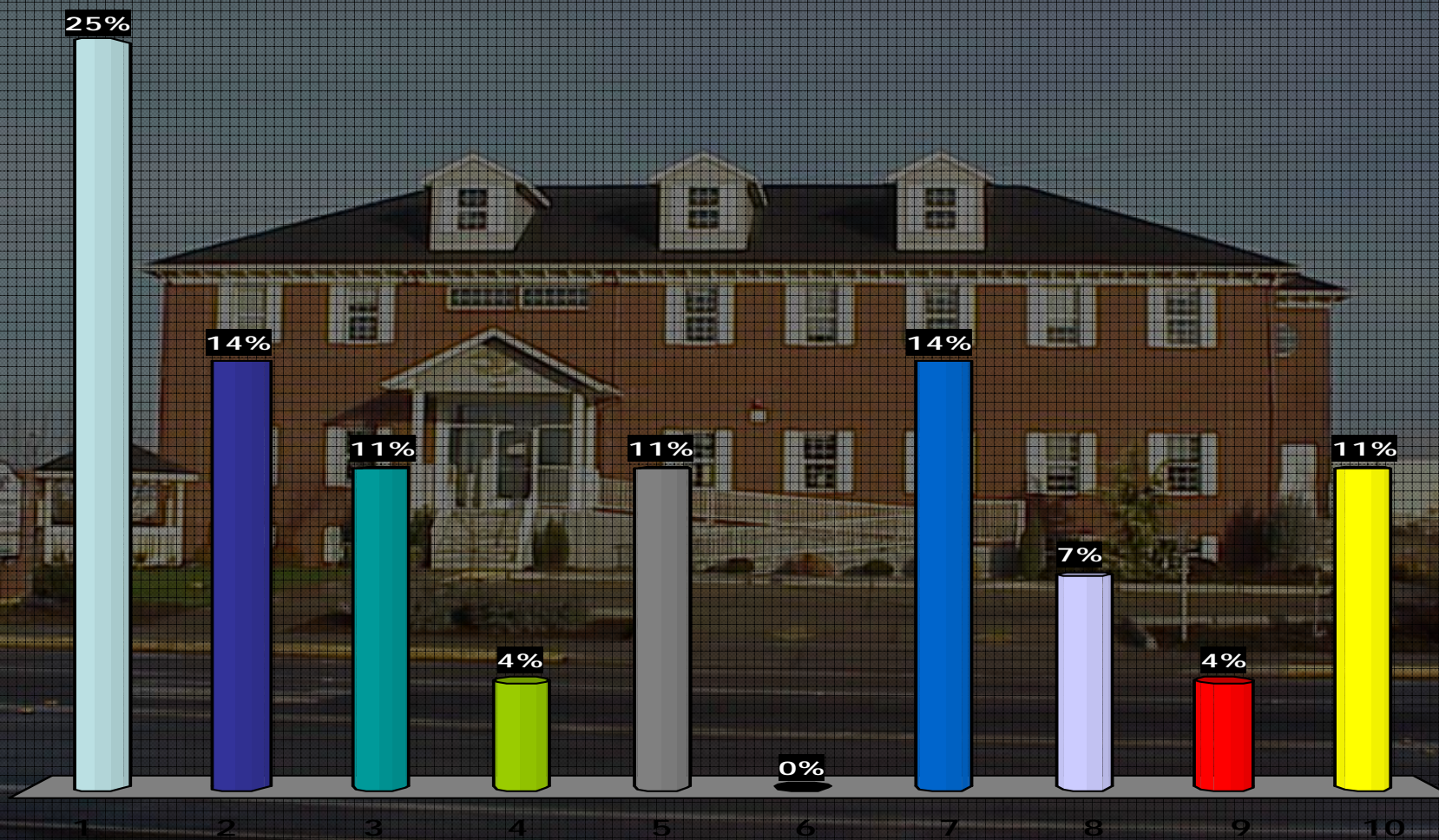


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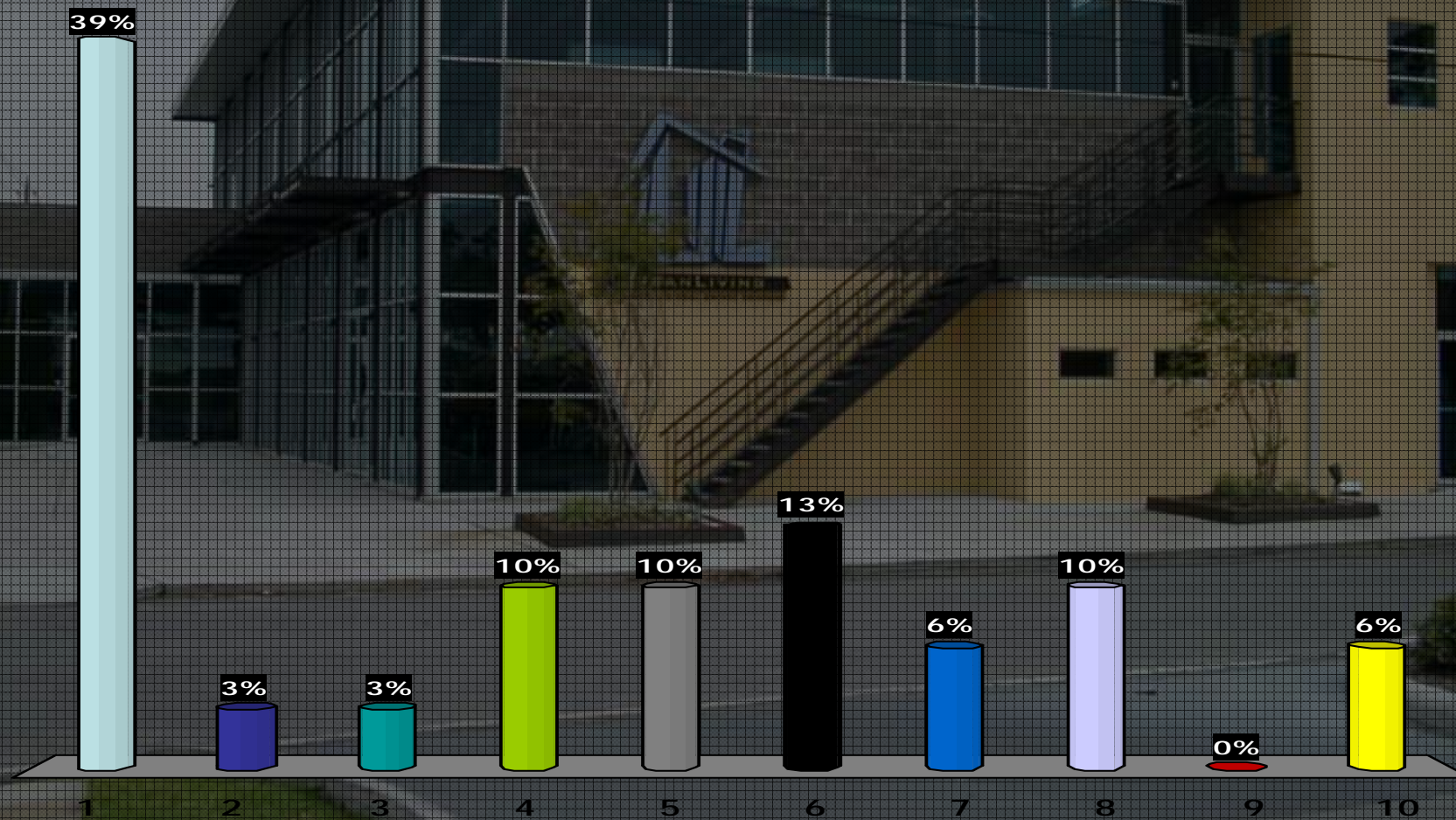


Mean = 4.5



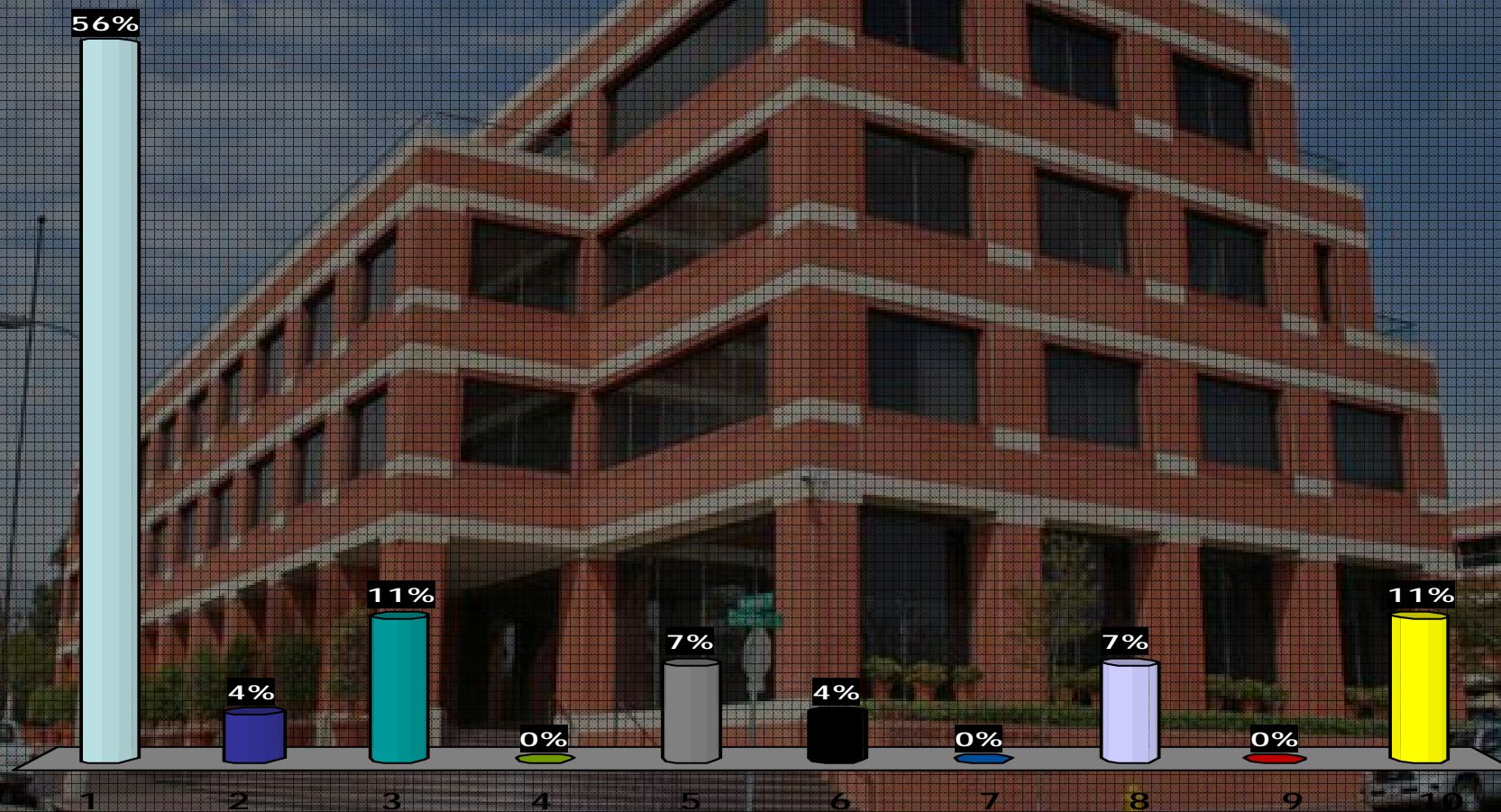


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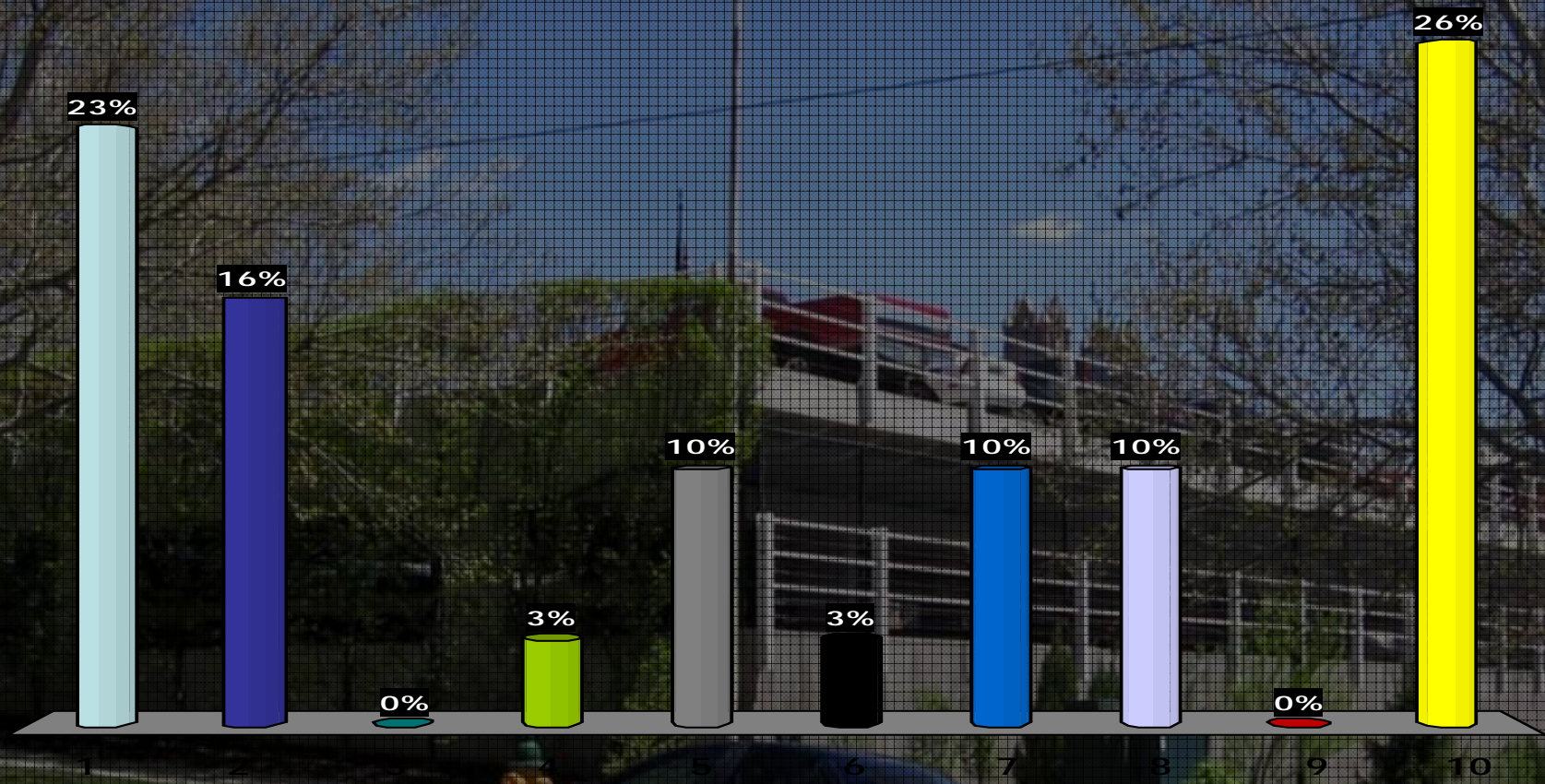


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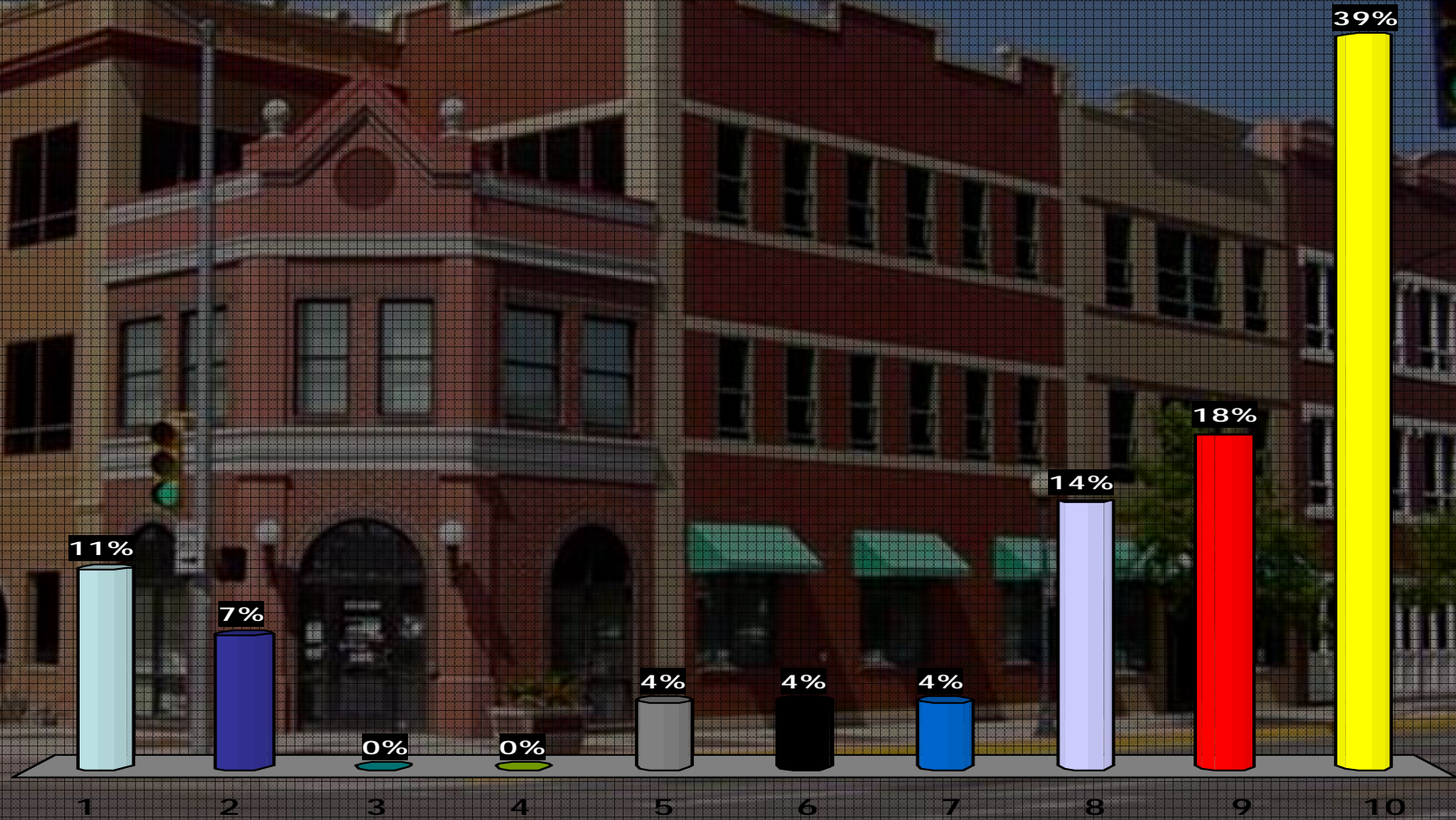


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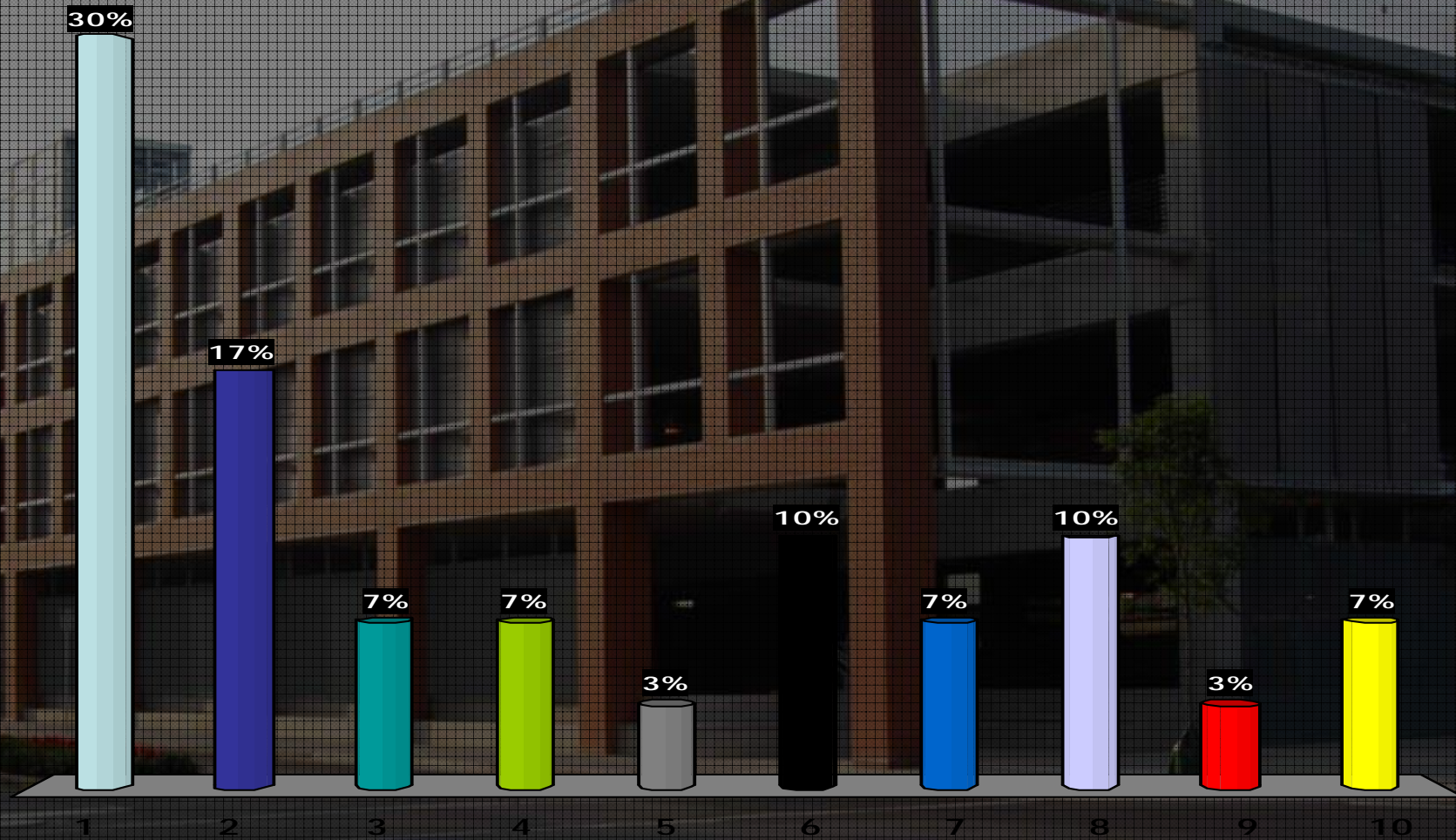


Mean = 7.5714





Mean = 4.1



DATE: October 14, 2013

ECO Project #:21845

TO: Stephen Butler and Li Allgood (City of Milwaukie)

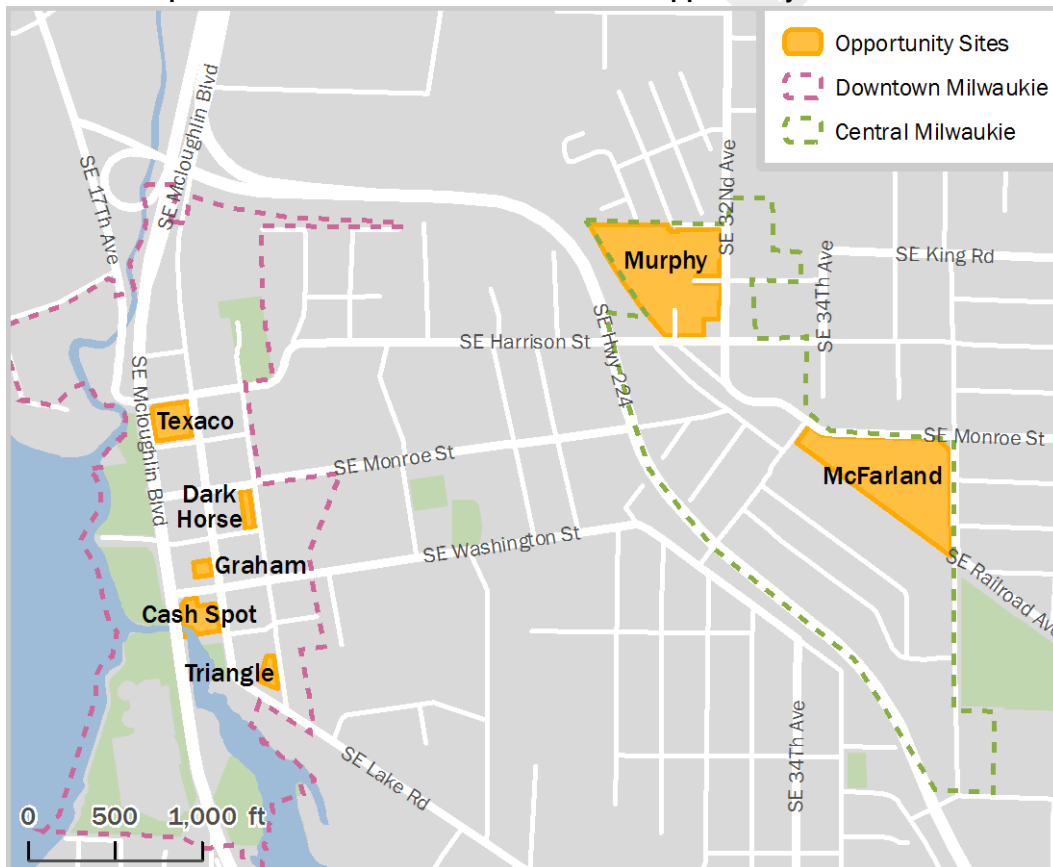
FROM: Anne Fifield

SUBJECT: DISCUSSION DRAFT: PRELIMINARY MARKET OVERVIEW FOR MILWAUKIE REDEVELOPMENT SITES - PART OF MARKET STUDY (TASK 2.3)

1 Executive Summary

Moving Forward Milwaukie is a project led by the City of Milwaukie Planning Department with a goal of implementing the community vision for Milwaukie’s commercial areas. As part of this effort, the City has identified seven “Opportunity Sites” in Downtown and Central Milwaukie. These sites have the potential for new development or adaptive reuse that, if done correctly, could serve as catalysts for other development in Milwaukie. Exhibit 1 shows a map of Downtown and Central Milwaukie, including the seven opportunity sites.

Exhibit 1. Map of Downtown and Central Milwaukie Opportunity Sites



As part of the Moving Forward Milwaukie project, the City will create Development Concepts for each Opportunity Site. These Development Concepts will include development programs, illustrations, and financial pro formas for potential new development on each opportunity site. The best Development Concepts for each site will be reflected in City plans, including a Downtown and Central Milwaukie Action and Implementation Plan, and a Central Milwaukie Land Use and Transportation Plan.

A key principle of these Development Concepts is that they are financially feasible. Thus, a market study – this document – is necessary to inform the creation of Development Concepts, and to identify the highest and best use(s) for each site. This market study was based on quantitative and qualitative methods, including an analysis of demographic and market data, as well as interviews and input from local developers, property owners, elected officials, and other stakeholders and community members.

Key results from the market study include:

1.1 Citywide

- Average rents for office and retail spaces are too low to entice private development without some form of public-private partnership.
- Milwaukie's residents are older with lower-incomes than the rest of the Portland region, which is a challenge for new market-rate residential development, but an opportunity for development of senior housing.
- Milwaukie has experienced very little new development over the past decade, and Milwaukie's population actually declined from 2000 to 2010. While this can be partially explained by a lack of vacant land, it is likely that a combination of factors contributed to this lack of growth.
- Milwaukie's short commute time to Portland, and affordable housing stock should make it an attractive location for residential development.

1.2 Downtown

- Downtown has good bones (e.g., sidewalks, streetscapes, block sizes), which is attractive for new development, and recognized by developers who toured Downtown Milwaukie.
- The planned River Front Park improvements and Kellogg-for-Coho Initiative will make Downtown more desirable as it improves access to parks, natural areas, and the Willamette River.
- McLoughlin Boulevard provides great visibility and accessibility to Downtown.
- The Portland to Milwaukie MAX line (under construction) will provide additional accessibility to Downtown Milwaukie.
- City zoning for the area is viewed as confusing and overly prescriptive, and may be an impediment for development.

- There is consensus from the community and developers that new development Downtown should focus on mixed-use development with residential development above ground-floor restaurants and retail, with some opportunity for new office development, as well.
- There is consensus from the community and developers that one or more structured parking garages are needed Downtown, but the best site for a parking garage is undetermined.

1.3 Central Milwaukie

- Hwy 224 provides great accessibility to Central Milwaukie.
- There is a lack of consensus among the community, developers, and private property owners on what is the preferred use for new development in Central Milwaukie.

1.4 Opportunity Sites

The highest and best use for specific opportunity sites include:

- **Texaco Site:** Mixed-use residential development with ground-floor retail. Other potential uses on this site include mixed-use office instead of residential, or a structured parking garage.
- **Dark Horse Site:** Mixed-use residential development with ground-floor retail.
- **Graham Site:** Adaptive-reuse of the existing building for restaurant, retail, or office.
- **Cash Spot Site:** Mixed-use residential development with “ground-floor” retail on Main Street, on top of a multi-floor structured parking garage on McLoughlin Blvd.
- **Triangle Site:** Either a food cart pod, or small retail shops serving light rail passengers.
- **Murphy Site:** Additional analysis is required to hone in on the best use for the Murphy Site. A case can be made for either light industrial or residential development on the site, and plans call for the site to accommodate intensive employment.
- **McFarland Site:** Additional analysis is required to hone in on the best use for the McFarland Site. A case can be made for either light industrial or residential development on the site.

2 Introduction

Moving Forward Milwaukie is a project led by the City of Milwaukie Planning Department with a goal of implementing the community vision for Milwaukie's commercial areas. As part of this effort, the City has identified seven "Opportunity Sites" in Downtown and Central Milwaukie. These sites have the potential for new development or adaptive reuse that, if done correctly, could serve as catalysts for other development in Milwaukie.

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This document is organized according to each of the steps in our analysis that helped us to determine the highest and best uses for new development at each of the Opportunity Sites. Following the Executive Summary and this Introduction, it has X additional report sections:

- Demographic and market trends
- Development roundtable feedback
- SWOT analysis
- Implications for Opportunity Sites

3 Demographic and market trends

In this section of the report, we describe broad trends found in demographic and market data for the City of Milwaukie. Its intent is to provide an overview of economic and market trends that affect redevelopment of the seven Opportunity Sites. It is organized into the following sub-sections:

- Description of Sites
- Overview of Demographics and Economic Conditions
- Residential Uses
- Commercial Uses
- Implications

3.1 Description of Sites

The City of Milwaukie lies on the southern edge of the Portland metropolitan region (see Figure 1), on the eastern bank of the Willamette River. The City was founded in the mid-1800s and is now a suburb of Portland.

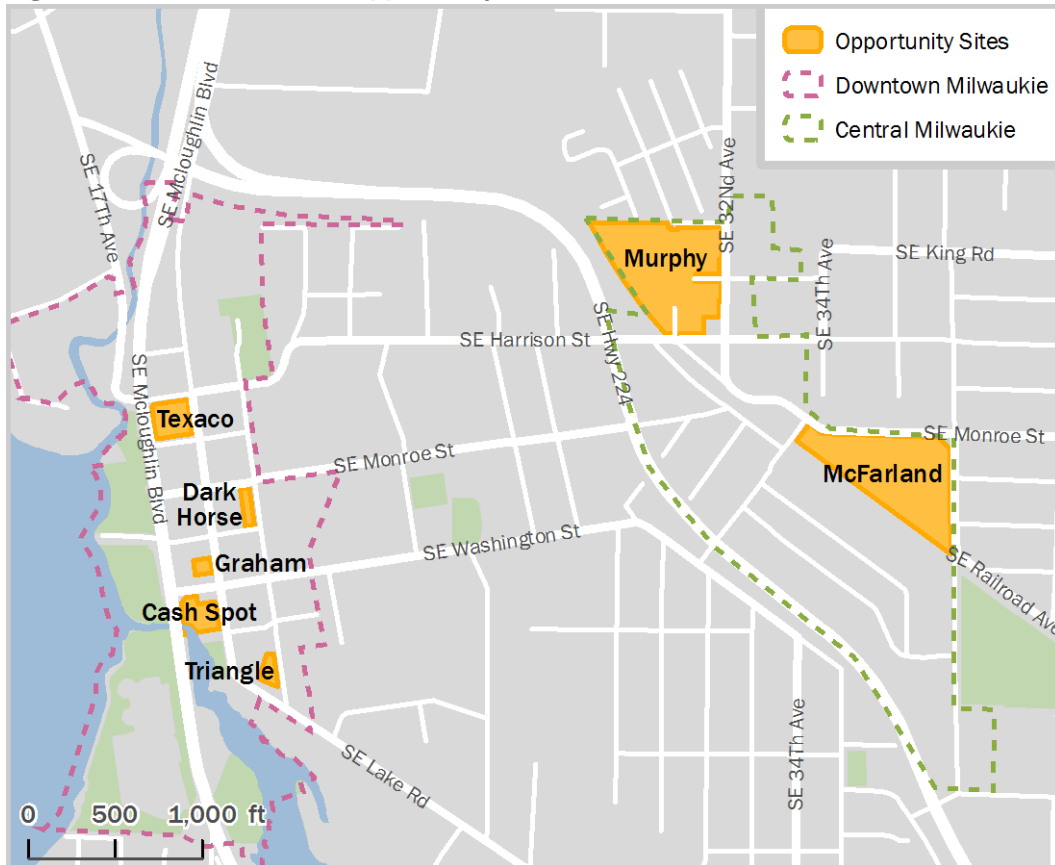
Figure 1. Location of Milwaukie



Source: ECONorthwest.

The purpose of this market study is to inform the determination of the highest and best use for development on seven Opportunity Sites in Downtown and Central Milwaukie. These seven sites (as well as the official boundaries of Downtown and Central Milwaukie) are shown in Figure 2.

Figure 2. Location of seven Opportunity Sites



Source: ECONorthwest and the City of Milwaukie

Below, we briefly describe each of the Opportunity Sites:

- The Texaco Site is a full block, bounded by McLoughlin Boulevard, Harrison Street, Main Street, and Jackson Street. The site is 0.96 acres, and is owned jointly by the City of Milwaukie and TriMet. The site is currently used as a surface parking lot, and is home of the popular Milwaukie Farmers’ Market. The Texaco Site comprises two taxlots.
- The Dark Horse Site is approximately one-third of a block, located on the west side of SE 21st Ave., between SE Monroe Street and SE Jefferson Street. The site is 0.26 acres, and is one of many sites owned by Dark Horse Comics in Downtown Milwaukie. Currently the site accommodates multiple structures and uses, including (from north to south) a corner store (Town Grocery and Deli), a surface parking lot, a single-story brick office building with two spaces for lease, and a two-story mixed-use building that is home to Sully’s café on the ground floor. The Dark Horse Site includes parts of two taxlots but is not contiguous with parcel boundaries.

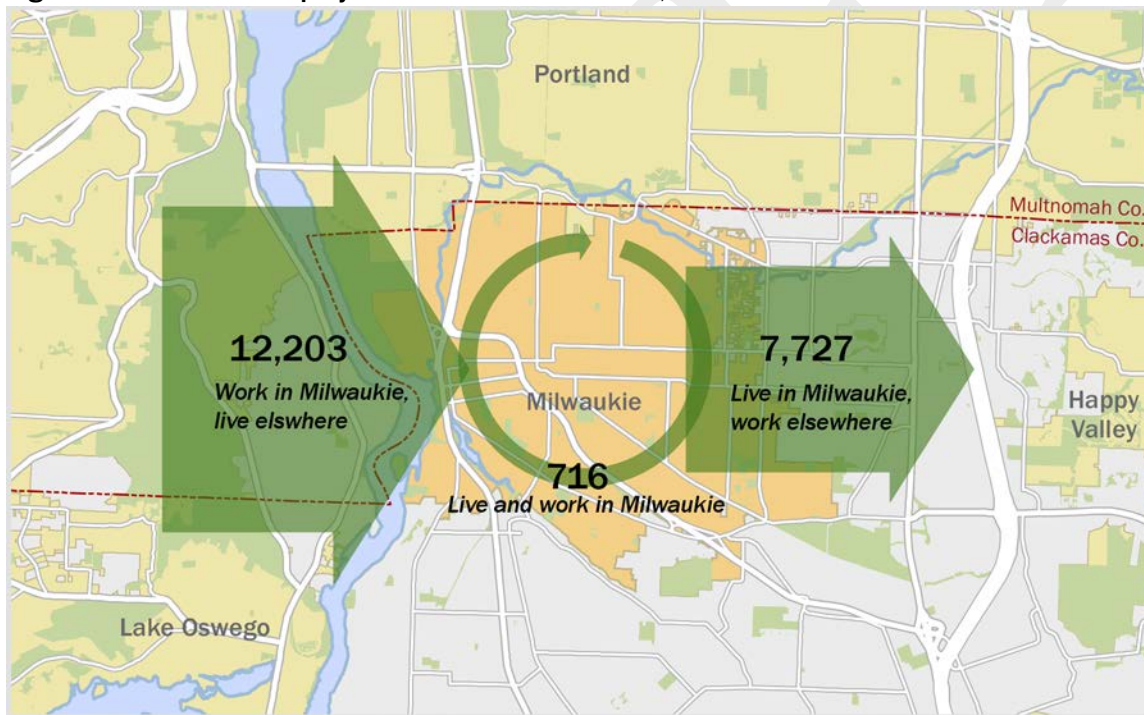
- The Graham Site is one parcel located on the west side of Main Street between SE Jefferson Street and SE Washington Street. The site is 0.20 acres, and is owned by Paul Graham. The site is home to a vacant commercial space, and is across the street from several restaurants and bars, including Cha! Cha! Cha!, the Golden Nugget, the Old Bar, and Foxy's.
- The Cash Spot Site is 0.80 acres of vacant land that occupies almost a complete block, bordered by McLoughlin Boulevard, SE Washington Street, and SE Main Street. The southern boundary of the site is generally defined by Kellogg Lake and what would be SE Adams Street (if Adams Street continued west of Main Street). On the corner of this block is a XXXX square foot building that is privately-owned and not officially included as part of this Opportunity Site. That building includes a thrift store and dentist's office. The Cash Spot Site is owned by the City of Milwaukie. The Cash Spot Site comprises four taxlots.
- The Triangle Site is a vacant site owned by the City of Milwaukie and TriMet. The site is 0.30 acres, and the boundary includes the MAX light rail tracks, SE 21st Ave, and SE Lake Road. The site will be immediately adjacent to the Downtown Milwaukie MAX Station, currently under construction. The Triangle Site partially overlaps with one parcel.
- The Murphy Site is a 7.67 acre, mostly-vacant site owned by the Murphy family. The site is actually a collection of 14 different parcels, all under a single ownership. General boundaries of the site include the railroad tracks to the west, SE Meek Street to the north, SE 32nd Ave to the east, and a row of privately-owned parcels on SE Harrison Street to the south. The parcels on the southern edge of the site are owned by other private property owners, and are not included as part of this Opportunity Site. Those parcels are currently in use as a car wash and a corner market.
- The McFarland Site is a 7.24 acre vacant site owned by the McFarland family. The site is triangular in shape, with boundaries defined by SE Monroe Street, SE 37th Ave, and the railroad tracks. The McFarland Site comprises two taxlots.

3.2 Overview of Demographics and Economic Conditions

This section provides a general overview of key economic and demographic data, to provide context for the focus areas and the market forces that affect demand for potential uses in it.

Milwaukie is part of a larger regional economy, the Portland Region.¹ Evidence of this is shown in Figure 3, which shows the broad commute patterns in Milwaukie. The data show that 7,727 of the employed residents of Milwaukie work outside of Milwaukie and 12,203 of the individuals who work in Milwaukie live outside of Milwaukie. Only a small portion (8.4%) of employed Milwaukie residents work in Milwaukie. In short, people who live in Milwaukie work elsewhere in the region, and people who work in Milwaukie live elsewhere in the region. This is common in large metropolitan areas, as individuals change their place of employment more frequently than they change homes. Living in a metropolitan area gives households their choice of communities to live in, with access to jobs across the metropolitan area.

Figure 3. Milwaukie Employment Inflow and Outflow, 2010



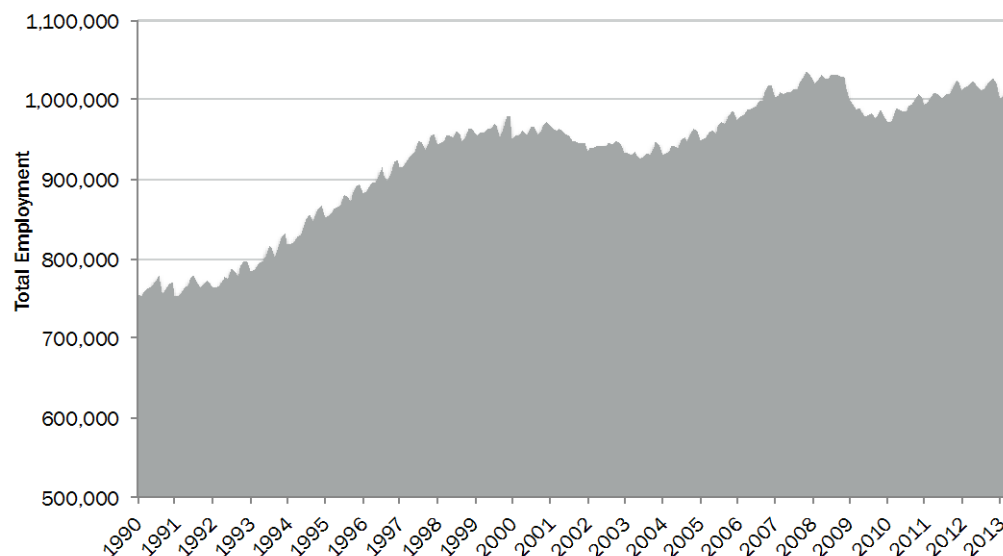
Source: Data from U.S. Census Bureau, 2010 Decennial Census. 2013 OnTheMap Application. Longitudinal-Employer Household Dynamics Program. <http://onthemap.ces.census.gov/>. Graphic by ECONorthwest.

¹ The Portland Region is defined as Clackamas County, Washington County, and Multnomah County in Oregon and Clark County in Washington.

Employment

Figure 4 shows that total employment in the Portland Region has generally increased since 1990. The total number of jobs declined during recessionary periods: between 2001 and 2003 and between 2008 and 2012. Although the region has not yet gained back the number of jobs lost in 2008 and 2009, the long-term trend for the region shows an expanding economy.

Figure 4. Total Employment, Portland Region, 1990 to 2013

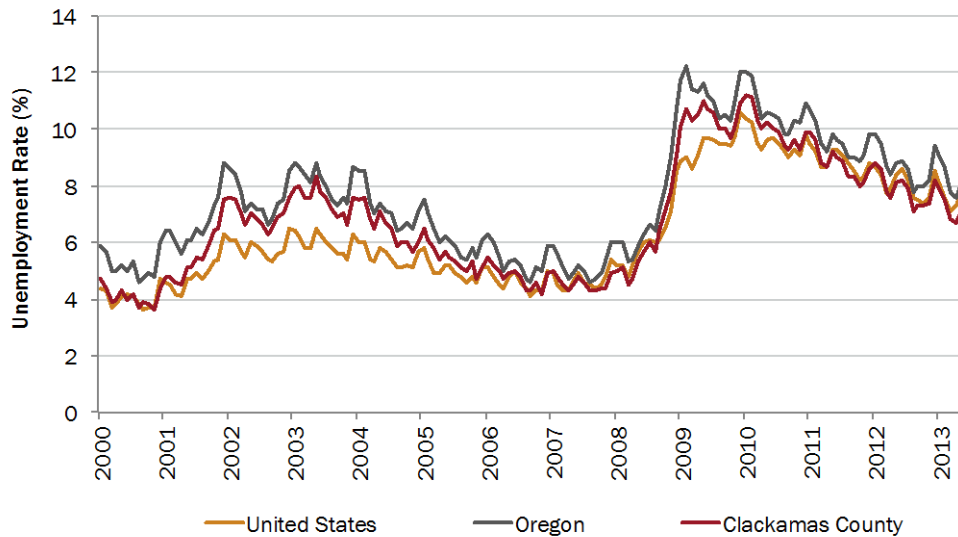


Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics, <http://www.bls.gov/lau/data.htm>. The data are not seasonally adjusted, so they show large variations within each year.

Figure 5 shows the unemployment rates for the U.S., Oregon, and Clackamas County and allows for comparison of the unemployment rate over time. Oregon and Clackamas County follow roughly the same trend as the U.S. The unemployment rate in Clackamas County is generally lower than the unemployment rate for Oregon, but generally higher than the unemployment rate for the U.S. However, between 1990 and 2013, there have been a number of periods (including year-to-date 2013) where the unemployment rate in Clackamas County is slightly lower than the unemployment rate in the U.S.

Consistent with the national trend, during the 2008-2009 recession, the unemployment rate in both Oregon and Clackamas County increased significantly from around 6% to 12% and 11% (for Oregon and Clackamas County, respectively). Also consistent with the national trend, after 2009, the unemployment rate in Oregon and Clackamas has steadily decreased. As of July 2013, the unemployment rate was 7.7% in the U.S., 8.1% in Oregon, and 7.3% in Clackamas County. There is slightly more seasonal variation in the unemployment rate in Clackamas County relative to the U.S., but less seasonal variation relative to Oregon.

Figure 5. Unemployment Rate, U.S., Oregon, Clackamas County, 2000 to 2013



Source: Bureau of Labor Statistics, Local Area Unemployment Statistics, <http://www.bls.gov/lau/data.htm>. The data are not seasonally adjusted, so they show large variations within each year.

The unemployment rate for Clackamas County represents members of the labor force who live in Clackamas County. The relatively low unemployment rate for Clackamas County suggests that Clackamas County's residents are more employable than residents of the State as a whole. For 2007-2011, the unemployment rate in Milwaukie was 7.8% compared to 8.7% in Clackamas County.²

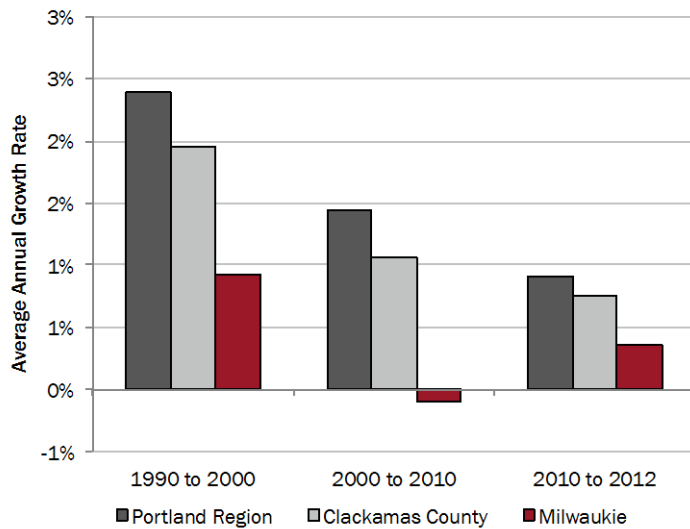
Population and Households

Milwaukie has about 20,400 residents. Figure 6 shows the average annual growth rates for population for 1990 to 2000, 2000 to 2010, and 2010 to 2012 for Milwaukie, the Portland Region, and Clackamas County. The average annual growth rate in the Portland Region is consistently higher than Clackamas County, which in turn is consistently higher than Milwaukie. Milwaukie grew less than half as fast as the Portland Region and Clackamas County during the 1990s and from 2010 to 2012. Between 2000 and 2010, Milwaukie had negative population growth (negative 0.1%), where as both the Portland Region and Clackamas County had positive population growth, albeit lower than in the 1990s.

The low population growth is driven by the fact that Milwaukie is mostly built out, leaving little space for new construction within its existing boundaries. Also, as we see later, the community's portion of households with children is decreasing, so there are fewer individuals living in a housing unit.

² This is from the U.S. Census Bureau, 2007-2011 American Community Survey, Series DP03. This is the unemployment rate of the civilian labor force (i.e., unemployed civilian labor force divided by total civilian labor force).

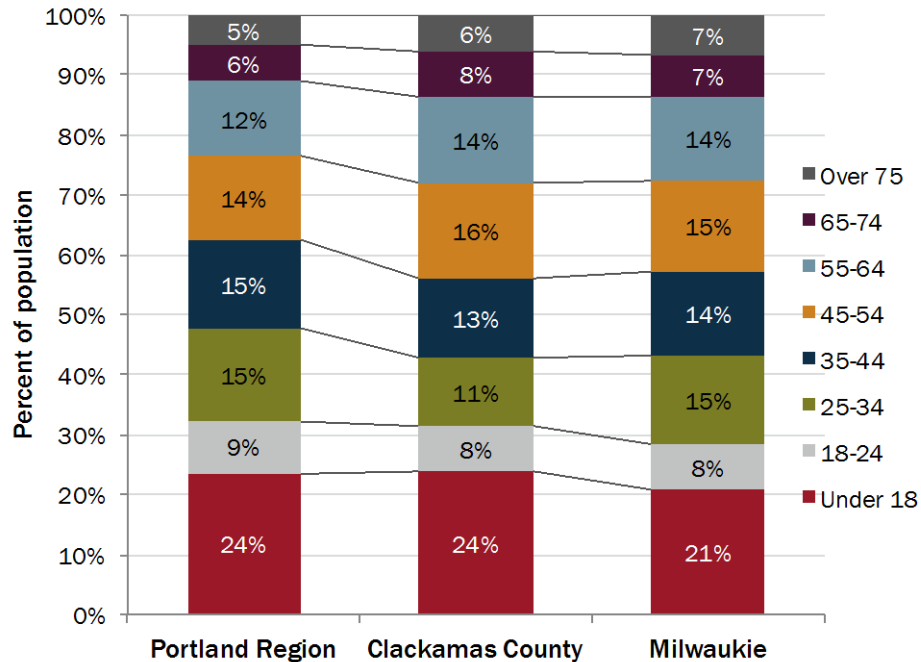
Figure 6. Average annual population growth, 1990 to 2012, U.S., Portland Region, Clackamas County, Milwaukie



Source: U.S. Census Bureau, 2000, 2010 Census. Portland State University, Population Research Center, <http://www.pdx.edu/prc/population-estimates-0>.

Figure 7 shows the population distribution by age for Milwaukie, Clackamas County, and the Portland Region. Milwaukie’s age distribution closely resembles Clackamas County’s age distribution, with two exceptions: 1) Milwaukie has a smaller portion of children and 2) a larger portion of individuals between the ages of 25 and 43. Clackamas County and Milwaukie have a larger portion of the population in every age cohort after age 45 relative to the Portland Region. Overall, Milwaukie has a relatively older population, with more adults aged 55 and older than the Portland Region.

Figure 7. Population distribution by age, Portland Region, Clackamas County, Milwaukie, 2010

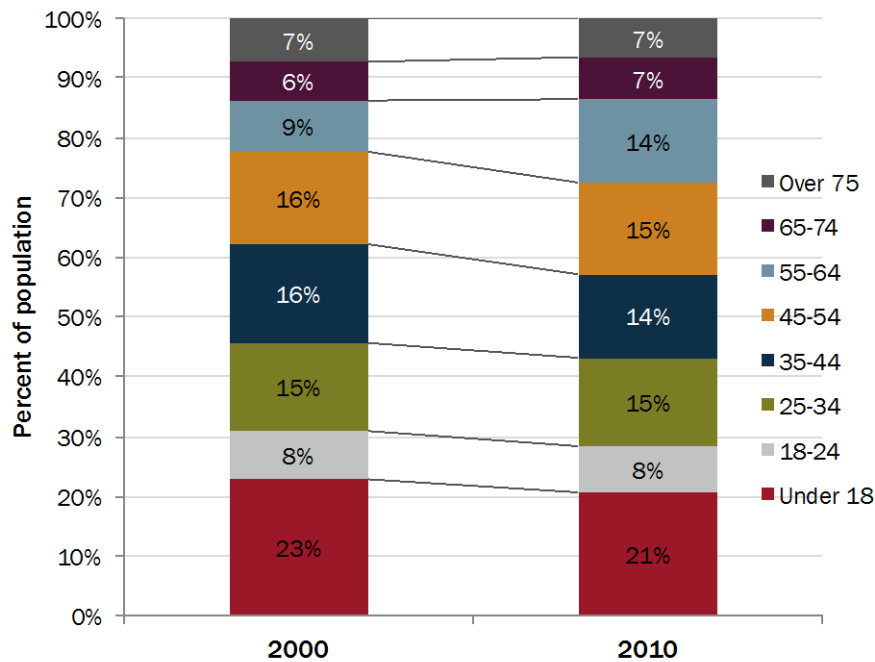


Source: U.S. Census Bureau, 2010 Census.

Figure 8 shows how the age of Milwaukie’s population changed between 2000 and 2010. The portion of children (younger than 18) declined slightly and the portion of individuals over the age of 55 increased. The expanded population over the age of 55 is a national trend, driven by baby boomers aging into their 50s and 60s. The portion of young members of the labor force (aged 25 to 43) has held steady in Milwaukie.

The data indicate that Milwaukie is a relatively attractive community for individuals aged 25 to 34, yet the community has seen a diminishing number of children. The extension of light rail to Milwaukie is likely to enhance Milwaukie’s appeal to this age group. It is possible that the 25 to 34-year-olds will begin to start families, and the trend of diminishing number of children will shift over the next ten years. In interviews with community members, ECONorthwest has heard anecdotal evidence that families are moving to Milwaukie.

Figure 8. Population distribution by age, Milwaukie, 2000 and 2010



Source: U.S. Census Bureau, Census 2000 Summary File 1, Matrices P13 and PCT12.

The mean household size in Milwaukie is 2.32, smaller than the Portland Region average of 2.51, and Clackamas County’s average of 2.67 (see Table 1). This is indicative of a smaller portion of households in Milwaukie with children, relative to the rest of the region and county. This is consistent with the age distribution of Milwaukie and shows the city is relatively attractive to older households (over the age of 55) with either fewer or no children.

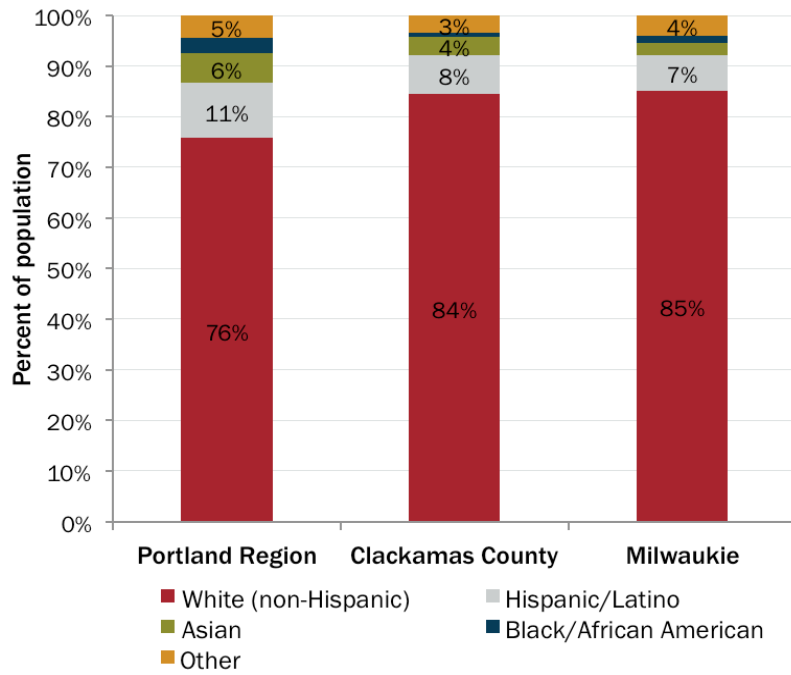
Table 1. Mean household size, Portland Region, Clackamas County, Milwaukie, 2010

	Mean Household Size
Portland Region	2.51
Clackamas County	2.67
Milwaukie	2.32

Source: U.S. Census Bureau, 2010 Census, SF1.

Figure 9 shows the racial and ethnic composition of Milwaukie, Clackamas County, and the Portland Region in 2010. Both Clackamas County and Milwaukie has less racial and ethnic diversity than the Portland Region, with the majority of the population being white (84% and 85%). Moving from the Portland Region to Clackamas County to Milwaukie, we see the share of whites increasing, and the share of all other ethnic and racial categories shrinking.

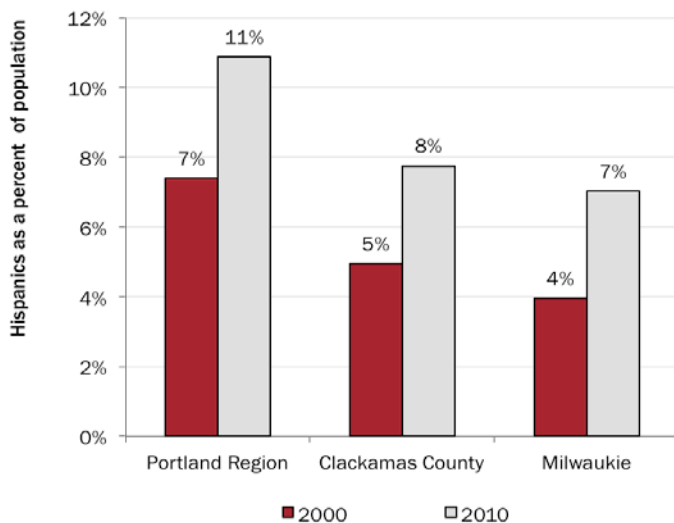
Figure 9. Race and ethnicity, Portland Region, Clackamas County, Milwaukie, 2010



Source: U.S. Census Bureau, 2010 Census, SF1.

Figure 10 shows the change in share of Hispanic or Latino populations for the Portland Region, Clackamas County, and Milwaukie between 2000 and 2010. Over the ten-year period, the share of Hispanics or Latinos in the populations of all three areas increased, but still remains relatively small in Milwaukie.

Figure 10. Percent of population reporting as Hispanic or Latino, Portland Region, Clackamas County, Milwaukie, 2000 and 2010

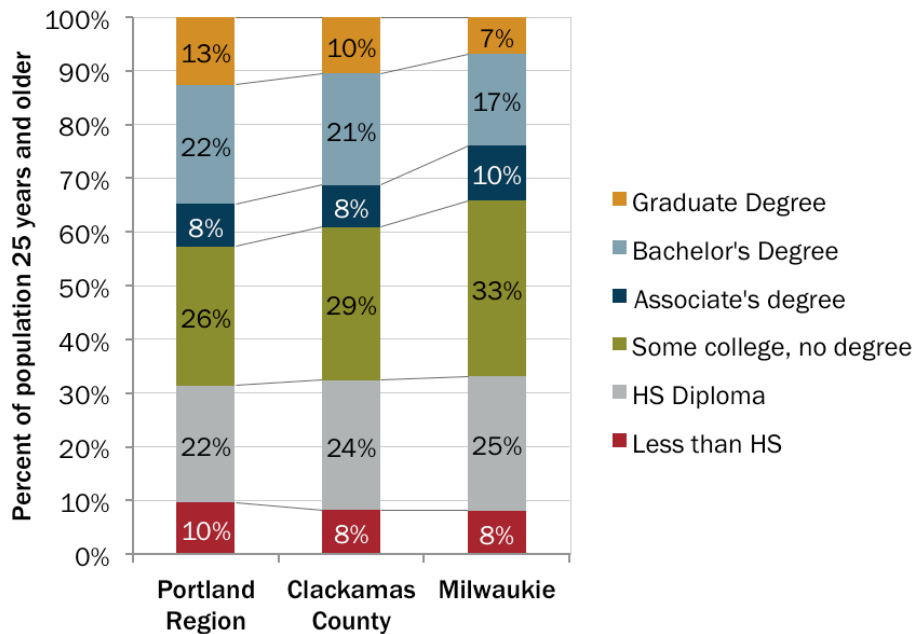


Source: U.S. Census Bureau, 2000, 2010 Census, SF1.

Milwaukie has a small portion of residents who were born outside the United States compared to Clackamas County and the Portland Region. In Milwaukie, 94% of residents were born in the United States, compared to 92% in Clackamas County, and 88% in the Portland Region.

Figure 11 shows education levels for the Portland Region, Clackamas County, and Milwaukie. The data show that, compared to the region, Milwaukie has a high portion of individuals that graduated from High School but did not finish college. Other parts of the region are more likely to attract individuals with college or advanced degrees

Figure 11. Educational Achievement, Portland Region, Clackamas County, Milwaukie, 2011

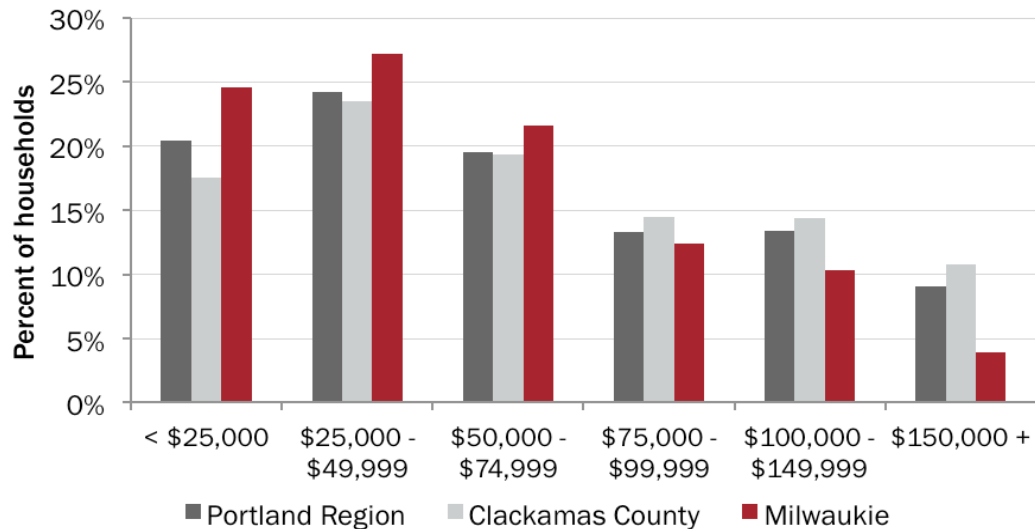


Source: U.S. Census Bureau, 2009-2011 American Community Survey, 3-Year Estimates.

Income and Wages

Income levels in Milwaukie reflect a community that is predominantly low to middle income (see Figure 12). More than half of the population in Milwaukie earns less than \$50,000 a year, and almost a quarter earns less than \$25,000 a year. Less than 15% of the community has a household income of over \$100,000 a year. When compared to the Portland Region and Clackamas County, Milwaukie has higher percentage of the population at the lower end of the income distribution, and a comparatively low percentage of the population at the upper end of the spectrum. Clackamas County is relatively affluent compared to the Portland Region. Milwaukie, while in a relatively affluent county, remains a relatively low-income city relative to both the immediate region (Clackamas County), and the larger region (Portland Region).

Figure 12. Household income, Portland Region, Clackamas County, Milwaukie, 2011



Source: U.S. Census, 2009-2011 American Community Survey 3-Year Estimates.

Table 2 shows two different measures of average income: median household and per capita income for all the counties that comprise the Portland region and the City of Milwaukie.³ Both measures show that incomes are lower in Milwaukie than across the region.

Table 2. Median household and per capita income, Portland Region, Clackamas County, Milwaukie, 2011

	Median HH Income	Per Capita Income
Clackamas County	\$60,600	\$31,105
Clark County, WA	\$56,829	\$26,883
Multnomah County	\$49,942	\$28,868
Washington County	\$62,326	\$30,260
Milwaukie	\$47,549	\$24,770

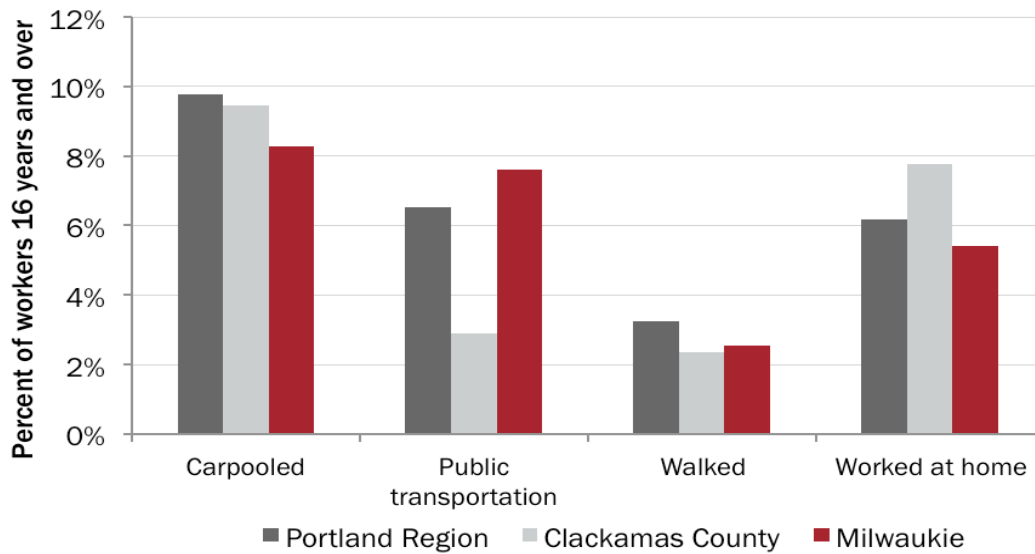
Source: U.S. Census, 2009-2011 American Community Survey 3-Year Estimates.

Transportation and Commute

In Milwaukie, 74% of the working populations drove alone as their means to work, compared to 76% in Clackamas County and 71% in the Portland Region. Figure 13 shows the portion of the population for Milwaukie, Clackamas County, and the Portland Region that use various transportation means to get to work (other than drive alone). About 8% of the population in Milwaukie reported using public transportation to get to work, compared to 3% in Clackamas County and 7% in the Portland Region.

³ Median household income is the income level at which half the households in the community have higher incomes and half have lower income incomes; it is the mid-point for household income. Per capita income is the mean income of all individuals in the community—if you add up all the income in a community and divide by the number of people living in that community.

Figure 13. Means of Transportation to Work, Portland Region, Clackamas County, Milwaukie, 2011



Source: U.S. Census Bureau, 2007 - 2011 American Community Survey, 5-Year Estimates.

3.3 Residential Uses

This section describes general trends in the housing market in the City of Milwaukie.

Housing Tenure

Table 3 shows that Milwaukie has a lower portion of owner-occupied homes than Clackamas County and the Portland Region. Around 63% of households in Milwaukie own their homes, compared to 77% in the county and 64% in the Portland Region. Nationwide, about 66% of households own their homes.

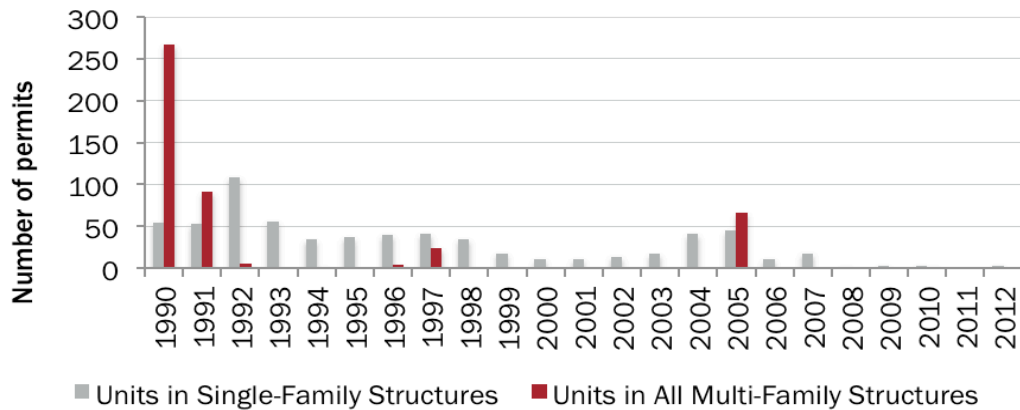
Table 3. Housing Tenure, Portland Region, Clackamas County, Milwaukie, 2010

	Owner Occupied	Renter Occupied
Portland Region	64%	36%
Clackamas County	72%	28%
Milwaukie	63%	37%

Source: U.S. Census Bureau, 2010 Census, H11 SF1.

The number of building permits issued for single-family homes and multi-family units is one indicator of demand for housing in a community. Figure 14 shows the number of permits issued in Milwaukie from 1990 to 2012. There was a relatively large number of multi-family permits issued in 1990, 1991, and 2005, both relative to single-family permits and other years. However, for most years between 1990 and 2012, there have been no multi-family permits issued.

Figure 14. Single Family and Multi-Family Housing Permits, Milwaukie, 1980 to 2012



Source: HUD State of the Cities Data Systems.

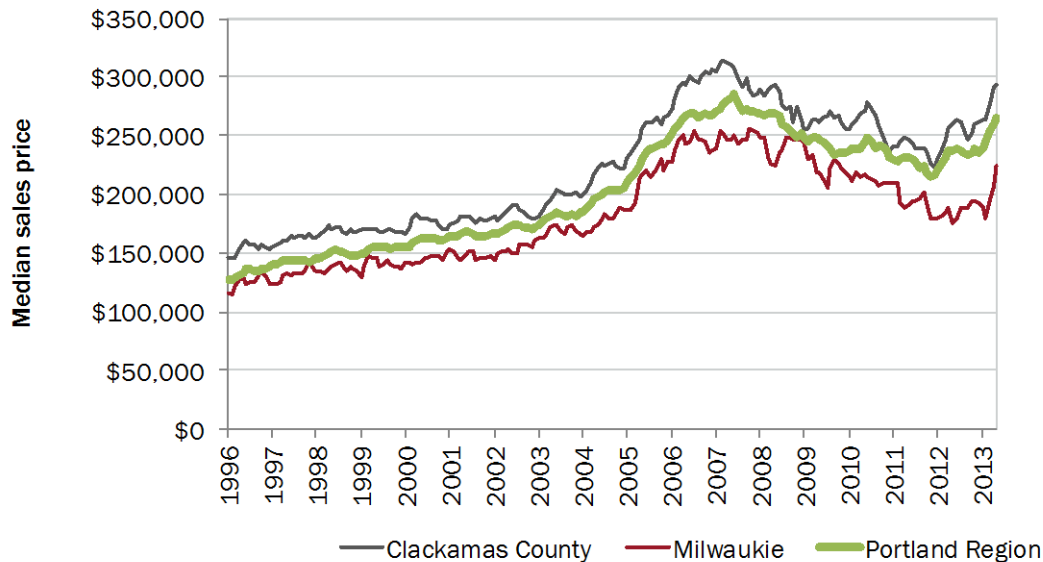
In the 1990s, the annual average number of single-family permits issued in Milwaukie was 48 and the average number of multi-family permits was 39. From 2000 to 2007, the City permitted 21 single-family units per year and 8 multi-family units per year, on average. Since 2008, the annual average number of single-family permits has been two, and zero for multi-family units. Between 2008 and 2012, the City has issued permits for only 13 dwelling units.⁴

City staff report that the low amount of new construction is explained by the lack of buildable land in Milwaukie. There are very few vacant lots and there are few lots that are large enough to subdivide. In the early 2000s, developers subdivided some properties, but the remaining parcels lack interested sellers or the cost of bringing urban infrastructure to new plats exceeds the economic value of a new parcel.

Figure 15 shows the median sale value for single-family homes in Milwaukie, Clackamas County, and the Portland region. The data show that the three geographies show very similar trends—prices peaked in the first half of 2007 and declined through the end of 2011. Prices began to increase in Clackamas County and the Portland region in the beginning of 2012, and did not see an increase in Milwaukie until early 2013.

⁴ ECONorthwest relied on permit data from the U.S. Department of Housing and Urban Development (HUD) for this analysis. We confirmed with City staff that the numbers are accurate.

Figure 15. Median Sale Price, Single-Family Homes, Portland Region, Clackamas County, Milwaukie, 1996 to 2013

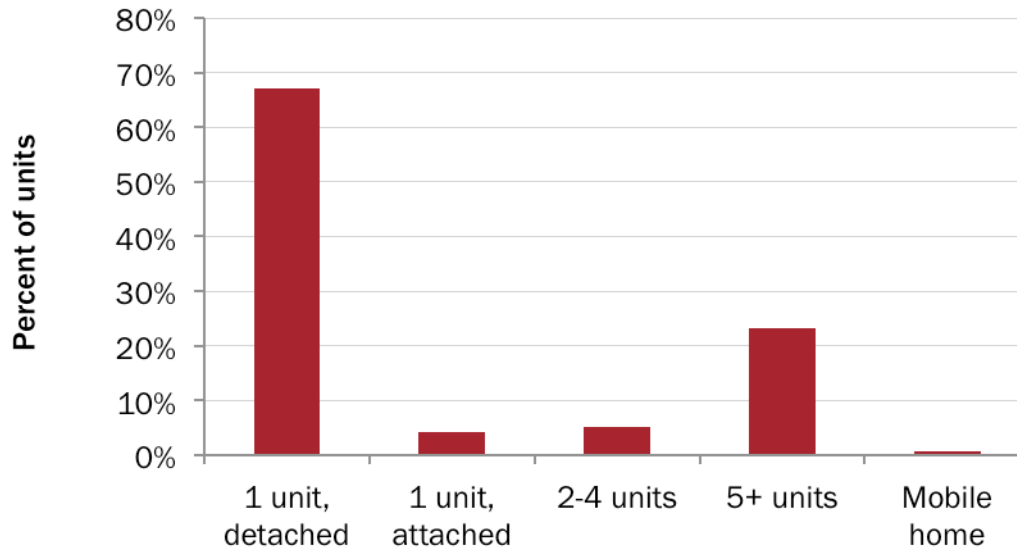


Source: Zillow.com.

Although the three geographies follow very similar trends, median values are consistently higher in Clackamas County than in the Portland Region, and median values in Milwaukie are consistently lower than in Clackamas County and the Portland Region. Milwaukie’s median sale price was about \$16,000 less than the region-wide median in 2000; the gap has widened to about \$48,000 in 2012 and 2013.

Figure 16 shows the mix of housing types in Milwaukie. The data show about two-thirds of Milwaukie’s housing units are single-family detached dwellings. Another quarter of the housing units are in multi-family properties with five or more units. The remainder is a mix of attached single-family units (i.e., townhouses), duplexes, tri-plexes, quads, and mobile homes.

Figure 16. Housing Type by Number of Units in Structure, Milwaukie, 2011



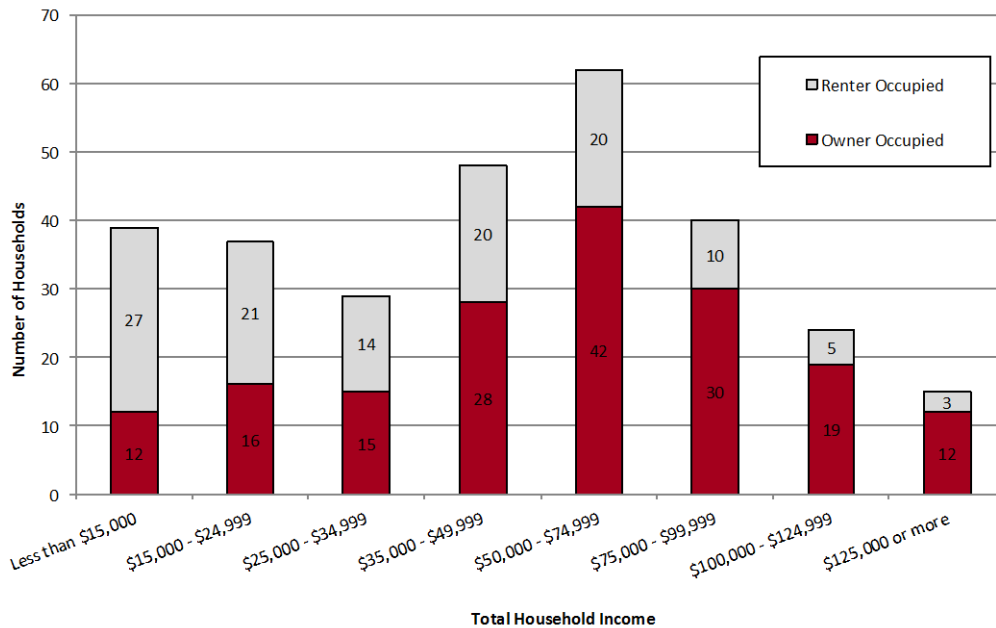
Source: U.S. Census Bureau, 2009-2011 American Community Survey 3-Year Estimates.

Figure 17 shows the projected housing demand in Milwaukie, by income brackets and ownership status. The analysis is based on population projections generated by Nielsen/Claritas, a firm that provides demographic data and projections. The Nielsen/Claritas projections estimate that Milwaukie will grow by just fewer than 60 households per year (approximately 300 households over the five-year period), over the next five years. The expected incomes of new households ranges from very low (less than \$15,000 per year) to over \$125,000 per year. About one-fifth of new households are expected to be in the \$50,000-\$75,000 annual-income range. We estimate that about 60% of new households will own their homes and 40% will rent.

The projection of housing demand focuses on income and tenure. It does not attempt to estimate demand for housing type (i.e., single-family detached vs multi-family). Shifts in the housing market and demographics indicate an increased share of total demand will be for multi-family units, for both the ownership and rental markets.

- Recent dramatic changes in the housing market have caused an increase in the number of rented single-family detached houses, as banks and investors have acquired homes as the price collapsed and then rented those homes. That trend is likely to shift, as the cost of managing individual rental properties is greater than the cost of managing rental properties in a larger multi-family development. Over the long-term, investors will sell those properties and the most likely buyers will be homeowners. As the houses exit the rental market, the primary rental market will be in multi-family properties.
- As the baby boom generation ages, some of those households will choose to downsize and seek a higher density house, such as a townhouse or flat. Many of these households have owned their home in the past, and will continue to own their home.

Figure 17. Projected Housing Demand, Milwaukie, 2013 to 2018



Source: Nielsen Claritas and ECONorthwest.

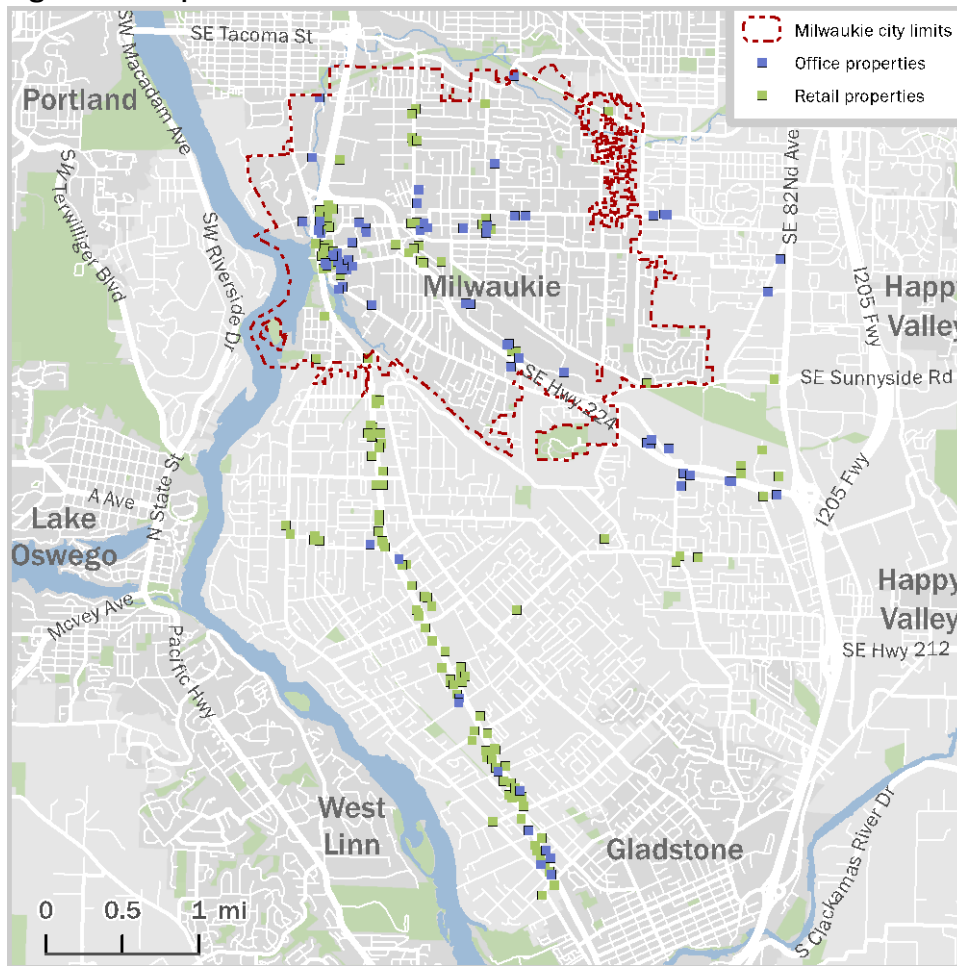
An alternate population forecast to the Nielsen Claritas forecast comes from Metro, the Portland area regional government. Metro forecasts the number of new housing units in each city and county in the region for 2025, 2035, and 2040.⁵ For Milwaukie, Metro forecasts an average of 75 new households per year from 2010 to 2025, and then only 29 households per year on average from 2025 through 2040. Metro calls for a total of 1,561 new households in Milwaukie from 2010 to 2040. Metro forecasts that 80% of these new households, 1,244, would be single family, with the remaining 20%, 317, being multifamily units. Both the Nielsen Claritas and Metro forecasts paint a similar picture for Milwaukie, which is relatively slow growth in new households for the short- and long-term.

3.4 Commercial Uses

Our analysis on commercial and retail uses focuses primarily on the “Milwaukie commercial market area.” This area does not have a physical geographic boundary, but is defined as all properties with a Milwaukie mailing address. It is important to note that this area includes many buildings in unincorporated areas outside of Milwaukie’s official city limits. Figure 18 shows a map of the commercial buildings included in the Milwaukie commercial market area used in this analysis.

⁵ Metro ‘Gamma’ Forecast Distribution Profiles by City and County 2025 / 2035 / 2040. Published 11/2/2012.

Figure 18. Map of Milwaukie commercial market area



Source: ECONorthwest and CoStar

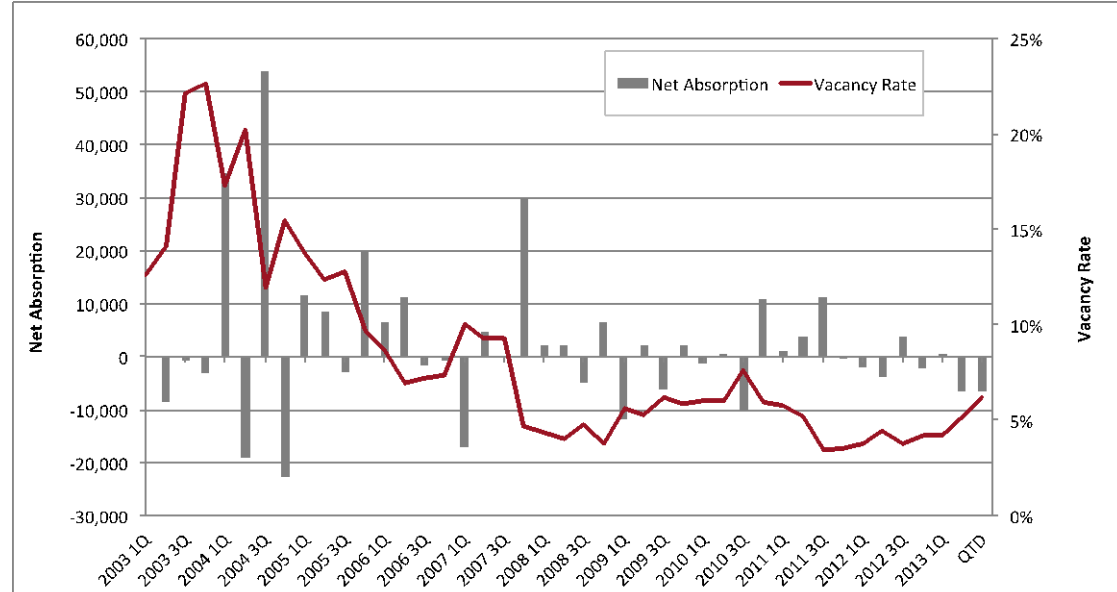
Commercial uses include both retail and office space. The key factors that affect the demand for retail space are visibility, access, and competing supply. Office space has different demand factors, including proximity to complementary services (such as government offices) and proximity to potential employees. Service-oriented office uses, such as financial services and medical offices, locate near population centers so that customers can access the facilities easily. Service-oriented offices often use retail space.

Office Trends

The office space market in the Milwaukie commercial market area has experienced positive trends since 2004.⁶ Figure 19 shows the vacancy rate (right axis) and the net absorption (left axis). In the middle of 2003, office space in the Milwaukie commercial market area had a vacancy rate of over 20%. The market absorbed (i.e., rented) large quantities of office space in 2004, causing the vacancy rate to quickly drop to just over 10%. The vacancy rate has steadily

declined, with the most recent data in the third quarter of 2013 showing a vacancy rate of 6.2%. The amount of office space (i.e., total square footage) on the market has not changed since mid-2003.

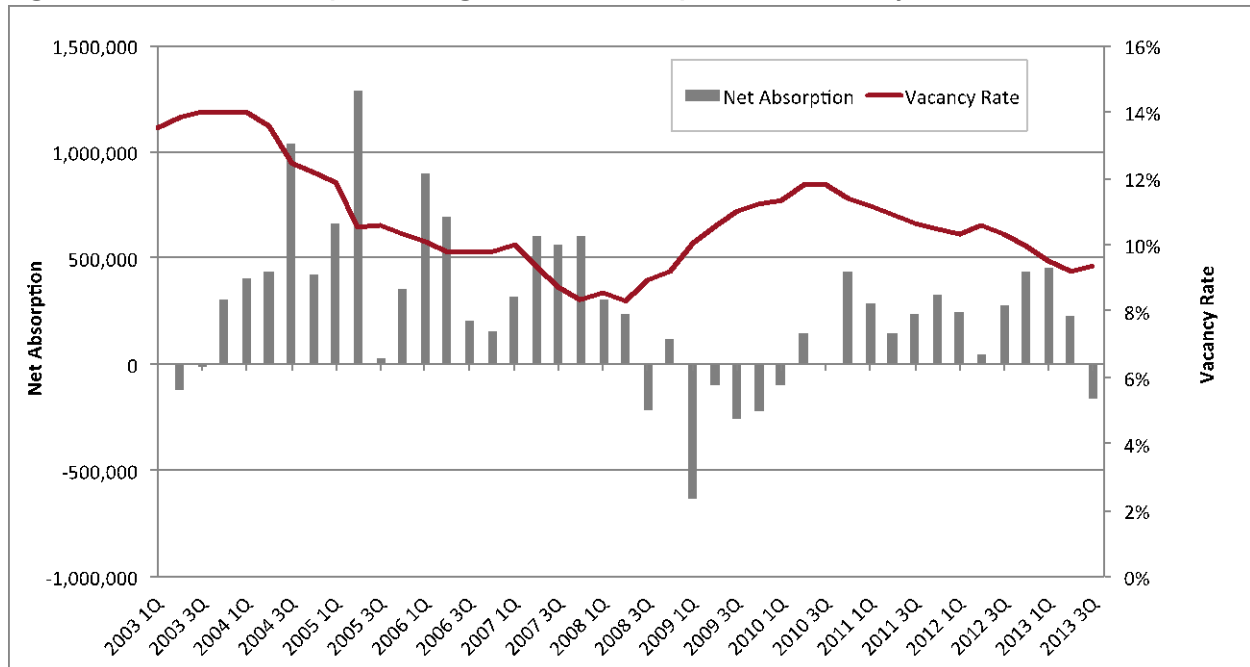
Figure 18. Milwaukie Market Area, Office Absorption and Vacancy, 2003 to 2013



Source: ECONorthwest and CoStar.

Figure 20 shows the same data, but for the whole Portland metropolitan region. The region has experienced much higher vacancy rates than the Milwaukie commercial market area. Milwaukie’s vacancy rate has been consistently lower than 10% since 2005 and is less than 7% in the 3rd quarter of 2013. The region’s overall vacancy rate exceeded 10% from 2009 to 2012, and is 9% in the 3rd quarter of 2013.

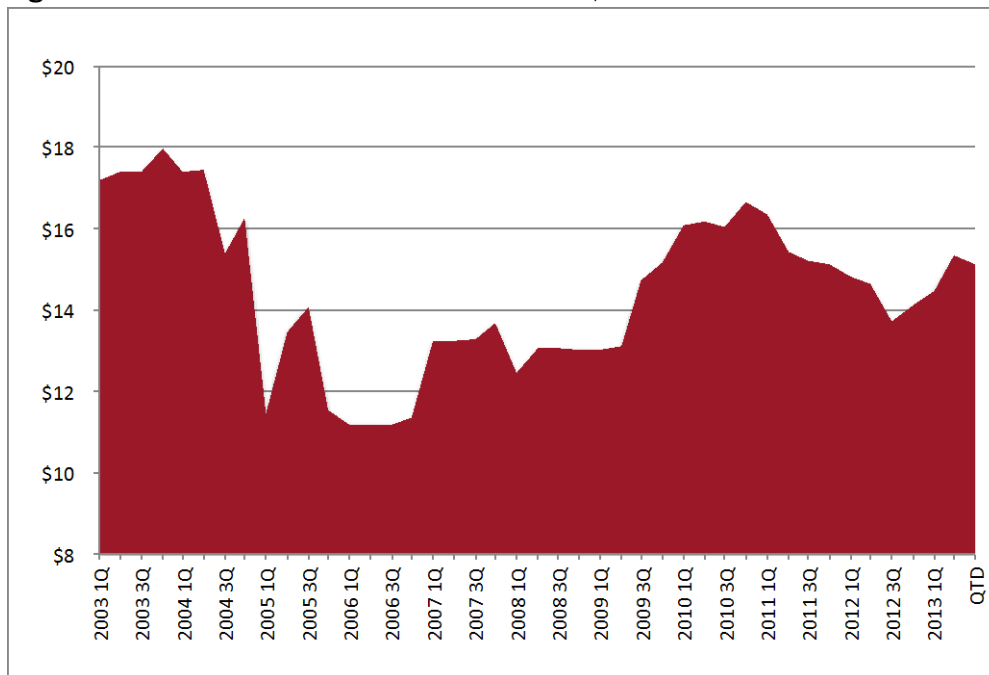
Figure 19. Portland Metropolitan Region, Office Absorption and Vacancy, 2003 to 2013



Source: ECONorthwest and CoStar.

Office rents in the Milwaukie commercial market area range between \$14 and \$15 per square foot (triple net rents, noted as NNN), as reported by commercial real estate brokers (see Figure 20). Rents dropped from \$17 per square foot at the same time that vacancy rates dropped. It is likely that a large tenant was able to negotiate a lower rate. Average rents dropped to about \$11 per square foot in 2006 and increased up to \$16 per square foot in 2011. Rents have declined since 2011. Note that there is no class A office space in Milwaukie—it is all classified as B or C.

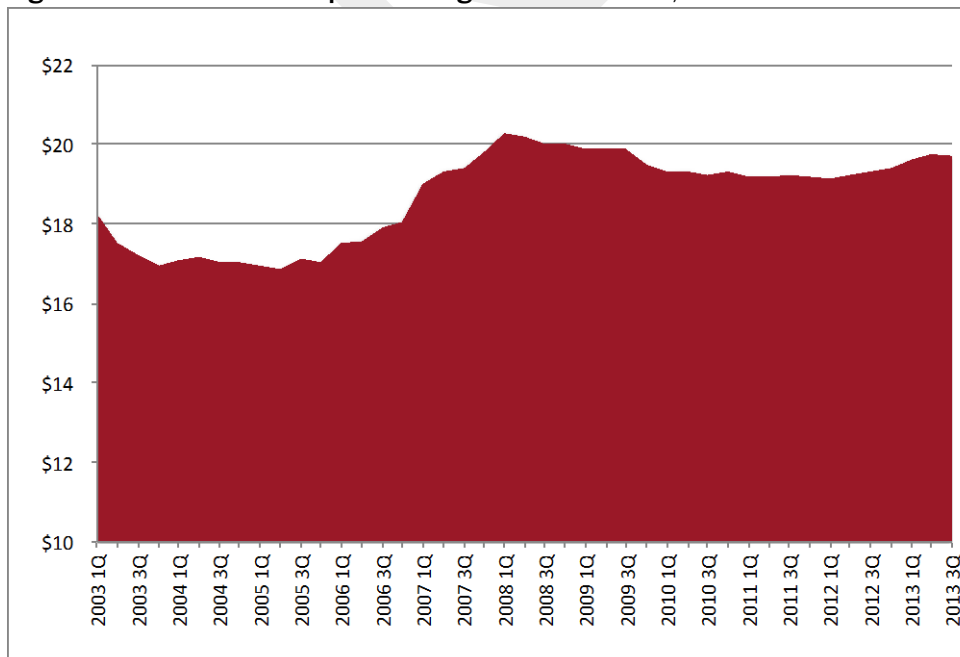
Figure 20. Milwaukie Market Area Office Rents, 2003 to 2013



Source: ECONorthwest and CoStar.

Figure 22 shows average rents for office space across the Portland metropolitan region. Across the region, rents are much more stable. This is because the Milwaukie market area has a smaller number of properties, so a property change can greatly influence the average in the market area. The regional market has many properties, so individual changes do not greatly influence the average. The average rent in the region is almost \$20 per square foot, about \$5 higher than in the Milwaukie market area.

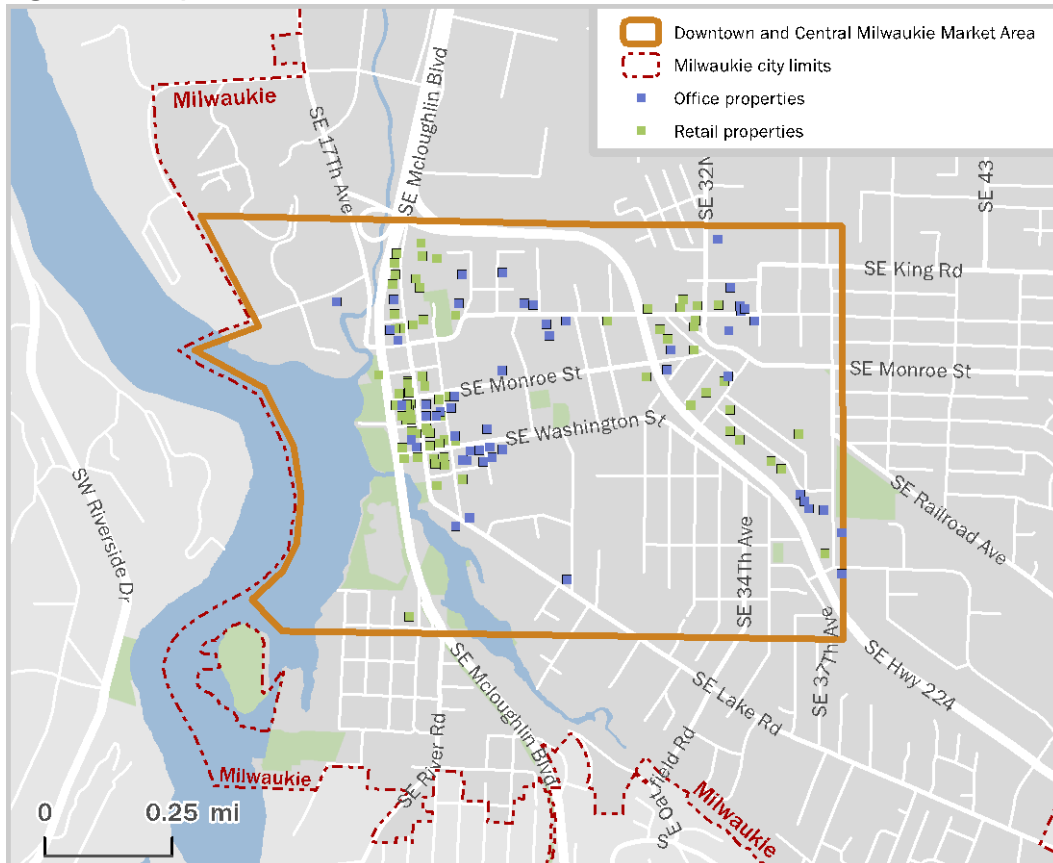
Figure 21. Portland Metropolitan Region Office Rents, 2003 to 2013



Source: ECONorthwest and CoStar.

ECONorthwest also analyzed rents in the Downtown and Central Milwaukie market area. Figure 23 shows a map of the properties included in the Downtown and Central Milwaukie market area.

Figure 23. Map of Downtown and Central Milwaukie market area



Source: ECONorthwest and CoStar

The office vacancy rates in the Downtown and Central Milwaukie market area have followed very similar trends to the whole Milwaukie commercial market area, with current vacancy at just over 6%. Average rents in the Downtown and Central Milwaukie market area have increased since 2004 from about \$11 to almost \$15 per square foot. A small number of buildings in this area rent for as much as \$17 per square foot.

ECONorthwest compared the Downtown and Central Milwaukie market area with small, specific markets identified as positive markets by the Project Advisory Committee (see Table 4). The Downtown and Central Milwaukie market area has a lower average rent than the comparison areas, except for Oak Grove and Woodstock.⁷ Oak Grove and Woodstock are also noticeable because they have the fewest number of office properties (nine and eight,

⁷ The Oak Grove area is a sub-market of the more broadly defined Milwaukie commercial market area.

respectively), which suggests that they are not significant office markets. Downtown Milwaukie has a lower vacancy rate than all the other areas except for the Sellwood area, with an exceptionally low vacancy rate of 0%.

Table 4. Average Office Rents and Vacancy Rates in Comparison Markets, 4th Quarter, 2013

	Number of properties	Average Rent	Difference from DT Milwaukie	Vacancy Rate	Difference from DT Milwaukie
Downtown and Central Milwaukie	51	\$14.90		6%	
Milwaukie Market Area	70	\$15.16	\$0.26	6%	0%
Clackamas Town Center	17	\$22.73	\$7.83	19%	13%
Mississippi Ave	18	\$18.00	\$3.10	10%	4%
Oak Grove	9	\$12.59	-\$2.31	17%	11%
Oregon City	134	\$15.79	\$0.89	7%	1%
Sellwood	62	\$16.54	\$1.64	0%	-6%
Woodstock	8	\$13.44	-\$1.46	11%	5%

Source: ECONorthwest and CoStar.

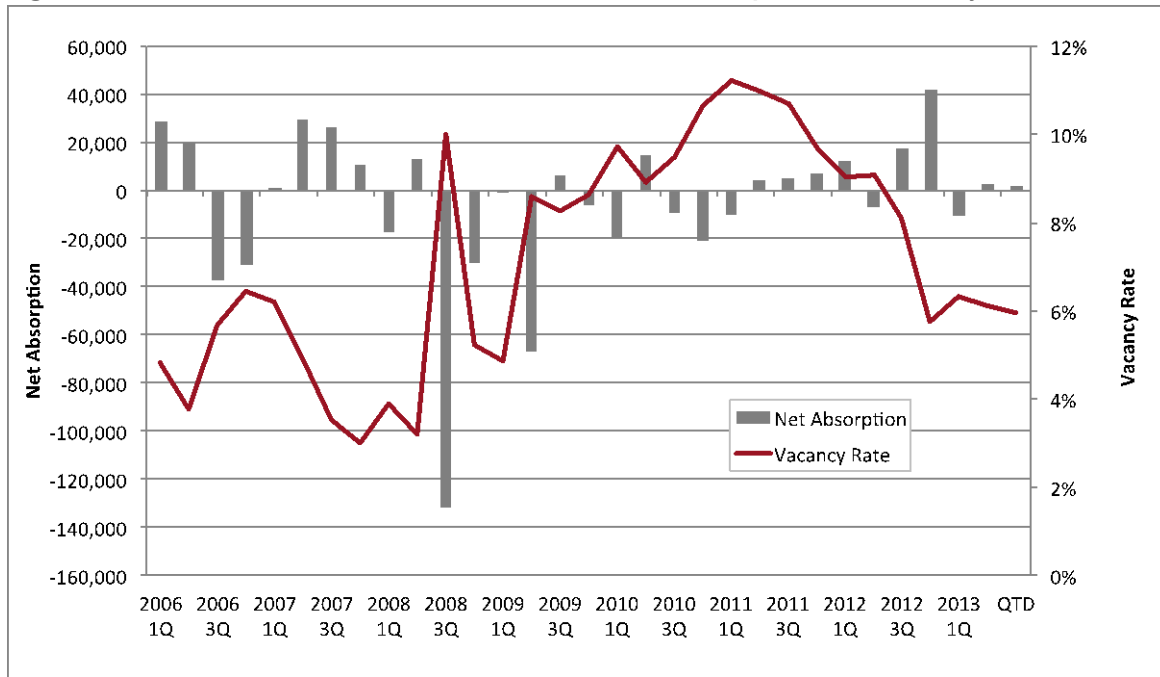
Retail Trends

The retail space market in the Milwaukie commercial market area has had relatively low vacancy rates since 2006 (see Figure 24).⁸ Vacancy rates spiked in the third quarter of 2008, when about 130,000 square feet of retail space were vacated. Vacancy rates promptly dropped the next quarter, with no corresponding positive absorption. The drop in vacancy rates was caused by the demolition of 129,000 square foot Costco building. Removing it from the market caused the overall amount of rentable retail space to drop, and the vacancy rate returned to about 6%.

Vacancy rates increased during the recession of 2008-2009, peaking at 11.2% in the first quarter of 2011. They have dropped steadily and in the third quarter of 2013 are 6.0%.

⁸ In this discussion, the boundaries for the Milwaukie market include properties that are outside the Milwaukie City limits, but the mailing address is Milwaukie.

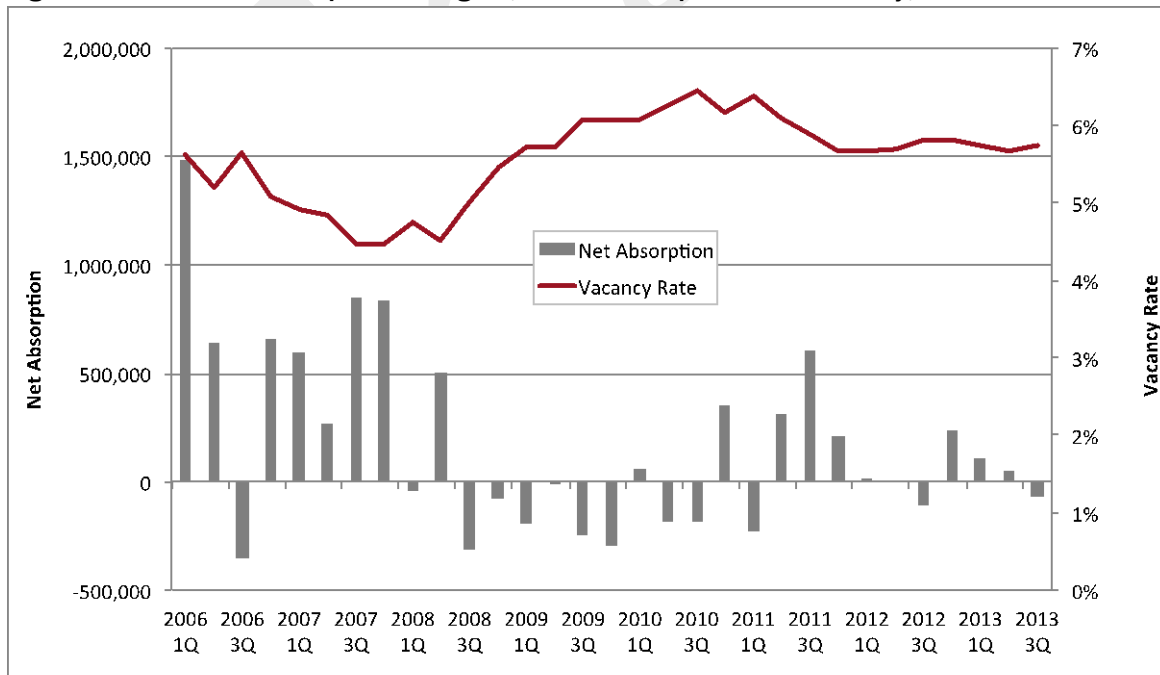
Figure 22. Milwaukie Commercial Market Area Retail Absorption and Vacancy, 2006 to 2013



Source: ECONorthwest and CoStar.

Figure 25 shows the same data, but for the whole Portland metropolitan region. The region has experienced much steadier vacancy rates than the smaller Milwaukie commercial market area, hovering close to 6% since 2008. Vacancy rates in the Milwaukie commercial market area dropped to 6% in late 2012, similar to the region-wide average.

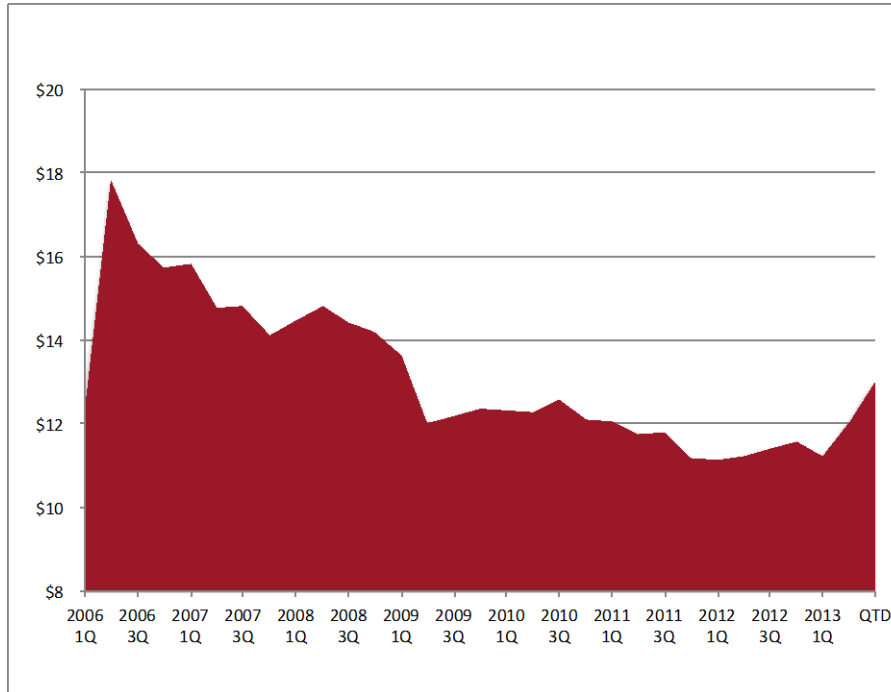
Figure 23. Portland Metropolitan Region, Retail Absorption and Vacancy, 2006 to 2013



Source: ECONorthwest and CoStar.

Figure 26 shows triple rent (NNN) rents in the Milwaukie commercial market area, as reported by commercial real estate brokers. Rents have dropped from a peak of about \$17 per square foot in early 2006 to under \$12 per square foot for 2011 through the first quarter of 2013. In 2013, rents have been increasing and are currently about \$13 per square foot.

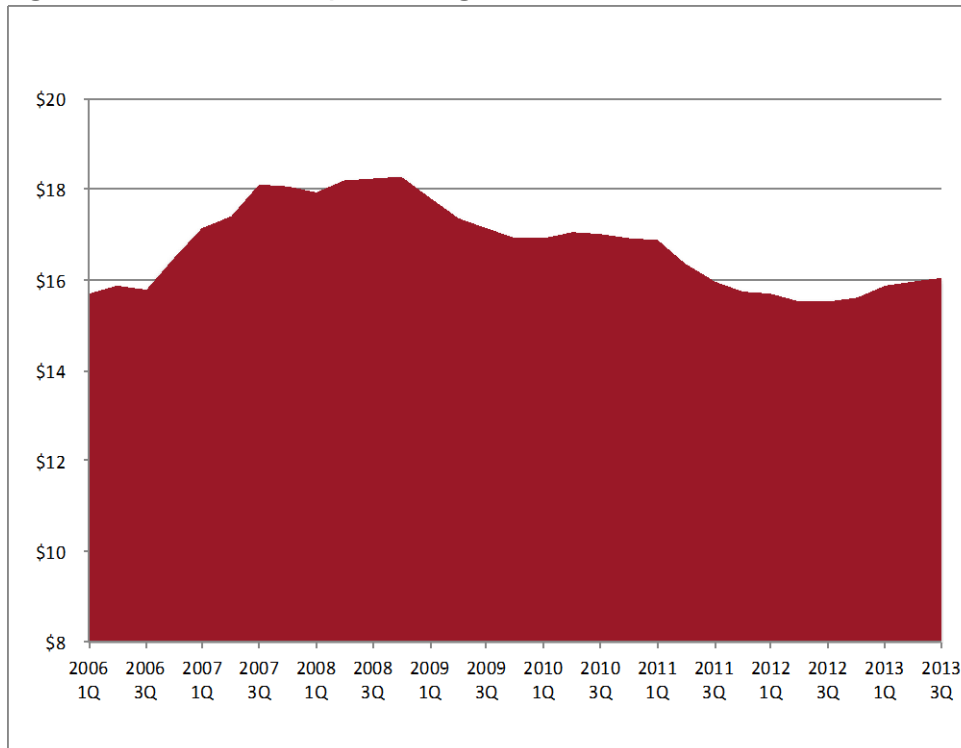
Figure 24. Milwaukie Market Area Retail Rents, 2006 to 2012



Source: ECONorthwest and CoStar.

Figure 27 shows average rents for retail space across the Portland metropolitan region. Across the region, average retail rents have held close to \$16 per square foot since 2006, higher than the \$12 to \$13 per square foot in the Milwaukie commercial market area.

Figure 25. Portland Metropolitan Region Retail Rents, 2006 to 2013



Source: ECONorthwest and CoStar.

ECONorthwest also analyzed vacancies and rents in the Downtown and Central Milwaukie market area. The vacancy rates in the Downtown and Central Milwaukie market area have generally been lower than across the whole Milwaukie commercial market area. At the beginning of the 2008-2009 recession, vacancy was less than 3%. Vacancies peaked at just over 8% in at the end of 2011, before starting to decline. Current vacancy rates in the Downtown and Central Milwaukie market area are only 5%.

Retail rents in the Downtown and Central Milwaukie market area have held steady at about \$14 per square foot since 2009. A few buildings in the Downtown and Central market area are asking rents substantially higher than the market area average:

- 10833 SE Main Street, at the corner of Main Street and Monroe Street in downtown Milwaukie, is asking more than \$30 per square foot for a vacant 240 square foot storefront. Current tenants include Enchante (a specialty chocolatier store) and ROXR Software. This building in the downtown core has the highest retail rent in the Milwaukie commercial market area.

Figure 26. Photo of 10833 SE Main Street



Source: CoStar. Accessed October 8, 2013.

- 10843 SE Oak Street, near Highway 224, is asking \$24 per square foot for a currently available retail space. Current tenants of the building include Dotty's and FedEx.

Figure 27. Photo of 10843 SE Oak Street



Source: CoStar. Accessed October 8, 2013.

ECONorthwest compared the Downtown and Central Milwaukie market area with small, specific markets identified as positive markets by the Project Advisory Committee (see Table 5). The Downtown and Central Milwaukie market area has a lower average rent than the comparison areas. All the comparison areas have a low vacancy rate, with the exception of the Oak Grove area⁹

⁹ The Oak Grove area is a sub-market of the more broadly defined Milwaukie commercial market area.

Table 5. Average Retail Rents and Vacancy Rates in Comparison Markets, 4th Quarter, 2013

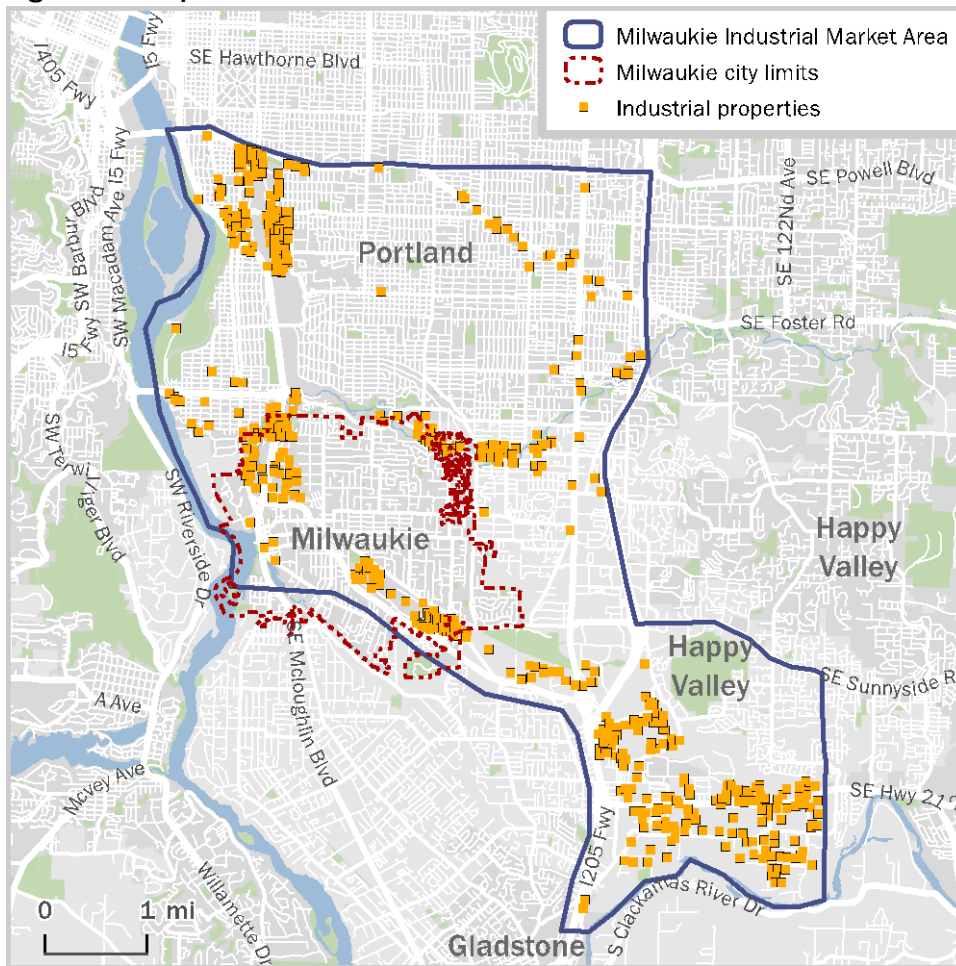
	Number of properties	Average Rent	Difference from DT Milwaukie	Vacancy Rate	Difference from DT Milwaukie
Downtown and Central Milwaukie	74	\$14.08		5%	
Milwaukie Market Area	151	\$15.55	\$1.47	6%	1%
Clackamas Town Center	63	\$22.78	\$8.70	4%	-1%
Mississippi Ave	38	\$26.23	\$12.15	1%	-4%
Oak Grove	84	\$16.26	\$2.18	11%	6%
Oregon City	226	\$18.12	\$4.04	6%	1%
Sellwood	165	\$14.44	\$0.36	1%	-4%
Woodstock	51	\$18.00	\$3.92	5%	0%

Source: ECONorthwest and CoStar.

Industrial Trends

For our analysis of industrial space, we used a different market area than the Milwaukie commercial market area. Input from City staff and a development “roundtable” discussion suggested that industrial space in Milwaukie competes with industrial properties in a larger geographic area, stretching north to the Portland Central Eastside Industrial Area, south along McLoughlin Boulevard into unincorporated Clackamas County, and east along Hwy 224 past Interstate 205. Figure 30 shows a map of the Milwaukie industrial market area. Note that for the purposes of our analysis, we excluded much of the Central Eastside Industrial District in Portland (all property north of Powell Boulevard), due to the fact that demand for non-residential uses in this area may be putting pressure on industrial rents, making them not applicable to the Milwaukie market.

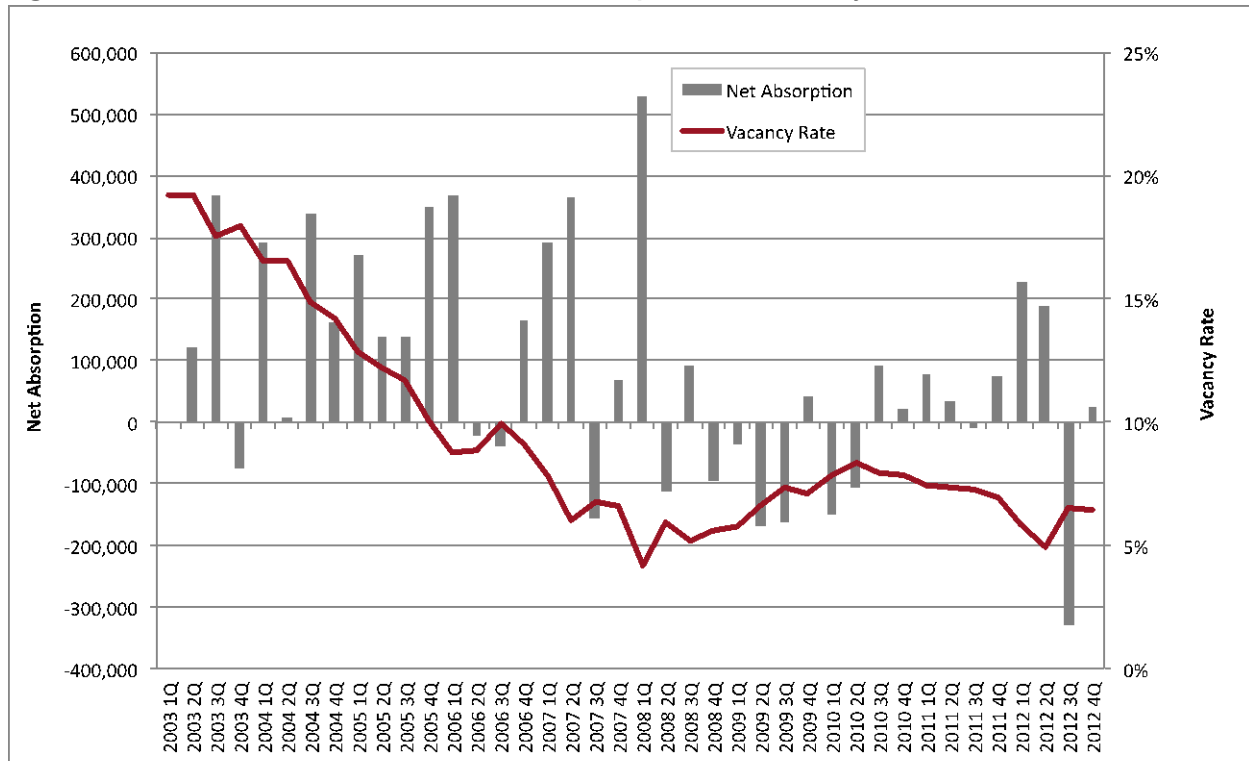
Figure 30. Map of Milwaukie industrial market area



Source: ECONorthwest and CoStar

The Milwaukie industrial market area has experienced declining vacancy rates since 2003. The rates have dropped from almost 20% to about 7% over the past ten years (see Figure 26).¹⁰ Absorption has been positive in most quarters and the total rentable space has grown by nearly a million square feet. Vacancy rates increased during the recent recession, peaking at 8.4% in the second quarter of 2010. They have declined since that period and are currently at 6.4%.

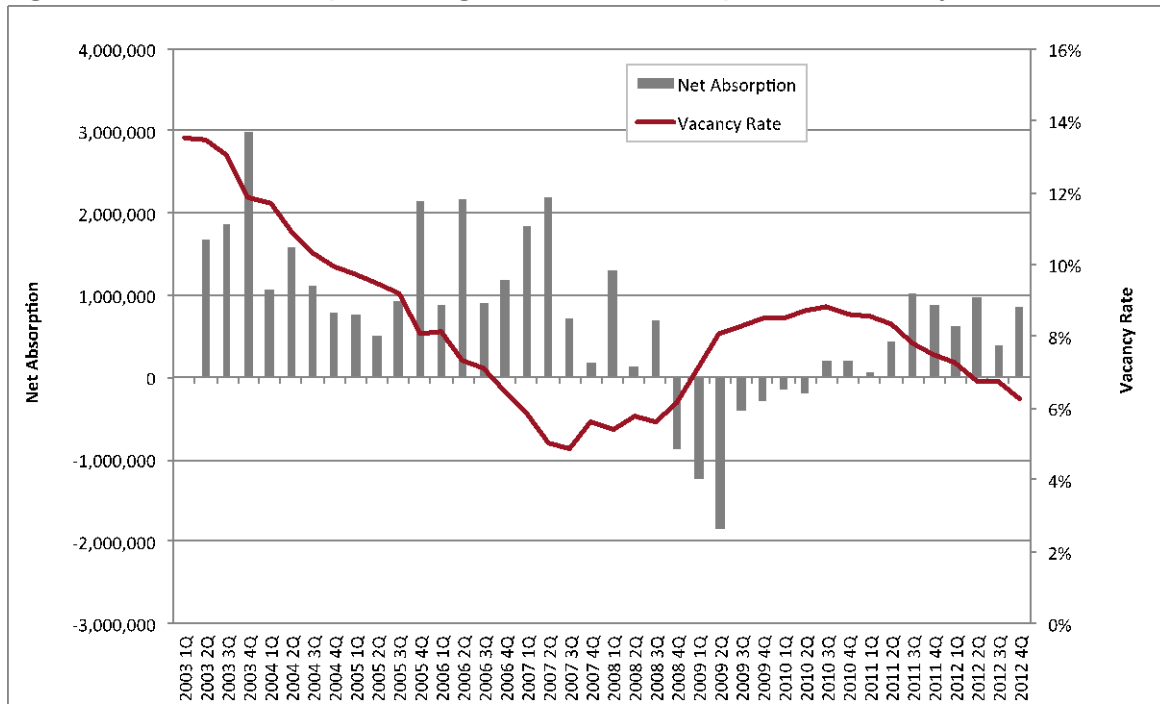
Figure 31. Milwaukie Industrial Market Area Absorption and Vacancy, 2006 to 2013



Source: ECONorthwest and CoStar.

Figure 32 shows the same data, but for the whole Portland metropolitan region. The region has experienced similar trends to the Milwaukie industrial market area. Vacancies have declined since 2003, but the recent recession caused a temporary rise in the vacancy rate. Total rentable industrial square footage has increased in the ten-year period.

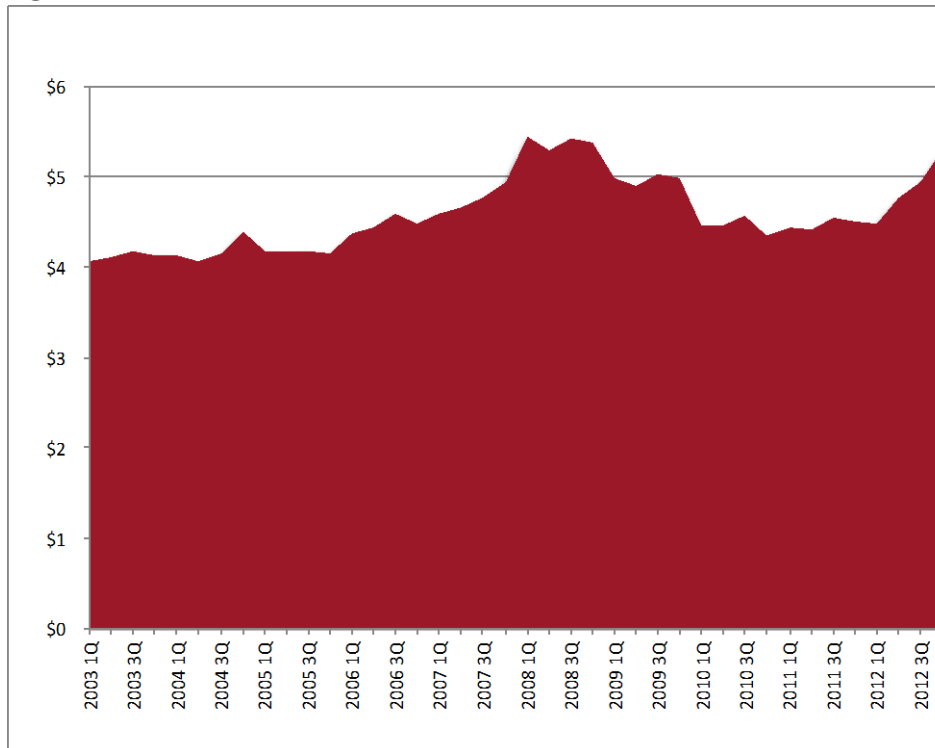
Figure 32. Portland Metropolitan Region, Industrial Absorption and Vacancy, 2003 to 2013



Source: ECONorthwest and CoStar.

Figure 33 shows triple rent (NNN) industrial rents in the Milwaukie industrial market area, as reported by commercial real estate brokers. Rents have fluctuated between \$4.00 and \$5.50 per square foot. In the third quarter of 2013 they have increased to about \$5.30 per square foot.

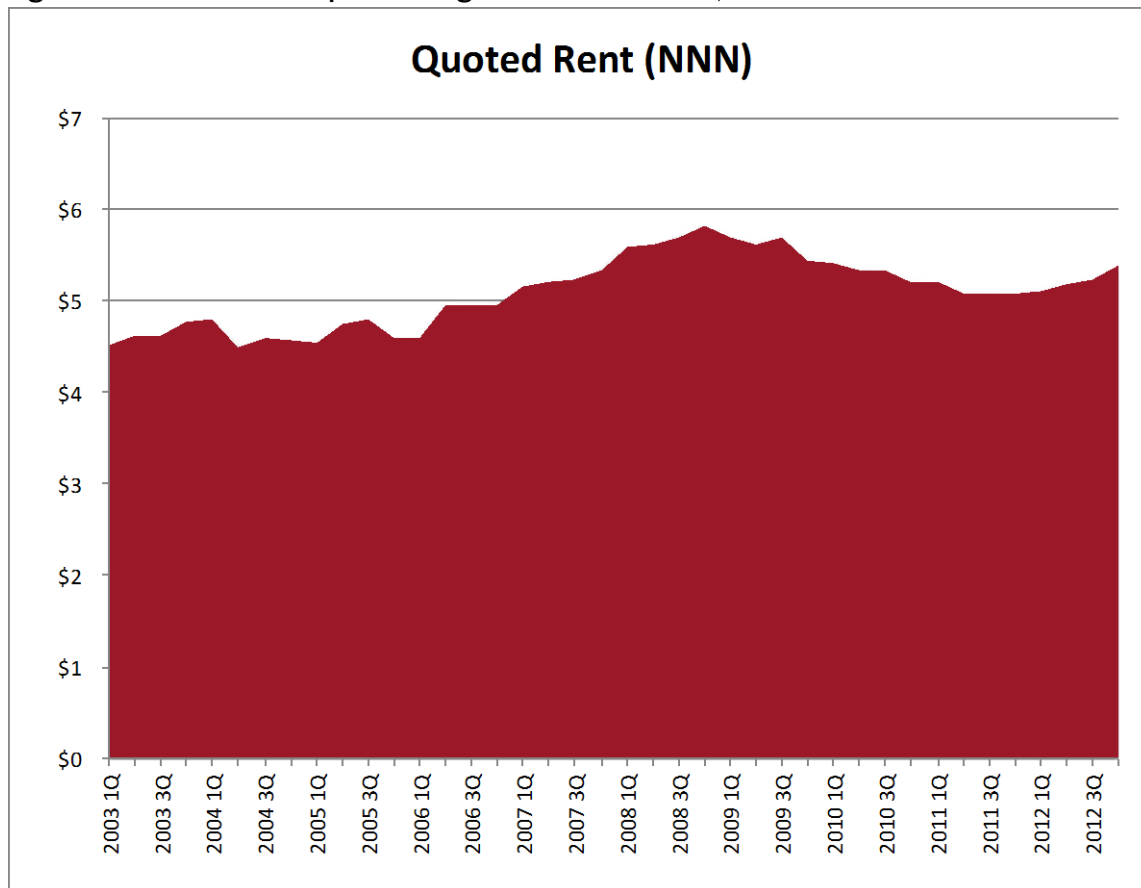
Figure 28. Milwaukie Industrial Market Area Industrial Rents, 2006 to 2012



Source: ECONorthwest and CoStar.

Figure 34 shows average rents for industrial space across the Portland metropolitan region. Average industrial rents were \$5.38 per square foot in the fourth quarter of 2012. Since 2006, regional industrial rents have fluctuated between about \$4.50 per square foot and about \$6 per square foot. Over the last five years, industrial rents across the Portland metropolitan region have generally been slightly higher than industrial rents in the Milwaukie Industrial market area.

Figure 29. Portland Metropolitan Region Industrial Rents, 2003 to 2013



Source: ECONorthwest and CoStar.

3.5 Key trends from the demographic and market data

The demographic and market data presented in this memorandum provide broad context for redevelopment opportunities in Milwaukie. This section summarizes ECONorthwest's preliminary assessment of key trends.

- Milwaukie is part of the larger Portland region economy. The economy is generally expanding, although it has not yet fully recovered from the 2008-2009 recession.
- Most residents of Milwaukie do not work in Milwaukie, and workers in Milwaukie do not live in Milwaukie. As in most parts of a large metropolitan area, workers commute to their jobs. This could be seen as an opportunity to provide more housing to employees of Milwaukie.
- Milwaukie is growing at a very slow rate and actually shrank slightly between 2000 and 2010. The population over the age of 55 has increased and the portion of children has decreased.
- Household incomes in Milwaukie tend to be low. Half of all households have an annual income less than \$50,000.

- Almost two-thirds of households in Milwaukie own their own homes and about two-thirds of housing units are single-family detached dwellings.
- Rental rates for office and retail property in Downtown and Central Milwaukie are lower than the broader Milwaukie commercial market area, and lower still than the region as a whole. These low rental rates suggest a lack of demand for retail and office space in Milwaukie, and are an obstacle to new development in Milwaukie.
- McLoughlin Boulevard and Hwy 224 are popular corridors for industrial development. Rental rates for industrial property in the Milwaukie industrial market area are much lower than rental rates for industrial property region-wide.
- In 2013, rental rates for office, retail, and industrial space in the Milwaukie area have increased, which is evidence that the local economy is improving, and may signal an opportunity for new development in the area if the economy continues to strengthen.

4 Development Roundtable Feedback

On September 17, 2013, City of Milwaukie staff, Mayor Jeremy Ferguson, and the ECONorthwest consultant team participated in a Development Roundtable conversation with a panel of experienced developers from around the Portland region. The purpose of this roundtable meeting was to introduce developers to Milwaukie, to review the Opportunity Sites, and to solicit their input on how Milwaukie can achieve their development goals.

Participants in the Development Roundtable included:

- Matt Brown – Williams & Dame
- Greg Specht – Specht Development
- Mary Hanlon – Hanlon Development
- David Hassin – Terraforma
- Dwight Unti – Tokola Properties
- Jodi Enos – Northwest Housing Alternatives

The Development Roundtable conversation lasted three hours, including a walking tour of Downtown Milwaukie. In this section of the report, we summarize some of the key feedback received at the Development Roundtable.

4.1 Citywide challenges

The developers shared their thoughts on large-scale challenges that affected development feasibility throughout Milwaukie. These challenges included:

- Low rental rates. The developers were concerned with the preliminary results of the market study that showed average rental rates for commercial and retail spaces below the regional average. Developers want to know that they can make a profit on new development, and it's risky if there aren't other buildings in the vicinity that are charging rental rates high enough to justify new construction. The developers said that they would like to see rates as high as \$25 per square foot to know that a project will "pencil-out" financially.
- Lack of recent comparables. The developers noted that the first new project in a market is going to be risky, because no one else has proven that development can work in the area. Milwaukie suffers from a lack of recent, market-rate development. The North Main Village project is encouraging, but it includes a mix of affordable housing units, which doesn't make it comparable for new market rate development.
- The scattered nature of Opportunity Sites downtown. Ideally, the developers would like to see a collection of adjacent parcels that have opportunity for redevelopment. That way a developer can take control of an area and ensure that it is developed with a unifying vision, creating a critical mass of high-quality development. Because the Milwaukie

Opportunity Sites are more scattered, a developer will have to take on more risk, not being able to control the adjacent properties.

4.2 Citywide opportunities

- Good “bones” Downtown. There was consensus that Downtown Milwaukie had good “bones,” including the streetscape, sidewalks, and building facades. Other neighborhoods around the region that have seen recent redevelopment typically have good bones, and this bodes well for potential redevelopment in Downtown Milwaukie.
- Senior housing. Milwaukie’s population is somewhat older than the rest of the Portland region. Several developers thought that this could provide an opportunity for new housing development targeted at seniors. Many seniors are deciding to move from single-family homes to higher-density developments targeted specifically at seniors. This would have the added benefit of allowing seniors in Milwaukie to continue living in a City that they love, while opening up single-family homes for new families to move into.
- Affordable housing. Milwaukie’s population has somewhat lower incomes than the rest of the Portland region. While this can make it challenging for developers to build high-end, market-rate residential development, it should make Milwaukie an attractive location for young families and first-time homebuyers in the Portland region.
- Accessibility. The proximity to Downtown Portland, and the strong transportation connections in Milwaukie were viewed as strong assets. McLoughlin Boulevard, Hwy 224, and the soon-to-be-completed MAX light rail line are all viewed as strengths by the development community.
- Access to water, parks, and open space. Mayor Ferguson described the proposed Water Front Park improvements and the Kellogg-for-Coho Initiative. The developers were impressed by these projects, and found that they would enhance already existing assets for Downtown Milwaukie.
- Family-friendly. Overall, the City was viewed as being family friendly, including a perception of safety, a small-town feel, good schools (including the Waldorf School), and quiet neighborhoods. The developers agreed that Milwaukie has many of the ingredients that are attractive to families.
- Mixed-use Downtown development. For all of the Downtown Opportunity Sites, the developers agreed that mixed-use development would be the preferred use. They universally supported ground-floor restaurants or retail for new buildings Downtown, with residential development (or possibly office development) above.

4.3 Site-specific observations

Texaco Site

- Several developers identified the Texaco Site as the most attractive of the Opportunity Sites.

- The preferred use for the site was mixed-use residential development.
- Advantages of the site include: public-ownership, good visibility, good accessibility to McLoughlin Boulevard, nice view of the Willamette River and River Front Park. Proximity to North Main Village was also viewed as an advantage.
- Disadvantages of the site include: it might be too large of a site to develop in the immediate future, given Milwaukie's slow growth, and replacement parking would be expensive.

Dark Horse Site

- One developer mentioned the Dark Horse Site as perhaps being the most attractive Opportunity Site, due largely to its small size, which would make development of the site less risky.
- The preferred use for the site was mixed-use residential development.
- Advantages of the site include its quiet location on SE 21st Ave., and the small-town feel provided by the Milwaukie Lumber Yard across the street.
- No major disadvantages of the site were identified.

Graham Site

- The Graham Site had not officially been identified as an Opportunity Site prior to the Development Roundtable, and therefore did not receive as much discussion as the other Opportunity Sites. Nonetheless, several developers were interested in the potential of the site, and likened the building to other cool restaurants in the Portland region.
- The preferred use for the site was as a restaurant, retail, or office space.
- One developer that specializes in adaptive reuse of existing buildings was particularly interested in the Graham Site.
- Advantages of the site include its proximity to the future MAX light rail station, and the potential to remodel the building for a lower cost than new construction.
- No major disadvantages of the site were identified.

Cash Spot Site

- One developer identified the Cash Spot Site as the most attractive Opportunity Site for new development.
- The preferred use for the site was mixed-use residential development above a multi-story parking garage.
- Advantages of the site include: public ownership, view of the Willamette River and Kellogg Creek, proximity to the MAX station, and ease of building multiple floors of structured parking due to natural slope.
- No major disadvantages of the site were identified.

Triangle Site

- No developer identified the Triangle Site as the most attractive Opportunity Site.
- Advantages of the site include its public ownership and proximity to light rail and the high school.
- The preferred use for the site would be small retail shops or food carts, primarily intended to serve transit riders and high school students.
- Disadvantages of the site include its small size, irregular shape, and inability to accommodate parking on the site.
- Several developers expressed opinions that this site would be unconventional development and would probably require waiving any parking requirements and gifting the land to the developers.
- One developer suggested that market demand for the site would be unknown until the light rail line was up and running and counts of daily transit ridership were known.

Murphy Site

- One developer identified the Murphy Site as the most attractive Opportunity Site. This developer is already involved with the property owner to explore development opportunities.
- The preferred use for the site was undetermined. While developers understood the benefits of developing the site as residential (potentially senior housing or affordable housing), the site was viewed as less competitive for these uses than the Downtown Opportunity Sites. Given market conditions, it was speculated that light industrial, flex space development might be the only feasible use for the site in the foreseeable future.
- Advantages of the site include its large size, all with one property owner, with close proximity to Hwy 224.
- Disadvantages of the site include the lack of immediate access to Hwy 224, the proximity of affordable housing units to the north of the site, and the lack of a clear use for the site.

McFarland Site

- No developers identified the McFarland Site as the most attractive Opportunity Site.
- The preferred use for the site was undetermined. The large size, potential rail access, proximity to Hwy 224, and perceived weak market demand for other uses led some developers to suggest that the site would be most appropriate for light industrial development. However, the adjacent single-family homes, the planned “quiet zone” for the railroad, and proximity to retail shopping opportunities along Hwy 224 led other developers to suggest the site would be most appropriate for residential development.
- Advantages of the site include its large size, all with one property owner, and close proximity to Hwy 224.

- Disadvantages of the site include the lack of a clear use for the site, and the fact that one side of the site borders railroad tracks with a view of the backend of a shopping mall, which would provide an unattractive view for potential residential development.

4.4 Other observations

The developers were all very thankful to have the opportunity to get to know Milwaukie better. The low market rents in the area are a clear obstacle, but the developers felt that Milwaukie had a lot of positive attributes that could make it attractive for development if the public and private sectors can work together to bridge the gap in rents.

The developers stressed the importance of strong community support, staff support, and support from elected officials to make development happen.

All developers expressed a willingness to stay involved in the process, and several were eager to continue exploring potential development in Milwaukie. After the Development Roundtable, one of the developers commented, "I was looking at Gresham and Hillsboro, but after today, I will look to do projects in Milwaukie."

5 SWOT Analysis Results

As part of this project the ECONorthwest/Fregonese Associates team is conducting a SWOT Analysis that will assess the strengths, weaknesses, opportunities, and threats for each of the seven Opportunity Sites. The SWOT analysis will be a stand-alone document. When this SWOT analysis is complete, its results will also be summarized in this Market Study, and will influence our identification of the highest and best use for each of the Opportunity Sites.

DRAFT

6 Implications for individual Opportunity Sites

In this section we apply our findings from the previous sections to identify the highest and best use(s) for each site. Additionally, we identify key implications for development of each site. Note that these findings are based on quantitative research into demographic and market data, input from a Development Roundtable conversation with local developers, and community feedback and input into a SWOT analysis. Using these multiple methods of evaluation, we achieve a more complete picture of the development potential for these Opportunity Sites.

6.1 Texaco Site

The highest and best use for the Texaco Site is mixed-use residential development with ground-floor retail. This was the feedback received from developers at the Development Roundtable, and it is consistent with feedback received at the October 3, Public Kick-Off Meeting. Public feedback overwhelmingly supported demand for more restaurants and retail space downtown, particularly on the ground-floor of buildings.

The site could be attractive for development in the short-term, as it can build off of the momentum of the North Main Village project, and provide an attractive “gateway” project for Downtown Milwaukie on McLoughlin Boulevard.

Development on the site, however, is not without challenges. The community is divided over exactly what good development looks like, with little consensus on the appropriate number of stories. Additionally, the community has concerns and questions about affordable housing and senior housing, which may be attractive for developers, given the lack of a proven market in Downtown Milwaukie for successful, market-rate residential development.

Finding a way to replace the current uses on the site is perhaps the biggest challenge, as the community strongly supports the Farmers’ Market, and the site provides a substantial portion of Downtown’s off-street parking. That means that development of this site will depend upon implementation of the South Downtown Plan, specifically the construction of a public plaza that can be a new home for the Milwaukie Farmers’ Market.

Most likely, successful development of the site will require structured parking (both to replace the existing parking, and to accommodate the new retail and residential development on-site. The cost of structured parking, couple with the relatively low rents in Milwaukie will provide a substantial challenge to achieving short-term implementation of development on the site. If future phases of this project identify a financing gap for development concepts on this site, then it will be critical for the City to identify public-private partnerships to bridge this gap.

Potential strategies include transferring the land to private developers for a low price, and/or for the City to take responsibility for funding construction of the structured parking garage. These strategies, however, may require a large financial investment from the City, and City Council and the residents of Milwaukie will naturally want to have an earnest discussion of the benefits and costs of any public investment in these development efforts.

The intention of this market study is not to answer all of these questions, but simply to identify that mixed-use residential development is the highest and best use for this site. During the next phase of the project, the ECONorthwest Team will create several potential Development Concepts for the site, and test the financial feasible and community support for those concepts. It is during that phase of the project that the City will hone in on these challenges, and consider potential strategies to overcome them.

6.2 Dark Horse Site

The highest and best use for the Dark Horse Site is mixed-use residential development with ground floor retail. As with the Texaco Site, this use is consistent with feedback from developers and the general public.

While the Texaco Site has potential for other uses (potentially office, potentially structured parking), the Dark Horse Site is perhaps more specifically suited for residential above retail. SE 21st Ave. is perceived as a quieter and calmer street than SE McLoughlin Boulevard, which is attractive for many households. And the narrow shape of the parcel makes a structured parking garage on the Site more challenging.

The presence of Milwaukie Lumber across the street from the Texaco Site was considered as a potential challenge for residential development, but feedback from the Development Roundtable and the Project Advisory Committee suggested that the lumber yard should not hurt demand for residential development on the site. Not only is the lumber yard a well recognized local business, but it lends to the small town feel of the site, and conducts business during regular business hours.

6.3 Graham Site

The highest and best use for the Graham Site is adaptive reuse of the existing building for a commercial use. Although a restaurant is the preferred use at this time, retail services or office space could potentially work on the site.

Because the Graham Site had not been selected as an official Opportunity Site at the time that the Development Roundtable occurred, we received limited input on the site from developers. A site visit is currently being scheduled, and one or more interested developers will be invited to inspect the inside of the building, and provide additional input on the possibilities for adaptive reuse.

In many communities across the Portland region, achievable rents are too low to justify the risk of new construction. A popular solution to this problem is adaptive reuse of existing buildings. This creates high-quality space for a relatively low cost, and allows developers to test the market potential. In areas like Alberta, Mississippi, Sellwood, and St. John's, adaptive reuse has rejuvenated once struggling commercial areas, and has started to give way to new development.

Milwaukie could pursue a similar strategy, with adaptive reuse projects prioritized over new development in the near future. The Graham Site offers great potential to transform an existing vacant building into an attractive commercial space.

6.4 Cash Spot Site

The highest and best use for the Cash Spot Site is “ground floor” retail on Main Street, with mixed-use residential above, and structured parking below.

The slope of the site makes a structured parking garage an obvious component of development on the site, as two (or perhaps three) floors of parking could be provided between the change in elevation from McLoughlin Boulevard to Main Street. Above the parking, ground floor retail at the Main Street level would be desired. This retail would benefit from great views of the Willamette River and Kellogg Lake, as well as the proximity to the planned public plaza at the intersection of Main Street and SE Adams Street, and proximity to the light rail station. Multiple levels of residential, or potentially office space, would make sense to develop above the retail space. This mix of uses was the consensus highest and best use from the Development Roundtable.

Previous planning efforts for this area culminated in the South Downtown Plan, which called for an “L” shaped building on the site, and a pedestrian bridge to cross McLoughlin Boulevard. The highest and best use we have identified for the site does not preclude these elements of the South Downtown Plan, nor does it require these elements. For example, the “L” shaped building requires acquisition of privately-owned parcels at the corner of the site, and demolition of the existing buildings there. While this would be ideal from the perspective of new development, feedback from the Development Roundtable stated that this was unnecessary for new development to occur on the site. Similarly, a pedestrian crossing over McLoughlin Boulevard would be desirable, but potentially very expensive, and again is not an essential project element from the perspective of private developers.

One alternate possibility for the site would be to develop it entirely as a structured parking garage, providing multiple stories above and below the Main Street level. Community members – both during the Project Advisory Committee meetings and the Public Open House Kick-Off meeting – articulated concerns over the lack of parking near the light rail station. This site could potentially allow for a relatively large parking garage to serve all of downtown, without much of the expensive cost of excavation for below-grade parking, and without building a structure that towers many stories above Main Street.

Developing the site as solely a parking garage would have a few challenges. No private developer would develop a parking garage, which means it would need to be a publicly-funded project, requiring a substantial public investment. Additionally, parking garages are typically less attractive than commercial or residential development, which means careful attention would need to be paid to the building façade, to ensure an attractive building on the site. Lastly, the site has great views of the Willamette River and Kellogg Lake, and those views would largely be squandered with development of a parking garage instead of other uses.

6.5 Triangle Site

The highest and best use for the Triangle Site is transit-oriented retail space or a food cart pod.

Traditional uses (office, residential, retail, industrial) would be very challenging to build on the site, due to its small size and unique shape. The site offers virtually no space for parking, which would be required to support any traditional uses, although the City could potentially waive the regulatory requirements to provide parking, some parking may still be viewed as necessary from a market perspective.

Given these challenges, feedback from the Development Roundtable was to focus on small-scale development that could be accommodated on the site without parking and would focus on serving passengers of the new light rail station. Potential uses could include a coffee shop, café, or bicycle shop, all of which would be consistent with previous plans and development concepts considered for the site. These businesses could potentially cater to students of the nearby high school as well as light rail passengers.

Another potential use for the site would be a food cart pod. However, at the public Kick-Off meeting, we asked members of the public whether or not they wanted food carts in Downtown Milwaukie, and the response was mixed, with more people opposed to food carts than supporting them, and a large portion of the audience undecided.

It is possible that food carts could serve as a temporary use on the site until transit ridership patterns have been established and other public improvements have been made in the area. Then, in the future, a more permanent development could occur on the site.

6.6 Murphy Site

The highest and best use for the Murphy Site is undetermined at this time. While developers understood the benefits of developing the site as residential (potentially senior housing or affordable housing), the site was viewed as less competitive for these uses than the Downtown Opportunity Sites. Given market conditions, it was speculated that light industrial, flex space development might be the only feasible use for the site in the foreseeable future.

The property owner for the site is actively participating in the Moving Forward Milwaukie project, and is eager to explore any and all realistic opportunities for development. Currently, however, there is no clear path forward on the highest and best use, as City plans, the community vision, the surrounding uses, and market trends all suggest different uses for the site.

City plans have long identified the site as a location for high-density employment uses, but market demand for office and retail space is insufficient to develop a site as large as the Murphy Site. Industrial uses are more feasible based on market conditions, but heavy industrial uses would be inconsistent with the nearby residential uses, and light industrial uses (like warehouses) have relatively low density of employment (jobs per acre).

Additional feedback from the City Council and the general public, as well as ongoing conversations with the property owner will be necessary to identify the highest and best use for the site. An interview with the property owner is scheduled for October, and the public will have an opportunity to provide input during a public workshop scheduled for October 29, 2013.

6.7 McFarland Site

The highest and best use for the McFarland Site is undetermined at this time. Feedback from the Development Roundtable called out the large size, potential rail access, proximity to Hwy 224, and perceived weak market demand for other uses as reasons that the site would be most appropriate for light industrial development. However, the adjacent single-family homes, the planned “quiet zone” for the railroad, and proximity to retail shopping opportunities along Hwy 224 led other developers to suggest the site would be most appropriate for residential development.

City plans have long identified the site as a location for high-density residential, although the vision for high-density residential development on the site may be out of date, now that we know the site will not be home to a MAX light rail station. Feedback from the Project Advisory Committee suggested that the adjacent residential areas are one of the quietest neighborhoods in Milwaukie, and therefore residential development on the site could be the most appropriate use, to be consistent with the surrounding neighborhood.

Additional feedback from the City Council, the general public, and the property owner will be necessary to identify the highest and best use for the site. We are in the process of scheduling an interview with the property owner, and the public will have an opportunity to provide input during a public workshop scheduled for October 29, 2013.