



Memorandum

To: Moving Forward Milwaukie Project Advisory Committee (PAC)

From: Li Alligood, Associate Planner (Project Manager)

Date: March 24, 2014

Re: Preparation for March 31, 2014, PAC Meeting

Greetings!

After a brief hiatus, the fourth meeting of the Moving Forward Milwaukie: Enhancing Our Commercial Districts project advisory committee (PAC) is **Monday, March 31, 6:00-8:00 pm** at the Public Safety Building, 3200 SE Harrison St, in central Milwaukie. Light refreshments will be provided.

This is an important meeting and will provide key direction for the next phase of the project. Please let me and/or your alternate know as soon as possible if you will not be able to attend, so that your alternate can participate in your place.

The project team has been doing a lot of work "behind the scenes" since November. In order to bring you up to speed, I have enclosed some documents for you to review prior to the meeting:

1. *Meeting agenda*

We will be covering a lot of ground during this meeting and asking for your direction regarding policies and regulations for downtown and central Milwaukie.

2. *Presentations for City Council briefing #s 2, 3, 4, and 5*

The presentations provide an overview of the work that has been done since the last PAC meeting in November 2013. The project team briefed Council on the progress at its December 3, 2013 (a); January 21, 2014 (b); February 18, 2014 (c); and February 20, 2014 (d) work/study sessions. (These are available for viewing on the website. Links to the presentations are provided in the e-packet.)

Generally, there are many opportunities and challenges for development in Milwaukie. More specifically, the cost of development in the city is not adequately offset by the achievable rents. We will discuss these findings further at Monday's meeting.

3. *Presentation and notes from the January 23, 2014, Developer Roundtable*

This was the second developer roundtable. More than 20 developers and real estate professionals met to discuss the opportunity sites and identify potential issues with the concepts. Discussion focused on three concepts that represented different types of development.

4. *Final opportunity site development concepts (3 for each opportunity site)*

These concepts were prepared with input from the November 18, 2013, PAC meeting; property owners; developers; and City Council. These concepts were shared with the public at the March 6, 2014, public event.

5. *Results of the March 6, 2014, public event*

This public event presented the final opportunity site development concepts to the public; the project team also asked instant polling questions about policy, regulation, and financial tools for downtown and central Milwaukie. An online survey for those who did not attend the event is open until April 8: <http://www.surveygizmo.com/s3/1588998/Moving-Forward-Milwaukie-Development-Concept-Survey>.

6. *Overview of code and transportation challenges for each development concept and site*

This memo identifies code and transportation barriers to the development of the final opportunity site concepts, and will provide a baseline for the code revisions for downtown and central Milwaukie. These materials were shared with the Planning Commission and the Design and Landmarks Committee at its February 11, 2014, joint worksession.

7. *Overview of potential development incentives*

As described in the attached presentations, the pro formas for the development concepts show that short-term new development (in the next 5 years) in downtown and central Milwaukie will require some kind of public support and/or assistance. This information was provided to City Council for its February 20, 2014, study session. Council will further discuss these incentives in May, and the project team is looking for PAC feedback about which incentives might be most effective and attractive.

Additional information about the project and past efforts is available on the City's project web site at <http://www.milwaukieoregon.gov/planning/movingforward>.

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.

ATTACHMENT 1

AGENDA

Moving Forward Milwaukee: Enhancing Our Commercial Districts

Project Advisory Committee Meeting #4

Monday, November 18, 2013

6:00 P.M. – 8:00 P.M.

Public Safety Building, Community Room, 3200 SE Harrison Street

Welcome to the fourth Project Advisory Committee (PAC) Meeting for *Moving Forward Milwaukee*. We appreciate your continued involvement in this exciting project!

There will be opportunities for public participation throughout the meeting. 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 Overview of Meeting Agenda/Format | 6:00 |
| • Presentation: 5 min | |
| 2. Recap of Lessons Learned from Development Concepts | 6:05 |
| • Presentation: 5 min | |
| • Discussion: 10 min | |
| 3. Policy Review | 6:20 |
| • Presentation: 10 min | |
| • Discussion: 10 min | |
| 4. Discussion of Potential Policy/Plan changes | 6:40 |
| • Presentation: 10 min | |
| • Discussion/Instant Polling: 15 min | |
| 5. Discussion of Potential Regulatory/Code changes | 7:05 |
| • Presentation: 10 min | |
| • Discussion/Instant Polling: 15 min | |
| 6. Discussion of Public-Private Partnership Tools | 7:30 |
| • Presentation: 10 min | |
| • Discussion/Instant Polling: 15 min | |
| 7. Wrap Up/Next Steps | 7:55 |
| 8. Adjourn | 8:00 |

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

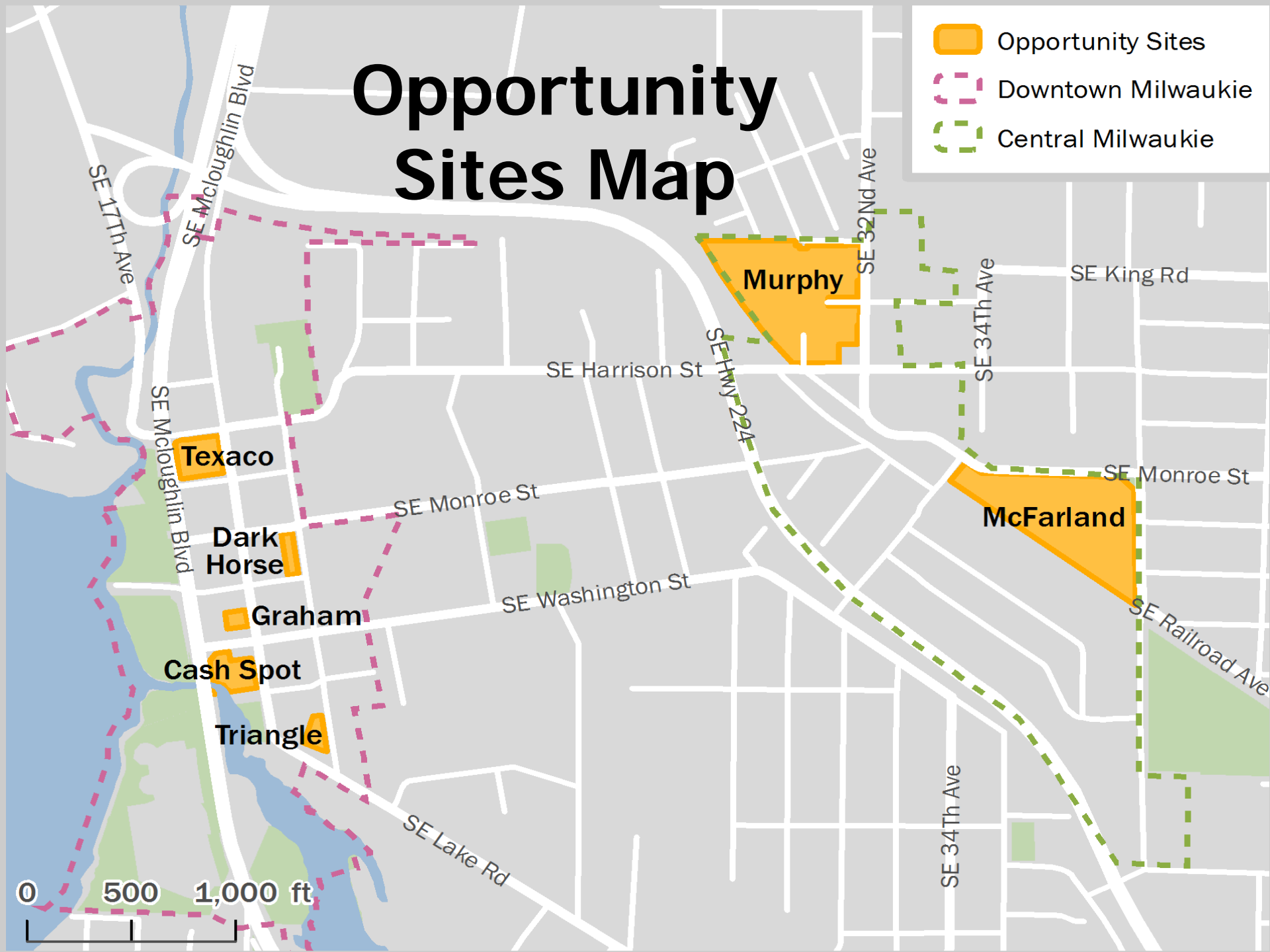


Moving Forward Milwaukie Developer Roundtable #2

Moving Forward Milwaukie • January 23, 2014

Opportunity Sites Map

-  Opportunity Sites
-  Downtown Milwaukie
-  Central Milwaukie



Cash Spot – Office

Draft Development Concepts

- Two buildings above a shared one-story commercial parking structure with 74 spaces, and small amount of ground floor commercial
- Building #1
 - 2 stories of office (13,650 sf.) above parking garage (3 story building)
- Building #2
 - 3 stories of office (38,000 sf.) above parking garage (4 story building)

Financial Considerations

Total Cost	Cost / GSF	10-Year IRR
\$18.0M	\$195	-12.6%



Cash Spot – Office

Draft Site Designs



DRAFT



Cash Spot – Office

Draft Site Designs



Cash Spot - Office

Pro Forma Assumptions

	Office	Retail	Structured Parking
NSF	52,035	6,723	23,424
Parking Ratio	1.27	1.19	
TI Allowance	\$45.00	\$35.00	\$0.00
Rental Rate	\$15.00	\$14.00	\$0.00
Op. Expenses (NSF/yr)	\$8.00	\$2.10	\$0.00



Texaco - Residential

Draft Development Concepts

Four-story U-shaped building

- Ground floor podium: parking and 6,800 SF commercial
- Open space in the U above podium
- Three floors of residential above podium

Financial Considerations

Total Cost	Cost / GSF	10-Year IRR
\$22.0M	\$155	2.5%



Texaco – Residential

Draft Site Designs



DRAFT



Texaco – Residential

Draft Site Designs



DRAFT



Texaco - Residential

Pro Forma Assumptions

	Residential	Retail	Structured Parking
NSF	87,000	6,822	32,102
Number of units	97		
Avg. Unit Size (NSF)	897		
Parking Ratio	0.98	1.03	
TI Allowance	\$0.00	\$35.00	\$0.00
Rental Rate	\$1.25	\$14.00	\$0.00
Op. Expenses (NSF/yr)	\$3.00	\$2.10	\$0.00



Graham – Adaptive Reuse - Retail

Draft Development Concepts

- One-story Building
 - Adaptive reuse of existing building
 - Commercial use (3,479 sf.)
 - Use existing parking lot for adjacent commercial use

Financial Considerations

Total Cost	Cost / GSF	10-Year IRR
\$467,000	\$114	14.3%



Graham – Adaptive Reuse - Retail

Draft Site Designs



DRAFT



Graham – Adaptive Reuse - Retail

Pro Forma Assumptions

	Retail
NSF	3,479
Parking Ratio	2.00
TI Allowance	\$35.00
Rental Rate	\$14.00
Operating Expenses	\$2.10



Murphy – Flex

Draft Development Concepts

- One-story Flex Buildings
 - Building footprints cover roughly 40% of site
 - Remaining 60% for surface parking
 - Industrial space (72,700 sf.)
 - Office space (18,000 sf.)

Financial Considerations

Total Cost	Cost / GSF	10-Year IRR
\$18.0M	\$103	-12.3%



Murphy – Flex

Draft Site Designs



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Murphy – Flex

Draft Site Designs



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Murphy – Flex

Pro Forma Assumptions

	Office	Flex
NSF	18,170	72,679
Parking Ratio	2.4	1.75
TI Allowance	\$45.00	\$0.00
Rental Rate	\$15.00	\$5.00
Operating Expenses	\$8.00	\$0.75



Meeting Notes
Moving Forward Milwaukie: Developer Roundtable #2
Milwaukie Public Safety Building, 3200 SE Harrison St
January 23, 2014, 11:00am-1:00pm

Attendees

Developers and Real Estate Professionals

- Gordon Jones
- Colleen Colleary – [Kidder Matthews](#)
- Sara Daley – [Kidder Matthews](#)
- Brad Malsin – [Beam Development](#)
- David Hassin - [Terraforma](#)
- Peter Michaelson
- Roy Kim – [Central Bethany Development](#)
- Gene Dieringer – Dieringer Properties
- Pat Dieringer – Dieringer Properties
- Phillip Hanshew – [Colliers](#)
- Kevin Cavanaugh – [Cavanaugh + Cavanaugh](#)
- Jessy Olson – [Guardian Real Estate Services LLC](#)
- Lisa LaManna – [Pate LaManna Commercial](#)
- Kira Cadore – [Rembold Companies](#)
- Matt Brown – [Williams and Dame/Loci, Inc.](#)
- Peter Andrews – [Melvin Mark](#)
- Rennie Dunn – [Apex Real Estate Partners](#)
- Lindsay Murphy – [Apex Real Estate Partners](#)
- Mary Hanlon – [Hanlon Development & Consulting](#)
- Jeff Edinger – [Tokola Properties, Inc.](#)
- Bill Bach – [Trammel Crow Company](#)

City of Milwaukie

- Jeremy Ferguson – Mayor of Milwaukie
- Bill Monahan – City Manager
- Steve Butler – Community Development Director
- Denny Egner – Planning Director
- Ryan Marquardt, Senior Planner
- Li Alligood, Associate Planner/Project Manager

Consultants

- Nick Popenuk, Project Manager – ECONorthwest

- Abe Farkas – ECONorthwest
- John Fregonese – Fregonese Associates
- Tessa Krebs - ECONorthwest

Welcome and Overview of Meeting Agenda

Mayor Jeremy Ferguson welcomed the attendees and provided an overview of activities in Milwaukie, including infrastructure investments, undergrounding of wires downtown, the quiet zone, and growing interest in citizen boards, committees, and commissions.

Steve Butler provided an overview of the Moving Forward Milwaukie project. It is action-oriented, and the objectives are to have good things happen in core. What barriers does the City need to eliminate, and how can it incentivize developers to come? Money is tight, so we cannot throw around a lot of money. What can we do as a community to help developers succeed in Milwaukie?

Market Study overview

Nick Popenuk, ECONorthwest, went over the preliminary pro formas and Milwaukie market study via PowerPoint presentation.

Ongoing downtown projects:

- The City has received two major state grants to build Riverfront Park; construction will begin in June/July 2014. These phases will include a new boat ramp, regrading, etc. – a total of \$2.5 million of work over this summer.
- Connectivity from the downtown to Riverfront Park is primarily at signalized intersections along McLoughlin. There is the possibility of an underpass from South Downtown to the south end of Riverfront Park as part of the Kellogg-for-Coho initiative.

Rental and vacancy rates:

- The average multifamily rent in Milwaukie is around \$1.20 – 1.25 per sf. The range was from \$0.90 to \$1.55 per sf.
- Vacancy rates for industrial, office, and retail were all pretty good - around 5-6%. No residential vacancy rates were available.
- The total absorption for industrial, office, and retail is 110,000 sf. of absorption per year over the last decade, but most of that (~107,000 sf.) is industrial.

Opportunity Sites Discussion

Texaco Site

Site details:

- The current zoning allows for 4 stories (as long as residential uses are included). Any use.
- The site is free of contamination.
- It is about 1 acre

Attendees felt that retail would not work on the site due to its location at a busy intersection.

Dark Horse Site

Site details:

- Dark Horse is staying in Milwaukie but is interested in adaptive reuse of existing buildings at Main and Jefferson and locating in a new building
- They own the land, and there is potential for consolidation with other property owners on the block
- The light rail station is 4 blocks south of the site. Many attendees were not familiar with the location of the light rail station.

Triangle Site

Site details:

- The developable area of the Triangle Site is about 9,000 sf.

Murphy Site

Site details:

- It is adjacent to a Housing Authority of Clackamas Housing development (Hillside Park and Hillside Manor).
- It is 6.5 acres, and does not include the southeast corner (32nd and Harrison), which is developed with a convenience store.
- It is free of contamination.

McFarland Site

Site details:

- Private property, willing to sell or lease. Interested in anything.
- The SE parcel is contaminated and cannot have residential.

Question about trying to develop both downtown and central Milwaukie.

- The commercial development in central Milwaukie has obviously already diluted downtown, but to have all this development happen now, wouldn't it dilute it more?
- These are sites that are all ready for development. What is right thing?
- The problem in downtown is that there is so much zoned commercial, that there is no density downtown to get commercial really going. It may be impossible already.
- We are hoping central will appeal to a different audience. So, the question is, what are the strengths of downtown? And of central Milwaukie? We don't want to compete against ourselves.

Development concepts

General Discussion

John Fregonese, Fregonese Associates, presented draft development concepts for each opportunity site via PowerPoint presentation.

- The City is not trying to get one development, but rather a package of development options that the zoning would permit. City of Milwaukie does not want to be a developer, but want to incentivize a developer to come in and create his or her own design.

Nick Popenuk discussed the financial considerations of each concept, and asked for developer feedback on four questions:

1. What are the measures of financial return that are most important to developers?
2. What are the benchmarks for success?
3. What are challenges for new development in an area without many recent comps?
4. How do you obtain financing for pioneering projects in areas where your expected rents are above current market average?

Measures of financial return:

- 10-Year Rate of Return: Retail shopping center currently under construction - cost of construction, without land cost, is \$180-210/sf. including TI allowances, commissions, etc. Exit is an 18% leverage return on a long term hold over 10 years. (LM)
- Cash-on-cash return: Try to get to a preferred return of 8% cash-on-cash, and try to double that for a 10-year return. I just look for long term holds. I would need other folks to join me and develop nearby with long term holds. (KC)

- Larger, central Milwaukie sites are in line with the goals of Milwaukie as being a nice place to live. Downtown is nice infill. You can do new construction in this area and get double the rents that is customary in getting lower rent.

Financing challenges in an area without comps:

- The appraisers kill it. They only look at comps, and don't look outside the box. The second issue is to get national credit tenants¹ to get higher rents. Those types of tenants are required to get those rents.
- Look at retail much differently in a mixed-use project. I can underwrite the retail space at first, and then escalate it. Also, a credit tenant requires dedicated parking. So, if I am going to rely on on-street parking, a lot of times that won't work. For mixed-use projects, the retail doesn't necessarily have to pencil out, but we have to build up to market rate rents. However, the residential must advance; this would be a 6% return on cost at the bottom threshold. Someone has to take a risk. Probably has to put more equity in to the deal.
- More important than the discussion about returns and money is what does the city want? A lot of us are coming from outside of the city. The City must concentrate on the product and what is going to fit here. The city has to incent whoever will develop. No one will invest unless there is real backing and incentives from the City. It is very cost-effective for Dark Horse to stay where they are. How are we going to incent them to invest in the city and pay more rent? Fundamental issues that the city must invest in development to change the city.
- I am not excited to look at pro formas. I get more excited if others will come and develop and if the energy gets going. Milwaukie is the same as it did 10 years ago. I want to talk about energy, and not talk about cap rates.
- Milwaukie has the historic buildings, but need to find out all the tools like enterprise zones, tax abatements, etc. Just get the first group of people. Need patient capital, not risk-averse people.
- If tax-credit affordable housing for seniors is the only way to get housing built here, that is a problem. If you can't get \$1.85-\$1.90/sf., it is really hard to sell to investor and get a 6% return work.
- We use a lot of New Market Tax Credits, historic tax credits, other creative credits. Without an angel investor who is committed to this community to help build, it is hard to imagine

¹ A tenant with the size and financial strength worthy enough of being rated as an investment grade by one of three major credit agencies: Fitch, Moody's, or Standard & Poor's. An investment grade rating is seen as a good sign that the tenant will be able to pay rent, even in economic downturns or specific market slumps. Typically, credit tenants are national chains (Definition from www.investorwords.com).

anyone coming. Milwaukie is where Portland was 20 years ago. There is potential, but how do we get momentum going here? What is the catalyst of activity?

- The importance of the pro formas is that they show a large gap. There has to be a number of strategies in play to make an investment work.
- If you are getting up over 120 units, institutional investors won't come out to Milwaukie. The scaling is too big. I don't see how anyone would want to spend that much capital. Should be 40-50 units at most.

Market demand:

- For outsiders, "why Milwaukie?" is the question. We don't know the depth of the office user and residential pools. Who will move and work here? Where is the demand? I asked about the absorption rates. There is a full city block you could develop [the Texaco Site], but where is the demand?
- It usually starts with redevelopment and not new buildings. Unless you identify and create a place that will incentivize others to put money into it, it is going to take below \$18/sf to incent people to be the first to develop. We are talking about getting people who are starting out and growing businesses to come to Milwaukie, before you can get larger businesses to come here, until there is critical mass in downtown.
- If you get downtown hopping, it will feed the whole area. We are looking at building multi-family in downtown. However, we are running up against the low market rent. Trying to get an active art space there, but we have run into issues with the zoning and parking permits. The reality is that the 60% rents are the market rents in this area. Need to reduce the SDCs
- Can't look at what the demand is, you have to create the demand.
- The City has resources, but the ideas must be backed by demand or a need that isn't being met, or that are being squeezed out of urban Portland. To sell the idea of building in Milwaukie, developers need compelling data behind the ideas, and that is more important than the actual ideas.
- No offices would want to come here, not any time soon. The cheap, \$14/sf. rent would be the only reason to come. New construction could not offer that.
- It is possible to build something attractive here, there is potential.
- Similar to the Kenton neighborhood, there are commercial property owners who wouldn't move and people moved there because they could afford it there. We are looking at renovating places, not building new places.

- You will have more success with tilt-up, concrete flex space on McFarland or Murphy than anything else at \$8.50/sf, triple-net.
- Milwaukie can market that it is a really nice place to live that is reasonably priced. But, there is no clear sense of objective. They don't need developers coming in and raising the prices, but need to make it an affordable, holistic place to live.
- All major Portland communities started with organic retail growth. Figure out what the best assets are; I think it is the waterfront. McLoughlin is the biggest problem: 4-lane road with fast speed is a detriment.
- The problem is you can't get anything on the other side with the river there. McLoughlin is like Macadam, it seems so bleak, but it is more of a perception than the reality. The reality is that the method to cross over to the river will be figured out. The important thing is that no matter what kind of people that will be populating these buildings is a range of different people.

Opportunities:

- All businesses coming to Oregon want to be in Portland. They are overpaying for cool space in the central eastside.
- You would get someone who wants to get out of the business tax environment. Tell developers what is out there and let people be creative. Be as flexible as possible in this market. Being an open, flexible place to develop is more unique than anything else. [Industrial] absorption is high.
- Everyone talks about where the industrial flex space is? There is no place in Portland. Can Milwaukie create a creative place for this group of people and businesses?
- Milwaukie could target creative production of central eastside.
- The local industrial space is shrinking. There is only 1.8 million sf. in the greater MSA, and almost all of it is on the west side. There might be some momentum in this area, but not heavy density. There is demand for it.

Demographics:

- Milwaukie is like a middle-class Lake Oswego.
- When looking at the demographics, age matters here. The older population, these are people who have a similar lifestyle to hipsters (public transportation, like coffee shops), but are older. That is who is here.
- The older hipsters and senior populations can be adjacent to each other.

- Just looking at the total population, the daytime population needs to grow or expand the regular population. If you have a high senior population, embrace that community. Also have a new light rail, so the young folks want public transportation. You could build a hip, trendy atmosphere on the MAX line. There is room for infill and vertical development in the downtown area.

Housing types:

- Workforce housing, this could also act as senior housing. It is different enough, but is not common here.
- Senior housing in Central Milwaukie by Providence, but it must be affordable.
- Small, independent living for seniors is attractive. There is a segment of the older population that doesn't want big senior housing living. You would need a subsidy here, though.

Texaco Site

General comments:

- There must be something to draw people to the city. This must be viewed as a viable place to live and build here.
- The focus should be on adaptive reuse and a variety of product types. Then, eventually have enough momentum to build.
- Smaller, bite-sized buildings are what would go there.
- I would do multiple buildings with breeze ways and plaza. Not enough demand to fill all this.
- There will be the Adams Street connector and plaza in South Downtown. No point in talking about more open space.
- Four stories [on McLoughlin] is blocking off downtown. It is too high.
- The project on Mississippi (Tupelo Alley) has different heights, but it is porous and doesn't block off Mississippi to the residential neighborhood behind it. That is what I see happening here.
- Have to have 2-3 story rowhouse type, otherwise you can't get efficient parking there.
- Don't limit the height to only allow less than 5 stories. Max out the zoning because it could happen in the future. It can go vertical over time, but not now.

- Don't harm the charm of downtown. I could sell this housing to bike-oriented families.

Parking:

- You must have parking here.
- On-site is important for residential; you must have it here. No parking just makes it much more difficult to sell to an investor.
- This is not Portland, people must have parking.

Graham Site

Adaptive reuse:

- Most of the trendy restaurants want patio space.
- The question still is why would they come to downtown Milwaukie?
- In order to develop a Main St. downtown, it starts with food and activates the neighborhood.
- You need density for food carts.
 - Food carts also breed density.

Murphy Site

Appropriate uses:

- No buffer from the rail line is needed. Need a new building with cheap rent.
- Assisted living and phased care may be possible.
- Market is a business who wants a cheap, 30,000 sf. building that wants to get out of their place in Portland.
- Office would get a premium. It's going to be more office, light manufacturing. Flex space user wants to own. They want a single-story, flex building, office build out.
- The road to the east must look nice because it is going into a residential area.
- SW 72nd has a business park that is similar to what would go here.
- Do something that is smaller, glass, could be office or industrial. Could target bike manufacturers. This is a good alternative for them.

Other:




- The first move is to go to Dark Horse, incent them to build a headquarters, do whatever it takes. Build a showplace, and show what can happen here.
- Then renovate the other Dark Horse properties. Dark Horse has all this property that they can't do anything with.
- Dark Horse has to find the money; they are primed for iconic Dark Horse showcase. Dark Horse will draw a lot of activity.

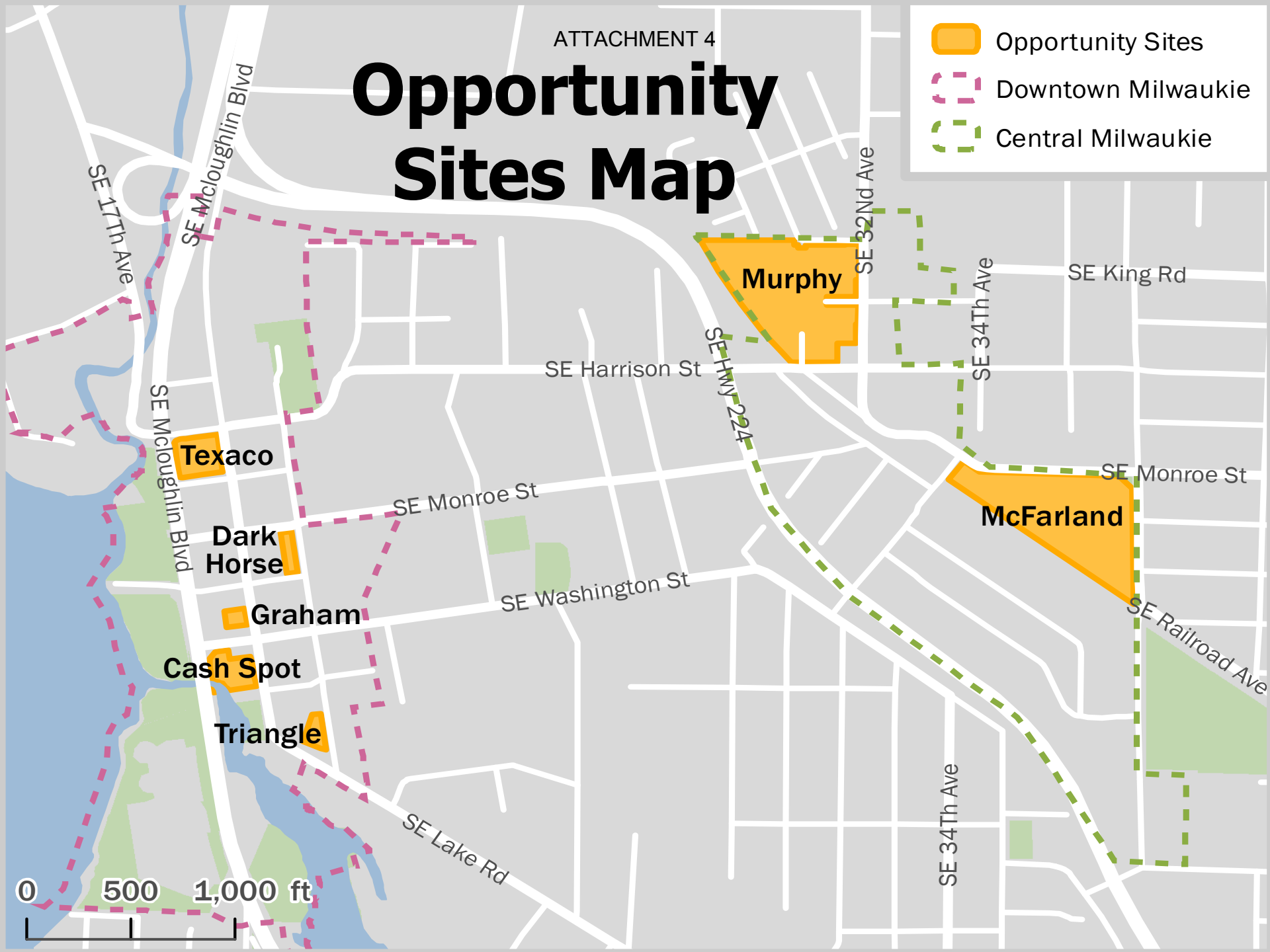
Final Thoughts

- We have had these same conversations from 20 years ago. There was talk about redeveloping the Junior High School [Waldorf School]. I believe that was a missed opportunity. That should be vital part of the city. The Masonic Lodge could be redeveloped into a brewpub. The city has done great with the waterfront. Needs to be another grocer downtown. Getting to river could be improved. The old historic properties are key to renovate.
- It starts downtown with renovating the historic buildings. Make it affordable so that people are compelled to come here. People want to own property for cheap and are being squeezed out of Portland.
- The charming ingredients are here. It is off the radar, but the city is ready.
- Every city has started with small, nice retailer in renovated spaces. It is the easiest and has the most impact.
- Market rate senior housing will not work on the Murphy site, it is too expensive. Income is too low here. The city needs to let development community know the vision and supports developers and their vision. Then, give a message of developer-friendly environment. Then, first couple projects need to make as much money as possible, which will make others come. On the Texaco site, on McLoughlin I would put a two or three-story office building and maybe have Dark Horse go there. Then, on Main St. have a 5-story building with river views.
- Create an icon with Dark Horse, and to follow-up with that. There is also a conflict with low income, low density, what comes first? It is hard, but both need to be tackled at same time.
- Waive SDCs for a year or two and things will happen.
- Industrial or flex space would be feasible on both central properties right away. Industrial land inventory could create jobs and get businesses.

- City needs to help with SDC waivers. Let zoning be open and not strict, let market decide. This will generate more options.
- Need help from the city. Celebrate Dark Horse. The economics are just too low for office and retail.
- There is no compelling reason for ground up, mixed-use to happen until things that people are saying in this meeting start to happen. The bigger stuff needs to wait. Transformative, small projects will start.
- Tell the market about sites and the more flexibility, the better.
- It always starts with organic growth. Milwaukie needs to identify what they want to represent.
- Focus on the industrial, flex like the Old Salt Marketplace [in northeast Portland]. I don't see the hip, cool people moving to Milwaukie. So rather focus on senior population and employment.
- What we look for in these situations is a long-term investor. Make sure that everyone else downtown is invested. What tools can we give other businesses in downtown to improve the overall make-up of the downtown? Important for the City to provide a tool chest.
- The city needs to say what is good about Milwaukie and what it already is. Is it a safe place? What are the aspects of Milwaukie that are already here? Make it developer-friendly for owner-occupied or developers.
- This is not a real estate problem here, but how to build on what and who is already here. Dark Horse is one, but there are others. Bob's Red Mill is expanding here. How do we get someone like them to establish downtown? Kenton didn't just build up because someone just decided to, but it was people who are going places and doing stuff close by. Milwaukie was nice, and now the light rail is a game-changer. Look at who is committed to this area and wants to be here. Who can flow into downtown and make things happen?

Opportunity Sites Map

-  Opportunity Sites
-  Downtown Milwaukie
-  Central Milwaukie



Dark Horse Site

February 2014 Draft Site Designs



Dark Horse Site – Option 1

February 2014 Draft Site Designs



Dark Horse Site – Option 1

February 2014 Draft Site Designs



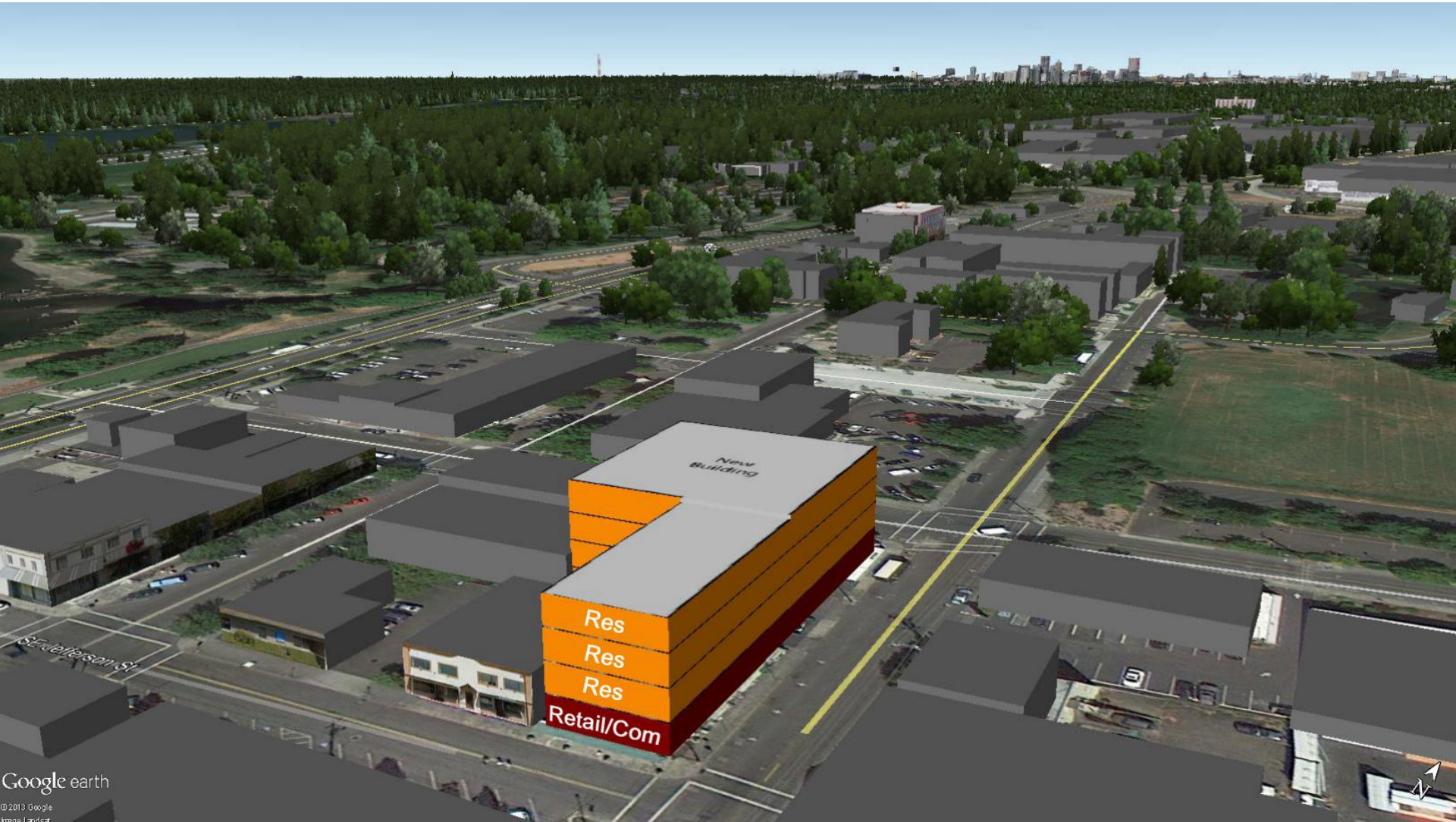
Dark Horse Site – Option 2

February 2014 Draft Site Designs



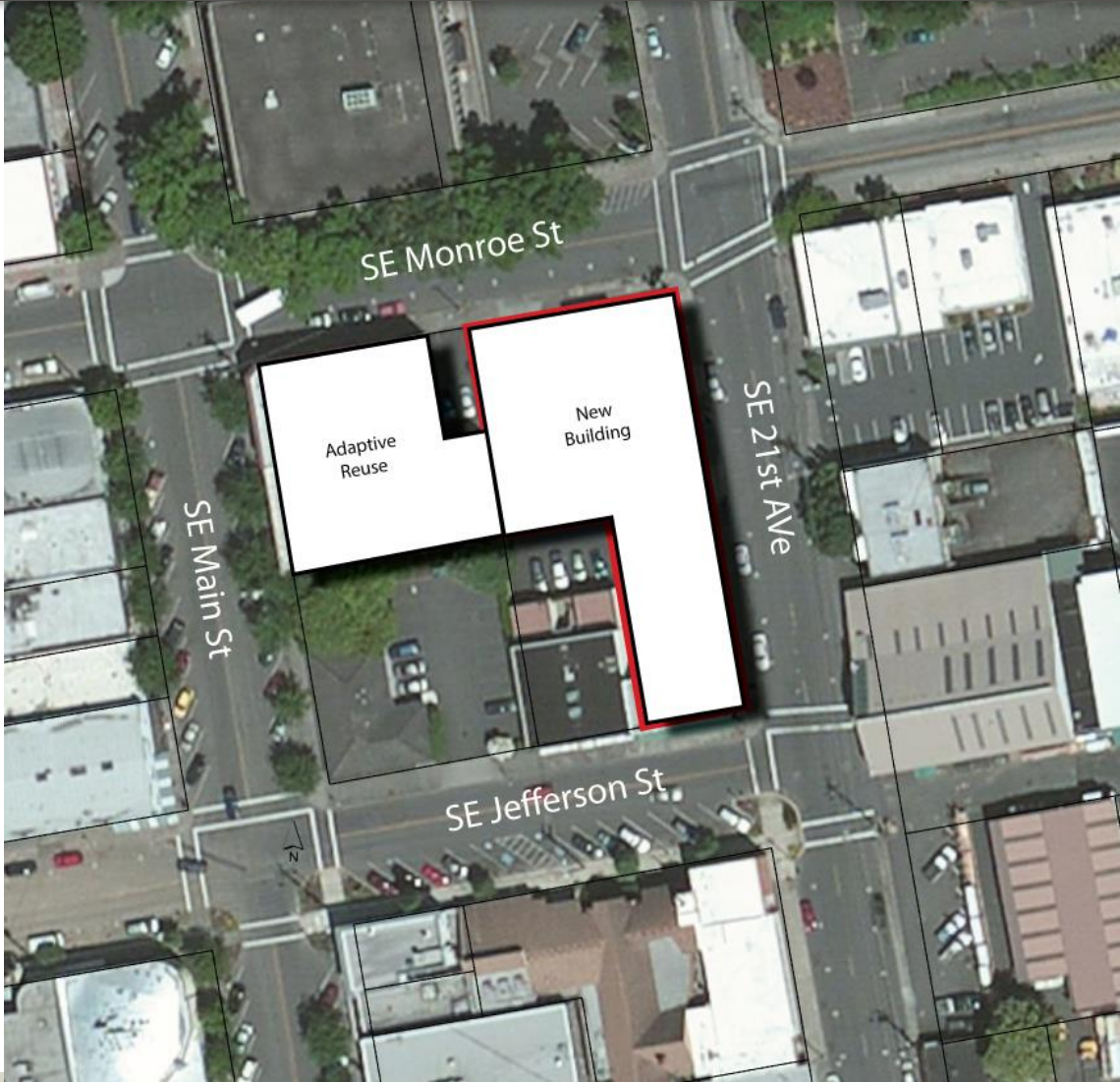
Dark Horse Site – Option 2

February 2014 Draft Site Designs



Dark Horse Site – Option 3

February 2014 Draft Site Designs



Dark Horse Site – Option 3

February 2014 Draft Site Designs



Graham Site

February 2014 Draft Site Designs



Graham Site – Option 1

February 2014 Draft Site Designs



Graham Site – Option 1

February 2014 Draft Site Designs



Graham Site – Option 2

February 2014 Draft Site Designs



Graham Site – Option 2

February 2014 Draft Site Designs



Graham Site – Option 3

February 2014 Draft Site Designs



Graham Site – Option 3

February 2014 Draft Site Designs



Cash Spot Site

February 2014 Draft Site Designs



Floodplain



Willamette Greenway



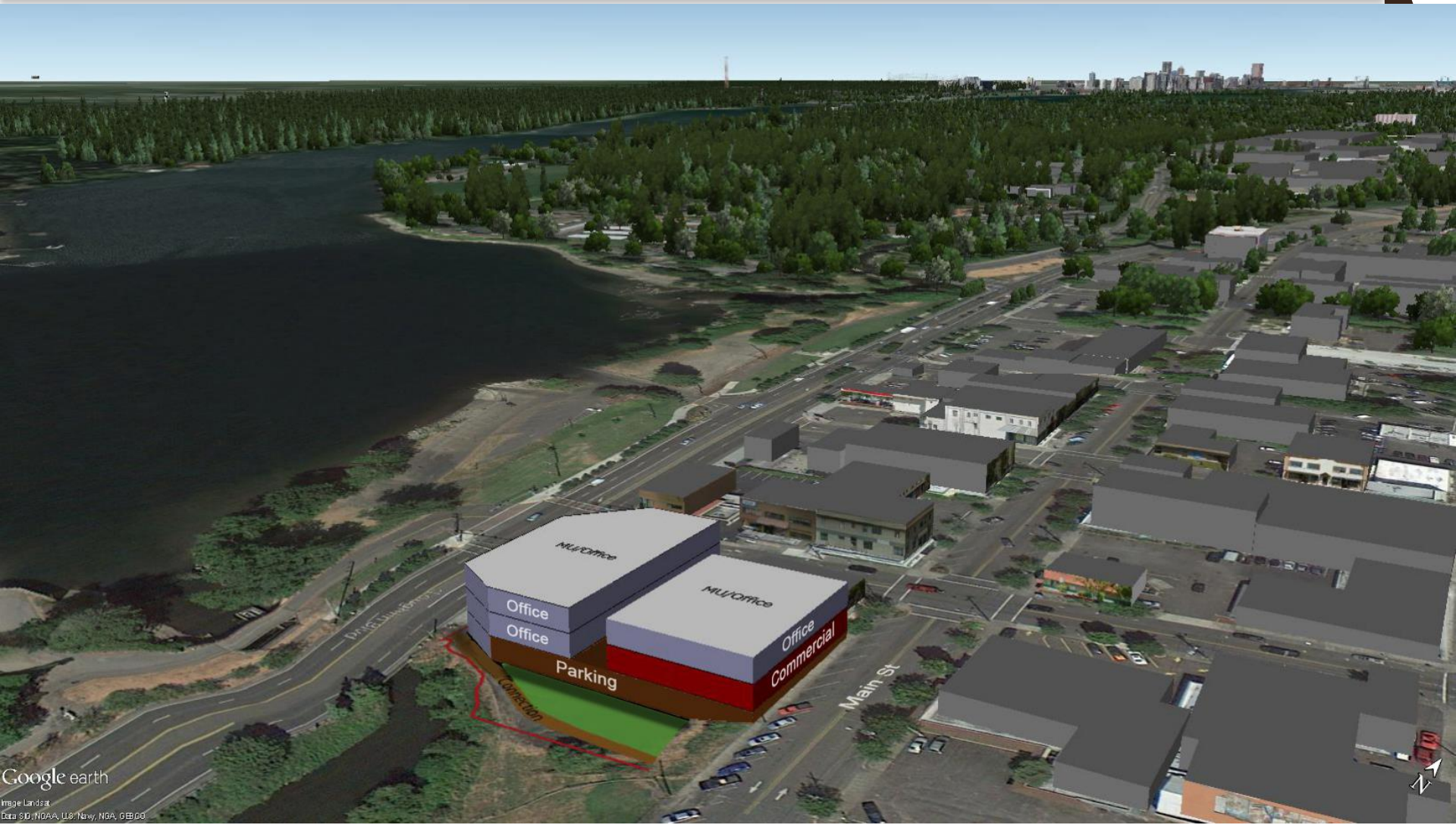
Cash Spot Site – Option 1

February 2014 Draft Site Designs



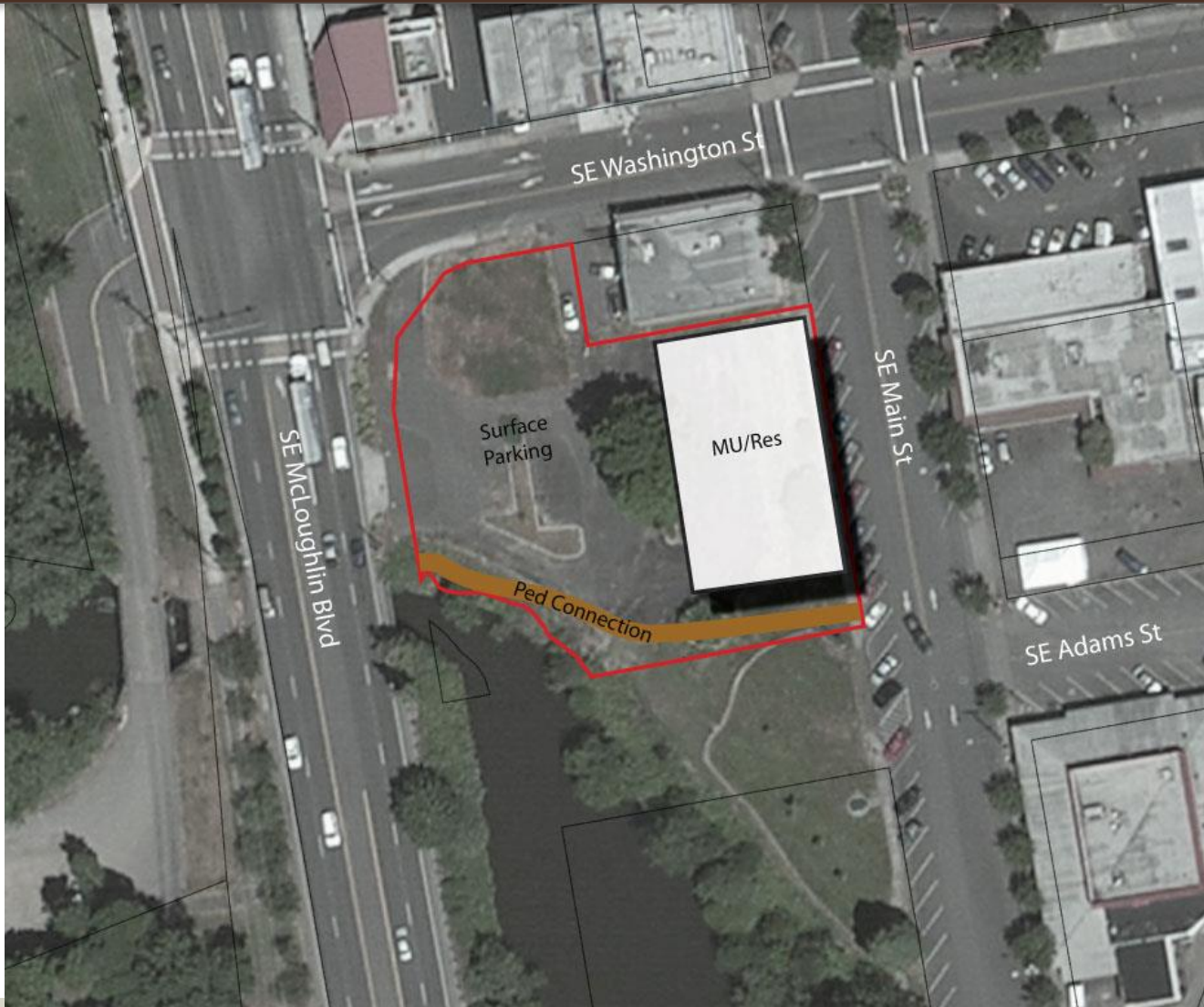
Cash Spot Site – Option 1

February 2014 Draft Site Designs



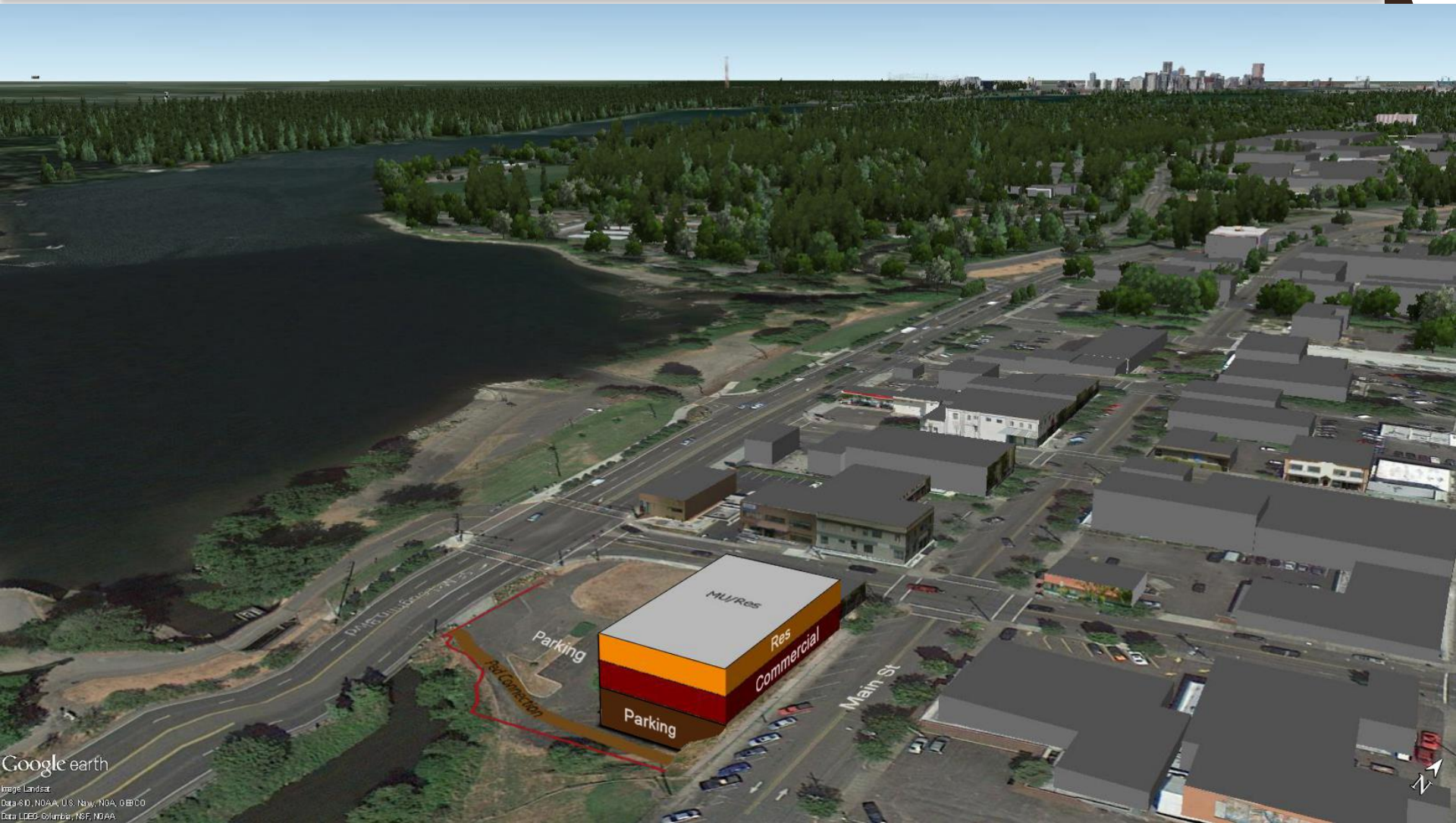
Cash Spot Site – Option 2

February 2014 Draft Site Designs



Cash Spot Site – Option 2

February 2014 Draft Site Designs



Cash Spot Site – Option 3

February 2014 Draft Site Designs



Cash Spot Site – Option 3

February 2014 Draft Site Designs



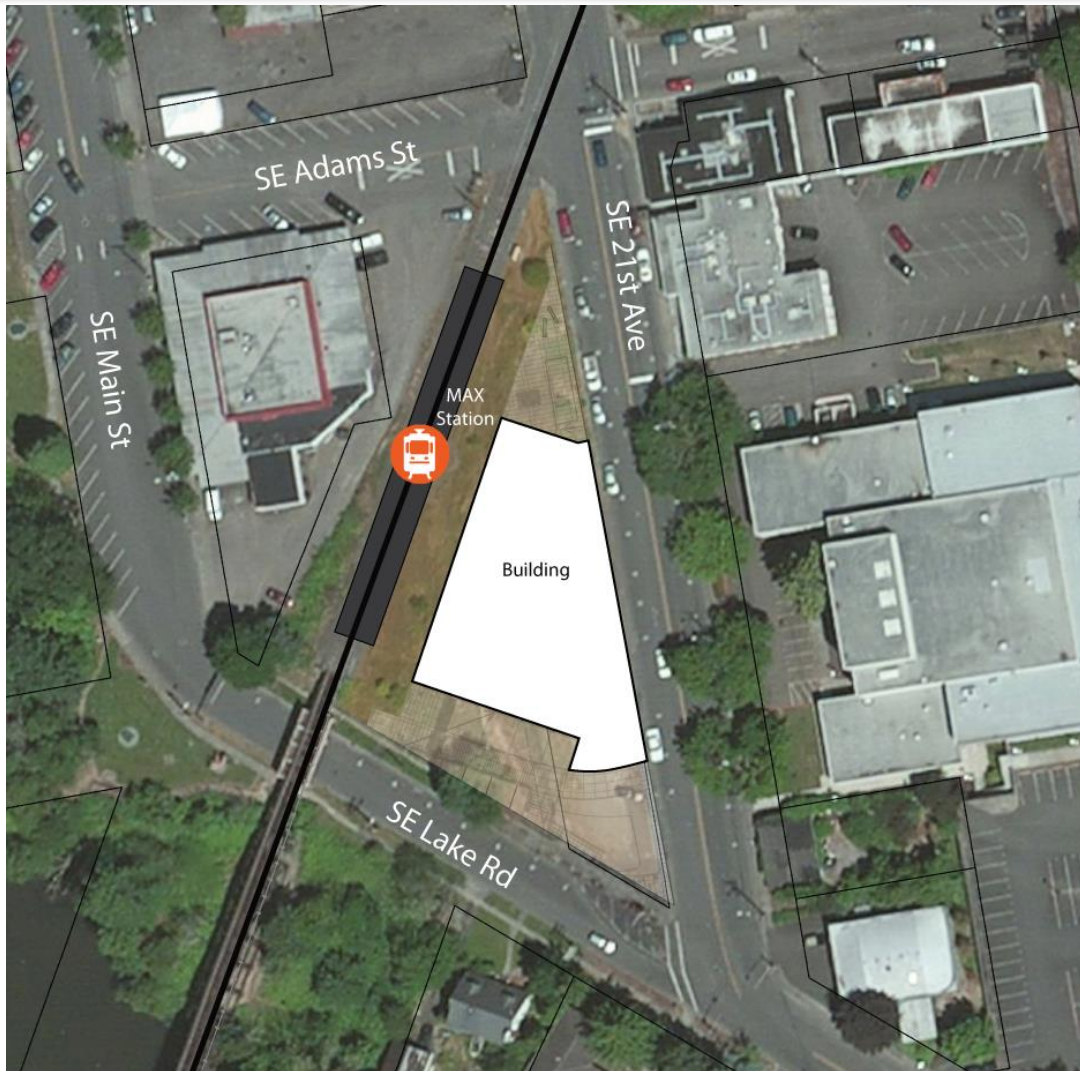
Triangle Site

February 2014 Draft Site Designs



Triangle Site – Option 1

February 2014 Draft Site Designs



Triangle Site – Option 1

February 2014 Draft Site Designs



Triangle Site – Option 2

February 2014 Draft Site Designs



Triangle Site – Option 3

February 2014 Draft Site Designs



Triangle Site – Option 4

February 2014 Draft Site Designs



Texaco Site

February 2014 Draft Site Designs



Texaco Site – Option 1

February 2014 Draft Site Designs



Texaco Site – Option 1

February 2014 Draft Site Designs



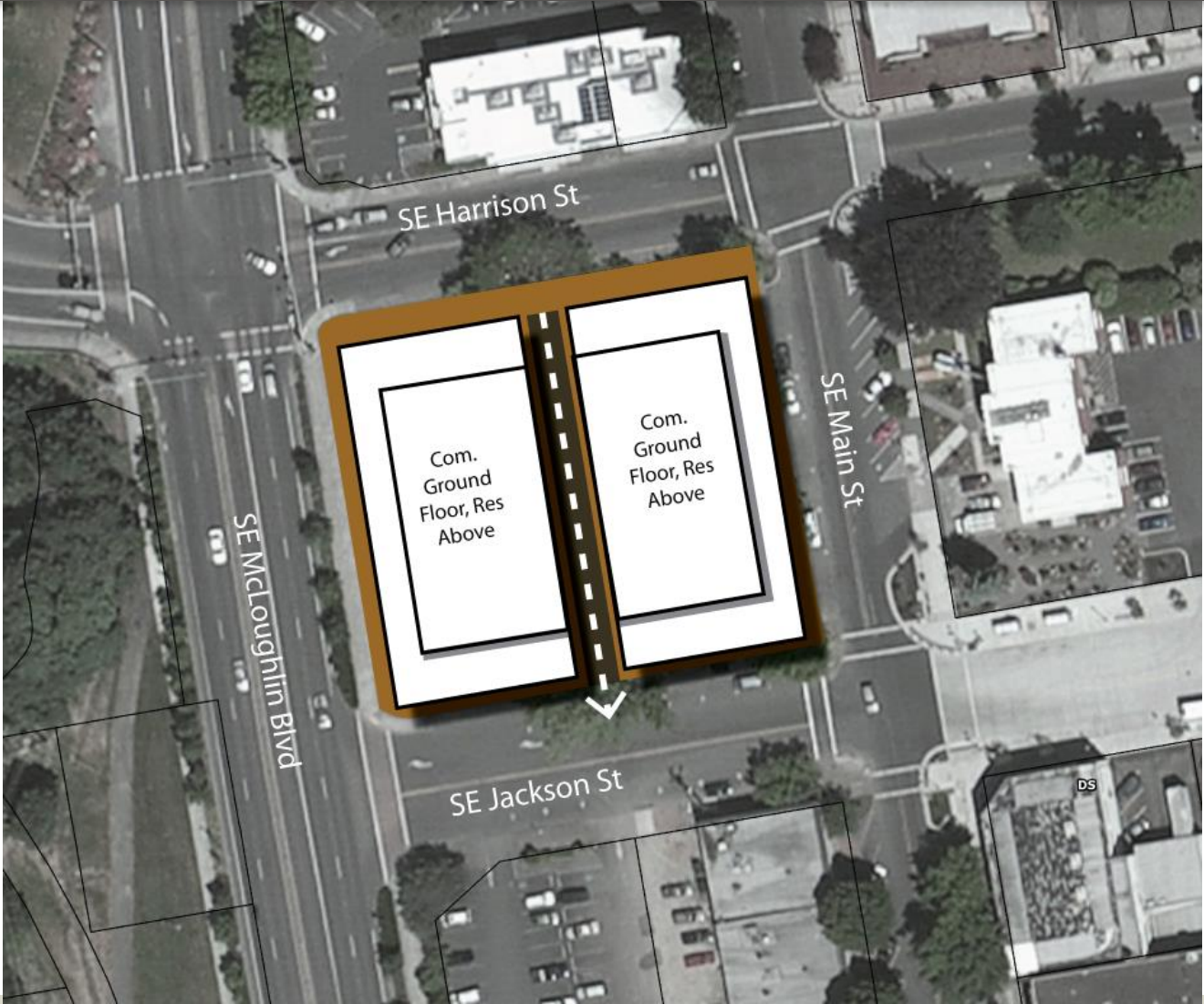
Texaco Site – Option 1

February 2014 Draft Site Designs



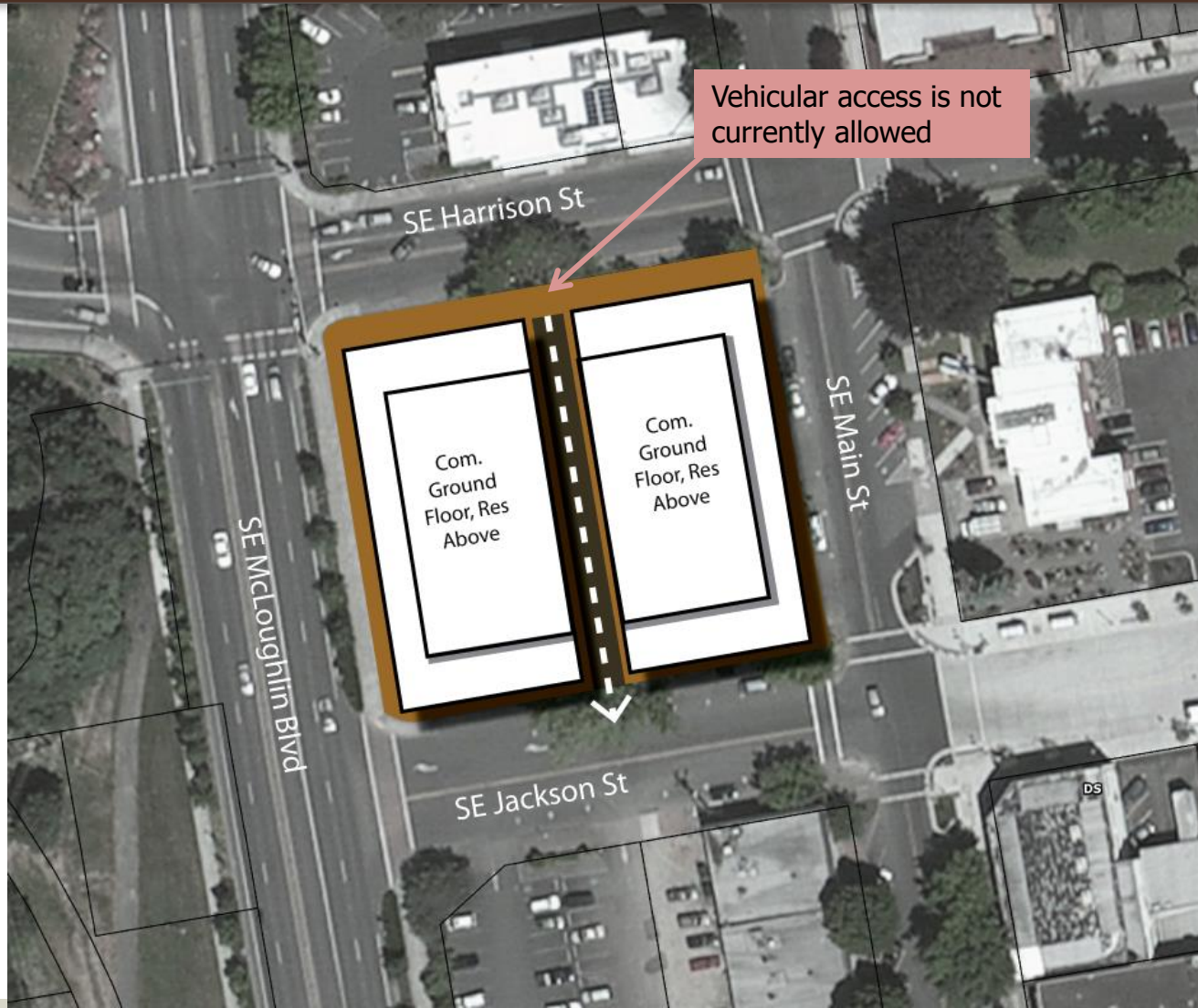
Texaco Site – Option 2

February 2014 Draft Site Designs



Texaco Site – Option 2

February 2014 Draft Site Designs



Vehicular access is not currently allowed



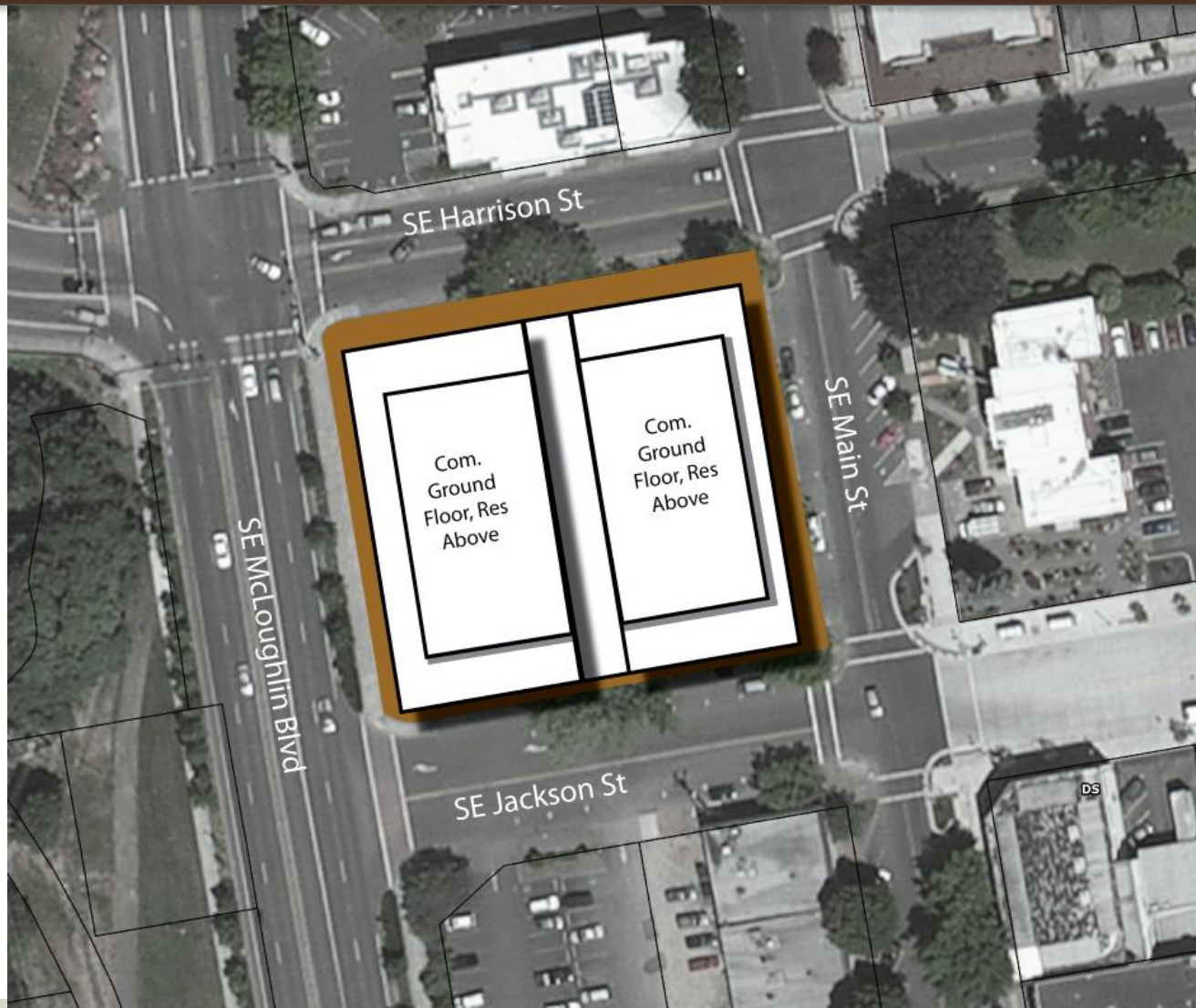
Texaco Site – Option 2

February 2014 Draft Site Designs



Texaco Site – Option 3

February 2014 Draft Site Designs



Texaco Site – Option 3

February 2014 Draft Site Designs



Murphy Site

February 2014 Draft Site Designs



Murphy Site – Circulation

February 2014 Draft Site Designs



Murphy Site – Option 1

February 2014 Draft Site Designs



Murphy Site – Option 1

February 2014 Draft Site Designs



Murphy Site – Option 2

February 2014 Draft Site Designs



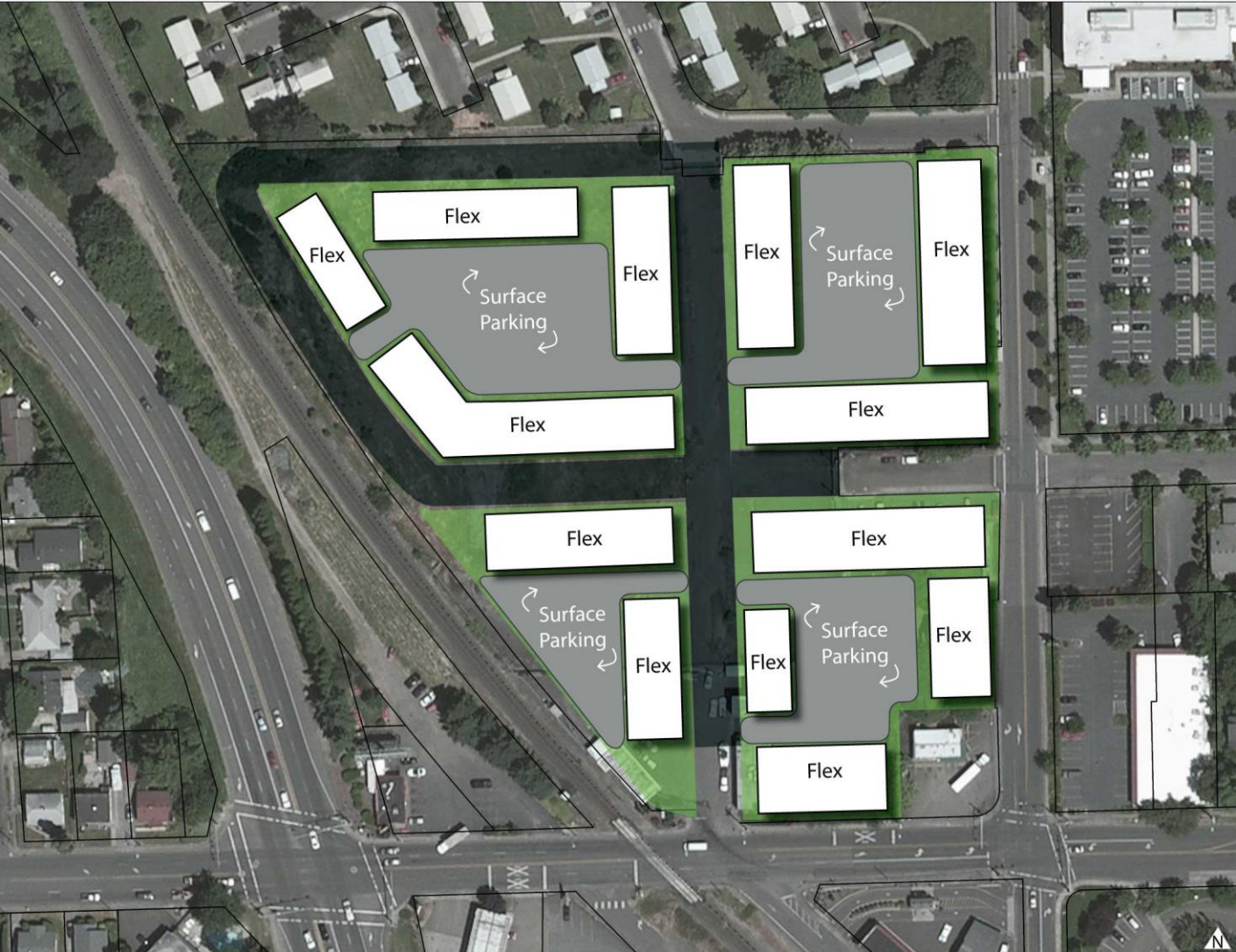
Murphy Site – Option 2

February 2014 Draft Site Designs



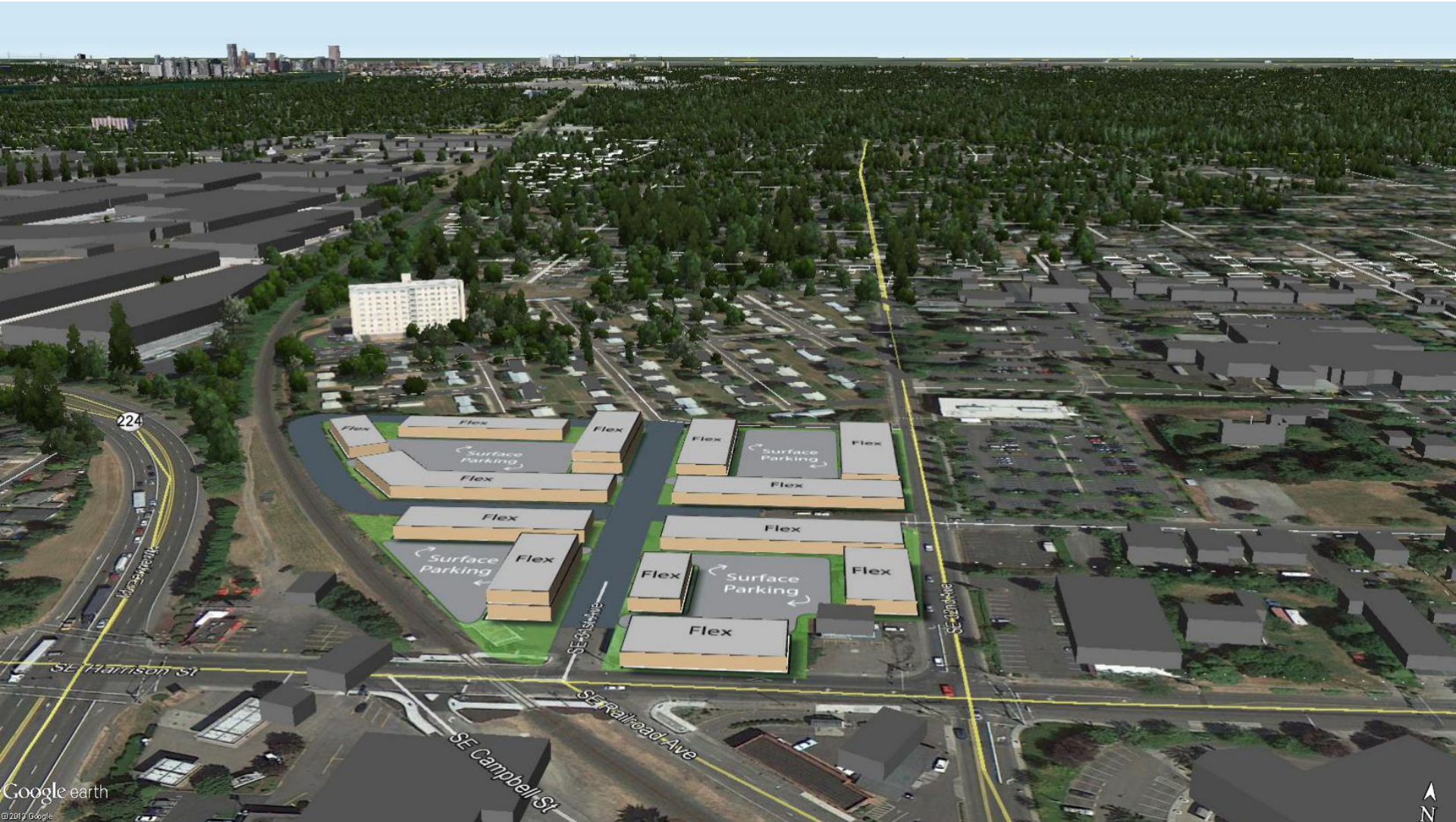
Murphy Site – Option 3

February 2014 Draft Site Designs



Murphy Site – Option 3

February 2014 Draft Site Designs



McFarland Site

February 2014 Draft Site Designs



McFarland Site – Option 1

February 2014 Draft Site Designs



McFarland Site – Option 1

February 2014 Draft Site Designs



McFarland Site – Option 2

February 2014 Draft Site Designs



McFarland Site – Option 2

February 2014 Draft Site Designs



McFarland Site – Option 3

February 2014 Draft Site Designs



McFarland Site – Option 3

February 2014 Draft Site Designs



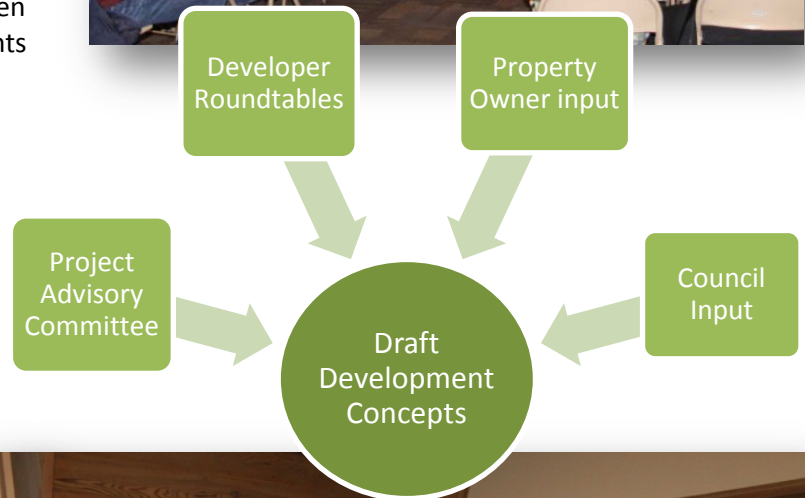
Moving Forward Milwaukie: Enhancing Our Commercial Corridors

March 6th Public Open House/Event Summary of Results

About 20 people attended the March 6th, 2014 public open house event, held at Milwaukie Presbyterian Church from 6 – 8:00 pm. The event provide an opportunity for community members to give input about the draft development concepts for seven opportunity sites in Downtown and Central Milwaukie, which the project team has been refining with input from City Council, a Public Advisory Committee, the development community, and other community members who attended previous public workshops and completed online surveys over the past several months.

Milwaukie’s Community Development Director Steve Butler and consultant John Fregonese gave a brief presentation , which covered the background and objectives of the *Moving Forward Milwaukie* project, and described the methods and inputs for developing draft opportunity site concepts aimed at catalyzing development in two of Milwaukie’s major commercial corridors. This presentation was followed by instant polling, where attendees used electronic clickers to anonymously answer a series of questions, the results of which were then immediately displayed on a screen for participants to see and react to.

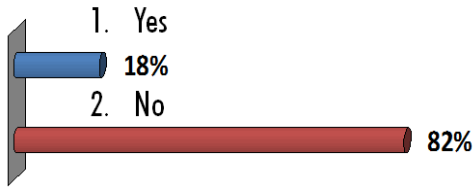
A series of posters illustrating draft concepts for each opportunity site was displayed at the open house, and participants were able to view the posters and ask questions of or make comments to project team members present, including both City of Milwaukie staff and staff from project team consulting firms.



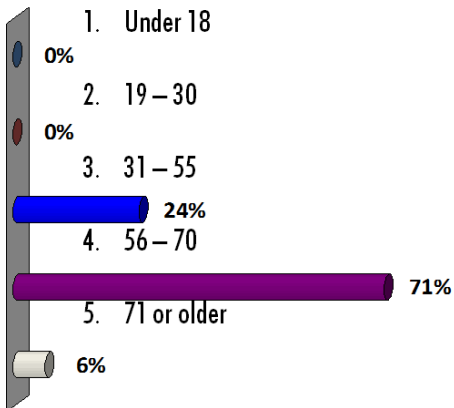
Who Attended

Most attendees had previously attended a *Moving Forward Milwaukie* planning workshop or open house, and were between the ages of 56-70. Residents of the Historic Milwaukie (38%), Ardenwald-Johnson Creek, Hector-Campbell, Island Station, and Lake Road neighborhoods were present, among others. Shopping was the most common activity for attendees to do in Central (63%) and Downtown Milwaukie (60%)

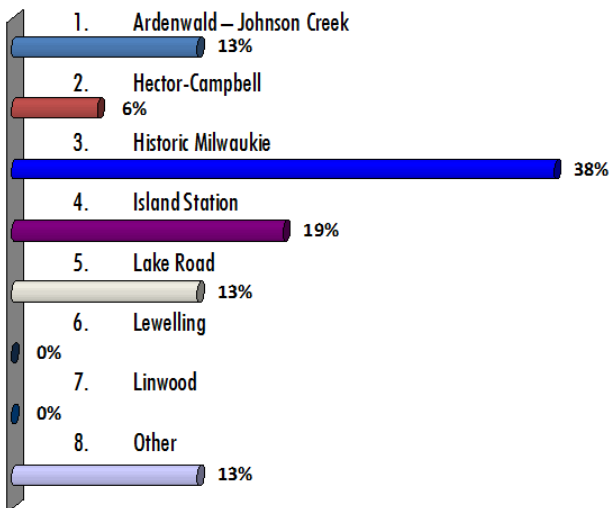
Is this your first time participating in a planning workshop for Central Milwaukie?



How old are you?

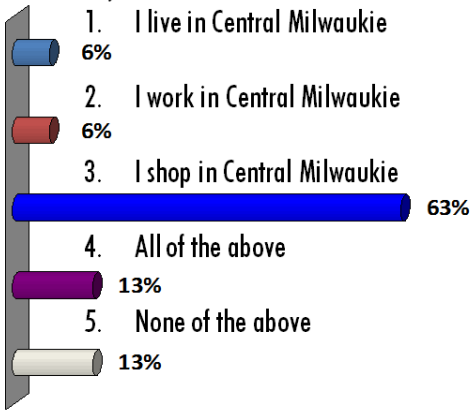


Where do you live?

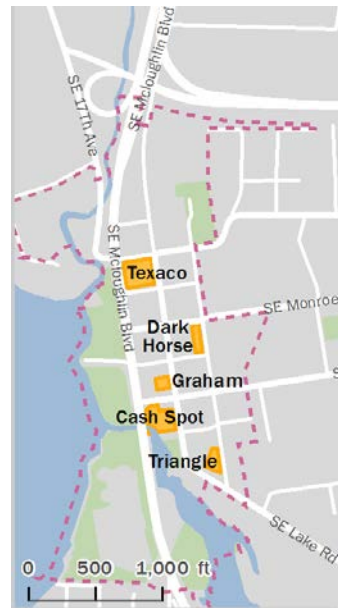
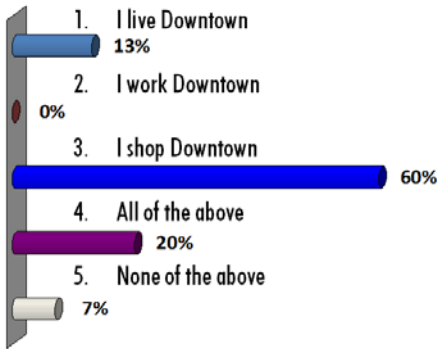


Moving Forward Milwaukie: Enhancing Our Commercial Corridors

How do you use Central Milwaukie?



How do you use Downtown Milwaukie?



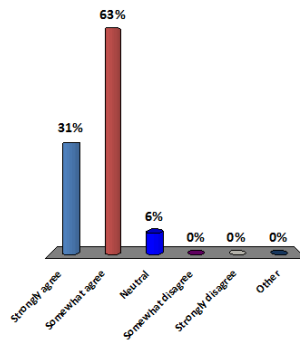
Murphy Opportunity Site

There was support for a range of uses on this Central Milwaukie site, allowing up to five stories, with a mix of pedestrian-friendly and auto-accommodating features.

On the Murphy site...

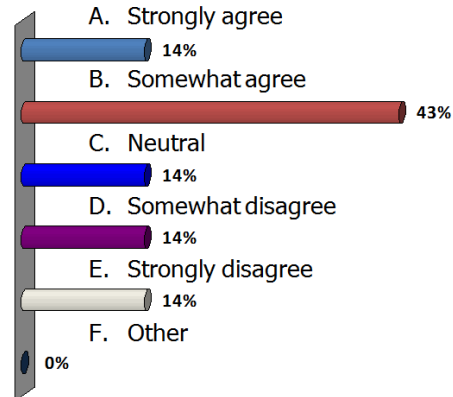
A range of uses should be allowed.

- A. Strongly agree
- B. Somewhat agree
- C. Neutral
- D. Somewhat disagree
- E. Strongly disagree
- F. Other

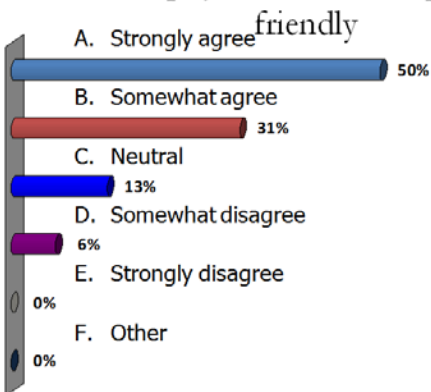


On the Murphy site...

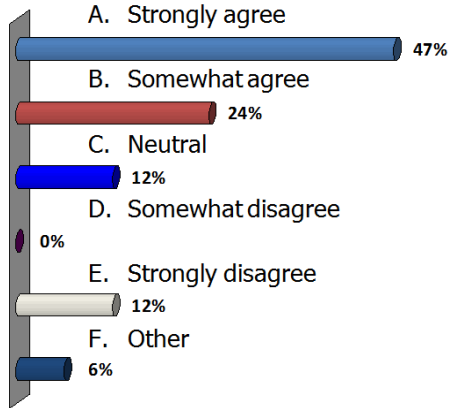
A range of heights should be allowed, up to 5 stories



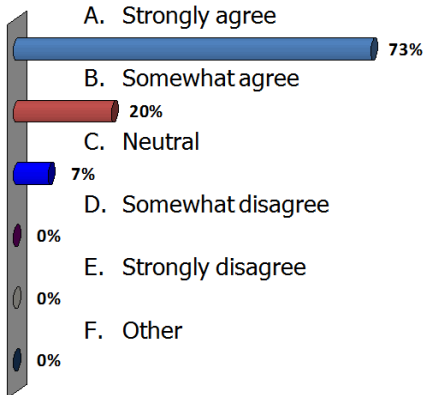
The Murphy site should be pedestrian



The Murphy site should auto-accommodating but small-scale.

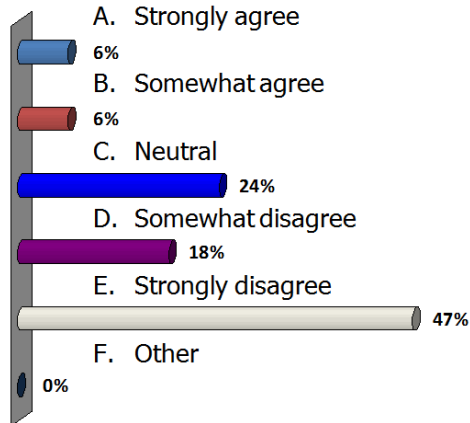


The Murphy site should be a mix of both (ped-friendly and auto-accommodating but small-scale).



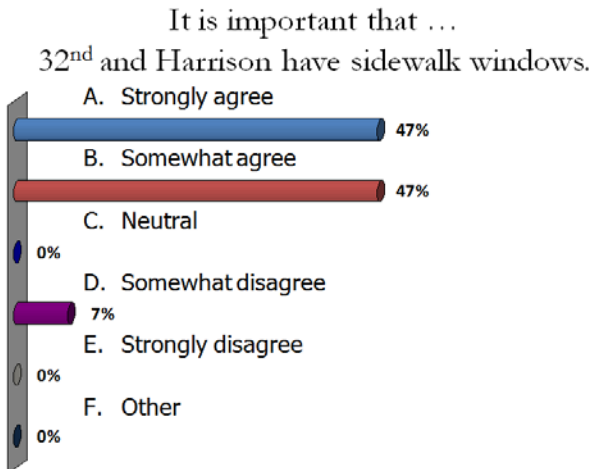
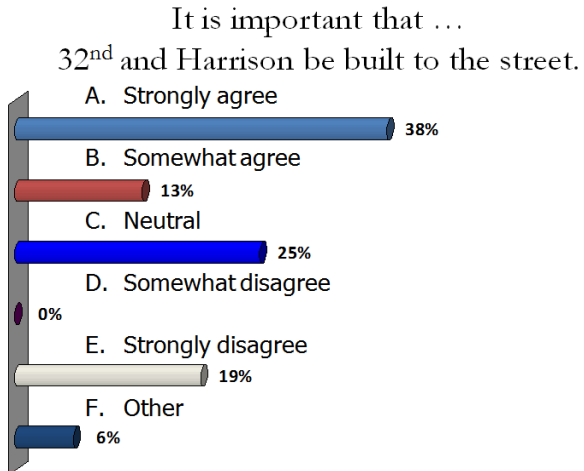
There was minimal support for medium or big-box development on the Murphy site (65% somewhat or strongly disagreed).

The Murphy site should be home to medium or big-box projects

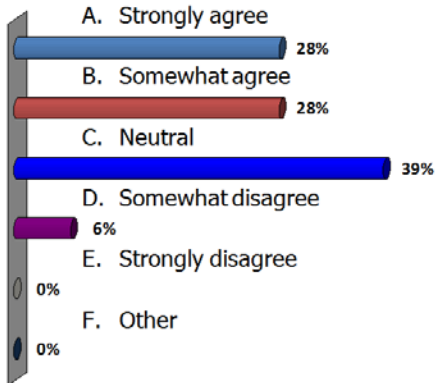


32nd and Harrison Streets

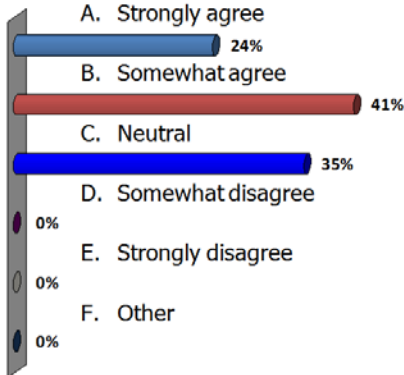
There was agreement that 32nd and Harrison Streets (adjacent to the Murphy site) should have sidewalk windows and landscaping between buildings and street. Votes were split as to whether development should be built out to the street, and whether there should be parking behind buildings.



It is important that ...
32nd and Harrison have parking behind the building.



It is important that 32nd and Harrison have landscaping
between the buildings and the street

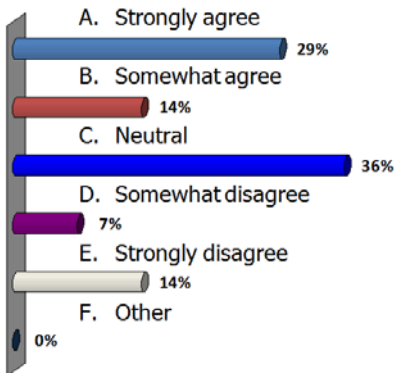


McFarland Site

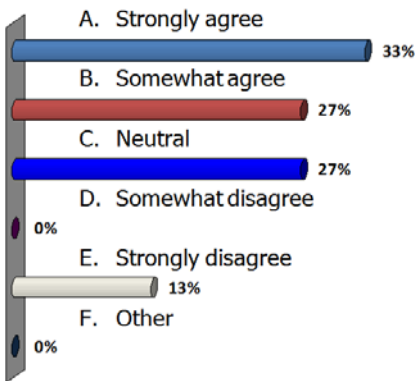
There were mixed feelings over allowing residential, office or commercial uses on the McFarland site (also in Central Milwaukie):

- Residential uses - 36% were neutral, 43% somewhat or strongly agreed, 21% somewhat or strongly disagreed
- Office uses - 60% agree/strongly agreed
- Commercial uses - 47% somewhat agreed, almost 30% were neutral, 20% disagreed or strongly disagreed

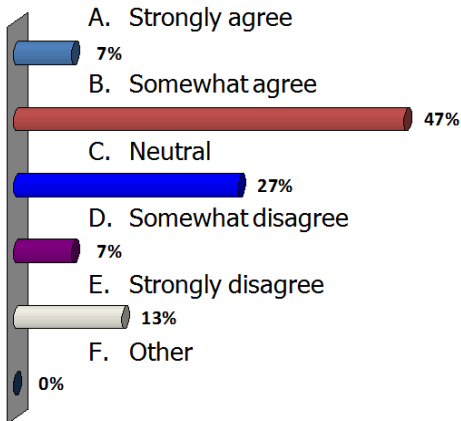
On the McFarland Site...
Residential uses should be allowed.



On the McFarland Site...
Office uses should be allowed.



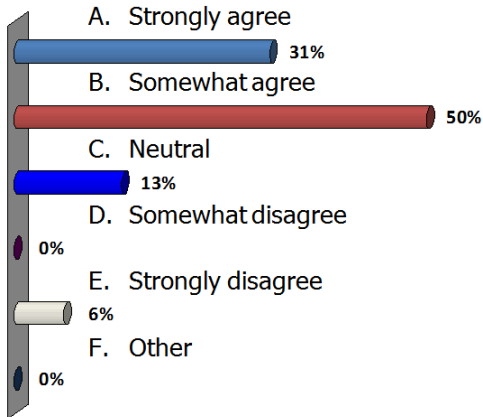
On the McFarland Site...
Commercial uses (like stores or restaurants) should be allowed.



The most support was for light industrial—a.k.a. flex space—to be located on the McFarland site (81% strongly or somewhat agreed).

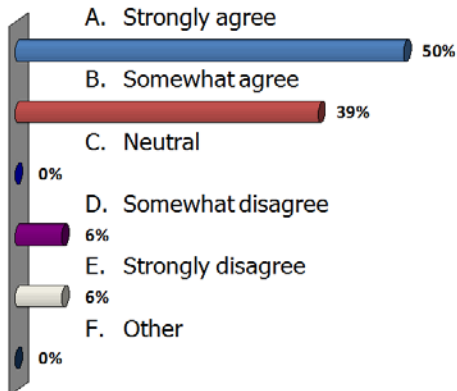
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On the McFarland Site...
Light industrial (flex space) should be allowed..

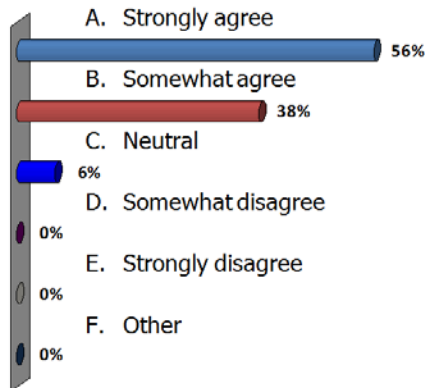


There was general agreement that the site should have a pedestrian friendly AND auto-accommodating/small-scale design.

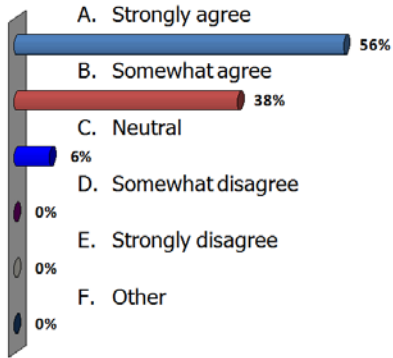
The McFarland site should be pedestrian friendly.



The McFarland site should auto-accommodating but small-scale.

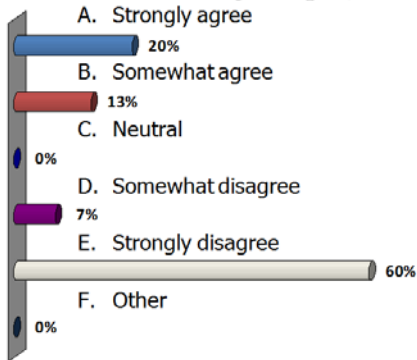


The McFarland site should be a mix of both (ped-friendly and auto-accommodating but small-scale)



There was disagreement that the site should be home to medium or big box projects (67% strongly or somewhat disagreed).

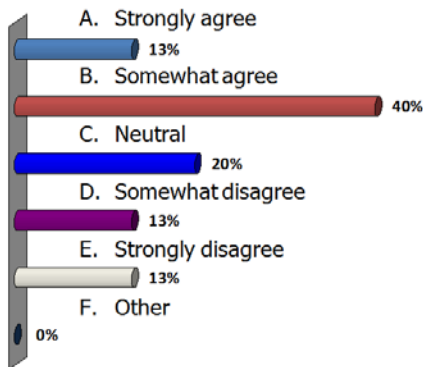
The McFarland site should be home to medium or big box projects



Monroe/Oak St/37th

There were mixed feelings over whether development should be built to these streets (40% somewhat agreed).

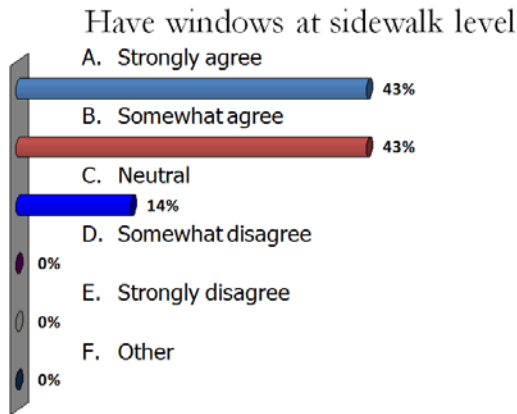
Development on Monroe St., Oak St. and 37th should... be built to the street



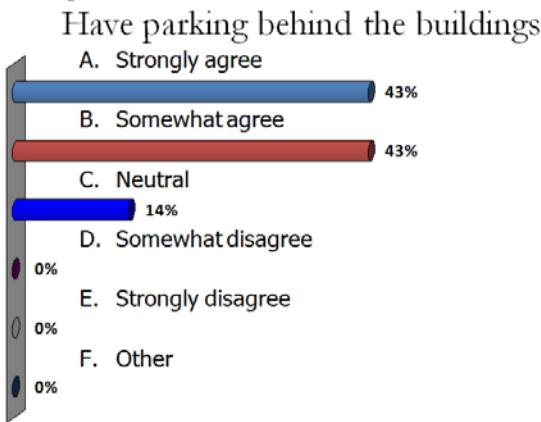
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There was agreement that these streets should have windows at sidewalk level and parking behind buildings (86% somewhat or strongly agreed).

Development on Monroe St., Oak St. and 37th should...

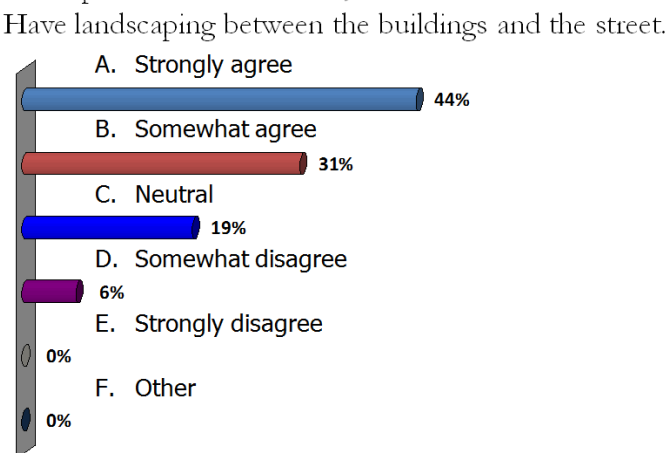


Development on Monroe St., Oak St. and 37th should...



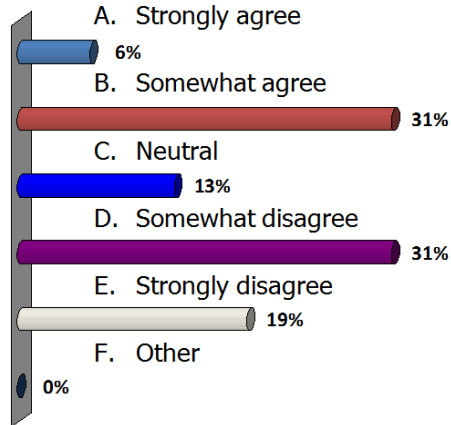
There was also support for landscaping between buildings and the street (75% strongly/somewhat agreed).

Development on Monroe St., Oak St. and 37th should...



Opinions were split over whether to treat all of Central Milwaukie the same, as opposed to treating the Murphy and McFarland sites differently. 37% strongly or somewhat agreed they should be treated the same, while 50% strongly or somewhat disagreed.

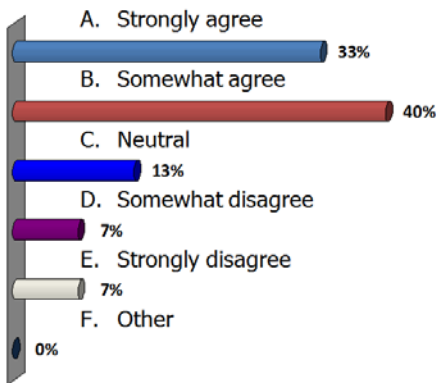
We should treat all of Central Milwaukie the same.



Downtown Milwaukie

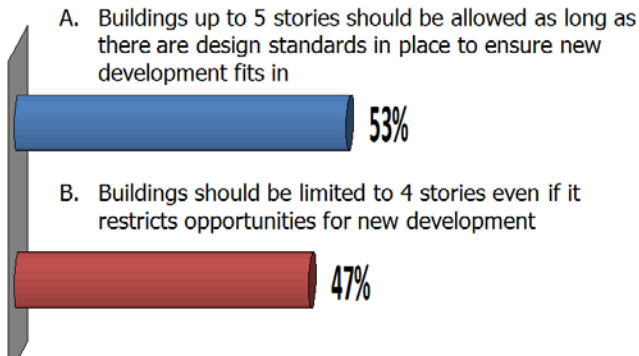
There was support for uniform development standards throughout Downtown (73% strongly/somewhat agreed with this approach).

We should make use and development standards uniform throughout downtown.

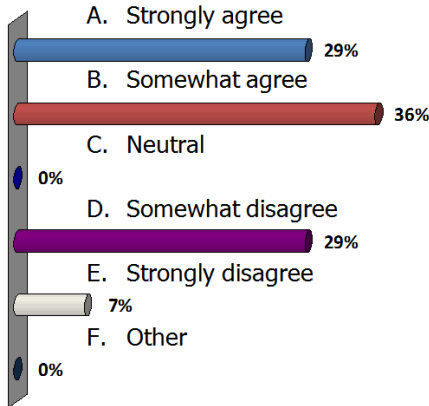


There were mixed opinions about height standards (47% agreed that the current four-story limit should be retained, while 53% supported a higher limit), and reductions in off-street parking requirements (60% supported off-street parking reductions, but 40% disagreed).

Which statement do you agree with more?

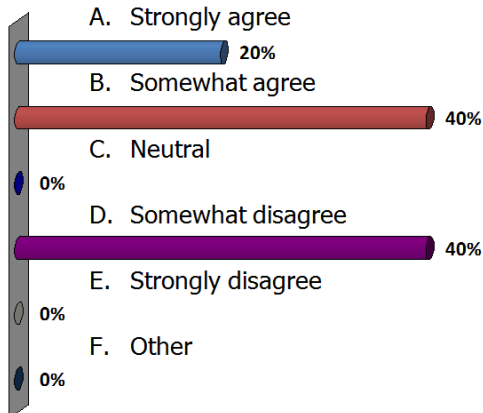


We should lower off-street parking requirements to encourage development and take advantage of increased transit.



There were also mixed opinions over whether new development should provide frontage improvements. More disagreed than agreed—the largest response group (38%) somewhat disagreed. Nineteen percent were neutral.

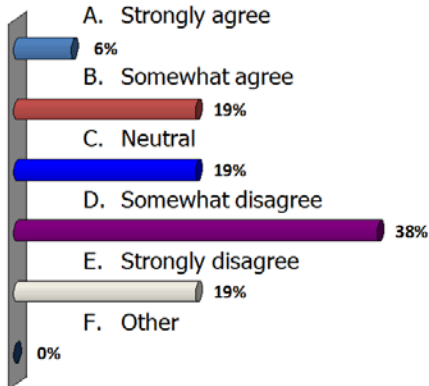
We should lower off-street parking requirements to encourage development and take advantage of increased transit.



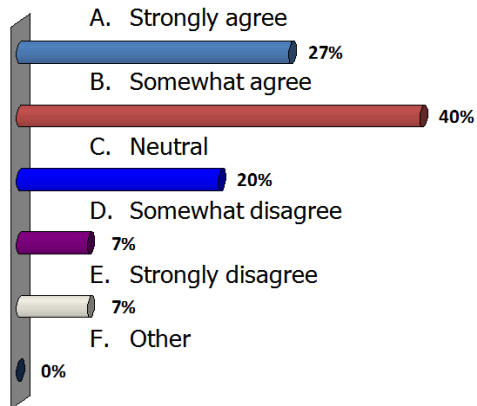
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There was more support for the idea that the City help pay for frontage improvements provided by new development.

New development should provide frontage improvements.

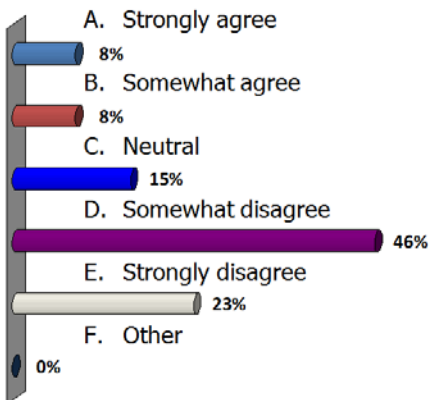


New development should provide frontage improvements, and the City should help pay for them



Most disagreed with the statements that “streets are fine as they are” and “frontage improvements aren’t necessary” (69% somewhat or strongly disagreed)

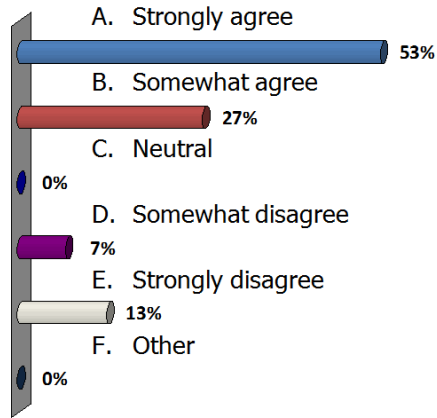
Downtown streets are fine as they are; frontage improvements aren’t necessary.



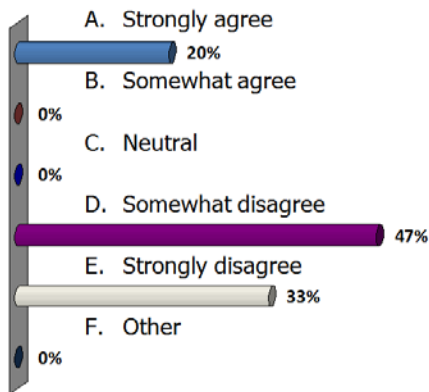
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80% somewhat or strongly agreed that the City should be active in catalyst development projects.

The City should play an active role in catalyst development projects to get things moving sooner



The City should take a passive role and let the market decide timing, even if it takes longer for development



The project team will be discussing these results with the Project Advisory Committee (PAC) on March 31, and with City Council in April 2014. For more information contact Li Alligood, Project Manager, at 503-786-7627 or alligoodl@milwaukieoregon.gov.



MOVING FORWARD MILWAUKIE DEVELOPMENT CONCEPTS

DRAFT – February 11, 2014

Page 1 of 2

Opportunity Site	Concept Description	Dwelling Units and Parking Spaces	Code Challenges	Transportation Challenges
Texaco	(1) – 4-story U shape, 1 floor commercial, 3 floors residential	78 dwelling units; 124 parking spaces	Main St maximum 10-ft setback	No vehicular access to McLoughlin Blvd or Harrison St
	(2) – 2 buildings, 3-story west side, 4-story east side, commercial ground floor, residential above	69 dwelling units; 38 parking spaces	Complies with current code	No vehicular access to McLoughlin Blvd or Harrison St
	(3) - 2 buildings, shared 1 st story; commercial ground floor, 3-story residential east side, 5-story residential west side	96 dwelling units; 107 parking spaces	5-story height exceeds permitted heights	No vehicular access to McLoughlin Blvd or Harrison St
Dark Horse	(1) – new building, 3-story live/work	19 dwelling units; 16 parking spaces	Townhome not allowed for live/work	None
	(2) – new building, ground floor commercial, 3 stories of residential above	42 dwelling units; 0 parking spaces	Complies with current code	None
	(3) – 4 stories, ground floor commercial, parking, residential above, adaptive reuse of buildings on NW corner of block	42 dwelling units; 0 parking spaces	Complies with current code	None
Graham	(1) – adaptive reuse of existing	0 dwelling units; 0 parking spaces	Parking, driveway on Main St nonconforming; no other issues	None
	(2) – 3-story redevelopment; ground floor retail; 2 stories residential	15 dwelling units; 0 parking spaces	Complies with current code	None
	(3) – 3-story redevelopment; ground floor retail; 2 stories office	0 dwelling units; 0 parking spaces	Complies with current code	None
Cash Spot	(1) – 2 buildings; 2-story over parking; ground floor commercial and office on Main, 2-story office on McLoughlin	0 dwelling units; 71 parking spaces	Retail size limitation; too little parking	No vehicular access to McLoughlin Blvd; right in/right out onto Washington St
	(2) – 3-story building on east half, surface parking, commercial ground floor on Main, residential above, incubator space below Main St grade	11 dwelling units; 45 parking spaces	Retail size limitation; too little parking	No vehicular access to McLoughlin Blvd; right in/right out onto Washington St
	(3) - 2 buildings; 3-story over parking; ground floor commercial and 2-story residential on Main, 2-story residential on McLoughlin	38 dwelling units; 62 parking spaces	Retail size limitation; may exceed max height of WG overlay	No vehicular access to McLoughlin Blvd; right in/right out onto Washington St

MOVING FORWARD MILWAUKIE DEVELOPMENT CONCEPTS

DRAFT – February 11, 2014

Page 2 of 2

Opportunity Site	Concept Description	Dwelling Units and Parking Spaces	Code Challenges	Transportation Challenges
Triangle	(1) – 1-story commercial	0 dwelling units; 0 parking spaces	Retail size limitation; no parking; minimum 2-story/35-ft building required	None
	(2) – 2-story, commercial ground floor; office above	0 dwelling units; 0 parking spaces	Retail size limitation; off-street parking required	None
	(3) - 3 story, commercial ground floor; 2-stories residential above	18 dwelling units; 0 parking spaces	Retail size limitation; off-street parking required	None
	(4) – 4-story, commercial ground floor; 3 stories residential above	26 dwelling units; 0 parking spaces	Retail size limitation; off-street parking required	None
Murphy	(1) – multiple 3-story buildings; mix of office with ground floor commercial on 32 nd , and residential buildings	94 dwelling units; 395 parking spaces	Code use regulations and development standards require mixed use, don't allow flex space. Subjective approval criteria.	No vehicular access to Harrison St; no additional access from 32 nd Ave
	(2) – multiple buildings, 1-story flex space on west half, 3-story residential with ground floor commercial on 32 nd on east	113 dwelling units; 272 parking spaces		No vehicular access to Harrison St; no additional access from 32 nd Ave
	(3) – multiple buildings of 1-story flex space	0 dwelling units; 187 parking spaces		No vehicular access to Harrison St; no additional access from 32 nd Ave
McFarland	(1) – single-family; townhomes; 3-story senior housing; park	89 dwelling units; 164 parking spaces	Code use regulations and development standards require mixed use, don't allow flex space. Subjective approval criteria.	No vehicular access to Oak St
	(2) – single-family; townhomes; 3-story senior housing; commercial NW corner; park	84 dwelling units; 161 parking spaces		No vehicular access to Oak St
	(3) – senior housing, 3 stories, multiple buildings; park	134 dwelling units; 283 parking spaces		No vehicular access to Oak St

DATE: FEBRUARY 5, 2014

ECO Project #: 21485

TO: Milwaukie City Council

FROM: Abe Farkas, Director of Development Services

SUBJECT: MOVING FORWARD MILWAUKIE: POTENTIAL DEVELOPMENT INCENTIVES

ECONorthwest is assisting the City of Milwaukie with the *Moving Forward Milwaukie* project. This project includes the creation and evaluation of hypothetical development concepts. Recent analysis of these development concepts shows substantial financing gaps for most potential development concepts in Milwaukie. Subsequent tasks on this project include creating an Action and Implementation Plan, which will identify specific steps the City can take to overcome these financing gaps and achieve successful development in Downtown and Central Milwaukie.

The Action and Implementation Plan will consider numerous options for public-private partnerships to provide incentives for new development. This cover memo accompanies a matrix (Appendix A) describing the numerous tools that are available to the City of Milwaukie, and how they could be used to provide incentives for private development.

We will be looking for input from City Council on which of these tools merit further consideration for potential inclusion in the Action and Implementation Plan.

Appendix A includes a discussion of several categories of development incentives used in other communities:

- A. Tools to reduce development costs
- B. Low interest grants/loans
- C. Property tax abatements and credits
- D. Tools that spur development in specific areas

Appendix A: Potential Development Incentives

Incentive name	What it is and how it works	Fund sources/ fund impacted	Potential benefits	Potential drawbacks
A. Tools to reduce development costs				
1. Land assembly	<p>Assistance with the process of acquiring private parcels for redevelopment or combining parcels together into one developable site.</p> <p>Sometimes takes the shape of technical assistance or expedited process. Other times, the public sector acquires the parcel(s), combines them, and sells to a private party.</p>	CDBG/HUD 108; TIF; EB-5; LIHTC	<ul style="list-style-type: none"> • Can help overcome development feasibility challenges by creating more viable redevelopment sites. • Public ownership of assembled land makes land write-downs or ground leases more viable. • Increases development feasibility by reducing development costs. • Gives the public sector leverage to achieve its goals for the development via development agreement process with developer. 	<ul style="list-style-type: none"> • Public agencies sometimes buy land at the appraised value or higher because they want to achieve multiple goals – which can impact costs of future public and private acquisitions. • Requires careful underwriting and program administration to reduce public sector risk and ensure program compliance.
2. Property price buy down	Publicly owned parcels can often be disposed of at lower costs or more flexible terms to induce redevelopment.	General fund	<ul style="list-style-type: none"> • Increases development feasibility by reducing development costs. • Gives the public sector leverage to achieve its goals for the development via development agreement process with developer. 	<ul style="list-style-type: none"> • Requires careful underwriting and program administration to reduce public sector risk and ensure program compliance.

Incentive name	What it is and how it works	Fund sources/ fund impacted	Potential benefits	Potential drawbacks
A.				
A. Tools to reduce development costs (cont'd)				
3. Reduced/waived building permit/planning fees	Reduces or waives various development fees as an incentive to induce qualifying types of development or building features.	General Fund or dedicated enterprise fund, respectively	<ul style="list-style-type: none"> Increases development feasibility by reducing soft costs for developers. Fee cost structures are within City control and can be easier to manipulate than other components of the development cost structure. 	<ul style="list-style-type: none"> Reduces revenues to provide permitting and compliance services. If development fees are reduced for some developments, that revenue burden will be shifted to other developments. Perception of favoring certain developments.
4. Reduced/Waived Systems Development Charges (SDCs)	Reduces fees for infrastructure capacity upgrades as an incentive to induce qualifying types of development.	Capital project funds for City and other infrastructure providers.	<ul style="list-style-type: none"> Increases development feasibility by reducing costs for developers. 	<ul style="list-style-type: none"> Reduces or eliminates funds necessary to improve infrastructure, resulting in a greater burden on new development elsewhere. The majority of SDCs are levied by other jurisdictions or districts (CCSD #1, NCPRD), which means the City does not have control over these SDCs.

Incentive name	What it is and how it works	Fund sources/ fund impacted	Potential benefits	Potential drawbacks
5. SDC fee financing or credits	SDC financing enables developers to stretch their SDC payment over time, thereby reducing upfront costs. Alternately, allows developers to make necessary improvements to the site in lieu of paying SDCs.	SDC fund / general fund. In some cases, there may be no financial impact.	<ul style="list-style-type: none"> • Reduced up-front costs for developers can enable quicker development timeframe and availability of property to generate additional taxes. 	<ul style="list-style-type: none"> • Reduces availability of SDC funds over the short term. • Most large residential Milwaukie SDCs are controlled by Clackamas County
A. Tools to reduce development costs (cont'd)				
6. Reduced/Waived Frontage Improvements/ Public Area Requirements (PARs)	Reduces City fees for frontage improvements (PARs in downtown) as an incentive to induce qualifying types of development.	City funds; LID; use of collected fees	<ul style="list-style-type: none"> • Increases development feasibility by reducing costs for developers. • Fee cost structures are within City control and can be easier to manipulate than other components of the development cost structure. 	<ul style="list-style-type: none"> • Reduces or eliminates funds necessary to improve the streetscape adjacent to new development, resulting in a less attractive streetscape. • If enhanced streetscapes are desired, alternative public or private funding sources would need to be considered.
7. Pre-development assistance	Grants or low interest loans for pre-development (evaluation of site constraints and opportunities, development feasibility, conceptual planning, etc.) to reduce pre-development costs.	CDBG; TIF; EB-5; General fund	<ul style="list-style-type: none"> • Reduces what are often risky pre-development costs for developments that fulfill community goals. • Enables developers and communities to explore wider range of project possibilities, particularly those that can meet more community as well as private sector objectives. 	<ul style="list-style-type: none"> • Can be perceived as favoring particular developers or property owners. • CDBG is only available in eligible areas. • EB-5 can only be used for projects that meet timing and job requirements, and are in TEAs.

Incentive name	What it is and how it works	Fund sources/ fund impacted	Potential benefits	Potential drawbacks
8. Expedited / fast-tracked building permits	Expedite building permits for pre-approved development types or green buildings.	Limited costs.	<ul style="list-style-type: none"> • Can be targeted to a specific development type or areas that are incented. • Can save projects time in development process, which produces financial savings. 	<ul style="list-style-type: none"> • May not have a large enough impact on development bottom line to change financial viability of project.
B. Low interest grants/loans				
1. Metro TOD Program	Grants for development project funding to stimulate construction of higher-density and mixed-use projects near transit.	Metro	<ul style="list-style-type: none"> • Funds are fairly flexible in their use. • Direct public investment into private projects. • Does not impact City funds. 	<ul style="list-style-type: none"> • Competitive process. • Must be located within close proximity to transit. • Must generate additional transit trips as a result of more intensive use of site. • Must reduce regional Vehicular Miles Traveled (VMT). • Numerous other requirements.

Incentive name	What it is and how it works	Fund sources/ fund impacted	Potential benefits	Potential drawbacks
2. CDBG grants	Community Development Block Grants provide communities with resources to address a wide range of community development needs, including infrastructure improvements, housing and commercial rehab loans and grants as well as other benefits targeted to low- and moderate-income persons.	Federal HUD funds	<ul style="list-style-type: none"> Funds are fairly flexible in application. Program has been run since 1974, and is seen as being fairly reliable. 	<ul style="list-style-type: none"> Competitive process to secure loans/grants for individual projects. Administration and projects must meet federal guidelines such as Davis Bacon construction requirements. Amount of federal funding for CDBG has been diminishing over the past few years. CDBG program is run through Clackamas County and is not in the control of the City.
B.				
3. Industrial Development Bonds	Tax-exempt bonds issued by the state of Oregon that provides long-term financing for land, buildings and equipment for manufacturers. Can be used for construction of flex space.	Bonds are purchased by institutional investors	<ul style="list-style-type: none"> Lower interest rates and tax-exempt status assist in reducing capital expenses. Generally provide the greatest benefit to the borrower for bonds of \$5 million or more. The Oregon Express Bond program is available for loans between \$500,000 and \$5 million. Can pay for up to 100% of project's development costs. 	<ul style="list-style-type: none"> Requires State backing Must have identified end user (can't be used for speculative development)
C. Low interest grants/loans (cont'd)				

Incentive name	What it is and how it works	Fund sources/ fund impacted	Potential benefits	Potential drawbacks
4. HUD Section 108	<p>HUD Section 108 is a mechanism that increases the capacity of block grants to assist with economic development projects, by enabling a community to borrow up to 5 times its annual CDBG allocation.</p>	Federal HUD funds	<ul style="list-style-type: none"> Funds are fairly flexible in application. Program has been run since 1974, and is seen as being fairly reliable. Enables a larger amount of very low interest rate subordinate funding for eligible projects 	<ul style="list-style-type: none"> Competitive process to secure loans/grants for individual projects. Administration and projects must meet federal guidelines such as Davis Bacon construction requirements. Amount of federal funding for CDBG has been diminishing over the past few years. CDBG program is run through Clackamas County and is not in the control of the City.
5. EB-5 (Downtown only)	<p>Investment dollars for new commercial enterprises that will benefit the US economy primarily by creating new jobs for US citizens.</p> <p>There are two versions of the program: 1) the original program that requires foreign investor to commit \$1 million for eligible projects that create at least 10 full-time direct jobs, and 2) the newer program that allows foreign investors to commit \$500,000 in eligible projects within Targeted Employment Areas that create at least 10 direct and/or indirect jobs. In return for these investments, foreigners seek US citizenship and can live anywhere in the US.</p>	Foreign investors	<ul style="list-style-type: none"> Relatively low-cost source of equity for appropriate projects. Projects can be construction (new or rehabilitation), or direct investments into businesses that will create required jobs. EB-5 can be bundled with many other funding sources. Downtown Milwaukie is currently a certified Target Employment Area 	<ul style="list-style-type: none"> \$500,000 program investor projects must be in an EB-5 eligible “targeted employment area” (TEA). TEAs are established and adjusted by the governors of each state and Milwaukie’s will be up for reexamination with all the others. Must meet job generation requirements within 2.5 years. Investors expect to get their equity investment repaid in five or six years. It takes added time to secure EB-5 funds due to federally required process steps.

C. Property tax abatements and credits

Incentive name	What it is and how it works	Fund sources/ fund impacted	Potential benefits	Potential drawbacks
1. Vertical and Multi-family Housing Development Abatements	Temporarily reduces or eliminates property tax bills for qualifying development. These programs benefit denser, market rate development housing projects	Local taxing jurisdictions' general funds—cities, school districts, counties, etc.	<ul style="list-style-type: none"> Targeted tool to support urban multi-family and mixed-use development in places with locational advantages City controlled 	<ul style="list-style-type: none"> Reduces general fund revenues for all overlapping taxing districts.
2. Low Income Housing Tax Credits (LIHTCs)	Provides tax credits for acquisition, rehabilitation, and new construction of rental housing targeted to lower-income households. At least 20% of residential units must be restricted to low income residents with income less than 50% median gross income of the area— or at least 40% of the units must be restricted to low income residents with income of 60% or less of the median gross income of the area.	Private and institutional investors/Federal government	<ul style="list-style-type: none"> Because they provide much of the equity needed for a project, they can make mixed income or affordable housing projects viable Can be used to fund mixed-income projects. Can increase the supply of affordable housing in an area. <p>There are two types of LIHTCs, 4% (less money and less competitive) and 9% (more money but highly competitive).</p>	<ul style="list-style-type: none"> States allocate federal housing tax credits through a competitive process. Property must maintain compliance with program requirements to remain eligible. There is known public opposition to additional affordable housing in Milwaukee. Affordable housing projects do not provide good “comps” to prove that higher rents are achievable in the market.
C.				
3. Federal historic rehabilitation tax credits	Encourages private sector rehabilitation of income-producing historic buildings. The program allows a 20% tax credit for certified rehabilitation of certified historic structures. It also allows a 10% tax credit for rehabilitation of non-historic, non-residential buildings built before 1936. The rehabilitation must be substantial and must involve a depreciable building.	Private and institutional investors/Federal government	<ul style="list-style-type: none"> The 10% tax credit is available for the qualified rehabilitation of non-historic buildings placed in service before 1936. HTC's are effective equity in projects. Can be bundled with historic property tax freeze and other tax credits to significantly reduce rehab costs of historic buildings for adaptive re-use. 	<ul style="list-style-type: none"> Long designation and certification process. Buildings must be rehabilitated for commercial uses (including apartments). An owner that is allocated the tax credits must remain in title for at least 5 years after the project is placed in service. Potential pitfalls involving the allocation of the tax credits by the investor party.

Incentive name	What it is and how it works	Fund sources/ fund impacted	Potential benefits	Potential drawbacks
D. Property tax abatements and credits (cont'd)				
4. 221d4 Housing program	Provides market rate multi-family housing developers with reduced equity requirements (20%), which can make some residential projects more feasible.	Federal HUD funds	<ul style="list-style-type: none"> • Can provide preferential financing particularly in times when market rate borrowing requires high levels of equity. 	<ul style="list-style-type: none"> • Lengthy process to secure federal approval for project as well as ongoing documentation

Incentive name	What it is and how it works	Fund sources/ fund impacted	Potential benefits	Potential drawbacks
E. Tools that spur investment in a specific area				
1. Façade improvement grants/loans	Commonly used as part of the Main Street approach to economic development, these are low or no interest loans, or matching grant funds to improve the façade of a building.	CDBG; TIF loans or grants	<ul style="list-style-type: none"> • A relatively low-cost approach to assisting property owners with improvements that creates a stronger environment for retail. 	<ul style="list-style-type: none"> • Can be perceived as favoring some businesses or business areas over others. • Previous storefront improvement program in downtown Milwaukie was undersubscribed.
2. Directed Sole Source Impact Fees	Retains SDCs paid by developers within a limited geographic area that directly benefits from new development, rather than being available for use city-wide.	SDC funds	<ul style="list-style-type: none"> • Enables SDC-eligible improvements within smaller areas, which can enhance catalytic and redevelopment value of area. 	<ul style="list-style-type: none"> • Reduces resources for SDC-funded projects in a broader geography. • Small geographic areas may not have sufficient SDC revenues to support bonds. • Largest SDC are controlled by other taxing districts.
3. Tax Increment Financing Grants, Loans, and/or Technical Assistance	<p>Tax Increment Financing (TIF) allows the City to capture the normal property tax generated by new taxable development and increases in existing development within a designated area, and reinvests those dollars within that area for a variety of improvements through loans and grants. City's often float TIF bonds to bring larger sums to a project and pay those back with annual TIF collected.</p> <p>An urban renewal area or district would need to be established to qualify the city to generate and use TIF.</p>	Local taxing jurisdictions' permanent rate property tax impacts	<ul style="list-style-type: none"> • Can be used to help pay for infrastructure improvements (including parking garages) • Can be used to provide loans/grants for adaptive re-use and new development. • Can be used to provide technical/business assistance to property or business owners. • Among the most flexible incentives. 	<ul style="list-style-type: none"> • Defers property tax accumulation by the City and County until the urban renewal district expires or pays off bonds. • Perception of negative effects on other taxing districts, such as school districts. • Timing of funds may not align with desired timeline for public investment. • Negative perceptions about this financing tool.

Incentive name	What it is and how it works	Fund sources/ fund impacted	Potential benefits	Potential drawbacks
D. Tools that spur investment in a specific area (cont'd)				
4. Project/site-specific TIF Grants, Loans, and/or Technical Assistance (aka Urban Renewal)	Same as #3	Same as #3	<ul style="list-style-type: none"> • Can be used to help pay for site/development infrastructure improvements • Can provide loans/grants for adaptive re-use and new development. • Can be used to provide technical/business assistance • Among the most flexible incentives. 	<ul style="list-style-type: none"> • Defers property tax accumulation by the City and County until the urban renewal project expires or pays off bonds. • Perception of negative effects on other taxing districts. • Timing of funds may not align with desired timeline for public investment. • Negative perceptions about this financing tool.
5. Tenant Improvement Grants/Loans	Assist property owners and new business owners with tenant improvements to the interiors of commercial spaces. Used for office and industrial assistance in addition to retail.	TIF; CDBG; HUD 108; loans or grants; tax exempt revenue bonds	<ul style="list-style-type: none"> • Reduces costs of tenant improvements. 	<ul style="list-style-type: none"> • Often tied to job goals. • In some cases prevailing wage would apply, which could increase the cost of development.