

## MINUTES

## MILWAUKIE CITY COUNCIL WORK SESSION

January 15, 2008

**Mayor Bernard** called the work session to order at 5:30 p.m. in the City Hall Conference Room.

Council Present: Mayor Bernard and Councilors Barnes, Chaimov, Loomis, and Stone

Staff Present: City Manager Mike Swanson, Community Development and Public Works Director Kenny Asher, Planning Director Katie Mangle, Resource and Economic Development Specialist Alex Campbell

**Updated Planning Commission Work Plan for FY 2008 - 2009**

**Ms. Mangle** said the Planning Commission talked with the City Council in May about its work plan and wished to provide an update. One of the big priorities was to finish the Transportation System Plan (TSP), which was completed, as well as a number of code amendment projects including the sign code, downtown public area requirements, and parking. A recently added item was residential design standards that had come up recently with the Balfour project. There had also been discussions in the community about houses being in proportion to existing houses and limitations to parking lot sizes. The Planning Commission felt strongly that it wanted to pursue that matter before the end of the fiscal year meaning the sign code project would drop off. The Commission had a list of four major projects it wanted to tackle in the next 6 months. When talking about public area requirements there were concerns about proportionality and legal limitations. There were similar problems with Chapter 19.1400, but the policy implications were a little different. Staff would continue to work on housekeeping and other minor code fixes to address problems identified during application processes, and the list was at about 200 items right now. Issues were identified as Category A easy fixes, Category B that would take some research and outreach, and category C requiring more research and outreach. It was important to prioritize work because they could not do everything, so it was a matter of balancing the need and level of difficulty. The housekeeping amendments were easy, while required much more focus and time. The 4 areas identified by the Planning Commission were those with the greatest pain involved. In the past it was the practice for Council to be the last stop before adoption. She thought some of the issues were of a high enough stature in the community that Council might want to be involved earlier. She asked Council how she could best educate and involve that body in the process.

**Councilor Barnes** asked if Ms. Mangle planned on having meetings where someone could take notes along the way.

**Ms. Mangle** outlined the steps in each code amendment. Some of the more complex items, like public area requirements, would have Planning Commission work sessions, so notes would be taken and available. Outreach and effective communication would be tailored to fit individual issues.

**Councilor Barnes** observed the TSP process was successful because of the work with subcommittees and suggested something based on that model but on a smaller scale.

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**Ms. Mangle** discussed that option with the Planning Commission, so one idea was for 2 or 3 Commissioners to focus on a topic. That process would likely look different for each project.

**Councilor Chaimov** said his preference for communication would be for staff to prepare a memo to Council at important decision points and to discuss it at a work session.

**Mayor Bernard** said he did not see rezoning of the McFarlane site on the list.

**Ms. Mangle** responded that matter was on the work plan which development review, code amendments, and master plan work which included supporting the light rail project. She commented on the level of urgency for code amendments in the community. McFarlane was still on the work plan and would continue to be nudged forward.

**Mayor Bernard** said his concern was that people had invested time, energy and money, and the City needed to ensure those investments were protected.

**Councilor Stone** liked being in the loop prior to a presentation and decision and asked Ms. Mangle if she was looking for feedback on priorities. It sounded like amendments to the public area improvements and the sign code needed some work.

**Ms. Mangle** said it was important to be realistic about what could be achieved, and several Commissioners were concerned that certain code sections work better.

**Councilor Stone** would want to look at businesses that were not appropriate in neighborhoods and anything that could add more muscle to the code to keep lock down facilities out of the neighborhoods was a good idea. We needed to make adjustments to our code so it spoke to small businessmen as well as bigger developers. It seemed like things came up, and there was a knee jerk reaction. It would be great if the code changes prevented that.

**Mayor Bernard** said that sections of the code were adopted in the 1990's and were just now being enforced. Things had changed, the environment had changed, and the City needed to figure out to enforce the code. His phone rang all of the time over those issues.

**Ms. Mangle** said no matter how much staff and the Planning Commission tried it may not be perfect, so the routine maintenance was always going to be a part of the picture. It was a matter of tackling one problem at a time.

**Councilor Stone** wanted to support citizen investments in general.

### **Street Operations Fund Outlook**

**Mr. Asher** discussed the state of Fund 320, street operations. It was mainly supported by the state gas tax and franchise fees from the other utilities. There were two things the Council should and would care a lot about given the state of fund 320. First, was how to continue basic street operations because it was getting more tenuous. Some different approaches for allocating funds may come up during the budget season. Second, was the ability to get grants for capital improvement projects, which they had done successfully over the past few years. There was a grant opportunity, a transportation enhancement grant through ODOT, for 17<sup>th</sup> Avenue bike lanes and sidewalks, but he did not think the City could apply because there was no money for matching funds.

**Mr. Campbell** explained that the chart on page 5 showing regular revenues from gas taxes and franchise fees was a story they all had heard. Historically over the past 10 years they had frequently exceeded \$100,000 - \$150,000 of their non-capital expenditures in that fund, but that was no longer happening. The impact of that was laid out on page 6 showing last fiscal year, current fiscal year, and what the next fiscal year would look like. The bottom line was the ending fund balance. If the City continued its current practice there would be a negative fund balance of about \$75,000 at the end of next year. When they looked at next year's budget they needed to look at service cuts. There were not a lot of optional services and functions being provided by the street fund. In terms of coming up with that additional small margin for basic services there were a couple of options. They looked at the various balances among the utilities. Fund 320 helped pay for community development administration, engineering, operations supervisors' costs, and other activities that the street surface maintenance fund should support. Staff had not felt a need in the last budget to do that, but they would like the flexibility to make a proposal in a way that was transparent. For instance, the engineering staff did a fair amount of support in terms of engineering, pavement design, and inspection on the street surface maintenance projects. Staff proposed to make some sort of payment from street surface maintenance to engineering that would offset some of the Fund 320 obligations to engineering. He was seeking Council input on the proposal.

**Mr. Campbell** discussed the grant match issue and suggested a phase or part of 17<sup>th</sup> Avenue that could be matched with fees in lieu of (FILO) from the North Industrial area. The TSP ranked that project highly because of the pedestrian element of the improvements. He did not see how they would do the pedestrian part of the improvements, but they could do bike improvements with a scaled-down project. Assuming that nothing changed he thought the best use of funds was to wait and do the project when they had adequate matching funds from additional FILO funds or a new systems development charge (SDC) study.

**Mr. Asher** hoped to engage Council in a discussion to make sure they were all on the same page. First, the budget was coming and they needed to figure out way to reallocate or cut costs which would not be easily done. Second, they could brainstorm about finding replacement sources of funding to match projects, but it was a heads up that the City needed to notify ODOT on the transportation enhancement round the first of next month. They did not have the ability to get that right now for the project that had been programmed. They would be hard-pressed to find any other project because they would run into the same issue. The FILO monies were collected from certain neighborhoods, and they proposed some of those monies were proposed for the quiet zone. Once it was gone it was gone. Staff was open to any ideas or direction for Council to confront this hard reality.

**Councilor Stone** liked the idea of floating the cost of business to other departments. She asked if there was a way to build a general grant fund using funds from other departments. If the cost of doing business was floated, how much might that amount to in a year?

**Mr. Asher** said that is what happens today. The general fund collects property taxes, and the utilities collect fees. The utilities can afford to help City services, and they already do through transfers. Fund 320 was being asked to fund the same amount as the other 3 utilities. Mr. Campbell was suggesting that the new street surface maintenance program was not contributing anything even though engineering was providing services to that program. It may be that some of that 320 transfer could be offset. It was more of a tweak because they were already

doing that across the board. The non-revenue departments were supported by the revenue-producing departments.

**Councilor Stone** asked if the City had matching funds for 17<sup>th</sup> Avenue last year.

**Mr. Campbell** replied if the City had got the grant last time it would have been in a difficult situation. There were some existing obligations coming up including the Lake Road match, the railroad crossing project, and Logus Road. There was also a downtown streetscape for a grant written in 2005 and that had a \$50,000 match. That was not SDC eligible, and no FILO had been collected in the downtown. The expected match for that grant he assumed would have been from the street fund.

**Councilor Chaimov** asked if there were ways the City could raise revenue that would make the monies eligible for matches. He assumed Milwaukie needed to use certain money for matches.

**Mr. Campbell** responded that SDC's were restricted and had to be spent on capacity expanding projects, and that did not include bike lane projects. It also had to be an identified project in the SDC rate study. As far as the grantors were concerned they were happy to use any local money for match.

**Councilor Loomis** understood that staff wanted to use some of street surface maintenance fee to pay for part of engineering.

**Mr. Campbell** replied that was one way it could be done. The other would be that the street surface maintenance program was written to support street maintenance that was already ongoing, so they could figure out how to pay for that either directly out of 320 or from the street surface maintenance program.

**Councilor Loomis** would have a hard time supporting that. He guessed that state gas tax was to maintain and build roads. Now the fund was down to zero and would hate to see that bleed into this other program.

**Mr. Asher** said if fund 315, the street surface maintenance fund, were used it would only be work that was eligible. The new revenue would be dedicated for street surface maintenance, and the intent was not to rob this fund to do anything else. If we were to make such a move in the budget it would be consistent with work going on supporting the SSMF projects, but right now fund 320 was paying all the engineering cost. There was still the perception issue, which was that people were prone to believe that staff was trying to move money around for some other purpose. He was not asking for anything specific from Council tonight. It was just a little bit of an alarm sounding so that when staff went through the budget and reported that it was no longer applying for transportation grants that Council understood why. Mr. Campbell was researching how what other cities were doing to raise local money that Milwaukie may want to consider. It was important to engage in Council in the discussion now. There were no other resources based on state of the general fund.

**Councilor Chaimov** suggested that staff come back with options for raising specific amounts of money for projects like the 17<sup>th</sup> Avenue improvements. If there was a match needed, Council could consider a menu of funding options and evaluate whether to ask voters if they would like to have their money spent that way. We may need to have specific and targeted investments in the community.

**Councilor Barnes** asked for a definition of street capital projects.

**Mr. Campbell** he said that was any project to which Fund 320 was contributing.

**Mr. Asher** noted CDBG projects tended to be sidewalk projects, and fund 320 provided the match.

**Councilor Barnes** said it seemed like street division employees were spending a lot of time on door hangers and suggested code enforcement should take on that task. It seemed like four people putting up door hangers was a lot. Could the police department move the speed trailers? Or could it be done by a neighborhood association person? She would rather see our employees doing what they were trained to do rather than those other things.

**Mr. Asher** replied it was a struggle. They always tried to be responsive to neighborhood concerns like the speed trailer and accommodate the interests in traffic calming. The door hangers showed how much the utility workers provided support services. The Library often called on them for its needs and were often called upon for meeting setup. Part of reason they had Mr. Clark and Mr. Shirey begin to account for their time was so that they could make the right allocations. It was really difficult to say "no" when neighborhood or internal customer service issues came up. They were still getting to the base level of service to maintain streets. He concurred that it was something that they struggled with. He believed that the door hanger function was rotated among departments on a monthly basis.

**Mr. Campbell** added about 200 door hangers per month had to get out in a short period of time.

**Mr. Asher** observed they did a lot with a little and were concerned about erosion of core services. He was concerned about that in this fund unless something changed on the revenue side.

**Mayor Bernard** did not see any solutions coming out of Salem although Metro and the City of Portland were working on some ways to raise funds.

**Mr. Asher** said the only difference was a fix coming out of the state legislature would be aimed at changing the mechanism by which that fund got revenue. It could be an increase in the state gas tax or vehicle registration fee to fill the coffers back up on a regular basis. It had not done well in the past, and it seemed like there was more energy aimed at it now than in the past. The Governor was on record as having it as a very high priority and has committees up and running to explore options. He would respond to Councilor Chaimov's request as early as February 5.

### **Downtown Milwaukie Market Expectation**

**Mr. Asher** said for this meeting the Council needed to distance itself from the Milwaukie it knew and loved. It was a great place with potential. Real estate needed to be thought of as a commodity and something that was bought and sold on the market. Prices were affected by a number of things and were always in comparison to other places. Certain places had certain features and prices. What was interesting about this report to him had nothing to do with Milwaukie as a place to raise a family, livability, or attractiveness. This was a hard-nosed business analysis of how the space would trade in the market compared to other neighborhoods. He introduced Jerry Johnson.

**Mr. Johnson** said the big issue with this project that he did for Metro reflected that there was greater demand for public intervention, mixed use, and urban density development forms. One of the things they were bringing up over and over was why the 2040 Centers were not working. It was a fact that some development forms cost more money to build. One needed an urban amenity

premium that justified the increased expenditure. If you got into an area like the Pearl District the achievable pricing was \$400-\$600 per foot. The Pearl had a broad range of amenities that included great retail, shopping, and entertainment in proximity to employment and transit infrastructure. They could get a high price point because people would pay more to live in that area. Developers look at achievable pricing and alternatives and highest and best use. When prices are relatively high we get higher density development forms because people will pay a great premium to be closer to that amenity mix. The work they did for Metro looked at a range of amenity types they thought would have a positive impact. They tried to isolate what could be attributed to what. Square footage, quality, and school district were all worth a certain amount, so when one isolated those issues and came down to looking at it they could attribute it to the different amenity types. Amenities included bakeries, cinemas, grocery stores, and flower shops. They were trying to address that primary challenge of getting an urban area going. There was a statistically significant linkage with certain amenity forms. Some amenity forms had a fairly significant impact on achievable pricing. One was a specialty grocer. Premium was if you were within a few blocks of a specialty grocer. That was one of the reasons why the Pearl District was at a premium; the closer you were to Whole Foods the higher, premium pricing. They looked at case studies after that. The conclusion was that from some of the urban amenity experiences one could get higher density and urban development forms. The flip side was that it said if you make your area more attractive, people would pay more to live there. Therefore you get higher density development forms that support the cycle of reinvestment and things get stronger over time.

They also talked a little bit on case studies and specific issues with Milwaukie. The big issues were people looked at alternative investment opportunities and Milwaukie traded at a discount relative to some areas that had more established amenity premiums like Sellwood Moreland. Because of the location you were truncated from some of the trade areas, which made it difficult for some of the retailers to get a lot of strong pull. They did a gravity model to figure out how much Milwaukie could pull from. Sellwood Moreland had a lot of restaurants and had a trade area that was easier to get to because Milwaukie was truncated between Hwy 224 / 99E. It was a more difficult pitch to get some of the tenants that would help drive the amenities. It did not make it an impossible situation because people were interested in investing Milwaukie. Location qualities in Milwaukie were pretty strong. People needed to understand that you need certain pricing levels that Milwaukie was not at to get development forms, and you need to make sure that when expecting certain development forms you are cognizant of the fact that the development form comes with an associated achievable pricing or it won't work. When you looked at mid-rise, rental, apartments that number changed a lot because costs and funding numbers changed. It would take \$1.35-\$1.65 per square foot per month and Milwaukie was probably closer to \$1.10 of \$1.15 per square foot, which meant that without some level of intervention you could not expect someone to build. Keep in mind the achievable pricing in Milwaukie that you and get your expectations in line with what the market will support. The PDC can make up the difference but without the need to be market savvy. There were some things that were pretty positive in Milwaukie in the long term and he thought it would be quite strong. They recommended to Metro that the North Main Village project was good for Milwaukie and established some price points and some expectations. It had proven some market parameters, but you cannot get ahead of yourself.

**Mayor Bernard** understood that the only resolution might be an urban renewal district.

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**Mr. Johnson** said the City could buy density, but there was a limit. What you really want to do is change the price curve by making it more attractive and have an exit strategy to subsidies. It was always better to be more market savvy, and create a point where you could pull out. Very few jurisdictions could continue to buy density, and was that a useful expenditure of funds. He said there was some proof of concept studies that helped establish what price points would be in an urban, and get some level of population to support a more retail tenant mix. You could strengthen your retail tenants, get daytime/evening populations and make the activities stronger over time so that you will evolve to the point where downtown was a place that people paid a premium to be close to. It had to develop over time. You need to find ways to leverage, and depending on the market, with a little push, you could get them to do a higher quality development with higher density. You could help underwrite tenant improvements for a tenant that would help with pricing that helped the overall downtown by providing an amenity that was useful. Maybe that was a position where jurisdictions could get beyond the straight development and take a look at different options. The results of his study showed that there was a statistically valid reason to underwrite amenities as far as encouraging higher density urban development forms. The amenities could fundamentally change achievable pricing and close the gap more than throwing money at a project.

**Councilor Barnes** asked if it was better to have amenities first or people.

**Mr. Johnson** said what you want to get is people investing in downtown and up the ante for the next investment. You cannot push beyond what the market can do unless you buy density. You need to get on a path of investment and reinvestment, which supports a higher level of amenities to change achievable pricing for better density over time. You need to keep expectations in line with the market.

**Mr. Asher** said the other evolution he heard was there was little more sophistication in understanding what made things go. People were willing to live in denser corridors and pay more. When the 2040 Plan was first written the discussion did not go much farther than having density in these Centers because they did not want to expand the UGB. Therefore the notion was to subsidize density and make sure these mid-rise projects could be built. There was an idea that it was enough just to help make it such that people could live in dense corridors. The fairly new thinking was that they were not trying to do that, but if we invest in amenities to make a great place with transportation systems, activities, and jobs then this density thing would take care of itself and evolve. It was a different emphasis on what the policy investment should be all about.

**Mr. Johnson** said when the 2040 Plan was first done nobody thought about the economics of density. It was a pie in the sky circles. Then they tried to figure out why it was not working. When you run the numbers it did not work. What you really wanted to do was find ways to make them function as they should. Some communities were using shadow platting that showed phased development of density over time and did not require density forms that did not make sense. You needed to keep in mind that people could always go somewhere else. The Pearl had the amenity base, but South Waterfront did not. They were having more trouble holding pricing because they did not have the amenity mix. It was like Milwaukie, a truncated market. There were limited by I-205 and Macadam Avenue.

**Mr. Asher** said Mr. Johnson's study for Metro focused on urban amenities of retail and commercial space. The City was working on a couple of public

investment projects including Riverfront Park, light rail, and a public plaza at south end of Main. He asked Mr. Johnson how strong were those investments in terms of market makers.

**Mr. Johnson** said they were nice in that they organize the downtown and people would understand how money was being spent. It was a common area amenity you needed to make sure you kept a vital commercial core. He had seen people do public space that killed commercial cores. City Hall may be a commercial core killer in the long term. You did not want to make people go in front of too many vacant storefronts. Downtown revitalization projects often went block-by-block in phases. Public buildings can be a killer on some of those things. Libraries were great for residential.

**Councilor Stone** asked the effect of incorporating public buildings in a plaza?

**Mr. Johnson** said a key issue was keeping some sort of ground floor vitality. Public buildings were great because people had to come there and gave daytime population as well as sometimes evening populations. The big issue like in Hillsboro was making sure you were taking care of your corners where you had some retail commercial presence so you did not create a dark block in the evening that took away from the vitality.

**Councilor Stone** said Milwaukie needed more amenities and more businesses in the downtown.

**Mr. Johnson** said everyone wanted a Trader Joe's and remove 'Ole Stinky.'

**Councilor Stone** was concerned that the downtown was a small space. They needed to be choosy about what went in. Milwaukie used to have a bustling downtown, and she would like to see that happen again. Her concern with plans to densify was that we needed to develop for people who already lived here, and not just for the people that were going to move here. She was concerned that there would not be room for people who lived in Milwaukie to come downtown in anyway other than by bike because there was no place to park. She did not think the City needed to over densify its downtown because it was a small space. She thought the focus should be on retail.

**Mr. Johnson** said Metro picked up on the fact that each Center should have unique identity. We needed to get away from the density targets and make it an attractive place to be.

**Mr. Asher** said the Town Center project would be reported on during the regular session. The developers may have ideas about what to expect in this market. He said we always needed to have a realistic view of what the market could deliver. He was not sure that Milwaukie could deliver. The River was an amenity. The region was growing, and that investment would show up. He found reports like this case study to be important because he did not want to foist too many issues on to a market that was non-existent or 10 years away. He wanted to be smart about nurturing current projects and help the developers get the amenities in the projects for a catalytic affect. This report and idea had become the Urban Living Infrastructure Program, which the Metro Council adopted. Milwaukie was selected as one of the four focus centers to support tenant improvements. Those funds could be made available to developers on their projects such as Mr. Parecki and Mr. Kemper.

### **Library Funding**

**Mr. Swanson** provided an update at the last work session and he talked about the Clackamas County request for \$10,000 for an information campaign. Two

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questions were raised. One was what would be the rate required within the City if we needed to make up \$480,000 = \$0.36 per \$1,000. The second question was what would a \$0.15 rate would generate = \$213,000. He would have Commissioner Peterson and Dan Zinzer to talk about the library district proposal at the next meeting. He would be at a Mayor/Manager's meeting on Thursday where the proposal would be discussed. He provided a table that looked at the assessed value Countywide and calculated what would be raised at \$.35 per thousand, which was the last library levy. Then he went back and pulled out what was spent for library purposes, and looked at the differences between to the two. For the last 10 years the net difference between the revenue and the amount budgeted for libraries was a little over \$15 million and was the library levy contribution to the county's general fund. The county was under no obligation, under Measure 50, to use those monies for library purposes. One of the provisions of Measure 50 was that special levies like the library levy were folded into the County's general fund and became discretionary funds. It would be an argument one would hear more. Why should libraries seek to pass a ballot measure when in the past it generated those net savings? If those monies were no longer available, the net worth would continue to be funded, but it would be money accrued to the general fund. There would be some interesting discussions over the next couple weeks. He would have more information available at the next work session.

**Councilor Loomis** asked if measure 50 spelled out priorities.

**Mr. Swanson** said that law enforcement was one and he thought there were some others.

**Councilor Loomis** said that he heard part of the issue was pressure from judges that people were being let out of jail, and that part of Measure 50 gave judges power to do something.

**Mr. Swanson** said it also stated law enforcement was a priority, but not the only recipient. His concern was the answer was a zero sum game. Either pass the district and get money or get nothing. There was a certain preference for law enforcement, but it did say law enforcement first. One of the things he needed to do was review Measure 50 and its priorities.

**Councilor Loomis** did not imagine this was an easy choice for the County Commissioners.

**Mr. Swanson** said it was not an easy choice. Where he finally had a problem was the all or nothing nature for the libraries and the basic win-win for the County. If the district passed, then the libraries would be well funded, but if the district went down to defeat, the County could still solve some of its budget problems. The City could be down \$480,000 in its general fund. This was a system, and when we start to weaken the chain we are only as strong as the weakest link. Milwaukie would be faced with a \$480,000 loss, so the budget Committee would have to make some tough choices.

**Councilor Chaimov** asked if the City could put a measure on the ballot that asked voters to fund the library at its current level, but have the measure not take effect if the district measure passed.

**Mr. Swanson** said the danger could be that people would go for the least expensive option. There would be a lot of other difficult decisions to make if the district did not pass. The \$0.36 would result in \$480,000. If the district measure was defeated, the unincorporated area would still want those services which would be paid for by the City. How would people be charged for that? In the


past there was a library card that unincorporated people paid for. There would be questions about how that was structured. Do we do a special levy (3-5 year) or would it be a request to increase the permanent rate? He still thought it would be difficult if branches were closed.

**Community Partners Task Force**

**Mr. Swanson** said when Mike Kuenzi was here a couple of weeks ago he mentioned the community partners task committee. They need a council member and they were going to try and schedule the first meeting early February. He had hoped to put it on the February 5 work session, but WES hoped to have names before that.

The group discussed the City's representative. It was decided that Councilor Barnes be the representative.

**Mayor Bernard** adjourned the work session at 6:59 p.m.



Pat DuVal, City Recorder

**AGENDA**  
**WORK SESSION**  
**MILWAUKIE CITY COUNCIL**

**JANUARY 15, 2008**

**MILWAUKIE CITY HALL**

Second Floor Conference Room  
10722 SE Main Street

A light dinner will be served.

***WORK SESSION – 5:30 p.m.***

Discussion Items:

	<u>Time</u>	<u>Topic</u>	<u>Presenter</u>
1.	5:30 p.m.	Updated Planning Commission Work Plan for FY 2008 - 2009	Katie Mangle
2.	5:50 p.m.	Street Operations Fund Outlook	Alex Campbell
3.	6:10 p.m.	Downtown Milwaukie Market Expectations	Kenny Asher / Jerry Johnson
4.	6:40 p.m.	Library Funding	Mike Swanson
5.	6:50 p.m.	Adjournment	

***EXECUTIVE SESSION***

Executive Session: The Milwaukie City Council may go into Executive Session pursuant to ORS 192.660(2). All discussions are confidential and those present may disclose nothing from the Session. Representatives of the news media are allowed to attend Executive Sessions as provided by ORS 192.660(3) but must not disclose any information discussed. No Executive Session may be held for the purpose of taking any final action or making any final decision. Executive Sessions are closed to the public.

**Public Notice**

- The Council may vote in work session on non-legislative issues.
- The time listed for each discussion item is approximate. The actual time at which each item is considered may change due to the length of time devoted to the one previous to it.
- For assistance/service per the Americans with Disabilities Act (ADA) please dial TDD (503) 786-7555.
- The Council requests that all pagers and cell phones be either set on silent mode or turned off during the meeting.



**To: Mayor and City Council**

**Through: Mike Swanson, City Manager**  
**Kenny Asher, Director of Community Development and Public Works**

**From: Katie Mangle, Planning Director**

**Subject: Updated Planning Commission Work Plan for FY 2007-8**

**Date: January 2, 2008 for January 15, 2008 Work Session**

### **Action Requested**

No action required. Discuss the updated Planning Commission Work Program for fiscal year 2007-8, and how best to involve or inform Council on code amendment projects.

### **Background**

In May 2007, the Planning Commission reviewed its annual work program with City Council. The two groups agreed that, in addition to managing the land use permitting process, Planning staff would assist the Commission with a set of long-range planning and code amendment projects. After conducting public hearings on land use matters, completion of the Transportation System Plan (TSP) was top on the list of projects. The TSP consumed all available staff time until Council adopted it on December 4. Now that the TSP project has been completed, staff and the commission are ready to tackle other projects on the list.

The work plan presented in May 2007 included a set of code amendment projects. The Commission identified amendments to the following code sections as being the priority:

- Section 19.1400 – Transportation Planning
- Chapter 14 - Sign Code
- Section 19.321 - Downtown Public Area Requirements
- Section 19. 500 – Parking standards

In light of recent events and discussions in the community, Planning staff and the Commission would like to add one more item to the work plan:

- Chapter 19.300 - Residential Design Standards

Many individuals in the community have raised concerns about the City's residential design standards and have wondered if the City is using all of the tools at its disposal to ensure new development is compatible with existing neighborhoods. This project would include a review of existing regulations and propose alternative solutions to regulating residential dwelling design.

### **Setting Priorities**

The Milwaukie Zoning Code was written in 1968, and many sections have been incrementally updated over time, if at all. Current and prior Planning staff have identified many problems with the City's regulations, and have long felt that an overhaul of the entire Zoning Code is warranted. However, such a project continues to be out of reach of the City's budget for the Planning department. Instead, Planning staff maintain a list of known problems with the Zoning Code, which now includes over 200 items (see Attachment 1 for a summary of the sections included in this list). Since the City does not have adequate resources for staff to address all of the known problems, Planning staff will address them according to ease and priority. For the remainder of this fiscal year, the Planning department will dedicate resources to preparing code amendments for Council's consideration, addressing one chapter or issue at a time.

Planning staff has consulted with the Planning Commission and is preparing to proceed with the following code amendment projects during the remainder of this fiscal year:

- Section 19.321.5 – Public Area Requirements
- Section 19.500 - Parking
- Section 19.1400 – Transportation Planning
- Section 19.300 - Residential standards
- Housekeeping and other code “fixes”

Though the level of analysis and public involvement will vary, each of these code amendment projects will follow roughly the same process, outlined in Attachment 2.

It is the Planning Commission's role to work closely with staff to develop and recommend code amendments for Council's consideration. In the past, this has meant that often Council is merely the last stop during the adoption process, but not involved in formulating policy recommendations. Due to the high profile nature of the code amendment projects listed above, staff would appreciate feedback on how best to educate and involve the Council during the formation of code amendment recommendations.

### **Concurrence**

The Planning Commission discussed this updated work program at its December 11 meeting and concurs with staff that it will be important to address residential standards this year.

### **Fiscal Impact**

The Planning work program will be pursued within the adopted budget of the Planning department. Approximately \$20,000 remains in this budget for consultant support of these projects.

### **Work Load Impacts**

Since the land use permit process includes strict legal deadlines, Planning department staff spend a majority of their time managing the City's development review process. With current staffing levels, approximately one Full Time Employee (FTE) equivalent is available for completing code amendments and other planning projects. While this is an increase over recent years, it will still be an on-going challenge for staff to complete code maintenance projects. As much as possible, staff work on code amendments and planning projects will be balanced with on-going efforts to manage the City's development review permit process, provide timely and clear information to the public, and serve the City's neighborhood involvement processes.

### **Alternatives**

None

### **Attachments**

1. Summary of the sections included in the Planning Department Code Fix tracking list
2. Sample (one page of 20) of the Planning Department Code Fix tracking list
3. Milwaukie Code Amendment Process

**ATTACHMENT 1**

**City of Milwaukee  
Planning Department Code Fix List  
January 2008**

<b>Code Fix Tracking</b>			<b>Urgency of Fix</b>		
<b>#</b>	<b>Affected Code Section(s)</b>	<b>Chapter (for Index/Sorting)</b>	<b>Policy Change?</b>		
100	Double frontage lots -19.103	19.100	A		Not Urgent
101	Transposed definitions -19.103	19.100			Medium
			A		
102	Omitted word -- 19.103	19.100	A		Not Urgent
103	Outdated references to interior lots - 19.301-309	19.300	A		Medium
104	Mislabeled minimum density problem - 19.301-309	19.300	A		Medium
105	Vegetated Corridor Width - 19.322 Table 1	19.300	A		Medium
106	Incorrect reference -- 19.322.3	19.300	A		Not Urgent
107	Maps for Mixed Use Overlay - 19.318.9	19.300	A		Medium
108	Additional street setbacks - 19.300 (All)	19.300	A		Urgent
109	Unnecessary definition - 19.323.3	19.300	A		Not Urgent
110	Incorrect reference -- 19.323.7.E and 19.323.7.F.3	19.300	A		Not Urgent
111	Reference clear vision standards - 19.402.B.1	19.400	A		Not Urgent
112	Reference clear vision standards - 19.426.5	19.400	A		Not Urgent
113	Inconsistent parallel parking dimension - 19.503.10 Table	19.500			Medium
			A		
114	Incorrect language - 19.503.19	19.500	A		Not Urgent
115	Reference commercial vehicle definition - 19.503.21.E	19.500			Medium
			A		
116	Transposed parking ratio - 19.503.9 Table	19.500	A		Urgent
117	Unnecessary code section - 19.602.2	19.600	A		Not Urgent
118	HIE standard 'hidden' in purpose statement - 19.707.1	19.700			Urgent
			A		
119	Inconsistent HIE standards - 19.707.2	19.700	A		Medium
120	Typographical error - 19.709	19.700	A		Not Urgent

A = Minor changes that do not change the intent or meaning of regulations
B = Changes include minor policy change; clarification of current interpretation that may not be self-evident in the code
C = Includes policy changes, new regulations or change in regulations

Note: This is a working document that staff will continue to develop. It is not a complete list of code problems.

**City of Milwaukie**  
**Planning Department Code Fix List**  
**January 2008**

121	Consistency with Oregon Revised Statutes (ORS) - 19.1001.5.C	19.1000	A	Medium
122	Annexation process clarification - 19.1011.4, 19.1500	19.1000	A	Urgent
123	Incorrect code reference -- 19.1409.1.C	19.1400	A	Not Urgent
124	Incorrect code reference -- 19.1413.C	19.1400	A	Not Urgent
125	DLC referred to as a 'commission' - Multiple Sections	multiple	A	Medium
126	14.16.060.H.3	14.16	A	Not Urgent
127	Definition of multifamily development based on ownership - 19.103	19.100	B	Medium
128	Definition of multifamily development based on structures - 19.103	19.100	B	Medium
129	Definition of "Zoning Hardship" - 19.103, 19.503.8	19.500	B	Medium
130	Contiguous lots - 19.103	19.100	B	Urgent
131	Story vs. half-story - 19.103	19.100	B	Urgent
132	Lot density and minimum lot size relationship - 19.304-309	19.300	B	Urgent
133	"Character" of vegetated area - 19.304-308	19.300	B	Not Urgent
134	Gross acres vs. net acres - 19.314.1	19.300	B	Urgent
135	Willamette Greenway Buffer plan required - 19.320.5.E	19.300	B	Medium
136	Which setbacks are affected by Additional Street Setbacks - 19.300 (All)	19.300	B	Urgent
137	Requiring consent of neighbors for keeping animals - 19.403.C and D	19.400	B	Medium
138	CB and antenna height - 19.403.E	19.400	B	Medium
139	Separation between buildings on the same lot - 19.409	19.400	B	Urgent
140	When bicycle parking is required, how much must be covered? - 19.505.5	19.500	B	Medium

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**City of Milwaukee  
 Planning Department Code Fix List  
 January 2008**

141	Unreasonable setbacks required for existing buildings in WG review - 19.602.1	19.600	B	Urgent
142	120-day clock requirements - 19.1002	19.1000	B	Urgent
143	Improvements required for all land divisions - 17.32.020	17.32	B	Medium
144	Comprehensive Plan references in the Zoning Code – Multiple sections	multiple	C	Medium
145	Duplexes and Single Family Attached dwellings - 19.103 and Base Zones	19.100, 19.300	C	Medium
146	Development on legally landlocked parcels - 19.412	19.400	C	Urgent
147	Flag lot screening - 19.426.5	19.400	C	Urgent
148	Affordable housing requirements - 19.419	19.400	C	Not Urgent
149	Accessory structures for multifamily dwellings - 19.402.A	19.400	C	Urgent
150	Flagpoles - 19.414, 19.401	19.400	C	Urgent
151	Applicability of Off-Street Parking and Loading standards - 19.502	19.500	C	Medium
152	Zones where structured parking is allowed - 19.507.1	19.500	C	Not Urgent
153	Multiple RVs stored uncovered on large lots - 19.503.22.B	19.500	C	Medium
154	Storage of RVs in front yards - 19.503.22.F	19.500	C	Medium
155	Home Improvement Exceptions and lot coverage vs. floor area - 19.707.1	19.700	C	Urgent
156	Unrealistic timeframe for Type II reviews - 19.1011.2.A	19.1000	C	Urgent
157	Standing to appeal Planning Commission decisions - 19.1000	19.1000	C	Urgent
158	No appeal process for Type I decisions - 19.1011.1 and 19.1011.1.B	19.1000	C	Urgent
159	No appeal process for Type II decisions - 19.1011.2.B	19.1000	C	Urgent

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**City of Milwaukie**  
**Planning Department Code Fix List**  
**January 2008**

160	Utility easement standards - 17.28.030.A	17.28	C	Medium
161	Superfluous submission requirements - 17.20 and 17.24	17.20, 17.24	C	Medium
162	Tree removal for public improvements - 16.32.020.C	16.32	C	Urgent
163	Tree removal criteria - 16.32.020.C.1.c	16.32	C	Urgent
164	No standards for access easements - 19.1409.1.D	19.1400	C	Urgent
165	Temporary signs - 14.12.010	14.12	C	Urgent
166	Illuminated signs downtown - 14.16.060.H	14.16	C	Urgent
167	Distinction between driveways, drive aisles, and driveway approaches - 19.500 and 19.1400	19.500, 19.1400	C	Medium
168	Development on legally landlocked parcels - 19.1409; 19.426	19.1400, 19.400	C	Urgent
169	Accessory Structures in WG Zone	19.300	C	Medium
170	Temporary Signs	14.12	B	Medium
171	Temporary Signs	14.12	C	Medium
172	Bicycle Parking	19.500	B	Medium
173	Adjacent vs. Abut	19.100	C	Medium
174	Expiration of Incomplete Applications	19.1000	B	Medium
175	Variance vs. Adjustment in the Sign Code	14.32	A	Urgent
176	Home Improvement Exception	19.700	B	Medium
177	Community Service Use time limit	19.300	C	Medium
178	Accessory Structures	19.400	C	Medium
179	Minimum Landscaped area for front yards	19.300	C	Not Urgent
180	Tree hearing	16.32	C	Urgent
181	Flag lots in subdivisions	17.28	C	Urgent
182	Transportation Plan Review for replats	19.1400	C	Urgent
183	CSU and CU Signs	14.08	C	Medium
184	Type II Review Process	19.1000	C	Medium
185	Rounding Numbers up or down	NA	B	Low
186	Parking ratio for residential homes	19.500	B	Low
187	Parking ratio for senior and retirement housing	19.500	B	Medium
188	Parking ratio for congregate housing facility	19.500	B	Medium

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**City of Milwaukie**  
**Planning Department Code Fix List**  
**January 2008**

189	Parking ratio for ADUs	multiple	B	Medium
190	Parking ratio for temporary real estate office	19.500	C	Medium
191	Boarding, lodging or rooming house	19.300, 19.500	C	Medium
192	Parking for office uses	19.500	B	Medium
193	"Minimal amount of traffic"	19.300	B	Medium
194	Parking ratio for trade or commercial schools	19.500	B	Medium
195	Parking ratio for general retail goods	19.500	C	Medium
196	Parking ratios generally	19.500	C	Medium
197	CSU and CU	19.321, 19.600	A	Low
198	TAR and CU	19.321, 19.416	A	Low
199	CU purpose statement	19.600	A	Low
200	Criteria for CU	19.600	A	Medium
201	Variance in CU conditions	19.600	A	Medium
202	Contradiction in CU ownership regulations	19.600	A	Medium
203	Standards for 19.602	19.600	A	Low
204	Surface Mining CU	19.600	A	Low
205	Junk Yards CU	19.600	A	Low
206	CU criteria for duplex/multifamily	19.600	A	Low
207	Density for senior/retirement housing	19.600	A	Low
208	Purpose statement for Variance	19.700	A	Medium
209	Variance applicability	19.700	A	Low
210	Variances generally	19.700	A	Medium
211	10% Type II variance	19.700	A	Medium
212	Use exception and variance	19.700	A	Low
213	Home Improvement Exception	19.700	A	Low
214	Nonconforming title	19.800	A	Low
215	city policy on nonconforming uses	19.800	A	Low
216	Screening of nonconforming use	19.800	A	Low
217	Change of nonconforming structure	19.800	B	Low
218	Criteria for continuation of nonconforming use	19.800	A	Medium
219	Nonconforming listings in other chapters	19.800	B	Low
220	Amendment purpose statement	19.900	A	Low

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**City of Milwaukie**  
**Planning Department Code Fix List**  
**January 2008**

221	Types of Amendments	19.900	A	Low
222	Amendment procedures	19.900	B	Low
223	Metro references	19.900	C	Low
224	Zone map and comp plan map changes	19.900	A	Low
225	Goals of Milwaukie and other agencies as approval criteria	19.900	A	Medium
226	Intent of proposed zone	19.900	A	Low
227	Regulations from other jurisdictions	19.900	A	Medium
228	Limitations on Zone Changes	19.900	A	Low
229	Sign Ordinance	14	C	High
230	Downtown Public Area Requirements	19.321	c	High
231	Administrative Variances	19.703	b	Medium
232	Varies	19.1000, other		
233	Downtown Design Review, Community Service Use	19.321, 19.312	b	Low
234	Community Service Use, Commercial zones	19.321	b	Low
235	Improve the organization and format of the code	Title 19	c	Low
236	Community Service Use, Commercial zones		c	Low
237	Public Area Requirements	19.312	C	High

Note: This is a working document that staff will continue to develop. It is not a complete list of code problems.

ATTACHMENT 2

City of Milwaukie Code Fix List

Code Fix #	Affected Code Section(s)	Chapter (for Index/Sorting)	Problem Statement	Proposed Solution	Policy Change?	Urgency of Fix	Status	Date Added	Added By
176	Home Improvement Exception	19.700	19.708.F states "HIE shall not be used if a building code or zoning violation exists." Doesn't let the HIE be used to solve the problem.	Revise to clarify that no violations aside from those being addressed by the HIE shall exist.	B	Medium	Not addressed	10/30/2007	2007 staff
177	Community Service Use time limit	19.300	No time limit on CSUs. Doesn't allow the consideration of impacts as conditions change, especially related to minor modifications.		C	Medium	Not addressed	10/30/2007	2007 staff
178	Accessory Structures	19.400	Zoning code states that all structures 120 SF or greater need to be built of commonly used housing materials. According to Tom Larsen, this was when the cutoff for requiring a building permit was 120 SF. Now, structures over 200 SF need a permit. The problem is that there is no planning review of structures under 200 SF, so people can put up structures between 120-200 SF that do not meet the design standards and create an illegal non-conforming situation for themselves.	The figure should be revised to be consistent with building code (increase to 200 SF).	C	Medium	Not addressed	10/30/2007	2007 staff
179	Minimum Landscaped area for front yards	19.300	Property owners may be able to pave all of their front yard and still meet the minimum vegetation requirement with areas in side and rear yards. In addition to being aesthetically unpleasing, it would allow a lot of parking in front of a house.	Add a standard for the minimum amount of front yard area that must be landscaped. This would not change the overall minimum landscaped area, but would require that at least some landscaped area be in the front yard.	C	Not Urgent	Not addressed	10/30/2007	2007 staff
180	Tree hearing	16.32	16.32.020 allows for citizens or NDAs to request a hearing on a proposed tree permit, but does not specify who hears the case.	Have the Planning Commission be the hearing body for tree permit hearing requests. It would help to specify that the approval criteria in 16.32.020 be used. 16.08 contains the language to allow for appeals of PC hearings to the CC.	C	Urgent	Not addressed	10/30/2007	2007 staff

*SAMPLE*

### Attachment 3 Milwaukie Code Revision Process

The Planning Department leads the following process for managing amendments to the Zoning, Land Division and Sign sections of the Milwaukie Municipal Code. The level of detail and effort for each step will vary, depending on the type and complexity of the amendment. **Mandatory steps (required by code or state law) are in bold.**

#### **Phase I – Project Setup**

- A. Define problem(s) and scope of the project
- List known problems to solve (problems with existing code)
  - List desired improvements (aspects that are missing, such as graphics, tables, and encouragement of sustainable development practices)
  - Brainstorm with staff to identify problems not yet identified, or consequences of changes to the “known” problems.
- B. Gather preliminary input from stakeholders and develop outreach plan
- Who are the potential stakeholders?
    - Other departments – Engineering, Community Services, Community Development, City Attorney
    - Affected stakeholders- Neighborhood Associations, affected industries, developers, architects
    - Planning Commission, City Council
    - Community activists – former Planning Commissioners, Parks Board, DLC, etc.
    - Other agencies – TriMet, Clackamas County, Johnson Creek Watershed Council, etc.
  - What is the best way to engage stakeholders?
    - Determine how much the Planning Commission wants to be involved – worksessions? Subcommittee meetings?
    - Attend meetings
    - Distribute info via newsletter
    - Website - Post information on Planning Department webpage under “Current Projects”
    - Friday Memo, JCB tracker, Beth’s regular emails
  - Consult with the City Attorney, Metro, and/or DLCDC about potential legal or regulatory hurdles we should consider.
- C. Research history
- Review past ordinances.
  - Look for past staff analyses, research, and proposals.
  - Review PC/CC minutes for meetings at which the issue was discussed.
  - Identify “sacred cows” or hard-fought decisions.
  - Review the Comprehensive Plan (including ancillary documents) to identify existing policy guidance. Determine if the proposed amendments support or contradict the Comp. Plan, and if amendments to the Plan should be considered.
- D. Resources
- Search for readily available resources. These could include agency or American Planning Association staff or publications, model ordinances, technical assistance from relevant agencies, expertise/experience of other city staff, etc.

- Determine need for consultant assistance. If needed and funding is available, prepare scope of work, budget, solicit, and contract with consultant.

### **Phase II – Developing the proposal**

- A. Identify solutions to the problems outlined in the scope. Draft code revisions and alternatives. Draft commentary explaining the intent of the changes.
- B. Prepare proposed code amendments and Commentary
  - Use Marcia’s Code Amendment and Commentary templates
- C. Independent review & “test drive” by a planner/stakeholder/consultant who wasn’t involved in the project.
- D. Develop schedule. Allow time for DLCD notices.
- E. Prepare formal application that addresses MMC 19.904.1.**
- F. Send proposed amendments to NDA Land Use Committee for comment. Post proposal on Planning website.

### **Phase III - Public Hearing Process**

- A. Prepare detailed Adoption Schedule
- B. Hold public hearings**
  - **Planning Commission hearing**
    - Prepare staff report, draft amendments, draft ordinance
    - **Planning Commission must initiate the amendment** before the start of the hearing, if not initiated by Council or an applicant (MMC 19.901).
  - **City Council hearing**
    - Prepare staff report, draft amendments, ordinance
- B. Legal Notices**
  - **DLCD notice – at least 45 days prior to 1st PC hearing**
  - **DLCD post-adoption notice – 5 days after adoption**
  - **Metro notice - at least 45 days prior to 1st CC hearing**
  - **Metro Functional Plan analysis - 15 days prior to 1st CC hearing**
  - **Legal notices 20 days prior to each public hearing**
- C. Internal Coordination
  - Friday Memo announcements – before and after hearings
  - Marcia proof-reads “final” version prior to Council hearing
  - Post amendments/commentary/staff report on Planning Department webpage under “Current Projects.”

### **Phase IV – Post-adoption**

- A. Prepare finalized version for publication.
- B. Amendment takes effect 30 days following adoption.
- C. Marcia and Pat DuVal work with publisher to update official website and update published code.



**To: Mayor and City Council**

**Through: Mike Swanson, City Manager**

**From: Kenny Asher, Community Development and Public Works Director  
Alex Campbell, Resource & Economic Development Specialist**

**Subject: Street Operations Fund Outlook (Fund 320)**

**Date: January 4 for January 15, 2008 Work Session**

### **Action Requested**

No action requested.

Staff wishes to update Council on the fiscal health of Fund 320 in anticipation of several upcoming decisions regarding:

- Fiscal Year 2008-2009 budgeting
- Local match needed for committed projects
- Transportation grant opportunities as part of the next State Transportation Improvement Program (STIP) development process
- Funding options for "Community Investment" capital needs

Council input on both budget approaches for Fund 320 and an upcoming grant opportunity ("Transportation Enhancement") are requested. Staff will seek Council input on the larger question of funding options for "Community Investment" capital needs at the February 5 work session.

### **Background**

#### *Fund 320 Overview*

The Streets/State Gas Tax fund (320) is the City's primary street operations fund. The "regular" revenue sources for Fund 320 are the local share of Oregon Highway Trust Fund revenues (primarily state gas tax revenues which are shared with cities on a population share basis) and franchise fee revenues from the water, wastewater, and stormwater utilities. In addition to operations activities, described below, Fund 320 pays

for street lighting electricity and a share of the Community Development, Operations Supervisor and Engineering budgets. (The CD, Ops, and Engineering costs are shared among the four City-operated utilities.)

Fund 320 has typically paid for street operations, and street maintenance/preservation projects, and capital projects. The City established in FY 2007-2008 separate funds for Streets Capital and Reserve (327) and Streets/Surface Maintenance (315) for capital projects and the Street Surface Maintenance Program, respectively.<sup>1</sup> Two other budget funds track street revenue/expenditures: One percent of the Oregon Highway Trust Fund revenues must be reserved for bike infrastructure and maintenance costs and are tracked in the Bike Path fund (330). The Streets SDC fund (325) tracks transportation System Development Charge (SDC) revenues, which are available only for specific capacity-expanding capital projects.

The Streets Department staff is 5.5 Full Time Equivalent Employees (FTEs), including a .5 FTE supervisor. One FTE is dedicated to street sweeping, one FTE is dedicated to sign production, and the three other FTEs handle a variety of tasks primarily related to maintaining various aspects of the public "Right of Way." Centerline and fogline striping and signal maintenance services are contracted for through Clackamas County.

Many department activities are required by explicit regulatory mandates or safety/liability concerns. These include:

- Traffic control sign maintenance – essential for traffic safety and compliance with the Manual on Uniform Traffic Control Devices (MUTCD)
- Pavement marking replacement – cross walks, stop bars, school legends, hashes for turn lanes and speed bumps, etc., also in compliance with MUTCD
- Street name sign maintenance – essential for emergency service response
- Site obstruction removal – trimming trees and shrubs when they obstruct critical traffic control signs, signals, or site distance at intersections
- Emergency pavement repairs – pothole patching
- Street sweeping – an element of City stormwater quality activities, required under the City's National Pollution Discharge and Emissions Standards permit.

Other department activities respond to quality of life concerns and asset management responsibilities, including:

- Crack sealing
- Asphalt repairs, such as infra-red patching

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<sup>1</sup> Fund 315 revenues are the three SSMP revenue sources (street surface maintenance fee, local gas tax, and electricity privilege tax). Fund 327 revenues are typically grants, or transfers from other funds such as the SDC once those monies have been assigned to a specific project. Establishment of Fund 327 was primarily to improve accounting clarity. If the fund differentiation had been made earlier, the Fund 320 contributions to capital projects made in previous years would have shown up as transfers to the capital fund.

- Shoulder maintenance (primarily gravel shoulders)
- Mowing medians/City-owned right of way
- Parking control and informational sign maintenance (such as photo radar enforcement notification).

As part of a recently started Public Works initiative, the Street Department has begun tracking all work activities. Over time, more detailed and precise allocations of work effort and level of service will be documented. A preliminary review of the September through November 2007 work activity report (Attachment I), reveals several items that may be of interest:

- A significant proportion of hot mix asphalt permanent repairs were made to repair streets after work was completed by other city utilities.
- Downtown parking permit/no-parking signage and parking painting absorbed significant department resources in September and October.
- Miscellaneous tasks in support of other utilities and other city departments, from water shut off warning hangers, to graffiti removal, to speed trailer placement, all absorb departmental resources.

#### *Fund 320 Contribution to Capital Projects*

In prior budget years, there was some margin between Fund 320 revenues and expenditures for basic services. City practice was to use that difference to help fund capital projects. Fund 320 “regular” revenues contributed to both “local match” on larger, grant-funded projects such as the McLoughlin Boulevard project and made contributions to smaller city-funded capital projects such as downtown traffic calming improvements. Total contributions from Fund 320 “regular” revenues (net of any grant or loan proceeds) for all such projects since 1999 is roughly \$1 million.<sup>2</sup> (See table below.)

Two other important sources of revenue that have, in effect, increased Fund 320’s ability to subsidize capital projects are “recovered expenditures” and transfers from the General Fund (Fund 110). “Recovered expenditures” are most typically payments from the County made to the City upon accepting additional right of way maintenance responsibility. Such payments totaled approximately \$258,000 since 1999. Transfers from the General Fund totaled \$215,000 in the same period.

By leveraging grants, loans, and funds from other City departments, approximately \$1.5 million of Fund 320 expenditures “bought” the City roughly \$10 million worth of public improvements. Put another way, each \$1 leveraged over \$5.50 in additional investment.

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<sup>2</sup> Changing accounting standards over the period limit the precision of these figures, but they are accurate enough to serve as an order of magnitude estimate.

**Fund 320 (Streets/Gas Tax) Contributions to Capital Projects,  
 1999 to Present (In Thousands)**

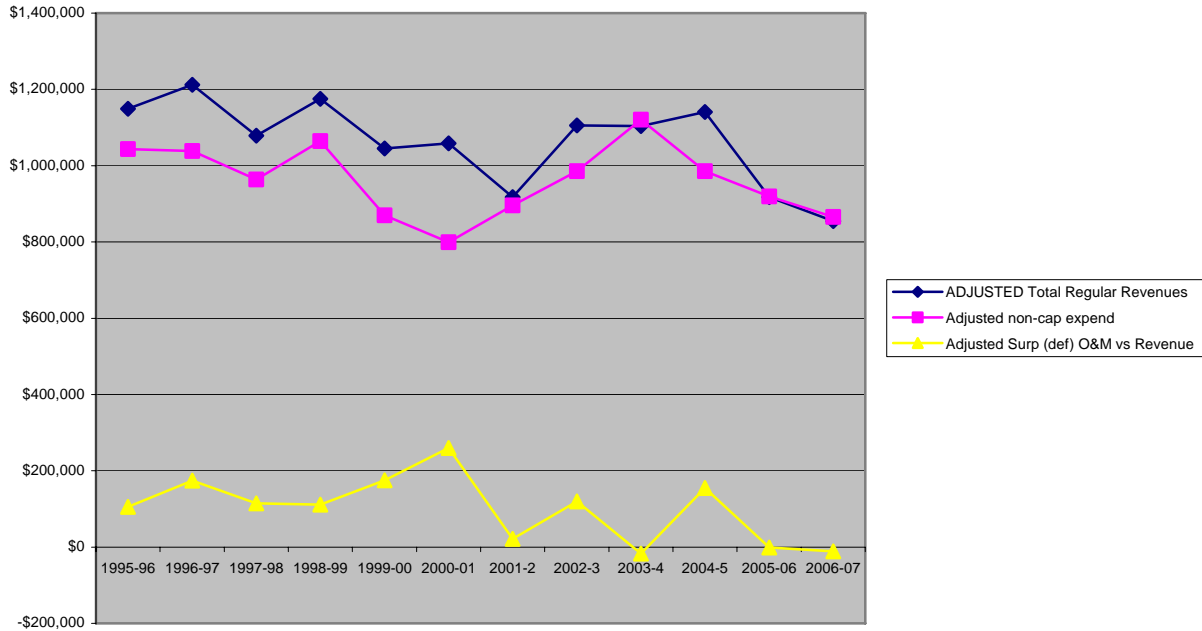
<b>Project</b>	<b>Total Project Cost</b>	<b>Fund 320 Contribution</b>
McLoughlin Boulevard Project (2003-06)	\$ 4,600.0	\$ 451.2
Johnson Creek Blvd. - Phase III (2001-02)	\$ 2,200.0	\$ 147.8
North Main Off-site Improvements (2005-07)	\$ 778.1	\$ 58.8
King/37th Ave. CDBG Project (2004-05)	\$ 687.0	\$ 73.5
42nd Ave. Sidewalks (2005-07)	\$ 394.1	\$ 101.1
Brookside Storm (2004-05)	\$ 377.7	\$ 20.3
Roswell Street & Storm (2000-01)	\$ 304.1	\$ 208.9
37th & Oak RR Xing Improvements (2007-08)	\$ 180.0	\$ 22.5
Jefferson Street Sidewalk/Parking (2003-04)	\$ 110.0	\$ 71.3
McLoughlin/Riv Road Improvements (1999-2000)	\$ 100.0	\$ -
Downtown Traffic Calming (2006-07)	\$ 28.4	\$ 28.4
Un-identified & Small Projects	\$ 343.5	\$ 343.5
<b>Total</b>	<b>\$ 10,102.9</b>	<b>\$ 1,527.3</b>
Recovered Expenditures		\$ (258.2)
FM FD 110		\$ (216.5)
Net Cost to "Regular Revenues"		\$ 1,052.6

*Fund 320 Revenue and Expenditure Trend*

The margin in Fund 320 that made this approach feasible is no longer sustainable. This is largely due to the erosion over time of gas tax revenue purchasing power. As Council is aware, there has not been a State gas tax increase since 1993. Because the gas tax is levied per gallon, total statewide revenues have been more or less flat, but eroding in terms of purchasing power. The Milwaukie share of gas tax revenue declined 37% between 1996 and 2007, in inflation-adjusted terms.

In inflation-adjusted terms, non-capital expenditures in Fund 320 have been held essentially flat while total "regular" revenues have declined significantly, about 25%, as shown in the chart below. Total "regular" revenues have declined less rapidly than the gas tax receipts alone because franchise fee payments from the other utilities have been more stable.

**“Regular” Revenues Versus Non-Capital Expenditures,  
 1995 to Present, Adjusted for Cost of Construction Inflation<sup>3</sup>**



The Fund 320 budget for Fiscal Year 2007-08 (as per budget adjustments made in fall 2007) includes no “regular” revenues for capital projects. However, as shown in the chart below, even without any expenditure on capital projects, a negative fund balance is projected at the end of Fiscal Year 2008-09.

<sup>3</sup> The bottom line in this chart is the difference between the two upper lines. The area below the bottom line represents the total amount of “regular” revenue collections available to help fund capital projects.

### Street Fund 320 Revenues Versus Expenditures<sup>4</sup>

	FY 2006-07 [actual]	FY 07-08 [proj based on Q1]	FY 08-09 [ass. 3% increase]
Beginning Fund Balance	\$260,148	\$140,955	\$81,846
State Gas Tax	\$961,417	\$932,712	\$935,000
Franchise Fees	\$546,650	\$528,267	\$544,000
Fees, Interest and Other	\$92,519	\$66,471	\$45,000
<b>Total Revenues</b>	<b>\$1,860,734</b>	<b>\$1,668,405</b>	<b>\$1,605,846</b>
Personal Services	\$431,568	\$435,000	\$448,050
Street Lighting	\$300,529	\$325,000	\$334,750
Vehicle Use, Fuel & Replacement	\$177,005	\$198,781	\$205,000
General Admin Services	\$157,896	\$142,737	\$147,000
Contractual Services (Primarily Stripe/Signal Maint.)	\$42,067	\$31,497	\$65,000
Rep & Maint Facilities (Materials, incl. Asphalt, Signs, Gravel, etc.)	\$64,874	\$71,844	\$75,000
Facility Occup Charge	\$12,835	\$39,687	\$40,100
Other Materials & Services	\$30,161	\$47,794	\$48,242
Street Projects	\$139,065	\$0	\$0
Other Capital (Ops Bldg)	\$48,271	\$10,000	\$10,000
Transfer to CD Admin	\$132,504	\$121,844	\$125,499
Transfer to Engineering	\$183,004	\$162,375	\$167,246
Transfer to Ops Super	\$0	\$70,689	\$72,810
<b>Total Expenditures</b>	<b>\$1,719,779</b>	<b>\$1,586,559</b>	<b>\$1,665,888</b>
<b>Ending Fund Balance</b>	<b>\$140,955</b>	<b>\$81,846</b>	<b>-\$60,042</b>

<sup>4</sup> The figures in this chart exclude grants and "Fee In Lieu of Construction" (FILOC) funds. FILOC is collected for and dedicated to future capital projects in particular neighborhoods and must be refunded if not expended on such projects within 10 years. The adopted Fiscal Year 2007-08 budget includes a transfer of \$577,165 to Fund 327 for work on three capital projects. These dollars are not reflected in this accounting because the source is grant monies and FILOC balances.

*Implications*

Significant budget cuts would likely impact FTE levels because most other costs are either difficult to reduce (e.g., street light electricity) or a function of the amount of work being carried out by the Department (e.g. materials). Any substantive reduction in FTE levels would lengthen response times on many departmental activities, potentially exposing the City to additional legal liability. Therefore, in addition to very careful expenditure management to control and/or reduce any costs in the fund, staff believes that some additional steps are necessary to correct the situation.

Options staff would like to consider in developing the FY 2008-2009 budget include: adjusting the relative balance among the utilities, including Fund 315, of payments to support Engineering, Community Development and Operations Supervisor budgets; establishing a mechanism (either a transfer or via direct payments) by which Fund 315 could pay for those costs that are currently included in Fund 320 but support the mission of the Street Surface Maintenance Program, such as infra-red asphalt repairs and crack sealing. Other options for reducing financial pressure on the Street/State Gas Tax fund would include moving street lighting electricity costs and/or dramatically reducing level of service/response time for the Street Department. These and other measures will be presented to City Council as part of a Work Session report on February 5.

*Future Project Matches*

The City has already received grants for and committed to five projects that are either underway or upcoming in the near future. Three projects are already in design phase. Staff believes local match can be funded for *these three projects* without any regular revenues from 320. (See table below.) However, this schedule will require spending all SDCs currently on-hand, and another \$50,000 in expected SDC revenues.

**Local Match Sources for Committed Projects with Identified Match (In Thousands)**

Project	FY	Tot Cost	Min. Match	Match Id'ed	Match Sources			
					SSMP	FILOC	SDC	STORM
Railroad Crossing Safety (37th & Oak)	2007-8	\$180	\$81	\$81		\$65	\$16	
Logus Road Improvements	2007-8	\$778	\$128	\$173	\$50	\$45	\$13	\$65
Lake Road Multi-Modal	2007-8, '08-9, '09-10	\$3,820	\$390	\$390	\$100	\$70	\$220	

Grants for two additional projects have also already been awarded: Downtown Streetscape and Kellogg Creek Restoration (Design/PE Phase). These projects would require matches of \$50,000 and \$120,000 respectively. *Staff have not yet identified*

*sources for these local matches – neither are SDC eligible, nor are there sufficient applicable FILOC balances available.*

The first element of the next update of the State Transportation Improvement Program (STIP) is “Transportation Enhancement” (“TE”). A notice of intent to apply for TE funding is due February 1, 2008. In the last round, the City applied unsuccessfully for funds to improve bicycle and pedestrian infrastructure on 17<sup>th</sup> Ave. The project prioritization conducted as part of the 2007 TSP update strongly reinforced the importance of these improvements to the community.

Staff expects to submit a notice of intent to apply for TE funds for a 17<sup>th</sup> Ave. project. However, the project will be scaled/phased in order to minimize the total project size. The City holds \$62,400 in FILOC money collected in the North Industrial area, which would be sufficient to match a \$600,000 grant. A definitive decision on whether to pursue TE funding is not required at this time because the notice of intent to apply is a relatively minor application and does not obligate the City. Development of a TE notice of intent and application would be completed within regular duties of the Community Development and Engineering staffs. Staff would return to Council for a Resolution in support of a full application prior to submission.

### **Concurrence**

Staff consulted with the Operations Director, Streets Supervisor, and Finance Director. All concurred that Fund 320’s long-term outlook is a concern and, given existing revenue and expenditure structures, cannot be expected to contribute significantly to capital projects in the future.

### **Fiscal Impact**

Not applicable.

### **Work Load Impacts**

Not applicable.

### **Alternatives**

Not applicable.

### **Attachments**

Attachment 1. “Street Department Activities, September thru November 2007”

## ATTACHMENT 1

# Street Department Activities September thru November 2007

The following is a compiled list of all activities carried out by the street department during the months of September thru November 2007. They include signs and markings, sweeping, patching (cold and hot), crack sealing and shoulder repair.

Repair schedules were made using the following criteria:

- Public safety
- History of repair
- Visual inspections
- Street classification/ average daily trips (ADT)
- Size and type of repair
- Anticipated crew availability
- Weather cycle

The activities were generated using the following format:

- Potholes crack sealing and shoulder repairs-Yearly schedule developed in Dec.2006 for the 2007 calendar year street maintenance activities.
- Customer service requests received thru the customer service desk
- Utility repair requests from other departments
- Street sweeper is on an established schedule, developed by dividing the city into four zones and working two days per zone. In the heavy leaf season, a second sweeper is added as needed.
- Street markings are annually inspected for wear and tear and scheduled for repair when weather permits. Also they are being continually monitored by all department personnel to insure that they are in MUTCD compliance.
- Street signs –A list generated from visual inspections and requests generated from the customer service desk and Milwaukie PD.
- Curb painting upon request from traffic engineer

Methods of repair (Asphalt):

- Skin patch: 1.5 to 2 inch hot asphalt overlay, minimum three person crew (4 to 5 if flaggers are required)
- Extensive repair: Remove bad area using jackhammers, backhoe or loader; repair sub grade with gravel; compact with roller or motorized plate compactor; and replace with hot asphalt, minimum depth four inches. Crew size, 6 persons minimum, including flaggers for traffic control. Flaggers can be in house personnel or contract flaggers.
- Shoulders: Use the front end loader to grade the shoulder and add rock, or just add rock to a washed out area and compact with the roller or truck tires. Three-person crew and two flaggers if necessary.
- Crack sealing: Clean the crack with high-pressure air, sweeping and drying if necessary with torches. Refill with cold applied CRF® asphalt emulsion crack filler. Six-person crew and two flaggers if necessary because of area of sealing.

- Infra-Red patching: Heat the asphalt surface with a 6'X8' infrared propane heater. Rake it smooth, apply a coating of asphalt emulsion, and compact with a plate compactor.

**Street Department Crew:**

- Streets 3
- Signs and markings 1
- Sweeping 1

Milwaukie's Streets Division maintains 150 lane miles of roadway and right of way; seven traffic signals; 3750 regulatory, warning and informational signs; 546 legends; and 44 lane miles of pavement striping.

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**September:**

**Total projects:**

- Patching-12
- New sign manufacturing/install-17
- Signs repaired-2
- Pavement marking-3 (Painted)
- Other-14

**Pot Hole Repair:**

- International Way: 30' east of Freeman Way-Over lay of depression 25'X8' 4 tons hot mix.
- Main Street: West side between Monroe and Jefferson-wheel ruts. Jackhammer out seven holes average size 4'X4' 6". 5 tons hot mix.
- Patch water cuts Well 2. Three cuts, average 3'X10'X4". 2 tons hot mix.
- Patch Hill Street, McBrod, 44<sup>th</sup> and Llewellyn, Wren South of River Rd. Various sizes of Overlays: 2 tons hot mix.
- Patch 55<sup>th</sup> and Firwood and Boot wash by Public Works Building. 2 tons hot mix.
- Patch 35<sup>th</sup> and Edison, 55<sup>th</sup> South of Monroe, Monroe and Penzance. Overlays, various sizes 3 tons hot mix
- Storm line repair, King Rd. 6'X6'X10", pot hole Wood and RailRoad Ave. 5 tons hot mix
- Storm line repair, King Rd. 6'X6'X6", pot holes Lark, 27<sup>th</sup>, 26<sup>th</sup>, 5 tons hot mix
- Oak Street, driveway approach and potholes, various sizes- 3 tons hot mix.
- Patch 44<sup>th</sup> & Harrison, 37<sup>th</sup> and RailRoad Ave., various sizes- 2 tons hot mix
- Patch 24<sup>th</sup>, Boat Ramp, Mailwell, King Rd & Stanley, 29<sup>th</sup> South of Balfour. 4 tons hot mix
- Storm line repair, King Rd., overlay patches, 29th & Boyd, 34<sup>th</sup> & King, 40<sup>th</sup>(Adam to Jefferson 3 tons hot mix.

**Total Tonnage: 41 (hot mix)**

**Crack Sealing:**

Crack sealing on Arden, Rockwood, Howe Lane, 44<sup>th</sup>, Willow, Roberta, Whitelake, 45<sup>th</sup>, 46<sup>th</sup>, 38<sup>th</sup>, RailRoad Ave (Wood to Stanley, east bound), and 48<sup>th</sup>.

**Total amount of sealer: 350 gallons of CRF sealer.**

## Signs/Markings:

### Manufactured new signs:

- Permit parking only- Main (between Washington and Lake) 6''X12'' ←
- Permit parking only-Main (south end) 6''X12'' ↔
- Permit parking only-Main (south end) 6''X12'' →
- Permit parking only-Main (south end) 6''X12'' ←
- Permit parking only-Lake 6''X12'' →
- Permit parking only-Lake 6''X12'' ←
- Permit parking only-21<sup>st</sup> 6''X12''
- Permit parking only-21<sup>st</sup> 6''X12''
- Permit parking only-21<sup>st</sup>/Washington 6''X12''
- Permit parking only-21<sup>st</sup>(south end) 6''X12''
- Permit parking only-21<sup>st</sup>(south end) 6''X12''
- Permit parking only-21<sup>st</sup>(south end) 6''X12''
- Permit parking only-21<sup>st</sup>(south end) 6''X12''
- Permit parking only-21<sup>st</sup>(south end) 6''X12''
- Permit parking only-Washington 6''X12''
- Dogwood Park (21<sup>st</sup> by Post Office) change to 4 hr parking
- Dogwood Park (21<sup>st</sup> by Post Office) change to 4 hr parking

### Repaired signs:

- Two hour parking 8-5 m-f-21<sup>st</sup>(south end) 12''X18''
- Four hour parking 8-5 m-f-21<sup>st</sup> (south end) 12''X18''

No thermo plastic markings were burned down. (This is a material made out of plastic that, when applied, is melted to the pavement surface for a more permanent type of pavement marking.)

## Painted lines:

- 23<sup>rd</sup> off Washington yellow curb 430' - ½ gallon paint. This is to define a no parking zone .
- JCB parking lot numbers, crosswalk, parking lines-2 gallon white
- Stencil Library parking lot

## Sweeper Mileage/Spoils:

- Total mileage: 363
- Cubic yards of debri: 51.4
- Days per area: Area 1->4 days, area 2->4 days, area 3->2days, area 4->2 days.

## Other projects:

- Grade Stanley Place
- Door hangers for water shut offs, once a month, 4 persons
- Place shoulder rock in washouts-various locations - 10 tons ¾- rock -200 linear feet
- Drove truck to vendor for CSS1 liquid asphalt emulsion for Tac -150 gallons.
- Sweeper training for new utility worker (UW) I
- Clean and service equipment
- Cover sweeper spoils and sanding rock with tarp
- Mow Railroad Ave shoulders
- Ham radio training
- Take sweeper to vendor for repair

- Assist Oak Lodge Sanitary with Roller
- Set out speed trailer weekly, various locations
- Monitor Clackamas County Striping crew
- Graffiti removal at various locations. Generated by Milwaukie PD or from visual inspections.

Time off (Vacations, sick, comp time): 52 hours

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## October:

### Total projects:

- Patching-6
- New sign manufacturing/install-14
- Signs repaired-3
- Other-20

### Pot Hole Repair: Hot mix asphalt permanent repair

- Water cut repair Monroe and Hwy 224-12'X6'X4"- 4 ton hot mix
- Storm cut King Rd.2'X2'X6"(Stanley), King and 48<sup>th</sup> 3'X3"X6-2 tons
- Patch 4803 Harrison 8'X20'X1.5" 2 tons
- Water cut Wood Ave 3'X3'X4", shoulder repair 10910Wood 2'x30'(Birm) 2 tons hot mix
- Water cut Whitcomp 2'X2'X4", potholes Omark Dr. 3 tons hot mix

**Total Tonnage: 13**

### Pot Hole Repair: Cold mix asphalt temporary repair

- Various locations average size 1'X1' depth average 1"-2"

**Total tonnage: 3**

### Rock shoulders:

Various areas-5 tons ¾-rock


### Signs/Markings:

Manufactured new signs:

- 4 hour parking 8-5 west side 23<sup>rd</sup> & Harrison 12"X18" ←
- Permit Parking Only west side 23<sup>rd</sup> & Harrison 6"X12"
- 4 hour parking 8-5 west side 23<sup>rd</sup> & Harrison 12"X18" →
- Permit parking Only west side 23<sup>rd</sup> & Harrison 6"X12"
- Permit Parking Only Scott St. north side 6"X12"
- Permit Parking Only Scott St. south side 6"X12"
- Permit Parking Only Scott St south side 6"X12"
- Permit Parking Only Main St north end east side 6"X12
- Permit Parking Only Main St north end east side 6"X12"
- Permit Parking Only Main St north end east side 6"X12"
- Permit Parking Only Main St north west side 6"X12"
- Permit Parking Only Main St north west side 6"X12"
- Permit Parking Only Main St north west side 6"X12"

- No Parking Anytime 23<sup>rd</sup> & Washington east side 12”X18” →

### Repaired Signs:

- Bump Next Three Blocks Home east side 18”X24”. These let motorists know that there are speed bumps the next three blocks.
- Stop Sign/No Parking Tow Away Millport/McBrod east side  30”X30” (No Park) 12”X12”). These are to replace unserviceable signs.
- No Parking Tow Away Zone 23<sup>rd</sup> & Harrison west side. To replace an unserviceable sign.

### Sweeper Mileage/Spoils:

- Total mileage: 484.5
- Cubic yards of debris: 156.5
- Days per area Area 1->6 days, area 2->5 days, area 3->5 days, area 4->5 days

### Other Projects:

- Drove dump truck to Salem Asphalt for purchase of 7 tons of cold mix asphalt for temporary patching
- Sweeper training
- Remove centerline marking, 40<sup>th</sup> Ave, King Rd to Harvey.
- Grade 58<sup>th</sup> Ave.
- Ham Radio training
- Clean out emulsion on paving truck.
- Took truck vendor for CSS1 liquid asphalt emulsion for Tac –130 gallons
- Shake out sweeper spoils –70cubic yards passed thru screens (87.29 tons), 89.44 tons waste to Metro
- Transport debris to Metro
- Assist Milwaukie PD with traffic accident.
- Pick up sweeper from contract repair shop
- Loader training
- Haul leaves to Clackamas vendor
- Install safety poles at boat ramp
- Clean and service equipment
- Install barricade, Minthorn Loop
- Door hangers for water shut offs, once a month, 4 persons
- Set out speed trailer weekly, various locations
- Graffiti removal at various locations. Generated by Milwaukie PD or from visual inspections
- Assist Storm department with flooding

**Time off (Comp, vacations, sick):** 103 hours

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## November:

### Total projects:

- Patching-5
- New sign manufacturing/install-14
- Signs repaired-3

- Pavement marking-1 (Thermo Plastic melt down)
- Other-20

**Pothole repair: Hot mix asphalt permanent repair**

- Mailwell 10’X20’ 30’ west of railroad tracks 4 tons
- Jackson, Beckman/Foxfire, Winworth, Locus, 51<sup>st</sup>, 53<sup>rd</sup> 2 tons

**Total tonnage: 6(hot mix)**

**Pot Hole repair: Cold mix asphalt temporary repair**

- Various locations average size 1’X1’ depth average 1”-2” - 3 tons

**Rock shoulders:**

- Various areas-5 tons ¾-rock

**Infra Red Patching:**

- 32<sup>nd</sup> Ave. 8’X24’ 8 hours
- 27<sup>th</sup> Ave by School 16’X8’ 8 hours

**Signs and markings:**

Manufactured new signs:

- No Parking Anytime Stanley/Grove Loop → 12”X18”
- No Parking Anytime Stanley/Grove Loop ← 12”X18”
- No Parking Anytime Stanley/Grove Loop ↔ 12”X18”
- No Parking Anytime Stanley/Grove Loop → 12”X18”
- No Parking Anytime Stanley/Grove Loop ← 12”X18”
- No Parking Anytime Stanley/Grove Loop ↔ 12”X18”
- Street name- Mullen
- Street name-Llewellyn
- Street name-44<sup>th</sup>
- 2 hour Parking 12”X18”
- No Parking Loading Zone, Main & Monroe 12”X18”
- Signs for leaf drop
- Location markers for storm/sewer
- Install previously made parking signs downtown

Repaired signs:

- No Dumping Allowed - 37<sup>th</sup> & Minthorn 18”X24”
- Island in road -31<sup>st</sup> & Washington (Replace post from accident, PD request)
- Replace sign post - 37<sup>th</sup> & RailRoad Ave
- Street name sign - 42<sup>nd</sup> & Covell
- School Zone - 2131 Lake Rd
- 25 MPH - Home & Wilma
- No Parking - 42<sup>nd</sup> & Howe
- Stop -34<sup>th</sup> & Sellwood
- No Parking - International & Mallard
- Stop sign 37<sup>th</sup> & International

Thermo plastic melt down markings:

- RXR Mailwell west side

### **Sweeper Mileage/Spoils:**

- Total miles: 308(Crosswind regenerative air sweeper) 308 miles
- Cubic yards of debris: 165
- Total miles: 192 (Whirlwind vacuum sweeper)
- Cubic yards of debris: 103
- Days per area 1->6, 2->5, 3->5, 4->5

Note: Both sweepers ran because of leaf season.

### **Other Projects:**

- Hearing tests
- Ham radio test (John)
- Door hangers for water shut offs, once a month, 4 persons
- Set out speed trailer weekly, various locations
- Graffiti removal at various locations. Generated by Milwaukie PD or from visual inspections
- Visit Newburg PW shops, half of a day
- Tele-conference, safety topics
- Assist water department
- Build fire pit for Winter solstice celebration
- Grade 58<sup>th</sup> off Johnson Creek Blvd. (add 5 cyd  $\frac{3}{4}$ -rock)
- Install Photo Radar Signs for MPD

**Time off (Vacations, sick, comp time, jury duty):** 40.5 hours

### **Total of projects, September thru November:**

- Patching Hot patch -19, cold patch 2,infra-red -2
- New sign manufacturing/install-44
- Signs repaired-15
- Pavement marking-4
- Other-45
- Time off sick, vacation, comp time-195.5 hours

### **Sweeper totals:**

- Hours of operation: 504
- Cubic yards of debris: 475.90
- Miles swept: 1347.5



**To: Mayor and City Council**

**Through: Mike Swanson, City Manager**

**From: Kenneth Asher, Community Development & Public Works Director**

**Subject: Downtown Milwaukie Market Expectations**

**Date: January 7, 2008 for the January 15 Work Session**

### **Action Requested**

None. This is an informational presentation from Jerry Johnson of Johnson Gardner LLC, a Portland-based consultancy specializing in real estate development and land use economics. This work session discussion has been prompted by several recent factors, including new leases in downtown, building permit applications for downtown development, and the publication of a recent case study by Johnson Gardner, focusing on Milwaukie.

Staff contends that council should have regular updates, annually or thereabout, concerning the strength of the retail, office and housing markets in downtown Milwaukie.

### **Background**

In 2007, Metro commissioned Johnson Gardner LLC to study the pricing effects of urban living infrastructure – that is, the effect that certain amenities found in urban environments (high end grocery stores, brewpubs, movie theaters, garden shops, etc.) have on housing values. Higher value housing allows mixed used development to occur more readily, which in turn drives the formation of town centers and regional centers. As the region is interested in focusing development in centers, and away from neighborhoods and rural areas, a working knowledge of these relationships is beneficial.

The results of the study indicate that indeed there is a positive correlation between convenient urban amenities and residential value. This finding was mainly attributed to

convenience; people value being able to reach a number of amenities in a short amount of time; all the better if this can be done on foot.<sup>1</sup>

Community Development staff has reviewed this report, and the new program that it supports – Metro’s Urban Living Infrastructure program (ULI). Milwaukie is in the fortunate position of being one of four Focus Centers where the program will apply (the others are Gresham, Hillsboro and Beaverton).

As part of the research, Johnson-Gardner developed case studies of three centers, which identified existing gaps in the current urban infrastructure of each area. Milwaukie was one such center studied, and the conclusions are illuminating.

Jerry Johnson will be on-hand to present these findings to the council at the work session, so they are only summarized here:

- Milwaukie’s urban amenities are limited, and the limited natural trade area of the center (downtown) precludes a number of amenity types that require a more extensive population base.
- Townhomes at \$180-190 per square foot seem to be viable without assistance. Condominiums would appear to need assistance, since sales prices do not appear to be high enough to cover development costs, based on existing market trends.
- Apartment rent trends do not support the development of housing envisioned in Milwaukie’s Downtown Plan.
- Retail development that is not on one of the state highways is challenged, because of low rents.
- Office development doesn’t appear viable under the current plan, because the market rent levels would only support 1-3 story configurations with surface parking.

Johnson Gardner attributes this sobering account to downtown’s relative isolation due to the local highway and arterial network. The highways (and the river) constrain downtown’s trade area – although the report notes that the city’s recent commitments to North Main Village and the waterfront can only help.

The report concludes that downtown Milwaukie will continue to trade at a discount relative to more urban areas, such as Sellwood/Moreland. The planned Portland-Milwaukie light rail project and the development of the Town Center could provide amenities that would bridge some of the existing gaps.

Staff believes that the Johnson Gardner case study provides a good “reality check” for the staff and the council as we consider the opportunities and challenges that confront

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<sup>1</sup> An Assessment of the Marginal Impact of Urban Amenities on Residential Pricing, June 2007, Johnson Gardner

downtown development. Staff does not believe that it contains radically new information, or that it necessitates a change in vision for downtown – only that it points to challenges ahead for downtown development. Staff also believes the city can do more to help; this will be the focus of a February 5 work session item.

**Concurrence**

Not applicable.

**Fiscal Impact**

Not applicable.

**Work Load Impacts**

Not applicable.

**Alternatives**

Not applicable.

**Attachments**

1. Milwaukie Case Study from Johnson-Gardner's 2007 Report on the Valuation of Urban Amenities.

## V. CASE STUDIES

As part of our analysis, we have developed case studies of three centers, which identify existing gaps in the current urban infrastructure of each area. In addition, we discuss what the market is likely to do without public involvement and assess the opportunities available for investment in the areas.

### A. MILWAUKIE

The Milwaukie center is roughly bounded by Highway 224 to the north and east, Highway 99E to the west and Kellogg Lake and SE Washington to the south.

#### Area Overview

While the two highways bounding the district provide for good regional access and exposure, they also isolate the center from much of the area's demographic strength. Major employers in the area include the City of Milwaukie, the Ledding Library, Dark Horse Comics, Milwaukie Lumber and a range of office and retail uses. In addition, the area boasts The Portland Waldorf School, offering K-12 education. A summer concert series is offered in Scott Park, and the Milwaukie Farmer's Market is held on Sundays from May through October. Milwaukie has recently made substantive improvements to its waterfront park on the Willamette, improving the linkages across Highway 99E to downtown.

#### Existing Amenity Mix

Milwaukie's City Center currently has a limited range of urban amenities. The current amenity mix includes several restaurants, coffee shops, a fitness club, and a bar/pub. The area also includes the Milwaukie Cinemas, which shows second run films as well as offering a video arcade. The area is proximate to more extensive amenities offered in the Sellwood/Moreland district, roughly three minutes to the northwest of the area. Major retail concentrations are located on Highway 224 and Highway 99E, with the limited natural trade area of the center precluding a number of amenity types that would require a more extensive population base.

#### Current Market Expectations

Achievable pricing in the area is largely consistent with suburban pricing, although the recently completed North Main Village demonstrating some market support for a more urban pricing model for residential product in the area. Current listed sales prices for residential development at North Main Village area range from between \$180 to \$190 per square foot for townhomes, and average approximately \$260 per square foot for condominiums. At these price levels, the market would be expected to deliver the townhome units with limited assistance. The condominium flats would be difficult to deliver at the current pricing, with similar product requiring sales prices closer to \$350 per square foot in other parts of the metropolitan area.

Rent levels in the area are seen to be well below what is necessary to support mid-rise construction. As seen in North Main Village, affordable housing receiving tax credits represent the most viable development form in the current market.

Retail space in downtown Milwaukie is currently leasing from between \$12 and \$16 per square foot triple net. The highest retail lease rates in the area are immediately north of the Center, with Gramor quoting rent levels of \$32 per square foot at Oak Street Square at the intersection of Highway 224 and SE Oak Street. The recently completed North Main Village retail space is being listed at \$16 per square foot. The Center is currently realizing a discount vis-à-vis proximate locations with direct access from Highway 224 and Highway 99E. At the current rates, marginal retail development is expected to provide a limited return as a single land use unless oriented to capitalize on the trip counts along one of the two adjacent highways.

Office space in the area has been largely limited to owner-occupied space, limiting the availability of comparables to establish achievable lease rates. Peripheral locations providing speculative office space are listing space at \$12 to \$17 per square foot annually. At these rent levels, the market would be expected to deliver space in a one to three story configuration with surface parking.

#### Potential Areas of Opportunity

Milwaukie enjoys a strong regional location, but the local highway and arterial network isolates the area from the demographics of the proximate trade area. Metro has provided assistance in the development of North Main Village, which has provided for a localized population base and increased the amount and continuity of ground floor retail in the area. The City's recent moves to more tightly incorporate the waterfront into the downtown area can be seen as increasing the available amenities in the area.

The key challenge for the Milwaukie Center will be to find ways to capitalize on its regional location and the energy associated with traffic on the adjacent highways. The interface with Highway 99E is seen as particularly important, with redevelopment of the former Texaco site providing a critical opportunity to provide an appealing entry into the area. While the area is never expected to have the critical mass necessary to support an amenity such as a specialty grocer due to its limited size, a mix of uses providing a similar range of services is possible over time. Increasing the local population base and better facilitating the capture of drive-by trips will be critical in boosting retail viability.

Until the local amenity base increases to a level consistent with more urbanized areas such as Sellwood/Moreland, we would expect that downtown Milwaukie will trade at a discount relative to more urban areas. The planned Portland-Milwaukie light rail project would represent an amenity that could bridge some of that gap. An incremental approach to encourage the ongoing development of local density (residential and office uses), as well encouragement of support retail and service industry are seen as moving the center towards the desired development patterns.



**TO: MAYOR AND CITY COUNCIL**  
**FROM: MIKE SWANSON, CITY MANAGER**  
**DATE: JANUARY 6, 2008**  
**RE: LIBRARY FUNDING/FOLLOW-UP TO JANUARY 2 WORK SESSION**

### **ACTION REQUESTED**

This memorandum proposes no action. It is intended to provide information requested at the Council's January 2, 2008 work session.

### **BACKGROUND**

At the January 2, 2008 work session the proposed County-wide Library District and elimination of the County's current payments to city libraries was discussed. The context of the discussion was Clackamas County's request for \$10,000 from each city for an information campaign. Two specific questions were raised that are addressed by this memorandum.<sup>1</sup>

One question was the rate required within the City to make up the amount lost by elimination of the County's annual payment. The rate required to fully fund the amount lost is .3612 per \$1,000 of assessed value.<sup>2</sup>

Another question was the amount raised by a rate of \$.15 per \$1,000 of assessed value. The amount that would be raised by that rate is \$213,468.<sup>3</sup>

If the District proposal fails, and if the City chooses to make up all or a portion of the lost revenue, we would face a number of additional issues. One would be

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<sup>1</sup> I am also researching a couple of additional issues that arose and will address them at a future date. An example is whether or not any additional amount levied would be significantly impacted by the possibility of compression. According to the Clackamas County Assessor's Statement of Taxes Levied in Clackamas County, Oregon For Year Ending June 30, 2008, the amount of local government levies and collection lost due to Measure 5 Compression within Milwaukie was \$813.80 out of a total amount of taxes available of \$6,334,015. While it appears that any loss would be insignificant, a more detailed analysis would be advisable should a request for additional taxes be made.

<sup>2</sup> The calculation of a rate is a moving target based on a number of assumptions. For this calculation I used the FY 2007-08 budgeted payment from Clackamas County, which is \$480,383. In order to ensure that the amount received would equal the amount budgeted I have increased it by 7% to account for uncollected property taxes (which would be recovered in future years). I used an assessed value of \$1,423,118,369, which is found in the Clackamas County Assessor's Statement of Taxes Levied in Clackamas County, Oregon For Year Ending June 30, 2008. Finally, to simplify this calculation, I have treated the City as if it were within only Clackamas County. I did not include any collection from that small portion within Multnomah County.

<sup>3</sup> The actual amount collected would be approximately \$198,525 when you account for the uncollected taxes (which would be recovered in future years). The actual amount generated by \$.15 per \$1,000 of assessed value is \$213,468, but the amount collected would be less because of the uncollected taxes.

whether we would choose to request the additional funds as a portion of the City's permanent rate or as a special levy.<sup>4</sup>

Another issue should the District fail will be whether and how to serve patrons who do not reside within the City. The failure of the District proposal most likely means the elimination of the current system whereby a patron who resides in unincorporated Clackamas County can access materials in a City library (and City patrons can access materials in the County library system). The loss of County funding means that each City will be fully funding its library. Thus, it is reasonable to argue that a non-resident should pay for services, which, historically, was the way business was done before the County-wide library levy.

Between the time of this writing and your January 15, 2008 work session I will have attended a meeting of the city managers within Clackamas County where this issue will be discussed. In addition, we will soon receive the proposed intergovernmental agreement regarding the District, after which I will again schedule this matter for further discussion, most likely at the February 5, 2008 work session.<sup>5</sup>

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<sup>4</sup> You will recall that the City does not levy its entire authorized permanent rate of 6.5379 per \$1,000 of assessed value, having reduced its levy by the amount of the Fire District's permanent rate upon annexation to the District. That reduction leaves the City with an additional 2.4024 per \$1,000 of assessed value. The request for additional funds will require a vote and would be a permanent addition to the City's taxing authority. The City could also choose to request the funds through a levy, which also requires a vote but is limited to the number of years specified in the ballot measure.

<sup>5</sup> The Board of County Commissioners has committed to send one Board member (and a County staff person) to each city to discuss the District proposal. Thus, I assume that the discussion will include a Board member.