



**Work Session**

**WS**

**Milwaukie City Council**



**MINUTES**  
**MILWAUKIE CITY COUNCIL**  
 www.milwaukieoregon.gov

**WORK SESSION**  
 FEBRUARY 18, 2014  
 City Hall Conference Room

**Mayor Ferguson** called the work session to order at 5:03 p.m.

**Council Present:** Council President Hedges and Councilors Scott Churchill, Mark Gamba, and Mike Miller

**Staff Present:** City Manager Bill Monahan, Assistant to the City Manager Teri Bankhead, City Recorder Pat DuVal, Community Development Director Steve Butler, Engineering Director Jason Rice, Planning Director Denny Egner, Associate Planner Li Alligood, Associate Planner Vera Kolias, and Building Official John Stelzenmueller

**City Manager's Report**

**Mr. Monahan** announced that Dan Olsen would be the City Attorney for this meeting to address executive session topics and the ballot measure. He noted that the City will be hosting the Clackamas Cities Association dinner on February 27 and that there is a study session on February 20. He reported that a lawsuit has been filed on the Burkett matter and the Neighborhood District Associations (NDA) have been discussing the NW Housing Alternatives application.

**Community Development Update**

**Mr. Butler** provided an update on the Riverfront Park.

**Mr. Egner** updated the Council on upcoming land use matters including a business application for a medical marijuana dispensary; the group discussed the issue. Mr. Egner continued by reporting that the Monroe Street Neighborhood Greenway tentative scope of work had been prepared for the Oregon Department of Transportation (ODOT).

**Mr. Butler** discussed the quiet zone implementation and observance by train engineers.

**Moving Forward Milwaukie: Action and Implementation**

**Mr. Butler** reviewed the project and stated that the information provided by at this work session would lead into study session on February 20. He said that the goal of the project was implementation and not just another plan not implemented. He continued to say that the goal is also to ensure commercial districts looked and functioned as the community wanted them to, with a vibrant and active downtown and well developed activities on the Murphy and McFarland properties. He noted that the City will need to ensure that standards are in place and that the code encouraged development.

**Mr. Popenuk** reviewed the key project steps and explained that they now need Council and public input. He provided an overview of the challenges Milwaukie faces, including negative cash flow investment, difficulty financing a catalyst project, the code barriers present in central Milwaukie, and the cost of public area requirements (PAR). He continued by describing the opportunities which include light rail and other infrastructure improvements, and the downtown development code is not a significant barrier. He said that the key would be to have one or two catalyst projects.

**Dan Steffey**, Guardian Real Estate Services, explained his "if only" in Milwaukie was to get financial assistance for low income senior housing on the Shipley property. He said he sees a terrific future in Milwaukie, with redevelopment of the downtown, led by the

light rail line. He explained the subsidy his company is seeking is a form of investment and he believes that North Main Village (NMV) also contributes to greater development.

**Councilor Churchill, Mr. Steffey, and Mr. Popenuk** discussed NMV and the differences in other catalyst projects that would encourage development.

**Council President Hedges** commented that he thought there was not a lot of public support in Milwaukie for a certain kind of housing.

**Mr. Popenuk** discussed the power of public support; he cited a recent catalyst project where the developers backed out after public opposition and noted that developers do not want to be the bad guys. He described the ideal catalyst project as a generator of excitement and vibrancy and not as a high risk without potential for return.

**Mr. Fregonese** explained that they had designed projects that people were interested in seeing developed. He discussed code clean-up issues in central and downtown Milwaukie including off street parking and first floor retail limitations. He discussed the relationship between building height and surface parking at the Murphy site and said the question is if Milwaukie should allow flex space in the area zoning given the potential for new markets. He discussed the McFarland site which has the southeast parcel problem. He then discussed downtown ground floor retail limitations and the possibility of removing from the Willamette Greenway overlay the Cash Spot site. Mr. Fregonese discussed possible code changes to allow open spaces, off street parking in south downtown, and five story buildings. He then presented pro forma results which include the high costs of the PARs; he suggested looking at doing a local improvement district (LID) to finance the public improvements.

**Councilor Churchill and Mr. Butler** understood that the City had paid for NMV public improvements and discussed an LID as one way to deal with these costs.

**Mr. Popenuk** reported that developers believe Milwaukie has good streets already but new developments are being asked to pay for additional upgrades. He explained the tradeoffs of leaving property vacant versus getting some taxable development built, and he discussed using tools that could benefit the City. He reported that all pro forma results are bad right now – costs too high and rents too low. He said that a couple of projects looked at adaptive reuse and the City may want to begin by focusing on those types of projects. He discussed the City's interest in developing the Texaco and Cash Spot sites with iconic buildings which would add a cost premium. He then discussed the impact of tenant improvements and the importance of land value and the use of the assessor's real market value estimate.

**Mr. Fregonese** said his impressions are to begin with adaptive reuse and then get out of the way and help it move. He added that new buildings will be smaller at first but if people invest and good design standards are kept in place then good things will happen.

**Mr. Popenuk** previewed the February 20 study session discussion given today's presentation.

**Council President Hedges** discussed sorting out the code so people can build something worthwhile and said he never wanted industrial development on the McFarland site, he would like to see row houses.

**Council President Hedges and Mr. Fregonese** discussed the possibilities of developing flex space at the Murphy site.

**Councilor Churchill** said flex space at the Murphy site would be okay if the market supported it; he was interested in senior housing due to the proximity to the hospital. He thought the McFarland site could be an encapsulated park and he has seen cottage clusters be successful and would work.

**Councilor Miller** discussed adaptive reuse of the Graham site and stated that he does not support an urban renewal district, he is not interested in tax increment financing,

and he felt the city already had enough affordable housing. He suggested they look at what made Milwaukie a better city and build market-value housing that fits the neighborhood and has character.

**Councilor Churchill** concurred with Councilor Miller on adaptive reuse and believes that it is the catalyst project for Milwaukie development.

**Councilor Gamba** also expressed his support for adaptive reuse and asked how future rents were projected in the study.

**Mr. Popenuk** explained that rents in a 3 mile radius of Milwaukie were considered and they assumed that similarly sized units would be built; they calculated a \$1.20 to \$1.40 per square foot rate. He noted that additional pro formas were shared with the property owners using different rates based on which site was being looked at.

**Mr. Fregonese** said they had used conservative rates and explained that rate increases could start with adaptive reuse and grow organically. He added that it helps that the City controls the two big properties on either end of the downtown.

**Councilor Gamba, Mr. Fregonese, and Mr. Popenuk** discussed possible code changes including street improvements, and parking standards and limitations on both sides of Washington. They discussed the concept of helping downtown become more open, relaxed, and flexible so it can be prepared for future development.

**Mr. Fregonese** suggested the City be proactive with codes aimed specifically at encouraging adaptive reuse. He discussed the feasibility of having a do-it-yourself (DIY) center help people understand how much developing a building might cost.

**Mr. Steffey** added that any kind of certainty to the process would help the developer.

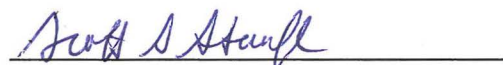
**Council President Hedges** asked Mr. Popenuk and Mr. Fregonese to consider what has been done wrong to not encourage people who are being priced out of Portland to live and operate a business in Milwaukie.

**Mr. Fregonese** replied that location is Milwaukie's greatest advantage; it is a good value for the money, and suggested that because prices had not gone up the City is in a good position for entry level development.

**Mr. Butler** noted that the City's developer roundtables are starting to attract attention and **Mr. Popenuk** agreed and added that a lot of developers are applauding the City for undertaking this process and being engaged and flexible in reviewing the code.

**Mayor Ferguson** adjourned the work session at 6:28 p.m.

Respectfully submitted,

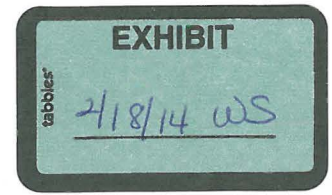


Scott S. Stauffer, Administrative Specialist II



# MILWAUKIE

*Dogwood City of the West*



## Memorandum

**To:** City Council

**From:** Steve Butler, Community Development Director  
Denny Egner, Planning Director  
Jason Rice, Engineering Director

**CC:** Teri Bankhead, Assistant City Manager

**Date:** February 18, 2014

**Re:** Community Development Department Projects - City Council Update for 2/18/14 Work Session

### Parks & Sustainability

- Neighborhood Park Completion
- Park District Cost Allocation
- City Swale/Median Maintenance Contracts
- Sustainability Plan
- Tree City USA
- Public/Government Access
- **Milwaukie Riverfront Park**

### Engineering

- **Quiet Zone Implementation**
- Adams Street Connector
- 17<sup>th</sup> Avenue Multiuse Trail
- ADA Ramp Grant – CDBG
- Stanley Avenue Stormwater

### Planning

- Annexations
- **Land Use and Development Review**
- Light Rail Permitting
- Zoning Code Enforcement
- **Moving Forward Milwaukie: Enhancing Our Commercial Districts**
- Code Amendments

### Community Development

- Kellogg Ped/Bike Bridge
- **ODOT TGM Grant—Monroe Street Neighborhood Greenway**
- Adams Street Lanterns

### Building

- Updates

### Parks & Sustainability

#### **Milwaukie Riverfront Park**

- The City has received the permit from the Army Corps of Engineers
- Still waiting for resolution of the outstanding issues with the Board of County Commissioners

### Planning

#### **Land Use and Development Review**

- Public hearings are scheduled before the Planning Commission for two projects:
  - March 11, 2014 – A Community Service Use permit for the Road Home pilot project at the Milwaukie Christian Church at 5197 SE King Rd.
  - March 25, 2014 - Northwest Housing Alternatives application for a zone change at 2316 SE Willard St. This zone change will follow a Type 3 review process which gives final decision making authority to the Planning Commission with an ordinance implementing the Commission’s decision approved by the City Council. A hearing before the Council will only be held if the Planning Commission’s decision is appealed.
- On March 3, the DLC will meet to review final design details for lighting on the pedestrian bridge under the light rail tracks across Kellogg Creek.
- On February 18, 2014, administrative approval was given for site improvements for seating and pet exercise at the veterinary clinic at 10400 SE Main St.

- A business application has been filed for a medical marijuana dispensary in a commercial area in the Island Station Neighborhood. Staff is reviewing the application.

#### **Moving Forward Milwaukie: Enhancing Our Commercial Districts**

- Last week, planning staff met attended five Neighborhood District Association meetings to provide updates on the Moving Forward Milwaukie project and to encourage association members to attend the March 6 public workshop.
- On February 11, the Planning Commission and Design and Landmarks Committee held a joint meeting to review progress on the Moving Forward Milwaukie project.
- On February 18 and 20, the City Council will hold extended work and study sessions to address the opportunity site analysis for the Moving Forward Milwaukie project.

#### **Community Development**

##### **ODOT TGM Grant—Monroe Street Neighborhood Greenway**

- Planning Department staff and ODOT have agreed on a tentative scope of work for the project. ODOT will direct the Request for Proposals process, with proposals being submitted and reviewed in March. The selection committee will consist of the ODOT grant manager, the City project Manager Brett Kolver, Planning Director Denny Egner, City Councilor Mark Gamba, and a neighborhood representative to be determined.

#### **Engineering**

##### **Quiet Zone Implementation**

- While it's unclear as to exactly how many trains are obeying the Quiet Zone order, the fact is Milwaukie now has trains moving through town that are not blowing their horns.
- Engineering is working on a communication piece that could be distributed to local schools.



## MILWAUKIE CITY COUNCIL WORK SESSION

City Hall Conference Room  
10722 SE Main Street  
www.milwaukieoregon.gov

**REVISED AGENDA**  
**FEBRUARY 18, 2014**

A light dinner will be served.

**Page #**

- |    |           |  |              |   |
|----|-----------|--|--------------|---|
| 1. | 5:00 p.m. | <b>City Manager's Report</b>                               | Bill Monahan |   |
| 2. | 5:30 p.m. | <b>Moving Forward Milwaukie: Action and Implementation</b> | ECONorthwest | 1 |
| 3. | 6:30 p.m. | <b>Adjourn Work Session</b>                                |              |   |

### **Executive Session – 6:30 p.m.**

**Upon adjournment of the work session the City Council will meet in executive session pursuant to ORS 192.660(2)(e) to deliberate with persons designated by the governing body to negotiate real property transactions and ORS 192.660(2)(h) to consult with counsel concerning legal rights and duties regarding current litigation or litigation likely to be filed.**

### **Information**

Executive Session: 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.
- The Council requests that mobile devices be set on silent or turned off during the meeting.
- The City of Milwaukie is committed to providing equal access to information and public meetings per the Americans with Disabilities Act. For special accommodations, please call 503-786-7502 or email [ocr@milwaukieoregon.gov](mailto:ocr@milwaukieoregon.gov) at least 48 hours prior to the meeting.



MILWAUKIE CITY COUNCIL  
AGENDA ITEM SUMMARY

Agenda Item: **WS 2.**  
Meeting Date: **02/18/14**

Title: **Moving Forward Milwaukie – Worksession #3**

**Prepared By:** Li Alligood, Associate Planner  
Ryan Marquardt, Senior Planner  
**Department Approval:** Dennis Egner, Planning Director

**City Manager Approval:** Bill Monahan

**Approval Date:** 2/6/14

**ISSUES BEFORE COUNCIL**

The Moving Forward Milwaukie project team requests Council’s concurrence with the development concepts being presented for public review and comment in early March. The project team also wants for Council to be familiar with the financial status of the development concepts in preparation for the Study Session on February 20, 2014.

**STAFF RECOMMENDATION**

N/A, this is a worksession briefing.

**KEY FACTS & INFORMATION SUMMARY**

The Moving Forward Milwaukie (MFM) project is at an important transition point in the project. For the last several months, MFM has focused on the 7 opportunity sites and scenarios for development of these sites. This Council worksession and upcoming Council study session on February 20<sup>th</sup> will start to apply what we’ve learned from these hypothetical developments to Comprehensive Plan and Zoning Code amendments, and discussion of financing tools to make redevelopment feasible.

**OTHER ALTERNATIVES CONSIDERED**

N/A

**CITY COUNCIL GOALS**

2013 Goal #9

**FISCAL NOTES**

No additional fiscal impacts. This is part of the Moving Forward Milwaukie project. Funding for the project is provided by a Metro Construction Excise Tax grant, with local matching in the form of staff time and \$30,000 from the general fund.

**ATTACHMENTS**

1. Moving Forward Milwaukie - History of Prior Actions and Discussions
2. Development Concept Evaluations



MILWAUKIE CITY COUNCIL  
STAFF REPORT

Staff Report &  
Attachment 1

**To:** Mayor and City Council

**Through:** Bill Monahan, City Manager

**Subject:** **Moving Forward Milwaukie – Worksession #3**

**From:** Li Alligood, Associate Planner  
Ryan Marquardt, Senior Planner  
Dennis Egner, Planning Director

**Date:** February 12, 2014, for February 18, 2014 Worksession

### **ACTION REQUESTED**

The Moving Forward Milwaukie project team requests Council's concurrence with the development concepts being presented for public review and comment in early March. The project team also wants for Council to be familiar with the financial status of the development concepts in preparation for the Study Session on February 20, 2014.

### **HISTORY OF PRIOR ACTIONS AND DISCUSSIONS**

A timeline of prior actions and discussions for the Moving Forward Milwaukie Project is in Attachment 1. Recent decisions and key points of direction are presented below.

**January 21, 2014:** Council was briefed on the refinements to the development concepts that were being developed for the 7 opportunity sites. Council provided comments regarding the details of the development concepts to be evaluated.

**May 7, 2013:** Council approved an intergovernmental agreement (IGA) with Metro to accept Construction Excise Tax (CET) grant funds for the Commercial Core Enhancement Program (CCEP), and authorized the Council President to sign the agreement on behalf of the Mayor (Res. 36-2013). The IGA was executed on May 21, 2013.

**January 20, 2010:** Council directed staff to request grant funds from Metro's Construction Excise Tax planning grant program, based in part on the recognition of the need for targeted site-specific planning for opportunity sites (Res. 06-2010).

### **BACKGROUND**

The Moving Forward Milwaukie (MFM) project is at an important transition point. For the last several months, MFM has focused on the 7 opportunity sites and scenarios for development of these sites. This Council worksession and upcoming Council study session on February 20<sup>th</sup> will start to apply what we've learned from these scenarios to the Downtown and Central Milwaukie Action and Implementation Plan.

The development concepts that Council will review at this worksession will provide important information for the MFM project in the following areas:

## 1. Financial Feasibility of Redevelopment

Each development concept has an associated development pro forma. The pro forma weighs the costs associated with a project against the expected revenues. This information is important in identifying what development concepts are feasible under current market conditions. The lessons learned from the pro formas will be applied more broadly as Council discusses financial tools for redevelopment at its Study Session on Thursday, February 20<sup>th</sup>.

## 2. Test Cases for Zoning Code Amendments

The development concepts have been evaluated against current policy and regulations to identify where these regulations may pose problems or be obstacles for redevelopment on the opportunity sites. The potential policy and regulatory changes from the opportunity sites will inform discussions in the coming months about such changes for the broader downtown and central Milwaukie areas.

## 3. Gauge of Public Support for Redevelopment of Opportunity Sites

The development concepts will be presented at a public meeting in early March. At this event, the MFM project team intends to get public feedback about which development concepts garner the most support, what types of uses are seen as appropriate for the various opportunity sites, and what layout and design options are preferred. The event will also be an opportunity for the project team to provide information to the public about the financing and policy implications for the development concepts.

### Discussion at the February 18, 2014 Worksession

Past discussions of the development concepts have centered on what types of uses and building heights should be studied. This worksession will shift from discussion about what concepts should be tested to the implication of the concepts that were evaluated. The project team will present numbers that illustrate the effect of various uses and building forms and height have on the financial feasibility of the development concepts. The two objectives of this discussion are:

- 1) Provide Council with an opportunity to hear from developers and the project team about the development concepts and review, comment, and make any final adjustments to the concepts before they are presented at a public event; and
- 2) Prepare Council with financial information about the development concepts in preparation for the discussion during the February 20<sup>th</sup> study session.

### Key Findings from the Development Concepts and Pro Formas

Testing the development concepts has provided some interesting insights into the development potential of the opportunity sites. The table on pages 3-4 contains a comparison of some key metrics for each development concept. The development concepts are more fully described in Attachment 2, including more financial details, a visual massing and site plan study, and pictures of buildings similar to the concepts being tested.

Opportunity Site	Concept Description	Dwelling Units and Parking Spaces	Leveraged 10-year IRR	PARs/SDCs as % of Total Construction Cost	Code Challenges
Texaco	(1) – 4-story U shape, 1 floor commercial, 3 floors residential	78 dwelling units; 124 parking spaces	-5.26%	8.15% / 5.44%	Main St 0-ft setback
	(2) – 2 buildings, 3-story west side, 4-story east side, commercial ground floor, residential above	69 dwelling units; 38 parking spaces	-0.04%	7.97% / 4.25%	Complies with current code
	(3) - 2 buildings, shared 1 <sup>st</sup> story; commercial ground floor, 4-story residential east side, 2-story residential west side	96 dwelling units; 107 parking spaces	-2.47%	6.88% / 5.05%	Complies with current code
Dark Horse	(1) – new building, 3-story live/work	19 dwelling units 16 parking spaces	-3.61%	14.97% / 0.34%	Townhome not allowed for live/work
	(2) – new building, ground floor commercial, 3 stories of residential above	42 dwelling units 0 parking spaces	1.52%	8.39% / 4.31%	Complies with current code
	(3) – 4 stories, ground floor commercial, parking, residential above, adaptive reuse of buildings on NW corner of block	42 dwelling units 0 parking spaces	-24.85%	6.99% / 1.02%	Complies with current code
Graham	(1) – adaptive reuse of existing	0 parking spaces	16.42%	0% / 5.63%	Parking, driveway on Main nonconforming; no other issues
	(2) – 3-story redevelopment; ground floor retail; 2 stories residential	15 dwelling units 0 parking spaces	0.37%	5.22% / 5.87%	Complies with current code
	(3) – 3-story redevelopment; ground floor retail; 2 stories office	0 parking spaces	N/A	9.68% / 4.84%	Complies with current code
Cash Spot	(1) – 2 buildings; 2-story over parking; ground floor commercial and office on Main, 2-story office on McLoughlin	71 parking spaces	N/A	9.39% / 7.05%	Retail size limitation; too little parking
	(2) – 3-story building on east half, surface parking, commercial ground floor on Main, residential above, incubator space below Main St grade	11 dwelling units 45 parking spaces	-4.72%	13.75% / 2.75%	Retail size limitation; too little parking

Opportunity Site	Concept Description	Dwelling Units and Parking Spaces	Leveraged 10-year IRR	PARs/SDCs as % of Total Construction Cost	Code Challenges
	(3) - 2 buildings; 3-story over parking; ground floor commercial and 2-story residential on Main, 2-story residential on McLoughlin	38 dwelling units 62 parking spaces	-7.54%	9.68% / 4.84%	Retail size limitation
Triangle	(1) – 1-story commercial	0 parking spaces	-15.14%	0% / 5.86%	Retail size limitation; no parking; 2 story building required
	(2) – 2-story, commercial ground floor; office above	0 parking spaces	-11.32%	0% / 3.19%	Retail size limitation; no parking
	(3) - 3 story, commercial ground floor; 2-stories residential above	18 dwelling units 0 parking spaces	3.36%	0% / 5.30%	Retail size limitation; no parking
	(4) – 4-story, commercial ground floor; 3 stories residential above	26 dwelling units 0 parking spaces	3.94%	0% / 4.84%	Retail size limitation; no parking
Murphy	(1) – multiple 3-story buildings; mix of office with ground floor commercial on 32 <sup>nd</sup> , and residential buildings	94 dwelling units 395 parking spaces	-3.16%	1.60% / 6.09%	Code use regulations and development standards require mixed use, don't allow flex space. Subjective approval criteria.
	(2) – multiple buildings, 1-story flex space on west half, 3-story residential with ground floor commercial on 32 <sup>nd</sup> on east	113 dwelling units 272 parking spaces	7.19%	1.99% / 7.59%	
	(3) – multiple buildings of 1-story flex space	187 parking spaces	11.70%	4.39% / 5.59%	
MacFarland	(1) – single-family; townhomes; 3-story senior housing; park	89 dwelling units 164 parking spaces	6.16%	3.32% / 4.10%	Code use regulations and development standards require mixed use, don't allow flex space. Subjective approval criteria.
	(2) – single-family; townhomes; 3-story senior housing; commercial NW corner; park	84 dwelling units 161 parking spaces	5.64%	3.42% / 4.23%	
	(3) – senior housing, 3 stories, multiple buildings; park	134 dwelling units 283 parking spaces	-0.35%	2.95% / 5.47%	

The information in the table on the proceeding pages assumes a land value of \$0 for project costs. The “Leveraged 10 Year IRR” column is the leveraged internal rate of return for the project. The Leveraged IRR represents the average rate of return on investors’ equity over the term of the project from construction to sale. This is one of multiple methods that evaluates whether a project is financially feasible. Generally, a project with a Leveraged 10 Year IRR of 15% or more is considered financially feasible.

Important themes that have been discerned from this exercise are summarized below:

- **Negative Returns Downtown**

Most of the development concepts for the downtown opportunity site have a negative return, meaning generally that a developer would not recoup the money invested in the project. Other successful commercial areas in the Metro region have faced similar challenges at points in their development. The Study Session on February 20<sup>th</sup> will discuss lessons from these areas and financing tools that can be used to counteract the low rates of return that the current market would yield.

- **Adaptive Reuse**

One notable exception from the negative returns is the adaptive reuse of the Graham building. The return for the investment in this concept is close to what a developer would typically expect for a project. This result indicates that the market will tend to favor reuse of existing buildings rather than development of new buildings in downtown.

- **Downtown Zoning**

Overall, the development regulations (height, FAR, setbacks) do not pose significant obstacles for the development concepts being considered for downtown. The major exception to this is parking requirements for the Cash Spot and Triangle sites. Prescriptive use regulations, such as retail size limitations or requirements for ground floor retail may also pose some obstacles.

- **Central Milwaukie Zoning**

The zoning for central Milwaukie is complicated and prescriptive. While some of the uses and buildings evaluated in the development concepts appear permissible under the current zoning, the prescriptive use and discretionary approval criteria make it hard to make definitive statements about whether the concepts on the Murphy and MacFarland site could be approved.

- **Public Area Requirements (PARs)**

PARs, the street frontage improvements in downtown, can be a sizeable percentage of a project cost. PARs account for 6-9% of the cost of most development concepts in downtown. However, even where PARs would not be applicable (exempted by code or already built), development concepts may still have negative returns.

Frontage improvements are also required for the central Milwaukie sites, and constitute roughly 4-7% of project cost. These improvements are similar in concept to downtown PARs. PARs are specific to the pedestrian-oriented environment downtown, and have wider sidewalks and more pedestrian amenities than frontage improvements in other parts of the city. PARs are typically a larger share of project cost than the frontage improvements required in central Milwaukie. The pedestrian amenities account for some of this increased cost, though most of this difference is due to the requirements downtown for undergrounding utilities such as electricity and phone.

- **System Development Charges (SDCs)**  
SDCs tend to be about 5% of total project cost. This share increases for residential uses due to parks and wastewater SDCs charged for each dwelling unit. These 2 SDCs are pass-through SDCs that are charged by other agencies and collected by the city for payment to the agencies.
- **Central Milwaukie Sites**  
The Murphy site pro formas indicate that this site is likely to redevelop sooner than the other opportunity sites. Development of flex space (generic building space that may be used for light industrial, distribution and/or office) may be close to feasible in the current market. This raises a question of whether flex space should be allowed for these central Milwaukie sites, as the zoning does not clearly allow flex space development. The MacFarland site appears to be less ready for redevelopment based on the residential concepts that were evaluated.
- **Office uses**  
Development concepts that include a significant amount of office space tend to perform worse financially than those with more residential and retail space.

#### Development Concepts in Upcoming Moving Forward Milwaukie Events

- February 20, 2014 Study Session – The financial information from the pro formas will be used as a basis during the discussion of the Action and Implementation plan. The focus of this study session is to identify financial tools that the city may wish to employ to encourage redevelopment.
- March 2013 Public Event - The development concepts will be presented to the public for review and comment and to illustrate what actions from the city may be necessary to realize development.
- April 2014 – The final opportunity site concepts will be presented to Council, with one preferred concept being expanded to include detailed simulations of the site plan and building design.

#### **CONCURRENCE**

The MFM Project Advisory Committee evaluated the draft concepts in the December 3, 2013, packet, and indicated their support for further evaluating those concepts. Many of those concepts are included in the refined draft concepts. The property owners have reviewed the concepts and are in agreement with the concepts being evaluated.

#### **FISCAL IMPACTS**

No additional fiscal impacts. This is part of the Moving Forward Milwaukie project. Funding for the project is provided by a Metro Construction Excise Tax grant, with local matching in the form of staff time and \$30,000 from the general fund.

#### **WORK LOAD IMPACTS**

No additional work load impacts expected to result from this discussion. The Moving Forward Milwaukie project continues to require the equivalent of over 1 FTE of staff time. Per the Planning Department workplan, this is expected to continue through December 2014.

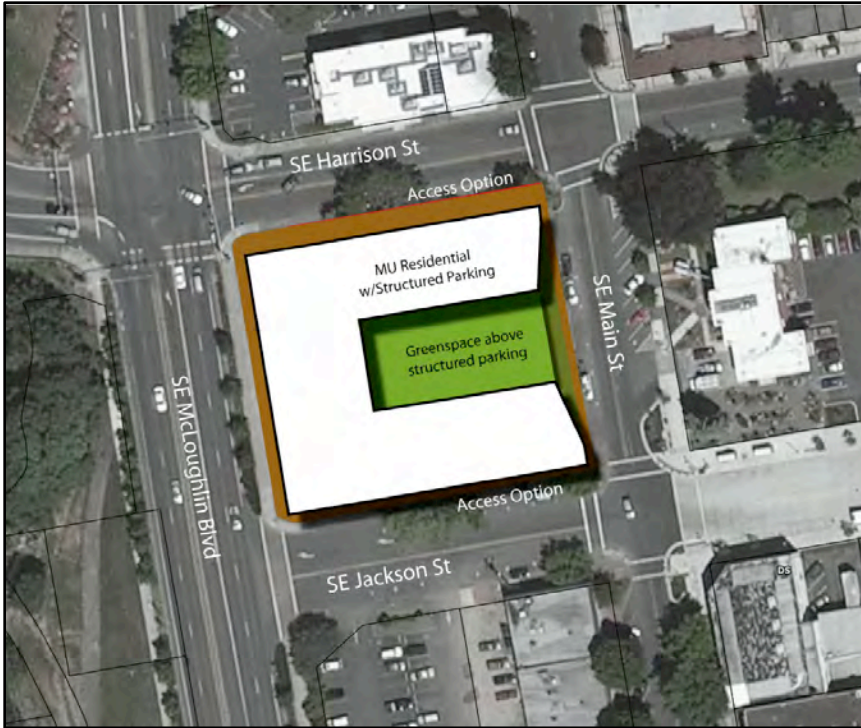
#### **ALTERNATIVES**

N/A

**ATTACHMENTS**

1. Moving Forward Milwaukie - History of Prior Actions and Discussions
2. Development Concept Evaluations

# Texaco – Concept 1



## Developer Scorecard

	Projected	Target
Total Cost	\$ 18,398,874	
Stabilized NOI	\$ 914,664	
Cash on Cost Return	5.2%	6.0%
Leveraged IRR: 10-Year	-5.26%	15.0%



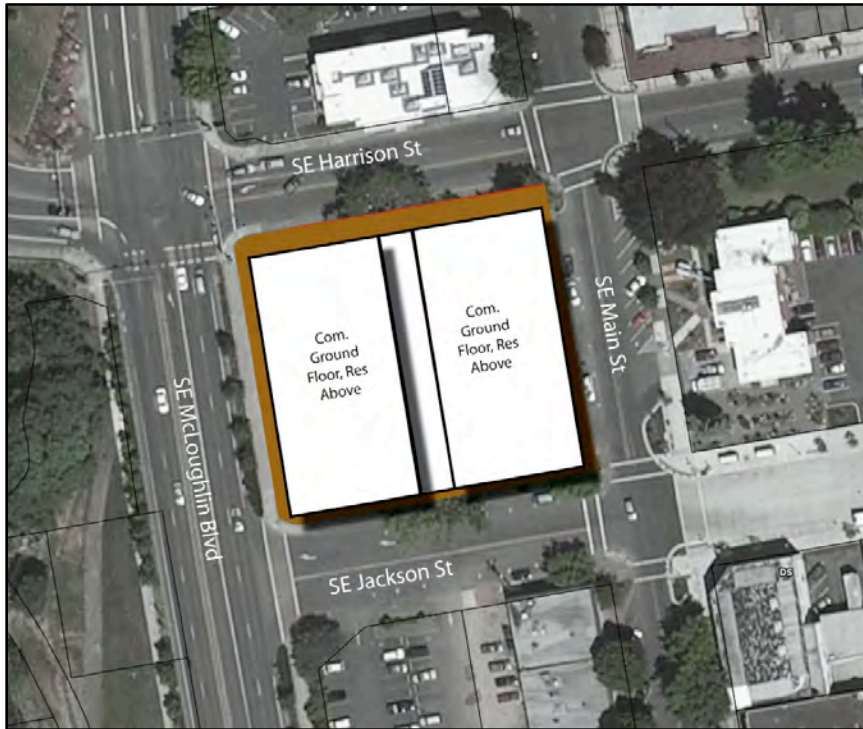
# Texaco – Concept 2



## Developer Scorecard

	Projected	Target
Total Cost	\$ 18,825,483	
Stabilized NOI	\$ 1,004,692	
Cash on Cost Return	5.6%	6.0%
Leveraged IRR: 10-Year	-0.04%	15.0%

# Texaco – Concept 3



## Developer Scorecard

	Projected	Target
Total Cost	\$ 21,786,859	
Stabilized NOI	\$ 1,144,821	
Cash on Cost Return	5.5%	6.0%
Leveraged IRR: 10-Year	-2.47%	15.0%

# Dark Horse – Concept 1



## Developer Scorecard

	Projected	Target
Total Cost	\$ 5,843,340	
Stabilized NOI	\$ 299,977	
Cash on Cost Return	5.4%	6.0%
Leveraged IRR: 10-Year	-3.61%	15.0%

# Dark Horse – Concept 2



## Developer Scorecard

	Projected	Target
Total Cost	\$ 10,429,592	
Stabilized NOI	\$ 599,633	
Cash on Cost Return	6.0%	6.0%
Leveraged IRR: 10-Year	1.52%	15.0%

# Dark Horse – Concept 3



## Developer Scorecard

	Projected	Target
Total Cost	\$ 12,525,646	
Stabilized NOI	\$ 433,742	
Cash on Cost Return	3.6%	6.0%
Leveraged IRR: 10-Year	-24.85%	15.0%

# Graham – Concept 1



## Developer Scorecard

	Projected	Target
Total Cost	\$ 443,692	
Stabilized NOI	\$ 41,337	
Cash on Cost Return	9.7%	6.0%
Leveraged IRR: 10-Year	16.42%	15.0%



# Graham – Concept 2



## Developer Scorecard

	Projected	Target
Total Cost	\$ 3,834,085	
Stabilized NOI	\$ 214,510	
Cash on Cost Return	5.8%	6.0%
Leveraged IRR: 10-Year	0.37%	15.0%

# Graham – Concept 3

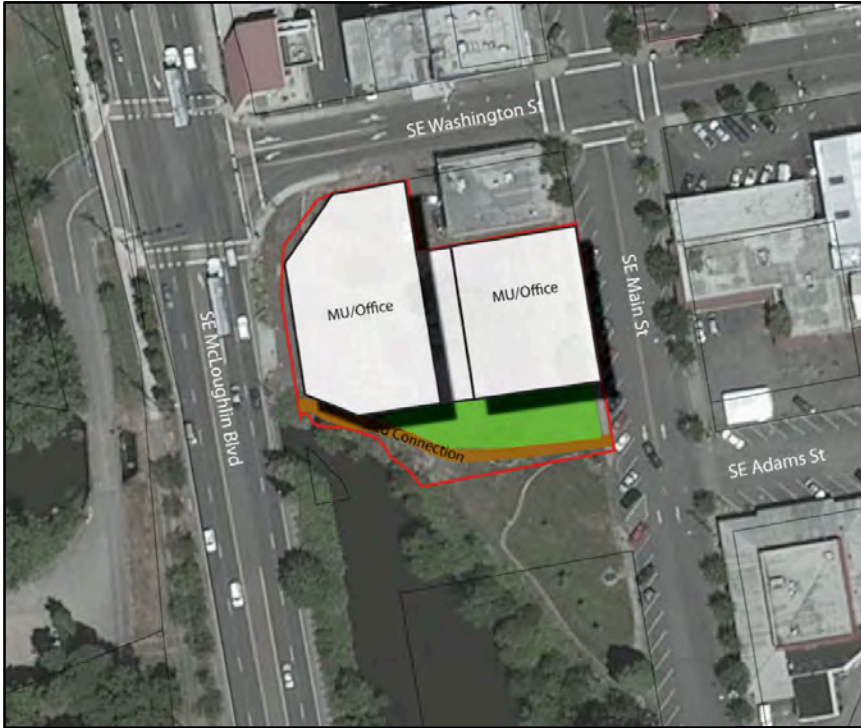


## Developer Scorecard

	Projected	Target
Total Cost	\$ 4,644,787	
Stabilized NOI	\$ 149,046	
Cash on Cost Return	3.3%	6.0%
Leveraged IRR: 10-Year	N/A	15.0%



# Cash Spot – Concept 1

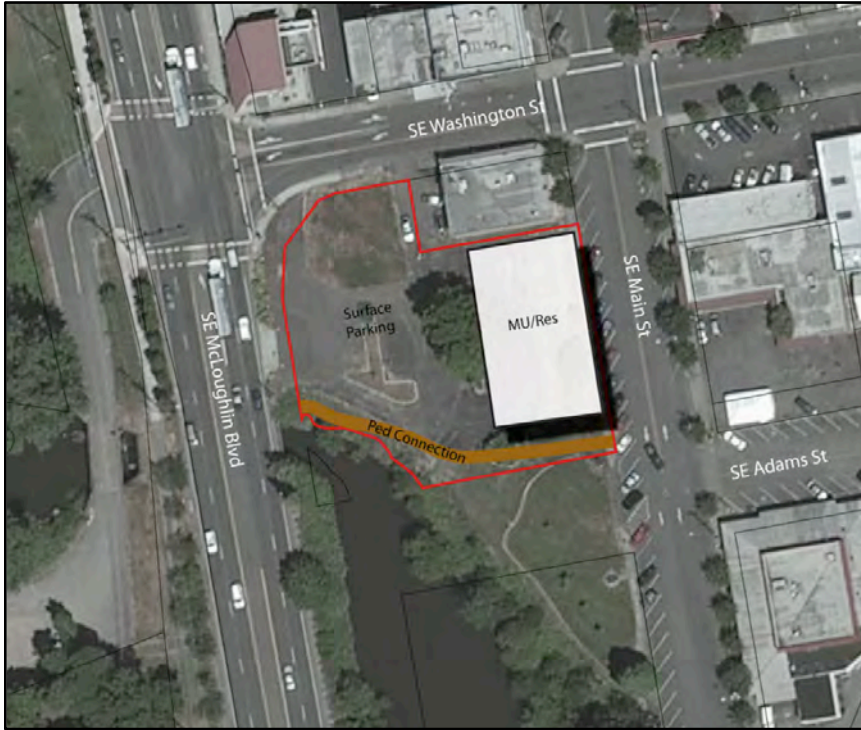


## Developer Scorecard

	Projected	Target
Total Cost	\$ 10,645,240	
Stabilized NOI	\$ 250,665	
Cash on Cost Return	2.4%	6.0%
Leveraged IRR: 10-Year	N/A	15.0%



# Cash Spot – Concept 2

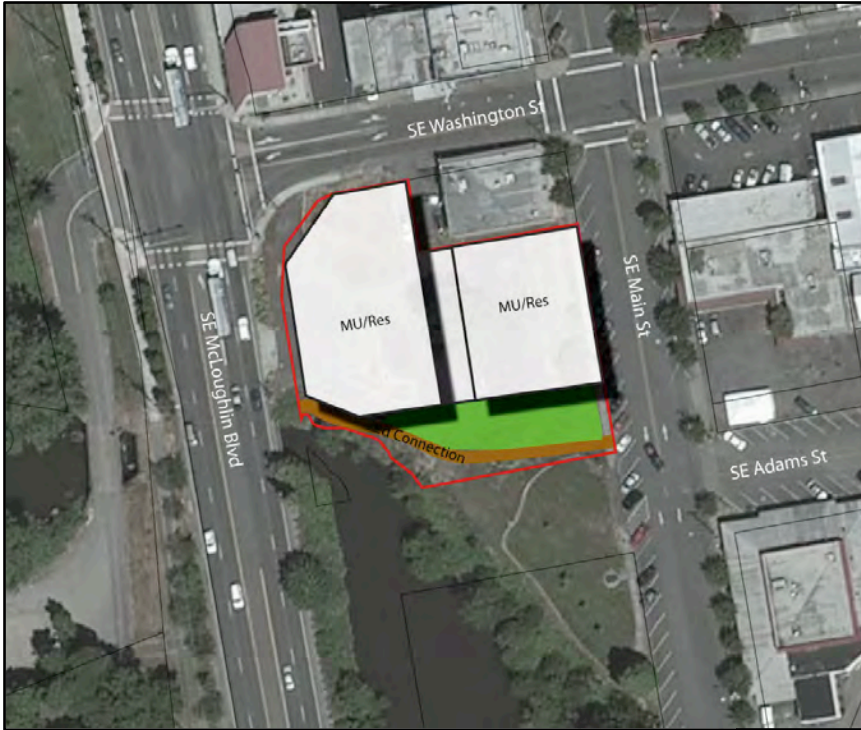


## Developer Scorecard

	Projected	Target
Total Cost	\$ 7,271,293	
Stabilized NOI	\$ 341,375	
Cash on Cost Return	4.9%	6.0%
Leveraged IRR: 10-Year	-4.72%	15.0%



# Cash Spot – Concept 3

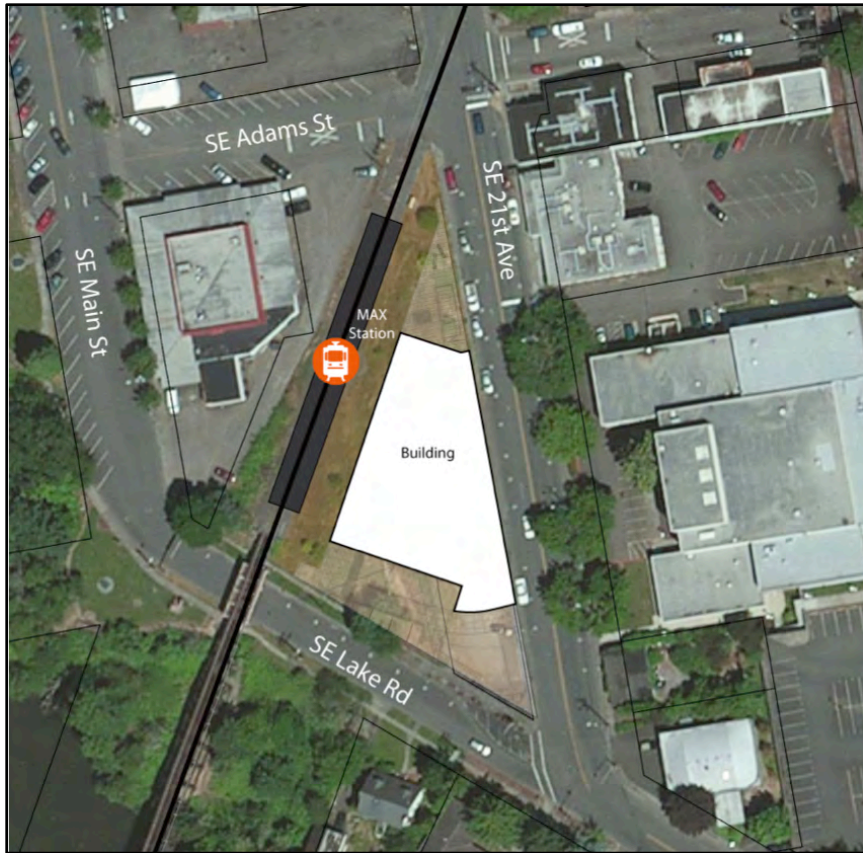


## Developer Scorecard

	Projected	Target
Total Cost	\$ 10,332,593	
Stabilized NOI	\$ 493,253	
Cash on Cost Return	5.0%	6.0%
Leveraged IRR: 10-Year	-7.54%	15.0%



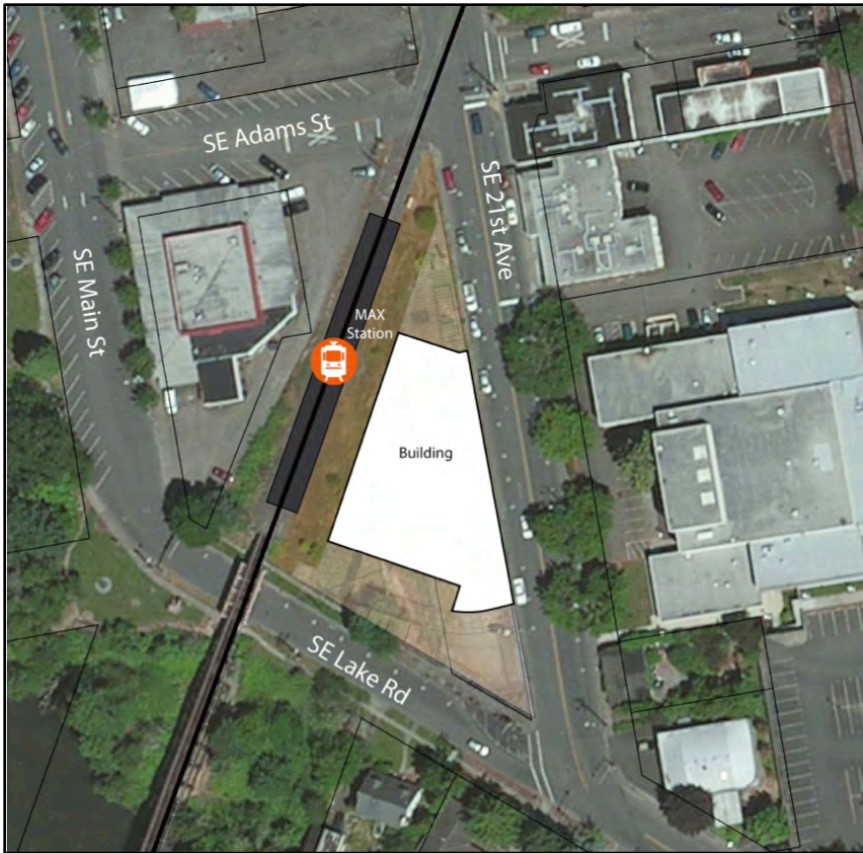
# Triangle – Concept 1



## Developer Scorecard

	Projected	Target
Total Cost	\$ 1,706,153	
Stabilized NOI	\$ 94,236	
Cash on Cost Return	5.8%	6.0%
Leveraged IRR: 10-Year	-15.14%	15.0%

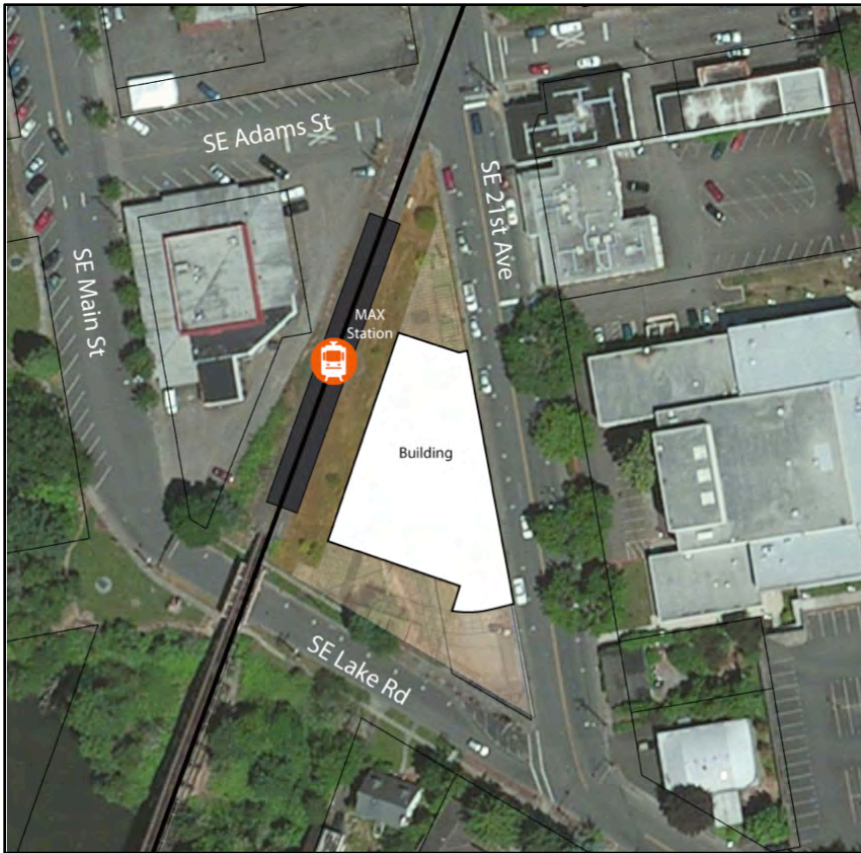
# Triangle – Concept 2



## Developer Scorecard

	Projected	Target
Total Cost	\$ 3,599,729	
Stabilized NOI	\$ 146,825	
Cash on Cost Return	4.2%	6.0%
Leveraged IRR: 10-Year	-11.32%	15.0%

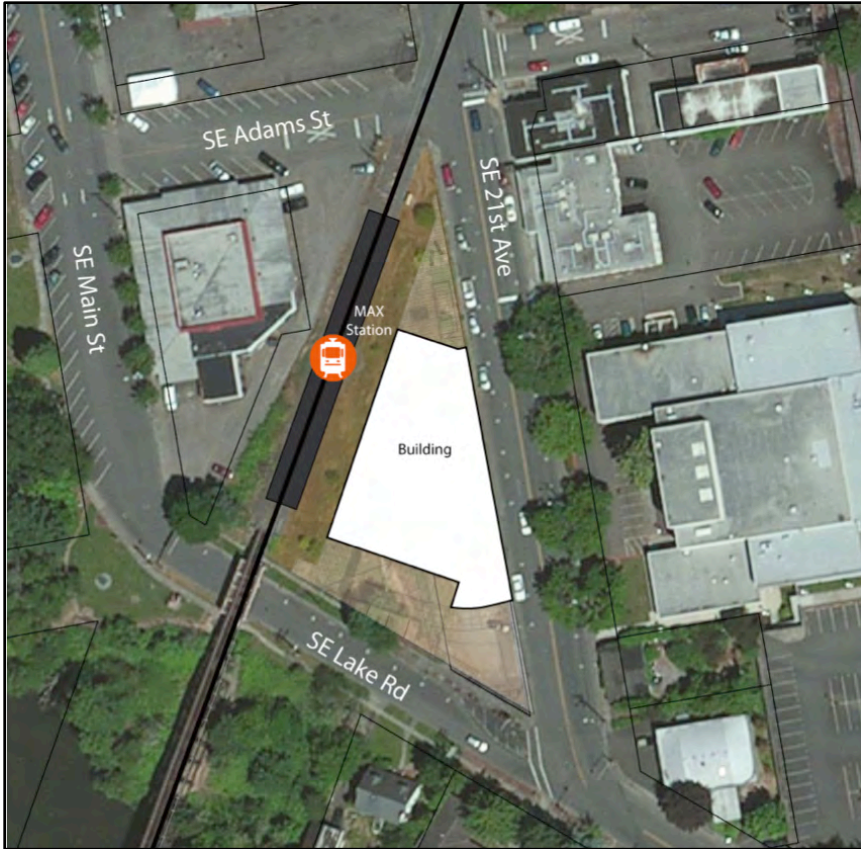
# Triangle – Concept 3



## Developer Scorecard

	Projected	Target
Total Cost	\$ 4,713,012	
Stabilized NOI	\$ 283,568	
Cash on Cost Return	6.3%	6.0%
Leveraged IRR: 10-Year	3.36%	15.0%

# Triangle – Concept 4



## Developer Scorecard

	Projected	Target
Total Cost	\$ 6,192,179	
Stabilized NOI	\$ 378,221	
Cash on Cost Return	6.4%	6.0%
Leveraged IRR: 10-Year	3.94%	15.0%

# Murphy – Concept 1



## Developer Scorecard

	Projected	Target
Total Cost	\$ 34,475,987	
Stabilized NOI	\$ 1,691,168	
Cash on Cost Return	5.1%	6.0%
Leveraged IRR: 10-Year	-3.16%	15.0%

# Murphy – Concept 2



## Developer Scorecard

	Projected	Target
Total Cost	\$ 27,681,444	
Stabilized NOI	\$ 1,861,666	
Cash on Cost Return	7.0%	6.0%
Leveraged IRR: 10-Year	7.19%	15.0%

# Murphy – Concept 3



## Developer Scorecard

	Projected	Target
Total Cost	\$ 12,532,095	
Stabilized NOI	\$ 982,753	
Cash on Cost Return	8.2%	6.0%
Leveraged IRR: 10-Year	11.70%	15.0%

# McFarland – Concept 1



## Developer Scorecard

	Projected	Target
Total Cost	\$ 24,851,736	
Stabilized NOI	\$ 1,609,845	
Cash on Cost Return	6.8%	6.0%
Leveraged IRR: 10-Year	6.16%	15.0%

# McFarland – Concept 2



## Developer Scorecard

	Projected	Target
Total Cost	\$ 24,103,150	
Stabilized NOI	\$ 1,539,701	
Cash on Cost Return	6.7%	6.0%
Leveraged IRR: 10-Year	5.64%	15.0%

# McFarland – Concept 3



## Developer Scorecard

	Projected	Target
Total Cost	\$ 27,981,834	
Stabilized NOI	\$ 1,480,959	
Cash on Cost Return	5.5%	6.0%
Leveraged IRR: 10-Year	-0.35%	15.0%