Work Session

WS

Milwaukie City Council

CITY OF MILWAUKIE

COUNCIL WORK SESSION

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

REVISED AGENDA

SEPTEMBER 19, 2017

Agenda Revised September 15, 2017

			Page #
1.	4:00 p.m.	**Solarize Campaign Update** Staff: Stephan Lashbrook, Interim Assistant to the City Manager, and Alma Frankenstein, Solarize Campaign Intern	1
2.	4:15 p.m.	**Construction Excise Tax (CET) Program and Policy Discussion** Staff: Alma Flores, Community Development Director	2
3.	4:30 p.m.	**Vertical Housing Development Zone (VHDZ) Discussion** Staff: Amy Koski, Resource and Economic Development Coordinator	6
4.	4:45 p.m.	**Adjourn Work Session**	

4:45 p.m. EXECUTIVE SESSION

The City Council will meet in Executive Session pursuant to Oregon Revised Statute (ORS) 192.660(2)(e) to deliberate with persons designated by the governing body to negotiate real property transactions, ~~and ORS 192.660(2)(d) to conduct deliberations with persons designated by the governing body to carry on labor negotiations.~~ (The second Executive Session topic was removed from the Agenda on September 15, 2017)

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Executive Sessions

The City Council may meet in Executive Session pursuant to ORS 192.660(2); all discussions are confidential and may not be disclosed; news media representatives may attend but may not disclose any information discussed. Executive Sessions may not be held for the purpose of taking final actions or making final decisions and are closed to the public.

Meeting Information

Times listed for each Agenda Item are approximate; actual times for each item may vary. Council may not take formal action in Study or Work Sessions. Please silence mobile devices during the meeting.

CITY OF MILWAUKIE
COUNCIL **WORK SESSION**
City Hall Conference Room
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MINUTES
SEPTEMBER 19, 2017

Mayor Mark Gamba called the Council meeting to order at 3:58 p.m.

Present: Council President Lisa Batey; Councilors Angel Falconer, Wilda Parks, Shane Abma

Staff:
City Manager Ann Ober
City Attorney Peter Watts
City Recorder Scott Stauffer
Development Manager Leila Aman
Solarize Campaign Intern Alma Frankenstein
Community Development Director Alma Flores
Interim Assistant to the City Manager Stephan Lashbrook
Resource and Economic Development Coordinator Amy Koski

1. Solarize Campaign Update

Ms. Frankenstein and **Mr. Lashbrook** provided an update on the Solarize Milwaukie campaign. **Ms. Frankenstein** asked Council to extend the deadline dates for signing up for the solarize program and for signing a contract with the selected solar panel vendor. **Mr. Lashbrook** clarified that the City could not extend the State of Oregon's tax credit that expires at the end of the year.

The group discussed the logistics of extending the City's deadlines and the possibility of more people signing up for the program. It was Council consensus to approve the deadline extensions.

2. Construction Excise Tax (CET) Program and Policy Discussion

Ms. Flores discussed the status of the State's CET program and how the program could be administered in Milwaukie. She explained the City's outreach efforts to the development community and discussed the comments she had received. She did not believe the development community would be concerned with the City moving forward with this program.

The group reviewed proposed changes to the CET and discussed the State's distribution of the CET funds collected. They also discussed a fee in lieu of construction (FILOC) and whether it should be included or removed from the City's CET program. They discussed inclusionary zoning (IZ) in relation to FILOC and the CET program.

It was group consensus to strip out language discussing IZ in the City's CET program, to alleviate confusion. The group noted that the Legislative bill included a fee in lieu of a tax, and the group discussed the logistics related to that.

Ms. Flores explained the percentage of funds collected from the CET that would go to the Oregon Housing and Community Services (OHCS) budget.

Ms. Flores would return to a Regular Session to discuss the IZ re-writing language.

3. Vertical Housing Development Zone (VHDZ) Discussion

Ms. Koski noted that one taxing district had opted out of the VHDZ program which would not delay the project moving forward. She added that the City was waiting for the approval of the VHDZ in early October 2017.

Ms. Koski asked for Council approval on the staff recommendation to add a green building requirement to vertical housing project applications. She discussed the current building height bonus requirements.

The group discussed the Clackamas County Fire District #1 (CCFD#1) decision to opt out of the VHDZ program.

Ms. Koski noted that the State had relinquished administration of the program to the City and she discussed the City's role moving forward.

The group discussed the five-year sunset clause of the program. They talked about tying the VHDZ application to a land use application at a certain point of completion.

Ms. Koski summarized that Council did not want the VHDZ program application process to go beyond five years. She would work with the Planning Department to figure out the completeness connection and would write it into the marketing materials. It was Council consensus that staff could prepare an ordinance for Council consideration, bearing in mind Council comments. It was noted that it was not necessary for staff to return to Council for review before consideration.

Ms. Koski noted the City was working out what it means to administer the program locally. The group discussed the City's involvement in the application process.

Ms. Ober summarized the process for Council to consider adopting the VHDZ program.

Ms. Flores suggested tying the project completion date to meet the tax assessment deadline of the following year as the threshold to pull a project. **Mayor Gamba** liked that approach. **Ms. Koski** would write it into the program.

Mayor Gamba adjourned the Work Session at 4:49 p.m. and announced that the Council would convene in Executive Session pursuant to Oregon Revised Statute (ORS) 192.660(2)(e) to deliberate with persons designated by the governing body to negotiate real property transactions.

Respectfully submitted,

Amy Aschenbrenner

Amy Aschenbrenner, Administrative Specialist II

Memorandum

To: City Council
From: Alma Flores, Community Development Director
CC: Ann Ober, City Manager
Date: September 14, 2017
Re: Community Development Department Projects - City Council Update for September 19, 2017

Community Development/Economic Development
- North Milwaukie Industrial Area Plan
- Milwaukie Station Food Cart Pod
- Coho Point at Kellogg Creek RFQ Process
- Vertical Housing Development Zone
- **Parking and Construction Projects--Community Outreach**
- **Downtown Wayfinding Implementation**
- **Construction Excise Tax discussions**

Planning
- **Comprehensive Plan Update: Advisory Committee**
- **Land Use and Development Review**
- **Design and Landmarks Committee**

Engineering
- **Private Development**
- **Permitting and Inspections**
- **Traffic Control Requests**
- **42nd Avenue SSMP and ADA Ramps**
- **Washington Street Storm and Main Street Water Quality**
- **Kellogg Creek Bridge Replacement**
- Riverfront Park Beach Repair
- **Kronberg Park Multi-Use Trail**

Building
- **August in review to come**

Community Development/Economic Development

Parking and Construction Projects Outreach

- Staff has developed a draft policy memo that would outline the city's community outreach and engagement process for city and private construction projects in the downtown. The draft memo has been vetted with several impacted stakeholders including construction staff for the Library project and businesses and property owners downtown. Draft memo attached.

Downtown Wayfinding – Implementation

- The RFQ seeking a firm to fabricate the Phase 1 signage resulted in 3 proposals. Staff is reviewing them and will have a recommendation for a notice to award in the coming days. Outreach around the implementation of the wayfinding signs will occurring in the next quarter.

Construction Excise Tax

- Senate Bill 1533 was passed in 2016 that allows city's and county's to charge an additional tax/fee on residential and commercial/industrial development in order to fund affordable housing development initiatives. City council is supportive of implementing this fee and will be developing the parameters for the fee over the next quarter. A work session is scheduled to finalize the details of the program and will be before council in October for adoption.

<u>Engineering</u>

Private Development

Public Improvement Projects

- Mission Park Subdivision - 14 lot subdivision near 52nd on the South side of King Rd. Construction plans are approved and work will begin late September.
- Eagle & 21st development – Eagle street is being extended east to provide access to 3 new houses fronting Eagle Street and 21st Avenue. Construction plans are currently being reviewed.
- Kiel Crossing subdivision – 19 lot subdivision at intersection of 42nd and Railroad. Plans are almost approved, and work will begin shortly after approval.
- Front Street development – Front street is being extended east from Stanley avenue to provide access to 2 new houses fronting Front Street. Construction is underway.

Permitting and Inspections – August 2017

- Right-of-Way Inspections Completed: 26
- Right-of-Way Permits
  - Issued: 14
- Franchise Permits
  - Issued: 18

Traffic Control Requests

Received: 30
Completed: 11
Under Review: 19

Project Updates:

42nd Avenue SSMP and ADA ramps.

- Pre-construction meeting is scheduled on September 22, 2017. Construction is scheduled to commence end of September 2017.

Washington Street Storm and Main Street Water Quality

- Kick off meeting was held September 15 with the consultant.

Kellogg Creek Bridge Replacement

- The City is proceeding with the proposed new alignment of the bridge which is to the west of the existing bridge.
- 60% design is in the review process.
- Construction is expected to commence on October 2017.

Kronberg Multi-Use Trail

- Preliminary pathway alignments were presented to City Council on September 5. A second meeting with City Council is scheduled for October 10 to finalize the alignment for land use applications. Geotechnical exploration drilling is scheduled for September 19-21.

Riverfront Park Beach Repair

- The Riverfront Park Beach Repair will require a new Nationwide Permit since the United States Corps of Engineers (USACE) will not allow a simple modification of the existing permit for the Riverfront Park Master Plan. Since FEMA is providing the funding, they act as a lead agency for necessary consultations related to Endangered Species Act (ESA) and the National Historic Preservation Act (NHPA) required for the permit. So far FEMA does not have a programmatic Biological Opinion (BO) with NMFS that could be used to authorize the proposed beach repair and satisfy ESA requirements. FEMA is not expecting to have an approved programmatic BO with NMFS no sooner than October 2017therefore delaying the project from the 2017 to 2018 in-water window which is from July 1st – October 31st

.Planning

Comprehensive Plan Update

- On September 14th, applications were closed for the Comprehensive Plan Advisory Committee. Over 50 people have applied for the committee which will help to guide the update of the comprehensive plan over the next two years. The City Council is scheduled to appoint approximately 12-14 applicants to the committee at their October 3rd council meeting.

Land Use and Development Review[1]

- City Council Review
  - PD-2017-001 (master file) – Rusk Rd/Kellogg Ck 92-unit Planned Development - The City Council opened its public hearing on the Rusk Rd/Kellogg Ck Planned Development project on September 5th and, after presentations by staff and the applicant, continued the hearing to September 19th for additional public testimony and to begin deliberations.
- Planning Commission Review
  - DR-2017-001; VR-2017-007 – Project Galaxy – 109 unit mixed use development on Washington and Main - The Planning Commission approved the application at their meeting on September 12th.
  - CU-2017-001 – On September 12th, the Planning Commission approved a conditional use for a vacation rental at 1524 SE Eton Ln in the R-10 zone.
  - S-2017-003; VR-2017-010 – This application for an 11-lot subdivision at 11159 SE Maplehurst Rd was deemed complete on September 8th and is

[1] Only those land use applications requiring public notice are listed here.

tentatively scheduled for a public hearing with the Planning Commission on October 24th.

- Planning Director Review:
  - DEV-2017-013, NR-2017-004 – The application is for an industrial tools warehouse, sales, repair and management offices in a single 12,300-sq-ft building. Referrals and public notice were sent on August 3rd.

Design and Landmarks Committee (DLC)

- The DLC met on September 11th and debriefed from its recent public hearings for Willamette Greenway and Downtown Design review. The next DLC meeting is scheduled for October 17.

Building

'August 2017 in Review' to come

CITY OF MILWAUKIE
COUNCIL STAFF REPORT

To: Mayor and City Council

Date: September 9 for September 19 Work Session

Through: Ann Ober, City Manager

From: Stephan Lashbrook, Assistant to City Manager, and Alma Frankenstein, Solarize Intern

Subject:
Update and Status Report – Solarize Milwaukie

ACTION REQUESTED
For discussion only. No action is required.

HISTORY OF PRIOR ACTIONS AND DISCUSSIONS
Staff last provided an update to the Council on June 20, 2017.

ANALYSIS
The second of three public open houses was held on September 8, with the final one scheduled for September 19. We have had over 300 online interest requests, and over 50 people have submitted requests for bids. A total of about 100 people attended the first two open house sessions.

The Solarize team has promoted the campaign through targeted mailers, tabling at community events, speaking at NDA meetings, distributing fliers, stickers, and FAQs, social media posts, and articles in the Pilot. We are moving towards the sign-up deadline of September 29 and we will be doing all we can to reach as many people as possible before then.

Between the date of this memo (September 9) and the work session on the 19th, we should have accurate counts from the contractor (Sunlight Solar Energy) in terms of the number of requests they have received, sites they have visited and actual contracts with property owners.

BUDGET IMPACTS
The primary budgetary impacts of this project are as a result of staff time commitment. Some minor costs have been incurred for advertising materials and food for the open house meetings.

WORKLOAD IMPACTS
Workload impacts for this project were anticipated at the outset. A significant amount of the workload is being carried by intern Alma Frankenstein.

COORDINATION, CONCURRENCE, OR DISSENT
Not applicable. The Energy Trust of Oregon is a partner entity in this project. The non-profit group Solar Oregon has also been directly involved.

CITY OF MILWAUKIE
COUNCIL **STAFF REPORT**

To: Mayor and City Council | Date: August 29, 2017 for September 19, 2017
Through: Ann Ober, City Manager
Reviewed: Ann Ober, City Manager; Leila Aman, Development Manager

From: Alma Flores, Community Development Director

Subject: **Work Session on Final Program Details for the Establishment of a Construction Excise Tax to Fund Affordable Housing Initiatives**

ACTION REQUESTED

Approve the program parameters for the development of a Milwaukie Construction Excise Tax (CET) Program to fund affordable housing initiatives. Approve moving forward with a consent resolution on the October 3, 2017 City Council agenda.

HISTORY OF PRIOR ACTIONS AND DISCUSSIONS

April 19, 2016: City Council adopted a resolution granting the legislative authority to declare a housing emergency and adopted an ordinance requiring a 90-day no cause eviction notification for tenants.

July 28, 2016: City Council heard a presentation by the Community Development Director and Mary Kyle McCurdy of 1,000 Friends of Oregon on the new legislation that allows cities to create an affordable housing fund using a construction excise on new commercial and residential development and the inclusionary zoning laws. At the meeting, there was relative support for pursuance of a Construction Excise Tax for the City of Milwaukie and that inclusionary zoning would potentially be a second phase pursued in the future after the CET program has been in place for some time.

March 7, 2017: The City Council held a work session to discuss whether to extend the housing emergency for an additional six months from the scheduled expiration date of April 19, 2017 and to maintain the 90-day no cause eviction provisions in MMC 5.60.

April 18, 2017: The City Council adopted resolutions to extend the declared housing emergency for a period of six months, and to maintain the 90-day no cause eviction provisions in MMC 5.60.

April 23, 2017: The City Council held a goal setting session and voted unanimously to bring forth actions toward achieving a housing affordability goal for the residents of Milwaukie.

June 13, 2017 At the City Council study session while discussing the Vertical Housing Tax Credit program council inquired into the CET program and its development. The Community Development Director indicated that she would bring forth program details for the council to discuss at the July 11, 2017 study session.

July 11, 2017 Held Study Session and provided details of the program parameters and exemptions for Council to consider. The current staff report factors in the requested items discussed at this session.

ANALYSIS

The City Council has been working toward addressing housing affordability in the city for over a year. Council has recently made decisions to increase the number of tools that would allow additional development to help increase supply of housing and lessen the impact of increasing housing costs to renters in the city. These tools include expansion of the Enterprise Zone and the Vertical Housing Tax Zone. However, additional tools and resources are still needed to mitigate the impacts of increasing rents and home prices to maintain affordability. For this reason, staff recommends the adoption of a Construction Excise Tax.

Over the past couple months, City Council has heard presentations on the 2016 Senate Bill 1533 specific to inclusionary zoning and the opportunity cities have to enact a local Construction Excise Tax on the construction of new structures or construction that adds square footage to an existing structure. Under this legislation, cities are given the authority to impose a tax on residential construction at a rate of 1 percent of the permit value of the construction; there is no cap on the rate that could be applied to new commercial and industrial construction. In July of 2016, the Council indicated strong support for a city CET program and the Community Director came back to Council in June 2017 with a recommendation.

Below is the background on the CET rules for reference and the details of the program recommendations and staff's suggested program parameters for adoption in October. Should Council approve this trajectory, all components listed below will be included in the resolution.

Background

Per Senate Bill 1533B CET funds must be spent in the following way for tax revenue collected from new **residential development**:

- Fifty percent (50%) to fund developer incentives allowed or offered pursuant to ORS 197.309 (5)(c) and (d) and (7), which states that:
    - [ORS 197.309; section 5c and 5d and 7] Must provide developers the option to pay an in-lieu fee, in an amount determined by the city or county, in exchange for providing the requisite number of housing units within the multifamily structure to be sold or rented at below-market rates; and
    - Must require the city or county to offer a developer of multifamily structures, other than a developer that elects to pay an in-lieu fee pursuant to paragraph (c) of this sub- section, at least one of the following incentives:
        - Whole or partial fee waivers or reductions.
        - Whole or partial waivers of system development charges (SDC) or impact fees set by the city or county.
        - Finance-based incentives.
        - Full or partial exemption from ad valorem property taxes on the terms described in this subparagraph. For purposes of any statute granting a full or partial exemption from ad valorem property taxes that uses a definition of "low income" to mean income at or below 60 percent of the area median income and for which the multifamily structure is otherwise eligible, the city or county shall allow the multifamily structure of the developer to qualify using a definition of "low income" to mean income at or below 80 percent of the area median income.

- Fifteen percent (15%) distributed to the Housing and Community Services Department to fund home ownership programs; and
- Thirty five percent (35%) for programs and incentives of the city or county related to affordable housing.

- A 4 percent administrative fee may be charged for compliance with the above requirements and can be deducted before the distribution of the funds described above.

CET for Commercial and Industrial Uses

As was indicated, there is no cap on the rate that could be applied to new commercial and industrial construction; City Council gave direction in June 2017 to apply the same 1 percent of permit valuation to commercial and industrial development in the city.

Recommended commercial and industrial tax revenue allocation of funds:

Residential

- Up to 50 percent for affordable housing developer incentives for housing projects between 80 to 120 percent of MFI. Incentives should include System Development Charges and Permit Waivers and discounts on the public area requirements, when applicable.

Economic Development

- Up to 50 percent for economic development programming citywide with emphasis placed on areas that the city has adopted plans in place (e.g. North Milwaukie Industrial Area Plan, Moving Forward Milwaukie Plan, and South Downtown, 32nd Avenue and King Road Corridors, etc.)

Administrative

- 4 percent for administration of the program which would be subtracted from the total before applying the breakdown of incentives and funding for economic development.

To further encourage development of affordable housing the following local exemptions are listed, along with the CET exemptions that are required:

Required State Exemptions:

- Affordable Housing at or Below 80% MFI
- Public Improvements Under Public Contracting Code
- Schools, Hospitals, Worship, Agriculture, Non-Profit Care

Recommended Additional Exemptions:

- Affordable For-Sale Single Family Housing—at or below 80 percent MFI
- Accessory Dwelling Units for 5 years
- Improvements when permit value is less than $100,000

OUTREACH

The Community Development Director has held several work sessions on the subject and has reached out to the development community about the city's intent via an email blast to a database of developers the city has gathered. An affordable housing website has been created on the Community Development website and will be showcased on the main page of the city's site (**https://www.milwaukieoregon.gov/communitydevelopment/affordable-housing**) where the CET is highlighted. The city's Communications team will be assisting with a press release to highlight the reasons for the Tax.

BUDGET IMPACTS

The city's budget could be impacted in a positive way by adding resources to develop tools for addressing affordable housing in our community. These funds from the CET would provide the funds necessary to address requests for SDC and Permit Waivers, and others. Existing Staff time would be used to manage the program.

WORKLOAD IMPACTS

The Community Development Director will prioritize her work plan to accommodate the need to pull this programming together and work with the finance department to establish the revenue accounts.

COORDINATION, CONCURRENCE, OR DISSENT

The City Manager concurs with the establishment of this program and process.

STAFF RECOMMENDATION

Staff will bring forth a resolution at the next Council session for a vote on the establishment of the CET tax of 1 percent for new and added square footage of residential and commercial/industrial development.

ALTERNATIVES

None.

ATTACHMENTS

1. None

CITY OF MILWAUKIE
COUNCIL STAFF REPORT

To:	Mayor and City Council	Date:	9/5/17 for 9/19/17
Through:	Ann Ober, City Manager		
Reviewed:	Alma Flores, Community Development Director Leila Aman, Development Project Manager		
From:	Amy Koski, Economic Development Coordinator		

Subject: **Approve Vertical Housing Development Zone Local Criteria and Parameters for the Five-Year Sunset**

ACTION REQUESTED

Approve the proposed local criteria for eligible Vertical Housing Development Zone (VHDZ) applicants and when an application is deemed complete to meet the five-year sunset of the zone in July 2022.

HISTORY OF PRIOR ACTIONS AND DISCUSSIONS

- **July 15, 2003** – City Council authorized staff to move forward with an application to the State to establish a VHDZ related to the North Main Village mixed-use redevelopment project.
- **September 4, 2003** – City of Milwaukie applied to the State to establish a VHDZ consisting of one parcel in downtown Milwaukie for redevelopment into a mixed-use building with commercial/retail on the ground floor and condominiums and apartments on three above floors.
- **November 20, 2003** – The State provided designation of a VHDZ to the City of Milwaukie
- **March 21, 2007** – North Main Village project was certified by the State for Vertical Housing Tax Credit for four buildings totaling 12 floors of which eight were residential at 40 percent exemption for the improvements.
- **June 28, 2007** – North Main Apartments project was certified by the State for Vertical Housing Tax Credit for one building totaling four floors of which three were residential at 60 percent exemption for the improvements and 60 percent exemption for the land for the affordable rental units.
- **December 2015** – Moving Forward Milwaukie (MFM) project plans approved to remove barriers and encourage appropriate development in Milwaukie's commercial areas through revisions to the policies and regulations guiding development in Milwaukie's commercial areas including Downtown Milwaukie, Central Milwaukie, and the Neighborhood Main Streets of 32nd and 42 Avenues. The MFM Action and Implementation Work Program includes vertical housing tax abatement as a financial tool to assist development opportunities identified in MFM.
- **August 2016** – The Housing and Residential Land Needs Assessment shows a need for 1,150 new housing units by 2036, which would allow the city to increase density and better achieve affordable housing goals. The Milwaukie Housing Strategies Report recommends non-regulatory tools such as VHDZ to help increase affordable housing options.
- **Fall 2016** – Development of a series of economic background reports including an Economic Trends Analysis, Economic Opportunities Analysis, Economic Development Strategy indicate the need for a diversified toolbox for development and at least 6,121 jobs by 2035.
- April 4, 2017 – Presented to City Council to consider expansion of the VHDZ and authorize submittal of an application to OHCS. Council asked staff to return with modified options for the proposed boundary and options for flexibility in administering the program.
- **May 31, 2017** – Staff provided a Memorandum to City Council addressing questions raised at the 4/4/2017 Council meeting on this topic (See Attachment 4).

- June 13, 2017 – Council authorized staff to proceed with an application to the State's VHDZ to expand the existing boundary following modification of the draft Resolution to market the zone only for five years and to come back to Council to define local criteria.
- July 5, 2017 – Council adopted Resolution 65-2017 authorizing application to the State of Oregon Vertical Housing Development Zone program.

BACKGROUND
State enabling legislation allows municipalities to adopt a VHDZ to encourage the private sector to build higher-density mixed-use development (first floor commercial with residential above) in targeted areas of a city. The reduction of a portion of property taxes for 10 years can improve the financial feasibility of a mixed-use project and provide the gap financing needed for a housing project.

The City may designate a VHDZ by applying to OHCS. Qualified new development projects within a VHDZ are eligible to receive up to a 10-year property tax abatement on the value of new construction for up to 20% per residential floor (for the first four floors above a commercial ground floor). Total property tax abatement of the new construction is limited to no more than 80%. However, if the developer builds some or all affordable housing at 80% of area median income or below, an additional partial property tax exemption on the land may be given.

VHDZ Program Details:

- Projects have previously been certified through State OHCS, but following the passage of Senate Bill 310 in July 2017, administrative responsibility was transferred to the cities and counties with a certified program.
- Tax abatements are applied only to the value of the building, not the land.
- An additional partial property tax exemption on the land may be given if some or all of the residential housing is designated as affordable housing (80 percent of area median income or below).
- The Zone must be in a qualifying area, consistent with state criteria, defined as:
    - Completely comprised by the core area of an urban center,
    - Entirely within one-half mile radius of existing/planned light rail station,
    - Entirely within one-quarter mile of fixed-route transit service, or
    - Contains property for which land-use comprehensive plan and implementing ordinances effectively allow "mixed-use" with residential.
- Each project is provided with the abatement for a maximum 10-year period.
- Abatement applies to all taxing jurisdictions. Taxing jurisdictions have the option to "opt out" of the zone.

The City of Milwaukie applied to the state August 16, 2017 to expand the existing VHDZ and received state certification of that expansion effective September 1, 2017. This is still pending formal notification from any taxing districts that elects to "opt out" of the program through October 2, 2017. To date no "opt out" notifications have been received from the 19 districts.

The Milwaukie City Council adopted Resolution 65-2017 on July 5, 2017 with the requirement that the local VHDZ sunset in five years by July 2022 to revisit whether to continue with the program. Council also requested to reserve the opportunity to include additional criteria above what the state currently requires, specifically criteria related to sustainability. Per the Oregon Revised Statues, the enabling legislation for the program is set to sunset on January 1, 2026, or as modified by Statute.

The City of Milwaukie proposed expansion of the existing VHDZ to encourage multi-story mixed-use development in Downtown, Central Milwaukie, and Tacoma Station Area - Manufacturing (M-TSA) of the North Milwaukie Industrial Area. Since 2003, the City of Milwaukie has had a VHDZ on one property with several buildings as part of the North Main Village development certified for a vertical housing tax exemption in 2007.

The proposed area also contains property for which land-use comprehensive plan and implementing ordinances effectively allow "mixed-use" residential, allowing ground floor commercial with one or more stories of residential above. The heights and floor area ratios for each the zones within the proposed area are noted in Table 1.

Table 1. Height and Floor Area Ratio Requirements for Proposed Zones

Proposed Zones	Current Height	Current Floor Area Ratio
Downtown Mixed Use (DMU)	25' Min, 35'-65' Max (bonus available)	0.5:1–1:1 Min, 4:1 Max (bonus available)
General Mixed Use (GMU)	45' Max (bonus available)	0.5:1 Min
Residential-Business Office (R-1-B)	45' Max	1.5:1 Max
Tacoma Station Area – Manufacturing (M-TSA) (Current Zoning)	45' Max	
Subarea 1 – North of Springwater	25' Min, 65' Max	0.5:1 Min, 3:1 Max
Subarea 2 – West of McLoughlin	25' Min, 65' Max	0.5:1 Min, 3:1 Max
Subarea 3 – Mixed Employment	25' Min, 65' Max	0.5:1 Min, 3:1 Max

ANALYSIS

Local Criteria
To support Council objectives for more sustainable development throughout the City of Milwaukie, staff is recommending that Council require any building approved through the VHDZ program also meet an additional requirement of certification (any level) under an ANSI-approved (American National Standard Institute) green building rating system (e.g., LEED, Green Globes, or Earth Advantage). This additional requirement will incentivize vertically-integrated mixed use buildings of four stories or less to incorporate green building technology and energy efficiency solutions that may not otherwise be included without such a requirement.

Five-Year Sunset
Staff proposes that applications for VHDZ are deemed complete up to July 31, 2022, or the next business day.

BUDGET IMPACTS
None.

WORKLOAD IMPACTS
Economic Development staff are managing this project and have the capacity within the Community Development Department work plan and budget.

COORDINATION, CONCURRENCE, OR DISSENT
Community Development Director and City Manager are in concurrence and coordination to administer the VHDZ program.

STAFF RECOMMENDATION

Staff recommends that Council approve the local criteria required to use the VHDZ tool, such that the building must meet sustainability requirements per the Milwaukie Municipal Code, or at a minimum provide a path to net zero and that applications are deemed complete up to July 31, 2022, or the next business day.

ALTERNATIVES

None.

ATTACHMENTS

None.