

June 27, 2017

Planning Commission
City of Milwaukie
1077 SE Main
Milwaukie, OR 97222

Received at (PC) / CC
Public Hearing
Date: 06/27/2017
By: AK

Re: North Milwaukie Industrial Area Plan

Dear Planning Commission Members:

My firm represents the Oregon Worsted Company that owns and operates the Mill End Store at 9701 SE McLoughlin, the Bromar Building and various other properties in the City of Milwaukie. Please make this letter and attached reports part of your hearing record.

I am a member of the North Milwaukie Industrial Area Plan committee. In those meetings I expressed concern with the impact this plan will have on the Oregon Worsted Site. The plan as drafted will make the site undevelopable for many years.

We are requesting the Planning Bureau allow a zoning overlay for mixed use including residential development on the Oregon Worsted site.

We have contacted a number of NMIA committee members and local businesses that support our request (see list below)

To substantiate the need for this request, attached are two consultant reports. Both consultants are experts in their field:

- *Cascade Water Resources (a water resources consultant), NMIA Oregon Worsted Property Flooding Assessment, May 25, 2017*
- *E.D. Hovee & Company (an economic and development services consultant), NMIA Dietrich/Oregon Worsted Property Impact Assessment, May 30, 2017*

The reports note the following:

- 1) As shown in the NMIA floodplain Map, the Oregon Worsted Site (and adjacent site to the west) are the only properties completely impacted by the 100 year floodplain.
- 2) The site has frequently flooded. After flooding in 1996, engineers determined it would be impractical to make the building "flood proof" or elevate the structure above the floodplain. Further it was noted that "cut and fill" to mitigate the floodplain is not possible on this site since the site lacks enough elevation to create land above the base flood elevation (BFE).

- 3) If Oregon Worsted were removed from the site, the only feasible way to develop, while satisfying local floodplain management and regulations would be to build on stilts – in effect creating structured parking beneath with the building above the BFE.
- 4) Industrial use is not consistent with structured parking and is not expected to prove financially feasible at this location.
- 5) High-rise office is allowed under the NMIA plan and if successful could pay for structured parking. However, high-rise office is not currently feasible until such time the market discovers the McLoughlin corridor as an attractive metro area location for high-rise, high-rent corporate or tech-related office space.
- 6) The only economically feasible development on the site that can support structured parking is multi-story mixed use including residential.

In conclusion: The Oregon Worsted site is the NMIA property most severely affected by floodplain designation. Due to these unique floodplain limitations and it's location separated by SE Millport Road at the southern end of the industrial area, re-designation of this site can be accomplished without affecting the industrial character and focus of the rest of the NMIA and would become an attractor for other development in the NMIA. Residential at this location would also support the downtown and possibly provide housing for employees in the NMIA.

Thank you for considering our request.



Peter T Stark, AIA
Design, Architecture and Planning

The following individuals and NMIA Committee Members support allowing residential use on the Oregon Worsted Site:

Rick Anderson, NMIA Committee Member, Anderson Die
Denise Emmerling-Baker, NMIA Committee Member, Historic Milwaukie
Kim Cairo, Owner Enchante
Dan Canfield, NMIA Committee Member, Alpha Stoneworks
Kelly Keaner, Downtown Milwaukie Business Association
Kenneth Simpson, NMIA Committee Member
Tennant Investors, Properties include the Goodwill and Darigold sites



May 25, 2017

Peter T Stark, AIA
Associate Planner
Design Architecture Planning
2939 NW Cornell Road,
Portland OR 97210

Subject: NMIA Oregon Worsted Property Flooding Assessment

Dear Mr. Stark:

At your request, I'm providing this letter of support for the re-designation of the zoning for what is known as the Oregon Worsted properties located in the southwestern corner of the North Milwaukie Industrial Area (NMIA). This re-designation is needed to allow for future development that would be economically viable for this property because it is located almost entirely in a FEMA specified Special Flood Hazard Area (SPHA) commonly known as the 100-year floodplain.

I'm a water resources (WR) consulting engineer registered as a Professional Engineer (PE) in the State of Oregon. I have been practicing WR engineering in Oregon since 1978 and currently have over 45 years of water resources engineering experience including considerable experience in both the modeling and delineation of floodplains and floodways using the guidelines and procedures developed by FEMA and perhaps the most experience of anyone in the state with the modification of these floodplains and floodway using FEMA's Letter of Map Change (LOMC) procedures more commonly known as CLOMAs, LOMAs, LOMRs, CLOMRs, and PMRs. So my knowledge of FEMA floodplain regulations and local regulations is quite good. In February 1996 during the historic Oregon floods, I was contacted by CBS News out of New York and spent two days with a film crew and was featured throughout a 6-minute documentary that aired nationwide on the CBS' Sunday Morning show.

I've known Howard Dietrich the co-owner of the Oregon Worsted properties for approximately 23 years. I meet him while I working on the water resources aspects of the 1995 Johnson Creek Resources Management Plan where Howard participated as a co-founding member of the Johnson Creek Corridor Committee. Johnson Creek is the waterway that flows through the Oregon Worsted properties but it isn't the source of the extreme flooding that has occurred in this area since that would be the Willamette River which is only 0.28 miles downstream. The backwater from the Willamette during an extreme event like the February 1996 flood is what inundates the building that houses the Mill End Store and Oregon Worsted's offices.

Howard has been a client of mine since late 1996. Following the February flood that inundated the Mill End Store building, Howard hired me to lead a team of engineering specialists to explore the feasibility of flood proofing the structure. The final decision was that it was not technically feasible to flood proof the structure due to its age and the nature of its construction primarily its foundation. Buoyancy issues were the major concern if the structure was made water tight with specially designed closure structures. The consensus was that it would most likely float out of the ground.

Under the current floodplain regulations it would be impossible to bring in fill and elevate the critical first floor entry elevation for any redevelopment. That is due to the passage of Metro's flood management regulation referred to as Title 3: Water Quality and Flood Management around 1999. Adoption by local jurisdictions like the City of Milwaukie quickly followed. Title 3's Performance Standards Section 3.07.340 (a) (2) (B) states "All fill placed at or below the design flood elevation in Flood Management Areas shall be balanced with at least an equal amount of soil material removal." And (a) (2) (C) states "Excavation shall not be counted as compensating for fill if such areas will be filled with water in non-storm winter conditions." The problem with the Oregon Worst properties is that the base flood elevations (BFEs) (i.e. 100-year water surface elevations (WSE)) are so deep that there isn't enough "cut" available onsite to "balance" the loss of floodplain storage. So the use of fill to elevate new development is not feasible due to this regulation.

I hope we can all agree that the regulation to balance the loss of floodplain storage with an on-site cut of the same volume across the range of elevations that would not be inundated during non-winter storm conditions is a local regulation and not a FEMA regulation. FEMA has no regulations requiring the need to balance the volume of fill placement with the same volume of cut. FEMA's minimum floodplain standards allows for all of the engineered fill need to elevate the first floor entry elevations of any new structure to an elevation of at least one foot greater than the BFE provided the building pad is outside of any designated floodway or is located in what is referred to as the floodplain fringe area and the fill will not cause a rise in the floodplain elevation. The no-rise requirement is not a problem on this site since the BFE is based on backwater from the Willamette which is not affected by the fill placement. The only technically feasible way to satisfy this local floodplain management regulation is to design a development with engineered structure parking beneath the above-grade development. The parking structure would be designed to safely be inundated and easily drained by gravity after the floodwaters subside. I'm certainly not a development consultant but even I know that industrial uses are not a feasible use for these type of elevated development designs.

I remember being a part of the discussion when the Metro Title 3 regulations were being debated in the late 1990s. I was a proponent of the regulation but I also cautioned the discussion group about two issues where the regulation doesn't make much sense. One is when the waterway involved has very large drainage area and it becomes clear that the loss of the storage from the fill of concern will

have absolutely zero impact on the water surface elevations of the base flood since a no-rise condition needs to apply. I was specifically thinking about the Willamette River flowing through Portland and other communities like Milwaukie whose drainage area at its confluence with the Columbia River is 11,478 square miles. Clearly the filling of the Worsted properties will have absolutely zero impact on the WSE of the Willamette River. And remember the BFE on the Worsted properties are govern by backwater from the Willamette River and not the flood elevations on Johnson Creek which flows through the site. The second concern was for those properties that are entirely or almost entirely shown to be in the SFHA. Since the flood storage balance regulation cannot be satisfied, the concern is that if challenged the courts may view this as an unjustified taking of the rights of a property owner to develop his property. To my knowledge neither of these concerns have been addressed for this area in the existing regulations.

If the buildings were removed and given the conditions of the site, they would be encumbered by the floodplain regulations and would require remediation. Any new structure would need to be built above the BFE. The only feasible way that could occur and still satisfy the Title 3 regulation for the offsetting balance of flood storage is by using structured parking below an elevated development and it is impractical to think that the development could be any industrial use. So I'm appealing to you on behalf of Oregon Worsted to solve this problem by re-designating the zoning of the Oregon Worsted properties to something more compatible like mixed use or high density residential.

Thanks for considering these arguments and feel free to call me with any questions.

Sincerely,

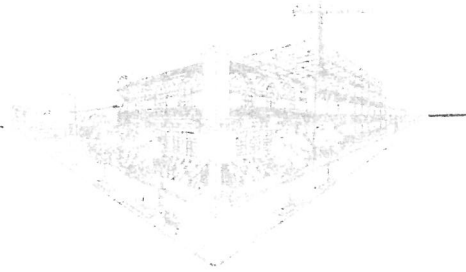
Cascade Water Resources, LLC



Roger Sutherland, PE
Principal Water Resources Engineer &
President

E. D. Hovee & Company, LLC

Economic and Development Services



May 30, 2017

Peter T Stark, AIA
Design Architecture Planning
2939 NW Cornell Road, Portland OR 97210

Subject: NMIA Dietrich/Oregon Worsted Property Impact Assessment

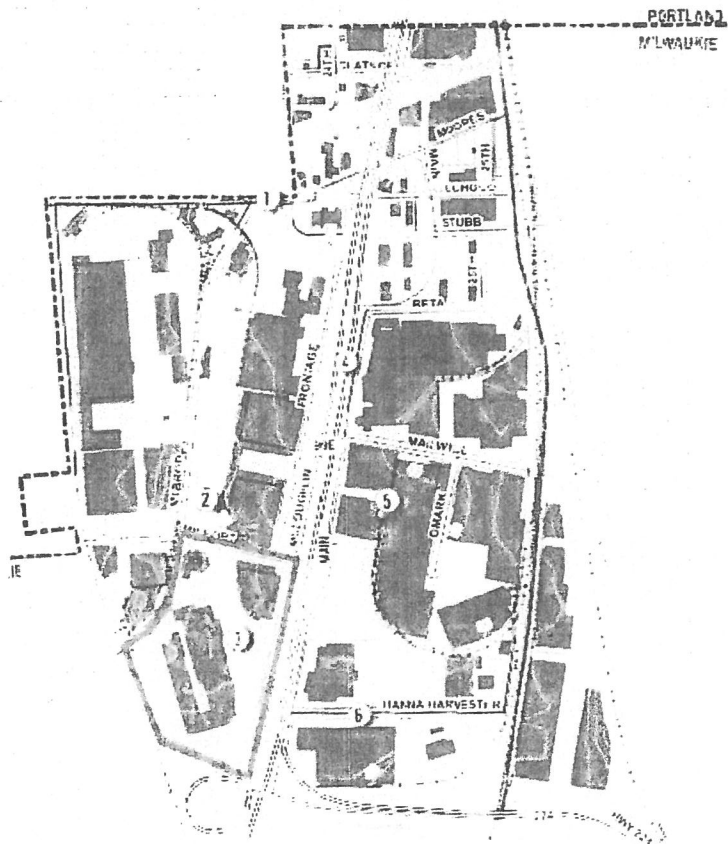
Dear Mr. Stark:

At your request, the economic and development consulting firm is providing this letter of support for re-designation of what is known as the Oregon Worsted properties owned by at the southern end of the North Milwaukie Industrial Area (NMIA) to allow continued economically viable use now and financially feasible reuse in the years ahead.

North Milwaukie Industrial Area (NMIA)

As I understand, circumstances pertinent to the economic viability of this property (outlined as site area 1 by the map to the right) are:

- Of all NMIA properties, the subject site is nearly all located in the Johnson Creek floodplain – effectively precluding any redevelopment except for development that includes structured parking beneath above-grade development.
- Current zoning allows industrial, office/technology, distribution, repair and related uses – but precludes residential and limits the size of retail and food service only to what supports local employment uses.



Note: All area shaded in pink is in the Johnson Creek floodplain.
Subject site is outlined in red.

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Based on our experience and as consistent with economic and pro forma financial feasibility analysis conducted by others in the metropolitan region (including Metro), industrial use is not consistent with structured parking and is not expected to prove financially feasible except where parking can be provided with an at-grade, surface parking lot. However, as the accompanying letter from Mr. Roger Sutherland of Cascade Water Resources makes clear, any development that involves replacement of existing structures will require elevation of the building by placing structured parking beneath – a solution that is not feasible for industrial use. **Consequently, there is no reasonable scenario to expect economically viable redevelopment of this site for industrial use consistent with the NMIA for the foreseeable future.**

Uses that conceivably might support redevelopment of this site, albeit with caveats, are:

- **Retail** – but this use is allowed in the NMIA only as an ancillary activity and not as a dominant or stand-alone use. Furthermore, land values associated with retail generally are not high enough to support development with structured parking – except when retail is situated at a very high demand urban core or regional center location, or serves as the ground floor use of a multi-story office and/or residential development project.
- **Office** – is allowed in the NMIA but, as with retail, is not currently associated with land prices in the Milwaukie area anywhere near high enough to support the substantial added cost of structured rather than surface parking. In the Portland metro area, structured parking has proven economically feasible only at locations with mid- to high-rise office buildings – in the urban core of Portland and at major suburban office centers as at Kruse Way or with land constrained major medical centers.
- **Residential** – is the one use that, to date, has demonstrated economics strong enough to justify structured parking at a more diverse set of locations throughout the metro region. Structured parking can be financially feasible with market-rate, high-rise apartment and condominium projects at high amenity, high land value locations.
- **Mixed Use** – might be considered for different combinations of uses. However, mixed use is generally more costly and often is more difficult to finance than single use development. For development to be economically viable, the primary use(s) must themselves be feasible – essentially on a stand-alone basis, generating enough return to pay part of the way for the less financially viable secondary uses – including structured parking. The only primary use for mixed use development that might be feasible with structured parking in a multi-story configuration at this location and at this time is housing. Retail or office might be included within the mixed use development, but as secondary use with little or no ability currently or in the reasonably foreseeable future to pay for the added costs of structured parking as well.

The practical effect of limiting uses to what is currently NMIA-allowed at this flood plain restricted site is that, as tenants turn over and existing structures become functionally obsolete, financing for significant improvement or renovation in a flood zone will become more difficult to obtain – leading to lower rent uses and to more underutilized or vacant space over time.

Redevelopment will be effectively precluded, unless: a) the office market discovers the McLoughlin corridor as an attractive metro area location for high-rise, high-rent corporate or tech-related office space as might be currently allowed within the NMIA; or b) zoning within this portion of the NMIA is changed to allow multi-story residential and mixed use development.

Re-designating this property to allow multi-story office, retail, residential, and mixed use development is the only way to assure that this property can support redevelopment that covers the substantial added cost of structured parking – as essential to comply with flood plain regulatory requirements. Allowing for the choice of office, retail and/or residential will provide the flexibility needed to make an economically viable investment decision consistent with market conditions once a significant redevelopment opportunity materializes.

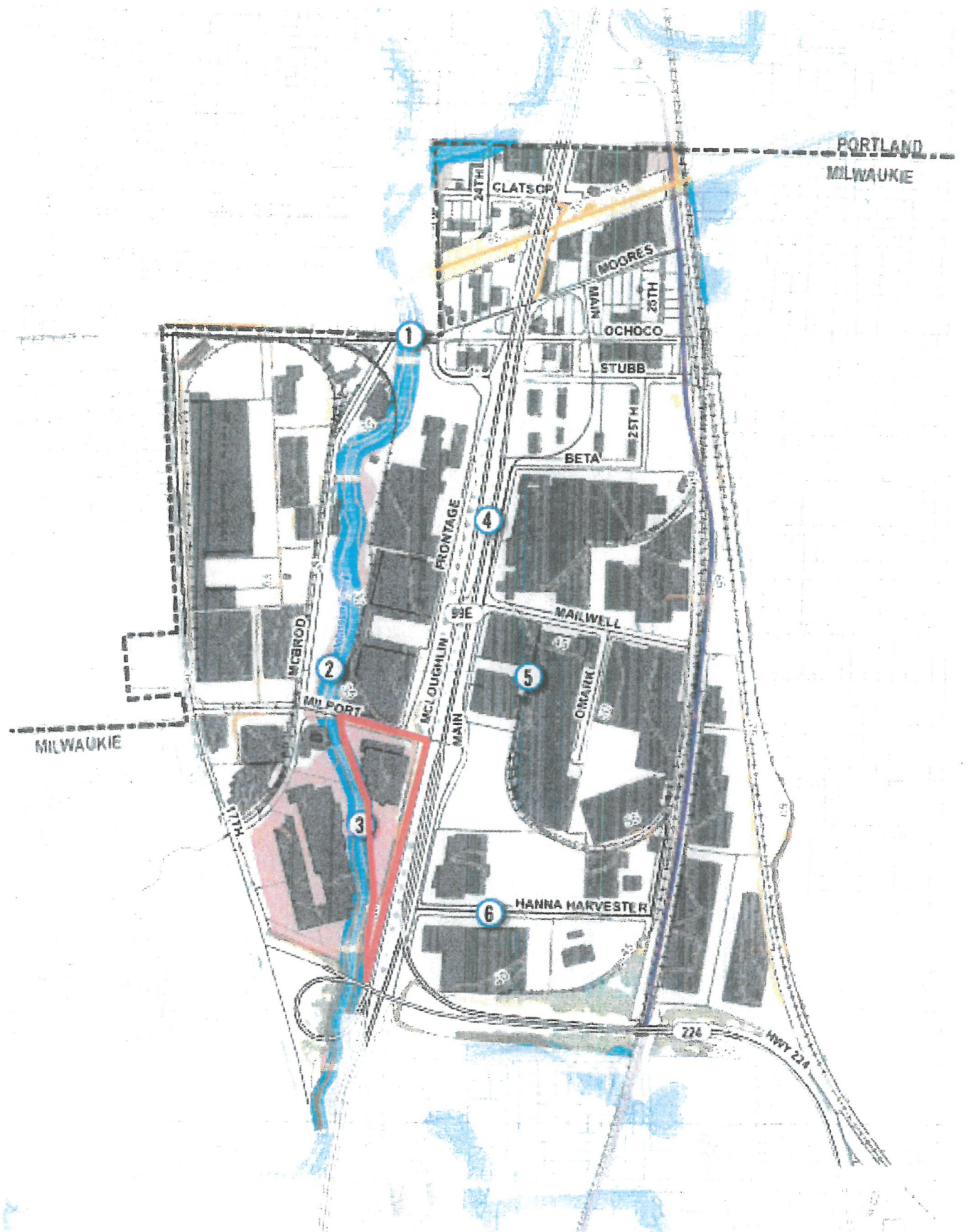
The Oregon Worsted site is the NMIA property most severely affected by floodplain designation. Due to these unique floodplain limitations and to a location separated by SE Milport Road at the southern end of the industrial area, re-designation of this subject site can be accomplished without affecting the industrial character and focus of the rest of the Milwaukie's NMIA.

I would be happy to respond to questions or provide added information regarding any aspect of this analysis. In summary, re-designating the Oregon Worsted property to allow for future redevelopment that includes residential and mixed use opportunity is strongly encouraged. City of Milwaukie consideration of this request is most appreciated.

Sincerely,



Eric Hovee - Principal

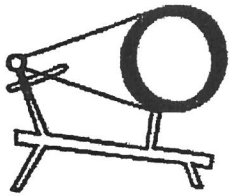


PORTLAND
MILWAUKIE

MILWAUKIE

<ul style="list-style-type: none"> ●●●●● City Street — Orange Line — Light Rail Line & Station — Rail 	<ul style="list-style-type: none"> ■ Building ■ Parcel ■ Park/Open Space ■ Stream/Creek Waterbody — Street Centerline 	<ul style="list-style-type: none"> — Highway — Off-street Trail 	<ul style="list-style-type: none"> ■ Floodplain ■ Vegetated Buffer ■ Wetland 	<ul style="list-style-type: none"> ■ Tree Canopy cover ■ Topography 	<ul style="list-style-type: none"> ① Key Issue
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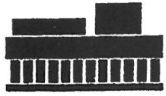
Oregon Worsted Company

Received at PC / CC
Public Hearing
Date: 06/27/2017
By: Ab

Milwaulkie Planning Commission Meeting June 27, 2017



Mill End Store



Real Estate

The Oregon Worsted Company will be 100 years old next year. To continue to exist in Milwaulkie we need a Zoning Overlay allowing Mixed Use/Residential.

In 99 years Oregon Worsted Company has employed over 100,000 people most of which have lived in Milwaulkie. We have supported many civic events, concerts, parades. We donate office space and helped found The Johnson Creek Corridor Assoc, \ Watershed Council and Acap.

In 1981 The Oregon Worsted Company became a women owned business. 95% of our employees are women. In 1993, ODOT required us to move The Mill End Store to build the Tacoma Street Overcrossing.

In 1993 The City encouraged us to relocate the Mill End Store to the former Omark Industries Building and gave us an easement on Milwaulkie's land for our Storm Water treatment facility. The land is about 3.5 acres and the building is 65,000 sq. ft. The City applauded our remodeling efforts installing revolutionary Daylighting illumination and Storm Water treatment systems.

We are non-conforming Use without Grandfather rights to rebuild because we are in the Willamette River Flood zone. In 1996, our property had 46 inches of water covering the site.

In 2016 we promoted the cities' rezoning effort that is before the commission now. It was our understanding that the plan was to help the current land owners and their businesses. We have our neighbors support and the support of the Downtown Bussiness Association.

Our building is 63 years old, and might not survive another flood. We hired an economist and Flood Water Specialist and found that we could not re-build the Mill End Store under the proposed re-zoning and flood plain rules. Our economist indicates our redevelopment plan has to include a Residential componant to justify the need to elevate the Building.

Because our property is completely in the Flood Plain, we ask that the Commission put a Zoning Overlay on this site allowing mixed use/Residential uses so we can rebuild.

Nancy Bishop Dietrich



Received at PC / CC
Public Hearing
Date: 06/27/2017
By: AK

June 27, 2017

Mr. and Mrs. Howard Dietrich
Mill End Store
9701 SE McLoughlin Blvd
Milwaukie, OR 97222

Dear Mr. and Mrs. Dietrich:

Thank you for taking the time to meet with the city to discuss your property in the North Milwaukie Industrial Area (NMIA) on Tuesday, May 29, 2017. I sincerely appreciate your time and contributions as long-standing business and property owners in Milwaukie. I value your business and employees that have contributed to a vibrant workforce in this community.

I understand your need to fully assess the opportunity and constraints on your property both from an environmental/natural resource and floodplain perspective as well as from an economic viability of redevelopment potential. I have reviewed the assessments you provided from Cascade Water Resources, LLC and E.D. Hovee & Company, LLC for taxlots 11E26DA00101, 11E26DA00300 on the east side of Johnson Creek at 9701 SE McLoughlin Blvd and taxlots 11E26DA00100, 11E26DA00200, 11E26DA00600, and 11E26DA00601 on the west site of Johnson Creek at 1900 SE Milport Road and 9800 SE McBrod Avenue. I am writing this response to address the concerns in these documents and those you provided verbally. My intention is to better explain the city's position.

First, on May 9, 2017, City Council established a policy decision not to allow additional residential in a newly-proposed NMIA Zone. This decision is mainly because approximately 75 percent of the city is currently zoned residential with 12.3 percent of that zoned medium and high density residential, while only 18.4 percent is for industrial. The current Manufacturing-Tacoma Station Area (M-TSA) Zoning in the NMIA already allows for mixed-use residential in Subareas 1, 2, and 3 based on proximity to adjacent light rail and to foster Transit-Oriented Development-related projects in that area and will continue to do so even through the NMIA planning and zoning process. The NMIA is also one of three employment districts that make up the 18.4 percent employment-zone land and provides more than 12,300 jobs. The city's new Economic Opportunities Analysis forecasts that job growth needs within the city will be at least 6,131 jobs by 2035. Alternatively, the city's Housing and Residential Land Needs Assessment indicated a need for 1,150 new housing units by 2036, of which we currently have approximately 300 new units expected in newly proposed multi-family residential developments to be completed within the next two years. We are also concerned with providing additional job opportunities for our residents, especially since only about seven percent live and work in Milwaukie.

Second, the city is concerned about compatible uses and encroachment issues with appropriate buffering between heavier industrial and residential uses. A strong consideration in the policy decision around no additional residential in the proposed NMIA Zone is focused around ensuring

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that the city protects industrial uses from encroachment by residential since we know we are working with limited, finite industrial land.

Third, the proposed NMIA Zone includes increased flexibility and uses from the current Manufacturing (M) Zone as it exists today for your property. This includes increased height from 45 feet to 65 feet and the addition of office and some commercial uses. The NMIA is experiencing an extremely low vacancy rate with increasing industrial and flex space demand from businesses seeking to expand or relocate from Portland. The primary goal of the NMIA Plan process is to position the NMIA to leverage its strategic location and attractiveness as an employment center.

I hope that, based on these facts, you can understand the city's and City Council's need to balance jobs and housing in a compatible way that preserves key employment land for future generations.

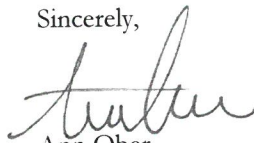
It was also mentioned during our discussion that perhaps you are only interested in redevelopment of the taxlots east of Johnson Creek at 9701 SE McLoughlin Blvd where the Mill End Store is located. This additional detail, while helpful in better understanding your desires, adds an additional complication because, while we are open to working with you as a partner, we cannot consider creative options for a limited-duration floating zone concept that might allow some residential without maintaining adjacency to existing residential zones. As described, developing the parcel of interest to you would lead to an encroachment conflict.

As partners, I appreciate you bringing your concerns to me and hope we can continue open, honest dialogue about viable options for your property that meet the established vision and goals for this industrial district. I am open to a continuing discussion around a temporary, floating zone allowance using a "first-in" concept. This concept would be for no more than a limited five-year duration in the proposed NMIA Zone in strategic, compatible areas on the periphery of the NMIA. This was brought up by me to Council during a discussion in which they did a straw poll against new housing in the NMIA. Council was open to the floating zone concept. I respect that this may not be of interest to you based on your desire to provide stability to your current workforce. However, the offer to pursue discussions on this topic stands.

I am also open to further discussing a zoning solution for the area within the floodplain that excludes residential and large retail if you think something more specific is needed. Staff believes that we are already providing this for the area, but are open to amendments specific to these parcels if further options are needed.

I look forward to hearing from you regarding your interest to pursue this potential option that is meant to help catalyze compatible redevelopment in the NMIA district.

Sincerely,



Ann Ober
City Manager

Cc: Alma Flores, City of Milwaukie, Community Development Director
Amy Koski, City of Milwaukie, NMIA Project Manager
Peter Stark, Design Architecture Planning, Associate Planner