

FRIDAY MEMO

August 26, 2005

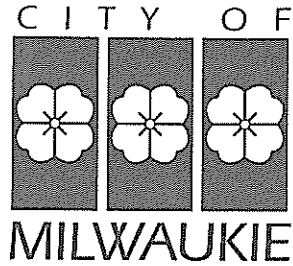
1. Reminder: On September 1, 2005 the Board of County Commissioners will be making a decision on whether or not to proceed with the Clearwater Project. The Board is accepting written material until 5:00 P.M. Monday, August 29, 2005. They have indicated that they will not permit testimony at the September 1 hearing. I have submitted the attached letter and updated report from Johnson Gardner, LLC.
2. Reminder: City Hall will be closed on Monday, September 5, 2005 in observance of Labor Day.
3. The North Main final plat is nearing completion. The City has signed it, and it will now be submitted to the County Surveyor for final approval. This is one more very significant step leading to actual construction. The final step will be the transfer of the property to and assumption of the City's loan by KemperCo. This will occur as the loan commitments to Kemper are closed. I will keep you apprised of progress as we move toward actual construction. (See also Item 7 below re the Safeway parking lot.)
4. The matter of Emmert v. City of Milwaukie has been set for a 3-day jury trial in Federal District Court commencing on June 27, 2006.
5. Clackamas County recently hired a consultant to look into County funding of library services and library structure in Clackamas County. At a recent meeting with the library staff, the consultant indicated that he would deliver a complete report during January 2006. The consultant and his associates will be meeting with various stakeholders to listen to concerns and suggestions.
6. Code Enforcement is in the process of abating an ongoing nuisance at 5115 SE Brookside. The property has issues with debris and odors that have not been resolved. The property owner was cited previously for debris that was collecting in a pool on site. When the owner failed to appear in court, Code Enforcement posted the property for abatement. The property owner contacted staff and made arrangements to clean the property. The property owner emptied the pool of debris, but there was still debris scattered about the rear yard and odors from dog feces. After failed attempts at compliance, the property owner was again cited into court, but again failed to appear, resulting in the current abatement.
7. The old Safeway Parking Lot will be closed on Monday, August 29, 2005. The closure will displace Parking Permit holders who will have to park in the four other parking lots owned or leased by the City of Milwaukie. The

closure will also displace Library patrons who will have to use the existing Library parking lot next to Scott Park or 2 hour parking spaces on the on the street or in the City Hall lot. Staff has provided fliers to all permit holders and signage for Library patrons.

8. As part of the McLoughlin Boulevard project, City staff has worked closely with the Daughters of the American Republic (DAR) to relocate the DeSmet marker, most recently located near the entrance to the Kellogg Sewage Treatment Plant. During the planning and design phase for this project, staff contacted the DAR, who own the DeSmet marker, regarding their wishes for its relocation as well as the potential relocation of the rhododendrons next to the marker. The DAR expressed interest in the marker relocation but did not feel strongly about the plants. City staff had a landscaper evaluate the rhododendrons and it was reported that the plants, if they survived relocation, would not thrive in the new location. Staff then decided to allow the removal of the rhododendrons as part of the construction project.
9. Over the course of the fall and winter, the pedestrian/bike path along the Milwaukie Riverfront will need to be closed for sometimes-lengthy periods of time. Community Services staff will develop fliers and signs directing pedestrians and bikers to an alternative route during path closure. The route will cross McLoughlin at Jefferson (or Washington when Jefferson is closed), follow Main Street north to Millport and along Millport west to 17th Avenue.
10. Several months ago Dave Aschenbrenner, Chair of the Hector Campbell Neighborhood District Association, had a great idea. He suggested that the neighborhoods staff a community booth at the Farmer's Market. It would provide the public with information about their Neighborhood District Associations as well as information about all the current projects in Milwaukie. Everyone agreed this was a great idea—but no one knew what a tremendous success the booth would end up being. Beth Ragel, Community Services Program Coordinator, gathered the materials and coordinated the schedule of volunteers to staff the booth. The first volunteers reported that they almost lost their voices from talking to so many people! They also reported that it was great fun. Since then, the booth has continued to receive hundreds of people seeking information every week. Volunteers from the Neighborhood District Associations, Milwaukie City staff, City Council, the Parks Board and the Riverfront Board have volunteered to staff the booth. They report that they are impressed by and excited about the tremendous interest they get from people week to week. Many of the people visiting the booth with questions live outside Milwaukie but want to know more about this community. Many others live within the community and have many good questions and want to know more about getting involved in their neighborhoods. Mayor

Bernard reports, "This may be the best community outreach tool the City has ever had." Thanks to all the volunteers who have made this project a great success! A schedule of volunteers for the remainder of the year is attached.

11. Code Enforcement staff will install signage at all city parks in mid-September advising park users that the dog leash laws will be enforced as of October 1. Code Enforcement staff will work with the Police Department and the North Clackamas Park District to educate park users on dog rules. Off-leash dog activity is particularly high at North Clackamas Park, where a new playground structure has recently been installed attracting hundreds of children each week. City and Park District staff want to avoid any safety issues that might arise with off-leash dogs in the vicinity of the play area. The City Parks Board has endorsed the enforcement of park rules at all City parks.
12. The Community Services Director will meet with the Oregon Marine Board staff within the next week or so to discuss the current state of disrepair at the Jefferson Street Boat Ramp. The boat ramp has been closed since August 15 and will remain closed until further notice.
13. Planning is pleased to announce that Susan Shanks and Brett Kolver, will be joining the department on Monday, August 29. After getting settled in, Susan and Brett will be helping out with day-to-day planning operations as well as getting involved in the many departmental projects on that are in the Planning Commission's work program.
14. The approved subdivision application of Norm Scott at Sherrett and 28th Avenue has been appealed to the City Council based on sidewalk construction requirements. The appeal date is tentatively set for October 4, 2005. The Council will also hear Mr. Scott's request for street vacations.
15. On Friday August 26, 2005, the Planning Department sent a survey requesting information on downtown parking needs to approximately 140 businesses and institutions in order to gain a better understanding of parking needs. A presentation to the City Council is tentatively set for October 18, 2005.
16. Jamie Clark was recently hired as a Utility Worker I in Storm water. Bonnie Shields in Payroll will be retiring at the end of August. We wish her all the best in her retirement. We are in the process of recruiting for this position and for a Utility Worker in Water.



Martha Schrader, Chair
Bill Kennemer
Larry Sowa
Clackamas County Board of County Commissioners
2051 Kaen Road
Oregon City, Oregon 97045

RE: Clearwater Project-September 1, 2005 Commission Agenda

Dear Chair Schrader, Commissioner Kennemer, and Commissioner Sowa:

I am submitting four copies of an August 24, 2005 memorandum from Johnson Gardner, LLC entitled "Decommissioning of Kellogg Treatment Facility." Johnson Gardner is a local consulting firm specializing in real estate development and land use economics. This report was commissioned by the City of Milwaukie for use in analyzing the Clearwater Project.

The report addresses the benefits accruing from development of the site now occupied by the Kellogg facility. These benefits are in addition to those that accrue to Clackamas County residents from regionalization of wastewater treatment services. The benefits are widespread and include increased tax revenues to Clackamas County, the North Clackamas Parks and Recreation District, and Clackamas County Fire District No. 1; taxes that may be used to provide services in any area within the County and Districts respectively. In addition, I want to emphasize the final paragraph, which states:

It should be reiterated that the positive impacts of the relocation will not be limited to the City of Milwaukie. The County and other service providers would enjoy a significant increase in the assessed value base in their taxing districts, while property values would be expected to rise along the broader McLoughlin Corridor, including Oak Grove and Gladstone.

An increase in the economic health of one community benefits a larger area and more citizens than just that community with the improving economics.

Please include this report in the written record you will consider as you make this important decision.

If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Swanson", written over a horizontal line.

Mike Swanson
City Manager

MILWAUKIE CITY HALL
10722 SE MAIN STREET
MILWAUKIE, OREGON 97222
PHONE: (503) 786-7555 • FAX: (503) 652-4433



J O H N S O N
G A R D N E R

DATE: August 24, 2005

TO: BOARD OF COMMISSIONERS, CLACKAMAS SERVICE DISTRICT #1
OAK LODGE DISTRICT BOARD
MILWAUKIE CITY COUNCIL

FROM: Jerry Johnson
JOHNSON GARDNER, LLC

RE: Decommissioning of Kellogg Treatment Facility

MEMORANDUM

The Board of Commissioners is currently evaluating phasing out the Kellogg Creek plant, and consolidating flows to the Tri-City facility. I prepared a preliminary evaluation of this option in January 2002, which is updated in this memorandum.

As noted in our previous work, the Kellogg plant has been in service for 28 years, and is currently working near its designed capacity. The current use of the site represents a serious under-utilization of the property. It is our opinion that the phasing out of the Kellogg facility would yield significant social and economic benefits, which may more than compensate for the direct costs of phasing out the facility. This memorandum outlines some of these anticipated benefits, with updated numbers.

I. VALUE ENHANCEMENT/INCREASED ASSESSED VALUATIONS

One of the most direct and tangible benefits associated with the closure of the Kellogg facility would be an enhancement of neighboring property values. The use of prime waterfront property for the wastewater treatment plant represents a significant underutilization of the property, while also substantively discounting values on proximate properties.

While a direct increase in value would be expected from relocating the site and allowing for development on the property, freeing up the waterfront for better incorporation into the remainder of Milwaukie could substantively influence the scale and nature of future development in the area. From a fiscal perspective, the higher value of current and anticipated improvements can translate into increased property tax revenues.

The Downtown Milwaukie area represents a gateway to Clackamas County and the McLoughlin Corridor. Recent development trends in the Portland area have reflected a pattern of reinvestment in older "main street" type urban concentrations. On the Eastside of the Willamette these have included the Hawthorne District, NE Broadway, Belmont, Division, Moreland and Sellwood. The City of Milwaukie has the potential to capitalize on this trend, and extend it into Clackamas County.



Downtown Milwaukie serves as the gateway to Clackamas County along the McLoughlin Corridor, and can set the tone for future development in the broader area.

The locational and physical aspects of the district are conducive to achieving high-quality redevelopment. The area has excellent transportation linkages via McLoughlin and Highway 224, while maintaining a concentration of downtown structures. While the area has a number of attributes associated with reinvestment, this type of activity remains difficult to achieve. The Milwaukie riverfront has the potential to serve as a catalyst to encourage development of the area. Current use of the site as a sewage treatment plant not only precludes full use of the amenity, but it undermines efforts to redevelop the broader downtown area.

The Milwaukie Development Plan, completed by Crandall Arambula, identifies the Kellogg facility site as critical in achieving the plan objectives. Crandall Arambula estimates that the plan could yield approximately \$110 million in private investment in the downtown Milwaukie area.

While not all of this development would be reliant upon closure of the facility, the quality and magnitude of development would be substantially lower with the plant continuing to operate. We estimate that the downtown area alone could see a marginal change in new investment activity of between \$55 and \$80 million with a revitalized downtown link to the Willamette River. In addition, the pace of new investment would be expected to accelerate. This marginal increase in local investment would provide a substantial increase in the local assessed value base.

As shown in the following table, this would translate into a substantial increase in property tax revenues accruing to Clackamas County, the City of Milwaukie, the North Clackamas School District, Clackamas County Fire District #1 and the North Clackamas Parks and Recreation District.

	W/ Closure of Kellogg Creek	Without Closure		Marginal Change	
		Low Estimate	High Estimate	Low Estimate	High Estimate
Projected New Investment:*	\$110,920,000	\$30,153,000	\$57,075,000	\$80,767,000	\$53,845,000
Millage Rate:					
Clackamas County	0.00240420	0.00240420	0.00240420	--	--
City of Milwaukie	0.00677270	0.00677270	0.00677270	--	--
North Clackamas School District	0.00603920	0.00603920	0.00603920	--	--
North Clackamas Park and Rec	0.00053820	0.00053820	0.00053820	--	--
Clackamas Community College	0.00080080	0.00080080	0.00080080		
Clackamas ESD	0.00036870	0.00036870	0.00036870		
Clackamas 1 Fire District	0.00258710	0.00258710	0.00258710		
Metro Service District	0.00028380	0.00028380	0.00028380		
Marginal Annual Revenue Increase*					
Clackamas County	\$266,674	\$72,494	\$137,220	\$194,180	\$129,454
City of Milwaukie	\$751,228	\$204,217	\$386,552	\$547,011	\$364,676
North Clackamas School District	\$669,868	\$182,100	\$344,687	\$487,768	\$325,181
North Clackamas Park and Rec	\$59,697	\$16,228	\$30,718	\$43,469	\$28,979
Clackamas Community College	\$88,825	\$24,147	\$45,706	\$64,678	\$43,119
Clackamas ESD	\$40,896	\$11,117	\$21,044	\$29,779	\$19,853
Clackamas 1 Fire District	\$286,961	\$78,009	\$147,659	\$208,952	\$139,302
Metro Service District	\$31,479	\$8,557	\$16,198	\$22,922	\$15,281
Total	\$2,195,628	\$596,870	\$1,129,783	\$1,598,759	\$1,065,846

* Stated in 2005 dollars.



The concentration of Class “A” office space, commercial development and urban housing envisioned in the Downtown Plan would also significantly increase local employment and services, providing support for a level of appreciation in surrounding properties that would not be achievable without a revitalized downtown core in Milwaukie. This would also be expected to translate into enhanced property tax revenues.

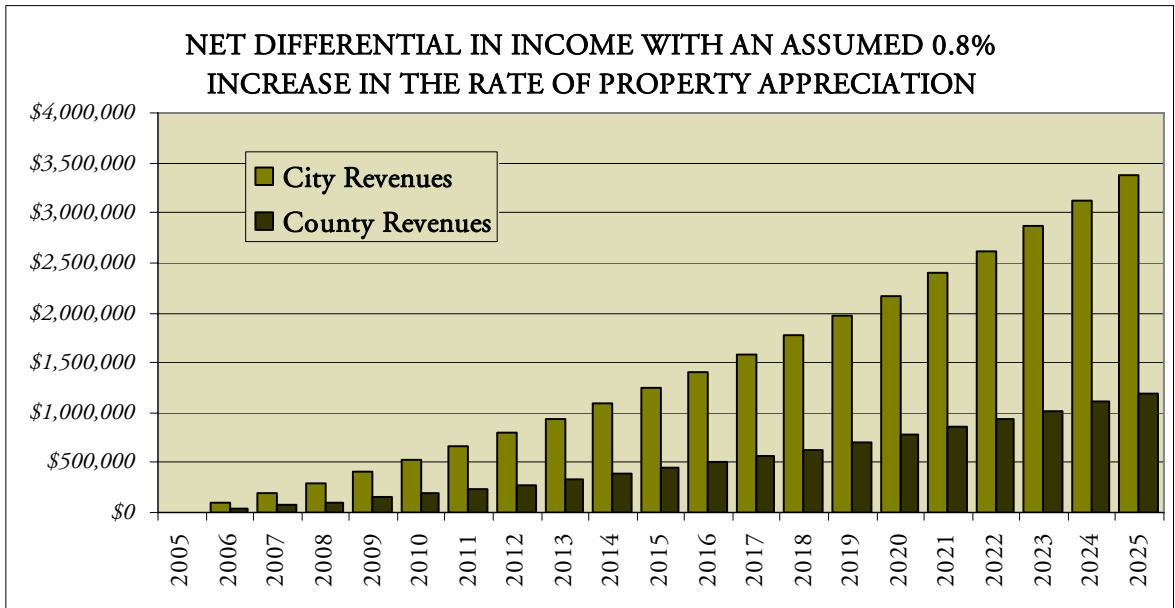
Downtown Milwaukie represents one of the few opportunities in Clackamas County to capitalize on the reinvestment trend in close-in historic business districts and neighborhoods. We would not consider the type of development envisioned in the Downtown Plan to be viable along the McLoughlin Corridor. The City of Milwaukie and Clackamas County compete regionally for new investment, and the anticipated increase in revenues associated with revitalizing downtown Milwaukie is unlikely to be realized without closure of the Kellogg plant.

II. SOCIAL/COMMUNITY BENEFITS

Social and community benefits are easy to discuss, but inherently difficult to quantify. Some of the social benefits of closing the facility are quite tangible, with higher property values translating into increased community wealth. Other benefits are more difficult to quantify, such as greater community pride and more “sustainable” development. The emergence of a vital downtown core in Milwaukie has the potential to change the rent gradient in the area, increasing property values in much wider area downtown. This same shift in values and investment was recently observed in areas such as Moreland and Sellwood, which share similar location and physical characteristics with Milwaukie.

The impact of marginal changes in the appreciation of real property can be substantial. The Milwaukie area has seen property appreciation at an annual rate of approximately 2.7%. If this rate was increased to a 5.0% level, the impact on assessed valuation would be fairly dramatic. Since Measure 50 limited property assessment growth to 3 percent a year, not all of this increase in assessed valuation would translate into property tax revenues. The new system means real market value has little connection with property taxes. Bonds and urban renewal taxes are exempt from Measure 50 limits.

The following chart evaluates the net change in property tax revenues accruing to the City of Milwaukie and Clackamas County associated with a 0.8% annual increase in the rate of property appreciation within the City of Milwaukie:



The marginal revenue increase is associated only with changes in the assessed value profile of the City of Milwaukie. This does not factor in other benefits of increased assessed valuation, such as a lowering of the tax rate required to amortize bonds.

The City of Milwaukie’s adopted Downtown and Riverfront Plan identifies a clear preference for removal of the plant as compatible with community goals. Neighbors, who have actively worked to shut down the plant, have echoed this preference. While not quantifiable, there is clearly a social and community benefit associated with closure of the Kellogg facility.

It is our opinion that revitalization of Milwaukie can benefit a much broader area of Clackamas County, providing a regional benefit. The recreational and hospitality developments on the site itself, as well as a more vibrant downtown area, will provide amenities that benefit the larger community.

III. COST/BENEFIT

While we have not conducted a full cost/benefit analysis of closing the facility, the general dynamics of the proposed action can be outlined as follows:

	Impacted Entity
Costs	
Cost of Redirecting Waste Stream	Users
Benefits	
Sale of Property	Clackamas County
Property Tax Revenues	Clackamas County/City of Milwaukie/Gladstone
Potential Grants	Clackamas County/City of Milwaukie



The actual cost recovery for the capital improvements necessary will most likely be reflected in higher user fees, although there is potential for grant money to reduce local outlays.

On the benefit side, removal of the facility is expected to yield the following:

- Cash from Sale of Property: The property the plant is located on would be relatively high-value, and the sale of this property for eventual development would yield a direct return, or Clackamas County Sewer District I could participate as a development partner.
- Property Tax Revenues: The assessed valuation in the downtown Milwaukie area, as well as a broader portion of Clackamas County, would be expected to rise substantially. This would yield higher property tax revenues for Clackamas County and the City of Milwaukie. In addition, the increase in valuation would decrease the load on property owners related to current levies.
- Potential Grants: The revitalization of downtown Milwaukie, in conjunction with the potential for a South MAX extension, would potentially increase the probability of grant monies in the area.
- New excitement and vitality in the area.

The investment necessary to allow for the closure of the Kellogg Creek plant is significant, with an estimated incremental cost increase of \$50 million over the least costly option. Closure of the facility clearly has potential for substantial revenue enhancement, primarily through higher assessed valuations within the County. The current use represents an unfortunate underutilization of the site, depressing development potential in a much broader area.

It should be reiterated that the positive impacts of the relocation will not be limited to the City of Milwaukie. The County and other service providers would enjoy a significant increase in the assessed value base in their taxing districts, while property values would be expected to rise along the broader McLoughlin Corridor, including Oak Grove and Gladstone.

**Sunday Farmer's Market Community Booth
Volunteer schedule August-October, 2005**

Date	9:00am to 11:30pm	11:30pm to 2:00pm
August:		
21 st	1. Jeff K 2. Mike Swanson	1. Jeff K 2. Carlotta Collette
28 th	1. Cheryl Ausmann-Moreno 2. Bob Moore	1. Lisa Batey 2. Cami Waner
September:		
4 th	1. Gary Klein 2. Lisa Gunion-Rinker	1. Grady Wheeler 2. Carlotta Collette
11 th	1. Deborah Barnes 2. Gary Klein/Michael Martin	1. Joe Loomis 2. Mary Rowe
18 th	1. Gary Klein 2. Beth Ragel	1. Mart Hughes 2. Dave Aschenbrenner (?)
25 th	1. Paul Shirey 2. Susan Stone (tentative) or Ken Asher	1. Kathy Buss 2. Katie MacCready
October:		
2 nd	1. Gary Klein 2. Terrie Darling	1. Mary Rowe 2. Kathy Buss
9 th	1. Gary Klein 2. Paul Shirey	1. Mike Swanson 2. Debby Patten
16 th	1. Katie MacCready 2. Sherri Dow	1. Ray Harris 2. JoAnn Herrigel