

City of McMinnville, OR

Three Mile Lane Comprehensive Plan and Zoning Map Amendment

Applicant: Kimco McMinnville, LLC

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Property Address: 3310 SE Three Mile Ln
McMinnville, Oregon 97128

Tax Lot ID Number: 172164

Property Size: 90.45 Acres (3,940,002 SF)

**Comprehensive Plan:
Designation** Industrial

Zoning Designation: M-2 (General Industrial)

1. Application Request:

Kimco McMinnville, LLC (“Kimco”) proposes a quasi-judicial comprehensive plan map and zoning map amendment for an approximately 33.5-acre area (the “Property”)¹ fronting Three Mile Lane (Oregon State Highway 18 or SH 18). This proposal is to amend the Property’s comprehensive plan map designation from Industrial to Commercial, and to change the zoning map designation from General Industrial (M-2) to General Commercial (C-3) with a Planned Development (PD) overlay, as depicted on **Attachment 1**. No development is proposed at this time.

Following the map amendments, when a development is proposed, the applicant will pursue the land use approvals required to develop the Property with commercial mixed-uses (the “Project”) through the process prescribed through the PD overlay ordinance. The Project is intended to accommodate the community’s growing demand for retail and to capture some of the area’s retail sales leakage, which are goods that residents travel outside the greater McMinnville area to purchase. Due to the scale of the site, the Project’s development process

¹ Kimco owns a 90.45 acre parcel, of which the 33.5 acre area that is the subject of this application is a part. The remaining 56.95 acres of Kimco’s ownership is not a part of this application and will retain its Industrial comp plan and M-2 zoning designations.

will include imposing a site-specific Planned Development (including design and development standards), a partition or land division, and site plan review.

2. Property Description:

The 33.5-acre Property is a portion of the vacant 90.45-acre parcel located in the Three Mile Lane area within the city limits of McMinnville. The Property is located on the southside of Oregon State Highway 18 in the southeastern portion of the city in proximity to the community hospital and satellite development, the McMinnville Municipal Airport adjacent to the east, and the Evergreen Aviation & Space Museum to the north. The Property's topography is flat in elevation and covered by annual crops with few trees.

As depicted on **Attachment 1**, the Property is generally comprised of two parts. The westerly "Parcel 1" is approximately 25.3 acres and the easterly "Parcel 2" is approximately 5.25 acres. The internal local street connections within the Property are expected to require approximately 2.95 acres.

3. Project Background:

The requested amendments will facilitate a future economic development opportunity that will benefit the City of McMinnville and surrounding communities by converting excess industrial land into needed commercial land. Kimco has owned the vacant Property since 2006 and over the years there has high interest from retailers, both local and national, to open shop and serve the local community. No particular retail use has been identified for the Property, but it's location, access to Highway 18, size, and topography make it attractive to General Merchandise retailers such as Target, Home Depot, and Costco because the goods and services offered by those stores are currently unavailable to McMinnville residents and require a 25-mile drive to Salem or even further to the outskirts of Portland. This existing phenomenon, when demand for certain products and services are not met within a trade area and consumers go elsewhere to shop, is "retail leakage."

The Property is suitable to include a mix of larger retailers and smaller store spaces, which could include both locally owned business and nationally known companies. The Property can accommodate adequate on-site parking and be designed to offer great pedestrian circulation on site and programmed community spaces for visitors to linger and enjoy while shopping.

Located three miles southeast of the downtown core of McMinnville, the Property lends itself to prime commercial retail development. The retail space eventually created through this Project would be suited to businesses that do not fit within the format of existing retail in McMinnville. Downtown businesses are not expected to be negatively affected by retail that will eventually be developed on the Property because the future retailers will provide goods and services that will capture the community's existing retail leakage.

4. Project Rationale:

A. Industrial Land Surplus, Commercial Land Deficit, and Existing Retail Sales Leakage

(1) Adopted Economic Opportunities Analysis

On February 5, 2014, the McMinnville City Council adopted Ordinance No. 4976, which is the Economic Opportunities Analysis completed in November 2013 (2013 EOA), which has been acknowledged. The 2013 EOA concludes that the City has a deficit of 35.8 acres of commercial land and surplus of 235.9 acres of industrial land. (2013 EOA, pg 56, Table 26) The 2013 EOA's data and policies support the need to re-designate and rezone the 33.5-acre Property to C-3. The proposed amendment is consistent with the 2013 EOA because following the proposed zone change, the City will be closer to accommodating the commercial land need, and the supply of industrial land will remain adequate because it will continue to be in excess of (but closer to) the adopted industrial land need.

McMinnville's commercial land deficit is a combination of the land needed to accommodate projected population growth and the pent-up demand for specific retail needs that are not being met within the trade area. This means consumers go elsewhere to shop resulting in retail leakage to areas outside the City. Factors that contribute to the City's retail leakage are that there are no available vacant or re-developable commercial sites that are adequately sized and have the necessary locational factors and site characteristics to support the leaking retail categories. The available commercial land or vacancies in existing buildings are not suitable in format or scale to attract tenants that fulfill these unmet retail leakage needs.

The City's deficit of commercial land generally, and specifically the lack of commercial land suitable for major comparison retail was determined in the 2013 EOA to be a disadvantageous factor that affects the community's economic development potential. The result is retail sales leakage, which is created when demand for a specific product is not being met within a trade area, so consumers go elsewhere to shop or do not shop at all. The 2013 EOA concluded that "there is considerable retail sales leakage of an estimated \$192 million annually throughout Yamhill County – as residents travel to other counties for a significant 23% of their shopping needs." (2013 EOA, pg 32) In the seven years since this report was completed, this continued leakage has potentially cost the City over \$1.3 billion in consumer spending that could have benefited the local economy.

(2) Updated Analyses as Additional Evidence

The 2013 EOA is the binding analysis of the City's adequacy of commercial land and provides an adequate factual base for the proposed rezone. Analyses of commercial land needs since the 2013 EOA provide further support for the application because those analyses show that the deficit is growing, including Leland Consulting's January 2020 EOA Land Supply Update (Leland

2020 Update) **Attachment 4**, the 2020 EOA drafted by EcoNorthwest Consulting (2020 EOA)² **Attachment 5**, and Three Mile Lane Area Plan documents **Attachments 6** and **7**.

(a) Leland 2020 Update

The Leland 2020 Update provides current data on the supply of commercial land by analyzing all zone changes since the 2013 EOA was adopted that impacted commercially zoned land. The Leland 2020 Update concluded that the deficit of commercially zoned land has grown to 39 acres and the surplus of industrial land has also increased. The impacts of zone changes since the 2013 EOA is summarized in the following table in the Leland 2020 Update:

Table 4. Comparison of Land Demand to Supply (2013/2019-2033)

Acres by Plan Designation			
	Commercial	Industrial	Total
Vacant Land Demand			
Commercial	164.6	0.0	164.6
Industrial	0.0	145.1	145.1
Institutional	2.2	8.0	10.2
Totals	166.8	153.2	319.9
Available Land Supply			
2013 EOA	130.9	389.7	520.0
2013 Surplus/(Deficit)	(35.9)	235.9	200.1
2019 Revision	127.8	389.7	
2019 Surplus/(Deficit)	(39.0)	236.5	197.5

(b) 2020 EOA

The 2020 EOA has not been adopted, but its data provides further support for the demand for commercially zoned land to accommodate retail leakage and population growth, the lack of supply of suitable commercial land, and the surplus of industrial land.

The updated 2020 EOA demand data indicates that the commercial land deficit is projected to grow to at least 286 acres by 2041 (which includes at least **12-acres** to accommodate retail leakage), at which time there will be a surplus of 159 acres of industrial land. (2020 EOA, pg 106, Exhibit 59)

(c) Three Mile Lane Area Plan (3MLAP)

As part of the City’s long range planning efforts, it has initiated the Three Mile Lane Area Plan (3MLAP) project, which is intended to result in the adoption of an area plan for the

² All citations to the 2020 EOA are to the February 2020 track changes draft.

approximately 1,340 acre area along the Three Mile Lane corridor that will integrate land uses and a multi-modal transportation system, updating the Three Mile Overlay District (amended in 1994) and the 1996 Highway 18 Corridor Refinement Plan. The 3MLAP is still in the planning phase and is not binding on this application, but the proposed amendments are consistent with the data, policies and goals in the most recent draft of the 3MLAP. Accordingly, the 3MLAP provides additional evidence in support of approving the proposed comprehensive plan and zoning map amendments.

The 3MLAP is intended to support the 2020 EOA by analyzing the forecasts and demand for a variety of land needs, and how they may be accommodated within the Three Mile Lane area. As part of that effort, the 3MLAP Market Analysis (April 16, 2019 Final Draft) (**Attachment 6**) conducted a detailed analysis of the incredible amount of retail leakage within certain categories, which includes:

3MLAP Market Analysis Table 8 Summary

Estimated Retail Leakage			
	Current Sales	Household Demand	Current Leakage (\$)
Underserved Sectors of Retail			
Furniture and Home Furnishings	\$9,815,869	\$25,459,215	(\$15,643,346)
Electronics and Appliance	\$10,205,468	\$25,779,334	(\$15,573,866)
Clothing and Accessories	\$5,785,467	\$39,384,538	(\$33,599,071)
Sporting Goods, Hobby, Books, Music	\$12,792,050	\$27,981,058	(\$15,189,008)
General Merchandise	\$41,383,114	\$138,540,476	(\$97,157,362)
Food Service and Drinking Places	\$53,618,658	\$83,233,240	(\$29,614,582)
Other (Cinema, Banks, Small Office)	\$91,325,675	\$92,535,592	(\$1,209,917)
Total Demand and Leakage	\$224,926,301	\$432,913,453	(\$207,987,152)

3MLAP Market Analysis, *Table 8, pg. 33.*

The above table highlights the difference in current sales in retail sales within McMinnville versus the estimated household demand. The difference in red represents the outflow of spending that is likely going to communities where space for these types of merchants are readily available. Potentially \$207,987,152 of annual consumer spending is leaving McMinnville because there is no land with necessary locational or site characteristics available. This not only deprives residents of McMinnville choices in where to shop, but further burdens many families with the economic hardship of driving great distances to purchase what they need.

The 2020 EOA and 3MLAP Market Analysis conclude that accommodating retail leakage will require 12-acres in addition to the growth-related land needs, and that in the next 10 years the Three Mile Lane area could capture 150,000 square feet of the market area’s demand for

539,000 square feet of leakage retail development. (2020 EOA, pg 47 and 102; 3MLAP Market Analysis, pg 4, Table ES-3)

B. Suitability of the Property for Conversion from Industrial to Commercial

A compact urban form is maintained when the identified commercial land deficit is addressed by converting excess industrial land to commercial. Accordingly, the 2013 EOA recommends re-designating “excess industrial or other lands to commercial uses (focused on those sites with greatest suitability for commercial development.)” (2013 EOA, pg 62) Suitability for commercial development must consider the site characteristics for the proposed use (OAR 660-009-0005(12)), which here the use is retail that can capture retail leakage and can accommodate population-related growth.

The 2013 EOA and comprehensive plan describe a property’s suitability for re-designation to commercial, each of which is responded to in the findings narrative (**Attachment 2**). The 3MLAP also details the site characteristics necessary for prospective underserved leaking retailers. Some of the suitability factors and site characteristics that are relevant include transportation access, compatibility with neighboring uses, infrastructure capacity and site size. (2013 EOA, pgs 57 and 73) Examples of the Property’s suitability for conversion from industrial to retail include:

- Visibility from and access to Highway 18. Traffic patterns are “of particular importance for retail and service businesses” which are “reliant on high traffic counts.” (2013 EOA, pg 33) Trends show increasing traffic counts on Highway 18 and shifting away from Highway 99W. “Recapture [of retail sales leakage] is dependent on the ability to identify sites that attract retailers that could serve much of the county’s population from locations readily accessible to major travel corridors.” (2013 EOA, pg 32)
- Proximity to retail leakage markets. “Sites in the McMinnville UGB offer the potential to serve a local and regional market...Centrally located [within the County] with good highway access and street visibility can be instrumental to attract commercial business that may require market areas of 50,000-100,000+ population.” (2013 EOA, pg 32)

The 3MLAP includes extensive analysis of the that area’s suitability for retail development aptly describes this Property’s suitability for commercial conversation:

“Retail prospects are relatively strong for certain retail sectors, despite relatively weak market conditions (including rent, vacancy, absorption, etc.). The Three Mile Lane study area likely checks off many site selection criteria and market characteristics typically desired by prospective retailers. While there are few retailers currently in the aera, desired physical characteristics, such as visibility, vacant developable land, and ease of

access are all present. Further, McMinnville's central location between the Oregon Coast, the Portland Metro, and Salem provides access to a wide variety of markets. Significant household growth and the burgeoning tourism industry will continue to improve retail prospects." (3MLAP Market Analysis, Pg 2).

"The Three Mile Lane project area is relatively well-positioned for retail development due to high visibility, ease of access, high traffic counts along Highway 18, and there are few alternative urban areas between McMinnville and the coast, providing opportunities to capture spending from those visiting the Oregon coast.

Additionally, as one of the few locations in the market area with large, contiguous, vacant tracts of land within city limits, Three Mile Lane should be able to capture a significant portion of market area demand over the next 10 years." (3MLAP Market Analysis, Pg 51-52)

The Project is envisioned to be a retail "town center" that is compatible with the current draft 3MLAP Land Use concept numbers one and two (**Attachment 7**):

"This concept includes a significant retail center south of Three Mile Lane at Cumulus Avenue. This could take the form of a large-format retail anchor that would take advantage of traffic on OR SH 18 with additional smaller retail uses. While serving as a regional retail attractor, it would also function as an important local amenity, providing convenient access to shopping and services for adjacent office and residential development. Considerations for how this center is designed, and how it relates to existing commercial centers such as the Third Street/Downtown District, will need to be examined in further detail at a later phase of the process. Depending upon its design and other factors, a new retail center could provide services for residents and employees in the Three Mile Lane area without directly competing with existing businesses in McMinnville's downtown. The core of the center should be walkable if possible, with extensive pedestrian connections through associated parking lots to ensure safe circulation. Parking lots should be designed in a way that does not forgo future redevelopment with more mixed uses, reflecting the uncertain future of retail development." (3MLAP Memorandum 6, Land Use Concepts 1 and 2 pg 10-13)

The requested map amendments are the first step to fulfill the 2013 EOA deficit of commercial land and developing a project that furthers the objectives of the 3MLAP. The future discretionary PDO land use process that will apply to the Project will further ensure consistency with the 3MLAP.

C. Traffic Impacts and Circulation

Kittelson & Associates, Inc., prepared a transportation impact analysis (TIA) report, which analyzes the transportation impacts associated with the proposed rezone. (**Attachment 3**). The TIA's scope, methodology, findings and recommendations have been coordinated with the City

of McMinnville and the Oregon Department of Transportation (ODOT) and is intended to address City and state review criteria, including compliance with the Transportation Planning Rule (TPR). The TIA analyzed the reasonable worst-case development scenario under the proposed rezone a short-term (2022) and long-term (2037) operational analysis of the roadway network surrounding the site, finding that the proposed rezone can be approved assuming implementation of the recommended mitigation measures. Mitigation measures that will be constructed at the time of development will include construction of the collector streets and a new intersection with SH-18. As part of the design of these roadways, sidewalks and bicycle lanes will be provided. With required improvements to occur at the time of development, the proposed rezone results in no significant impacts, in compliance with the TPR.

For the development of larger scale retail like the Project is expected to include, the Property's location is superior to other potential properties because of the minimal impact on surrounding neighborhoods. For example, any proposed development at the intersection of SH-18 and SH-99W (Linfield Property) would raise serious traffic infrastructure problems if it is to be developed with intense retail uses. This would include reconstruction of the Old Sheridan Road intersection and a reconfiguration and widening of the interchange between the two state highways. In that immediate vicinity, SH 99W is an interior arterial in McMinnville, and the regional traffic generated by major retail at this location would be disruptive to the internal city traffic patterns and the McMinnville "feel."

As detailed in the TIA, rezoning the Property would allow for the scale of retail development associated with capturing retail leakage with minor upgrades to surrounding streets and a new intersection. There would be minimal impacts to the overall urban fabric of the more established and densely developed areas of McMinnville. The Property's location on OR 18 provides easy access to residents and employees of downtown McMinnville on their way to or from work, in some cases eliminating the need for out-of-direction travel. It is also anticipated that some people will stop at the site on their way to or from the coast. In addition, the retail uses that could be developed in the future may also reduce regional transportation demand by capturing existing trips that travel to the greater Portland and Salem area for these uses today.

5. Conclusion:

The application meets the requirements for a rezone based on the following:

- Complies with the applicable approval criteria in the code, Comprehensive Plan and state law, as detailed in the findings at **(Attachment 2)**.
- The 2013 EOA shows a surplus of over 235 acres of industrial land and deficit of 35.8 acres in commercial land inventory, exhibiting an economic need for retail land use within the City that can be partially met through converting excess industrial land to

commercial. Updated data in the 2020 EOA, 2020 Leland Update and 3MLAP demonstrate that the commercial land deficit is growing.

- Studies from the 3MLAP have revealed that the City loses over \$200 million annually in consumer spending to retail destinations such as Salem and SW Portland, burdening families with the cost of driving quite a distance for essential needs.
- The Property includes site characteristics that make it suitable for conversion to C-3 zoning, which will allow retail development that captures retail leakage and growth-related retail needs. Retail development on this site would be at a scale that is not suitable for downtown McMinnville or existing centers within the City. Based on the traffic analysis completed, the proposed rezone would have minimal impact on the City's existing infrastructure and would not fundamentally alter the urban fabric of the community (**Attachment 3**).
- Inclusion of a Planned Development (PD) overlay will ensure the future development project is compliant with City's long-term policies and goals, supported by municipal services and infrastructure, and subject to community input through discretionary review by the City Council.

Attachments:

- 1. Site Plan**
- 2. Required Findings for Comprehensive Plan Map and Zoning Map Amendment**
- 3. Traffic Impact Analysis, 12/18/2020 by Kittelson & Associates**
- 4. Leland Consulting's January 2020 EOA Land Supply Update**
- 5. 2020 EOA drafted by Eco-Northwest Consulting**
- 6. Three Mile Lane Area Plan Market Analysis**
- 7. Three Mile Lane Area Plan Memo 6 (Land Use Concepts)**
- 8. Proof of 11/19 Neighborhood Meeting (Noticing and Notes from Meeting)**