

SITE DESCRIPTION AND HISTORY

The Project site is located adjacent to Willamette Falls, a natural waterfall on the Willamette River between Oregon City and West Linn, the Oregon City bluffs, as well as Oregon City's downtown commercial core. Willamette Falls is the largest waterfall in the Pacific Northwest and 2nd largest in the United States behind Niagara Falls by volume. The Falls have been an important gathering place for fishing, trading, and gathering of several tribes for many centuries prior to white settlement.

The property includes three blocks facing historic Main Street, which has long been characterized by traditional downtown uses such as barbers, hotels and restaurants. Since the 1830's, the site has been occupied by large industrial uses including a flour mill, sawmill, brick production, woolen mill and, since 1908, a paper mill. Over 600,000 square feet of vacant industrial space cover the site in 57 buildings that are in varying states of condition. The project does not include the settling ponds/lagoon in West Linn, which were purchased by Clackamas County's Water Environment Services (WES)

The Oregon City mill as it is today started in 1908 as the Hawley Pulp and Paper Mill. W.P. Hawley bought the mill and adjacent properties and eventually installed four paper machines to produce a variety of paper products including fruit wrap, bread paper, wrapping paper, toweling, bags and newsprint. Ownership transferred to the Los Angeles Times as Publishers Paper Co. and then to Jefferson Smurfit Corporation. In May 2000, Smurfit Stone Container Corporation sold the mill to its employees and KPS Special Situations Fund, L.P., a New York City-based private equity fund, creating the Blue Heron Paper Company.

In 2006, the employees bought out KPS creating Blue Heron Paper Company as a 100% employee owned stock ownership plan (ESOP). On February 23, 2011, the Blue Heron Paper Company announced the closure of the mill and the layoff of over 175 employees. The site is currently being held by a bankruptcy trustee who is in the process of property disposition.

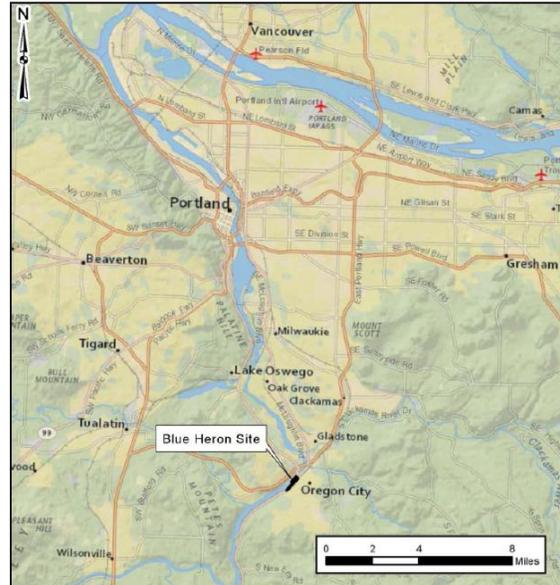


Figure 1: Location Map

STRUCTURES AND BUILDINGS

Existing equipment, utilities and non-building structures with salvage value are currently being removed from the site under a contract between the bankruptcy Trustee and a salvage contractor. Salvage work is scheduled to be completed in November 2013 and includes the removal of the majority of the paper mill operations infrastructure. Major renovation work is necessary to put most of the buildings and much of the site into a stable and usable condition for any type of future use. Roadways would require upgrades for pedestrian/vehicle separation, improvements to the pavement and new lighting.

With the exception of the former Blue Heron Paper Office Building and the Mill E Offices the buildings would be difficult to reuse even as industrial facilities without improving their entries, emergency exiting, general circulation, restroom facilities, heating and cooling systems, power supply distribution and fire protection.

There are over 500,000 square feet of vacant industrial space in 57 separately identified structures in various states of condition. Preliminary study indicates there is compatibility for adaptive re-use, hazardous buildings materials and extensive structural retrofitting considerations. (More detailed information can be found in Exhibit E)

PGE DAM

PGE owns the Willamette Falls Dam and associated property upriver of the site including easements and land under some of the foundation of the buildings abutting the dam. Whilst the Dam's main power generating infrastructure is located on the West Linn side of the Willamette River, PGE has rights of access across the Blue Heron Mill site to access its property and maintain its facilities on the Oregon City side of the river. PGE's history at the falls dates back 125 years, so they're very supportive of community efforts to protect, retain and enhance a mix of uses in the area while still achieving the strict environmental and operational standards in their newly-renewed 30-year hydroelectric generating license.

HABITAT

The location of the site near Willamette Falls provides critical habitat opportunities such as a refuge for migrating salmonids (on federal list of endangered species) and pacific lamprey, as well as providing improved connectivity for migrating birds. Currently, fish and wildlife habitat on the site is relatively limited and fragmented due to the proximity of major highways, the railroad and urban development on both shores. Integrating these opportunities would be part of an effective site development strategy.

STORMWATER

Prior to 1995, the mill operation's process water and stormwater runoff, as well as excess river water were discharged directly back to the Willamette River via three tailraces located on the site. In 1995, a

collection and treatment system was installed to treat both process water and stormwater together prior to discharge. Industrial processes are no longer occurring at the site and materials from these processes including pipe and pump infrastructure are being salvaged from the site. Following salvage operations, some of the buildings may be demolished, and the site stabilized and left essentially dormant until redevelopment occurs.

An Interim Stormwater Plan was created by ESA and Associates and is available in Exhibit E of the RFP. It is intended to provide a conceptual plan for managing stormwater runoff during interim site conditions prior to commencement of any major site improvements.

Discharges from the site are currently regulated under an industrial NPDES (1200-z) permit issued for the former industrial paper mill operations. While industrial activities for which this permit was originally intended no longer occur at the site, the permit has not been officially terminated. However, the existing system currently discharges to a wetland treatment pond which will be unavailable in the near term. It is understood that the 1200z permit (including monitoring and reporting requirements) will cover stormwater management at the site until the site is stabilized as negotiated with DEQ.

Under the existing stormwater management system, stormwater is centrally collected in the pipe tunnel, pumped to the clarifier and then pumped to the offsite wetland treatment ponds. Redevelopment activities on the site are not anticipated for many years and would not be covered by the current industrial permit. Rather, any development would be required to adhere to the Stormwater Management Plan, which is part of the Municipal (MS4) permit for Oregon City, and to follow adopted City design guidelines at that time.

HISTORIC SIGNIFICANCE

The project site is located on the site of Dr. John McLoughlin's original mill as well as the original first 5 blocks of historic Oregon City, which were slowly overtaken by mill development through the years. The site is also adjacent to scenic Willamette Falls (second largest in the United States). Willamette Falls is also recognized by the Confederated Tribes of the Grand Ronde and Warm Springs, and Siletz, and the Confederated Tribes of the Umatilla Indian Reservation, and Yakama Indian Nation as a sacred gathering place of high cultural significance.

There are currently no locally designated historic structures (OCMC 17.40) located on the property. The Blue Heron site is not currently located within a local or National Register Historic District. However, a report was prepared for Portland General Electric & the Blue Heron Paper Company, in cooperation with the West Linn Paper Company, in May 2002 by Kramer and Company, George Kramer, M.S., HP, Sr. Preservation Specialist. Heritage Research Associates indicated that some of the buildings located onsite are contributing historic structures. *"Willamette Falls Industrial Area Request for Determination of Eligibility 2002"*– George Kramer.

In the spring of 2012, the City of Oregon City provided updated survey data to the 2002 Determination of Eligibility, including additional information on the 1950s structures into the Oregon Historic Site Database. In the fall of 2012, the Oregon State Historic Preservation Office issued a Revised Determination of Eligibility for the site that concurred with the updated information and, due to the

salvage work onsite, indicated that the site was no longer eligible for listings as a National Register District. Therefore, all of the buildings were reviewed for individually eligibility. (See Exhibit E for more information on this topic)

Buildings listed in the National Register of Historic Places, either individually or as a contributing building in a historic district, are eligible to take advantage of the 20% [Federal Tax Credit Program](#) and the [State Special Assessment Program](#). A future property owner may choose to designate some or all of the historically contributing buildings to take advantage of both programs. It is anticipated that the Master Plan will require the retention and rehabilitation of some of the historic buildings onsite.

WILLAMETTE FALLS HERITAGE AREA COALITION

The Coalition, a 501(c)(3) partnership of public, private, and nonprofit organizations and citizens that share a common passion for the Willamette Falls and its heritage, is currently applying for designation as a National Heritage Area and the newly created State Heritage Area Designation. National Heritage Areas (NHAs) are designated by Congress as places where natural, cultural, and historic resources combine to form a cohesive, nationally important landscape. NHAs are a grassroots, community-driven non-regulatory approach to heritage conservation and economic development. Through public-private partnerships, NHA entities support historic preservation, natural resource conservation, recreation, heritage tourism, and educational projects. Leveraging funds and long-term support for projects, NHA partnerships foster pride of place and an enduring stewardship ethic. The Coalition shares many of the same goals for the area and will be a major stakeholder in the planning process.

CURRENT ZONING

Underlying Zone

G-I General Industrial –OCMC 17.36

Comprehensive Plan: Industrial

The General Industrial District is designed to allow uses relating to manufacturing, processing, production, storage, fabrication and distribution of goods or similar as defined by the community development director. The uses permitted in the General Industrial District are intended to protect existing industrial and employment lands to improve the region's economic climate and protect the supply of sites for employment by limiting new and expanded retail commercial uses to those appropriate in type and size to serve the needs of businesses, employees, and residents of the industrial areas.

OVERLAY INFORMATION

Willamette Greenway OCMC 17.48

The City's greenway regulations were established in the 1980 Comprehensive Plan with the purpose of minimizing potential negative impacts to the river, while encouraging industrial uses of the river (for Oregon City, primarily focused on logging/mill uses). Chapter 17.48, which includes the greenway code, is not implemented very often, as the City has limited developable land adjacent to the river. Almost all of the mill site is located within the "compatibility area", which requires a Planning Commission review of the development application/master plan process. The city has generally viewed development that meets the adopted commercial development standards to be in compliance with the goals and standards for the Willamette Greenway District.

Geologic Hazard OCMC 17.44

The Geologic Hazards Overlay regulates development on unstable or steep slopes or on land abutting unstable or steep slopes. The Geologic Review is done at the time of development review and may require enhanced geotechnical reports and documentation by a structural engineer to ensure that the proposed development adequately addresses the Geologic Hazards construction criteria.

Nat. Res. Overlay District (NROD) OCMC 17.49

The Natural Resource Overlay District designation provides a framework for protection of Metro Titles 3 and 13 lands, and Statewide Planning Goal 5 resources within Oregon City. The Natural Resource Overlay District (NROD) implements the Oregon City Comprehensive Plan Natural Resource Goals and Policies, as well as Federal Clean Water Act requirements for shading of streams and reduction of water temperatures, and the recommendations of the Metro ESEE Analysis.

The NROD district utilizes a 200 foot buffer from the ordinary high water line for land abutting the Willamette River. Any new development (new impervious surfaces on existing pervious land) within the buffer must be processed by a Type III Planning Commission Variance. Please note that very little pervious land exists on the main developed mill site. Additionally, a development that involves concurrent demolition/new construction review would be considered exempt from the overlay

district as it would be considered an onsite replacement (OCMC 17.49.80- Exemptions "Replacement, additions, alterations and rehabilitation of existing structures, roadways, utilities, etc., where the ground level impervious surface area is not increased."

Flood Management Overlay District OCMC 17.42

The Flood Management Overlay District is an overlay zone classification defining areas subject to periodic flooding or inundation which can result in property harm or loss, disruption of public services, hazards for public health, or added expense for public services. Land within the 1996 flood inundation area and the 100- year flood plain are subject to this chapter. The areas or special flood hazard identified by the Federal Insurance Administration in a scientific and engineering report entitled "The Flood Insurance Study (FIS) for Clackamas County, Oregon and Incorporated Areas," dated June 17, 2008, with accompanying flood insurance maps is adopted by reference and declared to be a part of this chapter. The Clackamas County FIS study determined that the Base Flood Elevation for Oregon City is 50.8 feet. The 1996 flood event (considered a 100 year flood event) exceeded this elevation in portions of the site.

A good portion of the southern half of the site is also within the Oregon City Flood Overlay District. All new construction or substantial upgrades to buildings located within the overlay district is required to meet all applicable sections of the district. The development standards are found in OCMC 17.42.160. However, variances may be issued for the reconstruction, rehabilitation or restoration of structures listed on the National Register or identified as a locally designated historic structure.

While completing the due diligence report this fall, it became apparent that further study is needed to determine how the existing flood management overlay district may be impacted by development at the site. As such, hydraulic modeling or review of the hydraulic model developed in the FIS is recommended as part of the Master Plan process to better answer this question.

PROPOSED ZONING

Mixed Use Downtown- "MUD" OCMC 17.34

The mixed-use downtown (MUD) district is designed to apply within the traditional downtown core along Main Street and includes the "north-end" area, generally between 5th Street and Abernethy Street, and some of the area bordering McLoughlin Boulevard. Land uses are characterized by high-volume establishments constructed at the human scale such as retail, service, office, multi-family residential, lodging or similar as defined by the community development director. A mix of high-density residential, office and retail uses are encouraged in this district, with retail and service uses on the ground floor and office and residential uses on the upper floors. The emphasis is on those uses that encourage pedestrian and transit use.

During the 2004 Comprehensive Plan update, the city approached Blue Heron to see if they were interested in upzoning their property to MUD, but allow the existing industrial use to be permitted onsite. At that time, Blue Heron felt that it was not in their best interest to support a rezoning of the property. Ever since 2004, the city has been generally supportive of rezoning the site to MUD, subject to meeting all applicable criteria.

However, through the Master Planning process, a new district or zoning designation may be created that better implement the vision. A hybrid MUD zone with additional text amendments could also be utilized.