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Businesses concerned about looming displacements for Lake Oswego treatment plant project

👤 Corey Buchanan 📅 December 12 2022

The city has delayed a decision on whether to enter into an agreement to build the plant, but still plans to move forward on acquiring Foothills business properties.



PMG PHOTO: JAIME VALDEZ - Lannie's Marine owner Lannie Instenes is one of at least eight business owners who are concerned about likely displacement due to the city of Lake Oswego's plan to build a new wastewater treatment plant at their properties in the Foothills area.

(<https://pamplinmedia.com/images/artimg/00003753354178-0756.jpg>)

After shifting his view to a map filled with purple raindrops encircling Oswego Lake, Lannie Instenes taps his finger on a smiley-face sticker at the eastern edge of the lake indicating where his business sits.

Currently located at 101 Foothills Road, Lannie's Marines has operated next to Oswego Lake for over 40 years. As a boat repair and maintenance business, a location near the lake is crucial. And if it were forced to move, Instenes said, the business could be a goner.

"All these guys (the purple raindrops) are my customers. If I'm gone, if I'm all the way out in Wilsonville, it ain't happening," he said.

Lannie's Marines is one of about eight businesses on three properties in the Foothills District that may be forced to relocate if the city of Lake Oswego decides to use eminent domain (the process of forcefully acquiring private property for public use) to acquire the land so that it can build a new state-of-the-art wastewater treatment plant.

The property and businesses owners are dismayed about the continual uncertainty associated with the project. They've known about the possibility for years, but still aren't sure whether construction will move forward and what the timing would look like.

"I get nervous people coming to me every couple of weeks asking, 'What's going on? What have you heard?' My response is I don't know, because I'm getting nothing from the city," property and business owner Rick Mreen said.

Where the project stands

The city can't just keep the current plant in its present condition. To meet environmental regulations, it must either update the existing facility, which is owned and operated by the city of Portland, or build a new one. The new plant is projected to be much less odorous than the existing one and 40% to 50% more energy efficient. It would also allow the city to gain sole control over its own water treatment plant services, among other benefits.

But challenges have persisted.

The city was initially scheduled to decide whether to proceed on a joint partnership to complete the project with EPCOR Foothills Water Partners during a December meeting, but recently sent a letter to property owners in Foothills stating that the expectation is to wait 12 months before deciding whether to proceed with the project. Nevertheless, the letter also stated that the city planned to continue forward with property acquisition and make offers to owners in February.

In late September, after hearing that the cost to design and operate the plant had increased from \$147.9 million to \$182.3 million within the last year, the Lake Oswego City Council expressed reservations about the project. During that meeting, Mayor Joe Buck said that the city should only continue this project if it penciled out financially. EPCOR has cited inflation, supply chain issues and interest rate increases as reasons for the cost increases.

The city declined to answer questions over the phone and instead wrote back a list of responses to questions sent via email.

Lake Oswego staff stated that the site for a new treatment plant was selected due to its position close to existing pipes and outfall to the river, as well as the fact that it is relatively safe from flooding. They described the project as an "exciting opportunity for Lake Oswego to invest in a modern facility we would own — that is good for the environment, good for the economy and good for the neighbors."

They added that they are working with businesses to explore relocation options.

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Property and business owners would prefer that the city and Portland instead upgrade the current treatment plant nearby, but the Lake Oswego government has indicated that this option would also be very expensive. The City Council will discuss the project again during a Dec. 20 meeting.



PMG PHOTO: JAIME VALDEZ - Lannie Instenes has run Lannie's Marine since around 1980.

(<https://pamplinmedia.com/images/artimg/00003753354280-0756.jpg>)

Where would businesses relocate?

Like Instenes, Bill Erickson, owner of longtime Lake Oswego business Erickson's Automotive, said his customers live in Lake Oswego and that moving out of town would set his business back years. It might spell the end of the auto shop altogether.

"If we could have a place to relocate to (in Lake Oswego), certainly," Erickson said when asked if he could keep the business running upon relocation. "If it's outside of Lake Oswego, I'm starting from square one. That's not very viable. I don't have the bankroll to carry three-to-five years of recovery."

The city is required by law to help businesses relocate if they are displaced by eminent domain. The problem is that Lake Oswego doesn't have much available industrial land to work with, meaning that finding a relocation site within city limits could be extremely challenging barring zoning changes. The city currently has 156 acres of industrial land in two districts: Foothills and the Southwest Employment Area off Boones Ferry Road near I-5.

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"There are no other places within the city where both businesses (Lannie's Marines and Erickson's Automotive) could relocate, nor has the city made any other attempt to identify those properties," said Erica Menze, an attorney representing Erickson and Instenes, during a recent City Council meeting.

The city is required to make reasonable efforts to help out with relocation, but success is not mandatory by law. So far, Menze said there's been a severe lack of communication on the city's part. She said the local government has put them in touch with relocation services but that communication from that company has been sparse as well.

Business, property owners express frustration

Mreen, who owns one of the three Foothills properties and manages 31 employees at Toklat Originals, said a former tenant left due to the uncertainty surrounding potential relocation and that existing businesses have lost employees due to the possible move. Erickson added that hiring has been a struggle due to the property acquisition hanging over his business. Mreen felt that relocation would mean losing more employees and noted the current tight labor market. Instenes said he has had to continually take "a leap of faith" in terms of purchasing thousands of dollars in materials without knowing if he will be able to use them six months down the road. Colin Bourgeois, vice president of Arbor Pro Northwest, said that his customers, including the city and the Lake Oswego School District, are local and that being local allows him to offer competitive pricing. He added that he has tried to look for suitable industrial property in the area for two years to no avail.

"All I want to do is run my business, and if I had my choice I would stay here and not have the disruption," Mreen said.

Instenes and Erickson said they purchased their properties outright just a few months before the city began inquiring about its own designs for the space. The two friends since childhood were overjoyed when they could call the property their own.

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"Who would ever have dreamed that we would be able to afford this and have a place like this, and now the city wants it and all these people are going to be really upset when Lannie's is not here anymore," Instenes said.

However, Instenes indicated that he would be fine if the city presented a healthy offer that would allow him to retire and expressed some optimism that things would work out in the end.

Some of the other businesses at the sites include a swimwear company, an arborist, a construction contractor and Lumberjack Baseball Club. Toklat Originals is an equestrian supply company. The business owners, including James Moss with Skyline Northwest, felt that the usage of eminent domain went against the city's goal of supporting business investment and job retention. He added that the lack of industrial and warehouse space region-wide could make relocation tricky.

"To me this one single decision is as anti-business as you get," Moss said.

Further issues raised

Some property and business owners are worried that they won't receive fair market value through the eminent domain process. As described by attorney Neil Olsen, who represents one of the property owners and businesses, the city will initially garner an appraisal and then make an offer. After 40 days, if the initial offer is refused, the city can file an eminent domain action. Then, the property owner can do their own appraisal. Olsen said the discrepancy between a local government's appraisal and that of a property owner's is often large. The dispute then may be resolved through a legal trial.

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Some potential selling points in terms of land value could be the area's high point above Oswego Lake, the fact that it's part of a limited supply of industrial land in Lake Oswego and that the city has considered redevelopment of the Foothills District as a possibility.

"There may be a defense of what the fair market value of the property is," said Menze, the attorney representing Erickson and Instenes. "Separate from the sale of the property, they are primarily concerned about whether their businesses will be relocated, and if not, whether they are adequately compensated for losing their livelihoods."

Olsen mentioned Lake Oswego's 2011 Foothills District Framework Plan, which states that the area where the existing plant and the proposed plant sit is the city's "greatest opportunity to provide the community with a significant riverfront presence" through redevelopment. One of the benefits of the project, according to the city, was the potential reclamation of riverfront property since the existing plant would be removed. The current treatment plant is twice the size of what plans call for on a new structure. Olsen framed it as problematic to force relocation upon current businesses in the service of future redevelopment.

"It becomes pretty clear the city is looking to take private property and turn around and redevelop that prime riverfront property. That may be good for the city, but it's not good for private property owners," Olsen said.

The city noted in a recent open house document that any future development at the site would be part of a separate public process.



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