

# Rock, Water & Gravity: Alchemy Along the Willamette

Even those who know it well are challenged to find a single word that conveys the enduring power and magnetism of Willamette Falls. Centuries before European or American settlers had set foot in the region, it was an important site for fishing, trading, and community gatherings for Native American tribes and bands. Later, the falls were a magnet to early industrialists and city builders of the 1800s, who harnessed its energy to power mills that processed lumber, wool, grain, and paper.

With the possibility of up-close public access now surfacing for the first time in more than a century, Willamette Falls is the inspiration for a new partnership involving state, regional, and local public agencies and a private developer to redevelop the former 22-acre Blue Heron Paper Company mill site just southwest of downtown Oregon City—a project called the Willamette Falls Legacy Project.

Proponents claim that the Willamette Falls Legacy Project will transform this part of the metropolitan region by combining access to an unparalleled natural resource and an historic site with new economic activity. Ultimately, the project will include public access to the falls, a restored urban fabric that extends historic downtown Oregon City, and a new mixed-use development for dwellers, doers, diners, drinkers, artists, makers, strollers, cyclists, nature-lovers, and, potentially, boaters.

This vision is rooted in four core values, derived from and vetted through a robust public planning process: public access, economic development, healthy habitat, and historic

and cultural interpretation.

“It will attract people not just from around the region, but it will attract people from around the country,” says Metro Councilor Carlotta Collette (Metro Council District 2). “If we do it right, it might attract people from around the world.”



*Joseph Drayton, U.S. Exploring Expedition, 1841*

### **The Magnetism of the Falls**

To understand the excitement about the project, you have to experience Willamette Falls. The river roars and sends up plumes of mist as it plunges down a 40-foot drop. The sheer quantity of water cascading over the basalt ledges makes Willamette Falls second only in volume to Niagara Falls among North American waterfalls. Its Chinuk Wawa name, tfNwata, refers to “the thundering heartbeat of the falls,” according to Michael Karnosh, Ceded Lands Program Manager of the

Confederated Tribes of Grand Ronde.

Karnosh says that the falls and the area around it is one of the region's most culturally significant places to the 27 tribes and bands that are members of the Grand Ronde. According to a Santiam Kalapuya legend, in ancient times, Coyote and Meadowlark created the falls by dropping a rope across the river. The rope formed the falls as a place where the people could catch salmon and other fish that would otherwise be beyond reach, deep in the river.

"Because of the abundance of resources, it became a gathering and trading place," explains Karnosh. The band built scaffolding for fishing and either traded salmon for other goods with their neighbors or allowed them to fish from their platforms in exchange for a quarter of their catch.

Today, the falls still play an important role in community life. Karnosh says that "Tribal people are closely connected to the falls. The Grand Ronde still go up to the falls in boats, still swim behind the waterfalls, and catch lamprey. The Grande Ronde does the first spring ceremony for the Chinook at Willamette Falls."

To white settlers, the falls meant two things: a source of energy for powering industry and an obstacle to river traffic. In 1827, John McLoughlin, a fur trader with Hudson's Bay Company and the alleged "Father of Oregon," decided to move his headquarters from Astoria to Fort Vancouver. He blasted a mill race through the basalt near the falls for a saw mill to serve the fort. Later, he built a gristmill. By 1829, the settlement that would become incorporated as Oregon City in 1844 (earning it the epithet of "first incorporated city west of the Rockies") began to take shape around the falls.

The falls were also a site for early experimentation in harnessing hydropower for electricity. In 1889, the nation's first longdistance transmission of electricity occurred there.

Power generated at the falls was sent from Oregon City to Portland's Goose Hollow, a distance of approximately 12 miles. Today, Portland General Electric operates one of the nation's oldest currently running hydroelectric facilities at the site.

Although the falls were a boon to industry, they were an obstacle to river traffic. To solve this problem, People's Transportation Company built Willamette Falls Locks in 1873, amid ill omens and corporate intrigue. Tribal members refused to work on its construction for fear of awakening the monster whose tongue, legend held, was buried on the west side of the Joseph falls. A rail company attempted to sabotage the opening of the locks by monopolizing all the riverboats that might use it. After several changes in private ownership, the federal government purchased the locks in 1915. Until it was put in "Caretaker Status" by the U.S. Army Corps of Engineers in 2006, it had been the oldest continuously operating multiple-lift lock system in the country.

In the latter half of the 20th century, paper production became the pre-eminent industrial use on the Oregon City side of the falls. Mills operated under a succession of corporate owners, including Hawley Pulp and Paper, Publishers Paper Company, and Smurfit Stone Container Corporation, the nation's largest producer of cardboard box materials. In 2000, Smurfit sold the mill to the employees and a New York private equity fund through the formation of an Employee Stock Ownership Plan. The resulting Blue Heron Paper Company recycled used paper and produced newsprint, bag papers, and specialty paper products.

[Sidebar: Who's Who](#)



## **Alchemy: From Liability to Asset**

Faced with a declining market and increased costs, Blue Heron Paper Mill announced its closure on February 24, 2011. The initial impact on Oregon City was dark and dramatic. The loss of 175 jobs and the closure of the city's largest for-profit business was a significant blow, says Mayor Doug Neeley. The closure came on top of the temporary construction-related closure of the nearby Arch Bridge, a vital path to downtown Oregon City. In December 2011, the U.S. Army Corps of Engineers closed the Willamette Falls Locks permanently due to safety concerns.

In the short term, state and local agencies partnered to create a one-stop location for information and up to two years of job training assistance available under the Federal Trade Act for the displaced workers. The Oregon City Main Street Program responded with a robust calendar of special events to draw more customers downtown and also worked with the city to secure \$2.5 million for street enhancements from the Oregon Department of Transportation.

But what about the long term? According to multiple sources, several community leaders had the same thought around the same time: a 22-acre site along the Willamette River near one of the region's hidden natural gems could be huge turnaround opportunity for the whole region. Phones began ringing, e-mail messages were exchanged, and people began meeting. Oregon

City, Clackamas County, Metro, and the State of Oregon rallied, and an informal public partnership was created.

The partners set about getting a handle on the unknown factors that needed to be understood before a plan could be created: hazardous waste, the soundness of the buildings, preservation of historic resources, river flooding concerns, and the impact on natural resources, to name a few. In response, Metro funded environmental assessments, a survey and appraisal, title research, structural investigations, and, with the State of Oregon, historical analyses and documentation.

The partners needed to consider the community's needs, concerns, and ideas and foster community spirit. Oregon City, with financial participation from other public partners, led a robust public visioning process that spanned a year, involved thousands of participants, and captured more than a thousand distinct ideas and comments about site redevelopment.

"We heard all kinds of ideas, from bulldozing everything and putting in a park to preserving everything," says Neeley.

Together, these two sources of information—technical analyses and public vision—led to the creation of the four core values of the site's rebirth: public access, economic development, healthy habitat, and historic and cultural interpretation. These values were translated into a master plan and land-use zoning changes, which were adopted by Oregon City in November 2014.

Meanwhile, the court-appointed bankruptcy trustee Peter McKittrick focused on liquidating the mill's assets to pay creditors, including employees who had deferred wages to try to keep the mill open. He attempted to sell the industrial machinery; when buyers could not be found, it was sold for scrap. With carrying costs for the property mounting with each passing month, time was money, and McKittrick sought an expeditious sale. After 18 months of little interest while the

nation recovered from the recession, a succession of offers ensued.

The first offer, \$4.1 million, came in August 2013 from Eclipse Development Group from Irvine, California. They proposed a mixed-use development featuring big box stores. That deal was predicated upon the sale of another property. When that fell through, Portland's Langley Investment Property stepped forward with a bid of \$4.9 million in December 2013. That bid also deteriorated in February 2014; the firm said it needed more time to evaluate the property.

The third offer, for \$2.8 million, came later that month from Shopoff Group in Irvine, California, a real estate investment and development firm with a history of buying distressed or underperforming properties, especially in Texas and California. After that deal flopped, the fourth and final offer came from a little-known developer from Tacoma, Washington— George Heidgerken and Jon Potter of Megarock, LLC, who offered \$2.2 million and a quick sale.

When Oregon City officials were unable to quickly reach the developer, the city, county, and Metro briefly considered a counter-offer, but ultimately did not proceed. Falls Legacy, LLC, (the legal entity that Heidgerken formed to purchase the site) closed the deal, and thus began the mutual courtship between developer and public partners.



## **The Plan and the Developer**

When Heidgerken took over the property in May 2014, the public planning process was nearly complete; all that remained was the final review and adoption of a Framework Master Plan and the implementation of zoning ordinance changes. Instead of rushing forward with public hearings and adoption, the city pushed the pause button to give the new owner's team a chance to get to know the site and become familiar with the analyses and proposed plan. Here's what Oregon City proposed:

The Framework Master Plan distinguished between areas for development and areas to be reserved for open space because they fell within the 1996 flood inundation area. It called for re-establishing the historic Main Street grid plan, thus creating continuity with adjacent downtown Oregon City. A key element of the plan was a riverwalk that would enable the public to view and experience the falls through a walkway and series of viewing platforms. The riverwalk would include interpretive information to help visitors experience the historic, cultural, and ecological importance of the site and the falls.

The plan identified five industrial buildings that had both historic significance and economic potential and required their preservation through adaptive reuse or rehabilitation. Included among the elements to preserve were the 1865 woolen mill foundation and industrial buildings that date back to the early 20th century, some with impressive oldgrowth wooden beams. Five additional buildings were identified for full or partial retention.

In amending the zoning code, planners proposed creating a special Willamette Falls Downtown District that provided both flexibility in permitted uses and explicit policies and design guidelines to ensure that the resulting development honored the four core values identified during the visioning process. Design guidelines required the developer to honor the area's



natural setting and history, integrate the experience of the falls, take advantage of views, and utilize building materials that are durable, high-quality, and reflect the industrial character of the site.

The Conditions of Approval required that a city-assigned design evaluation board with urban design expertise review the developer's detailed development plan for consistency with the Framework Master Plan, district policies, and design guidelines.

Planners chose to give the developer a lot of latitude and flexibility in terms of uses on the site. Permitted uses included retail trade, light industrial manufacture (including artisanal food and beverage production), offices, parks, museums, multifamily residences (including livework spaces), outdoor markets, and a host of commercial uses, including restaurants (excluding drive-through restaurants), hotels, conference facilities, studios, and galleries.

This was the public's vision and the community's plan; what would the new owner think?

According to Collette, Heidgerken was pleased with the work that the community had undertaken and that a vision for the site had emerged. He concurred that the site was spectacular and needed to be honored.

Ultimately, Heidgerken asked for one change to the Framework Master Plan. He requested that a parcel of land that was previously designated as unsuitable for development (because it was in the flood plain) be considered for inclusion in the plan; it was the parcel closest to the falls and offered the greatest viewing potential. The city agreed to designate the parcel for special development review/ open space, essentially setting the stage to have further conversations down the road, when the developer was prepared to discuss potential structures and uses.

The consensus among the public partners is that Heidgerken is an engaged and committed private partner who shares the community's vision for the property. "He sees the specialness of this site," says Collette. "We were hoping we would get a partner like George who sees in this industrial site at the base of a waterfall what we see—a magical place that's a game-changer for our region."

With unanimous approval by the Oregon City Planning Commission and City Council, the plan was approved in November 2014.

### **Next steps**

The public and private partners made public access to the falls their first priority. They agree that it is not only a statement about community stewardship, but also a smart business move. Getting people to the site will spur interest and begin to reveal its economic potential to future investors and businesses.

That priority took a giant leap forward in December 2014, when Metro secured agreements with Heidgerken and PGE for public access to create the riverwalk. Falls Legacy, LLC, Heidgerken's company, provided a 120-foot-wide waterfront easement for the riverwalk. PGE provided an easement that will enable the riverwalk to continue across a portion of the dam to a platform that provides optimal close-up viewing of the falls.

Heidgerken's commitment also included paying 20 percent of the design and preliminary engineering expenses—approximately \$900,000—and at least 20 percent of the future maintenance and operation expenses of the riverwalk.

Neeley says, "George made a big commitment—an in-perpetuity commitment—toward maintaining that area. I'm guessing that there will be a lot of developers looking at that area now."

"The riverwalk is key for the general public to get a real

feel for what goes on down there,” Heidgerken explains. “This is going to be the first chance for the general public to be on site, and it’ll be a great introduction to what Willamette Falls is all about. It’s a win-win for both of us, and it’s a good deal.”

“More important than all of that...it’s the right thing to do.”

The public partners are working on securing funds for design and phased construction and have \$10 million in hand thus far. The state, Metro, county, and city recently signed a Willamette Falls Riverwalk Memorandum of Understanding that lays out their roles and responsibilities in the project. Neeley says, “I wouldn’t be surprised to see public access within three years.”

When it comes to his company’s plans, Heidgerken is reluctant to discuss specifics about the project until his team has done their work and created a detailed development plan. Instead, he talks about a range of potential uses, from hotels, restaurants, and housing for the disabled and elderly to places for kayakers to enjoy.

“It would be great if the elderly could enjoy the sounds, site, and fish. At this point, I don’t want to downplay any of the ideas,” he declares. “It will be a cool master plan that makes mixed-use work. It will involve people, history, and cashflow.”

“We aren’t going to just grab any tenant.”

He says he plans to hire historians to help the history of the site—tribal, pioneer, and industrial—come to life again. “It’s a hell of a nice site,” he concludes.

The city has its work cut out for it, as well. Neeley discloses that he expects city council to look at sources of funds for needed public improvements, such as utilities and transportation, as well as financial incentives for private

development. Currently, most of the site is outside the city's existing urban renewal district. In addition to urban renewal, other possibilities include a local improvement district and vertical tax credits.

And then there are the locks, the key to restored use of the river for recreational boating and other activities. Through the advocacy of the One Willamette River Coalition, the National Trust for Historic Preservation, and other parties, the U.S. Army Corps of Engineers determined that its decision to close the locks for safety reasons in 2011 had an adverse effect on an historically significant structure and tribal use of the river. In conformance with the National Historic Preservation Act, the Corps is now consulting with the community on methods to "avoid, minimize, or mitigate" the adverse effects, including potentially repairing the locks and transferring or leasing them to a third party that would maintain and operate them full- or part-time.

All of the parties continue their work to find support and funding for the entire project through federal agencies. They have succeeded in igniting the imagination of staff within the Environmental Planning Agency, where a copy of the inspiring and beautifully illustrated 76-page Vision for the Willamette Falls Legacy Project is said to have an honored place on the coffee table of a key EPA official in Washington, D.C.

Collette asserts that this is one plan that is not going to sit on a shelf. She ticks off the reasons: an improving economy, a developer who sees this as a legacy project, the public access and involvement, and, most importantly, the magic of the falls themselves.

Karnosh agrees, saying, "I think that the public will have a good experience of the falls and even hear that heartbeat. When you can get close to a place like that and really experience it, then you are going to care about it and protect it."

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