

Downtown Portland Retail Strategy



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ERA

Final Report

**DOWNTOWN PORTLAND RETAIL
STRATEGY**

Prepared for

Portland Development Commission

and

Association for Portland Progress

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INTRODUCTION

Over the past twenty years, as the urban centers of many American cities have lost much of the retail concentration and density that once made them destinations for local and regional shoppers, downtown Portland has remained an important retail center, both for its own region and for the Pacific Northwest. A number of factors have contributed to this outcome:

- A strong local economy fueled by diversification of the regional economic base.
- Regional growth driven by that economic diversification and the quality of life amenities that Portland and the surrounding region offers.
- A burgeoning tourist industry, affected by increased air travel, expansion of the tourist economy nationally and driven, in part, by the (now discontinued) gateway connection by Delta Airlines through Portland International Airport to and from Asia.
- Relatively attractive housing prices for out-of-state residents relocating to Oregon, at least as compared to housing prices in northern California/San Francisco and increases in the Seattle region.
- The City's reputation as a place committed to maintaining a high quality of life, grounded in the geography, environmental sensitivity, culture and cuisine of the Northwest.
- Establishment of the Urban Growth Boundary as a means to encourage use of the regional mass transit system, infill development and a 'return to the city' as an alternative to suburban expansion. (While some have argued that the Growth Boundary has increased housing prices in the Portland area, the effect on downtown development has, in ERA's view, been very positive.)

All of these elements have supported the ongoing evolution of downtown Portland as an attractive place to shop and dine. Paralleling the sustained success of the retail core has been a number of challenges, the most important of which is determining the best (and most balanced) way to pro-actively manage downtown growth within the regional context. In our view, this effort should be continued and broadened in order to sustain downtown Portland's role as a regional retail destination, protect the public and private investments already made in the downtown core as the focus of specialty shopping, office, residential and hotel development, and maintain its standing as a retail center that brings together a unique combination of local, regional and national tenants.

With these factors in mind, the Portland Development Commission (PDC), in partnership with the Association for Portland Progress (APP), commissioned this study to identify those

elements that will support the goals of the retail core as a regional retail center, establish new opportunities for future retail success, and integrate with current and future downtown plans.

This study seeks to provide PDC and APP with a strategy for sustaining and strengthening downtown Portland's role as a regional specialty retail destination, and recommend action steps for implementation for the next 3-5 years and beyond. The strategy focuses on several key issues including:

- Retention of the department stores and local independent retailers
- Recruitment of new retail and entertainment uses
- The impact of recent and proposed development projects
- Ways in which public policy can encourage appropriately scaled new space that will positively shape and reinforce a strong retail core

Specifically, this report is structured to identify:

- Apparent strengths and weaknesses in downtown Portland's current retail environment.
- Those elements that may now (or in the future) support or constrain the goals of the retail strategy.
- The consumers experience downtown and within different sub-markets and sub-areas.
- Characteristics in each sub-market that have the greatest impact on the retail experience.
- Voids and opportunities in the marketplace that will affect local retailers and national chains.
- Public improvements and public and private investment strategies to reinforce project goals and objectives.

This strategy focuses on the entire retail sector. However, in order to craft specific recommendations it is useful to divide the sector into several components:

SHOPPING RETAIL – Stores selling traditional consumer goods (i.e. clothing, jewelry, books, gifts) ranging from small independents to big box to department stores.

SERVICE COMMERCIAL – Establishments selling frequently needed personal convenience items such as drugs, tobacco, magazines, hardware, hair products, food that is not served or prepared on site, etc; personal convenience services such as barber shops, laundries, banks and video rentals.

RESTAURANTS & ENTERTAINMENT – Sale of prepared food and beverage to be consumed on the premises; clubs and movie theatres.

Where appropriate, the strategy will refer to one of these specific components of the retail sector.

This report has five sections. The first section highlights the findings and recommendations in an executive summary. Section II presents a summary of the retail framework that guided the subsequent work of this consultant team. Section III is a market analysis quantifying future demand by sector and source. Section IV discusses downtown Portland's retail opportunities and constraints, and Section V presents the recommendations that flow from all of the preceding sections.

Section I

PORTLAND DOWNTOWN RETAIL STRATEGY

EXECUTIVE SUMMARY

INTRODUCTION

The Portland Development Commission (PDC), in partnership with the Association for Portland Progress (APP), commissioned this study to identify those elements that will support the goals of the retail core as a regional retail center, establish new opportunities for future retail success, and integrate with overall existing and future downtown development plans.

THE RETAIL FRAMEWORK

Downtown Portland remains the principal retail destination for urban specialty shopping, and the most likely location of choice for upscale and higher price point goods. Redevelopment of urban housing has enhanced the availability of disposable income downtown, and mass transit has linked downtown to other areas of the city. While there are concerns about Meier & Frank and Nordstrom's current facilities and unmet opportunities to recruit and retain small, locally owned retailers in downtown Portland, the general condition of the retail context is far stronger than most other American cities.

The greater downtown area encompasses several distinct retail districts overlapping and connecting with the retail core's concentration of department stores around Pioneer Courthouse Square. Each of these districts represents a unique retail experience with complementary clustering of specialty offerings. This plan encourages the strengthening of such specialty districts as enhancements to the destination identity of the retail core. A hierarchy is recommended in order to focus and strengthen the primary shopping experience derived from creating a critical mass of retail around the anchors while acknowledging the uniqueness of the connecting districts. The hierarchy of retail encourages concentration of the first-in-the market and one of a kind flagship stores for both national and local brands in the core. The adjacent districts' uniqueness provides a framework for complementary retail and neighborhood services as well as a spillover of the flagship or traditional anchor stores as market support grows. The type of retail, restaurants and entertainment venues will be defined by their unique locations and market support. Creating a streetscape with a continuity of vibrant experiences will provide the connection of the greater downtown to the retail core.

OUTREACH TO THE PUBLIC

The consultant team facilitated five discussion group meetings and coordinated one open house session to secure public input for this assignment. In addition to providing feedback to the consultant team, these sessions provided information to members of Portland's downtown community. A total of 26 members of the downtown community participated in three separate discussion groups between mid January and mid February. At each meeting, we described the goals of the project, the Retail Steering Committee's role and the expected project timeframe. A list of challenges and assets developed by the Retail Strategy Steering Committee was distributed to the participants, and a summary of the resulting discussion was feed back to the Committee and consultant team.

In early February we conducted an open house in Pioneer Place II, and more than 50 community members attended. The project team reviewed the assignment progress to date. Maps of downtown Portland illustrating active retail edges, land uses, transportation framework and location of curbside parking were presented. The other project information available at the Open House included:

- Steering Committee Summaries
- A Project Overview Fact Sheet
- A one-page Retail Strategy Framework highlights summary
- A one-page Trade Area Market Analysis highlights summary
- General information about PDC
- General information about APP

In early March we facilitated two additional discussion sessions at the Portland Building. The 28 participants consisted of downtown residents, retailers, and representatives of cultural institution. At these sessions the discussions focused on the preliminary recommendations of concepts and strategies. A summary of the responses to each set of recommendations was provided back to the consultant team, and key points have been incorporated into this report.

MARKET ANALYSIS CONCLUSIONS

Before moving to examine Downtown Portland's future retail opportunities, an understanding of current conditions is essential. For purposes of establishing a baseline for analysis, we have defined the downtown to include the area bounded by Burnside to the north, I-405 to the west and south and the Willamette River to the east. This downtown currently has 1.9 million square feet of retail space. The three department stores, Nordstrom, Meier & Frank and Saks Fifth Avenue, total 464,000 square feet; and the balance of Pioneer Place contains 305,000

square feet. The other stores and restaurants total just under one million square feet, and approximately 140,000 square feet of vacant space represent the balance.

Considering the current national and local recession and the expected upturn by the end of 2002, ERA projects that Downtown Portland will likely increase its total retail volume from \$550 million in 2001 to \$600 or \$610 million in 2005. This approximately ten percent increase of \$50 to \$60 million (in constant 2001 dollars) indicates that existing downtown retailers will have the opportunity to improve performance and landlords will be able to reduce vacancies over the next three to four years. It also indicates that given the current uncertainties in the national retail market place, a major new downtown retail project is not justified by market growth in the short-term future.

Over the longer-term, demand growth will continue. ERA's forecast is that Downtown Portland has the potential for approximately \$200 million in additional retail sales growth from 2005 to 2015. To realize this level of volume increase, new retail development in the 600,000 to 650,000 square foot size range will be required. Since the current inventory of retail space in the downtown is 1.9 million square feet, an additional 600,000 to 625,000 square feet developed over the next 14 years represents an increase of one-third. The projected rate of increase averages out to be 2.1 percent per year.

At 40,000 square feet of land area per block, this longer-term demand growth will cover over 15 blocks of downtown if developed at a single level. Even if we assume that the average new retail development will be 1.5 levels, ten or eleven blocks are needed for retail expansion. Because of the considerable long-term property requirements, it will not be realistic or advisable to channel this future retail expansion in a single direction from the current core. The single direction policy places landowners of selected blocks in near monopoly positions and impedes new retail development by driving up land cost.

Considering the high cost of downtown land (\$100 to \$200 per square foot), few if any one or two level retail buildings will be financially feasible. Most of the new downtown retail space will be constructed at the lower levels of mixed-use projects with office, residential or hotel uses on the upper levels. Multi-level retail projects, similar to Pioneer Place I and II, could also be financially feasible. However, a series of these multi-level retail projects will tend to diminish street level pedestrian activity. That street level pedestrian activity is one of Downtown Portland's defining characteristics.

The downtown retail market is largely an adult market, in contrast to a family market with children or teenagers. Two-thirds of the current market consists of households with an average size below two, visitors to the metro area and central business district employees. Stores and cultural and entertainment venues that cater to young adults and older empty nesters would have the best chance for success. Due to their faster growth, the market segments of growing relative importance are represented by residents of the downtown and Pearl District, visitors to Portland and to a lesser degree suburbanites.

If it is the Portland community's objective to rejuvenate the downtown Meier & Frank Department Store, we would recommend deferring introducing another department store until that has been accomplished. The projected demand growth is not sufficient to accommodate both the revitalization of Meier & Frank and the success of a new full line department store within the next five to seven years.

SUMMARY OF RETAIL OPPORTUNITIES & CONSTRAINTS

Opportunities

The following development opportunities were identified by the consultant team:

- The state of retailing nationwide, reflecting the slowdown in both national and regional economies, indicates that most national chains are in a period of contraction – whether through bankruptcy, mergers and acquisitions, or reductions in the new site expansion plans. This is likely to be favorable for independent and regional retailers who normally might be passed over in favor of a more credit-worthy national retailer.
- Housing will create demand for additional shops and services to serve these residents. Since the retail core is proximate to the West End Crossroads area, service businesses, home-oriented products, residential serving big box retail, and food facilities would create a new retail dynamic at the west end of the Retail Core.
- Although near term, three to five-year demand shows no potential for further department store or larger fashion specialty unit expansion, in the longer term, the team believes that Portland could absorb one or two additional department or larger fashion specialty units. However, immediate focus should be on maintaining the current representation of these units.
- Downtown benefits from having a number of fashion's leading vendors including Saks Fifth Avenue, St. John, Jessica McClintock and local merchants Mercantile and Mario's. Since it is a trend among fashion retailer to co-locate with similar and complementary brands and uses, there is an opportunity to attract a number of new "destination" retailers to the retail core, thus forming a critical mass in the "retail flagship" category.
- Portland has been recognized as a center for regional cuisine and as a community that acknowledges and supports its restaurants. It is anticipated that Portland will become a priority market for the best restaurant concepts from other parts of the country that seek to expand into national markets.
- The availability of potential development sites creates the ability to design spaces that can accommodate those larger format stores that could not find space in existing downtown buildings. This may include multi-level formats with the right ratio of ground floor to

lower and/or upper level space or ground floor spaces with ceilings high enough to accommodate tenant storage.

- The availability of potential development sites creates the opportunity to attract a variety of entertainment concepts, some of which are large format and others that are multi-functional and multi-level.
- APP has been quite successful in branding downtown Portland with its “I’d Rather Be Downtown, Portland” campaign. The demonstrated success of this campaign and additional efforts by APP, POVA and others is likely to be a significant positive factor in any tenant’s evaluation of the downtown Portland retail market.

Constraints

- Current market conditions will likely slow down interest from national fashion retailers seeking flagship locations, especially those that have yet to locate in Seattle, Los Angeles and/or San Francisco (typically some of the “must be in” cities in any national retail rollout).
- Opportunities to accommodate large format stores within the existing downtown building stock is limited due to the 200 by 200 foot block size. Uncertainty as to when (or if) new developments that would be able to house these tenants will be coming on line may be a constraint in recruitment.
- Individual ownership of buildings can be seen as a barrier to accomplishing both the “greater good” and critical massing of use groups that is needed to create a destination retail block or area.
- Portland could be considered a remote city for multi-store tenants located in several markets that are served by regional distribution centers (usually in northern California or Denver). Until they have a significant concentration of stores between their distribution center and Portland, some retailers may be reluctant move into the Portland market.
- While downtown Portland continues to be - far and away - the largest employment center in the region, it has not experienced the rate of job growth that other areas of the region enjoyed during the last decade. Professional services, finance, insurance, and government offices supplement the substantial retail employment base to comprise the bulk of the downtown workforce. Central city workers comprise a significant component of the consumer base for downtown’s retail offerings. As important as implementation of the downtown Portland Retail Strategy is for maintaining the important retail sector, it is equally as important that a collaborative strategy be developed and implemented focusing on the retention of existing companies as well as seeking to grow the base. By some estimates, at least 30 percent of the sales enjoyed by downtown retailers are generated from downtown employers. Accepting that estimate further reinforces the nexus between

successful retailing and a sustained and growing downtown workforce. APP, PDC, and the City should all be attentive to the fact that the downtown workforce must grow for downtown retail to expand and be successful.

- The current income base of downtown residents is not as strong as other cities with successful downtown retail areas such as San Francisco, Seattle, Boston, Chicago and Denver. This may prove to be an obstacle in attracting some fashion tenants. However, the consultant team believes that having a downtown residential component will be very attractive to many mid-priced, local and regional tenants that serve a wide audience including tourists, residents and office workers.

GUIDING PRINCIPLES

The ERA Team's recommended strategy to support downtown retail development in Portland has been based on a number of guiding principles. We used a combination of experience with hundreds of retail assignments and detailed local investigation to arrive at these guiding principles:

Protect and Enhance the Existing Retail Core

The focus of the Downtown Portland Retail Strategy is the 17 square block area bounded by SW Alder Street on the north, SW 9th Avenue and the Midtown Park Blocks on the west, SW Taylor Street on the south, and SW 3rd Avenue on the east. This area is commonly referred to as the core of the much larger downtown retail area.

Meier & Frank and Nordstrom provide two important retail anchors for the downtown retail core, attracting a variety of shoppers to the area including area residents and office workers, day-trip visitors and overnight visitors and conventioners. Pioneer Place Mall brings a rich mix of national specialty stores to downtown Portland. These anchors are located within a reasonable walking distance to form an effective Retail Core. Other upscale specialty retailers have been attracted downtown by Saks and the department store anchors and the level of shopper traffic they generate. We believe that the open spaces and retail destinations around them combine into an urban concentration that is regarded as the symbolic heart of downtown. The historic, civic and symbolic nature of this particular area, supported by a concentration of destination and specialty retail uses, suggests to us that the existing Retail Core should enjoy top priority for new fashion and specialty retail development. However, such statements should not be interpreted to discourage or exclude in any way, the development of market-based and market driven retail offerings in other parts of downtown outside of the retail core. Unless the Core Area is sustained as a strong central draw, the positive effects for other retail, office and residential development downtown will be far more difficult to achieve.

Expand the Size of the Local Market

As retail competition increases over time in the Portland region, the local market will take on increasing importance. While there should be a place for housing in all price levels, market-rate housing and upper-income residents will have a much greater effect on not only the amount but more importantly the quality of retail space supportable. A strong downtown Retail Core needs a much larger stock of market rate and luxury housing nearby.

Create Distinctiveness in Downtown Subareas

The area that encompasses all of downtown Portland includes over 100 square blocks, and stretches over a large area. Retail consumers typically will not walk more than about 1,200 to 1,500 feet, even in an interesting, fully activated shopping area. In Portland, this typical walking distance translates into a maximum of five to six city blocks. Because of this ‘behavioral distance’, it is logical to consider greater downtown Portland as a series of different subareas, defined by average walking distances, the level of contiguous retail activity at street level, concentrations and clusters of retail uses, the proximity of parking and transportation access, and the presence of complementary uses. The creation of a distinctive identity for each subarea and attractive linkages between them is what will draw customers to return again and again to experience the variety of downtown Portland.

Strengthen Retail Streets that Serve as Connectors

Effective retail streets that serve as connectors between the different subareas of downtown unite the downtown and strengthen its overall market appeal to regional residents as well as visitors. Effective retail streets are defined by storefront characteristics, retail continuity, streets designed for visual linkage and pedestrian friendliness, recognition of transit usage patterns, on-street parking, automobile access and urban amenities (i.e. public art, fountains, etc.). Great retail streets tend to have widths that are in scale with the height of adjacent buildings, and they typically have storefronts on both sides of the street. In Downtown Portland, the streets that offer transit service would enjoy greater retail success if automobile traffic and parking were also permitted. This point is most vividly illustrated by the contrast between the portions of Yamhill Street where automobile circulation and parking are permitted and the portion between First and Third Streets where auto traffic and parking are not permitted. The bus Transit Mall is another example of an effective pedestrian and transit district, which severely limits automobile traffic and parking, where retail has not been very successful.

Exploit Existing Amenities and Invest in New Amenities and Programs

Downtown’s market appeal, as defined by the distance traveled to reach downtown, the frequency of visitation, the income of those visiting, and the duration of stay once downtown, will all be influenced by the presence of amenities. Investments that allow more strategic exploitation of existing amenities (i.e. better linkages to the Willamette Riverfront) and in new amenities (i.e. ice rink) or programs will increase the

number of people living, working and visiting downtown. Those individuals will spend a larger number of dollars in local stores and restaurants.

Continue Aggressive Marketing and Recruitment

The downturn in the national and regional economy suggests that many national retail tenants will be more reluctant to expand into new areas, such as Portland, in the very near term future. Ironically, the retrenchment by many national retailers provides opportunities for local and regional retailers who recognize Downtown Portland as a destination for specialty shopping and unique stores. However, aggressive marketing and recruitment are of critical importance now in order to place Downtown Portland onto the forefront of the retailers' consciousness when the economy rebounds. Continuing annual efforts such as the successful Downtown Branding program ("I'd Rather Be Downtown") will be critical in sustaining the role of downtown as offering the best selection of both national and local retailers in the region.

TOP PRIORITY RECOMMENDATIONS

In this Executive Summary, the consultant team wanted to highlight its seven top priority recommendations that flowed from the overall evaluation. These are presented in priority of their importance in enhancing the future retail vitality of downtown Portland.

1. PROTECT AND STRENGTHEN THE RETAIL CORE

The Retail Core includes approximately 17 square blocks around Pioneer Courthouse and Pioneer Courthouse Square. The area is bounded on the south by SW Taylor Street, on the east by SW 3rd Avenue, on the north by SW Alder Street and on the west by SW 9th Avenue. We believe that the central retail strategy in Downtown Portland should be to protect the best of what has already been achieved in previous downtown development programs and to capitalize upon the opportunities for further improvement.

One of the Retail Core's distinguishing features, in addition to being the symbolic heart of Portland, is that it is the central focus of pedestrian activity in downtown. The anchor uses in this Core include the Meier & Frank and Nordstrom Department Stores as well as Pioneer Place I and II/Saks Fifth Avenue and the Tiffany & Co. Whether affiliated with national chains or locally owned businesses, the smaller retailers and restaurant operators view the Retail Core's concentration of anchors as critical to downtown Portland's position as a retail destination.

Challenges

- The key challenge facing the Retail Core is that the largest anchor department store, Meier & Frank, is located in a building that is functionally obsolete. Too much of this 665,000 square foot building is devoted to vertical circulation, further reducing an already small

floor plate size. The retail floor to ceiling heights are also too low for contemporary retailing, and the building does not meet current seismic standards.

- Although enjoying a strong location facing Pioneer Courthouse Square, the Nordstrom Department Store has a dated physical plant with only 174,000 square feet. When the local and national economies rebound, this department store may also wish to expand and modernize.
- In a number of key sites, non-retail uses such as banks, service businesses and parking garages are located in what would otherwise be considered prime retail locations. Street level financial institutions that face Pioneer Courthouse Square disrupt the flow of retail storefronts and dilute critical mass necessary to provide a strong shopping experience. Large bank lobbies do not reinforce retail continuity at the street level. The Courthouse itself, occupying an entire block that is central to the Retail Core, limits the vitality of the district because it does not have active edges.
- Over the past decade, the Central City has experienced no increase in net new jobs. Job development in the Central City is vital to the building of an economic base for retail sales in the downtown.

Key Recommendations

- While Nordstrom is not actively pursuing expansion, Meier & Frank has indicated a strong interest in remaining in downtown Portland at its current location. No doubt major renovation, including upgrading the structure to current seismic standards, will be costly. Meier & Frank is considering selling the excess space in the upper floors of the renovated building to a developer for conversion into office space or another alternate use. The proceeds from that sale will contribute to the overall renovation cost. However, some participation by the City of Portland through the Portland Development Commission will likely be necessary for Meier & Frank to undertake this major renovation project. We strongly recommend that the City and PDC facilitate Meier & Frank remaining in Downtown and suspect that the renovation of the existing building will prove to be the cost-effective solution.
- The team recommends that the City of Portland, possibly through its Central City Plan update process, recognizes these 17 blocks around Pioneer Courthouse Square as Downtown Portland's Retail Core and adopts policies that reinforce this concept but allows the Core to expand organically in all directions. One such policy would be to amend the zoning ordinance to mandate ground floor retail uses on key retail streets. However, because the length of current leases may prevent the actual turnover of non-retail uses at critical retail locations for many years, we recommend the use of financial and/or other incentives that would accelerate such turn over.

- When Nordstrom does decide to expand, we recommend that the expansion be located as close to Pioneer Courthouse Square as possible (i.e. along Broadway) rather than away from this Square.
- The availability and convenience of short-term parking is important to Retail Core vitality. The maintenance of the short-term parking program offered by the Smart Park garages, the addition of on-street parking and well located garages (underground if feasible) integrated with new development are all important.

2. PROTECT AND STRENGTHEN LOCAL RETAILERS

Portland has been recognized as a center for regional cuisine and as a community that acknowledges and supports its locally based restaurants. In addition, the region's support for local and regional specialty retailers has resulted in an unusually large number of successful local retail businesses, many of which have a major store downtown.

Challenges

- In many cities that have a limited retail market like Portland, overly aggressive new development, either in the suburbs or in the downtown itself, has resulted the loss of local retailers. This is due to the fact that developers of major retail projects need a large proportion of national "credit worthy" tenants in order to secure financing. The resulting abundance of national chain stores, located in large new retail centers that have strong market attraction power, siphon sales from local retailers outside the shopping centers. Over time these local retailers disappear because the new retail developments, often supported by public financial incentives, were oversized relative to the pace of market growth.
- The community's ambivalence towards the Midtown Park blocks – whether they should be developed as new buildings integrated with historic structures or as green space amenities for new high rise and other development – has created much uncertainty for landlords and tenants located within those blocks. That uncertainty discourages landlord reinvestment in those buildings and forces longstanding tenants, which have form a cluster of mutually supporting shops, to consider relocation. Consequently, a clear public decision needs to be reached soon concerning the Midtown Park Blocks.
- In the event of displacement due to increasing rents or building demolition, local retailers are sometimes faced with a combination of costs that are simply not sustainable. These would include the cost of the move itself, the uncertainty of the new locations, the typically higher rents at the new location and the sometimes very high cost of tenant improvements.

Key Recommendations

- The ERA team recommends that the Portland Development Commission (PDC) adopt a policy of supporting new development projects that would add no more than 400,000 square feet (net) of additional retail space. At this scale, developers would still have the ability to create projects with enough critical mass to seek outside financing, but the policy would also encourage new retail projects that are more in scale with Portland. This policy does not preclude the development of retail projects that contain more than 400,000 square feet of new retail space; it simply states that developers who want to build large malls will not be able to do so with public financial assistance anywhere in Portland. This cap on public financial assistance for large malls would result in projects that are less threatening to local stores, particularly in close-in/downtown locations where large development parcels are not as readily available and private land assembly is difficult.
- The City should conduct a detailed West End housing feasibility study to determine what amenities are needed for higher density housing and mixed use development and where such amenities would best be located. This analysis will help determine if and how many of the Midtown Park blocks should be acquired as open space amenity to accelerate higher income housing development.
- A financial program to assist local retailers, faced with displacement, with relocation and tenant improvements is recommended. If a group of local stores is faced with relocations, a carefully developed relocation strategy, which recognizes the characteristics of subareas, the synergy amongst different retailers and the specific needs of the individual retailer, will be of critical importance.

3. CREATE A SAFE AND COMFORTABLE DOWNTOWN SHOPPING ENVIRONMENT

Like downtowns across the country, Portland suffers from the perception of lack of safety in the downtown. The mixture of people and activities that make downtowns exciting can also be intimidating to some shoppers. Illegal activities should not be tolerated.

Challenges

- Based upon information collected in previous interviews, workshops, and meetings, it is evident that many consumers and retail operators believe that the general environment of downtown needs improvement. With particular emphasis on more effective ways to deal with panhandlers, homeless persons, runaways, and other people attracted to Portland's climate, cultural context, and lifestyle. These groups were cited by many consumers and commuters as a constraint to attracting shoppers and other retailers downtown. They spoke particularly of feeling uncomfortable on the Transit Mall and other public gathering areas downtown during off-peak hours. Because new shopping centers are able to provide a controlled environment, this problem is more pronounced for the local retailers located outside of shopping centers.

Key Recommendations

- The consultant team recommends that APP and the City review and implement one or more ordinances that will allow management of public nuisance behaviors. Many other cities (including Seattle; Tacoma; Tumwater; New York City; Covington, KY; and others) have implemented regulatory controls that define and provide the legal basis to manage aggressive behaviors that obstruct pedestrian flow and create the perceptions of lack of safety in public spaces and sidewalks.
- Additional amenities, such as ice skating rink and effective signage can contribute as a safer environment.

4. ADD MARKET RATE HOUSING

The retail vitality in many central cities across the country has faded because the middle and upper income household that once provided the necessary market support have moved to suburban locations where new shopping malls are plentiful. Portland is the national leader in countering this trend with its 2040 Growth Management Plan, which limits sprawl and contains new residential development.

Challenges

- As close-in districts develop a substantial stock of middle and upper income housing (i.e. the West End, Pearl District or the Lloyd District), they will also create their own retail complexes (i.e. Brewery Blocks) to service those residents. The downtown's future success depends upon its ability to withstand increasing retail competition from close-in neighborhoods.
- The public nuisance problems and the perceived lack of safety in certain downtown subareas could be mitigated if more middle or upper income population were present, especially during the evening hours.

Key Recommendations

- One of the lynch pins to the future success of the Retail Core is the strengthening of the local resident market. This is best accomplished by adding local population with substantial purchasing power via the development of market rate housing in the West End, Yamhill Districts and other areas of the downtown core. To recognize this objective, we recommend that the City formally adopt a goal of constructing 2,500 market rate housing units in the downtown core by 2010. Investment in incentives and public amenities may be required for the City to reach this goal. This goal should apply for the area bounded by

Burnside on the north, I-405 on the west and south and the Willamette River on the east, because the Pearl District has already developed sufficient market momentum to warrant much additional public investment.

- Since the Galleria sits at such a critical location for redevelopment of the West End, the PDC should encourage its renovation or redevelopment. Depending upon the economics of renovation versus redevelopment and the strength of the West End housing market versus the pace of office market recovery, the new project is likely to have either office or housing over retail on the lower floor(s). Since parking will be an important consideration for the new Galleria project, the owner of the Galleria may wish to participate in a larger overall development project in order to enjoy the benefits of an efficient parking solution. Redevelopment of the Galleria and vicinity will help pave the way for additional market rate housing development within the West End. Housing in the West End will benefit from both MAX and Street Car service.

5. IMPROVE THE LINKAGE BETWEEN THE RETAIL CORE AND THE WATERFRONT

The Yamhill Waterfront subarea contains about nine square blocks located between Naito Parkway and SW 3rd Avenue. This Waterfront area is part of a designated historic district listed on the National Register of Historic Places, and includes a cluster of smaller historic buildings that impart a good pedestrian scale and traditional character to the area. Primary potential retail locations in this area are along SW Morrison and SW Yamhill Streets, which also include east and westbound rail lines for MAX. These streets provide the key linkages back into the retail core. A second potential primary retail street in this area is Naito Parkway, due to the character of the historic buildings there and the views to the river.

The development concept identified by the consultant team for this district is as a dining and entertainment area, with some impulse-oriented specialty stores and including live theater should the historic buildings lend themselves to such reuse.

Upper floors of the historic buildings offer opportunities for redevelopment as office spaces, smaller hotels or bed-n-breakfast lodging and housing. Because of the potential conflict between noisy entertainment venues and housing, the housing in this district should be located carefully and will most likely appeal to a younger market.

Challenges

- While the MAX lines running through the area offer transit access, the right of way and turning radius at the SW 1st Avenue intersections have resulted in restricted automobile access and pedestrian-only blocks that interrupt traffic flow between the Retail Core and the Waterfront. Without vehicular access and with the amount of time between MAX trains, these blocks can feel inactive and less attractive to retailers, despite the appealing charm of numerous historic buildings and river views.

- Although there is a limited assortment of retail, food and entertainment offerings in the Yamhill Waterfront area today, the consultant team believes that there is not the critical mass of these venues necessary to create an easily identifiable entertainment district. The character of the historic buildings, the scale of the streets and the proximity to the river can be used to do create that definition.
- The current linkage between the Retail Core and Riverfront Park is not strong enough to encourage consumers to walk the distance. Additionally, inconsistent or non-retail storefront uses do not invite shoppers to stroll to the riverfront from other parts of downtown. The Morrison Street and Yamhill Street connections could benefit from some type of visual terminus at the waterfront to show how close that area is to the Retail Core (a distance of only three blocks).
- To develop as a restaurant/entertainment cluster, the area needs more parking, especially short term parking – on-street ‘teaser’ spaces, on nearby surface lots (which we have assumed are placeholders for future development), in structured parking (underground if feasible) to be incorporated into new development projects, and along Naito Parkway.
- Front Avenue/Naito Parkway lacks the degree of distinctive character that a prominent urban waterfront drive should have.

Key Recommendations

- As an extension of the retail shopping streets in the Retail Core, ground floor retail should be required along both Yamhill and Morrison Streets in a selected area to be identified. In addition, we recommend that the linkage to Waterfront Park be reinforced with urban design elements like a continuous canopy of street trees and/or the introduction of ornamental street lighting in character with the historic context.
- The alignment of the MAX line running on Yamhill Street creates two pedestrian and transit only blocks that allow no through traffic. Subject to detailed technical studies of feasibility, we recommend that a new alignment be engineered to allow one way automobile traffic through these blocks and on-street parking at selected locations. These improvements will not only upgrade the retail environment along these two blocks but will also improve the retail context along the adjoining blocks. The central objective here is to allow for better traffic circulation and more on-street parking in this portion of the downtown.
- The Yamhill Waterfront area offers several opportunities for new architectural and/or sculptural elements that will form a visual terminus from the Retail Core (specifically the two locations at Waterfront Park at the ends of Morrison and Yamhill Streets), as well as a major gateway opportunity at the head of the Morrison Bridge. While we have not determined what these elements should be, the team does recommend that these locations be planned and set aside for major cultural or artistic statements.

- Naito Parkway connects several downtown districts along the waterfront. The team believes that the Parkway (and the Yamhill Waterfront) would be greatly enhanced by a series of urban design improvements including: provision for selected on-street parking outside of the current roadway boundaries and encouragement for parcels overlooking Waterfront Park and the Willamette River to have active uses at the street edge. Of course, the planning for these improvements should be coordinated with the current planning efforts at Riverfront Park and the Yamhill District.
- In order to truly realize the mixed-use nature of the Yamhill Waterfront District, zoning bonuses for floor area ratio and height must be made available to encourage the type of mixed-use development envisioned and desired. However, much of the charm of this area is derived from the scale and architecture of the historic buildings. Intensive redevelopment that destroys that scale and charm will not serve this district in the long run.

6. UPGRADE THE RETAIL CONTEXT ALONG THE TRANSIT MALL

Much of the current Transit Mall configuration, bus stop waiting areas, street furniture and sidewalk width layouts date back to the original construction of the Mall. These improvements are showing their age. The retail uses along the Transit Mall tend to be office serving, convenience retail and limited food service. The quality of the merchandising and presentation is visually less appealing than in other areas of the Retail Core.

The current physical condition of the Transit Mall is the by-product of a larger issue – the pending proposal to add a north-south Light Rail line through downtown Portland on the Transit Mall. The Light Rail would be designed to function in tandem with the bus service, which will remain. While there is general dissatisfaction with the deteriorated condition of the Transit Mall, until a decision is made about addition of the north-south Light Rail line, the City is reluctant to expend significant funds on Transit Mall modifications. The concern is that the improvements may need to be ripped up to install the Light Rail, when (and if) it is funded for construction. The most practical development concept for the Transit Mall while this issue is unresolved will be an interim one, making selective improvements, keeping the existing bus routes, allowing space for possible addition of Light Rail in the future, and seeking ways to make capital investments in the Mall that will improve the retail environment.

Challenges

- The deferred Light Rail decision about whether, how, and when to include a Light Rail line on the Transit Mall has reinforced inaction, deterioration and deferred maintenance. While the underlying reasoning for delaying investment is sound, we also believe that some interim changes must be made in the design and appearance of the Transit Mall if private investment is to be leveraged for retail enhancements.

Stakeholder comments indicate that the Transit Mall is viewed as a negative influence in downtown Portland by a large number of people due to the lack of maintenance, weak lighting and the presence of aggressive panhandlers and street people.

- Street access for automobiles is inconsistent along the Transit Mall, creating confusion and limited traffic volumes (or vacant streets) between buses. Some blocks are open for vehicular traffic, while others are not. During off peak hours, this lack of activity on the street contributes to a sense of discomfort for many on the mall. More activity would reinforce a sense of safety.

Key Recommendations

- *The consultant team recommends that Fifth and Sixth Avenues of the Transit Mall be opened to automobile traffic in order to provide more convenient auto access through downtown and to provide more “eyes on the street” between bus arrivals. On-street parking between existing mature trees should be added to the non-bus loading side of Fifth and Sixth to encourage access to local shops by automobile. By reconfiguring the pedestrian areas to accommodate the recommended changes, the bus lanes and loading areas can all be maintained. . Since actual funding and construction of the north-south Light Rail on the Transit Mall is likely a decade or more away, the improvements recommended (i.e. of moving curbs and reducing sidewalks on one side of the Mall) are not capital intensive and could be viewed as interim improvements until the Light Rail finally arrives. However, uncertainty about the future of light rail (or streetcar) along the Transit Mall and the timing for an addition has discouraged landlords and tenant investment or commitment. A go/no decision about a light rail/streetcar addition to the Transit Mall should be made very soon. If a decision is made to add light rail or streetcars, such additions must occur sooner than 10+ years hence if Fifth and Sixth Avenues are to become consistently active streets again.*
- Zoning modifications may be needed to require activating uses (retail stores and shops, service and convenience retail, restaurants and cafes, and other consumer-oriented businesses) in the buildings along this portion of the Transit Mall.
- While there may be interior merchandising requirements that have resulted in closing of display windows and entrances to Meier & Frank along the Transit Mall on SW Fifth and Sixth, the result on the Mall is not pedestrian-friendly and works counter to the character of open retail streets. It should be a priority for PDC as well as Meier & Frank to provide visual and physical accessibility to the department store from the Transit Mall as part of any future store design.

7. UPGRADE BROADWAY AS IMPORTANT RETAIL AVENUE

Broadway Avenue describes a seven-block long portion of Broadway between SW Stark on the north and SW Salmon on the south. It was once Portland’s premier retail street and was

sometimes called the ‘Boulevard of Lights’. From a market standpoint, Broadway functions as Portland’s ‘avenue of hotels’. The hotel cluster along the Broadway Avenue represents the opportunity to capture retail and restaurant expenditures from a significant segment of the downtown visitor market. Broadway also includes several notable specialty retailers, including Nordstrom, St. John, Columbia Sportswear’s flagship store, Abercrombie & Fitch, and Banana Republic, among others. The team’s development concept for Broadway is to reinforce the Avenue’s role as an upscale retail shopping street with small specialty stores along both sides of the street, and to reinforce and market Broadway’s assortment of restaurants and cafes as a dining district to downtown and regional residents, and especially to downtown hotel guests. The performing arts venues in the Cultural District will be important demand generators for the restaurants and cafes along Broadway.

Challenges

- There is no clear identity for Broadway today, despite its tradition as one of Portland’s major shopping streets.
- Despite the apparent cluster of restaurants, the consultant team considered the district to be underserved in food service offerings.
- While the consultant team understands that the one-way street is designed to move traffic through downtown, we also believe that Broadway’s one-way southbound flow encourages automobiles to travel faster than a pedestrian-oriented shopping district can handle comfortably.
- The Hilton Hotel’s Broadway frontage does not successfully address the street, nor does it incorporate contiguous retail use along Broadway.
- There are existing hotels operating from both sides of Broadway without the benefit of designated drop-off or loading zones. This results in awkward traffic situations and traffic impediments.

Key Recommendations

- The identity for this portion of Broadway should introduce a “Bright Lights” district to unify and provide a distinctive quality for the area. Buildings along Broadway in this zone should have a coordinated building façade lighting program, professionally designed and installed so that the district is a light beacon year-round at night. The Broadway intersection at Yamhill and Morrison Streets should incorporate special lighting elements to identify these as significant intersections linking to Pioneer Courthouse Square. The light elements should also be installed at the Salmon and Washington intersections to transition the ‘bright lights’ district to the adjoining Cultural District and the Burnside crossover to the Pearl District.

- The team also recommends that all of the street trees should be illuminated along Broadway from Salmon to Washington at a minimum, and preferably all the way from Stark to Main Streets. Consistent with special lighting treatments in the Retail Core, special lighting should be added along Broadway on a seasonal basis.
- Unified streetscape elements are also recommended for this district, and could include new brick sidewalk paving, ornamental street furniture (benches, tree grates and fencing, Portland Fountains, etc.), as well as canopy street trees, if physically possible. The streetscape elements should be planned for the same expanse as the lighting scheme described above.
- The feasibility of re-introducing two way traffic on Broadway, potentially with parallel parking along the street edge in some blocks, should be analyzed.
- Once a greater critical mass of restaurants and cafes is clustered on and near Broadway, marketing materials should be prepared and distributed to the hotels cultural venues in the area.

8. RECRUIT SELECTED RETAILERS AND MARKET DOWNTOWN

Our strategy for Portland is based in part on the downtown's ability to capture demand in under served or missed market categories such as dining expenditures from convention center visitors staying in central city hotels, cultural district visitors who want better food and beverage offerings close to the performance venues, or residents who cannot buy groceries, hardware and lumber and other retail commodities downtown because these concepts have not yet re-adapted to urban contexts and locations. Maintaining downtown Portland's competitive position will also depend, in part, on the area's continued efforts to attract the leading new retailers, restaurateurs and entertainment facilities.

The other factor affecting the retail merchandising strategy is to continue to monitor and respond to evolving markets. In forming a merchandising strategy, there are differences in approach and timing opportunities for different store types and categories. Defined directions and specially tailored efforts will need to be applied to different retail types. The short-term prospects for Downtown Portland are described in Section V and summarized below.

Key Recommendations

- Over the longer term, the ERA team believes that Portland could absorb one or two additional department stores or larger fashion specialty units. The team recommends that APP and PDC continue to monitor contacts with department store operators and large fashion specialty stores, both locally and through industry-related connections such as the International Council of Shopping Centers Annual meetings and Leasing Meetings. The cultivation of long-term relationships is essential to the recruitment of the most desirable national and international retailers.

- APP, local brokers and property owners (and others) should continue efforts to recruit specialty stores. In targeting specific retailers, the team recommends that priority be given to retail operators who plan to offer only one unit in the Portland market, rather than seeking chains that want to saturate the market with units all over the city.
- The consultant team believes that many local retailers have potential to grow beyond their current locations or store sizes, and that they can be considered potential downtown tenants if not already located there. As with national specialty stores, the recruitment goal should be to seek out independent stores that will operate either a single unit or a flagship store in downtown Portland.
- Downtown also benefits from a number of the country's leading fashion and branded product retailers, including Nordstrom, Saks, St. John, Jessica McClintock, and the high-end/bridge fashion brands carried by Mercantile and Mario's. This base creates the potential to seek other designer and branded specialty stores, whether for street locations or to round out the specialty/fashion mix at Pioneer Place. A goal of recruiting six to eight new designer and branded product stores is recommended over the next three to five years.
- A marketing program featuring (or creating the sense of) a restaurant/dining district, centered along Broadway (for proximity to downtown hotels), in the Retail Core, in the Yamhill Waterfront area, in the Cultural District, and over time in the West End Crossroads is strongly recommended. Each area's offerings should be featured in one or more brochures with maps and distributed to local hotels, in visitor information facilities and on appropriate web-site links about Portland. The solution will lie in targeted recruitment for the designated areas and a structured manner in which to collectively market all of them.
- There should also be consideration of 'hot' food concepts from other regions that will eventually identify Portland as a potential expansion site as they grow across the country. Experience in other cities shows that these operators will consider downtown locations along with suburban sites, but they need to be sold in advance, and have access to enough accurate and defensible data to justify why their single location should be downtown. Because of the sales volumes that certain of these operators can achieve, they can require larger spaces of up to 12,000 square feet, and should be on the prospect list when larger locations become available.
- In anticipation of future recruitment prospects from the big box category, the consultant team recommends that APP annually conduct a detailed inventory of downtown buildings to identify locations in which single large spaces exist, or in which adjoining spaces could be consolidated to create a larger floor plate. Assuming that one or more appropriate locations can be found, the big box category – especially in the West End - can be considered a strong merchandise prospect for the three to five year implementation period.

- The team’s assessment is that every local resident serving retail category is underrepresented in downtown Portland, with the exception of drug stores. The expanded Safeway now under construction and the new Whole Foods Gourmet Grocery in the Pearl District will cover most downtown resident grocery shopping needs, but there will still be the potential to supplement their offerings with specialty markets, ethnic markets, health food and organic food stores and other categories. Each of these can be included in the recruitment program undertaken in the next three to five years.
- Over the longer term, the team also identified the need for a home improvement store, probably to be located in the West End Crossroads area or the Pearl District or another location that could also provide easy highway access. The other option would be to seek a location for a general discount store such as Target for a downtown location. Target is currently experimenting with a multi-level urban store concept, and would be both a service to downtown residents and workers, as well as a good complement to the current downtown retail mix.
- The team believes that more nightlife activities (clubs, galleries, liquor and coffee bars, etc.) would activate parts of the downtown core as they have in other central areas like Old Town/Chinatown. The market opportunity exists in downtown Portland to create a major entertainment facility serving the 21 to 35 year old market segment, assuming an appropriate site can be identified. These club complexes can occupy up to 60,000 to 80,000 square feet of space, and typically require build-out incentives to become feasible. The alternative will be to continue to add smaller clubs and entertainment venues, but with the note that a critical mass of clubs proximate to each other will be necessary to attract the number of patrons that the larger format entertainment complexes can generate. A cluster of live theaters would also function as an effective entertainment district anchor.
- APP can play a major role in serving as the ‘marketing developer’ for downtown Portland’s retail properties, both as a central resource to collect and maintain data, and as a central bank of general information about the Portland market (and downtown in particular) that can provide a “sell” oriented overview of the city. The consultant team endorses APP’s past and current efforts and strongly recommends that they be funded and expanded.
- In targeting mailers, ads and distribution of marketing packages and brochures, it should be noted that the national retail community is relatively small and close-knit. While targeting the hottest national retail concepts, the longer-term goal for Portland’s marketing strategy should be to establish an industry-wide profile for the downtown area, as retail operators do often compare opinions with each other.

COMMITTEE’S PRIORITY RECOMMENDATIONS

After reviewing and discussing the consultant team’s recommendations, the Downtown Retail Steering Committee members selected its recommendations. These are outlined on the following matrix, titled as Summary of Retail Strategy Recommendations, and include the initial assignment of responsibility, as well as general cost estimates and start dates. A comprehensive set of recommended retail strategies that flow from the overall assignment is presented in Section V of this report. The discussion of opportunities and constraints, which provide the framework for the recommendations, is in Section IV.

SUMMARY OF RETAIL STRATEGY RECOMMENDATIONS

Responsibility and Timing: Priority Matrix (4/30/02)

Comments on matrix notations:

- Costs are extremely preliminary, order of magnitude estimates with the following ranges:
 - Low = less than \$200,000
 - Medium = between \$200,000 to \$2,000,000
 - High = greater than \$2,000,000
- Start Dates are subject to approval of policy bodies and availability of funding
- Funding sources include a potential mix of public sector (e.g. TIF, New Market Tax Credits, bonds, levy) and private sector (e.g. BID, LID, grants)

Major Category Ranking (H,M,L)	Specific Task Ranking (H,M,L)	NO.	STRATEGIES	LEAD	SUPPORT	PRELIM. COST Public&APP	START DATE (subject to funding)
PLANNING AND POLICY RECOMMENDATIONS							
H		1	Retain and strengthen existing anchor retail uses within the retail core				
	H	1A	Facilitate renovation of Meier & Frank in its existing location	PDC	APP	HIGH	2002
	H	1B	Develop and implement recruitment strategy	APP	PDC	LOW	2003
	H	1C	Develop additional parking – on street & in structures (underground if feasible)	PDC	BGS/PDOT APP	HIGH	2003
	M	1D	Guide potential future Nordstrom expansion into rather than away from the retail core (i.e. along Broadway)	PDC	APP	HIGH	2004
	M	1E	Analyze and protect future anchor sites with public agency land banking	PDC	APP	LOW	2003
H		2	Support existing independent retailers				
	H	2A	Develop relocation strategy for local retailers faced with loss of existing location	PDC	APP	MEDIUM	2004
	M	2B	Adopt citywide policy of no public financial support for development projects that add more than 400,000 square feet of net new retail space at one time.	PDC		LOW	2002
	M	2C	Create financial incentives for retention and further development of locally based retailers/restaurateurs	PDC	APP	MEDIUM	2004
	M	2D	Expand the storefront improvement program	PDC		MEDIUM	2004

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Major Category Ranking (H,M,L)	Specific Task Ranking (H,M,L)	NO.	STRATEGIES	LEAD	SUPPORT	PRELIM. COST Public&APP	START DATE (subject to funding)
H		3	Create a safe and comfortable downtown shopping environment				
	H	3A	Address public nuisance issues	APP	PPB/MCDA PPR	LOW	2002
	M	3B	Establish downtown 'You are Here' or 'Way Finding' directory system to facilitate the shopping experience	APP	PDC	MEDIUM	2004
	M	3C	Support creation of seasonal Ice Rink in Pioneer Courthouse Square	APP	PDC	MEDIUM	2004
M		4	Expand local downtown market				
	H	4A	Set target of 2,500 new housing units by 2010 south of Burnside between I-405 and Willamette River	PDC	APP	HIGH	2002
	M	4B	Provide incentives and amenities to create housing market momentum (e.g. New Market Tax Credits, loans, market demand analysis, floor area bonuses, open space, streetscape improvements)	PDC	BOP/APP PDOT/PPR	HIGH	2003
	H	4C	Increase downtown employment	PDC	APP	MEDIUM	2002
L		5	Review regulatory and policy environment				
	M	5B	Provide greater predictability and clarity to the design review process for retailers.	OPDR	BOP	LOW	2003
	M	5C	Use financial & other incentives to encourage the turnover of non retail uses at critical retail locations on or near Pioneer Courthouse Square	PDC	APP	MEDIUM	2002
	L	5D	Encourage retail or other active ground floor uses along important retail streets	APP	PDC	LOW	2005

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Major Category Ranking (H,M,L)	Specific Task Ranking (H,M,L)	NO.	STRATEGIES	LEAD	SUPPORT	PRELIM. COST Public&APP	START DATE (subject to funding)
URBAN DESIGN IMPROVEMENTS							
H		6	Improve the retailing climate along the Transit Mall				
	H	6A	Develop detailed design & cost estimate of interim Mall improvements: auto access, parking, lighting, pedestrian amenities, transit mall shelters, active sidewalk uses, maintenance and future Light Rail.	PDOT	Tri Met/APP	LOW-analysis HIG H-const.	2003
	M	6B	Encourage active uses along Transit Mall frontage	APP	PDC	LOW	2004
	M	6C	Encourage renovated Meier & Frank to activate display windows & entrance	PDC/APP	BOP	LOW	2003
H	H	6D	Encourage a decision on alignment and timing of Light Rail in the downtown	APP/TriMet	PDOT/PDC	LOW	2002
		7	Upgrade Broadway as important retail avenue				
	M	7A	Undertake Broadway streetscape plan including analyzing 2-way traffic	PDOT	BOP/PDC	LOW	2003
	M	7B	Implement building special lighting program	PDC	APP	MEDIUM	2003
	L	7C	Implement streetscape improvements	PDC	PDOT	MEDIUM	2006
	L	7D	Encourage usage of storefront improvement program	PDC	APP	MEDIUM	2003
M		8	Implement Mid-Town Block improvements to support Retail Strategy				
	H	8A	Resolve uncertainty over future of mid-town blocks, i.e. how much will be renovation/redevelopment versus open space.	BOP/PDC	PPR/PDOT APP	MEDIUM	2003
	H	8B	Promote intensive market rate residential development over active ground floor uses on close in blocks	PDC	APP	HIGH	2003
	H	8C	Encourage redevelopment of Galleria as mixed use project	PDC	APP	HIGH	2003
	H	8D	Proceed with design and implementation of parks on Park Block 5, O'Bryant Square,	PDC/PPR	PDOT	HIGH	2003

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Major Category Ranking (H,M,L)	Specific Task Ranking (H,M,L)	NO.	STRATEGIES	LEAD	SUPPORT	PRELIM. COST Public&APP	START DATE (subject to funding)
			Ankeny Park, and streetscape improvements along SW 9 th and Park Avenues				
	M	8E	Conduct detailed housing feasibility studies to determine amenities needed & location	APP	PDC	LOW	2002
L		9	Improve the connectivity of the Retail Core to the waterfront through the Yamhill Historic District				
	M	9A	Enhance visual linkage between Retail Core and Waterfront Park	PPR	Tri-Met PDOT	LOW	2003
	M	9B	Explore the realignment of the MAX line to allow auto access and on-street parking on Yamhill between First and Third Streets	Tri-Met	PDOT/APP	LOW-analysis HIGH-const.	2003
L		10	Consider Naito Parkway waterfront character improvements				
	H	10A	Redevelop key parcels for mixed-use development	PDC		HIGH	2004
	M	10B	Improve pedestrian crossings to waterfront at Yamhill and Morrison	PDOT	PDC	MEDIUM	2005
	L	10C	Consider adding on-street parking along Naito Parkway and encourage active ground floor uses in parcels facing Parkway	PDOT	PPR/BOP PDC	MEDIUM-HIGH	2003
	L	10D	Consider removing on-ramp to Morrison Bridge to create development sites taking into account the need for downtown access and regional transit connections.	PDOT/BOP	PDC	LOW-analysis	2005
	L	10E	Install gateway icons in Waterfront Park, visible from Yamhill and Morrison	PPR	PDC	MEDIUM	2003
	L	10F	Install gateway monument on the west end of Morrison Bridge, between Alder and Washington	PDC	Multnomah County	MEDIUM	2004
L		11	Enhance West End identity				
	M	11A	Improve streetscape/gateway concept on Yamhill and Morrison, between 10 th and	PDOT/PDC	PPR	MEDIUM	2010

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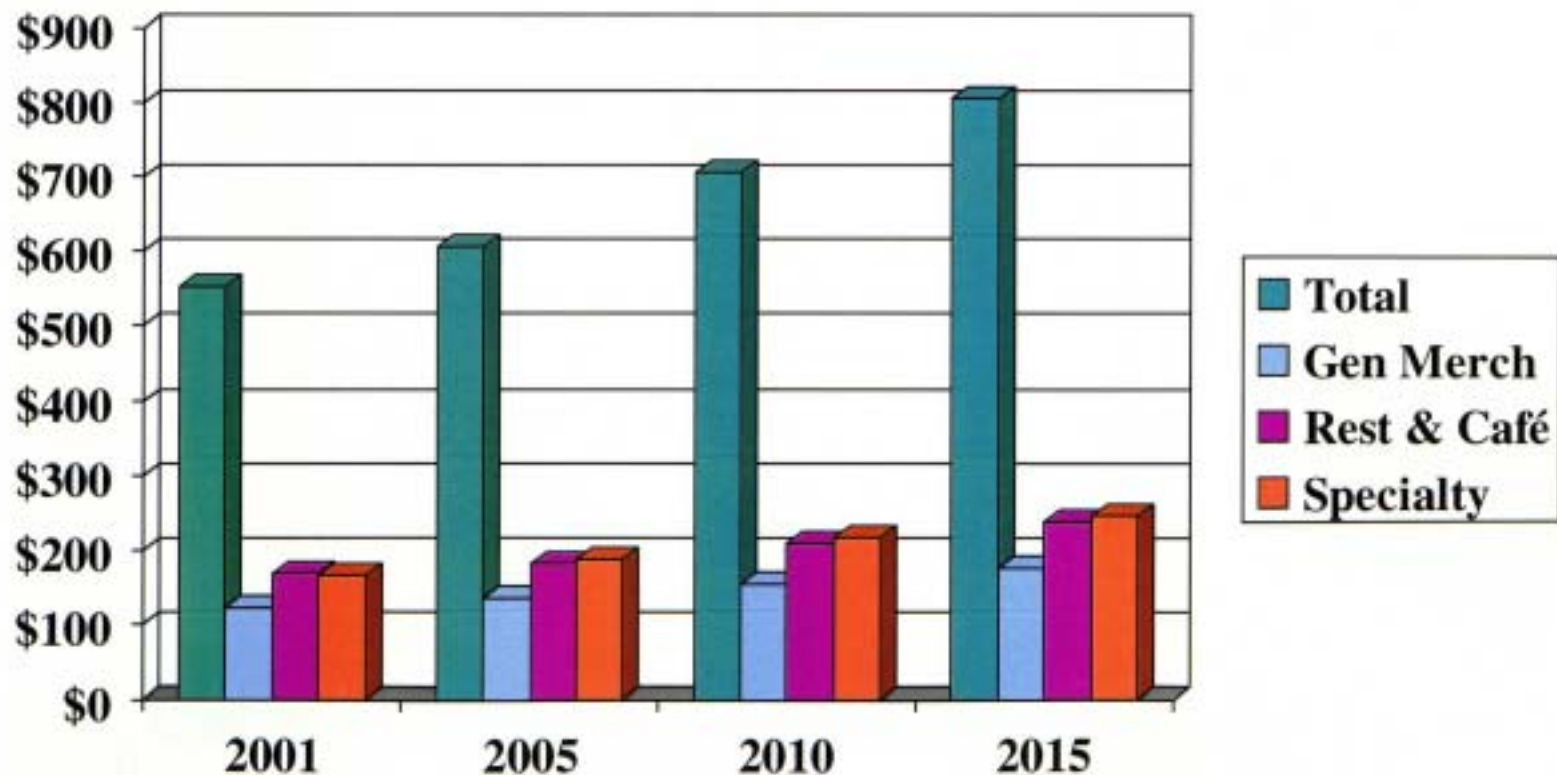
Major Category Ranking (H,M,L)	Specific Task Ranking (H,M,L)	NO.	STRATEGIES	LEAD	SUPPORT	PRELIM. COST Public&APP	START DATE (subject to funding)
			11 th Avenues				
	M	11B	Create identity elements at transit crossroads	PDOT	Tri Met	MEDIUM	2010
MERCHANDISING & RECRUITMENT							
H		12	Recruit selected retailers and market downtown				
	H	12A	Continue recruitment of department stores, including specialty units	APP	PDC	LOW	2002-
	H	12B	Recruit single unit or flagship specialty stores	APP	PDC	HIGH	2002-
	H	12C	Conduct annual inventory of available retail space	APP	PDC	MEDIUM	2002-
	H	12D	Recruit hardware or home improvement store	APP	PDC	LOW	2003-
	H	12E	Create APP as marketing developer of downtown Portland	APP	PDC	MEDIUM	2002-
	H	12F	Establish positive industry wide profile for Portland	APP	PDC	MEDIUM	2002-
	H	12G	Recruit strong local retailers not already in downtown	APP	PDC	HIGH	2002-
	H	12H	Recruit 6 to 8 new designer or branded product stores	APP	PDC	HIGH	2002-06
	M	12I	Establish & market one or more destination restaurant/dining districts	APP	PDC	HIGH	2003-
	M	12J	Recruit new food concept restaurants	APP	PDC	MEDIUM	2002-
	M	12K	Recruit "big box or category killer" if space is available	APP	PDC	LOW	2002-
	L	12L	Recruit neighborhood serving retailers	APP	PDC	LOW	2002-
	L	12M	Recruit major entertainment facility or a number of smaller facilities	APP	PDC	MEDIUM	2003-

KEY TO AGENCY ABBREVIATIONS:

APP	Association for Portland Progroess	BOP	Bureau of Planning	BGS	Bureau of General Services
PDC	Portland Development Commission	PPR	Portland Parks & Recreation	PDOT	Portland Department of Transportation
PPB	Portland Police Bureau	MCDA	Multnomah County District Attorney	Tri-Met	The regional transportation agency

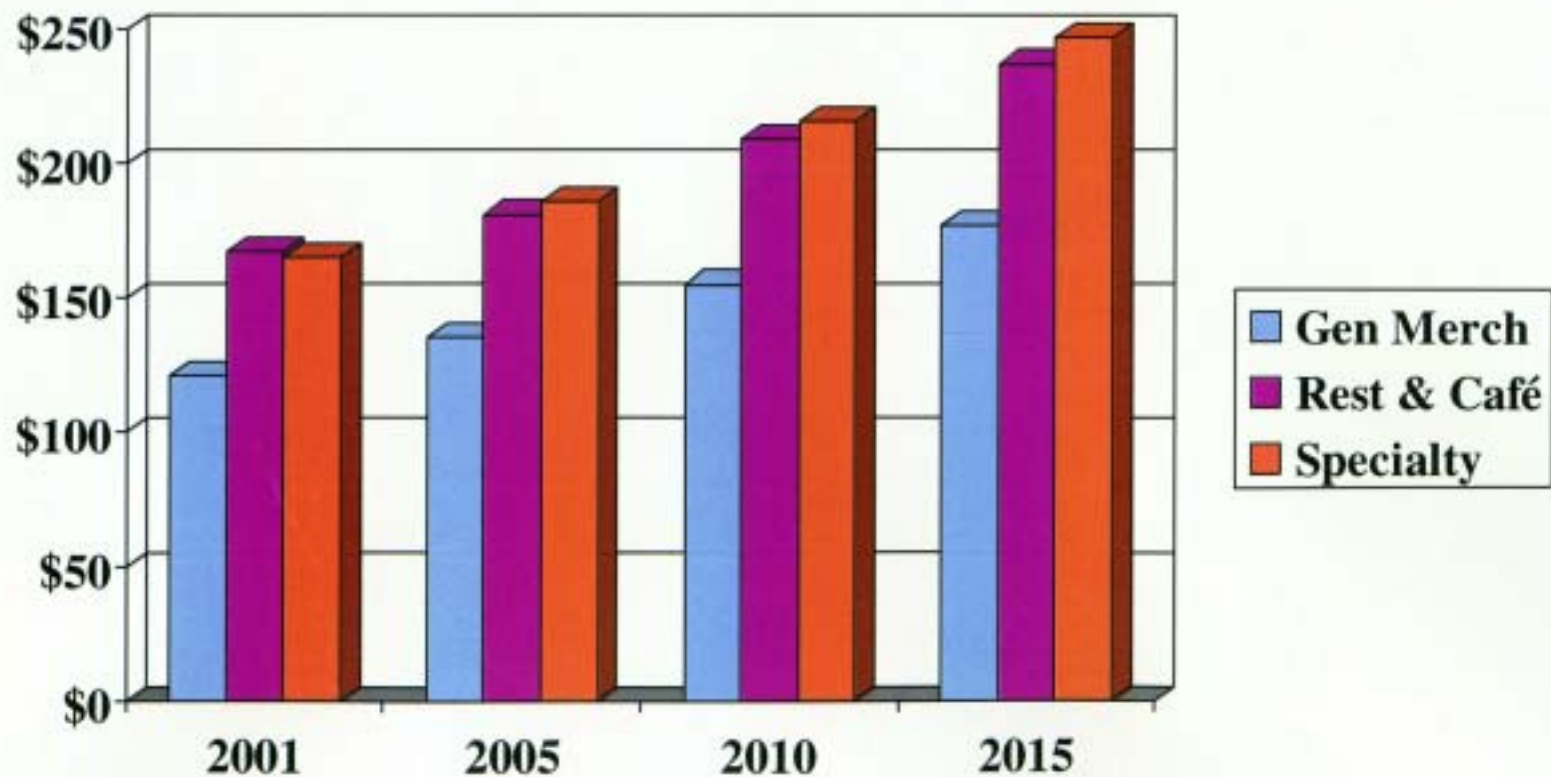
Growth in Downtown Retail Sales

(by Major Retail Sector - in millions)



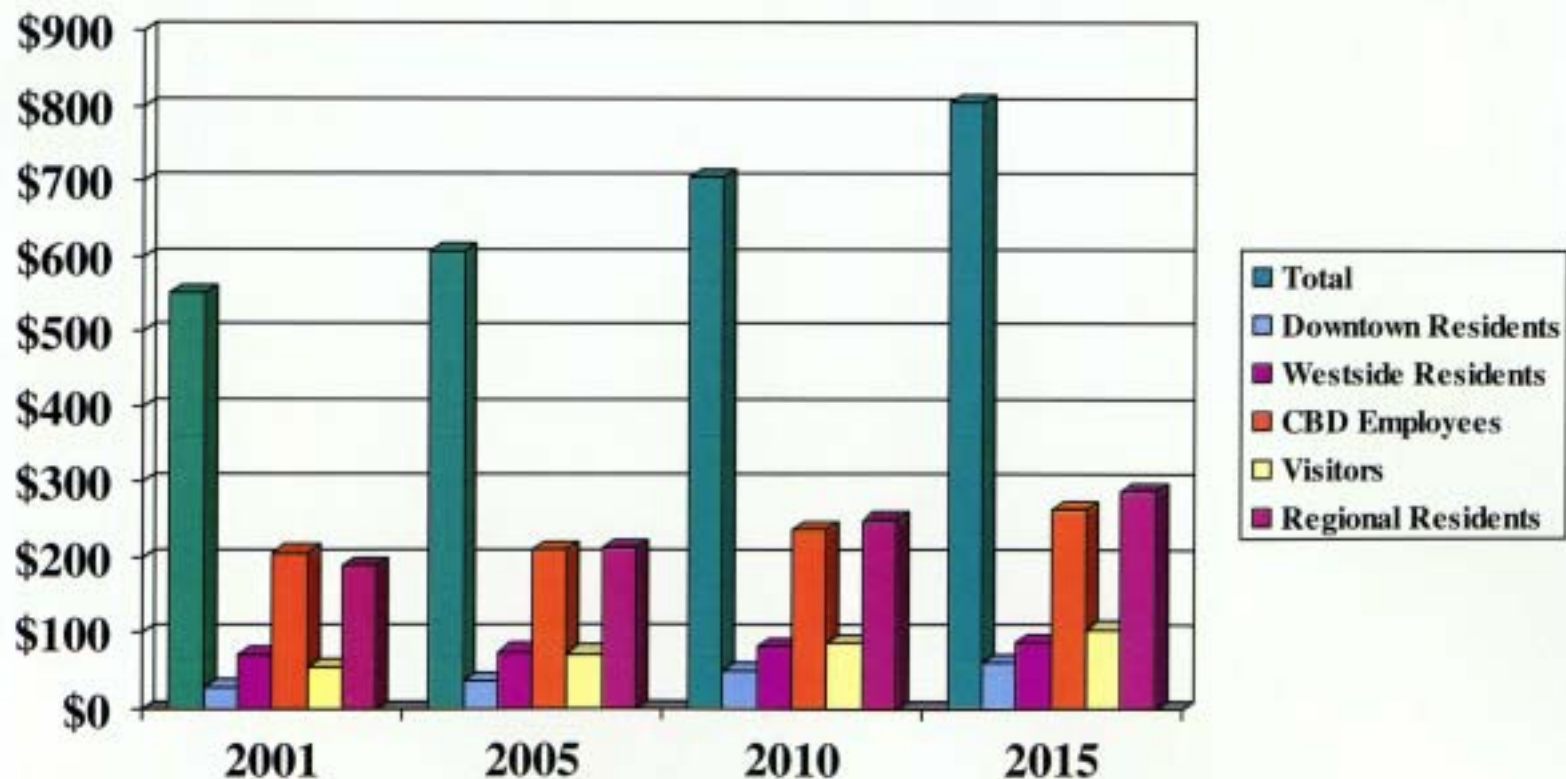
Growth in Downtown Retail Sales

(by Major Retail Sector-in millions)



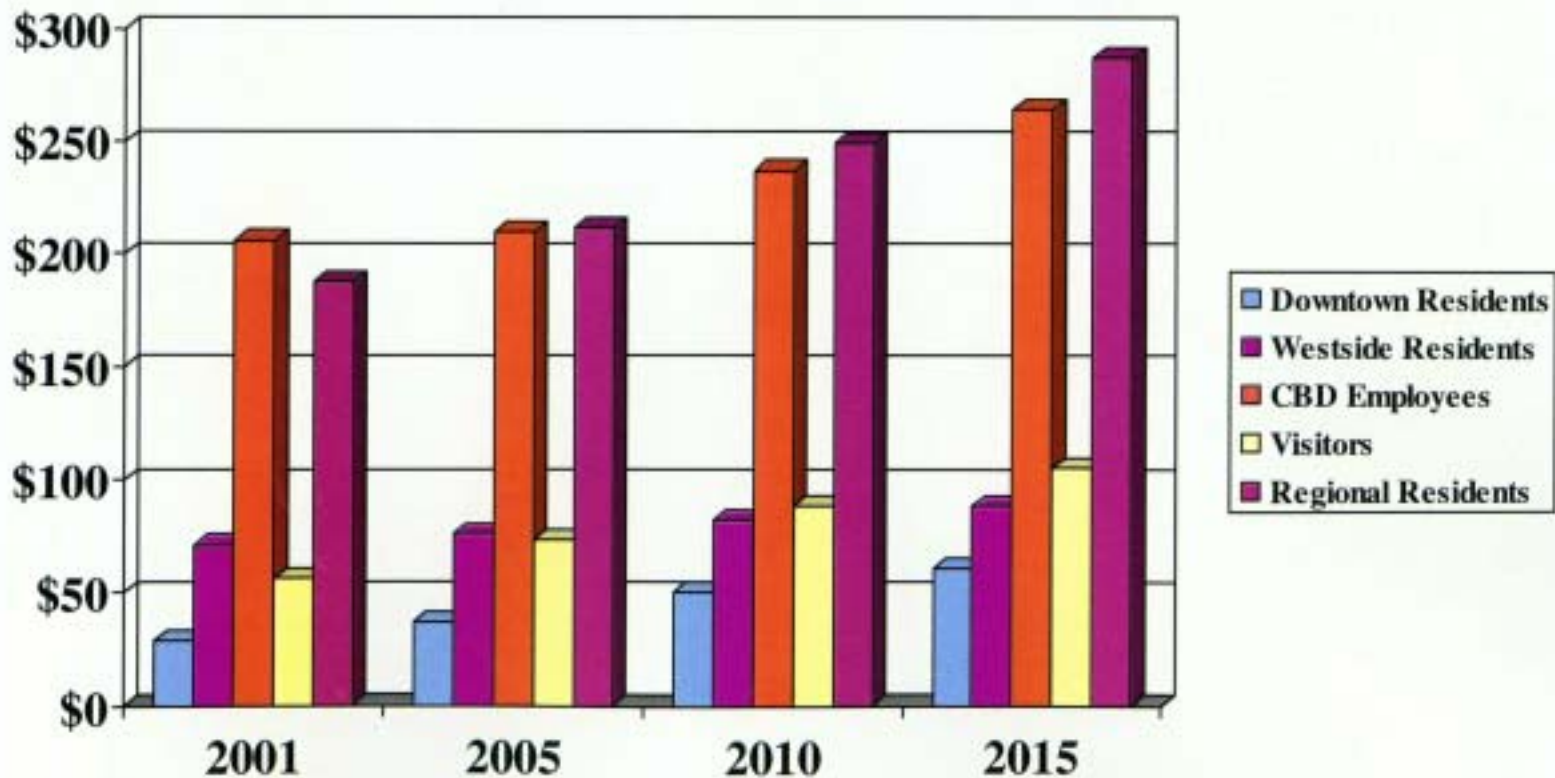
Growth in Downtown Retail Sales

(by Market Component-in millions)



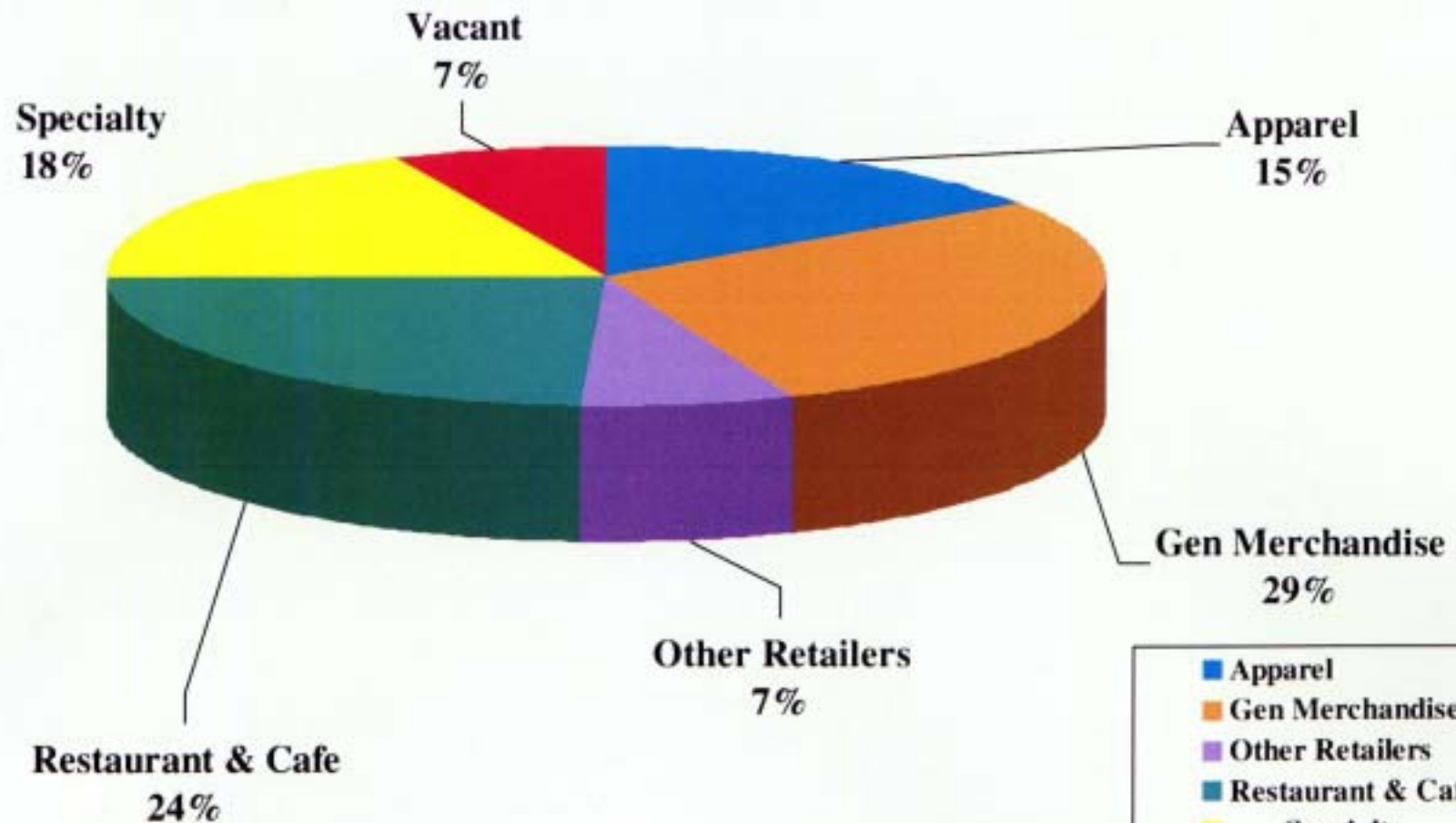
Growth in Downtown Retail Sales

(by Market Component-in millions)

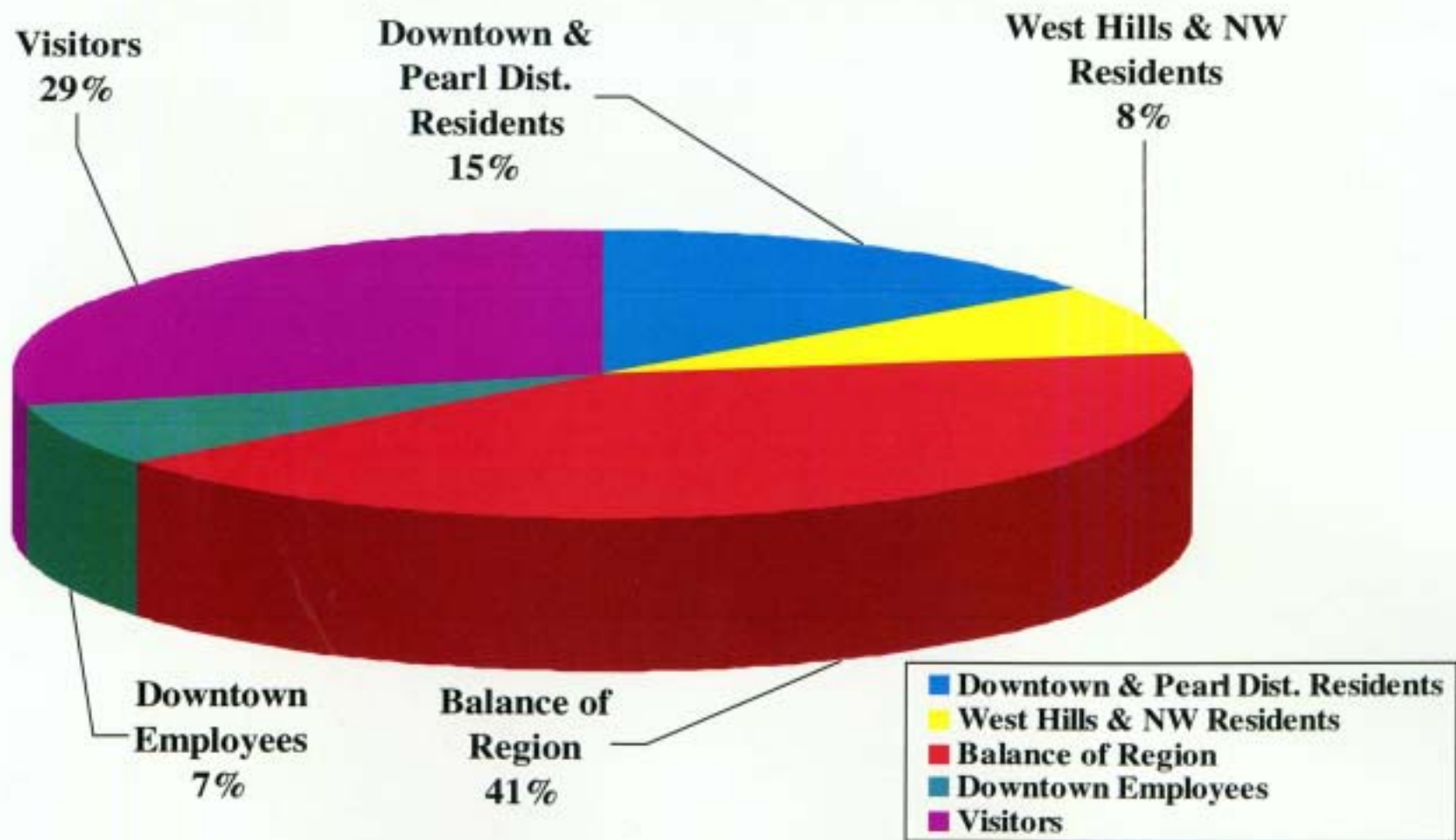


Current Downtown Portland Retail Space Inventory

Total = 1.9 million square feet



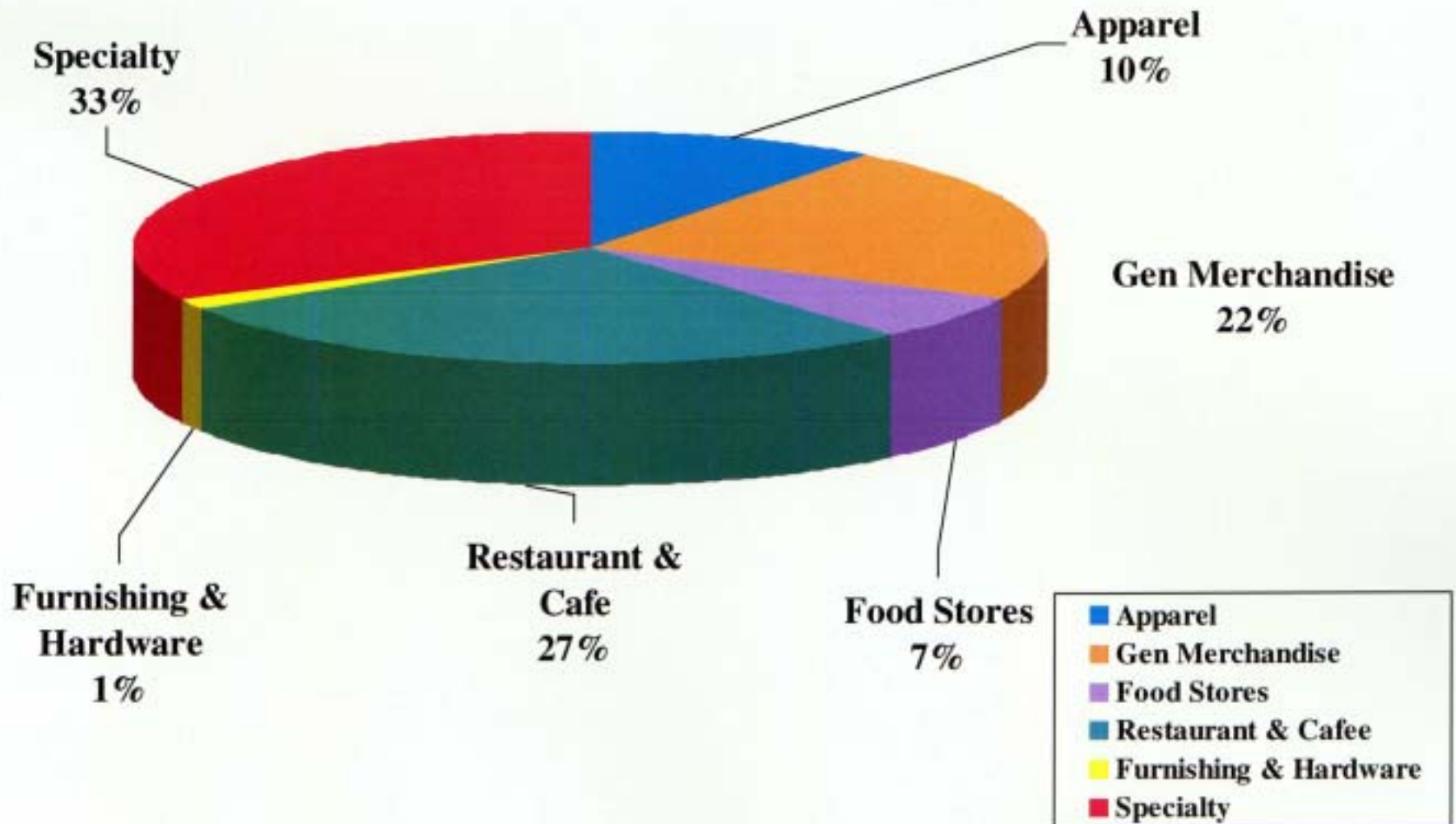
Downtown Retail Demand Increase 2001-2005 by Market Segment



Total = \$56 Million

Projected Downtown Portland Retail Sales Volume Growth by Type of Retail Outlet

(Total Growth from 2001 to 2015 = \$253 million)



Section II

PORTLAND DOWNTOWN RETAIL STRATEGY FRAMEWORK

INITIAL OBSERVATIONS

Based on our market analysis, observations and experience with other downtown areas across the country, the ERA team has identified several key components that we believe are critical to securing and enhancing downtown Portland's role as a regional destination retail center. These include:

- The area around Pioneer Courthouse Square should continue to be the retail center of the downtown core. Any future retail development should seek to strengthen, not diminish, this position.
- In our team's view and reinforced by our work in other cities and comments by stakeholders in input sessions, it will be critical to retain department stores as anchor retail uses in downtown Portland. The combination of Meier & Frank, Nordstrom, Saks Fifth Avenue and the Pioneer Place Mall have achieved two goals that many other American cities have not (and would greatly envy): the regional draw that substantial critical mass of department store retailing creates, and the resulting ability to sustain smaller retailers adjacent to and near the anchor retail concentration.

This presence around Pioneer Courthouse Square has ensured that the civic heart of downtown is also the heart of downtown retailing and a primary location of choice for specialty retailers considering a Portland location.

- Within the downtown core, the Bus Transit Mall needs to be more accessible to automobile traffic, automobile parking (at least in off-peak hours) and more pedestrian-friendly in order to attract and maintain retail tenants. The effect of deferred maintenance, in anticipation of future light rail development, needs to be addressed.
- Selective public incentives and affordable retail spaces must be developed within the retail core district in order to accommodate desirable local and independent retailers/restaurateurs who cannot afford to locate in the premier locations around Pioneer Courthouse Square.
- Public investment in the development of retail and mixed-use projects outside the retail core should be limited and timed to sustain and strengthen the progress of retail core development.

- Strong links and transitions between adjacent districts (i.e., Cultural, Pearl, Old Town/Chinatown, The West End, Historic Waterfront) and the retail core, including housing, cultural attractions, office components and parking as well as retail uses should be created to support the overall retail experience in downtown.
- Short and long term planning needs to recognize the slowdown in both the regional and national economies as well as the significant drop in Japanese tourist and visitors to the area resulting from the elimination of direct flights to and from Japan. The increase in regional travel, which POVA has reportedly seen as a result of a decrease in national airline travel, should also be recognized.

STRENGTHS AND WEAKNESSES IN THE RETAIL CORE AND THE DOWNTOWN SHOPPER EXPERIENCE

A walk through downtown Portland's Retail Core District provides the shopper with not one homogenous experience, but rather with a series of different experiences depending on specific location, mode of transportation, time of day, and type of merchandise desired. The block size contributes to a feeling of easy access for pedestrians and an eminently satisfying walking experience (although it also restricts potential retail layouts for larger space users). Based on the consulting team's initial observations and project interviews, the following summary characterizes the strengths and weaknesses of the retail experience in the Retail Core District:

THE DOWNTOWN RETAIL MIX

Although there is room for improvement and future strategic development, it cannot be forgotten that downtown Portland is a healthier retail environment than in most other American cities. Portland has retained one major department store (Meier & Frank) and two specialty anchors (Nordstrom and Saks Fifth Avenue), and has incorporated an urban shopping mall into the fabric of the downtown area. Because of the concentration of retail, food and beverage, cultural and other attractions, downtown remains the principal urban retail destination for the region, reflecting both a desired quality of life and the results of planning and development decisions made in the past. Finally, support for local and regional specialty retail businesses has resulted in an unusually large number of successful local retail businesses, many of which have a major store downtown.

Strengths

- Meier & Frank and Nordstrom provide two important retail anchors for the downtown retail core, attracting a variety of shoppers to the area including area residents and office workers, day-trip visitors and overnight visitors and conventioners.

- Pioneer Place Mall brings a rich mix of national specialty stores to downtown Portland. Having the only Pacific Northwest branch of Saks Fifth Avenue adds a cachet that has made the mall a regional draw for specialty retailing at upper price points. Other upscale specialty retailers have been attracted downtown by Saks and the department store anchors and the level of shopper traffic they can be expected to generate.
- Within the retail core are a variety of stores and services at a number of price points and merchandise categories. Specialty stores range from Mercantile and Mario's at the high end to Ross Stores at the moderate end. Local craft/gift merchant The Real Mother Goose competes effectively with Tiffany & Company, while Kitchen Kaboodle co-exists with Williams-Sonoma in the kitchenware/tabletop accessories category.
- Downtown Portland has garnered a national reputation as a center for excellent regional cuisine. Many of the area's finest restaurants are located in the retail core and other nearby areas such as NW 21st and NW 23rd Streets and the Pearl District.
- Portland has developed a number of strong destination tenants with "anchoring" potential, including Powell's, Columbia Sportswear, Mario's, Mercantile, Norm Thompson, Nike Town and Jake's (in the restaurant category).

Weaknesses

- Unlike most great retail cities around the world, downtown Portland does not have a street or area that is a clearly defined (and 'understood by the buying public) as the "fashion"/upscale shopping street or district, although Broadway appears to be emerging as the "fashion" shopping street of the downtown area. These streets in other cities -- Madison Avenue in New York, Michigan Avenue in Chicago, Rodeo Drive in Los Angeles, Union Square in San Francisco, Newbury and Boylston Streets in Boston and Worth Avenue in Palm Beach-- provide an easily perceived 'critical mass' of specialty shops and services that interest and captivate the shopper, extend the amount of time that consumers spend in each area, and strengthen the retail viability of surrounding streets. While Portland's downtown retail core has a number of upscale and fashion tenants, including Mario's, Mercantile, John Helmer's, St. John Boutique, Pendleton Shops, Williams-Sonoma, Tiffany & Company Carl Greve Jewelers and Margulis, the stores are not clustered to provide proximity to one another and to create a distinctive and contiguous retail identity.
- A number of key national retailers are missing from the retail mix, not only in the retail core and downtown districts but in the greater Portland area as well.

- In a number of key sites, non-retail uses such as service businesses and parking garages are located in what would otherwise be considered prime retail locations. Street level financial institutions that face Pioneer Courthouse Square, such as Washington Mutual and Wells Fargo Bank, disrupt the flow of retail storefronts and dilute critical mass necessary to provide a strong shopping experience. While one reason for this may be that rent for prime retail space has escalated dramatically over the past five years, pricing out all but institutional tenants and some national retailers, large bank lobbies do not reinforce retail continuity at the street level. Other uses such as parking garages also break the retail continuity in various locations.

TRANSPORTATION

Perhaps more than any other American city, Portland has made a significant commitment to mass transit as a means to deter auto traffic and provide alternatives for movement to, and through the region. The city is often cited as a laboratory of how multi-modal mass transit links can affect growth and development. The following strengths and weaknesses represent the consultants' initial comments on transportation systems as they affect the downtown retail core.

Strengths

- Getting to and from the retail core district via bus, light rail, streetcar and MAX is affordable and convenient. The Fareless Square and adjoining transit connections allow a stronger linkage between the downtown retail core and other downtown districts that might otherwise seem too far to walk (the Pearl, Old Town/Chinatown, Lloyd District and links up to NW 21st and NW 23rd Streets).
- APP's Smart Park brand and related marketing of the city parking garages helps the perception that the garages provide reasonable priced parking for people/customers driving downtown for other areas.
- The design for Yamhill and Morrison Streets, accommodating both light rail vehicles and cars, has proven a successful formula for developing a multi-modal street.

Weaknesses

- Because of pending decisions regarding future development of a light rail line through downtown, deferred maintenance and delayed capital investment has resulted in a somewhat dated and deteriorated character to the Bus Transit Mall. This physical character can feel uninviting to pedestrians at all times of the day and unsafe during the evening hours.

- Downtown's system of one-way streets (or prohibiting automobile traffic altogether in dedicated transit corridors) can make driving in the retail core a confusing and frustrating experience. This is particularly true on the Bus Transit Mall.
- The perception that parking is convenient is diminished because in some areas there is very little on-street parking available.
- The limited provision of loading areas and restrictions on hours of operation are both a deterrents to efficient retail operations and to circulation for trucks and automobiles.
- Smart Park branded garages have not been maintained at a uniformly high level. It is been commented that some elevators and stairwells in the garages smell of disinfectant and urine. Some have become gathering places for drug dealers and street people, which can deter some shoppers from wanting to patronize the facilities.

LINKS TO OTHER DISTRICTS

The area that encompasses all of downtown Portland includes over 100 square blocks, and stretches over a large area. Retail consumers typically will not walk more than about 1200 to 1500 feet, even in an interesting, fully activated shopping area (whether a busy downtown or a shopping mall). In Portland, this typical walking distance translates into a maximum distance of 5 to 6 city blocks. Because of this 'behavioral distance', it is logical to consider greater downtown Portland as a series of different subareas, defined by average walking distances, the level of contiguous retail activity at street level, concentrations and clusters of retail uses, the proximity of parking and transportation access, or other factors, and the presence of complementary uses that support retail activity (office space concentrations, cultural and performance venues that attract evening audiences, etc.). The ability to establish and reinforce a special identity for each of these subareas and to link them (either conceptually or physically) will provide the continuity and connectivity to draw customers to return again and again to experience the variety that the greater downtown can offer.

Strengths

- Offerings in the Cultural District including the Portland Performing Arts Center, the Symphony, Oregon History Center and the Portland Art Museum attract visitors to downtown Portland.
- Current and future residential development in the West End District provides for an evening and weekend clientele for the shops and services in the retail core and is an asset in attracting retailers to the area.
- The Yamhill Waterfront District gives the retail core an opportunity to provide visitors, tourist and residents with the type of waterfront dining and entertainment experience that has contributed to the vitality of many cities throughout the world.

- Old Town/Chinatown provides a number of dining and entertainment venues including the Classical Chinese Garden, McCormick & Schmick's, Portland Saturday Market and nightclubs.

Weaknesses

- The Galleria, which is located on a strategically significant site between the Retail Core District and the West End district, has a weak tenant mix and lacks a strong retail identity.
- Links between the downtown retail core and the Cultural District do not address the potential that exists between the two areas. There are few shopping or dining opportunities beyond Broadway and Salmon and very little retail in the transition area between them to draw people into the core.
- West Burnside Street is perceived as a barrier that separates the Pearl District from the retail core and, in effect, encourages the perception that the Pearl and the Brewery Blocks are a competitive shopping alternative to the downtown retail core.
- Blocks such as SW 5th and SW 6th Streets between SW Stark Street and SW Pine Street, that connect the retail core to other downtown districts, appear to have more vacant storefronts and less retail continuity than in primary locations. Many of the tenants located on these blocks do a poor job of merchandising and display.

PUBLIC SPACES/PUBLIC SAFETY

Great retail cities also include great public spaces; whether these spaces are developed as urban squares or plazas, pedestrian-friendly streets and boulevards or districts that have a distinct identity, all of them are places that encourage strolling, shopping and dining. The public spaces should be flexible enough to accommodate multiple activities, planned well enough to be maintained and used heavily and designed in a manner that creates a clear sense of identity. The best urban retail environments provide the opportunity for a variety of users, whether local and/or regional residents, conventioners and VFR's (Visiting Friends and Relatives) or other visitors to come together as part of a shared community experience.

Strengths

- Pioneer Courthouse Square, as the focal urban civic space in downtown Portland, has become a symbolic focus for area residents, office workers and visitors. By providing a wide array of special events, cultural and tourist services, Pioneer Courthouse Square attracts a large number of potential shoppers into the retail core throughout the year. A proposed ice skating rink would provide interest and activity in the retail core during the winter months.

A recent survey by Hobson Ferrarini Associates indicates that a skating rink would bring new and current visitors to downtown where, in addition to skating they would shop, dine and attend other activities in the area.

- The length of the blocks in downtown Portland, at 200 feet per side, makes the area an easy place for window shopping and strolling. Portland is one of a handful of American cities in its highly walkable block grid, making the city extremely pedestrian friendly.
- A mix of building styles and sizes provides opportunities for a number of retail formats, including small, and often more affordable formats, for local and independent merchants.

Weaknesses

- The number of street people in downtown Portland, particularly around Pioneer Courthouse Square, on the Bus Transit Mall, in O'Bryant Square and near the parking garages, gives the impression that the downtown area is unsafe. We have heard that this is particularly noticeable in the evening and is especially off-putting for women.
- Lack of retail activity on the Bus Transit Mall, particularly at the Meier & Frank where vast expanses of window block visibility into the store, gives the perception that the area is unsafe at night.
- The size of the downtown blocks, at 200 feet by 200 feet, is inconsistent with the large floor plates of many of today's retail formats and precludes some "category killers" or big box retailers (who are insistent upon a one-floor presentation) from locating in the retail core. The block size, central to Portland's character, will require creative solutions to be acceptable for this retail sector.

PUBLIC POLICY

Portland has used public policy as a powerful tool to shape its growth and development in the region. Over the past twenty years, Portland has balanced outward growth against urban infill and redevelopment, has provided financial and zoning incentives, planning and policy tools to manage change and development over time, and has addressed other public goals that the private sector cannot or will not address. The following comments represent the ERA team's considerations of public policy with regard to retail development in Portland:

Strengths

- Portland's leaders in the public and private sector recognize that having a strong retail core is key to having a vibrant residential, office, cultural and visitor-oriented uses.

- The City of Portland has a long tradition of forming successful public/private partnerships to encourage development. Incentives exist and are available, and creative solutions to development issues are both sought and encouraged by civic leaders and the public.
- Past efforts at design guidelines and building codes have helped maintain Portland's "human" scale and diversity of architectural styles.
- Establishment of the Urban Growth Boundary is the most aggressive stance taken by any American city to address sprawl, encourage mass transit and redevelop/ sustain the urban core.
- The City of Portland is willing to consider amending zoning regulations where appropriate.

Weaknesses

- The public development review process (i.e. submittal, review and comments on architectural plan reviews, required seismic studies for older buildings, storefront and sign designs, etc.) has proven cumbersome and frustrating to property owners and investors, and has sometimes discouraged retailers, especially small businesses, from opening stores downtown.
- Simultaneous public policy support of retail development in a number of different downtown areas can create competition between districts. This is particularly true in the case of the Lloyd District, where Lloyd Center, with branches of Meier & Frank and Nordstrom, offers a shopping alternative for many Eastside area residents and visitors. ERA is concerned that simultaneously fostering development (or redevelopment) of too many different shopping areas with multi-location tenants will weaken the drawing-power of the Downtown Retail Core.
- Existing incentives for small retailers are not well publicized or promoted and limited in scope (generally focusing on design improvements). It has also been commented that there are not enough incentives for retailers and that there are too many code restrictions, licenses and fees required.
- The current street grid pattern has resulted in zoning policies that do not make planning accommodations for retailers that need large floor plates. Alternatives such as street closings or new bridges are controversial, and may generate more problems than recruitment solutions.
- The level of regulatory enforcement by the public sector for dealing with street people is highly controversial in Portland. Concentrations of street people in highly visible locations adversely affect the perception of safety in the area.

KEY ISSUES TO BE ADDRESSED

Based on the ERA team's initial analysis of the strengths and weakness of the downtown Retail Core District, the ERA team has identified a number of key issues to be addressed. These issues (and recommendations for addressing them), while described on the following pages, will be discussed in greater detail in subsequent sections of this report.

Retention/Relocation of Meier & Frank and Nordstrom

The ERA team believes that retaining Meier & Frank and Nordstrom on the Square is critical to maintaining the vitality of the district and is of particular importance in attracting and retaining other retailers who benefit from the customer traffic generated by the department stores. We understand that Meier & Frank considers its building to be functionally obsolete, and that the existing Nordstrom store may be too small to accommodate future needs. While Nordstrom is not actively pursuing expansion, Meier & Frank has indicated a strong interest in remaining in downtown Portland at its current location. No doubt major renovation, including upgrading the structure to current seismic standards, will be costly. Meier & Frank is considering the selling of the excess space in the upper floors of the renovated building to a developer for conversion into office space or another alternate use. The proceeds from that sale will contribute to the overall renovation cost. However, some participation by the City of Portland through the Portland Development Commission will be likely necessary for Meier & Frank to undertake this major renovation project.

Retention and Attraction of Local Independent Retailers

Three factors affect whether small, locally owned retail businesses can succeed in a commercial district: (1) whether the retail concept is well conceived and managed; (2) whether sufficient market is present to support the business, and (3) whether the amount of rent expected/required from property owners is a reasonable percentage of potential sales volumes. In areas where landlord expectations exceed the tenants' ability to pay (as a percentage of overall sales) retailers simply cannot afford to stay.

By focusing retail activity around Pioneer Courthouse Square, it is expected that rents for retail space within the area will increase. For many existing tenants, this increase is likely to be disproportionate to increased revenues, forcing them to relocate. For smaller retailers that are new to the Portland market, high rents may prohibit them from locating in the retail core, despite the fact that their core customer may be a tourist or visitor.

Similarly, current zoning and block configuration may limit the amount of ground floor retail space that can be developed in the retail core area; many exciting retailers, restaurateurs and entertainment concepts may be forced to seek space elsewhere in the market.

Identifying Future Areas for Development Within The Core Retail District

Several districts within the central city currently have significant retail offerings or are about to see a dramatic increase in the amount of retail space to be developed. All of these districts provide competition in recruiting new tenants for the downtown Retail Core District. Among these districts are the NW 21st and NW 23rd Street corridors (provide shoppers with a critical mass of one-of-a kind shops, destination restaurants and local and national chains that are particularly appealing to area residents); the Pearl District (the Brewery Blocks are able to support larger retail, grocery and restaurant retailers that cannot currently be accommodated in the retail core, potentially including big box retailers, assuming adequate parking is available); Old Town/Chinatown (interest has been expressed in developing retail and entertainment venues that will expand upon the retail/dining/entertainment uses that are already there, and complement other new attractions like the Classical Chinese Garden); and, North Macadam District (waterfront development could draw entertainment and restaurant uses from the downtown retail core).

Outside downtown Portland, Lloyd Center offers shoppers an alternative to the downtown retail core. Future changes, such as PDC's proposed redevelopment of the neighborhoods and commercial areas surrounding Lloyd center, or potential shifting interests by the current (or future) owners of the Mall could provide even more competition for retailers in the downtown retail core. The current downtown/Lloyd Center mix is unusual; to our knowledge, no other American city has two department stores with each having two locations within 1-2 miles of each other. Conventional department store economics suggest that this could change.

We believe that in order to remain competitive, the City needs to identify areas for potential development within the downtown retail core, define a time frame for such development and offer incentives that will encourage private investment not only for retail, but supporting uses such as residential, hotel and office. Growth in retail market demand should be balanced against potential oversupply of retail space that might result from well-intentioned public policy and financial incentives. Future retail growth should be determined by market support as well as by urban design/redevelopment goals, and priority should be given to protecting past public investments first.

Enhancing Parking and Public Transportation

The availability of adequate and safe parking and transportation nodes is a key component to the success of the Retail Core District. As development expands the core area, it will be important to provide parking in strategic locations. Additionally, it will be important to strengthen the image, tenant roster and perception of safety in the public areas and civic spaces of the retail core, particularly along the Bus Transit Mall and in the Smart Park-branded garages.

CONCLUSIONS ABOUT THE RETAIL CONTEXT

While there are concerns about Meier & Frank and Nordstrom's current facilities and unmet opportunities to recruit and retain small, locally owned retailers in downtown Portland, the general condition of the retail context is far stronger than most other American cities.

Downtown Portland remains the principal retail destination for urban specialty shopping, and the most likely location of choice for upscale and higher price point goods. Redevelopment of urban housing has enhanced the availability of disposable income downtown, and mass transit has linked downtown to other areas of the city. In other words, the retail base upon which a future strategy can be built is far stronger than our team has found in other cities.

Section III

DOWNTOWN RETAIL MARKET OUTLOOK

INTRODUCTION

In this section, the ERA team examined the current retail market conditions of Downtown Portland, reviewed new suburban retail developments and their implications, and forecasted the short (2001-2005) and long term (2005-2015) economic and demographic changes that will impact the downtown's future retail potential. The resulting market demand forecasts then will provide the foundation for the evaluation of opportunities and constraints and the subsequent formulation of strategies.

SUMMARY OF CONCLUSIONS AND KEY IMPLICATIONS

Considering the current national and local recession and the expected upturn by the end of 2002, ERA projects that Downtown Portland will likely increase its total retail volume from \$550 million in 2001 to \$600 or \$610 million in 2005. This approximately ten percent increase of \$50 to \$60 million (in constant 2001 dollars) indicates that existing downtown retailers will have the opportunity to improve performance and landlords will be able to reduce vacancies over the next three to four years. It also indicates that given the current uncertainties in the national retail market place, a major new downtown retail project is not justified by market growth in the short-term future.

While there is clear opportunity for 50 to 60 million in additional retail sales for the downtown study area, there appears to be limited opportunity to have the retail core capture this growth. This results from a combination of few existing retail space opportunities available – and no immanent plans to develop new retail facilities or mixed-use facilities with a significant retail component in-hand. These conditions necessitate the development of a more refined or targeted strategy for the near term within the retail core.

Over the longer-term, demand growth will continue. ERA's forecast is that Downtown Portland has the potential for approximately \$200 million in additional retail sales growth from 2005 to 2015. To realize this level of volume increase, new retail development in the 600,000 to 650,000 square foot size range will be required. Since the current inventory of retail space in the downtown is 1.9 million square feet, an additional 600,000 to 625,000 square feet developed over the next 14 years represents an increase of one-third (see **Table 1**). The projected rate of increase averages out to be 2.1 percent per year.

At 40,000 square feet of land area per block, this longer-term demand growth will cover over 15 blocks of downtown if developed at a single level. Even if we assume that the average new retail development will be 1.5 levels, ten or eleven blocks are needed for retail expansion. Because of the considerable long-term property requirements, it will not be realistic or advisable to channel this future retail expansion in a single direction from the current core. The single direction policy places landowners of selected blocks in near monopoly positions and impedes new retail development by driving up land cost.

Considering the high cost of downtown land (\$100 to \$200 per square foot), few if any one or two level retail buildings will be financially feasible. Most of the new downtown retail space will be constructed at the lower levels of mixed-use projects with office, residential or hotel uses on the upper levels. Multi-level retail projects, similar to Pioneer Place I and II, could also be financially feasible. However, a series of these multi-level retail projects will tend to diminish street level pedestrian activity. That street level pedestrian activity is one of Downtown Portland's defining characteristics.

The downtown retail market is largely an adult market, in contrast to a family market with children or teenagers. Two-thirds of the current market consists of households with an average size below two, visitors to the metro area and central business district employees. Stores and cultural and entertainment venues that cater to young adults and older empty nesters would have the best chance for success. Due to their faster growth, the market segments of growing relative importance are represented by residents of the downtown and Pearl District, visitors to Portland and to a lesser degree suburbanites.

If it is the Portland community's objective to rejuvenate the downtown Meier & Frank Department Store, we would recommend deferring introducing another department store until that has been accomplished. The projected demand growth is not sufficient to accommodate both the revitalization of Meier & Frank and the success of a new full line department store within the next five to seven years.

CURRENT RETAIL MARKET CONDITIONS

Before moving to examine Downtown Portland's future retail opportunities, an understanding of current conditions is essential. For purposes of establishing a baseline for analysis, we have defined the downtown to include the area bounded by Burnside to the north, I-405 to the west and south and the Willamette River to the east. This downtown currently has 1.9 million square feet of retail space (**Table 2**). The three department stores, Nordstrom, Meier & Frank and Saks Fifth Avenue, total 464,000 square feet; and the balance of Pioneer Place contains 305,000 square feet. The other stores and restaurants total just under one million square feet, and approximately 140,000 square feet of vacant space represent the balance.

This inventory is based upon the Norris Beggs & Simpson's (NB&S) third quarter 2001 survey of 41 significant retail buildings. To the NB&S inventory, ERA made a number of adjustments based upon its own observations. We added the two large department stores, several restaurants in hotel buildings and the retail space in parking garages. We also subtracted the financial institutions and other non-retail uses from the NB&S retail inventory.

From both observations and interviews with retailers, the overall performance of Downtown Portland appears to be reasonably strong. ERA estimates that total downtown sales for 2001 to be \$550 million, implying an average sales per square foot of \$314. The retail stores average between \$250 to \$300, but the restaurants probably average between \$400 and \$500 per square foot.

For the 41 retail buildings surveyed by NB&S, the vacancy rate was 9.3 percent. When we add in the two large department stores and the restaurants, the total vacancy rate drops to 7.4 percent. Rents range from \$12 to \$20 NNN in the older buildings to \$40 to \$45 NNN in a few of the new well-located buildings.

Preliminary Results of Survey

The Association for Portland Progress (APP) is conducting a comprehensive survey of all downtown Portland businesses. At the consultant team's request, APP provided a preliminary tabulation of the number of retailers and the square footage they occupy in the downtown area bounded by Burnside, I-405 and the Willamette River. The details of the survey results are displayed in **Table 3**, and a summary of those results is as follows.

Retail Category	Retailers	Area in SF	Area Percentage
Eating and Drinking Places	175	447,201	25.9%
Specialty Stores	105	346,021	20.0%
Clothing & Accessory Stores	96	269,325	15.6%
General Merchandise	11	537,448	31.1%
All Other Retailers	52	128,746	7.4%
Total All Retail Respondents	439	1,728,741	100.0%

Decrease in Visitor Volume

Because of the recession and the events of September 11th, air passenger volume at Portland International Airport (PDX) was down 7.9 percent from 2000 to 2001. The volumes of the regional airlines that primarily serve the West Coast have held up well. Alaska Airline was even with the previous year's volume, and Southwest Airlines was slightly ahead of the previous year. Delta and United have suffered significant losses in volume. Delta's termination of its Portland to Tokyo flights has decreased tourist visitation from Japan, and some of the high-end retailers in downtown have noticed the spending impact.

Our review of Portland-Oregon Visitor Association's (POVA) visitor profile information indicates that a very low percentage of visitors to the Portland Metropolitan Area are from California relative to the size and proximity of that state. In the past, Oregonians have not necessarily wanted to promote visitation from California because the large disparity in housing prices encouraged Californians to relocate and drive up housing prices for local buyers. However, promoting Californians to spend a weekend shopping and dining in Portland could easily offset the loss of visitors from Japan.

Office Market Cooling

The downtown office market experienced negative absorption during the second and third quarter of 2001, but absorption is still in positive territory for the year to date as of the end of the third quarter. The vacancy rate for downtown Class A space has climbed from 3.5 percent at the end of the first quarter to 8.3 percent by the end of the third quarter. By year-end, office employment may decline slightly from last year's total.

Summary of Current Conditions

The adverse retail impacts of lower visitor volumes and possibly a slight decline in downtown employment have been offset by the gain in local resident population due to new housing development in the Pearl District. The recent addition of several hundred market rate apartments and prestigious condominiums in the Pearl District has added population and purchasing power to the benefit of downtown retailers. ERA estimates that overall downtown retail and restaurant sales volume in 2001 will be approximately equal to that achieved for 2000. However, discussions with local retailers indicate that the average transaction or "price point" will be lower than 2000.

NEAR TERM ECONOMIC OUTLOOK

Many economists around the nation are now of the opinion that the trough of the current recession will be in the fourth quarter of 2001 or the first quarter of 2002, as measured by gross domestic product (GDP). A gradual recovery is expected during the second half of 2002, although the recovery will be uneven across the country. The California economy may rebound fairly quickly, with the Southern California economy led by the entertainment and defense sectors and the Northern California economy led by a rebounding technology sector. The Seattle area is likely to recover more slowly because approximately 20,000 of Boeing's 30,000 layoffs will be from the Puget Sound region. The Midwest, more dependent on capital goods manufacturing, may also rebound more slowly.

The Portland area economy has traditionally lagged the national economy by three to six months and may do so once again. ERA expects the Portland Metropolitan Area economy to resume growth by year-end 2002. However, total employment in the region may not reach the year 2000 peak until 2003.

The Downtown office market is expected to show little or no net growth during the next 18 to 24 months but should resume moderate growth during 2004 and 2005.

Housing development in the Pearl District will continue, but absorption is expected to slow with the current recession and the now substantially higher prices. As land for development within the Pearl District becomes less available, the development pressure will push into the downtown, the West End, the River District and North Macadam. The increase in residential population in all of these areas will strengthen demand for retail goods and services in the downtown core.

The Portland visitor market is expected to rebound smartly in the near term for several reasons:

- Travel, particularly along the West Coast, will rebound as the insecurities caused by the events of September 11th recede from the public memory with the success of the military operation in Afghanistan.
- Portland is viewed as lower profile destination and therefore less likely to be the target of international terrorism. Downtown Portland can easily be promoted as "the comfortable and safe hometown that Americans now long for more than ever."
- The California visitor market has the potential for much greater exploitation.
- The completion of the new Hilton Tower, adding 321 rooms, with its related promotion, should stimulate visitation.

- The expansion of the Oregon Convention Center, essentially doubling its functional capacity, will be completed in the near future. This expansion will generate in round numbers an additional 150,000 room-nights of hotel demand resulting in approximately \$36 million in new delegate spending in Portland.

THE RETAIL SUPPLY PICTURE

The recently completed Pioneer Place, adding 365,000 square feet to the upper end of the retail spectrum, appears to be successful. Its absorption into the downtown market place, during a period of brisk national and local economic expansion, appears to have strengthened the retail profile of downtown as a whole without causing a significant adverse impact on other retailers.

The Meier & Frank Department Store, enjoying a strategic location in the downtown, is hampered from competing effectively by its outdated physical plant.

The 220,000 square feet of new retail space about to be completed in the Brewery Blocks did solicit downtown type retail tenants. However, the current retail leasing market is such that it will be occupied by tenants that primarily serve Pearl District residents, including a Whole Foods supermarket, restaurants, possibly a health club and some local service outlets. With the expansion of the downtown retail core over time and the redesign of Burnside to mitigate its impact as a separator between the downtown and the Pearl District, the Brewery Blocks will become a fully integrated part of the downtown retail picture over the next decade.

It is unlikely that the inventory of retail space will expand within or immediately surrounding the retail core in the near term. Thus, over the next 3 – 5 years, a key retail strategy within the retail core should be to actively facilitate the relocation of larger service commercial spaces to other adjacent locations, and converting these spaces as new homes for mini-retail anchors, specialty retail stores and destination uses.

A number of suburban shopping centers are being built in the region. Most of these are anchored by discount chains or supermarkets and will not have significant competitive impact on downtown retailing. For example:

- Gresham is adding a 470,000 square foot Wood Village, which will have a Fred Meyer and a Lowe's home improvement store. The new 322,000 square foot Gresham Station will add a QFC supermarket, Bed, Bath & Beyond and Borders Books.
- Mall 205 in East Portland is being redeveloped to add a new two level Target Store of 185,000 square feet and a new 140,000 square foot Home Depot.
- The new 250,000 square foot Troutdale Commons will be anchored by Home Depot, Albertsons, Walgreen's, Blockbuster and Starbucks.

- In the Southwest, Sherwood is adding a new 110,00 square foot G.I. Joe and a 120,000 square foot Home Depot.

Lloyd Center, which has land for expansion and significant upgrade potential, poses a significant threat to the downtown because of its close proximity.

MARKET DEMAND FORECAST

Because Oregon does not collect sales tax and “hard” retail sale information is therefore not available, ERA decided to estimate Portland area retail sales generation by examining the taxable retail sales information from two metropolitan areas in adjacent states. We selected King County (Seattle) in Washington and Sacramento County in California for the following reasons:

- They are similar in size to the four-county Portland Metropolitan Area.
- They bracket the Portland area in terms of geographic features constraining or facilitating suburban expansion.
- They also bracket the Portland area in all of the key socio-economic characteristics that determine retail demand: the number of households, average household size, median household income, per capita income, the amount of retail space, the current retail vacancy rate and the size of the visitor market (see **Table 4**).

After estimating the sales generation per resident in the Portland region based upon King County and Sacramento County (see **Table 5** for details), we divided the Downtown Portland retail market into five key demand components. The important characteristics of each component are highlighted below:

- Downtown Census Tracts: Residents of Downtown and Pearl District – Historically this area is characterized by small average household size and very low incomes. The recent housing development in the Pearl District is beginning to change the income profile, although household size remains very small at 1.67 (see **Table 6**). The estimated per capita income of the 10,000 residents that live in this local area was still only about 80 percent of the metro area average during 2000 of \$18,226.

- The Westside Trade Area: Residents Closer to Downtown than to Other Regional Shopping Centers – These residents are largely in the West Hills and in areas to the northwest of downtown. It is a mix of some very affluent and some not so affluent areas (**Table 7**). The median household income of this Trade Area is nearly equal to the metro area median; however, due to much smaller household sizes (average 1.87), the per capita income is one-third above the metro area average (**Table 8**). With a total population of just under 50,000 and growing very slowly, this area no doubt has a number of empty nester and retired households.
- The Secondary Trade Area: The Balance of the Four-County Region – This is 96 percent of the region, and the growth rate is expected to be a shade over two percent per year (for detailed forecast see **Table 9**). The new housing construction tends to be some distance from downtown.
- Visitors to the Portland Metropolitan Area – This the fastest growing segment of the market. We estimated the near term growth rate to be about five percent per year due to the expected travel rebound, the completion of the Hilton tower and the expansion of the convention center. The long-term growth rate is estimated at over three percent per year (see **Table 10** for details).
- CBD Employees: Employees in the Central Business District Bounded by I-405 and the Willamette River – Metro estimates this total to be 122,000 during 2000. Short-term growth of this market segment will be slow due to the softness in the office market. Longer-term growth is projected at 1.3 percent per year as higher density residential and commercial development continues to displace traditional industrial, distribution, service and repair uses located at the fringes of the district (see **Tables 11 and 12**).

Retail demand is essentially a function of the number of the people in a given market area and the amount the average person spends within the various categories of retail outlets. Since we have divided the downtown market into five distinct components, each demand component is analyzed separately to provide a more detailed understanding of future potential. For each of the five demand components, the analysis included the following steps:

- Projections of population (including employment or visitor population) growth from 2001 to 2005, 2010 and 2015.
- Adjustments for real income growth considering both macro economic conditions, like the current recession, and micro economic changes, such as the increase in average incomes due to new higher quality housing development in the Pearl District.
- Estimates of per capita retail spending based upon income but taking care to eliminate the possible double counting for residents who are also downtown employees.

- Adjustments from taxable sales to actual sales for the grocery and drug store information collected from Washington and California because most grocery items are not subject to sales tax.

The aggregate retail demand growth from each market component is calculated by multiplying the population growth of the component by the income adjusted per capita sales of that component. We then estimated a downtown capture rate for each category of each demand component. This analysis is detailed in **Tables 13** through **17** for by major retail category for the five demand components.

When the five components are combined, we have the estimated total downtown sales for each retail category. This combined information and the percentage contribution to total retail sales from each demand component is presented in **Table 18**. ERA used numerous iterations of this analysis to arrive at a reasonable set of estimates for all demand components across all major retail categories. In **Table 19**, we analyzed the changing percentage contribution of the five demand components for each of the four major retail categories individually: apparel & accessory, general merchandise, eating and drinking places and miscellaneous or specialty retail. The market analysis conclusions are then summarized in Table 1 and presented at the beginning of this section.

In computing the amount of additional retail space supportable within the downtown, we allowed for an eight percent across the board increase per square foot sales performance (from \$314 to \$340) for the existing retail space and for a decrease in vacancy rate from 7.4 to 6.0 percent. With this approach, a large majority of the existing retailers in the downtown will be performing at quite profitable levels before additional development is encouraged.

Table 1

TOTAL DOWNTOWN RETAIL DEMAND FROM ALL SECTORS
(Square Feet of Space)

	Sales per SF per Year		<u>2001</u>	<u>2005</u>	<u>2010</u>	<u>2015</u>	Growth in Space Supportable ²		
	<u>Current</u>	<u>Future</u>					<u>2001-05</u>	<u>2005-15</u>	<u>2001-15</u>
Apparel/Accessories	271	295	200,614	206,561	238,997	273,814	5,115	67,253	72,368
General Merchandise	260	290	467,190	465,222	535,012	608,999	-1,692	143,776	142,084
Food Stores	420	450	93,563	88,789	107,087	123,878	-4,106	35,088	30,983
Eating and Drinking Places	450	480	370,854	377,133	436,443	492,815	5,400	115,682	121,082
Furniture/Furnishings	220	250	8,246	9,403	12,544	14,902	995	5,499	6,494
Building Materials/Farm Equip.	220	250	9,910	10,419	12,717	14,323	438	3,904	4,343
Misc. or Specialty Retail	273	295	605,096	629,469	732,172	838,146	20,961	208,677	229,638
Downtown SF Supportable	314	340	1,755,472	1,786,997	2,074,972	2,366,877	27,111	579,880	606,991
Supportable @ 6% Vacancy Rate¹			1,867,523	1,901,060	2,207,417	2,517,954	5,765	616,894	622,659
Current Inventory of Retail & Rest. Space			1,895,295						
Current Vacancy Rate ³			7.4%						

¹ 6% overall vacancy rate is considered market equilibrium

² The supportable space from 2001-05 is decreased by the absorption of currently vacant space

³ Includes department stores and restaurants in hotels

Table 2

ESTIMATION OF DOWNTOWN PORTLAND RETAIL VOLUME - 2001

	<u>Size in SF</u>	<u>Estimated Sales Per SF</u>	<u>Estimated Sales (\$1,000)</u>	<u>Percentage Distribution</u>
Department Stores				
Nordstrom	174,000	\$360	\$62,640	11.4%
Meier & Frank ¹	230,000	132	30,360	5.5%
Saks Fifth Avenue	<u>60,000</u>	<u>330</u>	<u>19,800</u>	<u>3.6%</u>
Subtotal Dept Stores	464,000	243	112,800	20.5%
Pioneer Place (Excluding Saks)	305,000	470	143,350	26.0%
Other Retail & Restaurant Space ²	986,471	299	295,031	53.5%
Total Occupied Sapce	1,755,471	\$314	\$551,181	100.0%
Vacant Retail Space	139,824			
Total Downtown Portland	1,895,295			
Vacancy Rate ²	7.4%			

¹ Total building is 665,000 Square feet; however, only 230,000 square feet counted as effective store space

² Space is based upon Norris Beggs & Simpson - September 30, 2001 Retail Market Report adjusted by adding restaurant space in hotels, retail space in parking garages and subtracting bank and other non-retail space in retail buildings.

Source: Economics Research Associates, Norris Beggs & Simpson and individual brokers

Table 3

DISTRIBUTION OF RETAILERS AND RETAIL SQUARE FOOTAGE IN DOWNTOWN ¹

Retail Sector	Respondents	Respondent Percentage	Total Area	Area Percentage
Motor Vehicle and Parts Dealers	2	0.5%	24,976	1.4%
Furniture and Home Furnishings Stores	12	2.7%	40,008	2.3%
Electronics and Appliance Stores	7	1.6%	19,321	1.1%
Food and Beverage Stores	22	5.0%	30,316	1.8%
Health and Personal Care Stores	9	2.1%	14,125	0.8%
Clothing and Clothing Accessories Stores	96	21.9%	269,325	15.6%
Sporting Goods, Hobby, Book, and Music Stores	26	5.9%	165,469	9.6%
General Merchandise Stores	11	2.5%	537,448	31.1%
Miscellaneous Store Retailers	79	18.0%	180,552	10.4%
Food Services and Drinking Places	<u>175</u>	<u>39.9%</u>	<u>447,201</u>	<u>25.9%</u>
All Retailer Respondents	439	100.0%	1,728,741	100.0%

¹ Includes area bounded by Burnside, I-405 and the Willamette River

	52		128,746	7.4%
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Source: Preliminary Results of APP Survey, March 2002

Table 4

COMPARISON OF PORTLAND METRO AREA TO SEATTLE AND SACRAMENTO

	<u>King County (Seattle WA)</u>	<u>Sacramento County - CA</u>	<u>Portland Metro (Four Counties)¹</u>
Population in 2000	1,737,034	1,223,499	1,789,457
Households in 2000	710,916	453,602	696,669
Average Household Size	2.44	2.70	2.57
Estimated Household Income in 2000	\$54,339	\$44,778	\$46,815
Estimated Per Capita Income in 2000	\$22,239	\$16,601	\$18,226
Retail Inventory (1,000 SF) ²	36,911	32,200	35,735
Retail SF per Capita	21.2	26.3	20.0
Retail Vacancy Rate	5.8%	7.2%	6.2%

¹ Multnomah, Clackamas, Washington and Clark Counties² Provided by Integra Realty Resources, Inc. probably does not include all street retail space

Source: U.S. Census; Oregon Office of Economic Analysis; Puget Sound Regional Council;
California Department of Finance; CACI Estimates 2000; ERA and Viewpoint 2001
from Integra Realty Resources, Inc.

Table 5

ESTIMATION OF PORTLAND METRO AREA PER CAPITA RETAIL DEMAND

	King County		Sacramento County		Portland Metro Area	
<u>Retail Sector</u>	<u>Total Sales</u> <u>(\$1,000s)</u>	<u>Per Capita</u> <u>Sales</u>	<u>Total Sales</u> <u>(\$1,000s)</u>	<u>Per Capita</u> <u>Sales</u>	<u>Total Sales</u> <u>(\$1,000s)</u>	<u>Per Capita</u> <u>Sales</u>
Apparel/Accessories	\$1,019,791	\$587	\$369,927	\$302	\$783,869	\$438
General Merchandise	1,792,123	1,032	1,691,289	1,382	2,127,523	1,189
Food Stores	3,204,828	1,845	2,088,513	1,707	3,130,404	1,749
Eating and Drinking Places	2,280,808	1,313	1,080,021	883	1,935,156	1,081
Furniture/Furnishings	836,192	481	523,294	428	801,191	448
Building Materials/Farm Equip.	992,685	571	811,938	664	1,088,505	608
Auto Dealers/Gas Stations	3,338,758	1,922	2,624,027	2,145	3,584,096	2,003
Misc. Retail	4,039,914	2,326	2,141,965	1,751	3,592,599	2,008
Total	\$17,505,098	\$10,078	\$11,330,974	\$9,261	\$17,043,344	\$9,524

Source: Washington Department of Revenue; California Board of Equalization; ERA.

Table 6

POPULATION AND HOUSEHOLDS IN DOWNTOWN CENSUS TRACTS

<u>Census Tracts</u>	<u>Area Description</u>	<u>Population</u>			<u>Households</u>			<u>Median HH Income</u>		<u>HH Size in 2000</u>
		<u>1990</u>	<u>2000</u>	<u>% Change 90-00</u>	<u>1990</u>	<u>2000</u>	<u>% Change 90-00</u>	<u>1990</u>	<u>2000</u>	
CT 5100	Pearl District, Old Town/Chinatown	1,590	1,964	23.5%	658	885	34.5%	\$11,346	\$33,137	2.22
CT 5300	Crossroads, West End	1,864	1,957	5.0%	986	1,100	11.6%	\$6,942	\$11,921	1.78
CT 5400	Retail Core, Skidmore	866	890	2.8%	207	234	13.0%	\$6,632	\$15,650	3.80
CT 5600	Cultural District	3,433	3,544	3.2%	2,446	2,600	6.3%	\$10,025	\$18,717	1.36
CT 5700	Auditorium, South Waterfront	<u>1,775</u>	<u>1,861</u>	<u>4.8%</u>	<u>1,209</u>	<u>1,300</u>	<u>7.5%</u>	<u>\$33,102</u>	<u>\$43,519</u>	<u>1.43</u>
Total Downtown Census Tracts		9,528	10,216	7.2%	5,506	6,119	11.1%	\$14,570	\$24,733	1.67

Source: U.S. Census; CACI 2000 Estimates, ERA.

Table 7

POPULATION - HOUSEHOLDS - INCOME IN PRIMARY TRADE AREA: WEST HILLS & NORTHWEST

Census Tract	Population			Households			Median Household Income		HH Size in 2000
	<u>1990</u>	<u>2000</u>	<u>% Change 90-00</u>	<u>1990</u>	<u>2000</u>	<u>% Change 90-00</u>	<u>1990</u>	<u>2000</u>	
4300	851	1,043	22.6%	355	442	24.5%	\$37,305	\$53,551	2.36
4500	1,686	1,888	12.0%	849	972	14.5%	25,281	36,078	1.94
4601	2,760	2,995	8.5%	1,329	1,474	10.9%	57,012	70,358	2.03
4602	1,766	1,809	2.4%	771	806	4.5%	63,656	75,975	2.24
4700	3,680	3,753	2.0%	2,182	2,263	3.7%	24,255	34,895	1.66
4800	2,743	2,686	-2.1%	1,938	1,922	-0.8%	14,129	22,643	1.40
4900	2,889	2,899	0.3%	2,106	2,141	1.7%	10,889	17,318	1.35
5000	617	827	34.0%	409	557	36.2%	13,884	23,550	1.48
5200	3,388	3,349	-1.2%	2,525	2,525	0.0%	15,585	25,117	1.33
5500	1,385	1,631	17.8%	873	1,045	19.7%	16,489	26,182	1.56
5800	4,850	4,977	2.6%	2,370	2,455	3.6%	35,524	49,250	2.03
5900	3,355	3,667	9.3%	1,884	2,071	9.9%	29,254	40,365	1.77
6001	1,350	1,437	6.4%	654	714	9.2%	42,500	59,134	2.01
6002	1,958	1,948	-0.5%	896	904	0.9%	42,949	57,820	2.15
6100	2,099	2,052	-2.2%	908	900	-0.9%	44,500	60,884	2.28
6801	2,105	2,438	15.8%	923	1,084	17.4%	38,571	53,339	2.25
6802	3,346	3,168	-5.3%	1,337	1,284	-4.0%	49,323	65,114	2.47
6900	2,296	2,499	8.8%	913	1,007	10.3%	79,019	98,798	2.48
7000	<u>1,933</u>	<u>3,330</u>	<u>72.3%</u>	<u>751</u>	<u>1,331</u>	<u>77.2%</u>	<u>56,310</u>	<u>75,937</u>	<u>2.50</u>
Total	45,057	48,396	7.4%	23,973	25,897	8.0%	\$32,711	\$45,678	1.87

Source: U.S. Census; CACI 2000 Estimates, ERA.

Table 8
ANALYSIS OF TRADE AREA MEDIAN HOUSEHOLD INCOME

	Median Household Income			
	<u>1990 Census</u>	<u>Ratio to Median</u>	<u>CACI 2000</u>	<u>Ratio to Median</u>
Downtown Census Tracts	\$14,570	0.47	\$24,733	0.53
Primary Trade Area	\$32,711	1.06	\$45,678	0.98
Four County Metro Area ¹	\$30,930	1.00	\$46,815	1.00

	Estimated Per Capita Income			
	<u>1990 Census</u>	<u>Ratio to Median</u>	<u>CACI 2000</u>	<u>Ratio to Median</u>
Downtown Census Tracts	\$8,422	0.72	\$14,810	0.81
Primary Trade Area	\$17,400	1.49	\$24,427	1.34
Four County Metro Area ¹	\$11,716	1.00	\$18,226	1.00

¹ Multnomah, Clackamas, Washington and Clark Counties

Source: U.S. Census; Claritas 2000 Estimates, ERA.

Table 9

TRADE AREA POPULATION FORECASTS

<u>Populatiuon</u>	<u>2000</u>	<u>2001</u>	<u>2005</u>	<u>2010</u>	<u>2015</u>	Annual Growth Rate	
						<u>2001-05</u>	<u>2005-15</u>
Downtown Core & Pearl District	10,216	10,936	13,456	16,156	18,676	5.32%	3.33%
Primary Trade Area	48,396	48,686	49,865	51,635	53,468	0.60%	0.70%
Secondary Trade Area	<u>1,730,845</u>	<u>1,781,729</u>	<u>1,937,644</u>	<u>2,185,096</u>	<u>2,403,056</u>	<u>2.12%</u>	<u>2.18%</u>
Total Four County Region	1,789,457	1,841,351	2,000,966	2,252,887	2,475,200	2.10%	2.15%

<u>Population Increase Over Preceding Period</u>	Absolute Increase	
	<u>2001-05</u>	<u>2005-15</u>
Downtown Core & Pearl District	720	2,520
Primary Trade Area	290	1,179
Four County Metro Area	<u>50,884</u>	<u>155,915</u>
Total Four County Region	51,894	159,614

Source: AMBAG 1997 Regional Population and Employment Forecast, Bureau of Census, California Dept. of Finance and ERA

Table 10

PORTLAND METRO AREA VISITOR-DAY FORECAST

<u>Visitors</u>	<u>2000</u>	<u>2001</u>	<u>2005</u>	<u>2010</u>	<u>2015</u>	<u>Annual Growth Rate</u>	
						<u>2001-05</u>	<u>2005-15</u>
Portland Hotel Room Nights ¹	2,505,594	2,491,963	3,017,822	3,509,855	4,076,769	4.9%	3.1%
Hotel Guest Visitor-Days	3,664,431	3,644,496	4,413,565	5,133,163	5,962,275	4.9%	3.1%
Other Guest Visitor-Days	3,969,800	3,948,204	4,781,362	5,560,927	6,459,131	4.9%	3.1%
All Guest Visitor-Days	7,634,232	7,592,700	9,194,926	10,694,089	12,421,406	4.9%	3.1%
						<u>Absolute Increase</u>	
<u>Increase Over Preceding Period</u>						<u>2001-05</u>	<u>2005-15</u>
Portland Hotel Room Nights ¹		-13,631	525,859	492,033	566,914	525,859	1,058,947
Hotel Guest Visitor-Days		-19,935	769,068	719,598	829,112	769,068	1,548,710
Other Guest Visitor-Days		-21,596	833,157	779,565	898,204	833,157	1,677,769
All Guest Visitor-Days		-41,531	1,602,226	1,499,163	1,727,316	1,602,226	3,226,479

¹ From *Evaluation of Hotel Market and Impact Analysis of Convention Hotel*, prepared by ERA in January of 2001

Source: ERA and POVA

Table 11

ESTIMATION OF CENTRAL BUSINESS DISTRICT EMPLOYMENT - 2001
(Between I-405 Loop and Willamette River)

	<u>SF or Units</u>	<u>Employment Density</u>	<u>Number of Employees</u>	<u>Percentage Distribution</u>
Occupied Multi Tenant Office Space	14,818,944	230	64,430	52.9%
Occupied Retail & Restaurant Space	2,036,458	330	6,171	5.1%
Hotel Rooms	4,300	0.9	3,870	3.2%
Government & Institutional Offices	2,963,789	223	13,291	10.9%
All Other			<u>34,000</u>	<u>27.9%</u>
Total Downtown Employees			121,762	100.0%

1 Includes

Source: Grubb & Ellis, Norris Beggs & Simpson and Economics Research Associates

Table 12

DOWNTOWN EMPLOYMENT FORECAST

<u>Type of Employee</u>	<u>2001</u>	<u>2005</u>	<u>2010</u>	<u>2015</u>	Annual Growth Rate	
					<u>2001-05</u>	<u>2005-15</u>
Multi Tenant Office	64,430	66,247	73,862	81,150	0.70%	2.05%
Retail & Restaurant	6,171	6,838	7,737	8,711	2.60%	2.45%
Hotels	3,870	4,407	5,133	5,865	3.30%	2.90%
Government & Institutional	13,291	13,885	14,738	15,722	1.10%	1.25%
All Other	<u>34,000</u>	<u>32,529</u>	<u>30,934</u>	<u>29,418</u>	<u>-1.10%</u>	<u>-1.00%</u>
Total Downtown Employees	121,762	123,906	132,405	140,866	0.44%	1.29%

<u>Employment Increase Over Preceding Period</u>	Absolute Increase	
	<u>2001-05</u>	<u>2005-15</u>
Multi Tenant Office	1,817	14,904
Retail & Restaurant	667	1,873
Hotels	537	1,458
Government & Institutional	595	1,837
All Other	<u>-1,472</u>	<u>-3,110</u>
Total Employee Growth	2,144	16,961

Source: ERA

Table 13 A

RETAIL SALES FORECAST GENERATED BY DOWNTOWN & PEARL DIST RESIDENTS

(Thousands of Dollars)

		<u>2001</u>	<u>2005</u>	<u>2010</u>	<u>2015</u>	<u>2001-05</u>	<u>2005-15</u>
Downtown & Pearl Dist.Population		10,936	13,456	16,156	18,676	2,520	5,220
Inflation Adjustment		1.000	1.000	1.000	1.000		
Real Income Adjustment		1.000	1.090	1.170	1.230		
	Per Capita	Total Market Area Demand				Net Change in Volume	
Apparel/Accessories	\$0.377	\$4,120	\$5,525	\$7,121	\$8,654	\$1,406	\$3,128
General Merchandise	1.022	11,182	14,997	19,327	23,488	3,815	8,491
Food Stores	1.434	15,687	21,040	27,115	32,952	5,352	11,913
Eating and Drinking Places	0.887	9,698	13,006	16,762	20,370	3,309	7,364
Furniture/Furnishings	0.385	4,211	5,647	7,278	8,845	1,437	3,198
Building Materials/Farm Equip.	0.523	5,721	7,673	9,888	12,017	1,952	4,344
Misc. Retail	1.727	18,882	25,324	32,637	39,662	6,442	14,338
Total ¹	\$6.355	\$69,500	\$93,212	\$120,129	\$145,988	\$23,711	\$52,776

¹ Excludes auto and service station sector

Source: Economics Research Associates

Table 13 B

DOWNTOWN CAPTURE OF LOCAL & PEARL DIST. RESIDENT SPENDING

	<u>2001</u>	<u>2005</u>	<u>2010</u>	<u>2015</u>	<u>2001-05</u>	<u>2005-15</u>
Apparel/Accessories	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%
General Merchandise	52.0%	52.0%	52.0%	52.0%	52.0%	52.0%
Food Stores	50.0%	42.0%	46.0%	47.0%	18.6%	55.8%
Eating and Drinking Places	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Furniture/Furnishings	5.0%	6.0%	8.0%	10.0%	8.9%	17.1%
Building Materials/Farm Equip.	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Misc. Retail	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Overall Capture	41.9%	40.2%	41.2%	41.6%	35.1%	44.0%

Source: Economics Research Associates

Table 13 C

DOWNTOWN SALES GENERATED BY LOCAL AND PEARL DIST. RESIDENTS

(Thousands of Dollars)

	<u>2001</u>	<u>2005</u>	<u>2010</u>	<u>2015</u>	Change in Sales by Period		
					<u>2001-05</u>	<u>2005-15</u>	<u>2001-15</u>
Apparel/Accessories	\$2,266	\$3,039	\$3,917	\$4,760	\$773	\$1,721	\$2,494
General Merchandise	5,815	7,798	10,050	12,214	1,984	4,415	6,399
Food Stores	7,844	8,837	12,473	15,487	993	6,651	7,644
Eating and Drinking Places	3,394	4,552	5,867	7,130	1,158	2,577	3,735
Furniture/Furnishings	211	339	582	885	128	546	674
Building Materials/Farm Equip.	172	230	297	361	59	130	189
Misc. Retail	9,441	12,662	16,318	19,831	3,221	\$7,169	10,390
Total Downtown Sales	\$29,141	\$37,457	\$49,504	\$60,666	\$8,316	\$23,209	\$31,525

Source: Economics Research Associates

Table 13 D

LOCAL AND PEARL DIST. RESIDENTS CONTRIBUTION TO DOWNTOWN SALES VOLUME

	Change in Sales by Period						
	<u>2001</u>	<u>2005</u>	<u>2010</u>	<u>2015</u>	<u>2001-05</u>	<u>2005-15</u>	<u>2001-15</u>
Apparel/Accessories	4.2%	5.0%	5.6%	5.9%	11.8%	8.7%	9.4%
General Merchandise	4.8%	5.8%	6.5%	6.9%	14.8%	10.6%	11.6%
Food Stores	20.0%	22.1%	25.9%	27.8%	150.8%	42.1%	46.5%
Eating and Drinking Places	2.0%	2.5%	2.8%	3.0%	8.2%	4.6%	5.4%
Furniture/Furnishings	11.6%	14.4%	18.6%	23.7%	23.9%	39.7%	35.3%
Building Materials/Farm Equip.	7.9%	8.8%	9.3%	10.1%	13.8%	13.4%	13.5%
Misc. Retail	5.7%	6.8%	7.6%	8.0%	15.7%	11.6%	12.7%
Total Downtown Sales	5.3%	6.2%	7.0%	7.5%	14.8%	11.8%	12.5%

Source: Economics Research Associates

Table 14 A

RETAIL SALES FORECAST GENERATED BY WESTSIDE TRADE AREA RESIDENTS

(Thousands of Dollars)

		<u>2001</u>	<u>2005</u>	<u>2010</u>	<u>2015</u>	<u>2001-05</u>	<u>2005-15</u>
Westside Trade Area Population		48,686	49,865	51,635	53,468	1,179	3,603
Inflation Adjustment		1.000	1.000	1.000	1.000		
Real Income Adjustment		1.000	1.030	1.072	1.115		
	Per Capita	Total Market Area Demand				Net Change in Volume	
Apparel/Accessories	\$0.491	\$23,886	\$25,199	\$27,154	\$29,260	\$1,312	\$4,062
General Merchandise	1.367	66,567	70,224	75,672	81,543	3,657	11,319
Food Stores	2.012	97,945	103,327	111,343	119,981	5,381	16,654
Eating and Drinking Places	1.190	57,916	61,098	65,838	70,945	3,182	9,848
Furniture/Furnishings	0.515	25,068	26,445	28,497	30,708	1,377	4,262
Building Materials/Farm Equip.	0.700	34,058	35,929	38,716	41,720	1,871	5,791
Misc. Retail	2.249	109,474	115,489	124,449	134,104	6,015	18,615
Total ¹	\$8.522	\$414,914	\$437,711	\$471,669	\$508,262	\$22,797	\$70,551

¹ Excludes auto and service station sector

Source: Economics Research Associates

Table 14 B

DOWNTOWN CAPTURE OF WESTSIDE TRADE AREA RESIDENT SPENDING

	<u>2001</u>	<u>2005</u>	<u>2010</u>	<u>2015</u>	<u>2001-05</u>	<u>2005-15</u>
Apparel/Accessories	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
General Merchandise	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%
Food Stores	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Eating and Drinking Places	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Furniture/Furnishings	2.0%	3.0%	4.0%	4.0%	21.2%	10.2%
Building Materials/Farm Equip.	2.0%	2.5%	3.0%	3.0%	11.6%	6.1%
Misc. Retail	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Overall Capture	17.2%	17.3%	17.4%	17.4%	19.1%	18.0%

Source: Economics Research Associates

Table 14 C

DOWNTOWN SALES GENERATED BY WESTSIDE TRADE AREA RESIDENTS

(Thousands of Dollars)

	<u>2001</u>	<u>2005</u>	<u>2010</u>	<u>2015</u>	Change in Sales by Period		
					<u>2001-05</u>	<u>2005-15</u>	<u>2001-15</u>
Apparel/Accessories	\$7,166	\$7,560	\$8,146	\$8,778	\$394	\$1,218	\$1,612
General Merchandise	21,967	23,174	24,972	26,909	1,207	3,735	4,942
Food Stores	4,897	5,166	5,567	5,999	269	833	1,102
Eating and Drinking Places	8,687	9,165	9,876	10,642	477	1,477	1,954
Furniture/Furnishings	501	793	1,140	1,228	292	435	727
Building Materials/Farm Equip.	681	898	1,161	1,252	217	353	570
Misc. Retail	27,369	28,872	31,112	33,526	1,504	\$4,654	6,157
Total Downtown Sales	\$71,269	\$75,629	\$81,974	\$88,334	\$4,360	\$12,706	\$17,065

Source: Economics Research Associates

Table 14 D

WESTSIDE TRADE AREA RESIDENTS CONTRIBUTION TO DOWNTOWN SALES VOLUME

	Change in Sales by Period						
	<u>2001</u>	<u>2005</u>	<u>2010</u>	<u>2015</u>	<u>2001-05</u>	<u>2005-15</u>	<u>2001-15</u>
Apparel/Accessories	13.2%	12.4%	11.6%	10.9%	6.0%	6.1%	6.1%
General Merchandise	18.1%	17.2%	16.1%	15.2%	9.0%	9.0%	9.0%
Food Stores	12.5%	12.9%	11.6%	10.8%	40.9%	5.3%	6.7%
Eating and Drinking Places	5.2%	5.1%	4.7%	4.5%	3.4%	2.7%	2.8%
Furniture/Furnishings	27.6%	33.7%	36.3%	33.0%	54.4%	31.6%	38.0%
Building Materials/Farm Equip.	31.2%	34.5%	36.5%	35.0%	51.1%	36.2%	40.7%
Misc. Retail	16.6%	15.5%	14.4%	13.6%	7.3%	7.6%	7.5%
Total Downtown Sales	12.9%	12.4%	11.6%	11.0%	7.7%	6.5%	6.7%

Source: Economics Research Associates

Table 15 A

RETAIL SALES FORECAST GENERATED BY PRIMARY SECONDARY AREA RESIDENTS

(Thousands of Dollars)

		<u>2001</u>	<u>2005</u>	<u>2010</u>	<u>2015</u>	<u>2001-05</u>	<u>2005-15</u>
Secondary Trade Area Population		1,781,729	1,937,644	2,185,096	2,403,056	155,915	465,412
Inflation Adjustment		1.000	1.000	1.000	1.000		
Real Income Adjustment		1.000	1.035	1.080	1.129		
	Per Capita	Total Market Area Demand				Net Change in Volume	
Apparel/Accessories	\$0.425	\$757,070	\$852,135	\$1,002,500	\$1,153,012	\$95,066	\$300,877
General Merchandise	1.141	2,033,601	2,288,962	2,692,864	3,097,161	255,361	808,199
Food Stores	1.741	3,101,301	3,490,733	4,106,696	4,723,260	389,432	1,232,527
Eating and Drinking Places	1.049	1,868,995	2,103,686	2,474,895	2,846,467	234,691	742,781
Furniture/Furnishings	0.448	797,731	897,902	1,056,343	1,214,939	100,172	317,036
Building Materials/Farm Equip	0.608	1,083,804	1,219,898	1,435,158	1,650,627	136,094	430,728
Misc. Retail	1.947	3,469,771	3,905,473	4,594,619	5,284,438	435,701	1,378,966
Total ¹	\$7.359	\$13,112,273	\$14,758,789	\$17,363,076	\$19,969,904	\$1,646,516	\$5,211,114

¹ Excludes auto and service station sector

Source: Economics Research Associates

Table 15 B

DOWNTOWN CAPTURE OF SECONDARY TRADE AREA RESIDENT SPENDING

	<u>2001</u>	<u>2005</u>	<u>2010</u>	<u>2015</u>	<u>2001-05</u>	<u>2005-15</u>
Apparel/Accessories	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
General Merchandise	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Food Stores	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Eating and Drinking Places	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%
Furniture/Furnishings	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Building Materials/Farm Equip.	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Misc. Retail	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
Overall Capture	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%

Source: Economics Research Associates

Table 15 C

DOWNTOWN SALES GENERATED BY SECONDARY TRADE AREA RESIDENTS

(Thousands of Dollars)

	Change in Sales by Period						
	<u>2001</u>	<u>2005</u>	<u>2010</u>	<u>2015</u>	<u>2001-05</u>	<u>2005-15</u>	<u>2001-15</u>
Apparel/Accessories	\$18,927	\$21,303	\$25,063	\$28,825	\$2,377	\$7,522	\$9,899
General Merchandise	40,672	45,779	53,857	61,943	5,107	16,164	21,271
Food Stores	3,101	3,491	4,107	4,723	389	1,233	1,622
Eating and Drinking Places	29,904	33,659	39,598	45,543	3,755	11,884	15,640
Furniture/Furnishings	798	898	1,056	1,215	100	317	417
Building Materials/Farm Equip.	1,084	1,220	1,435	1,651	136	431	567
Misc. Retail	93,684	105,448	124,055	142,680	11,764	\$37,232	48,996
Total Downtown Sales	\$188,169	\$211,798	\$249,171	\$286,581	\$23,629	\$74,783	\$98,411

Source: Economics Research Associates

Table 15 D

SECONDARY TRADE AREA RESIDENTS CONTRIBUTION TO DOWNTOWN SALES VOLUME

	Change in Sales by Period						
	<u>2001</u>	<u>2005</u>	<u>2010</u>	<u>2015</u>	<u>2001-05</u>	<u>2005-15</u>	<u>2001-15</u>
Apparel/Accessories	34.8%	35.0%	35.5%	35.7%	36.2%	37.9%	37.5%
General Merchandise	33.5%	33.9%	34.7%	35.1%	38.0%	38.8%	38.6%
Food Stores	7.9%	8.7%	8.5%	8.5%	59.1%	7.8%	9.9%
Eating and Drinking Places	17.9%	18.6%	18.9%	19.3%	26.6%	21.4%	22.4%
Furniture/Furnishings	44.0%	38.2%	33.7%	32.6%	18.7%	23.1%	21.8%
Building Materials/Farm Equip.	49.7%	46.8%	45.1%	46.1%	32.0%	44.1%	40.5%
Misc. Retail	56.7%	56.8%	57.4%	57.7%	57.3%	60.5%	59.7%
Total Downtown Sales	34.1%	34.9%	35.3%	35.6%	42.0%	38.0%	38.9%

Source: Economics Research Associates

Table 16+A27 A

RETAIL SALES FORECAST GENERATED BY CBD EMPLOYEES

(Thousands of Dollars)

	<u>2001</u>	<u>2005</u>	<u>2010</u>	<u>2015</u>	<u>2001-05</u>	<u>2005-15</u>
Downtown Employees	121,762	123,906	132,405	140,866	2,144	16,961
Inflation Adjustment	1.000	1.000	1.000	1.000		
Real Income Adjustment	1.000	1.035	1.080	1.129		

	Per Capita	Total Market Area Demand				Net Change in Volume	
Apparel/Accessories	\$0.225	\$27,396	\$28,855	\$32,167	\$35,790	\$1,458	\$6,936
General Merchandise	0.400	48,705	51,297	57,185	63,627	2,592	12,330
Food Stores	0.350	42,617	44,885	50,037	55,674	2,268	10,789
Eating and Drinking Places	1.250	152,203	160,303	178,704	198,835	8,100	38,532
Furniture/Furnishings	0.050	6,088	6,412	7,148	7,953	324	1,541
Building Materials/Farm Equip.	0.040	4,870	5,130	5,719	6,363	259	1,233
Misc. Retail	0.300	36,529	38,473	42,889	47,720	1,944	9,248
Total¹	\$2.615	\$318,408	\$335,354	\$373,849	\$415,963	\$16,946	\$80,609

¹ Excludes auto and service station sector

Source: Economics Research Associates

Table 16+A56 B

DOWNTOWN CAPTURE OF CBD EMPLOYEE DEMAND

	<u>2001</u>	<u>2005</u>	<u>2010</u>	<u>2015</u>	<u>2001-05</u>	<u>2005-15</u>
Apparel/Accessories	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%
General Merchandise	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%
Food Stores	55.0%	50.0%	52.0%	53.0%	-43.9%	65.5%
Eating and Drinking Places	65.0%	62.0%	63.0%	63.0%	5.6%	67.2%
Furniture/Furnishings	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Building Materials/Farm Equip.	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Misc. Retail	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%
Overall Capture	64.7%	62.6%	63.3%	63.4%	23.0%	67.1%

Source: Economics Research Associates

Table 16 C

DOWNTOWN SALES GENERATED BY CBD EMPLOYEES

(Thousands of Dollars)

	<u>2001</u>	<u>2005</u>	<u>2010</u>	<u>2015</u>	Change in Sales by Period		
					<u>2001-05</u>	<u>2005-15</u>	<u>2001-15</u>
Apparel/Accessories	\$17,808	\$18,755	\$20,908	\$23,264	\$948	\$4,508	\$5,456
General Merchandise	41,399	43,602	48,607	54,083	2,203	10,481	12,684
Food Stores	23,439	22,442	26,019	29,507	-997	7,065	6,068
Eating and Drinking Places	98,932	99,388	112,584	125,266	456	25,878	26,334
Furniture/Furnishings	304	321	357	398	16	77	93
Building Materials/Farm Equip.	244	256	286	318	13	62	75
Misc. Retail	23,744	25,007	27,878	31,018	1,264	\$6,011	7,275
Total Downtown Sales	\$205,869	\$209,772	\$236,640	\$263,854	\$3,903	\$54,082	\$57,985

Source: Economics Research Associates

Table 16 D

CBD EMPLOYEE CONTRIBUTION TO DOWNTOWN SALES VOLUME

	Change in Sales by Period						
	<u>2001</u>	<u>2005</u>	<u>2010</u>	<u>2015</u>	<u>2001-05</u>	<u>2005-15</u>	<u>2001-15</u>
Apparel/Accessories	32.8%	30.8%	29.7%	28.8%	14.4%	22.7%	20.7%
General Merchandise	34.1%	32.3%	31.3%	30.6%	16.4%	25.1%	23.0%
Food Stores	59.6%	56.2%	54.0%	52.9%	-151.4%	44.7%	36.9%
Eating and Drinking Places	59.3%	54.9%	53.7%	53.0%	3.2%	46.6%	37.8%
Furniture/Furnishings	16.8%	13.6%	11.4%	10.7%	3.0%	5.6%	4.9%
Building Materials/Farm Equip.	11.2%	9.8%	9.0%	8.9%	3.1%	6.3%	5.3%
Misc. Retail	14.4%	13.5%	12.9%	12.5%	6.2%	9.8%	8.9%
Total Downtown Sales	37.4%	34.5%	33.5%	32.8%	6.9%	27.5%	22.9%

Source: Economics Research Associates

Table 17 A

RETAIL SALES FORECAST GENERATED BY VISITORS TO PORTLAND METRO AREA

(Thousands of Dollars)

		<u>2001</u>	<u>2005</u>	<u>2010</u>	<u>2015</u>	<u>2001-05</u>	<u>2005-15</u>
Visitor-Days		7,592,700	9,194,926	10,694,089	12,421,406	1,602,226	3,226,479
Inflation Adjustment		1.000	1.000	1.000	1.000		
Real Income Adjustment		1.000	1.035	1.080	1.129		
	Per Visitor-Day	Total Market Area Demand				Net Change in Volume	
Apparel/Accessories	\$0.006	\$45,556	\$57,100	\$69,281	\$84,158	\$11,544	\$27,058
General Merchandise	0.009	68,334	85,651	103,922	126,238	17,316	40,587
Food Stores	0.004	30,371	38,067	46,187	56,106	7,696	18,039
Eating and Drinking Places	0.018	136,669	171,301	207,843	252,475	34,633	81,174
Furniture/Furnishings	0.002	15,185	19,033	23,094	28,053	3,848	9,019
Building Materials/Farm Equip.	0.000	1,519	1,903	2,309	2,805	385	902
Misc. Retail	0.008	60,742	76,134	92,375	112,211	15,392	36,077
Total ¹	\$0.047	\$358,375	\$449,191	\$545,012	\$662,046	\$90,815	\$212,856

¹ Excludes auto and service station sector

Source: Economics Research Associates

Table 17 B

DOWNTOWN CAPTURE OF VISITOR DEMAND

	<u>2001</u>	<u>2005</u>	<u>2010</u>	<u>2015</u>	<u>2001-05</u>	<u>2005-15</u>
Apparel/Accessories	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%
General Merchandise	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%
Food Stores	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Eating and Drinking Places	19.0%	20.0%	20.0%	19.0%	23.9%	16.9%
Furniture/Furnishings	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Building Materials/Farm Equip.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Misc. Retail	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%
Overall Capture	15.8%	16.2%	16.2%	15.8%	17.7%	15.0%

Source: Economics Research Associates

Table 17 C

DOWNTOWN SALES GENERATED BY VISITORS TO PORTLAND METRO AREA

(Thousands of Dollars)

	Change in Sales by Period						
	<u>2001</u>	<u>2005</u>	<u>2010</u>	<u>2015</u>	<u>2001-05</u>	<u>2005-15</u>	<u>2001-15</u>
Apparel/Accessories	\$8,200	\$10,278	\$12,471	\$15,149	\$2,078	\$4,870	\$6,948
General Merchandise	11,617	14,561	17,667	21,460	2,944	6,900	9,844
Food Stores	15	19	23	28	4	9	13
Eating and Drinking Places	25,967	34,260	41,569	47,970	8,293	13,710	22,003
Furniture/Furnishings	0	0	0	0	0	0	0
Building Materials/Farm Equip.	0	0	0	0	0	0	0
Misc. Retail	10,933	13,704	16,627	20,198	2,771	\$6,494	9,265
Total Downtown Sales	\$56,733	\$72,822	\$88,357	\$104,805	\$16,090	\$31,983	\$48,073

Source: Economics Research Associates

Table 17 D

VISITOR CONTRIBUTION TO DOWNTOWN SALES VOLUME

	Change in Sales by Period						
	<u>2001</u>	<u>2005</u>	<u>2010</u>	<u>2015</u>	<u>2001-05</u>	<u>2005-15</u>	<u>2001-15</u>
Apparel/Accessories	15.1%	16.9%	17.7%	18.8%	31.6%	24.5%	26.3%
General Merchandise	9.6%	10.8%	11.4%	12.2%	21.9%	16.5%	17.9%
Food Stores	0.0%	0.0%	0.0%	0.1%	0.6%	0.1%	0.1%
Eating and Drinking Places	15.6%	18.9%	19.8%	20.3%	58.7%	24.7%	31.6%
Furniture/Furnishings	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Building Materials/Farm Equip.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Misc. Retail	6.6%	7.4%	7.7%	8.2%	13.5%	10.5%	11.3%
Total Downtown Sales	10.3%	12.0%	12.5%	13.0%	28.6%	16.3%	19.0%

Source: Economics Research Associates

Table 18

TOTAL DOWNTOWN RETAIL DEMAND FROM ALL SECTORS

(Thousands of Dollars)

	Change in Sales by Period						
	<u>2001</u>	<u>2005</u>	<u>2010</u>	<u>2015</u>	<u>2001-05</u>	<u>2005-15</u>	<u>2001-15</u>
Apparel/Accessories	\$54,366	\$60,935	\$70,504	\$80,775	\$6,569	\$19,840	\$26,409
General Merchandise	121,470	134,915	155,154	176,610	13,445	41,695	55,140
Food Stores	39,297	39,955	48,189	55,745	658	15,790	16,448
Eating and Drinking Places	166,884	181,024	209,493	236,551	14,140	55,527	69,667
Furniture/Furnishings	1,814	2,351	3,136	3,725	537	1,375	1,911
Building Materials/Farm Equip.	2,180	2,605	3,179	3,581	425	976	1,401
Misc. Retail	165,170	185,693	215,991	247,253	20,523	\$61,560	82,083
Total Downtown Sales	\$551,181	\$607,478	\$705,646	\$804,240	\$56,297	\$196,763	\$253,059
Apparel/Accessories	9.9%	10.0%	10.0%	10.0%	11.7%	10.1%	10.4%
General Merchandise	22.0%	22.2%	22.0%	22.0%	23.9%	21.2%	21.8%
Food Stores	7.1%	6.6%	6.8%	6.9%	1.2%	8.0%	6.5%
Eating and Drinking Places	30.3%	29.8%	29.7%	29.4%	25.1%	28.2%	27.5%
Furniture/Furnishings	0.3%	0.4%	0.4%	0.5%	1.0%	0.7%	0.8%
Building Materials/Farm Equip.	0.4%	0.4%	0.5%	0.4%	0.8%	0.5%	0.6%
Misc. Retail	30.0%	30.6%	30.6%	30.7%	36.5%	31.3%	32.4%
Total Downtown Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Economics Research Associates

Table 19

CONTRIBUTION TO DOWNTOWN SALES BY MARKET SEGMENT FOR MAJOR SECTORS

	<u>2001</u>	<u>2005</u>	<u>2010</u>	<u>2015</u>	Change in Sales by Period		
					<u>2001-05</u>	<u>2005-15</u>	<u>2001-15</u>
<u>Apparel & Accessory</u>							
Downtown & Pearl Dist Residents	4.2%	5.0%	5.6%	5.9%	11.8%	8.7%	9.4%
Westside Trade Area Resident	13.2%	12.4%	11.6%	10.9%	6.0%	6.1%	6.1%
Secondary Trade Area Residents	34.8%	35.0%	35.5%	35.7%	36.2%	37.9%	37.5%
Downtown Employees	32.8%	30.8%	29.7%	28.8%	14.4%	22.7%	20.7%
Visitors to Portland Metro Area	15.1%	16.9%	17.7%	18.8%	31.6%	24.5%	26.3%
Total Contribution	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<u>General Merchandise</u>							
Downtown & Pearl Dist Residents	4.8%	5.8%	6.5%	6.9%	14.8%	10.6%	11.6%
Westside Trade Area Resident	18.1%	17.2%	16.1%	15.2%	9.0%	9.0%	9.0%
Secondary Trade Area Residents	33.5%	33.9%	34.7%	35.1%	38.0%	38.8%	38.6%
Downtown Employees	34.1%	32.3%	31.3%	30.6%	16.4%	25.1%	23.0%
Visitors to Portland Metro Area	9.6%	10.8%	11.4%	12.2%	21.9%	16.5%	17.9%
Total Contribution	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<u>Eating & Drinking Places</u>							
Downtown & Pearl Dist Residents	2.0%	2.5%	2.8%	3.0%	8.2%	4.6%	5.4%
Westside Trade Area Resident	5.2%	5.1%	4.7%	4.5%	3.4%	2.7%	2.8%
Secondary Trade Area Residents	17.9%	18.6%	18.9%	19.3%	26.6%	21.4%	22.4%
Downtown Employees	59.3%	54.9%	53.7%	53.0%	3.2%	46.6%	37.8%
Visitors to Portland Metro Area	15.6%	18.9%	19.8%	20.3%	58.7%	24.7%	31.6%
Total Contribution	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<u>Misc. or Speciality Retail</u>							
Downtown & Pearl Dist Residents	5.7%	6.8%	7.6%	8.0%	15.7%	11.6%	12.7%
Westside Trade Area Resident	16.6%	15.5%	14.4%	13.6%	7.3%	7.6%	7.5%
Secondary Trade Area Residents	56.7%	56.8%	57.4%	57.7%	57.3%	60.5%	59.7%
Downtown Employees	14.4%	13.5%	12.9%	12.5%	6.2%	9.8%	8.9%
Visitors to Portland Metro Area	6.6%	7.4%	7.7%	8.2%	13.5%	10.5%	11.3%
Total Contribution	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Economics Research Associates

Section IV

RETAIL OPPORTUNITIES & CONSTRAINTS

The purpose of Section IV is to present a series of issues and opportunities based on physical conditions in different areas of downtown Portland, on current and projected future market conditions, on the existing retail mix, and on public policy issues that could affect the eventual implementation of the retail strategy for downtown. Specific recommendations responding to the opportunities and constraints described in this section are presented in Section V.

This section includes two parts; the first is a text summary explaining the opportunities and constraints in five target subareas downtown. The second part is a series of illustrations of the five subareas. As shown on the accompanying drawings, the five subareas that constitute our view of the downtown core include:

Area 1	Retail Core
Area 2	Yamhill Waterfront
Area 3	West End Crossroads
Area 4	Broadway Avenue
Area 5	Bus Transit Mall

ERA's assessment reviewed opportunities and constraints in each of these districts from a physical as well as from operational, marketing, and economic development perspectives.

Before the discussion of the individual subareas, it may be useful to offer an overview of general issues affecting all of downtown Portland, as well as to provide our definitions of certain terms and phrases which will be used in the development strategy and our descriptions.

As a general comment, downtown Portland offers a range of potentially strong subareas but, in our view, the downtown area does not yet fully define a place or series of places. Therefore, the role of place-making (that of creating a special character, identity, or retail use/category clusters for the target areas) will play a strong part in defining actions by APP, PDC, the City, retailers and property owners over the next 3 to 5 years. The market analysis identified a relative modest rate of growth for downtown Portland over the next 5 to 15 years. This projection, combined with the fact that national capital markets and national retail chains are wary and consumers are increasingly conservative at the moment, suggests that near-term activities for the Portland downtown retail strategy should focus on:

- Well-designed and well-placed urban improvement elements, such as a coordinated downtown holiday lighting program, to enhance streetscape character.
- Converting key ground floor spaces (corners, larger premises, etc.) that are currently service commercial or office to retail within the retail core.
- A leasing and merchandising focus that addresses the special needs and requirements of local and regional chains, products, and businesses.
- Following market opportunities already defined by projects and developments that are already underway, as opposed to waiting for longer-range conclusions at the expense of near term actions.
- A realistic assessment of potential modifications to street walls, retail storefront designs, new infill construction, and rehabilitation to historic buildings to better accommodate small scaled, pedestrian-oriented retail offerings.
- Rather than concentrating on only one market segment such as downtown office workers, the retail strategy for downtown Portland should focus on a comprehensive mix of all market segments: new and existing downtown residents, new visitors to the area attracted by the expanded Oregon Convention Center and its events programming (such as the marriage of POVA's "Big Deal" program and APP's "Shop Portland" program), the under-served market representing event attendees from the Portland Cultural District, and more effectively addressing the needs and opportunities of transit riders and suburban visitors to downtown.

The retail environment, while not usually considered a high wage employer, is one component of a strong commercial business district. Wage levels are usually above minimum wage and retail operations provide a necessary element of training to retail managers. Retail operations also provide the amenities and quality of life necessary to satisfy employees, provide strong attraction to regional shoppers, and supply desired housing amenities as well. The Portland commercial business district is recognized for its strength in the number of independent retailers. This increases tourism, assists in providing amenities for a vibrant downtown housing community and increases job satisfaction levels for downtown employees. As these independent retailers grow, they increase the demand for services from the professional and creative services industries providing indirect economic benefits. With the proper environment and support, these retailers can follow the same route as McCormick & Schmick's and Crate & Barrel by becoming national retailers while hopefully maintaining a local headquarters presence and adding to local employment at all wage levels.

GENERAL PLANNING AND DEVELOPMENT PRINCIPALS

The consultant team based its assessment and analysis of opportunities and constraints on a series of general urban design and development principles described below:

- Our scope of work focuses on actions that can be undertaken and achieved within a 3 to 5 year timetable. Due to the national economic downturn, we believe that small, incremental steps will be more likely to generate desired outcomes than a bold and sweeping approach. At the same time (and with this schedule in mind), the ERA team also believes it would be short-sighted to focus only on a 3 to 5 year period, particularly if that focus would preempt longer-term strategies, opportunities, and results. This means that, as we have assessed opportunities and constraints affecting near term actions, we have taken care not to preclude longer-term outcomes, opportunities, and development programs. These programs might begin within the next 3 - 5 years, but they may require a much longer schedule to be completed given the complexity of issues.
- The downturn in the national and regional economy suggests that many national retail tenants will be more reluctant to expand into new areas, improving the opportunities for local specialty retailers and restaurants to be recruited into downtown Portland. This also suggests that, in some cases, shorter leases (a maximum of 5 years) will be more likely than longer term agreements over 10 to 15 years leases. The possible exceptions could include leases for restaurants and cafés, which require greater initial capital investments and need more time to allow investors to amortize their costs.
- In reviewing traffic, circulation, and parking systems in downtown Portland the team concluded that the consistent one way loop system throughout the downtown area can be confusing to visitors, and may not be the most efficient way to attract and retain shoppers in the downtown core. Too many one-way couplets could be considered a development constraint. A thorough review of this issue should be conducted by appropriate transportation agencies. The introduction of Pay Stations may be an opportune time to examine the conversion of selected key retail streets (i.e. Broadway) back to two-way traffic.
- We believe that modification to the Bus Transit Mall would allow greater vehicular and parking access to improve the retail climate, and would not preclude a longer-term light rail line on the Transit Mall.
- We believe that reopening the full length of Yamhill Street to traffic will bolster traffic, which in turn will promote Yamhill as a stronger retail street and lend more support to redeveloping properties along Naito Parkway.
- In examining potential redevelopment sites in the downtown subareas, the team generally recommends maintaining significant historic structures in the downtown core; however, we also believe it important that future strategies be structured to allow redevelopment of some sites through demolition and appropriately designed infill construction.
- Because the pedestrian-scaled street grid of downtown Portland is unique and consistent in size, it presents both an opportunity and a constraint. The street grid and block size is

an opportunity in that it fosters an ease of circulation for pedestrians, minimizes walking distances between blocks, shortens the perceived walking distance between subareas in the retail core, creates more opportunities for active retail corners and results (or can result) in greater opportunities for small-scaled retail storefronts at the sidewalk level.

The small blocks are, however, also a constraint if large floor-plate retail stores, such as department stores or “big-box” users, wish to locate or expand in downtown Portland. Over the long run, department stores such as Nordstrom and Meier & Frank, or others, may wish to have a larger floor plate area than the 200 by 200-foot block size in Portland allows.

Until recently, big box stores have traditionally located in suburban settings; as the suburbs have become over saturated with retail uses, the same stores have begun to consider urban locations. Downtown Portland’s success in attracting new residents could make it an attractive potential location for these stores, but large-format stores such as Target would also find the relatively small square block areas in downtown Portland to be a constraint. The existing block size is far smaller than their typical floor area. This could negatively affect retail recruitment of this type of store in the future, despite the presence of a strong market.

These facts notwithstanding, the team has expressed a reluctance to consider permanent closing of streets or significant changes in the street grid in downtown Portland, at least at the street level. Several of the potential redevelopment sites illustrated on the subarea maps have assumed (a) the potential to create underground connections below streets linking either parking garages to retail or expanded retail space below grade to existing retail locations, or (b) the opportunities to connect different blocks in overhead sky bridges, similar to the third level bridge connections in connecting the original Pioneer Square I site to the Pioneer Square II expansion block.

- The identification of some development opportunities (such as the creation of a waterfront park attractor, locations for specific downtown gateway elements at the Morrison Bridge, along Broadway, and in the Cultural District) assumes that some or all of these sites may be reserved as placeholders during the 3 to 5 years period called for in the consultant team’s scope of work. Actual design, funding, and implementation of these and other symbolic gateway elements may occur after the end of the 5 year study period and would be integrated with other plans that may already be in place.
- Finally, based on information collected in previous interviews, workshops, and meetings, it is evident that many consumers and retail operators believe that the general environment of downtown needs improvement. With particular emphasis on more effective ways to deal with panhandlers, homeless persons, runaways, and other people attracted to Portland’s climate, cultural context, and lifestyle. These groups were cited by many consumers and commuters as a constraint to attracting shoppers and other retailers downtown. They spoke particularly of feeling discomfort in the bus transit mall area and

other public gathering areas downtown during off-peak hours, when head times between buses or MAX Light Rail trains become more extended. During these times the number of people on the street is reduced considerably, resulting in fewer “eyes on the street”. The strategy to improve this condition will require a combination of specific regulatory and social service efforts as well as environmental design changes to improve the sense of perceived safety.

DEVELOPMENT TERMS

Department Stores -- Downtown Portland is fortunate to have three major department stores anchors operating in its core area. As described in an earlier session, many American cities have spent tens of million of dollars in attempts to recruit what Portland already has, three department store operators with a clear downtown presence. The team also found it rather remarkable that both Nordstrom and Meier & Frank would have operating units in Downtown Portland and in Lloyd Center less than three miles away. We know of no other American city in which the same operators have two stores within such a close distance.

For purposes of our analysis, department stores are defined as either a large, single brand store, usually from 100,000 to 1,000,000 square feet operating on multiple floors and with multiple departments selling more than just apparel, accessories, and shoes (i.e. Meier & Frank) or a 80,000+ square foot fashion-oriented store with merchandise emphasizing apparel, accessories, shoes and cosmetics (i.e. Nordstrom and Saks Fifth Avenue). The consultant team believes that the long-term needs of Portland’s downtown department stores will eventually require either reconfiguration, expansion, or modification of the current operating layout, and /or potential relocation. We also believe that, given current economic conditions, repositioning changes are less likely within the next 3 to 5 years. However, as part of our charge, we have identified potential expansion areas for retail anchor growth, in anticipation of future expansion/relocation needs.

Specialty Retail Stores – Specialty stores focus on more narrowly defined product lines, designers and/or price levels, and do not attempt to offer either the range or depth of merchandise and or the assortment of goods that department stores can offer. Specialty Stores can range from under 800 square feet up to 80,000 square feet. The critical role of the specialty store is reflected in the level of style it brings to a downtown area, the ability to offer designer brands that might not otherwise have a means to sell in a community, and the leasing strength it can provide in attracting other types of specialty retail. Examples of specialty stores currently in downtown are Mercantile, the Real Mother Goose, Columbia Sportswear, St. John, Powell’s and Mario’s.

Anchor Retail -- Anchor retail uses are those by which other businesses will be attracted to a shopping district or location. For example, in the mall industry, department store anchors are used to attract smaller inline stores, who know that department stores will generate a consistent volume of shopper traffic. Smaller retailers want to locate near anchor uses

because of the traffic volumes that they can assure. In Portland's case, we would consider Meier & Frank, Nordstrom, and Pioneer Place as the anchor uses, with Saks Fifth Avenue at the upper levels of price point and customer service.

Destination Use -- Destination uses are those types of activity generators that draw people beyond their normal flow of movement and modify typical behavior patterns. A destination use can be a one-of-a-kind store, a first-to market store (the first location of the store in a particular region or city), a best-in-market store (a store that offers the greatest selection of a particular product category, price), the only selling outlet of a well-known designer, or some other distinguishing feature. NikeTown and Tiffany & Co. are examples of destination retailers. In addition to traditional retail, a dining district can also serve as a 'destination' use; programmed activities can also serve as visitor attractors, such as the proposed skating rink under consideration for development at Pioneer Courthouse Square. The events and performances at facilities in the Portland Cultural District serve as another type of destination use for residents and visitors from across the Portland region.

Gateway Elements -- Gateway elements include urban design components, signs, fountains, sculptures, lighting, portals and gateways, etc. Gateway elements provide physical and symbolic markers indicating the boundaries of a district or zone, points of arrivals, or as an identity tool for urban destinations.

Elements Reinforcing Retail Character--A number of elements can be used in different combinations to reinforce the retail character of an urban block. Some elements relate to implementing retail façades with highly transparent display windows, as this type of atmosphere is more inviting to customers than the blank wall of a bank or a parking garage at street level. Other solutions are more design-oriented: planning and providing a high degree of storefront transparency; appropriate placement of the entrance and store sign; accommodation of the store entry level meeting a different 'selling level' that varies from street level; the manner in which the storefront engages the building line along the sidewalk (successful urban streets typically hug the sidewalk edge), or other design elements.

OPPORTUNITIES & CONSTRAINTS BY SUBAREA

The subarea designations are the result of several types of analysis – public stakeholder workshops, our observations walking through downtown Portland, assessment of existing conditions along current or potential retail streets, briefings on the Midtown Park Blocks, discussions with the City Transportation Department, and interviews with a number of downtown property owners and retailers. Each of the areas is illustrated in one of the drawings at the end of this section, entitled *Concept Diagram Subareas*.

Area 1: The Retail Core

Area 1 has been identified by the ERA Team as the **Retail Core**. The area includes approximately 17 square blocks around Pioneer Courthouse and Pioneer Courthouse Square and the immediately surrounding blocks. According to our analysis, the area is bounded on the south by SW Taylor Street, on the east by SW 3rd Avenue, on the north by SW Alder Street and on the west by SW 9th Avenue and the Midtown Park Blocks. For purposes of retail identity, the Team assumes that both sides of the boundary streets are part of the Retail Core, as ‘double-loaded’ retail environments are generally more satisfactory to pedestrian shoppers.

The development concept behind the designation of the Retail Core is that this location will be the principal retail concentration in downtown Portland. We believe that the open spaces and retail destinations around them combine into an urban concentration that is regarded as the symbolic heart of downtown. This does not mean that the downtown does not also include other successful retail areas. But the historic, civic and symbolic nature of this particular area, supported by a concentration of destination and specialty retail uses, suggests to us that the Retail Core should be a top priority for specialty retail development among the five districts.

In our view, unless the Core Area is sustained as a strong central draw, the positive effects for other retail, office and residential development downtown will be far more difficult to achieve. This is not only an issue that will affect future development. It is also a matter of protecting the investments already made in the retail core -- construction of Pioneer Place I and II, recruitment of Tiffany & Co., construction of the Smart Park and other garages, development of the Fox Tower and other projects that have contributed to the downtown tax base. We believe that the strategy should be built upon protecting the best of what has already been achieved in previous downtown development programs (the nexus between transit systems, development of structured parking, etc.), as well as capitalizing upon opportunities for further improvement and investment in the future (both near- and long-term).

Opportunities for potential new anchor retail use are shown on the Concept Diagram as the red cross-hatched development parcels. It should be noted that these potential redevelopment sites are conceptual, and do not necessarily address current ownership attitudes or near-term development priorities, which would require direct discussions with property owners.

One of the Retail Core’s other distinguishing features is that it is the central focus of pedestrian activity in downtown Portland, as shown by pedestrian traffic counts provided by APP. Parts of three other designated subareas overlay some of the Retail Core district – The Yamhill Waterfront area (Area 2), the Broadway Avenue area (Area 4) and the SW 5th and 6th streets couplet that forms the Bus Transit Mall corridor (Area 5). Because of these overlapping areas, redevelopment in the traditional retail core should be carefully planned to foster stronger linkages between subareas. Although the identified primary development concepts may overlap geographically, the recommended near-term actions may vary,

depending on the timetable and degree of intervention needed to mitigate development constraints in each.

The Retail Core's anchor uses include the Meier & Frank and Nordstrom Department Stores as well as Pioneer Place I and II/Saks Fifth Avenue and the Tiffany & Co. store (shown on the Concept Diagram as the red blocks) as well as numerous small retail and food service establishments. While retail stores and restaurants comprise the dominant commercial uses in the Retail Core at street level, there is also a concentration of Class A and B office buildings and several banks located in prime locations at street level. Whether affiliated with national chains or locally owned businesses, the smaller retailers and restaurant operators view the Retail Core's concentration of retail anchors as beneficial to downtown Portland's positioning strategy as a retail destination.

Retail Character of Building Frontages – Retail Core

As part of the Team's analysis, an evaluation of existing building frontages in the Retail Core was completed, and is illustrated on the plan entitled *Retail Character-Retail Core*.

The criteria used to evaluate each blockfront included the following characteristics:

- Is the street level currently a retail use? (Non-retail uses 'break' the continuous retail edge)
- Does the building line effectively engage the sidewalk? (The prevailing pattern in downtown Portland is that most building lines are located at the edge of the public sidewalk; plazas, arcades and building setbacks create architectural 'breaks' in the building wall)
- Is the street-level building façade at least 75 percent (or more) transparent? (Long expanses of solid wall surfaces or walls of parking facilities disengage the pedestrian's interest and interrupt retail continuity along retail streets)
- Are building openings transparent? (Opaque, closed or concealed entries discourage a sense of easy shopper access)

Building fronts along Yamhill and Morrison and side streets between SW Park and SW 3rd Avenue were surveyed, and the results shown on the drawing. Locations that met the four criteria were marked in green for a "good". Buildings (and spaces) that did not meet the criteria were marked in red for a "needs improvement". Both Pioneer Courthouse Square and the Pioneer Courthouse blocks are important civic open spaces, but they do not have street-edge building lines, and technically do not meet the criteria. The street level edges of the Pioneer Place I and II blocks plus Saks Fifth Avenue meet most of the criteria, although there are wall areas along Yamhill and SW 5th Avenue that do not continue the retail edge. Meier & Frank has a continuous retail edge along Morrison, but has closed its entrances on SW 6th along the Transit Mall (see evaluation and description of Subarea 5).

The Nordstrom Department Store building was designed with transparent, highly visible corner entrances, but includes long stretches of opaque walls along all four of its sides (Broadway, Morrison, Park and Yamhill). Locations in which there are red zones on both sides of the street offer the opportunity to reconfigure store layouts or window openings to express greater retail continuity and improve the pedestrian environment. This does not mean that every street front in downtown Portland should be assumed to be a vibrant, transparent retail block. But along primary retail streets, opportunities to create greater storefront transparency and to recruit retail tenants for non-retail spaces should be explored to strengthen the retail street edge.

Development Opportunities – Retail Core

The following development opportunities in the Retail Core have been identified for further discussion:

- At the west end of the Retail Core, Nordstrom, Mercantile, Mario's, Zell Bros. Jewelers, St. John, Carl Greve Jewelers and selected other apparel and accessories stores create a node of upscale shopping that provides a base for future leasing to similar tenants who would benefit from proximity to other upscale stores.
- The cluster of high quality and custom jewelers serves as an important regional draw for the downtown retail core. In order to reinforce that core, we suggest that any redevelopment be planned very carefully in this area so as not to adversely affect these existing jewelers.
- Based on pedestrian and vehicular counts completed by APP in September and December of 2001, the highest volume pedestrian counts in downtown Portland were measured at the intersection of SW Fifth Avenue and Morrison Streets, with an average daily pedestrian traffic count of almost 28,000. Pedestrian counts at other key intersections were significantly lower. For example at Broadway and Morrison average daily pedestrian counts were 17,799 for the same period and at Broadway and Taylor they were 10,805. According to APP's data, selected sites surveyed within the Retail Core vary widely in the volume of pedestrians passing by. Some locations attract from two to ten times more pedestrians than other nearby sites. This information will be useful in marketing the Retail Core by demonstrating the strength of certain locations and maximizing retail opportunities wherever possible.
- The retail blocks at and around Pioneer Place I and II and Tiffany & Co. create another upscale shopping node in that part of the Retail Core. The cluster effect and price level of merchandise in these stores should be used to recruit additional stores and restaurants that will broaden the offerings and reinforce the upscale mix there.

- The east-west orientation of the Retail Core presents a pedestrian flow along Morrison and Yamhill Streets within the area boundaries. To reinforce this flow, there is the opportunity to create a contiguous edge of retail storefronts at the street level. Public spaces (sidewalks, open space, etc.) can be further enhanced through special street signs, banners, or other treatments to mark the perceived edges of the Retail Core.
- Walking distances in the Retail Core's east-west direction (although slightly beyond the retail industry standard of about 1,200 feet) are appropriate for reinforcement of the idea of a cohesive retail district. At the eastern and western boundaries of the Retail Core, the consultant team assumes a shared customer base with residential and office markets in the Yamhill Waterfront area (Subarea 2) and the West End Crossroads (Subarea 3).
- Pioneer Courthouse Square offers an opportunity to create a more active downtown open space with the addition of a proposed Ice Rink during winter months, and a larger redesign effort to better accommodate events programming throughout the year.
- The mix of old and new structures in the Retail Core creates an attractive urban context. A number of the larger retail and office buildings (such as Meier & Frank, the Kress Building, the Pacific Building and the Wells Fargo Bank) are significant contributors to the urban character and fabric of the Retail Core,. They offer opportunities for reconfiguration and/or redevelopment (assuming an active retail edge at the street level), although the current economic climate suggests that some major redevelopment projects might be expected to occur after the 3-5 year period covered in our recommended retail strategy.
- Other older buildings in the core should be considered as potential redevelopment sites, allowing for differing degrees of façade or building preservation, incorporation of older buildings into appropriate infill construction, or selective demolition and redevelopment, depending on the significance and adaptability of the existing buildings.
- Sites identified as redevelopment locations are shown on the *Development Opportunities-Retail Core* map, and include part of the block north of Nordstrom along Broadway, not including the Westin Hotel site, the building including the Wells Fargo Bank at the street level, north of Pioneer Courthouse Square, and the former Kress Building north of Pioneer Place I and east of the Meier & Frank Department Store.
- The transit systems that circulate through the Retail Core represent an opportunity by the proximate markets they bring to transit stops and as a means to reduce both vehicular traffic and parking. They also can be viewed as a constraint to development as currently configured in some locations, as the transit lines removes auto access and parking on some blocks, create overly wide sidewalks for transit stations along the Transit Mall, and block visibility to retail activities along adjoining blocks.

- Availability of accurate base data also creates development opportunities. The Association for Portland Progress has completed a comprehensive business survey of the greater downtown area. This survey, which documents over 1,000 downtown Portland retail and consumer service businesses, provides a tremendous advantage as a tool for planning, redevelopment and retail recruitment (please also see the Retail Mix section later in this report). Completion of this comprehensive database for the Retail Core and for the other downtown retail subareas demonstrates to potential retail and other business recruitment prospects that the downtown development process is grounded in solid research and analysis. The survey should be updated at least annually throughout the 3-5 year strategy period, and beyond.
- The downtown Retail Core remains the greatest concentration of upscale specialty shopping in the Portland region. While the NW 21st and 23rd Street corridors also have concentrations of specialty retail and restaurants, the consultant team believes that downtown Portland's strength as a retail destination should be marketed as part of the near-term recruitment strategy.
- The existence of the Smart Park garage system has been crucial in helping deflect the incorrect perception that parking for retail customers is over-priced and scarce. A high priority should be placed on maintaining the current operational program in order to ensure continued affordable, convenient, and consistent short-term parking for retail customers. Likewise, the parking validation program with Smart Park garages is easy to use, readily available, and consistent for customers and retailers alike. It too, has – and should continue to be – a key component of keeping downtown retail offerings convenient and competitive.

Development Constraints – Retail Core

Development constraints in the Retail Core include:

- The key challenge facing the Retail Core is that the largest anchor department store, Meier & Frank, is located in a building that is functionally obsolete. Too much of this 665,000 square foot building is devoted to vertical circulation, further reducing an already small floor plate size. The retail floor to ceiling heights are also too low for contemporary retailing, and the building does not meet current seismic standards.
- Although enjoying a strong location facing Pioneer Courthouse Square, the Nordstrom Department Store has a dated physical plant with only 174,000 square feet. When the local and national economies rebound, this department store may also wish to expand and modernize.
- Portland's downtown block size is a constraint for large floor-plate retail users, whose operations require more than 40,000 square feet at one level. Solutions may require consideration of underground connections under streets, additional sky bridges on upper

levels, or potential street closings (although, as mentioned above, the consultant team generally does not favor street closings for parcel consolidation within the Retail Core).

- Limited opportunities for loading, trash collections and deliveries to downtown businesses are a constraint to retail development and operations. Resulting in part from the smaller block size, limited numbers of loading and receiving points and from the volume of traffic on downtown streets, traffic congestion results from trucks parked across sidewalk areas, on the streets and from trucks projecting beyond the entries to loading docks within buildings. This is a particular problem for businesses along the MAX lines and the Bus Transit Mall, where access is more limited than on other downtown streets and one way streets present a challenge for drivers.
- Discontinuity along downtown blocks interrupts the flow of retail uses along downtown shopping blocks in the Retail Core, and prevents the retail edge needed to create an easily perceived, coherent retail district. The Courthouse itself, occupying an entire block that is central to the Retail Core, limits the vitality of the district because it does not have active edges. Opaque or disconnected street facades and non-retail uses such as large bank lobbies may need re-design or new uses to provide greater transparency and connection to the street. Additional retail uses (including food) should be clustered along the shopping streets and blocks that link the department stores, and in the shopping cluster at Saks Fifth Avenue and Pioneer Place I and II.
- Pioneer Courthouse Square is the symbolic heart of downtown Portland, but as currently designed and programmed, it is not contributing all that it can as an animating urban destination for large numbers of people. New uses and activities need to be planned and implemented. We believe that the proposed ice skating rink would improve the sense of activity and draw people to the area at all times of the day. In addition, such activity would benefit nearby retailers by bringing potential new (as well as existing) customers to downtown on weekends and evenings.
- Both national retail operators and the capital markets that finance their expansions are in a very conservative mood at this time; this could be considered a constraint to recruitment of national tenants. However, we believe the current circumstances also create a better opportunity for recruiting local and regional retailers into downtown locations. Since national retailers are often able to pay higher rents and ‘bid up’ expectations among property owners, a slower market for national tenants may benefit local tenants able to support somewhat lower occupancy costs in the near term.
- The retail core is largely developed already with medium-to-high density buildings. Creating more retail opportunities for the larger specialty retail stores, anchor retail or destination uses will take a concerted public-private effort. It should not be expected or assumed that this will happen without such – in the near or long term.

- The amount, quality and location of parking in the Retail Core are reportedly perceived as a constraint by regional shoppers who come downtown by car. Available parking levels will also be considered a constraint by certain retail tenants who might be recruitment candidates, if their expectations are based on suburban standards. Smart Park and other downtown parking facilities provide capacity, but the garages need better maintenance and repairs (i.e. lighting, painting, elevator cabs upgrades, etc.) and control of the number of street people who gather at garage entrances and create a feeling of discomfort for shoppers. Also, some of the existing garages may be considered too far away from shopping locations.
- Typical shopper behavior suggests that most shoppers are willing to walk a maximum distance of about 1,200 feet (this is the basis for suburban mall planning, as well). The dimension of the Retail Core suggests that the distance between the Park Blocks and SW 3rd Avenue may be greater than most shoppers will be willing to walk on a consistent basis. To encourage shoppers to walk farther will require better planning and programming of the edge blocks in the Retail Core to provide an appropriate overlap with adjoining districts and to serve the (somewhat different) customer needs and behaviors they will generate.
- Retail locations along most of the Transit Mall blocks are perceived to be weaker than those on non-transit mall blocks. This constraint results from several characteristics. Limited auto access and discontinuous vehicular flow along the Transit Mall reduces the level of activity. Wide sidewalks and transit stations prevent on-street parking on auto access blocks, further reducing perceived activity levels, especially after peak commuting hours. The Transit Mall itself is in immediate need of better maintenance and urban design improvements including lighting. The consultant team believes that the Transit Mall is sufficiently wide to provide for bus operations and future light rail operations (should such a system be funded and constructed). It will also be possible to introduce on-street parking in selected locations. Until these conditions can be corrected, the Transit Mall can be considered a constraint to retail development and recruitment in the Retail Core.
- Although the Portland Cultural District is adjacent to the Retail Core, in the team's view, potential physical and functional connections between the two areas have not been maximized. The Cultural District is a retail "traffic generator" for downtown Portland, bringing in people from throughout the region. We believe that the volume and the demographic profiles of typical event attendees suggest that there are unmet food and beverage opportunities near the different performance venues. Three issues should be addressed to strengthen the link between the Core and the Cultural District: (a) make existing (and future) food and beverage operators aware of the market potential resulting from events scheduled in almost 7,000 seats in the four Cultural District performance venues; (b) find available retail spaces to accommodate new food and beverage operators in locations that will serve cultural district visitors; and (c) organize marketing efforts to

better link the available spaces with the available food and beverage service operators. This constraint is also mentioned in Subarea 4, the Broadway Avenue portion.

Area 2: Yamhill Waterfront District

Area 2 has been identified as the **Yamhill Waterfront**. This subarea contains about nine square blocks located between SW Front Avenue/ Naito Parkway along the Willamette River west to SW 3rd Avenue. Because this area is considered to overlap with the Retail Core, the eastern façade of the Pioneer Place II project is included in the Yamhill Waterfront area. Our analysis identified the area as defined by Alder Street on the north, by the Willamette waterfront on the east, by SW Taylor Street on the south and by SW 3rd Avenue on the west. The primary potential retail streets in this area will be SW Morrison and SW Yamhill Streets, which also include east and westbound rail lines for MAX. Somewhat more secondary retail locations are along Front Street/Naito Parkway. Because this area is adjacent to the World Trade Center at its southern edge and is adjacent to the Morrison Bridge (and potential development sites that adjoin its ramps and approaches), longer-range development opportunities on the periphery of the area were also considered as part of the team's analysis.

The Yamhill Waterfront area is part of a designated historic district listed on the National Register of Historic Places, and includes a cluster of smaller historic buildings that impart a good pedestrian scale and traditional character to the area. Listing on the National Register of Historic Places provides certain reviews and protections from demolition funded by federal government programs. The listing also makes approved rehabilitation projects eligible for federal income tax credits, assuming that the Secretary of Interior's Standards for Certified Rehabilitation of Certified Historic Buildings (also known as 'the Secretary's Standards') have been met in designing and implementing rehabilitation.

The retail development concept identified by the consultant team for the Yamhill Waterfront district is as a dining and entertainment area, with some impulse-oriented specialty stores. Upper floors of the historic buildings offer opportunities for redevelopment as office spaces, hotels and residential conversions, either as ownership properties or as rental housing most likely for a younger market. The historic character of the Yamhill Waterfront district as well as its location along Waterfront Park also links the area to the Old Town/Chinatown district to the north.

Retail Character of Building and Block Frontages – Yamhill Waterfront

The same "good-needs improvement" criteria were applied to the buildings and block frontages in the Yamhill Waterfront area as were used in the other four subareas. As shown on the illustration entitled *Retail Character-Yamhill Waterfront*, about half (10 of 19) of the block fronts in the district fail the criteria test. The reasons include non-retail uses on pedestrian-oriented blocks, buildings that set back from the sidewalk line (or no buildings at all, such as the Morrison Bridge ramp at SW 1st and Morrison), or lack of transparency along the street level blocks. In particular, the consultant team believes that the waterfront blocks

can be redesigned and programmed to better capture retail redevelopment potential created by access to Waterfront Park activities and the river and to reinforce the district's identity as an entertainment/dining destination.

Development Opportunities – Yamhill Waterfront

The following development opportunities have been identified by the consultant team for the Yamhill Waterfront area:

- Underutilized historic buildings offer opportunities for rehabilitation on upper floors as office space, hotel and housing, especially for locations that can provide views of the Willamette River. The historic and infill construction sites in this area should be encouraged to provide retail uses at the street level, and development as a historic mixed-use district with commercial and residential uses on upper floors.
- Buildings with street frontage along Front Avenue/Naito Parkway have the opportunity to capitalize on river views for cafes, bars with entertainment, restaurants and other food and beverage venues. The waterfront in the Yamhill Waterfront area offers the opportunity to develop a 'restaurant row' cluster along Naito Parkway.
- Because this area is within easy walking distance from the Retail Core, Portland's Government District and commercial offices near the World Trade Center, Yamhill Waterfront is well-positioned to capture weekday office worker expenditures for food service from these areas. When sufficient critical mass of restaurants and clubs has been achieved in the area, evening and weekend market support would be attracted from downtown and Eastside residents, guests at downtown hotels (assuming the area is marketed as a restaurant row and entertainment district), cultural district event attendees and regional residents seeking an urban waterfront dining experience.
- The area also offers a logical pedestrian connection between the Retail Core and Waterfront Park along Morrison and Yamhill Streets. Both streets present the opportunity to create some type of visual terminus to 'announce' the intersection with the park and the river.
- The Morrison Bridge is one of the major entries to downtown Portland from I-5 and Eastside neighborhoods. The triangular parcel between the Morrison and Alder Street connector roads is a high visibility location for some form of an 'Urban Gateway' element to signal arrival in the downtown area. The gateway element could be a light sculpture, a fountain, or some other sculptural form. The means to design and install a gateway element in this location has yet to be determined, but the consultant team felt that this location is an exciting development opportunity for a new civic statement about downtown.

- The turn-off ramps from the Morrison Bridge to and from Naito Parkway occupy large water view parcels. These parcels are significantly underutilized when their location, visibility and proximity to downtown are considered. Assuming better road connections between the bridge and Naito Parkway can be designed, these blocks can be investigated as redevelopment opportunities for new infill construction. The street level of these blocks should be programmed as restaurants and entertainment uses.
- The trapezoidal-shaped parcel at the Washington Street/Alder Street split at the head of the Morrison Bridge is another potential development site. Its zoning and urban design characteristics should be reviewed to determine what types of incentives and controls would encourage redevelopment at this location.
- The tracks on the pedestrian-only blocks along the Yamhill Street MAX line can be re-aligned to allow limited vehicular traffic to strengthen the connection to Waterfront Park. That said, the MAX lines running through the center of the Yamhill Waterfront area provide excellent access via MAX.
- As a means to connect the Yamhill Waterfront area to adjoining areas to the south, Front Avenue/Naito Parkway offers potential to create more attractive pedestrian amenities as a linkage to the Salmon Street Springs ‘Public Attraction’ site.

Development Constraints – Yamhill Waterfront

The following are development constraints identified by the consultant team in the Yamhill Waterfront district:

- The area’s identity is not well defined, although the character of the historic buildings, the scale of the streets and proximity to the river can be used to do create that definition.
- While the MAX lines running through the area offer transit access, the right of way and turning radius at the SW 1st Avenue intersections have resulted in restricted access and pedestrian-only blocks that interrupt easy flow of other types of traffic between the Retail Core and the Waterfront. Without vehicular access and with the amount of time between MAX trains, these blocks can feel inactive and less attractive to retail uses, despite the potentially appealing appearance of numerous historic buildings and river views.
- Expanding restaurant or other high occupancy retail uses triggers building code changes or upgrades that can be very expensive and difficult to overcome.
- To develop as a restaurant/entertainment cluster, the area needs more parking of all types – on-street ‘teaser’ spaces, on nearby surface lots (which we have assumed are placeholders for future development), in structured parking to be incorporated into new development projects, and along Naito Parkway. With the institution of the Pay Station system, it may be time for Portland to extend metered times to 8:00 PM to facilitate short

term parking in the evening hours. Having meters allow different amounts of parking time by time of day also could be considered.

- As in other parts of downtown Portland, loading and servicing are problems. As the Yamhill Waterfront area develops further as a restaurant and entertainment district, loading and servicing requirements for restaurants and clubs should be considered in urban design and transportation planning to accommodate service trucks, waste removal, etc.
- Linkage between the Retail Core and Riverfront Park and the Willamette River is not strong enough to encourage consumers to walk the distance. Additionally, inconsistent or non-retail storefront uses do not invite shoppers to stroll to the riverfront from other parts of downtown. The Morrison Street and Yamhill Street connections need some type of visual terminus at the waterfront to show how close the area is from the Retail Core (a distance of only three blocks).
- Front Avenue/Naito Parkway lacks the degree of distinctive character that a prominent urban waterfront drive should have. Examples include Storrow Drive in Boston and the George Washington Parkway in Washington D.C. An urban design solution to create a physical character that is appropriate for Portland should be implemented.
- Although there is a limited assortment of retail, food and entertainment offerings in the Yamhill Waterfront area today, the consultant team believes that there is not the critical mass of these venues necessary to create an easily identifiable entertainment district.
- Despite to the historic nature of many of its buildings and the comfortable pedestrian scale in the Yamhill Waterfront area today, more effective urban design and development guidelines will be necessary to reinforce Morrison and Yamhill Streets as retail shopping streets. Although the retail presence will likely occur at a less intense level than the same streets in the Retail Core, zoning may need to be adjusted to specifically require retail-only uses along the ground floor of ‘shopping street’ blocks.

Area 3: West End Crossroads

The West End Crossroads area is located immediately west of the Retail Core and includes a ten to twelve square block district framed by Taylor Street on the south, by the Midtown Park Blocks on the east, by Washington Street on the north, and by the blocks between 10th and 11th Avenues on the west. As with other areas identified for the downtown retail strategy, the West End Crossroads is not a discrete separated area, but will be influenced by (and will influence) the blocks and adjoining districts that surround it. The area has excellent transit connections, with the MAX Light Rail running east – west along Morrison and Yamhill. A MAX lines turnaround is located just beyond the West End Crossroads area between 11th and 12th Avenues, creating a natural terminus to the west. The Portland Streetcar lines run north-south along SW 10th and 11th Avenues, connecting the West End and Cultural District areas to

the Pearl District and the NW 23rd Avenue shopping/dining district to the north and Portland State University to the south. The Multnomah County Public Library is a destination use on the western end of the West End Crossroads, and Interstate 405 forms a boundary two blocks to the west.

As a logical development opportunity use for this area, the consultant team suggests that the West End Crossroads should evolve as a residential mixed-use development growth area, with mid- to high-density housing to be developed throughout the district. The retail strategy for the West End Crossroads focuses on two markets, each related to land values and surrounding uses. The predominant retail uses in the area could be neighborhood-serving convenience uses (small grocery and specialty markets, pharmacies, deli's, dry cleaners and hair salons, smaller banks and ATM's). Secondary retail uses will include a wide range of specialty stores, particularly those that are more rent sensitive, such as home furnishings, etc. Restaurants and cafes can also add to the mix, particularly on blocks closer to the Park Blocks and the Cultural District. Development of these retail uses can occur in the near term and can also continue into the longer term; the market potential for retail density will be related to the timing and intensity of future residential development.

Other specialty retail uses such as galleries and boutiques will most likely require a longer period of time to be implemented, but the consultant team believes it is appropriate to introduce the proposed concept as a consideration for future development. The team also believes that selected sites in the West End Crossroads should be considered for development of one to two 'big box' retailers, assuming that an appropriate sites can be identified.

During stakeholder interviews, a number of downtown residents spoke of the need for a hardware store and a building supply, and places to buy affordable household items. The latter was, in part, a response to concerns expressed by less affluent downtown residents about too much emphasis being placed on upscale, higher price-point retailers. Those commenting about more moderate income residents were concerned about the impact of national retailers and their abilities to pay higher rents, resulting in displacement of stores selling more popularly-priced items.

It is worth noting that this pattern is not unique to Portland. On a national and regional level, the economies of scale for chain-affiliated 'big box' stores will make it difficult for smaller businesses to compete on either price and merchandise selection for high volume goods. To address these needs, the team suggests that a Home Depot, Lowes and/or a Target Store could be added to the downtown mix, but located in a manner that it would not directly compete with stores in the Retail Core or other downtown sub areas. Specific locations for 'big box' stores would be determined by several factors:

- To reduce risk, operators will seek opportunities to reach beyond the immediate resident market by locating near access points to Interstate 405

- Operating restrictions and limitations on store floor area due to Portland's block size; most big box retailers require a suburban model which is based on a minimum of 60,000 square feet (or more) on one level, with abundant surface parking at the front door
- The street grid will require design approaches to provide adequate parking and loading areas for bulky purchases within an urban context.
- 'Urban' store configuration models are in the early stages of exploration by big box chains. For example, Target Stores is testing a multi-level store in Minneapolis-St. Paul. Chains may be more reluctant to consider downtown Portland until non-suburban models have proven the efficacy of their operations

Whether or not a big box operator can be recruited to the West End Crossroads area, the primary focus of this district is to develop housing at all price levels, from affordable housing to higher-priced (and potentially high rise) residential development. Activating the street edges would focus on the Park Blocks, with service and convenience retail at the street level of mixed-use buildings with residential above.

Determining an appropriate development strategy for the Midtown Park Blocks will be the other major development issue in the West End Crossroads subarea. For the near term, 3-5 year study period, the consultant team is not convinced that the impact of demolition of viable commercial buildings with good retail tenants in them will be offset by the cost of creating and maintaining the resulting open space currently under consideration. From a retail strategy point of view, the Midtown Park blocks could serve as either a positive transition or as a more negative barrier between the Retail Core and the Broadway Avenue and the West End Crossroads areas, depending upon how they are planned and developed. A European –style urban plaza on the block west of the Fox Tower would continue the sense of open space along the Park Blocks, and would add value to residential development around it. The Arlington Club and Paramount Hotel will almost certainly remain in place for at least five years. The block located just west of Nordstrom has been discussed as a possible expansion area, should Nordstrom ever wish to expand the current store. (However the consultant team would favor a Nordstrom expansion to occur toward the Retail Core toward the concentration of specialty retail north and east, rather than away from it toward the west). Development strategies for the Midtown Parks Blocks will be discussed further in Section V.

Retail Character of Building and Block Frontages – West End Crossroads

Using the same criteria applied to other downtown areas, the West End Crossroads subarea has many block frontages that do not pass the test of appropriate retail presentation at the street level. The blocks occupied by Mercantile and Zell Bros. Jewelers and Mario's across SW Morrison Street are appropriate retail frontages, but other blocks along the MAX corridors are less consistent.

The Smart Park Garage was mentioned in several stakeholder meetings as presenting an incompatible relationship to the adjacent streets, although parking occupancies for this location reportedly are high. Over the long-term, this site was considered to be a potential redevelopment site, perhaps linking an underground garage below Ninth Avenue with underground parking on the adjoining Park Block with retail/mixed use development above the former garage location. The team agrees that the east, south and west elevations of the garage do not offer appropriate retail frontage to reinforce connectivity between the edge of the Retail Core and the West End Crossroads area.

Other blocks in the subarea range from appropriate ('good') retail frontage to incompatible ('needs improvement') building presentations; the block frontage along SW Morrison is a mix of "good" and "need improvement" locations, while the setback of the Multnomah County Library block breaks the retail pattern altogether. Redesign and redevelopment of street level building facades on commercial buildings can correct these inconsistencies, assuming the owner is willing to make the investment and the underlying "rules of retail design" (transparency, open entry, appropriate sign locations, etc.) are followed. Once again, the consultant team believes that the primary retail frontages should run along Morrison and Yamhill; these locations will need to address the same MAX line impacts on parking, street activity levels, loading and servicing as did the Yamhill/Morrison blocks located in the Retail Core and Yamhill Waterfront areas.

Descriptions of West End Crossroads Development Opportunities and Constraints follow:

Development Opportunities – West End Crossroads

The consultant team identified the following development opportunities for this area.

- The West End Crossroads is very proximate to downtown's Retail Core, to the Cultural District and to the Pearl District, and can absorb housing density that will complement other residential development downtown, while providing a new customer base for a range of downtown retail offerings.
- Lower land use densities, underutilized surface parking lots and proximity to multiple transit modes suggest that the West End Crossroads parcels offer significant redevelopment opportunities. This area was identified by the consultants as the best fit location for residential development in a range of price levels.
- With the expected growth in residential population, the West End area also offers excellent opportunity for retailers finding the Core no longer to be cost effective.
- The consultant team believes that the redevelopment momentum of the Brewery Blocks and the Pearl District can spill over into this part of downtown Portland, particularly if pedestrian improvements can be made to strengthen connections to the north. The increasing resident population in the Pearl is a potential market for smaller stores and food

and beverage operators, and (potentially) for a ‘big-box’ location in the West End Crossroads area.

- The potential to develop significant residential density in the West End Crossroads will also provide market support for street level commercial uses of all types. The decision by REI to locate in the Brewery Blocks is an example of the type of retailer that could be attracted to the West End.
- The transit nexus between the MAX Light Rail and the Portland Streetcar lines create superb mass transit access for future residents to other parts of downtown Portland and the region. The Fareless Square transit zone offers convenience for riders and provides a marketing advantage.
- Lower land values also may allow addition of long-term parking capacity to shift downtown office workers from other garages that are intended to be used as high turnover spaces. Parking capacity is influenced by the way space utilization is managed as well as by the number of available spaces.
- The mix of older and historic buildings and underutilized sites can encourage both rehabilitation and appropriately designed infill construction of housing that will link the area to other parts of the downtown urban fabric with a similar building stock. The mix of new and old in the West End Crossroads will blend with the overall character of downtown.

Development Constraints – West End Crossroads

- There are limited residential and retail amenities in the West End Crossroads area today. A larger selection of groceries will be available when the new Safeway store is completed at the Museum Block and at the Whole Foods at the Brewery Blocks, but until enough additional residential/retail mixed-use is developed in the area to warrant further expansion, the lack of supporting retail amenities will be a development constraint.
- The blocks adjoining the MAX turnaround at SW 11th Avenue to the east (with the exception of the County Library block on the southern block front) will need major pedestrian access improvements if retail transition blocks are to be implemented.
- The Galleria Building needs new retail tenants if it is to play a role in strengthening the mix in the West End Crossroads. The building is potentially an attractive retail location, but in its current condition and vacancy level, it adds little to the district.
- Northern pedestrian and vehicular connections to the Pearl District and southern pedestrian and vehicular connections to the Cultural District and the West End are also in need of improvement (both urban design / streetscape elements in the public domain and higher levels of animating uses along pedestrian streets in commercial space).

- Recent residential growth in the Pearl District has captured a significant share of the downtown high income housing market. This momentum may mean that, as the Pearl continues to add residential density and the Brewery Blocks are developed, interest in the West End Crossroads may be delayed for several years. The consultant team believes that absorption will come in time, but perhaps not in significant numbers during the next 3-5 years.

Area 4: Broadway Avenue

Broadway Avenue, the team's designation for Area 4, describes a seven-block long portion of Broadway Avenue between SW Stark on the northern end of the area to SW Salmon on the southern end. Broadway was once one of Portland's thriving retail streets, and was sometimes called the 'Boulevard of Lights'. Today, Broadway is a major north-south route that passes Pioneer Courthouse Square and Nordstrom, and links the Cultural District in the southern area of downtown Portland with the Retail Core and the emerging north end neighborhoods near Union Station. The team noted that Broadway is also the only major road that turns into a significant north-south arterial to the eastside via the Broadway Bridge and has the possibility of access from either direction on Burnside.

From a market standpoint, Broadway functions as Portland's 'avenue of hotels'. Many of the major downtown hotels (the Benson, Marriott City Center, the Westin, the Heathman, the Vintage Plaza, the Paramount and the Hilton) are either located on or within a block of Broadway along this seven block stretch (the Benson and the Heathman are adjacent to the boundary streets, but should be considered part of the district). While there are other hotels adjacent to the Oregon Convention Center in the Lloyd District, many of the established and higher quality hotels are downtown along Broadway, a positive for downtown retail. Totalling over 1,900 rooms (when the Hilton's executive tower opens in the summer of 2002), the hotel cluster along the Broadway Avenue represents the opportunity to capture retail and restaurant expenditures from a significant segment of the downtown visitor market.

Broadway also includes several notable specialty retailers within this seven block area, including Nordstrom, St. John, Columbia Sportswear's flagship store and Banana Republic, among others. Mixed into the retail shops are restaurants, coffee shops and wine bars. The Hilton advertises that there are sixty restaurants within three blocks of the hotel, but the restaurants are not clustered in a manner that the concentration is evident to out-of-town visitors staying in the hotels nearby. One of the larger retail spaces in the Fox Tower is located on Broadway, and is not yet leased.

The development concept for the Broadway Avenue is to reinforce the Avenue's role as an upscale retail shopping street with small specialty stores along both sides of the street, and to reinforce (and market) Broadway's assortment of restaurants and cafes as a dining district to downtown and regional residents, and especially to downtown hotel guests.

Broadway is one way southbound, and the MAX Light Rail loop crosses Broadway at SW Morrison and Yamhill Streets, creating a transit nexus at Pioneer Courthouse Square. Pedestrian counts collected by APP range from about 11,000 at Broadway and Taylor up to 17,800 at Broadway and Morrison Street, making the Broadway Avenue area the second most populous of the 15 intersections included in the pedestrian foot traffic survey.

Retail Character of Building and Block Frontages – Broadway Avenue

When measured against the criteria described earlier, Broadway presents one of the most compatible street retail environments of the five subareas. With the exception of the open space along Pioneer Courthouse Square and the opaque portion of Nordstrom's east façade, most of Broadway's street frontage passes the design standards for transparency, engagement of the sidewalk and contiguous retail uses. The two major gaps in retail continuity are along the Broadway elevation of the Hilton Hotel, which sets back from the street wall and does not match the street grade with retail stores along its edge, and the block south of the Benson Hotel. For most of the length of this area, however, Broadway has the appearance of a good, pedestrian-oriented retail street.

Development Opportunities – Broadway Avenue

The following development opportunities were identified along Broadway Avenue:

- The concentration of over 1,900 hotel rooms within a seven-block portion of Broadway offers a large customer base for restaurants, shopping, cultural attractions and entertainment. If the retail and food service offerings are properly expanded and merchandised, Broadway will be a major asset in marketing downtown Portland to the visitor market and attracting new retail and restaurant operators.
- Many of the elements to create an identity for the district are already in place (a good initial mix of large and small specialty stores, restaurants and cafes, a pleasant pedestrian environment, etc.) and can be packaged to create an identity for the Broadway Avenue.
- Broadway is also a critical link to the Cultural District. The Arlene Schnitzer Concert Hall and Portland Center for the Performing Arts are just one block beyond the southern edge of the subarea as defined by the consultant team. The number of event nights annually in the Cultural District offers a sizeable audience that will seek out dining and entertainment opportunities before and after performances in the Cultural District. To the extent that local resident markets and hotel-based visitor markets can each provide market support for Broadway restaurants, cafes and pubs, the magnitude of the market opportunity will reduce risk for operators and keep Broadway's food and beverage businesses viable.
- Specialty retailers along Broadway such as Banana Republic, John Helmer's, St. John, Jessica McClintock, Kathleen's of Dublin and Columbia Sportswear form the beginning

of another upscale shopping area that will complement the cluster near Pioneer Place, Saks Fifth Avenue and Tiffany & Co. Expanding the offerings in food and beverage and marketing the Broadway area as a dining district to residents, concert attendees in the Cultural District, movie goers at theaters in the district and hotel guests will spread the base of support among all of these market segments.

- The smaller, in-line retail spaces that exist in many of the buildings along this portion of Broadway are appropriate for smaller retailers, whether locally owned businesses, regional chains or national tenants.
- Because the context is suitable and potential market support from different submarkets is available, the consultant team believes that Broadway's tradition as a retail street can be recaptured to capitalize on 'the memory of the market'. Portland residents are loyal to local institutions; this loyalty can be the basis for a recruitment program to expand retail offerings along Broadway and recreate the 'Boulevard of Lights'.
- The edges of the Broadway subarea offer the potential to create appropriately designed urban gateway elements, whether expressed through street furniture, special planting designs or streetlight standards, signs and banners, or larger-scaled gateway portals. The district's identity needs to be reinforced and broadly advertised.

Development Constraints – Broadway Avenue

Development constraints on Broadway Avenue include the following:

- There is no clear identity for Broadway today, despite its tradition as one of Portland's major shopping streets.
- Despite the apparent cluster of restaurants, the consultant team considered the district to be underserved in food service offerings. Once a greater critical mass of restaurants and cafes can be clustered on and adjacent to Broadway, marketing materials should be prepared and distributed to the hotels in the area.
- While the consultant team understands the one-way couplet system in place to move traffic through downtown Portland, we also believe that Broadway's one-way southbound direction could be a hindrance to increased pedestrian activity on the street. The feasibility of re-introducing two way traffic on Broadway, while retaining parallel parking along the street edge in some blocks should be analyzed.
- The Hilton Hotel's Broadway frontage does not successfully address the street, nor does it incorporate contiguous retail use along Broadway.
- Because of the width of Broadway, better public space designs to resolve the perceived crossing distance and treatment of pedestrian walkways should be developed. The width

of the one-way traffic on the Avenue encourages autos to go faster than a pedestrian-oriented shopping district can handle easily.

Area 5: Bus Transit Mall

In the consultant team's interviews, the Bus Transit Mall has been identified as one of the retail 'problem areas' in downtown Portland. The Transit Mall extends throughout the downtown area, running north-south along SW 5th and 6th Avenues through the Government District, through the Retail Core and Old Town/Chinatown to the Union Station area.

Much of the current Transit Mall configuration, bus stop waiting areas, street furniture and sidewalk width layouts date to the original installation of the Mall, and are showing their age. The portion of the Transit Mall identified by the consultant team includes approximately twenty-one square blocks flanking both sides of SW 5th and 6th Avenues, from SW Salmon Street on the south north through Washington Street and its adjacent block.

The current physical condition of the Transit Mall is the by-product of a larger issue – the pending proposal to add a Light Rail line through downtown Portland routed along the Transit Mall. The Light Rail would be located to function in addition to the bus lanes, which will remain. While no one seems to be satisfied with the deteriorated condition of the Bus Transit Mall (including the City's Department of Transportation), the rationale is that, until a decision is made about addition of another Light Rail line, the City is reluctant to expend significant funds on Transit Mall modifications that may need to be ripped up to install the Light Rail, when (and if) it is approved and funded. The most practical development concept for the Transit Mall while this issue is unresolved will be a transitional one, making selective improvements, keeping the existing bus routes, allowing space for possible addition of Light Rail in the future, and seeking ways to make capital investments in the Mall that will improve the retail environment.

For most of the area designated by the team, retail uses along the Transit Mall are office serving and convenience retail and limited food service. The quality of the merchandising and presentation is visually less appealing than in other areas of the Retail Core.

Retail Character of Building and Block Frontages – Transit Mall

Despite the deteriorated condition of sections of the Transit Mall, as shown on the *Retail Character-Transit Mall map* most of the retail storefronts are considered to meet the criteria for this type of area (open space, minimum of 50 percent wall openings, and transparency of the exterior). Two exceptions are the transit mall sides of the Meier & Frank building, which has closed its entrances on the Transit Mall elevations, and the SW 6th Avenue elevations of the Hilton Hotel, which do not engage the sidewalk in a manner that will maximize activation of the street. Most of the design character of retail locations along the Transit Mall is established by the overly wide sidewalks and obstructed views from one side of the street to the other.

Development Opportunities – Transit Mall

The following development opportunities were identified by the consultant team:

- The oversized sidewalks along the Transit Mall could be modified to allow for reconfiguration of circulation lanes. Extra width may make it possible to add on-street ‘teaser parking’ spaces in certain locations. The benefit of this change would be to increase the perceived level of activity and bring more “eyes on the street”. The City of Portland Department of Transportation and Trim-Met are willing to consider exploring this approach further.
- Initial analysis of existing conditions along the Transit Mall suggests that the degree of intervention required to achieve better access (and possible on-street parking/improved circulation) could be minimal in scope, require a relatively minimal level of investment, and should be implemented in the near future.
- Because retail locations on the Transit Mall are less highly valued, spaces there may be more affordable to small local merchants who want a central location, but who cannot afford prime frontage on other streets.
- A comprehensive leasing strategy can be coordinated with pending capital investments, once a construction schedule is determined. The consultant team does not believe that the Transit Mall retail spaces will be valued equally with non-mall spaces, but the overall mix can be improved through partnerships with brokers, property owners and potential tenants. This effort will likely be coordinated through APP, PDC and other city agencies.
- The concentration of office uses, office-related services and service retail along the Transit Mall will support selective infill retail space modification or development.
- The width of the streets in some blocks (and the differing sidewalk widths) will allow consideration of adding on-street parking within existing building lines. Moderate curb line modifications may be required.

Development Constraints – Transit Mall

- The deferred Light Rail decision about whether, how, and when to include a light rail line on the Transit Mall has reinforced inaction, deterioration and deferred maintenance. While the underlying reasoning for delaying investment is sound, we also believe that some changes must be made within the next few years in the design and appearance of the Transit Mall if private investment is to be leveraged for retail enhancements there. In its current condition, the Transit Mall is not an appealing retail environment.

- Street access for automobiles is inconsistent along the Transit Mall, creating confusion and limited traffic volumes (or vacant streets) between buses. Some blocks are open for vehicular traffic, while others are not open to cars at all. During off peak hours, this lack of activity on the street contributes to a sense of discomfort for many bus commuters. More activity would reinforce a sense of safety while on the Transit Mall.
- The existing street furniture, bus stop shelters, benches and other elements appear worn and tired in appearance, and need an upgrade. Lighting is not bright enough to provide a sense of safety and security.
- The SW Sixth Avenue elevation of the Hilton Hotel does not meet the street animation criteria used to test streetfront compatibility with retail uses.
- According to the pedestrian traffic counts collected by APP last September, pedestrian traffic volumes along the Transit Mall are relatively high (14,000 to 15,000; counts at intersections two blocks away were half that amount). However stakeholder comments indicate that the Transit Mall is viewed as a negative influence in downtown Portland by a large number of people due to lack of maintenance and lighting and presence of panhandlers and street people.

PUBLIC POLICY ANALYSIS

In addition to the preceding analysis of physical characteristics of the five subareas, a preliminary review of public policy issues mentioned in our stakeholder interviews was also completed. While specific recommendations to address policy concerns will be described in greater detail in the next section, the team suggests that the following policy areas should be identified:

Market Rate Housing Adds Local Retail Demand

The most direct and effective strategy to support retail vitality in the downtown core is for the city to add a substantial number of market rate and even luxury housing units in the downtown itself. We understand the social need to retain low and moderate income housing in the downtown. However, if the community desires a downtown retail environment that symbolizes Portland, the addition of a substantial number of market rate units in the West End and along the waterfront is of critical importance.

Zoning and Land Use Requirements:

The current Downtown Plan does not *require* land uses, but rather provides a menu of permitted uses and intensities. To carry out a downtown retail strategy, it may be necessary to modify current land use requirements and zoning categories to focus development by subarea. This may include re-zoning to encourage residential development, requiring only

retail uses at street level in mixed-use blocks, reviewing parking supply requirements and exploration of shared parking between uses to meet parking needs.

Zoning and planning along the riverfront in the Yamhill Waterfront area may need adjustments to encourage further mixed use development and to manage growth and investment there to protect the character of the historic district. Storefront design standards and criteria may need to be made a requirement on key blocks to reinforce the retail character of the block facades as a retail environment.

Public Space Management

There is a balance that must be found between the rights of people in need of social services and others who mix in urban public spaces. Downtown Portland's homeless population and other groups were mentioned in most interviews as space management issues that should be addressed as part of the retail strategy. Consideration of the 'sit/lie' ordinance, visibility on the street of APP Sidewalk Ambassadors, otherwise known as the Portland I's, and other efforts to increase the sense of perceived safety will be important public policy issues for the retail program.

Transportation and Parking

While this study does not include a comprehensive parking analysis, it is clear that opinions vary about whether available parking supply is adequate in downtown Portland for shoppers. Office workers use spaces intended for high turnover (most shopping trips last two hours or less) to store their cars all day, and tie up spaces in public parking facilities. New requirements for parking as part of future development may be necessary. Correction of deferred capital maintenance issues and perceived safety threats from panhandlers and street people around Smart Park garages appear to need improvement, and additional sites for short-term parking structures will be needed as downtown continues to grow.

The Transit Mall is in need of long-deferred physical improvements if its retail edges are to be improved. Planning and development policies regarding on-street parking in certain blocks (most likely during off-peak hours) and reconfiguration of MAX rail alignments to allow increased auto access will be policy decisions that involve traffic and parking management as well as costs for public improvements.

Public Investment and Private Leverage

PDC and other public development agencies will play a critical role in leveraging private investment in downtown Portland, whether through funding studies such as the re-use analysis of the Meier & Frank building or using its funding powers to provide gap financing or developer incentives to achieve public goals.

RETAIL MIX ANALYSIS

Opportunities – Retail Mix

The following development opportunities were identified by the consultant team:

- The state of retailing nationwide, reflecting the slowdown in both national and regional economies, indicates that most national chains are in a period of contraction – whether through bankruptcy, mergers and acquisitions, or reductions in the new site expansion plans. This is likely to be favorable for independent and regional retailers who normally might be passed over in favor of a more credit-worthy national retailer.
- Housing will create demand for additional shops and services to serve these residents. Since the retail core is proximate to the West End Crossroads area, service businesses, home-oriented products and food facilities would create a new retail dynamic in the West End.
- Although near term, three to five-year demand shows no potential for further department store or larger fashion specialty unit expansion, in the longer term, the team believes that Portland could absorb one or two additional department or larger fashion specialty units. However, immediate focus should be on maintaining the current representation of these units.
- Downtown benefits from having a number of fashion’s leading vendors including Saks Fifth Avenue, St. John, Jessica McClintock and local merchants Mercantile and Mario’s. Since it is a trend among fashion retailers to co-locate with similar and complementary brands and uses, there is an opportunity to attract a number of new “destination” retailers to the retail core, thus forming a critical mass in the “retail flagship” category.
- Portland has been recognized as a center for regional cuisine and as a community that acknowledges and supports its restaurants. It is anticipated that Portland will become a priority market for the best restaurant concepts from other parts of the country that seek to expand into national markets.
- The availability of potential development sites creates the ability to design spaces that can accommodate those larger format stores that could not find space in existing downtown buildings. This may include multi-level formats with the right ratio of ground floor to lower and/or upper level space or ground floor spaces with ceilings high enough to accommodate tenant storage.
- The availability of potential development sites creates the opportunity to attract a variety of entertainment concepts, some of which are large format and others that are multi-functional and multi-level.

- APP has been quite successful in branding downtown Portland with its “I’d Rather Be Downtown, Portland” campaign. The demonstrated success of this campaign and additional efforts by APP, POVA and others is likely to be a significant positive factor in any tenant’s evaluation of the downtown Portland retail market.

Constraints – Retail Mix

- Current market conditions will likely slow down interest from national fashion retailers seeking flagship locations, especially those that have yet to locate in Seattle, Los Angeles and/or San Francisco (typically some of the “must be in” cities in any national retail rollout).
- As previously discussed, opportunities to accommodate large format stores within the existing downtown building stock is limited. Uncertainty as to when (or if) new developments that would be able to house these tenants will be coming on line may be a constraint in recruitment.
- Individual ownership of buildings can be seen as a barrier to accomplishing both the “greater good” and critical massing of use groups that is needed to create a destination retail block or area.
- Portland could be considered a remote city for multi-store tenants located in several markets that are served by regional distribution centers (usually in northern California or Denver). Until they have a significant concentration of stores between their distribution center and Portland, some retailers may be reluctant move into the Portland market.
- The current income base of downtown residents is not as strong as other cities with successful downtown retail areas such as San Francisco, Seattle, Boston, Chicago and Denver. This may prove to be an obstacle in attracting some fashion tenants. However, the consultant team believes that having a downtown residential component will be very attractive to many mid-priced, local and regional tenants that serve a wide audience including tourists, residents and office workers.

The preceding text serves as a context for the recommendations and strategies that follow in the Section V.

Concept Diagram Retail Streets & District Linkages



- ① Anchor Retail Street
- ② Special Retail Street
- ③ Bus Transit Retail Street
- ④ Waterfront Retail Street
- Phase 1
- Future Phase
- Rail Transit
- Existing Retail Anchor

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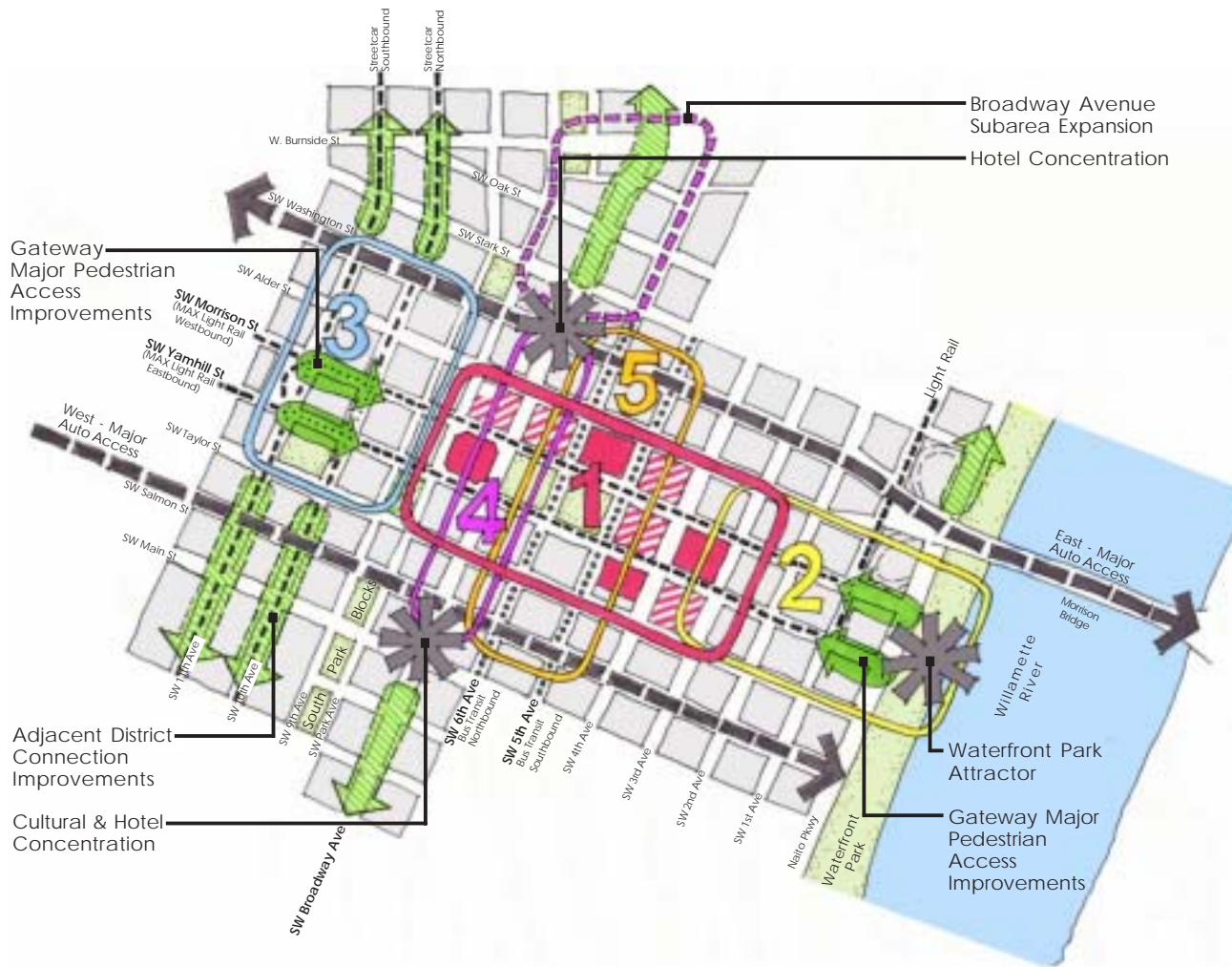
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Concept Diagram Retail Subareas



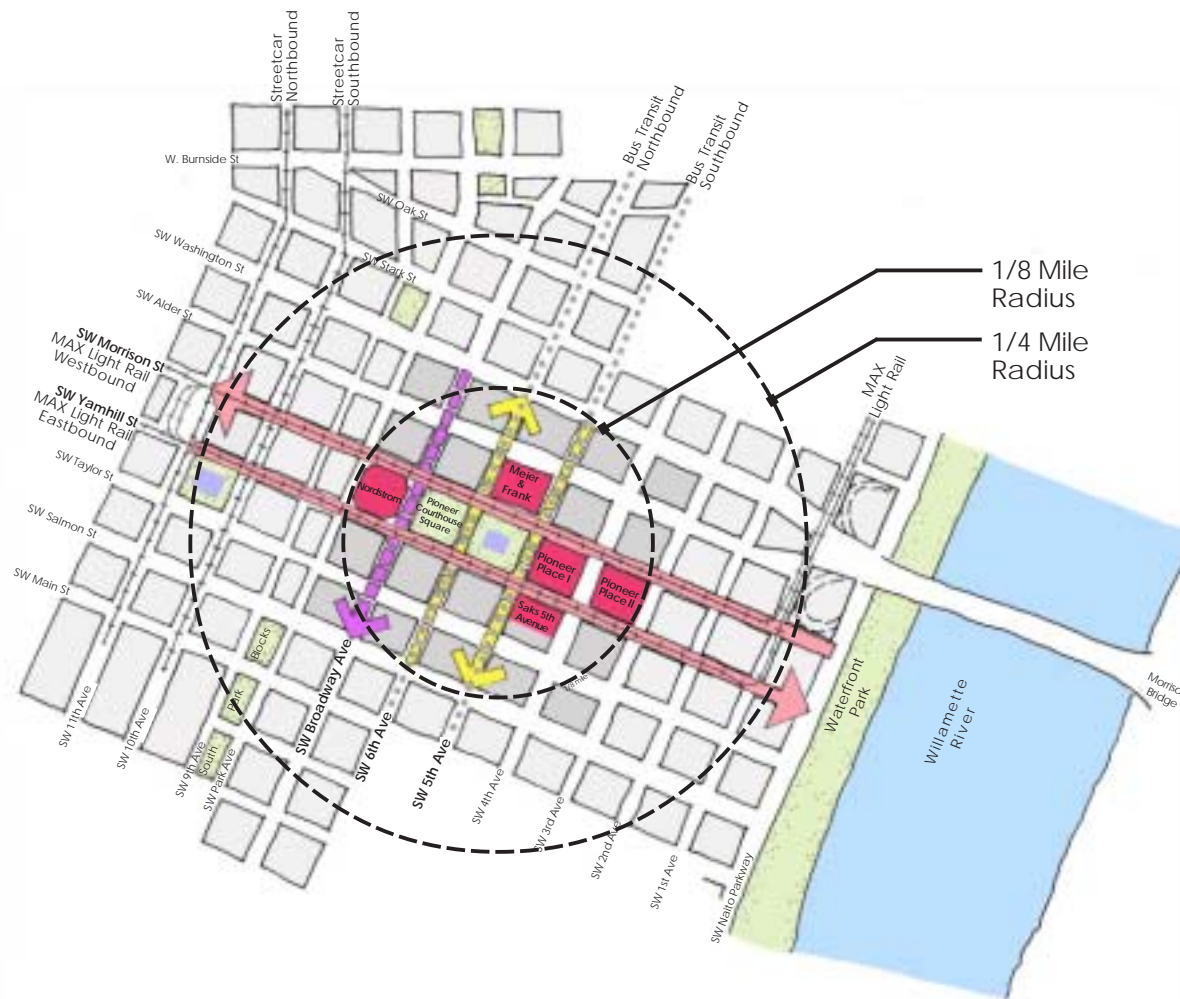
- 1** Retail Core
- 2** Yamhill Waterfront
- 3** West End Crossroads
- 4** Broadway Avenue
- 5** Bus Transit Mall
- Anchor Retail
- Potential Anchor Retail







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Concept Diagram Retail Core Framework



-  Anchor Retail Street
-  Special Retail Street
-  Bus Transit Retail Street
-  Existing Retail Anchor



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1 Retail Character Subareas



Building Presentation at Anchor Retail Street

	Evaluation	Building Retail Use	Building Engages Sidewalk	Wall Openings*	Transparency of Openings
Good	Green	Yes	Yes	+75%	Yes
Needs Improvement	Red	No	No	-75%	No

A rating of "Needs Improvement" is indicated if the building frontage does not meet one or more of the four requirements.

* At eye level.

← Anchor Retail Street



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1 Development Opportunities Retail Core



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2 Retail Character Yamhill Waterfront

Building Presentation at Anchor Retail Street

Evaluation	Building Retail Use	Building Engages Sidewalk	Well Openings*	Transparency of Openings
Good	Yes	Yes	+75%	Yes
Needs Improvement	No	No	-75%	No

A rating of "Needs Improvement" is indicated if the building frontage does not meet one or more of the four requirements.

* At eye level.

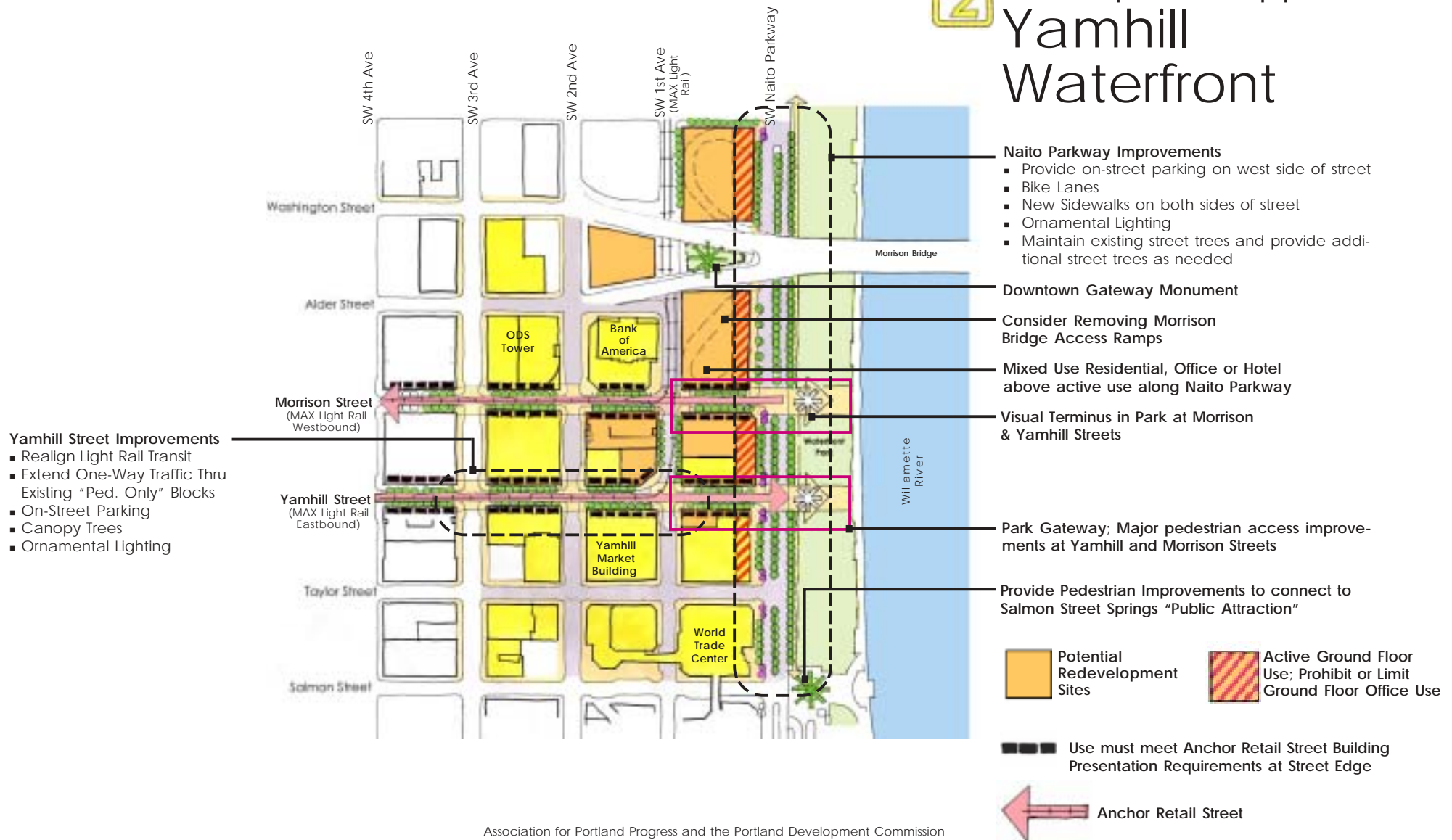
← Anchor Retail Street



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2 Development Opportunities Yamhill Waterfront



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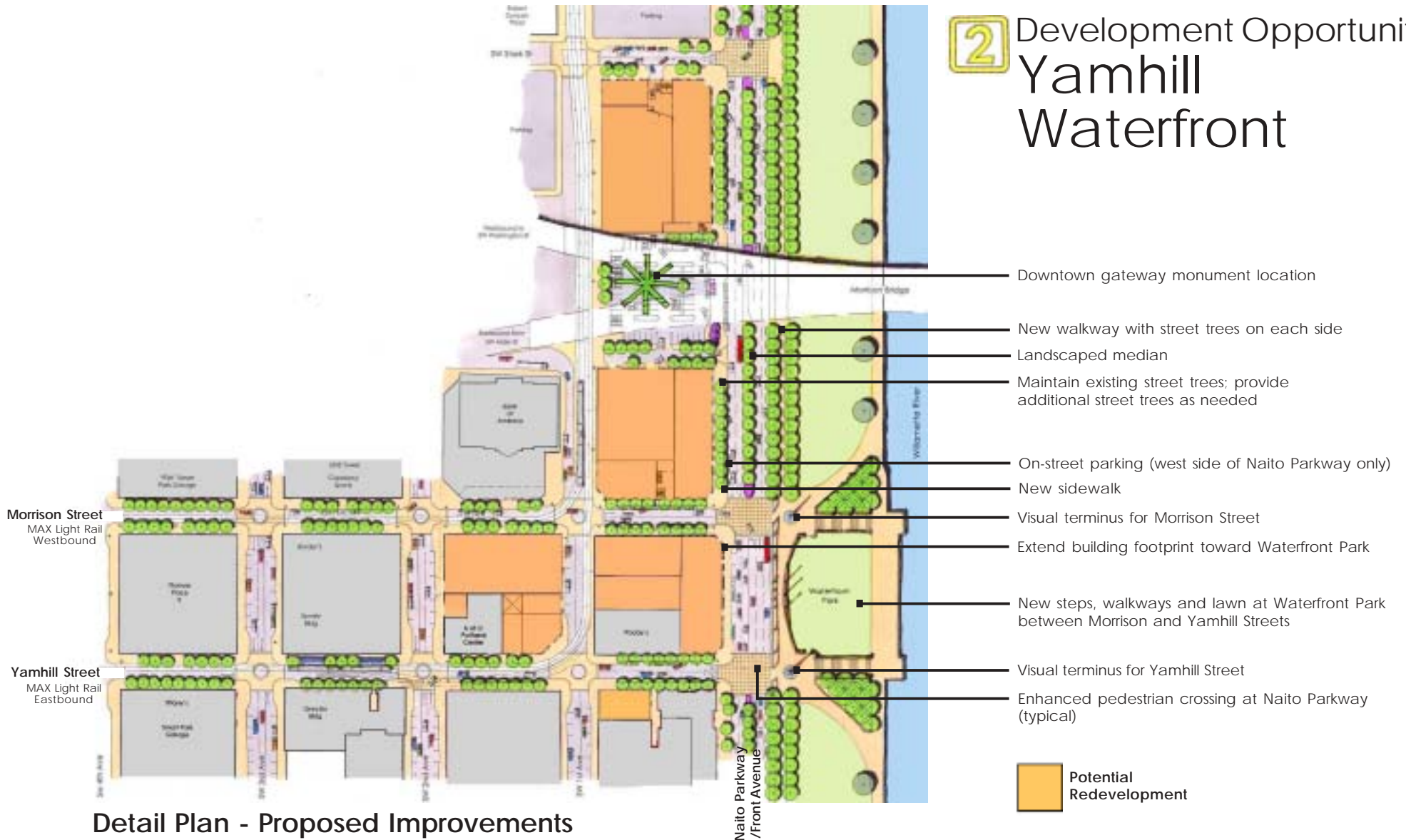
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Development Opportunities Yamhill Waterfront



Detail Plan - Proposed Improvements

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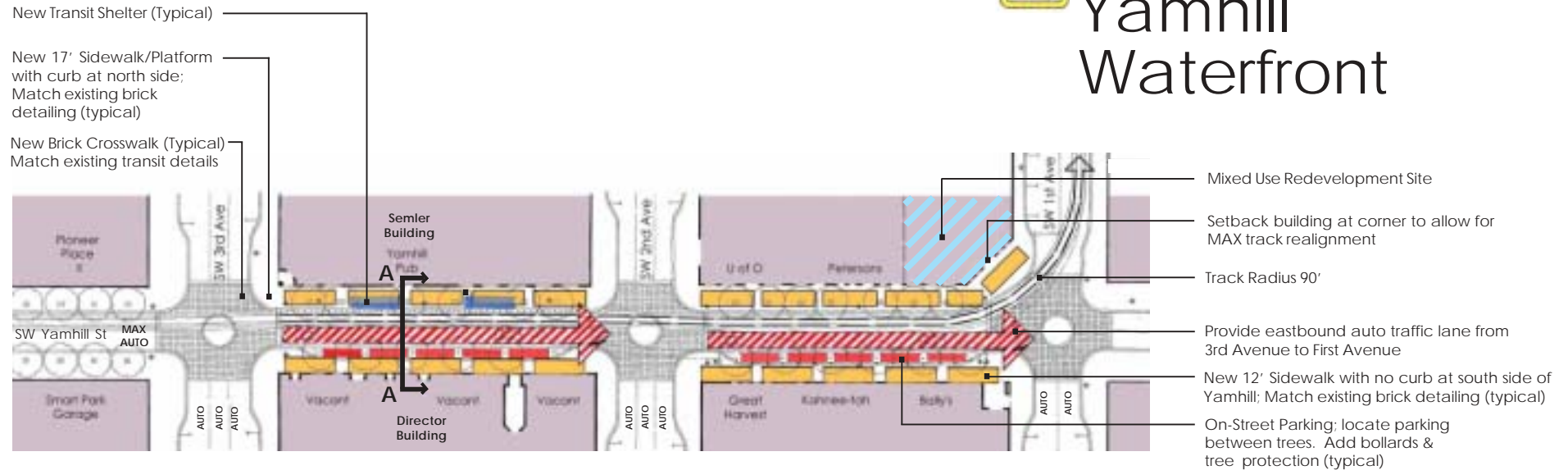
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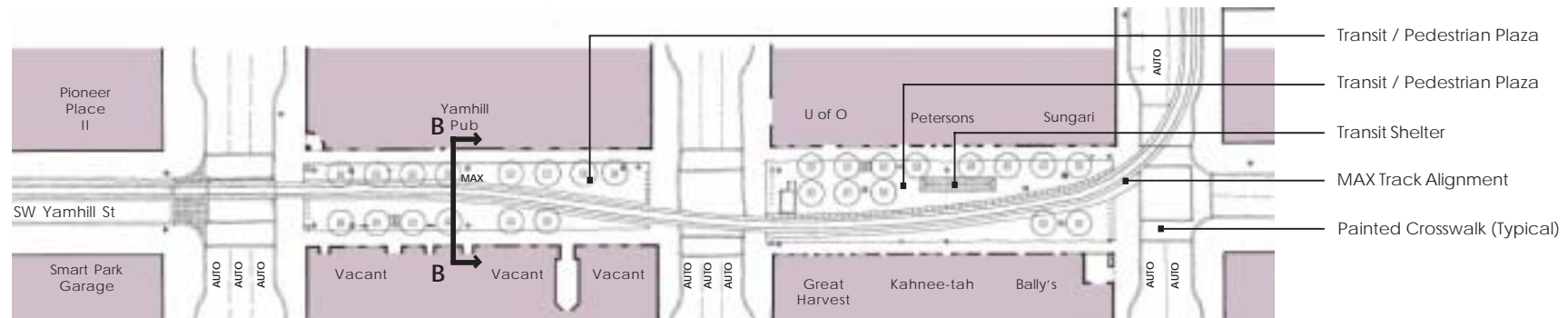


North

2 Development Opportunities Yamhill Waterfront



SW Yamhill Street Proposed Improvements



SW Yamhill Street Existing Condition



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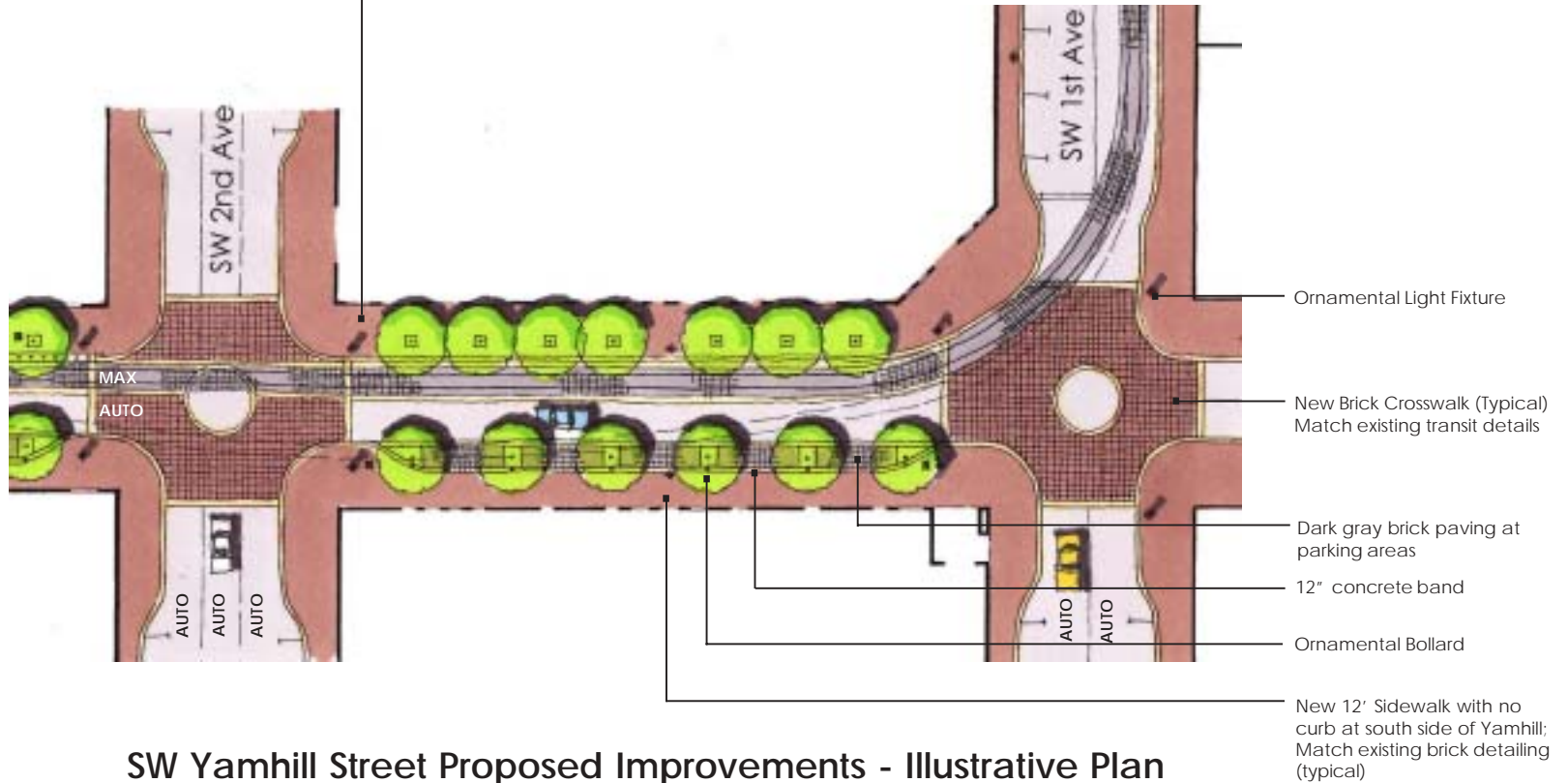
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Key

- New Sidewalks
- New One-way Auto Lane
- New On-street Parking Lane
- Existing Curb

2 Development Opportunities Yamhill Waterfront

New 17' Sidewalk/Platform
with Curb at north side;
Match existing brick
detailing (typical)



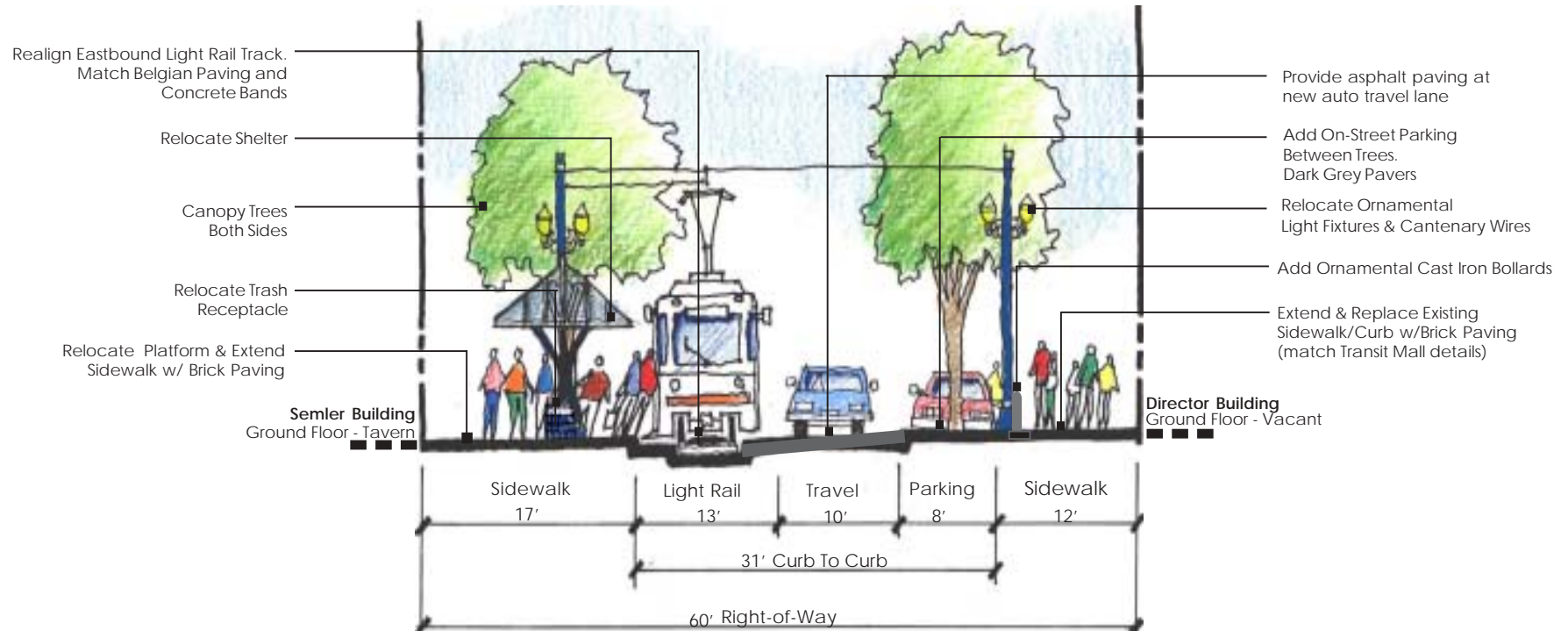
SW Yamhill Street Proposed Improvements - Illustrative Plan



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2 Development Opportunities Yamhill Waterfront



SW Yamhill Street - Proposed Improvements (Section A-A)

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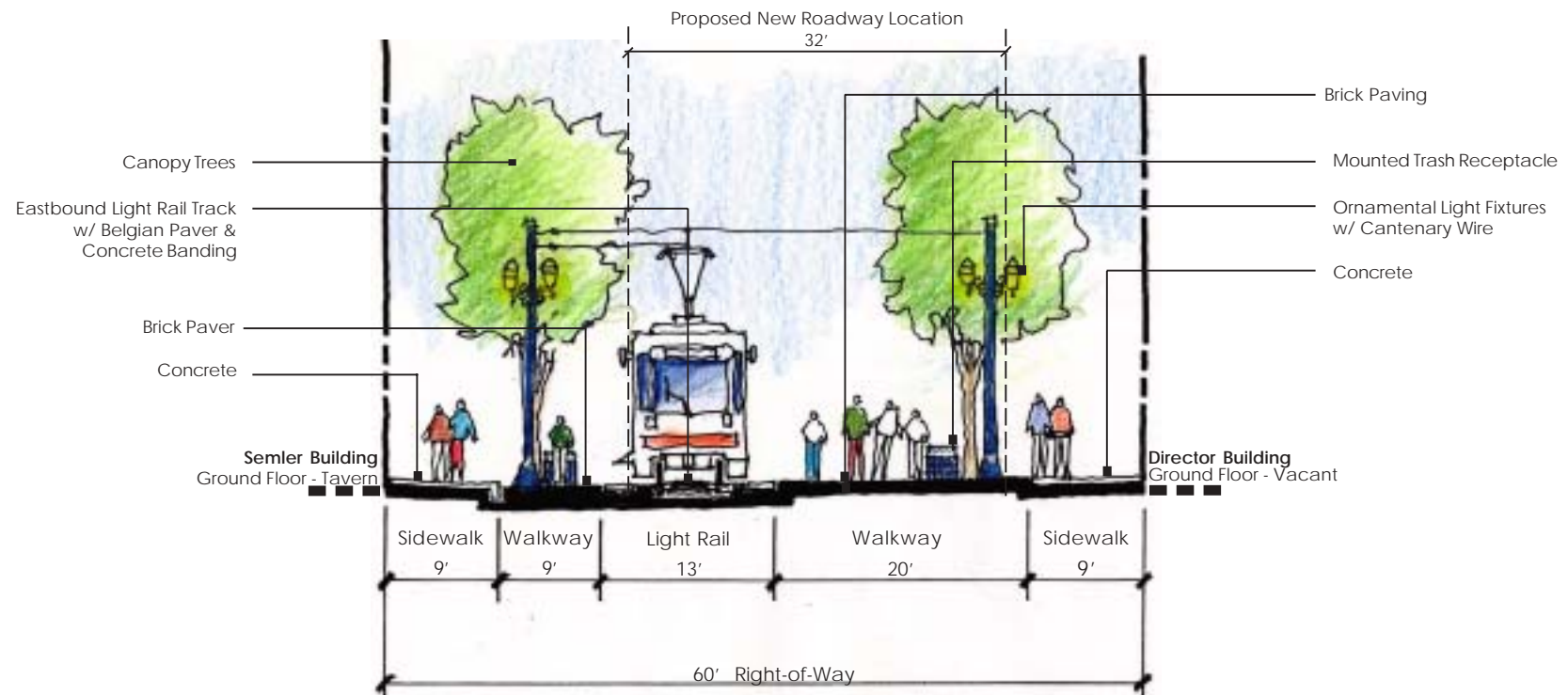
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2 Development Opportunities Yamhill Waterfront



SW Yamhill Street - Existing (Section B-B)

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3 Retail Character West End Crossroads

Building Presentation at Anchor Retail Street

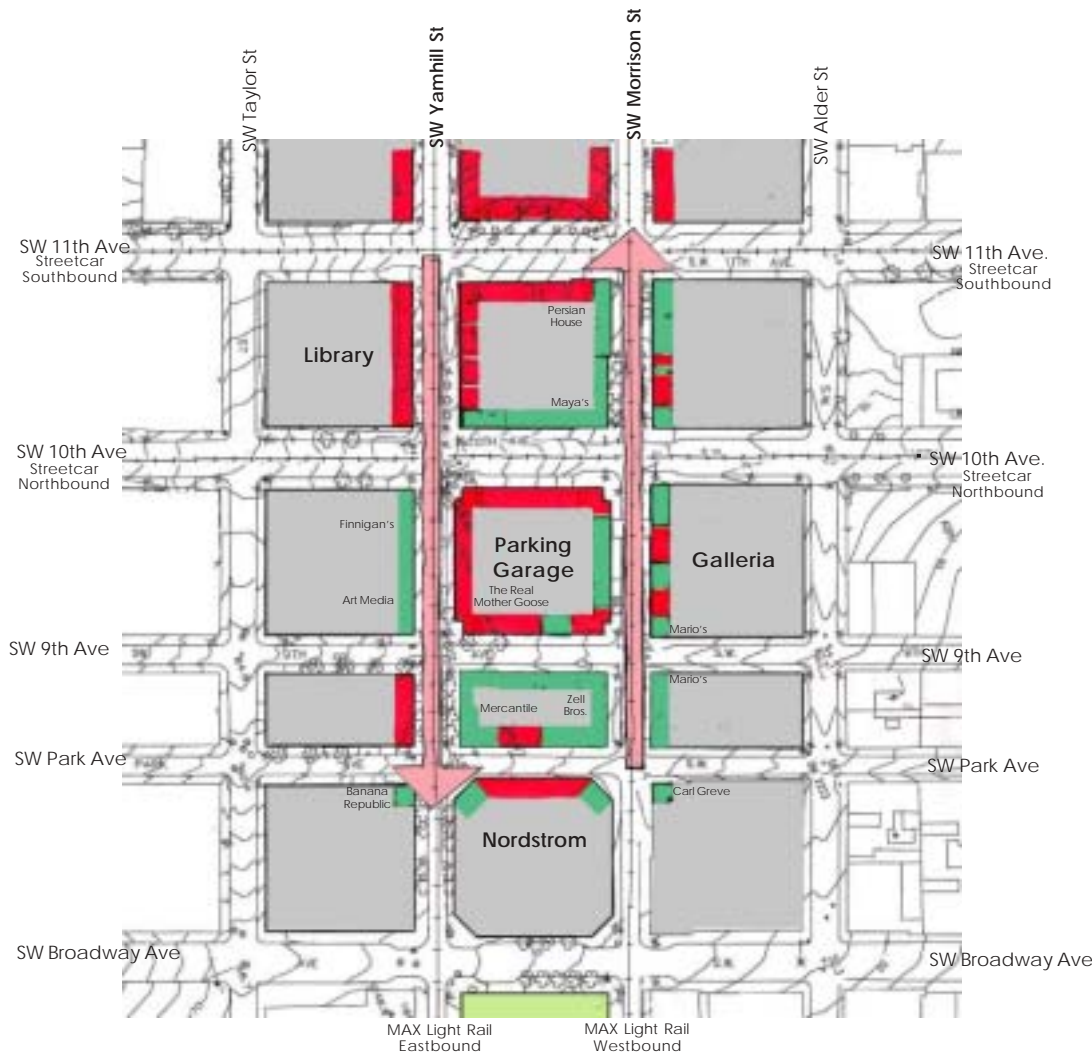
Evaluation	Building Retail Use	Building Engages Sidewalk	Well Openings*	Transparency of Openings
Good	Yes	Yes	+75%	Yes
Needs Improvement	No	No	-75%	No

A rating of "Needs Improvement" is indicated if the building frontage does not meet one or more of the four requirements.

* At eye level.



Anchor Retail Street



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3 Development Opportunities West End Crossroads



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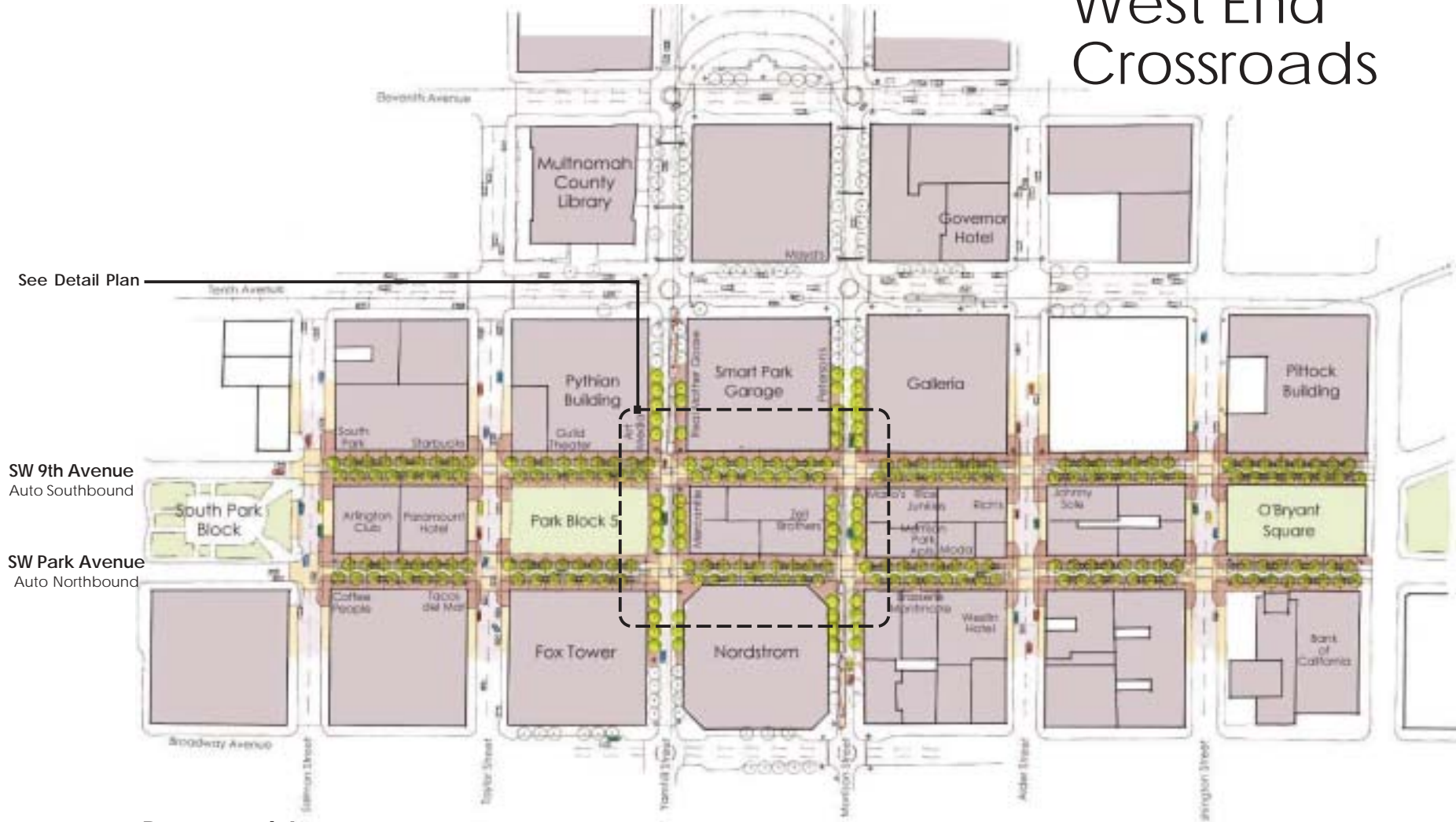
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3 Development Opportunities West End Crossroads



Proposed Improvements

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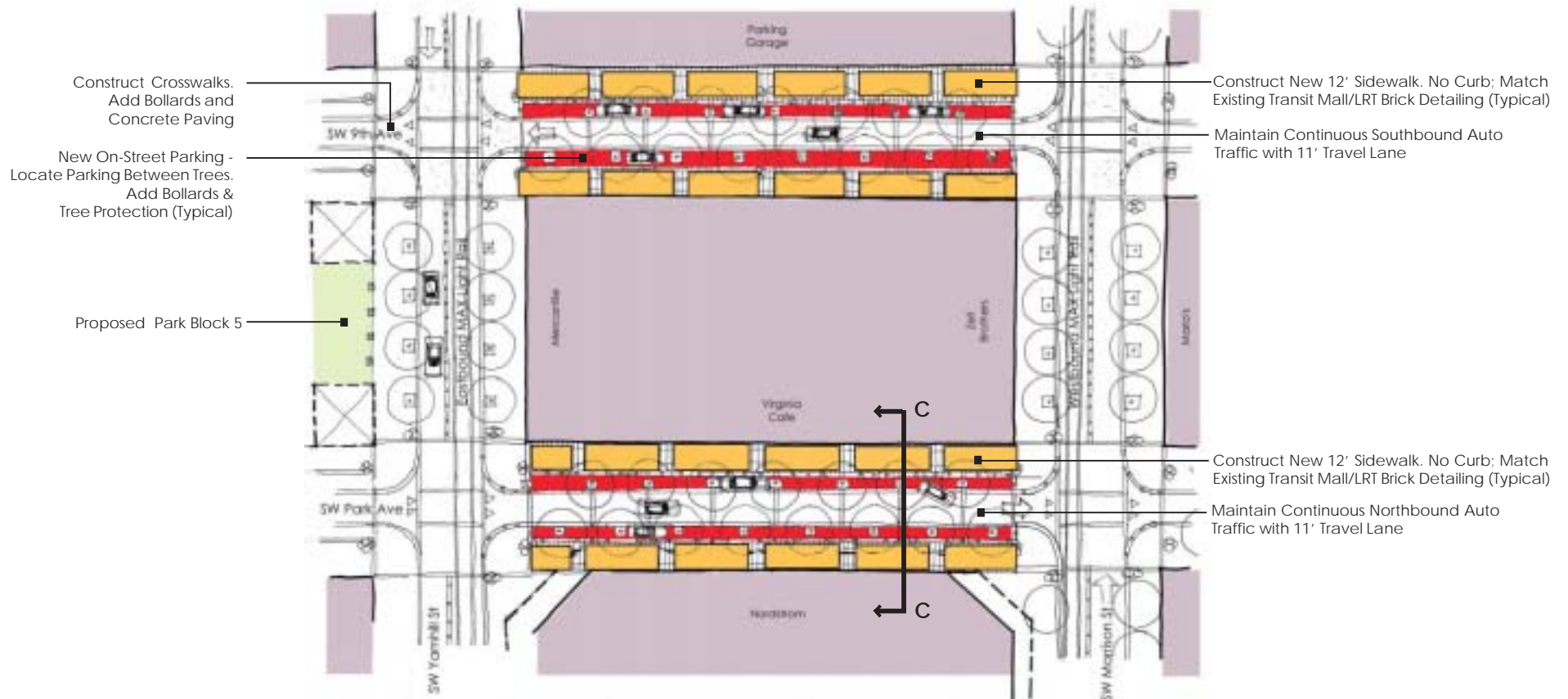
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3 Development Opportunities West End Crossroads



Mid-Town Blocks (Typical) - Proposed Improvements



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Key

- New Sidewalks (no curb)
- New On-street Parking
between trees

3 Development Opportunities

West End Crossroads



Mid-Town Blocks (Typical) - Proposed Improvements Illustrative Plan



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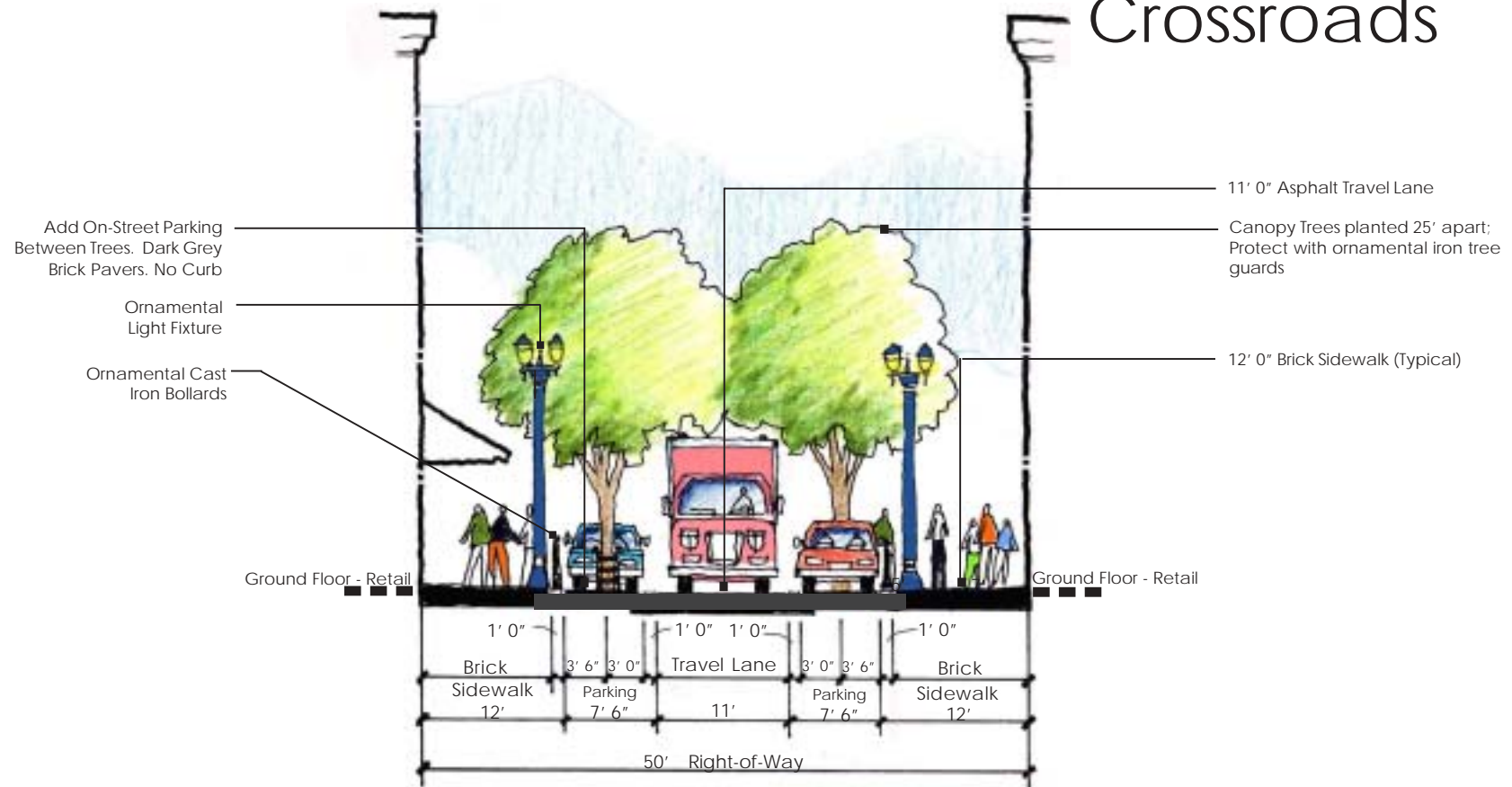
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3 Development Opportunities West End Crossroads



Mid-Town Blocks (Typical) - Proposed Improvements (Section C-C)

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4 Retail Character Broadway Avenue

Building Presentation at Special Retail Street

Evaluation	Living/Office Retail Open Space	Wall Openings*	Transparency of Openings
Good	Yes	50%	Yes
Needs Improvement	No	<50%	No

A rating of "Needs Improvement" is indicated if the building frontage does not meet one or more of the three requirements.
* At eye level.

← Special Retail Street



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4 Development Opportunities Broadway Avenue



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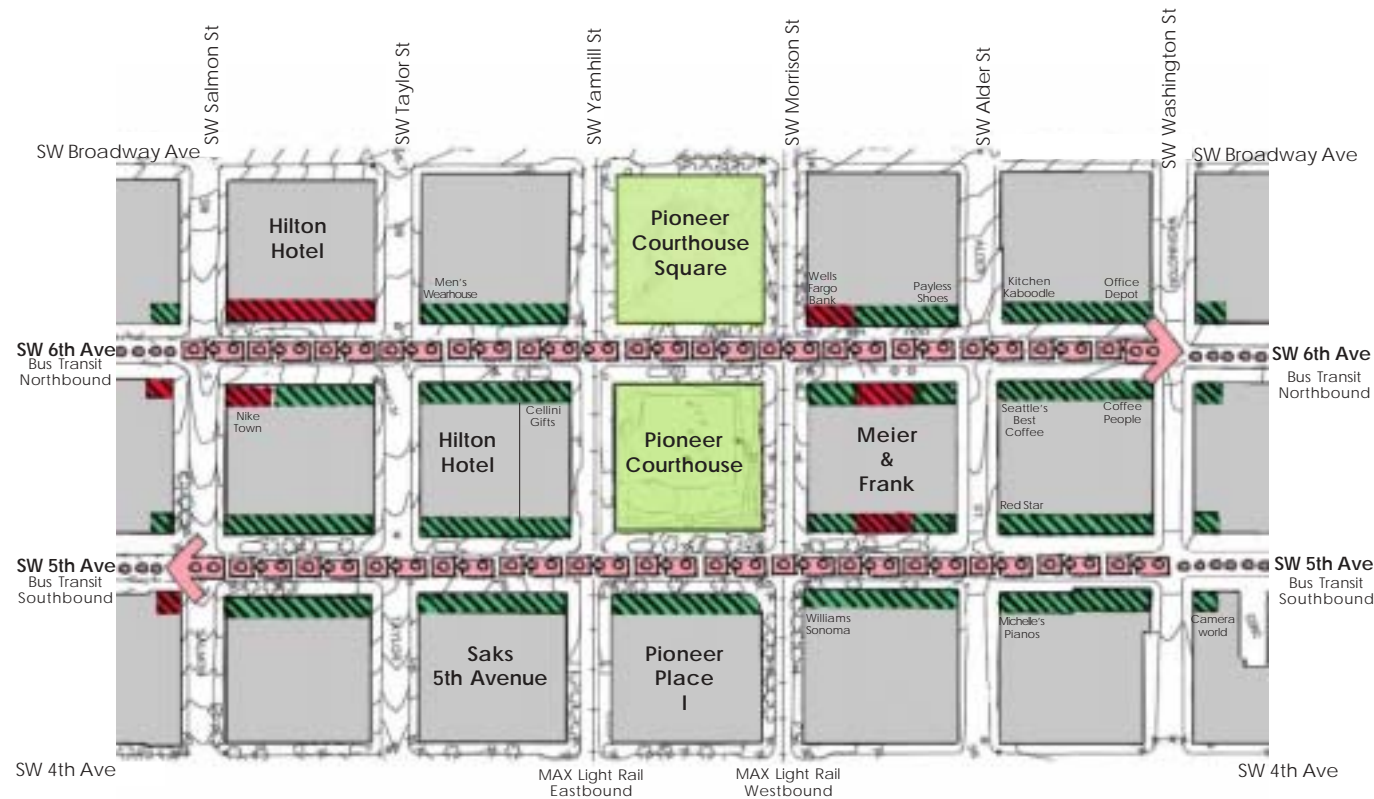
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North



Retail Character Bus Transit Mall



Building Presentation at Special Retail Street

	Evaluation	Living/Office Retail Open Space	Wall Openings*	Transparency of Openings
Good		Yes	50%	Yes
Needs Improvement		No	<50%	No

A rating of "Needs Improvement" is indicated if the building frontage does not meet one or more of the three requirements.
* At eye level.



Special Retail Street



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5 Development Opportunities Bus Transit Mall

Open Bus Transit Mall to auto traffic

- SW 5th and 6th Avenues from Yamhill Street to Taylor Street
- Relocate Public Art Sculpture and Fountains
- Provide On-Street Auto Parking on one side of street between existing trees
- Maintain Bus Lanes and Loading Areas

Keep existing drop-off parking

Maintain all existing bus shelters in current locations

Provide on-street auto parking on one side of street

- SW 5th and 6th Avenues from Washington Street to Salmon
- Parking to occur between existing street trees wherever possible
- Discourage loading zones

Maintain all existing street trees wherever possible



■ ■ ■ Use must meet Special Retail Street Building Presentation Requirements at Street Edge

■ ■ ■ Special Retail Street



Special Street Improvements

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See Illustrative Plan

Construct New 12' Sidewalk.
Match existing brick detailing.

New On-Street Parking. Locate parking between
existing trees. Add bollards & tree protection.

Provide Continuous Northbound Auto Traffic
Through Transit Mall. Adjust existing roadway
moving 10' into existing sidewalk.

5 Development Opportunities Bus Transit Mall



New On-Street Parking. Locate Parking Between
Existing Trees. Add Bollards & Tree Protection (Typical).

Provide Continuous Southbound Auto Traffic. Adjust
existing roadway moving 10' into existing sidewalk.

Construct New 12' Sidewalk. Match
Existing Brick Detailing (Typical).

Bus Transit Mall Street Plan - Proposed Improvements

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Key

- New Sidewalks
- New One-way Auto Lane
- New On-street Auto Parking Lane
- Existing Curb Line

5 Development Opportunities Bus Transit Mall

New On-Street Parking - Locate parking between existing Trees. Paving similar to existing sidewalk/brick detailing. Add ornamental cast iron bollards & tree guards.

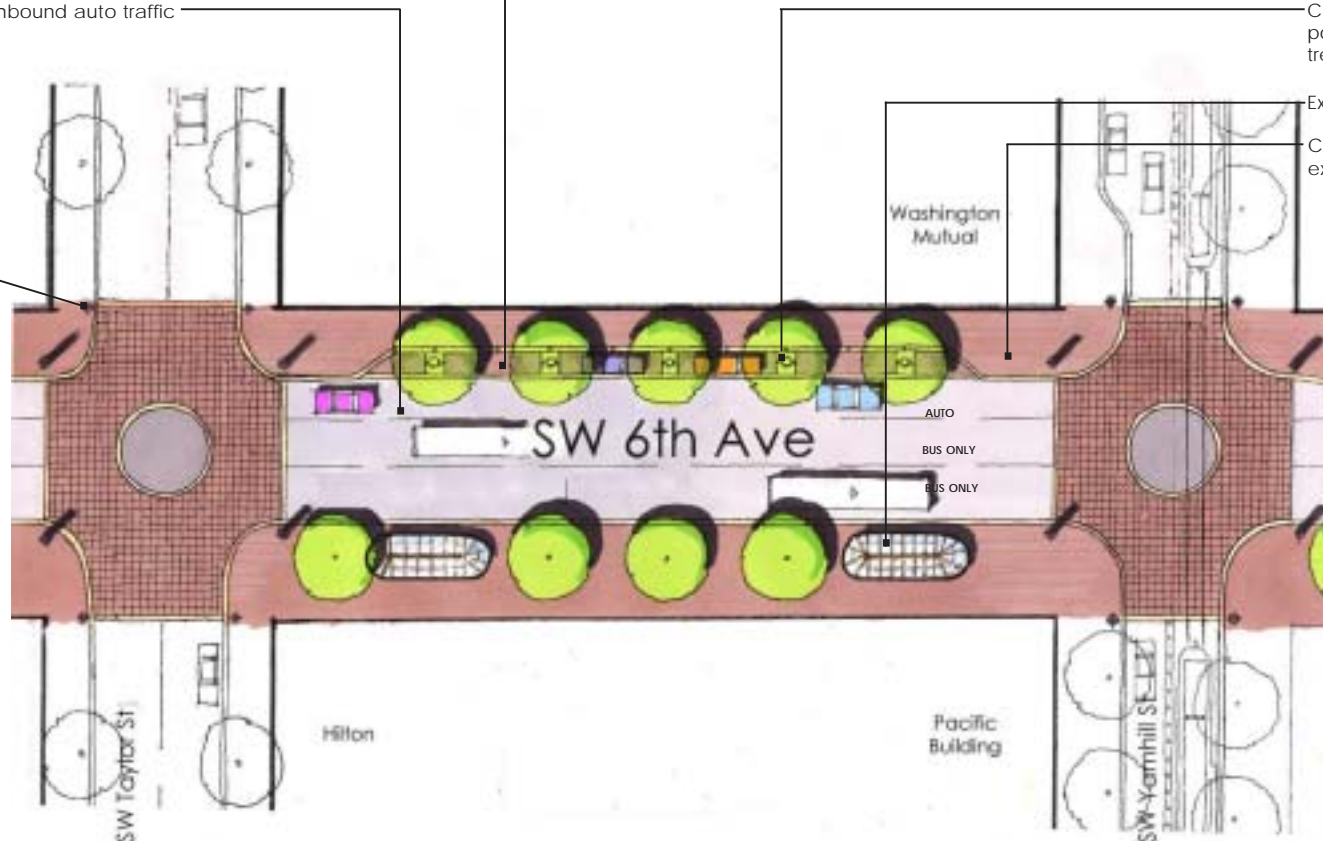
Provide Continuous Northbound auto traffic Through Transit Mall

Ornamental light fixture

Canopy trees - maintain existing where possible. Protect with ornamental iron tree guards

Existing bus shelter

Construct new 12' sidewalk. Match existing brick detailing.



Bus Transit Mall Street Plan (Typical) - Proposed Improvements Illustrative Plan

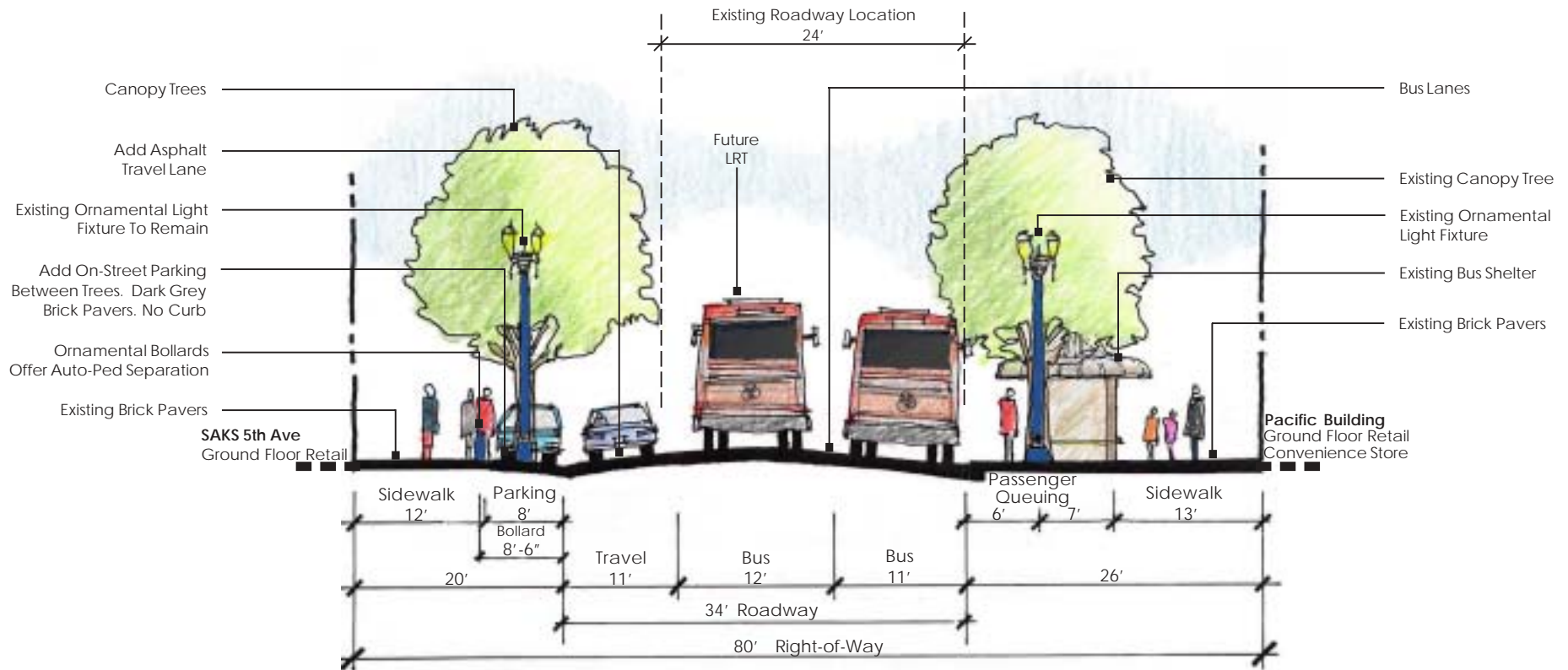


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5 Development Opportunities Bus Transit Mall



SW 5th Avenue - Proposed Improvements (Section D-D)

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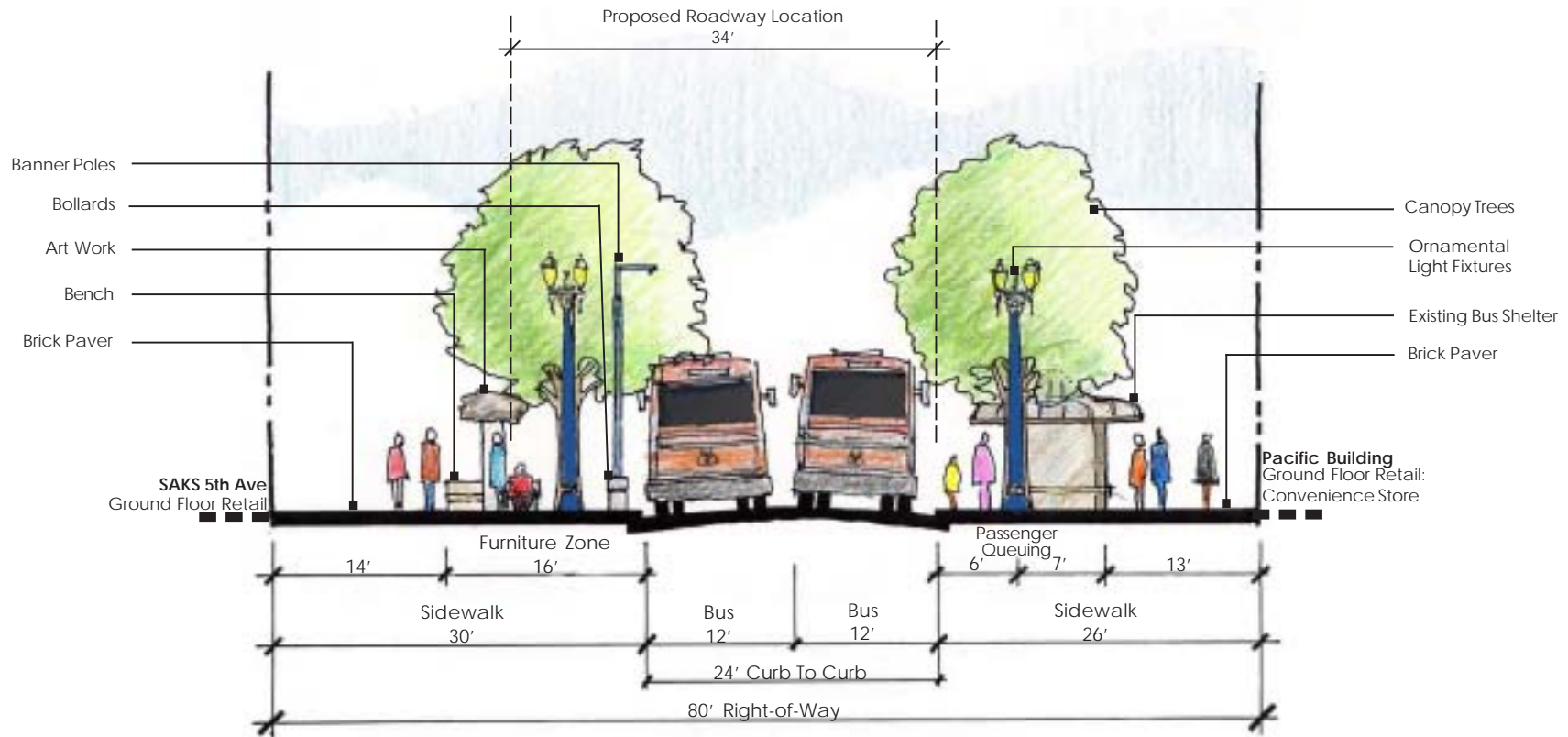
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5 Development Opportunities Bus Transit Mall



SW 5th Avenue - Existing

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Section V

RETAIL STRATEGY RECOMMENDATIONS

This section presents a comprehensive series of strategic actions that the consultant team recommends should be implemented in downtown Portland over the next three years by APP, PDC, private property owners, retailers and other stakeholders who are concerned about future growth and development in the central business district. As with other considerations about the retail strategy, the consultant team has structured our short-term recommendations to acknowledge longer term goals, development opportunities and issues which, while may not be resolved within the initial implementation period. The future development status of the Midtown Park Blocks is an example of this situation, in which our short term perspective on land use and development potential for the blocks will change over time, as the development context of the West End grows and changes.

It should also be recognized that the current state of the national economy as well as the economic condition of the northwest may temper the level of retail expansion by national retailers within the next three years, while presenting new opportunities for local and regional retailers who recognize Portland as a destination for specialty shopping and unique stores. The recommendations focus on this group, both because we believe they are an important part of Portland's overall retail positioning strategy and because, for the next few years, they will be better able to consider downtown Portland as a potential location.

To address the opportunities and constraints to retail development downtown identified in Section IV, the team has structured the recommendations into four major headings: (a) important public policy actions, (b) urban design modifications for downtown Portland's five subareas to capitalize on linkages, improved circulation and enhanced placemaking, (c) tactical and management-oriented strategies that focus on retail recruitment and retention; and (d) marketing downtown and the needs of targeted retail tenant prospects.

GUIDING PRINCIPLES

The ERA Team's recommended strategy to support downtown retail development in Portland has been based on a number of guiding principles. The time period for initial actions is brief, assumed to be completed within the next three to five years (for planning purposes, by 2005), but the magnitude of issues and opportunities for retail development must also be considered within a longer-term context. The differences in the nature of the growth opportunity were framed, in part, by the market projections developed by ERA in Section III.

Downtown Portland's potential to capture sales (and therefore supportable square footage of retail space) will depend on how APP, PDC and others respond to a series of variables that will affect implementation – the national and regional economies, planning and development

policy decisions affecting growth and allocation of public funding, timing of transit expansion and other factors. Each of these has been considered in forming our recommended retail strategy.

Broadly stated, the principles underlying the recommended strategy include the following:

Expand the size of the market for downtown retail by aggressively increasing the number of housing units downtown. While there should be a place for housing in all price levels, market-rate housing and upper-income residents will have a much greater effect on supportable retail in both the near term and longer term. Over the past decade, the Central City has experienced no increase in net new jobs. Job development in the Central City is vital to the building of an economic base for retail sales in the downtown.

Responsibility – Affecting development of downtown housing is both a policy and a market issue. For land-use and zoning administration, the Bureau of Planning will be the lead agency. Portland Development Commission will provide the lead on development and financial incentives, and APP should work with both public agencies to represent the private sector property owner and tenant priorities as they will be affected by development of housing.

Capitalize on existing strengths and connections by building on existing transit patterns, concentrations of uses or of building characteristics (clusters of historic structures, hotels, colleges and university near the retail core, and performance venues in the cultural districts). This strategy also includes protecting and reinforcing existing downtown retail destinations – Meier & Frank, Nordstrom, and Saks at the department store/fashion specialty store level and Pioneer Place and independent specialty retailers along downtown streets.

Responsibility – This strategy will require participation of all applicable public and private sector downtown advocates.

Create clarity in downtown retail subareas by clustering similar retail categories, price levels and product types to create a hierarchy of complementary retailing districts. Merchandising and retail recruitment efforts should build on the thematic or functional concentrations that the subareas are intended to represent – fashion, apparel, and one-of-a-kind stores in the Retail Core and on Broadway; dining and entertainment in the Yamhill Waterfront area, office serving and convenience retail in the Bus Transit Mall area, and resident-serving retail and restaurants in the West End Crossroads area, paralleling significant development of housing there.

Responsibility – Creating clarity between subareas is both regulatory and promotional, and will require involvement by the Bureau of Planning for designation and any required modifications to current zoning or development of plan overlay districts, and APP should take the leadership role in marketing the identities of different downtown subareas through maps, wayfinding elements and other promotional tools.

Adjust public policies to protect downtown retail including zoning and street level design standards, site-specific land use restrictions and long-term clustering of mid- to high-density housing downtown's West End Crossroads.

Responsibility – The responsibility for this goal is also regulatory and promotional, and will require involvement of both City agencies as well as APP and other public interest organizations. For example, the Bureau of Planning will need to review and implement zoning and plan adjustments; the Office of Transportation/Tri-Met, PDOT and other transit groups for street grid and street parking will be involved in consideration and resolution of transportation and transit issues; and PDC will need to address development policy issues (such as a cap on major retail development that might have an adverse effect on downtown retail); implementation will also involve PDC's continuing work with the Bureau of General Services for parking facility development, with the Parks and Recreation Department on public open spaces, and other development issues.

Improve downtown parking and ease of circulation by both transit and automobiles downtown, in some cases blending cars and transit in areas where they are separated today.

Responsibility – As mentioned above, development/re-development of parking facilities will involve the Bureau of General Services, PDOT, Tri-Met, and PDC, as well as the Bureau of Planning for site identification and incorporation into an overall downtown retail strategy.

Continue to aggressively market downtown Portland to residents and visitors as a shopping destination and to quality-oriented potential retailers as the first location they should consider.

Responsibility -- Marketing of downtown Portland to consumers, developers and retailers should be lead by APP, coordinated with PDC and other public agencies, as well as commercial leasing brokers and property owners

RECOMMENDED POLICY ACTIONS

While the retail strategy is associated with (and affected by) many other policies in downtown Portland such as broad transportation initiatives, downtown as one of many economic development areas in the region, etc., the consultant team has noted two areas that suggest specific recommendations that should be integral to short-term and longer-term implementation. Each is described briefly below.

Implement Actions to Strengthen Existing Anchors in Retail Core

The ERA team believes that retaining Meier & Frank and Nordstrom immediately adjacent to Pioneer Courthouse Square is critical to maintaining the vitality of the downtown Retail Core and is of particular importance to attracting and retaining other retailers who benefit from the

customer traffic generated by the department stores. We understand that Meier & Frank considers its building to be functionally obsolete, and that the existing Nordstrom store may be too small to accommodate future needs. While Nordstrom is not actively pursuing expansion, Meier & Frank has indicated a strong interest in remaining in downtown Portland at its current location. No doubt major renovation, including upgrading the structure to current seismic standards, will be costly. Meier & Frank is considering the selling of the excess space in the upper floors of the renovated building to a developer for conversion into office space or another alternate use to offset renovation cost. The ERA team strongly recommends that the City of Portland form a partnership with Meier & Frank to completely modernize that department store in its current location. Some participation by the City of Portland through the Portland Development Commission will be necessary for Meier & Frank to undertake this major renovation project. When Nordstrom needs to expand at some point in the future, we recommend that the City steer that expansion towards the existing Retail Core (i.e. along Broadway) rather than westward away from the Core.

Adopt a Policy to Encourage Market Rate Housing in the Downtown Core

One of the lynch pins to the future success of the retail core is the strengthening of the local market. This is best accomplished adding local population with substantial purchasing power via the development of market rate housing in the West End and other areas of the downtown core. To recognize this objective, we recommend that the City formally adopt a goal of constructing 2,500 market rate housing units in the downtown core by 2010. Investment in incentives and public amenities may be required for the City to reach this goal. This goal should apply for the area bounded by Burnside on the north, I-405 on the west and south and the Willamette River on the east.

Develop a Policy for PDC to use in Supporting the Retail Core

One of downtown Portland's strengths is the presence of a large number of local and unique retailers. This strong presence, combined with the small, pedestrian-friendly block size is a competitive advantage over the long term, in that it differentiates downtown from other shopping areas in the region as well as from other downtown areas nationally. The Portland community needs to protect this competitive advantage while encouraging bold new development projects that move downtown retailing forward.

The key will be the correct sizing of new retail development projects relative to both market growth and the scale of development opportunities downtown. The implications of encouraging new large-scale retail development will encourage an influx of more national chains that attract sales away from local businesses. Developers at this scale need national chains because they are considered more credit-worthy by the developers' financial sources. In contrast to the large project strategy, policies that are overly restrictive will discourage big new development, often to the benefit of smaller building projects, smaller scaled projects and local developers who may not be able to take on large scale projects but who may have a

higher degree of sensitivity to local issues and be better able to scale appropriate responses. This, over the long term, will also benefit the downtown area.

Considering this sensitive issue, the ERA team recommends that the Portland Development Commission (PDC) adopt a policy of supporting new retail development projects that would add no more than 400,000 square feet (net) of additional space. At this scale, developers would still have the ability to create projects with enough critical mass to seek outside financing, but the policy would also encourage new retail projects that are more in scale with Portland. A limited retail development cap would result in projects that are less threatening to local stores, particularly in close-in/downtown locations where large development parcels are not as readily available.

Amend Portland's Zoning and the Central City Plan

The team also conducted a preliminary review of the City's Zoning Ordinance to identify inconsistencies with major adopted regulations or policies. This review should be broadened and include discussions with the Bureau of Planning, the Office of Transportation, and Tri-Met for their opinions, as well.

All private parcels in the study areas are zoned CX (Central City Employment) or CXd (the d representing a design review overlay). Retail, housing and office uses that are referenced in the urban design plans and designations of retail subareas are consistent with current permitted or conditional uses. However, there are specific elements and proposed revisions that are generally consistent with CX development regulations, except for the following:

- On proposed primary shopping streets, the team has recommended that street-level retail be required uses. Current regulations are not this specific. Office uses and other non-activating uses are permitted as appropriate for ground floor spaces. Without this modification, the implementation of contiguous retail uses along primary shopping streets will be far less likely.
- Our recommended re-alignment of the MAX Light Rail line in the Yamhill Waterfront subarea may require removal or alteration of a contributing historic structure in the Yamhill Historic District. Coordination with the Landmarks Commission will be required to explore the specific implications of possible removal or relocation, or whether engineering of the re-alignment might be modified to preserve the structure.

For the retail study to be effective in its implementation, it appears that it will be necessary to amend the Downtown Plan and or the Central City Plan, which would require action by both the Bureau of Planning and the Office of Transportation. Regulatory actions will need to be prescribed through maps or other site specific descriptions. An overarching principle of our study is to avoid dispersal of the retail core. However, under today's regulations, if a property owner were to assemble a number of blocks in some part of the central business district and

propose a retail mall that would compete with the retail core, current zoning would allow such a development.

The City's Bureau of Planning implements urban design concepts such as limiting the size of retail uses or requiring active street level retail by using existing tools such as 'Plan Districts' or other base zoning overlays. Because our recommended concepts would apply to the central part of the city, the most useful, comprehensive approach may be to update the Central City Plan, which is itself a plan overlay district.

Finally, amending street plans would seem to require another separate action. Modification of the street grid to allow new auto traffic access on Yamhill would not change the street designation, but would likely require a technical traffic study by PDOT and Tri-Met.

Implement Pedestrian Interference Ordinances

According to the stakeholder interviews conducted for this study and other discussions about future retail development in downtown Portland, pedestrian interferences caused either by sidewalk obstructions (sitting or lying in public spaces or on public sidewalks) or aggressive begging/panhandling in public spaces has been a significant recurring issue. The consultant team recommends that APP and the City review and implement one or more ordinances that will allow management of these behaviors. Many other cities (including Seattle; Tacoma; Tumwater; New York City; Covington, KY; and others) have implemented regulatory controls that define and provide restrictions to manage these aggressive behaviors to prevent obstructions to pedestrian flow and perceptions of safety in public spaces and sidewalks. Examples incorporated into the Municipal Codes of the City of Seattle offer both legal precedents and operational guidelines for consideration of such ordinances in Portland. The existing Drug Free Zone Ordinance, administered by the Portland Police Bureau Drugs and Vice Division, also provides a precedent for management of public space behaviors in the downtown area (the downtown boundaries of the Drug Free Zone include an area defined by the Fremont Bridge on the North to I-405 on the west, and from the Willamette River on the east to SW Clay Streets on the South).

RECOMMENDED URBAN DESIGN IMPROVEMENTS

This final section details urban design and planning recommendations to support the recommended downtown retail strategy for Portland. The recommendations are organized according to the retail subareas detailed in Section IV. The subareas are illustrated on diagrams and maps prepared by Crandall-Arambula P.C. of Portland, incorporating planning and development conclusions reached by the consultant team.

The subareas include:

Area 1 The Retail Core

Area 2	Yamhill Waterfront District
Area 3	The West End Crossroads
Area 4	Broadway Avenue
Area 5	The Bus Transit Mall

The summary plan entitled Concept Diagram Subareas illustrates the five areas identified by the consultant team as the focal point of our analysis and recommendations. The plan also illustrates the integrated relationships between the five subareas. We do not see them as separate districts, but as complementary components of Portland's core downtown area, each with its own development focus but woven together by the city's transit systems, by pedestrian routes connecting destinations like the Cultural District, Pioneer Courthouse Square and the Waterfront, and the hierarchy of property values, levels of intensity of use and development opportunities that each represents.

Area 1: The Retail Core

The Retail Core was identified in Section IV as the primary specialty retail concentration in downtown Portland. Each of the strategies listed below is intended to reinforce that role as the Retail Core continues to evolve.

Amend the Central City Plan to Designate the Retail Core as Portland's Primary Specialty Retail District

The consultant team understands that the City's Planning Bureau implements urban design concepts through Plan Districts or base zone overlays. This tool can be used more specifically to identify the Retail Core as an amendment to the Center City Plan or as a separate plan overlay district, recognizing its role as Portland's prime retail district. But to add the necessary controls to protect the Retail Core (as well as the other four subareas), the team recommends that, if required, the Central City Plan be amended to apply tighter measures such as use restrictions at street level on primary retail blocks, , requiring open entry areas on all blocks occupied by retail tenants, or other controls. This will be a complex undertaking, but should be pursued in anticipation of efforts to direct more retail to the Core. Similar controls and regulations (adapted for the specific development concepts identified in Section IV for each subarea) can also be created for the other downtown districts, but the Retail Core should receive both the highest priority for implementation and the most effective controls.

Retain the Two Existing Department Stores

To strengthen the Retail Core in the seventeen block zone designated by the team as the focus of specialty retailing downtown, retaining Meier & Frank and Nordstrom is a central element of the Portland Retail Strategy. The recent study to examine renovation and seismic characteristics of the Meier & Frank Building by PDC is an important first step. The consultant team recommends that APP and PDC remain in close contact with both department stores and to make any possible incentives available to retain them as downtown anchors, including direct financial subsidy, reduced-interest loans, zoning flexibility allowing mixed-uses within larger buildings, and exploration of potential expansion locations for the future.

Require Ground Floor Retail on Proposed Major Retail Streets

Provide retail continuity along street-level building fronts in this district along Yamhill, Morrison and all of the cross streets between Ninth Avenue and SW Third Avenue. Use financial tools such as PDC's Storefront Improvement Program and use the available technical assistance to encourage better storefront treatments and retail entries along the Bus Transit Mall, and on mixed-use office blocks, such as the American Bank Building on Morrison between Broadway and Sixth Avenue. Portland's zoning should be modified to require contiguous retail frontage on key blocks. This approach has been used in a number of cities as part of special zoning overlay districts to foster contiguous retail edges on pedestrian-oriented shopping blocks.

The recommended locations for contiguous retail block fronts are designated on the Retail Core Development Diagram as heavy dashed lines (please see diagram), primarily along Yamhill and Morrison.

Discourage Office and Large Bank Lobbies in Key Retail Locations

Downsize or encourage relocation of large bank lobbies from key retail locations such as the Wells Fargo Bank at Sixth and Morrison and Washington Mutual at Sixth and Yamhill. These two locations are of sufficient importance to the retail vitality of the core (larger footprints with great location/visibility), and we recommend the community seriously consider the use of financial incentives to relocate all or a portion of these bank spaces to allow key retail tenants to move into these strategic locations. The banks may wish to and could be allowed to maintain a smaller street front presence at their current locations, but a majority of the street front space currently occupied by these two financial institutions should be converted to retail space.

Identify and Adopt Potential Redevelopment Sites into the Center City Plan

The consultant team has preliminarily identified potential redevelopment sites in the Retail Core for future retail locations, whether conceived as anchor locations or as specialty/mixed-use locations with office or other uses above retail at the lower levels. Redevelopment may mean rehabilitation of existing structures (when the buildings have historic architectural significance and/or suitable density) or selective clearance and redevelopment. Some sites

identified by the consultants, such as the former Kress Building at SW Fifth Avenue and Morrison Street may result in preservation of the historic façade, but with a larger new building built behind it. Whatever forms the future redevelopment configuration may take, identifying the target sites and marketing them to commercial brokers, retail prospects and developers who will follow the guidelines of the retail strategy will raise the profile of these sites for potential investors. Policy and planning commitments to reinforce designation should also be provided. This action can take place within the early stages of the five-year implementation period.

Reconfigure Parking Garages to Reinforce Active Streetscapes

Maintaining and expanding available downtown parking will be increasingly important to attract regional shoppers who arrive by car, especially as the specialty and fashion mix is concentrated in the Retail Core.

To better address the retail activity level of the street and to provide for potential future retail redevelopment, the consultant team recommends that (to the extent possible) current parking garages be modified, and that future garages be planned and designed to reinforce active retail street edges. This issue was initiated by consideration of modifying the Third and Alder Smart Park Garage between SW Third and Fourth avenues, in which the entry circulation towers are located at block corners, precluding retail uses in those locations. PDC's recent study of relocating those towers indicates that it may be more cost effective to demolish the existing garage and rebuild it in a different configuration than to renovate the current structure, which would require significant construction, provisions for ADA access and seismic reinforcements. Improvement of storefronts and urban design character of existing garages will also be important.

Future garages should be designed to incorporate the following principles and goals: build below grade whenever possible; if constructed above grade, incorporate street level retail uses along perimeter streets, locate pedestrian and vehicular access points at mid-block or central locations (not at corners), design facades to mask parking levels on upper floor parking).

Maintain Affordable and Convenient Short Term Parking

The Smart Park program has been an important source of reasonably priced short term parking for downtown shoppers. Maintaining this program is important to the vitality of the Retail Core.

Target 'Single Unit' Retail Prospects for the Retail Core

As the area designated by the consultant team as the highest level retail zone among the subareas, the Retail Core should continue to receive attention by APP and PDC to establish and reinforce "shopping streets" that are differentiated by the tenant mix. In carrying out the retail recruitment effort (both by APP as a district-wide advocate and by local commercial

brokers, who will seek deals wherever they can be made), priority should be given toward attracting retailers who desire to operate only one unit in the Portland market, rather than targeting regional and national chains that want to saturate every commercial corridor and mall in the area. This type of retailer is exemplified by Pioneer Place's recruitment of stores such as J. Jill and Cutter & Buck, as well as Dr. Marten's and the NikeTown store on nearby streets. By continuing to seek stores that will only want to operate in downtown Portland, the Retail Core's identity is solidified as the place to shop to find goods and services that are not present elsewhere in the region. This type of mix strategy becomes stronger (and more likely to attract similar tenants) with each new recruited business. The team recommends that space be identified within the Retail Core to recruit five to six 'single-location' specialty retailers within the next three to five years, and that this strategy be continued beyond the five year study period.

Anticipate Future Department and Larger Fashion Specialty Stores

The current economic climate indicates that there is no potential to attract further department stores or larger specialty retail stores (such as Saks) to downtown Portland within the next five years; consolidations and bankruptcies, flat to declining sales and wary capital markets will make this category unlikely for several years. However, over the long term, the team believes that downtown Portland could absorb one or two additional department or larger fashion specialty retailers (40,000 to 80,000 square feet, depending on store configuration and availability of parking). For the near term, it is recommended that APP and PDC continue to monitor contacts with Meier & Frank and Nordstrom and to include them in future recruitment initiatives.

Identify Locations to Recruit Flagship Stores of Local and Regional Chains to the Core

The importance of the local and regional specialty retailers to downtown Portland's future tenant mix cannot be overstated. Portland is blessed with many unusual specialty retailers that may or may not have downtown locations. This group has been central to the identity of the NW 23rd Street corridor, but other examples are in Chinatown/Old Town, the Pearl District, or on the Eastside. Following the same recruitment rationale as the nationally affiliated chains, the team also recommends that APP and PDC seek the single units or flagship stores of local chains. A flagship store is described as the largest, best-stocked unit of a local chain, and frequently has the most effective management team, the most advertised unit or the most aggressively merchandised unit during all periods of the year (including mark-down periods). Recruiting this caliber of stores to the Retail Core will be beneficial to consumers (as it will reinforce downtown's destination shopping character) as well as to other retailers who will often seek the 'security' of shopping districts surrounded by known retail units. The strongest potential locations, in our view, are those at the two Retail Core upscale specialty retailing areas – at the eastern end near Pioneer Place, Saks, Tiffany's and on the ground floors of the Smart Park (and other future) Garages.

Add Improved Lighting, Identification Signs and Wayfinding Graphics to Identify the Retail Core

Portland's excellent mass transit systems cross through the Retail Core in all four directions, but the edges of the recommended Retail Core are not marked or easily understood by visitors, shoppers or residents. The consultant team recommends that additional street lighting (using an appropriately styled example) and specially designed street signs and wayfinding graphics be added in this subarea to reinforce the identity of the Retail Core. For important holiday seasons, a special lighting treatment (similar to the tree lighting in the eight blocks nearest Pioneer Courthouse Square) should be continued and potentially expanded throughout the Retail Core area and along Broadway.

Add the Ice Rink and other Animating Uses to Pioneer Courthouse Square

Pioneer Courthouse Square is the most important civic open space in the Retail Core, and one of the most important in the downtown (the Waterfront is another, and though less actively used, the Park Blocks are also important civic symbols). But its open sides at the street result in single loaded retail environments on the opposite sides of the street along the Square's perimeter. While Pioneer Courthouse Square is an attractive public space, the consultant team believes that the Square needs additional ways to attract residents, visitors and others to spend time and money there. We endorse and support the proposal to develop a seasonal ice rink on the Square. Design and construction of the rink should also include better retail and food service uses, as they will provide an additional activity and can generate rental revenues. Inclusion of well-known retailers like Powell's Travel Books is another advantage (especially for visitors), because it represents a recognized Portland institution, and is compatible with the POVA Visitor Center located there. The team believes that Pioneer Courthouse Square can be an even stronger attraction with the addition of new elements such as the ice rink.

Modify, Upgrade and Improve Maintenance On the Bus Transit Mall

APP and PDC should work with the City's Office of Transportation (and with input from Tri-Met) to plan and implement modification of the current configuration of the Bus Transit Mall. Existing retail offerings are not as strong as on surrounding blocks, and the deteriorated condition of the Transit Mall is a negative influence on the identity of the Retail Core. Crandall Arambula's analysis of the Transit Mall indicates that it is possible to add a light rail line, retain the bus lanes and improve pedestrian amenities, while providing on-street parking in selected areas by shifting the curb line about one foot and modifying the bus shelters and other street furniture. According to our interview with the Director of the Department of Transportation, the Department is aware of the maintenance issue and is willing to consider improvements, including addition of limited on-street parking, either in selected locations or during off peak times of the day. A mutually acceptable plan should be completed and the street modification implemented as soon as possible, if consistent retail vitality is to return to these streets.

Area 2: Yamhill Waterfront

This area is intended as a mixed-use residential/office/dining and entertainment district. The special historic character of the Yamhill Waterfront subarea will largely determine the density and potential to introduce new uses. Two sites can be considered exceptions as non-historic: the currently vacant parcels flanking the Morrison Street Bridge (used as surface parking and for access ramps from the Morrison Street Bridge) are anticipated as residential development sites. Residential development on these sites is highly appropriate, and will add to the market base and appeal of the older structures as redevelopment opportunities.

Continue Ground Floor Retail Along Yamhill and Morrison

As an extension of the retail shopping streets in the Retail Core, ground floor retail or other activating uses should be encouraged along both Yamhill and Morrison Streets, as shown on the Yamhill Waterfront Development Diagram (street level retail is indicated by the black dashed lines).

Encourage Street Level Active Uses at the Morrison Street Bridge Residential Developments

Redevelopment of these sites as high rise residential should include the requirement for street level retail and restaurants for both sites. Retail frontage will be particularly important on the Naito Parkway elevations, both to reinforce the retail edge throughout the Yamhill Waterfront district and to activate the waterfront zone.

Enhance the Naito Parkway with Urban Design Improvements

The Naito Parkway is a major roadway connection between several downtown districts along the waterfront. The team believes that the Parkway (and the Yamhill Waterfront) would be greatly enhanced by a series of urban design improvements including: provision for selected on-street parking locations to serve the adjoining Yamhill district and Waterfront Park during certain times of the day and night, and strong encouragement for retail at the street edge of locations overlooking Waterfront Park and the Willamette River. Addition of bike lanes, new sidewalks and ornamental lighting outside of the existing roadway boundaries is recommended for design and implementation. Pedestrian improvements along Waterfront Park should continue to SW Salmon Street to connect the area to the Salmon Street Springs “public attraction”. (Note: PDOT Naito Parkway plans are for resurfacing improvements only in next 2-3 years. The PDC Waterfront Properties Development Opportunities project will look at pedestrian and traffic planning improvements along Naito Parkway with participation from PDOT, and PPR). To the extent that any design modifications to address these recommendations will be desirable, we suggest that adding these elements should be undertaken as soon as possible.

Zone Yamhill Waterfront District to Encourage Residential/Retail Mixed-Use

Consider and adopt increases in height and FAR limits, to encourage residential mixed use along the Naito Parkway, whether new construction or renovation of historic buildings. Our understanding is that current CX base zoning (and even CXd zoning requiring design review) is inclusive of several land uses, but does not specify particular land uses for specific locations. Near term actions to support retail in the area should include provision of urban design and streetscape improvements, more diversified traffic and parking management options and identification of potential funding sources (such as the US DOT's TEA-21 funds, or revenues from the City's TIF district) to pay for these improvements.

Create Urban Design, Gateway and Visual Terminus Elements at Opportunity Sites

The Yamhill Waterfront area includes several opportunities for new architectural and/or sculptural elements that will form a visual terminus from the Retail Core (specifically the two locations at Waterfront Park at the ends of Morrison and Yamhill Streets), as well as a major gateway opportunity at the head of the Morrison Street Bridge. While we have not determined what these gateway and visual terminus elements should be, the team does recommend that these locations be planned and set aside for major cultural or artistic statements. The triangular parcel between the Washington and Alder Street approaches to the Morrison Street Bridge is an opportunity to create a major downtown gateway monument and should be pursued as a cultural project, perhaps through a sculpture or design competition or an opportunity to commission one or more schemes by artists and designers. The urban design pattern established by redevelopment sites for residential development on the flanking parcels between Naito Parkway and SW First Avenue and the larger trapezoidal parcel between Alder and Washington at SW Second Avenue form a frame for the Downtown Gateway Monument site, and should be planned as a cohesive series of blocks, perhaps with special urban design controls created to reinforce the visual character of the monument site.

Improve Yamhill Street Between SW Third and Naito Parkway

The alignment of the MAX line running on Yamhill Street creates a pedestrians - only block and limits through traffic. We recommend that a new alignment be engineered to allow one way traffic through the pedestrians only blocks, and to allow selected locations for on-street parking – even if that means allowing slightly narrowed sidewalks. The disconnect from the Retail Core through this portion of the Yamhill Waterfront area will be improved if limited vehicular traffic is made possible; this will also improve the retail development context along the adjoining blocks. In addition, we recommend that the linkage to Waterfront Park be reinforced with a continuous canopy of street trees and introduction of ornamental street lighting in character with the historic context.

Area 3: West End Crossroads

The West End Crossroads has been identified by the consultant team as the focal housing development area among the target areas, and also includes the Midtown Park Blocks, a series of half-blocks that have sparked discussions in Portland as to their future development and/or linkage to other Park Blocks through the central part of the City. The West End Crossroads includes the greatest number of potential redevelopment sites among the five subareas. The turnaround in the MAX Light Rail Lines at Eleventh Avenue form a natural break in the development context along the Yamhill and Morrison corridors, and also form the end of the required street level retail recommendations along these two downtown streets. The consultant team's recommendations for physical improvements for the West End Crossroads follow.

Short-term Vs. Long-term use for the Midtown Park Blocks

The consultant team has weighed the short-term and long-term implications of the open space and retention/redevelopment scenarios for the Midtown Park Blocks.

The team was asked to consider all the factors involved in selecting future development scenarios and to take a position. Our conclusion is that future uses of the Midtown Park Blocks will be closely related to the retail strategy of expanding the available customer base by focusing mid- to high-rise residential development in the West End Crossroads subarea. From a market standpoint, the larger redevelopment blocks closest to the Retail Core and Nordstrom's Department Store seem to be the most logical locations for a housing concentration in central Portland.

While the housing development area should not prevent inclusion of affordable housing, the team also recognizes that more upscale, market-rate residential development will provide greater market support for downtown retail. Development of this type of upper-end housing requires amenities to make it desirable and economically feasible. The consultant team believes that open space in the Midtown Park Blocks is the kind of amenity that will promote the desired quality and quantity of housing. There may also be other types of amenities or uses that would serve to attract residential development; for example street level retail should be required along Ninth to activate the sidewalks and bring shoppers from the surrounding housing. A majority of the committee felt strongly that retail would not thrive fronting open space.

A recommended next step would be for PDC and APP to undertake a housing development feasibility study for these priority sites. This should clarify the market demand for housing as well as the nature of the amenities required.

How quickly to make the transition to open space and how continuous the open space should be area issues beyond the scope of this analysis. However, if open space is the final decision, it is essential that a transition plan be developed to assist the existing independent retailers to relocate east, closer to the retail core. A delayed decision will make the utility of the existing buildings suspect.

Over time, a critical mass of new, mixed-use development with an emphasis on high-density housing is recommended for development between Ninth and Eleventh Avenues; this housing concentration will support retail uses and restaurants at street level, particularly along Ninth Avenue and Park Avenue. The timing of these projects will be determined by demand in the marketplace and by available initiatives to concentrate high-density urban housing in this area. This is the scheme illustrated on the Development Diagram for the West End Crossroads.

The discussion on the Midtown Blocks is likely to continue. Design solutions that support housing are recommended. The current ambiguity creates uncertainty and a “lame duck” status that is detrimental to healthy retail and discourages private reinvestment. The future of the area needs to be clarified by City Council in a timely manner.

Encourage Renovation or Redevelopment of the Galleria

The Galleria was once a vibrant node of retail activity in Downtown Portland. However, in part due to the development of Pioneer Place shifting the retail focus to the east, the Galleria is now struggling with its upper floors substantially under utilized. The revitalization of the Galleria as a retail center will depend upon the extensive development of market rate housing in the West End Crossroads area.

Since the Galleria sits at such a critical location for redevelopment of the West End, the PDC should encourage its renovation or redevelopment as a mixed use rather than a retail project. Depending upon the economics of renovation versus redevelopment and the strength of the West End housing market versus the pace of office market recovery, the new project is likely to have either office or housing over lower floor(s) retail. Since parking will be an important consideration for the new Galleria project, the owner of the Galleria may wish to participate in a larger overall development project in order to enjoy the benefits of an efficient parking solution.

Short-term, Enhance Pedestrian Connections Along Ninth and Park Avenues

In the short term (five to fifteen years), a series of enhanced pedestrian treatments should be provided between SW Salmon and Washington along Ninth and Park Avenues. While the long-term plan may or may not be to develop the Midtown Park Blocks with open space, the existing pedestrian and open space linkages along Ninth and Park need improvement. The consultant team believes that viable current buildings and land uses should remain in place until the West End Crossroads has redeveloped.

There are a variety of design options for achieving goals of connecting the North and South Park Blocks, providing amenities for housing and retaining the vitality of existing shops and historic resources. Beyond the current conflicting schemes of removing all structures to create full open park space and no alteration of the built fabric are concepts that can be considered or combined, such as:

- ‘String of Pearls’ - full block parks every other block ‘Pocket Parks’ - private open spaces surrounded by restaurants and housing entries;
- ‘Unified Room’ – green streets and up to three parks with a unified design, including the development of South Park Block Five into a plaza and the renovation of O’Bryant Square.

Encourage Ground Floor Retail As Part of Redevelopment Along Ninth Avenue and Park Avenue

As a condition of long-term redevelopment west of the Midtown Park Blocks, zoning and land use approvals should encourage ground floor retail along Ninth Avenue and Park Avenue, facing open spaces of the Midtown Park Blocks. Retail uses could include not only restaurants and cafes but any retail tenant unable to find a satisfactory location within the Retail Core.

Redevelop the Smart Park Block as a Residential Mixed-Use Development

The existing Smart Park garage on Ninth between Morrison and Yamhill has transit access on three sides, with the MAX lines and running east-west on both sides of the site and the Streetcar lines running north-south on the west side of the site. This will be a critical site in re-casting the character of the West End Crossroads district; we recommend that it be redeveloped as a mixed-use residential and street-level retail project with substantial underground parking. While current zoning in the West End varies by location today, the consultant team recommends that future land uses in the district be directed toward housing with retail at the street. The most appropriate timing for this project will be determined by the market demand and potential developer interest. As owners of the site, the City may decide to offer the Smart Park parcel as a long-term (50 years or more) ground lease with development restrictions, or could also decide to sell the parcel outright while keeping (and developing) the below grade parking needed in the area.

Add Parking Capacity Below the Adjacent Park Block

The parking capacity of the Smart Park site could be expanded below grade at the time of new construction by extending the structure below Ninth Avenue and under the Midtown Block west of Nordstrom. The consultant team recommends that additional parking capacity for retail customers (short-stay/high turnover) be incorporated into the site plan for this location. All day parking for downtown employees should be restricted (and enforced) at this site to upper levels and/or relocated to long-term parking facilities in other locations. Incorporating all-day employee parking into the mixed use redevelopment block immediately to the north has been identified by the consultant team as one recommendation.

Extend the Yamhill and Morrison Street Retail Urban Design Amenities Through the West End Crossroads

Using the same urban design standards applied to Yamhill and Morrison Streets through the Yamhill Waterfront and Retail Core areas, street trees and special landscaping, directional signs and decorative lighting standards should be extended along the MAX Light Rail corridor on both streets through the West End Crossroads area. The urban design amenities should be extended from Broadway to the streetcar line on Eleventh Avenue.

Enhance Pedestrian Connections to the Cultural District, Portland State and the Brewery Blocks

As an area of housing and service retail concentration, the West End Crossroads district's location between the Pearl District/Brewery Blocks to the north and Portland's Cultural District and Portland State University to the south should be strengthened by enhancing pedestrian connections in both directions. These connections (landscaping, ornamental light standards, wayfinding, special directional and district identity signs, etc.) can reinforce the linkage between the Crossroad's high-density housing neighborhood and the complementary adjacent cultural facilities and dining/shopping uses in the Brewery Blocks.

Area 4: Broadway Avenue

The consultant team has identified the Broadway Avenue district as the second destination specialty shopping and dining area in downtown Portland. The recommended retail strategy suggests that this should be the other primary recruitment area for upscale specialty and apparel retailers, for a cluster of cafes and restaurants with significant sidewalk presences serving the hotels and Cultural District visitors, and should allow shoppers in the Retail Core to venture off the Yamhill/Morrison retail streets. Strategically, Broadway is the other main shopping concentration in addition to Pioneer Place/Saks and the two downtown department stores. Recommendations for this district follow.

Create an Identity for Broadway Avenue

The Broadway Avenue Development Diagram illustrates the consultant team's recommendations for the seven-block length of the core area. The identity for this portion of the avenue should introduce a "Bright Lights" district to unify and provide a distinctive quality for the area. Buildings along Broadway in this zone should have a coordinated building façade lighting program, professionally designed and installed so that the district is a light beacon year-round at night. Shoppers, visitors and other customers are drawn toward brightly lit areas, and the physical connection to Pioneer Courthouse Square at Yamhill and Morrison Streets should incorporate special lighting elements at these intersections to identify these as significant intersections. The light elements should also be installed at the Salmon and Washington intersections with Broadway to transition the 'bright lights' district to the

adjoining Cultural District and the Burnside connection to the Pearl. The team also recommends that all of the street trees should be illuminated along Broadway from Salmon to Washington at a minimum, and preferably all the way from Stark to Main Streets. Consistent with special lighting treatments in the Retail Core, special lighting should be added along the Broadway Avenue subarea on a seasonal basis.

Use Urban Design Streetscape Elements to Reinforce the Avenue's Identity

Unified streetscape elements are also recommended for this district, and could include new brick sidewalk paving, ornamental street furniture (benches, tree grates and fencing, Portland Benson Bubblers etc.), as well as canopy street trees, if physically possible. The streetscape elements should be planned for the same expanse as the lighting scheme described above (Salmon to Washington at a minimum, preferably including Stark to Main).

Include Stronger Pedestrian Links to Adjacent Areas

More minimal pedestrian improvements linking Broadway Avenue to adjacent areas (landscaping, new light standards, identity directional signs, etc.) should also be planned for connections to the Cultural District and Portland State University, Old Town/Chinatown, and to the Pearl District to the north. At the Salmon and Washington Street intersections, the light features also signal pedestrian enhancements east and west of Broadway to transition to the Transit Mall. In terms of phasing, the installation of these additional pedestrian amenities should be considered a lower priority than completion of the 'Bright Lights' concept at the center of the Broadway Avenue district.

Broadway Gateway to Cultural District

Create a public space gateway at Main Street between Broadway and Park. The gateway could include a semi-permanent structure to cover portions of Main Street. Covering Main Street, which is closed to auto traffic a large percentage of the time, could help activate the area. Cafes or restaurants that have a strong sidewalk presence could provide pre- and post-theater gathering places to serve hotel and cultural event patrons year round. Program the Main Street space with special events and activities throughout the day and the year. Encourage specialty retailers such as those that support the arts.

Area 5: The Bus Transit Mall

The Bus Transit Mall provides consistent bus access to waiting areas and shelters along the length of SW Fourth and Fifth Avenues; auto access is not contiguous, however, and can be confusing to drivers trying to circulate around downtown Portland. Retail strategy issues for the Bus Transit Mall include concerns about the mix of stores (which include more office serving uses than on surrounding streets) and the perception of a reduced sense of safety that the Mall creates for transit riders and others, particularly during off-peak periods when there

are fewer people in the area. To provide physical and design tools to mitigate these perceptions, the consultant team recommends the following:

Modify Fifth and Sixth Avenues Between Salmon and Washington

The consultant team recommends that these blocks of the Bus Transit Mall be opened to auto traffic as well as buses in order to provide more convenient auto access through downtown, and to provide more activity and “eyes on the street” between bus arrivals. Public art, sculpture and fountains should be relocated to provide room for vehicular movement and parking. A lane of on-street parking should be added on one side of Fifth, and on one side of Sixth, to encourage traffic movement and to serve as ‘teaser parking’. By reconfiguring the pedestrian areas here to accommodate the recommended changes, the bus lanes and loading areas can all be maintained. The consultant team also recommends that the treatment on this block be considered a prototype for application to other blocks on the Bus Transit Mall, assuming funding and traffic planning considerations make wider use possible.

Provide On-street Parking Along SW Fifth and Sixth Avenues

In selected locations along SW Fifth and Sixth Avenues (please see the accompanying illustration entitled Bus Transit Mall Development Diagram), it is recommended that the street layout be altered to allow provision of additional on street parking between Washington and Salmon Streets. In part, this can be accomplished by discouraging loading zones, and locating other spots to accommodate deliveries off the Transit Mall.

Activate Ground Floor Uses Along the Transit Mall

As required, zoning may need to be modified to require activating uses (retail stores and shops, service and convenience retail, restaurants and cafes, and other consumer-oriented businesses) in the buildings along the Bus Transit Mall, with office and residential mixed-uses on upper floors (street-level retail locations are indicated on the Development Diagram as dashed black lines).

Re-open Entrances and Display Windows Along Fifth and Sixth Streets in the Meier & Frank Building

While there may be interior merchandising requirements that have resulted in closing of display windows and entrances to Meier & Frank along the Bus Transit Mall on SW Fifth and Sixth, the result on the Mall is not pedestrian-friendly and works counter to the character of open retail streets. It should be a priority for APP and PDC as well as Meier & Frank to provide visual and physical accessibility to the department store from the Transit Mall as part of any future store design.

Maintain All Possible Street Trees

As a shading device and to soften the character of the Bus Transit Mall, every effort should be made to preserve and maintain all possible street trees along the Mall. It may also be necessary to trim mature trees to create a greater sense of visual openness along the Mall without eliminating shade.

Maintain Most Existing Bus Shelters In Current Locations

While some smaller elements such as public art and sculpture are recommended for relocation on the Transit Mall, most existing bus shelters should be retained in current locations. The quality of maintenance of components of the shelters should also be improved.

Provide Improved Pedestrian Connections to Adjacent Areas

Through urban design improvements similar to those proposed in the West End Crossroads area (street trees, district identity signs, street furniture and ornamental light standards, etc.), pedestrian links from the Bus Transit Mall to adjoining areas should be strengthened. Improvements are recommended on Salmon and Washington Streets to better connect the Bus Transit Mall to Broadway.

RECOMMENDED MERCHANDISING AND RECRUITMENT STRATEGY

In recommending a retail merchandising strategy for the next three to five years, the strategy should combine opportunities for immediate recruitment as well as initial contacts with retailers that could lead to longer-term opportunities. The consultant team recognizes that downtown Portland has benefited from its history of planning support for growth management, commitment to transit and reinforcement of the downtown area. The result is a central business district that is far more vibrant than almost all other major American cities. But downtown is also spread over a large area, and the small block sizes that make it walkable for pedestrians also limits certain retail operating and location requirements, such as stores that require larger floor plates.

The strategy from 2001 to 2005 will also be affected by the general state of the retail industry. The department store sector, cinemas, themed restaurants, specialty retailing and even certain value-retailers (such as K-Mart) have experienced unusually turbulent market conditions. Generally the retail industry in the U.S. is significantly overbuilt (some say by as much as 100 percent in many markets), resulting in bankruptcies, consolidations, mergers and acquisitions and a general reluctance in the capital markets to fund expansion in all but the strongest locations. The consultant team does not believe that the downtown retail market in Portland is overbuilt, but the general climate of the industry will make it more difficult than in the past to encourage rapid expansion decisions, and tenants will be able to be more selective about sites and lease terms. As the retail industry goes through a period of contraction, it will be more difficult to anticipate major growth within the next few years.

This pattern is consistent with Portland's commitment to focus on locally owned businesses and restaurants rather than seeking only national tenants. While customers want national branded products and stores, the Portland area's culture encourages specialty retail and regionally-based foods and other products, resulting in an unusually high percentage of specialty stores that most other U.S. cities would envy. The slowdown in the economy and the inevitable reaction by national 'credit' (or loan-worthy) tenants will, somewhat ironically, benefit local retail businesses that are downtown prospects by relieving some of the rental rate pressures that well-financed national tenants can create. Permitting a period of more reasonable absorption will allow the economic pendulum to swing back to more equitable lease terms and retail economics.

The recommended strategy for Portland is also based on the downtown's ability to capture demand in under served or missed market categories such as dining expenditures from convention center visitors staying in central city hotels, cultural district visitors who want better food and beverage offerings close to the performance venues, or residents who cannot buy groceries, hardware and lumber and other retail commodities downtown because these concepts have not yet re-adapted to urban contexts and locations. The ability to sustain enough critical mass of store categories to provide comparison shopping can be constrained if there are too few stores available to offer competitive merchandise.

Maintaining downtown Portland's competitive position will also be based, in part, on the area's continued efforts to attract the leading new retailers, restaurateurs and entertainment facilities to assure that downtown remains the center for leading offerings to consumers. Continuing annual efforts such as the successful Downtown Branding program ("I'd Rather Be Downtown") will be critical in sustaining the role of downtown as offering the best selection of both national and local retailers in the region.

The third factor affecting the retail merchandising strategy is to continue to monitor and respond to evolving markets. Among all uses that generate retail support, downtown housing will be the leading growth sector in Portland, with considerable additional growth potential provided by regional visitors and tourists. The under served Cultural District visitors are another market that is already in place but needs better connections to downtown's retail offerings.

In forming a merchandising strategy, there are differences in approach and timing opportunities for different store types and categories. Defined directions and specially tailored efforts will need to be applied to different retail types. The short-term prospects for each of the categories, which might be considered as prospects for downtown Portland, are described below.

Department Stores and Larger Fashion Specialty Stores

Near term market and industry characteristics show no potential for additional department stores or large-scale fashion specialty (such as Saks Fifth Avenue) units within three to five years. Realistically, if another department store were conceivable, it would likely take at least five to six years to carry it out, even if negotiations were already underway. This also assumes that an appropriate site is available.

Over the longer term, the ERA team believes that Portland could absorb one or two additional department stores or larger fashion specialty units. The team recommends that APP and PDC continue to monitor contacts with department store operators and large fashion specialty stores, both locally and through industry-related connections such as the International Council of Shopping Centers Annual meetings and Leasing Meetings. It will continue to be important for APP and others to be visible in the industry and to retail operators to maintain contacts, to represent the credibility of the downtown retail program in Portland and to cultivate the long term relationships required to recruit the most desirable national and international retailers.

The immediate department store focus for downtown should be to retain Meier & Frank and Nordstrom. Traditionally in other cities, this type of effort has been undertaken by the local redevelopment agency (in Portland, this is PDC). While both stores have raised concerns about the performance potential in their current facilities, efforts such as the current analysis of the Meier & Frank building's seismic retrofit requirements are precisely the approach to take in supporting their needs, addressing issues with a factual basis, and as an indication of the public sector's concern about maintaining a strong department store presence in downtown Portland. The team considers both to be central assets in recruiting other retailers; they are major retail anchor uses downtown and their retention will be critical if the opportunities in these strategies are to be realized. Downtown Portland, without one or both of these significant anchors runs the risk of losing its competitive position over suburban centers and other commercial centers.

National Chain Specialty Stores

With the establishment of primary shopping streets downtown (see Section IV), APP, local brokers and property owners (and others) should continue efforts to recruit additional priority specialty stores. The mix of national and local specialty retailers in downtown Portland creates a desirable differentiation for the area, particularly the Retail Core. In targeting specific retailers, the team recommends that priority be given to retail operators who plan to only offer one unit in the Portland market, rather than seeking chains that want to saturate the market with units all over the city.

Current market conditions will probably restrain potential overbuilding in the near term (three to five years). Recruitment and initiation of contacts and negotiations should still be aggressively pursued, but with the expectation that the result may not occur until year five or later.

Local Specialty Retailers

Portland is fortunate to have an exceptionally strong core of local retailers. The consultant team believes that many of them also have potential to grow beyond their current locations or store sizes, and that they can be considered potential downtown tenants if not already located there. As with national specialty stores, the recruitment goal should be to seek out independent stores that will operate either a single unit or a flagship store (described elsewhere in this report) in downtown Portland.

APP's previous efforts at tenant outreach through surveys and direct contacts with local operators are a good base upon which to build stronger connections to local independent retailers. Continuing these types of retailer motivation campaigns organized by the Downtown Retail Council and supportive marketing of all of downtown is strongly recommended. From the standpoint of retailer choices, 23rd Street appears to be almost built out to its maximum capacity, and we believe that Downtown can compete for operators seeking locations in Portland, particularly along primary shopping streets, but in more secondary locations that may not command top rental rates. Several retail and restaurant operators in Portland have already demonstrated the ability to be destinations, including the Mercantile, Mario's for Men and Women, The Real Mother Goose, Columbia Sportswear, Jake's restaurants, Zell Brothers, Carl Greve Jewelers, Norm Thompson, and Powell's books, among others.

The team recommends that a review and location assessment be undertaken by APP (in cooperation with local brokers and others) for each to consider their future expansion or relocation requirements, particularly those businesses located in the Midtown Park Blocks, should any decisions or actions be taken during the next few months. Considering the importance of local and smaller businesses to Portland's unique merchandising mix, the team also recommends that it would be worthwhile to establish a special incentives fund to encourage their location, relocation or updating as part of a retail recruitment and retention program. APP should develop and strategically update as necessary a tenancing and location plan.

Designer and Branded Specialty Stores

Downtown also benefits from a number of the country's leading fashion and branded product retailers, including Nordstrom, Saks, St. John, Jessica McClintock, and the high-end/bridge fashion brands carried by the Mercantile and Mario's. This base creates the potential to seek other designer and branded specialty stores, whether for street locations or to round out the specialty/fashion mix at Pioneer Place. A goal of recruiting six to eight new designer and branded product stores is recommended over the next three to five years. The store sizes, price levels and niche markets these types of retailers have offer a degree of protection for them from the general retail economic climate. Their customers are more insulated from downturns, and continue to spend when other stores may see more significant reductions in volume.

Downtown Portland also benefits from existing branded specialty stores such as Nike, Columbia Sportswear, Dr. Marten's and others similar to efforts described for locally owned businesses above. Small retail is a proven job creation tool, and should be recognized as such by the economic development sector. Existing operators are frequently coming forward with new lines and seeking locations.

Restaurants and Other Food Service

Portland has an unusually strong restaurant community and has been recognized both nationally and internationally as a center for regional cuisine, fine wines and high-end specialty food products. Local restaurants need much of the same types of recruitment and retention services that other retailers require in considering downtown locations – knowledge about the market, available spaces and lease terms, the competitive context and opportunities to participate in marketing the entire downtown area. Restaurants also create large numbers of jobs, which, although clustered at the lower part of the service employment sector, can be very good sources of employment and job creation. The current mix of restaurants includes both well-known national chains and locally owned single concepts. The team considered the local mix to be better than in most cities, but did not find it easy to understand either the critical mass or the location clustering of downtown food and beverage. The 21st Street corridor is the closest example of such a recognized dining district.

A marketing program featuring (or creating the sense of) a restaurant/dining district, centered along Broadway (for proximity to downtown hotels), in the Retail Core, in the Yamhill Waterfront area, and over time in the West End Crossroads is strongly recommended. Each area's offerings should be featured in one or more brochures with maps and distributed to local hotels, in visitor information facilities and on appropriate web-site links about Portland. The solution will lie in targeted recruitment for the designated areas and a structured manner in which to collectively market all of them. APP should work to encourage more of these restaurants to become active in the Downtown Retail Council to facilitate cooperative marketing efforts.

There should also be consideration of 'hot' food concepts from other regions that will eventually identify Portland as a potential expansion site as they grow across the country. Experience in other cities shows that these operators will consider downtown locations along with suburban sites, but they need to be sold in advance, and have access to enough accurate and defensible data to justify why their single location should be downtown. Because of the sales volumes that certain of these operators can achieve, they can require larger spaces of up to 12,000 square feet, and should be on the prospect list when larger locations become available.

Big Box/Category Killer Retailers

While there is representation of the fast growing big box/category killer retail chain concept in downtown Portland (examples include Borders Books and Music, Ross Dress for Less, and

Office Depot), the city's small block size and relative density of buildings will limit the opportunities to find sites for many more of these stores. Of the types of retail buildings available, only former department stores and large warehouse-type spaces can easily accommodate this category. While big box operators offer challenges to smaller retail units due to their volumes, merchandise depths and buying efficiencies, they also have re-invigorated sales in certain merchandise categories, such as books. Whether sold through a huge independent store like Powell's or a chain like Borders, books in these settings have attracted a customer base that older, smaller formats (such as B Dalton and Waldenbooks) could not. The addition of coffee bars, reading lounges and other amenities have further extended the customer reach into the books category.

In anticipation of future recruitment prospects from the big box category, the consultant team recommends that APP conduct, at least annually and preferably quarterly, a detailed inventory of downtown buildings to identify locations in which single large spaces exist, or in which adjoining spaces could be connected to create larger contiguous floor areas. The inventory will provide the base information to seek out missing or under-supplied merchandise categories that certain category killer operators could provide. Assuming that one or more appropriate locations can be found, this category can be considered a strong merchandise prospect for the three to five year target implementation period.

In a similar manner, new development sites should be reviewed for the potential to include big box/category killer units in the base of the buildings. Because they require large spaces and seek to pay lower rents due to the amount of space they need, big box operators are more likely to seek secondary streets near, but not in, the primary shopping areas.

Consumer Services Retail

Downtown residents (as well as office workers and visitors) expect a minimum level of service and amenity retail to provide for day to day needs. These tenant categories include groceries and neighborhood deli's, convenience stores and newsstands, dry cleaners, drug stores, hardware stores, video and DVD rentals, and personal care businesses (hair care, spas, shoe repair, eyeglasses, etc). The team's assessment is that every category mentioned is underrepresented in downtown Portland, with the exception of drug stores. The expanded Safeway now under construction and Whole Foods Gourmet Grocery in the Pearl District will cover most downtown resident grocery shopping needs, but there will still be the potential to supplement their offerings with specialty markets, ethnic markets, health food and organic food stores and other categories. Each of these can be included in the recruitment program undertaken in the next three to five years.

Over the longer term, the team also identified the need for a home improvement store, probably to be located between the West End Crossroads area and the Pearl District or another location that could also provide easy highway access. The other option would be to seek a location for a general discounter such as Target for a downtown location. Target is currently

experimenting with a multi-level urban store concept, and would be both a service to downtown residents and workers, as well as a good complement to the downtown retail mix.

Entertainment

The recent overbuilding nationally in the cinema industry would make it difficult to attract new screens to downtown. Fortunately the cinemas in the Fox Tower on Broadway and in KOIN Center address this need, and can be considered a good amenity for downtown housing. The team believes that more nightlife activities (clubs, galleries, liquor and coffee bars, etc.) would activate parts of the downtown core as they have in other central areas like Old Town/Chinatown. The market opportunity exists in downtown Portland to create a major entertainment facility serving the 21 to 35 year old market segment, assuming an appropriate site can be identified. These club complexes can occupy up to 60,000 to 80,000 square feet of space, and typically require build-out incentives to become feasible. The alternative will be to continue to add smaller clubs and entertainment venues, but with the note that a critical mass of clubs proximate to each other will be necessary to attract the number of patrons that the larger format entertainment complexes can generate. Portland is beginning to develop a scattering of live theaters, some with nationwide reputations. A concentration of such theaters near the Core would support downtown restaurant and retail businesses.

RECOMMENDED DATABASE DEVELOPMENT AND MARKETING STRATEGY

Research and Database

APP and others have been working to research and create a comprehensive database to be able to respond to retailer inquiries, both over the short-term and beyond. The current downtown business census/survey data can be used in a number of ways – targeted property information to prospective retailers, opportunities to combine spaces, advance anticipation of retail vacancies, links to a website, etc. -- to market retail opportunities in downtown Portland. Ideally, the information available for each downtown building would include the following:

- Block number and address
- One or more visuals of the building façade
- A listing of any other uses in the building (for example, square footage of upper floor office or number of dwellings above the retail space), hotel rooms, etc.
- Other retail uses and spaces
- Bay divisions and space dimensions
- Current vacancies and space dimensions

- Ceiling height(s)
- Location of pedestrian entries from the street(s), building lobbies or other
- Location of available service entries and access to garbage and loading facilities
- Links to visuals of adjoining properties
- Potential for storage or other back-of-house in non-contiguous spaces (sub-grade or above)
- Location of loading docks, or other servicing characteristics
- Lease term of current tenants
- Contact information – APP, building broker and/or building manager or owner

General Downtown Marketing Information

The database should also feed into a broader marketing campaign and resource for information that will improve Portland’s competitive position against other cities across the country. Malls benefit from the continuous promotion that developers conduct for their properties in publications, websites, and other promotional activities, such as representation at ICSC meetings. Because mall owners can combine multiple properties (both for marketing and leasing purposes) cost efficiencies and the scale of outreach can both occur. In contrast, downtown properties are owned by many different owners attempting to market space on a more limited basis, and with much less market reach. APP can play a major role in serving as the ‘marketing developer’ for downtown Portland’s retail properties, both as a central resource to collect and maintain data, and as a central bank of general information about the Portland market (and downtown in particular) that can provide a “sell” oriented overview of the city. The consultant team both endorses APP’s past and current enhanced efforts, and strongly recommends that they be funded and expanded in both the near and longer terms.

Such information should include the following:

- Market consumption data broken into categories
- Lists and sources of economic development assistance services
- City, Metro and market component demographic data
- A core city map with key locations highlighted and representative traffic counts
- Maps illustrating downtown parking facilities, hotels, office worker concentrations, cultural and educational centers, and the government center
- A summary of city and regional resident income profiles
- A list of leading retailers operating downtown, organized by type (‘Department Stores’) or categories

- A statistical summary of downtown Portland
- Maps locating new housing, hotel development, office buildings and parking (to be updated at least every six months)
- Transit system maps showing downtown connections and links to the region, and a summary of ridership data for weekdays and weekends
- Future planning projects and directions for downtown, including a vision for future growth

As the database is completed by APP, PDC and others, the information should be applied to proven methods of retail recruitment, which will involve as many of the following activities as possible:

- Positioning downtown Portland as an industry product through publicity placements and advertising in industry publications
- Direct mail targeted initiatives to key retail and development industry leaders
- E-mail updates and distribution lists
- An informational disk or DVD
- Participation in retail industry leasing activities, such as the ICSC Convention held in Las Vegas in May of each year, and other regional opportunities such as the ICSC Western States Deal-making Meeting, to be held this year in Monterey, California in March and in Palm Desert CA in September
- Preparation of collateral marketing packages, ads and mailers – a condensed, flexible format should be designed for adaptation and customized packaging, and inclusion of update-able data sheets, brochures, and other information

In targeting mailers, ads and distribution of marketing packages and brochures, it should be noted that the national retail community is relatively small and close-knit. While targeting the hottest national retail concepts, the greater goal for the Portland strategy will be to establish an industry-wide profile for the downtown area, as retail operators do talk to each other and compare opinions. Other worthy markets include:

- Global retailers targeting U.S. markets
- National, regional and local retailers
- Successful independent retailers located in other west coast or mountain states
- Real estate related professions that may have ties or references to retailers (commercial brokers, architects, retail media publications and writers, research groups and industry associations, product manufacturers, etc.)
- Franchisers

- Lenders who are knowledgeable and active in the industry

All of these contacts should also be assembled by APP into a cross-referenced master contacts list to be updated regularly. This list will be used to distribute mailings and e-mail announcements, news story reprints and other communications related to aggressive or subliminal marketing of downtown Portland. Typical announcements and messages would include market success stories; favorable comparative data about the Portland market; openings of notable new retailers and restaurants; availability of prime locations; and intermittent awareness of APP's/PDC's marketing initiatives and other available support.