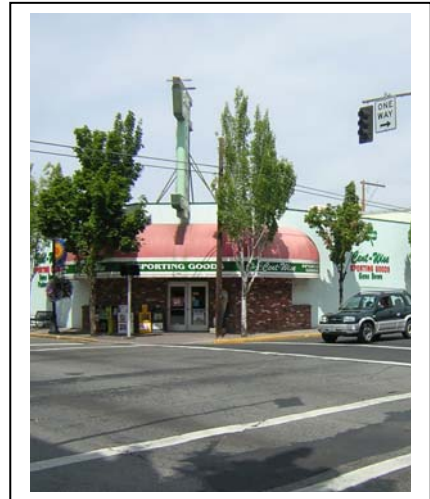
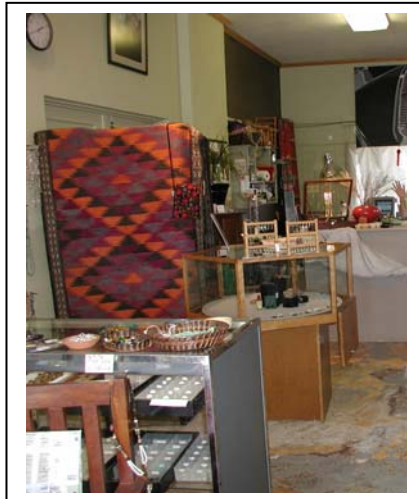


DOWNTOWN MARKET ANALYSIS & BUSINESS DEVELOPMENT PLAN

THE CITY OF REDMOND, OREGON



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MAY 2006

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DOWNTOWN MARKET ANALYSIS & BUSINESS DEVELOPMENT PLAN

INTRODUCTION

This retail market analysis and strategy development report was prepared as part of the Downtown Redmond Action Plan Update provided by the Oregon Downtown Development Association for the City of Redmond, the Downtown Urban Renewal Advisory Committee (DURAC) and the Redmond Downtown Partnership (RDP).

PURPOSE

The purpose of this analysis is to:

- Provide a comprehensive assessment of potential market support for retail uses in the downtown Redmond commercial district.
- Create an accurate picture of Redmond's retail industry including the location and characterization of the existing supply of businesses; consumer preferences, needs and buying patterns; and opportunities and challenges for growth and development in the downtown.
- Provide DURAC and the RDP with a factual base for developing strategies to strengthen and diversify the downtown retail base and capture consumer dollars currently flowing out of downtown.
- Recommend business development and marketing strategies to strengthen the retail base downtown and train a team of stakeholders to carry out the strategies to ensure long term success.

METHODOLOGY

As downtown Redmond's commercial redevelopment program will be phased over time, the retail market analysis considers a ten-year time period from 2005-2015, which is a realistic projection period for retail development. The research (both primary and secondary) includes a statistical estimate of potential retail sales and supportable space, the results of a community-wide resident survey of shopping preferences, a survey of the Redmond business community, personal

interviews with local leaders, focus groups with key downtown stakeholders, in-store visits to downtown businesses and a workshop on "Understanding Downtown Redmond's Marketplace." To carry out a number of these tasks, Marketek made three site visits to Redmond (August, September and October 2005). With assistance from the RDP, a downtown Business Development Team was organized to help guide the process.

This report is organized into four principal sections:

- 1. Target Market Analysis**
- 2. Opinion Research**
- 3. Retail Market Analysis**
- 4. Retail Development Strategy**

The final phase of the market analysis/business development component of the Downtown Action Plan will include a strategy for business retention, expansion and recruitment efforts, a generalized business clustering plan to guide downtown business location and expansion, a draft promotional piece incorporating the results of the market analysis, a business assistance and recruitment training workshop and a public presentation of findings.

TARGET MARKET ANALYSIS

Downtown Redmond's primary target customer markets for retail and services include: local resident shoppers, area employees, visitors and second home owners. This section characterizes the size and features of each market, with an in-depth look at the local resident market, which provides the shopping district with the greatest opportunity for a dependable source of year-round sales.

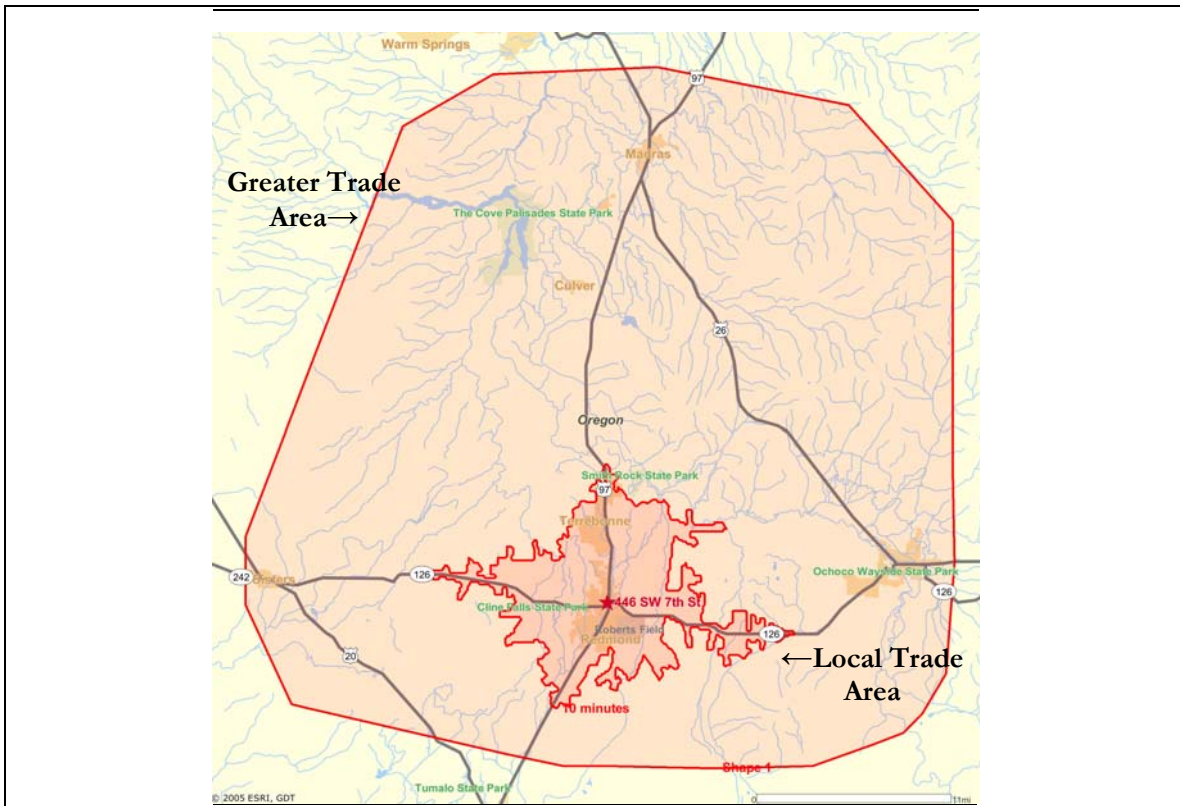
LOCAL RESIDENT SHOPPERS: DEMOGRAPHIC PROFILE

The socioeconomic characteristics of Redmond's local shopper retail trade areas are provided in this section. A map on the following page illustrates the boundaries of the local and greater trade areas. The retail market areas are the geographic areas from which the majority of Redmond's local customers will emanate. They are based upon drive-time estimates, the knowledge and experience of Redmond business owners and the location of existing retail competition.

The Local Retail Market delineated by a 10-minute drive from downtown Redmond will look to downtown for convenience related goods and services, dining, entertainment and some specialty shopping. The Greater Retail Market is much larger and is the area from which a majority of 'destination' and comparison shoppers emanate. This boundary is very similar to a 20 to 30 minute drive time from downtown Redmond.

The delineation of the retail trade areas is not meant to suggest that prospective local customers of downtown businesses will be drawn solely from these geographic areas. Because of the downtown's central location, competitive assets and proposed redevelopment activity, prospective retail customers will also be drawn from outside of the corresponding market areas.

Redmond, Oregon Local and Greater Retail Trade Areas



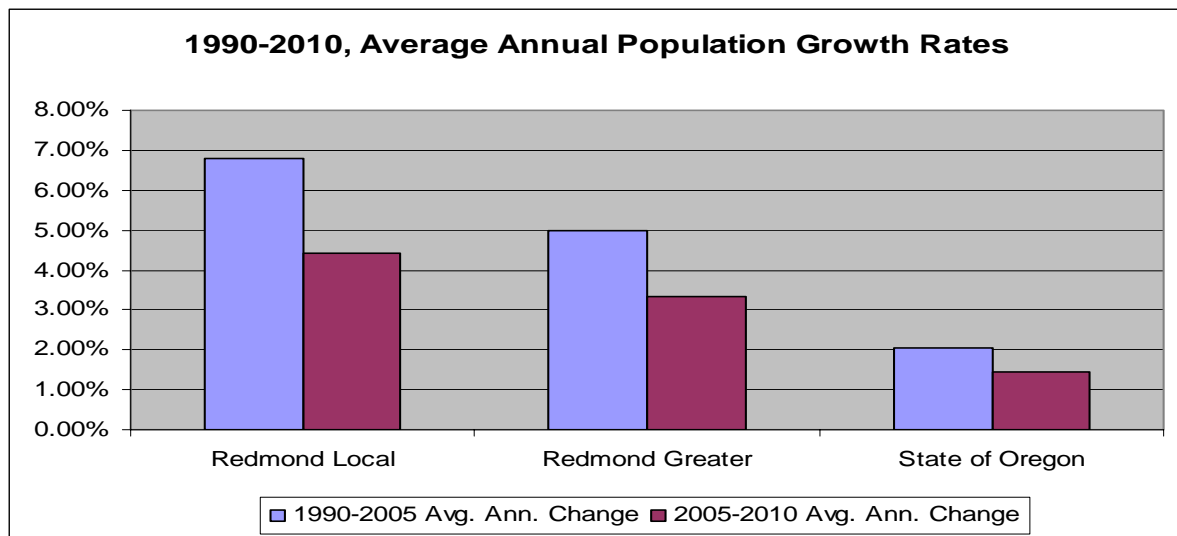
A. Population & Household Growth

- From 1990 to 2005, the population growth rate in the local Redmond trade area (6.8%) has been more than three times that of the State of Oregon, (2.0%.) Redmond's growth is reflected in the City's residential building permit activity totaling 2,951 from 1999-2004. This extremely rapid growth is projected to slow somewhat over the next five years, with population growth slowing to a rate of 4.41% as opposed to the 6.80% growth rate experienced from 1990-2005. However, this rate will still substantially exceed the state's projected growth rate of 1.43%. These assumptions are generally consistent with those used as the basis of the City of Redmond's recently completed buildable lands analysis.
- The 2005 population of the Redmond local trade area (10 minute drive time) is estimated at 27,221. For the City of Redmond proper, Portland State University's Center for Population Research estimates the 2005 population at 20,009.
- During the 2005-2010 time period, the local market area population is expected to grow at an average of 1,200 people or 467 households per year, resulting in a 2010 population of 33,221. The City of Redmond will apply for a 2000 acre UGB expansion in 2006 in support of new residential over the next 20 years.

- Redmond's 2005 greater trade area population is estimated at 73,682. Over the next five years, population is projected to increase an average annual rate of 3.33% to 85,964 adding 4,734 households during that time.

**EXHIBIT R-1
POPULATION GROWTH
Redmond, Oregon Market Area
1990-2010**

Geographic Area	Avg. Ann. Change 1990-2005				Avg. Ann. Change 2005-2010		
	1990	2005 (Estimate)	Number	Percent	2010 (Forecast)	Number	Percent
Redmond Local							
Population	13,471	27,221	917	6.80%	33,221	1,200	4.41%
Households	5,160	10,519	357	6.92%	12,853	467	4.44%
Avg. Household Size	2.59	2.58			2.57		
Redmond Greater							
Population	42,229	73,682	2,097	4.97%	85,964	2,456	3.33%
Households	16,013	28,081	805	5.02%	32,815	947	3.37%
Avg. Household Size	2.61	2.61			2.61		
State of Oregon							
Population	2,842,321	3,657,282	58,212	2.05%	3,919,026	52,349	1.43%
Households	1,103,313	1,422,666	22,811	2.07%	1,524,896	20,446	1.44%
Avg. Household Size	2.52	2.52			2.52		



Source: ESRI BIS, Marketek, Inc.

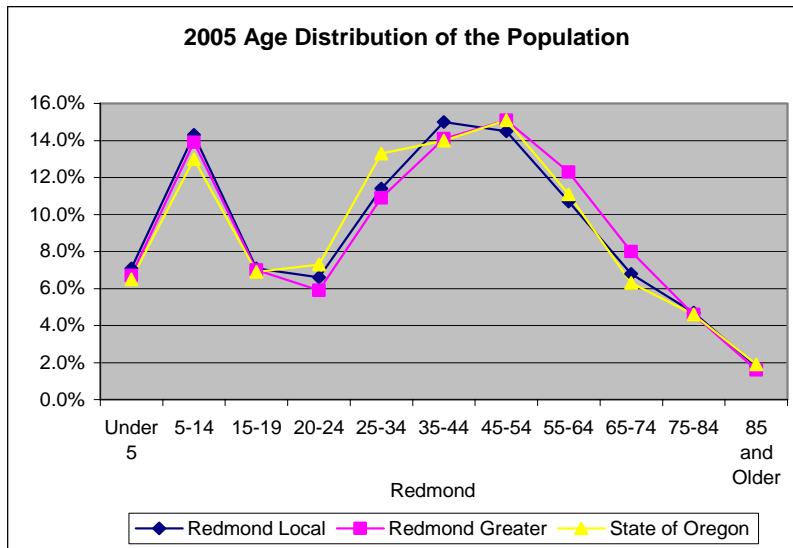
- Between 2000 and 2005, population growth throughout the Central Oregon region of Crook, Deschutes and Jefferson Counties was strong, increasing from 153,558 to 183,272. Between 2005 and 2010, population growth in Central Oregon is expected to remain above state levels at 3.4% on an average annual basis, reaching 217,000 by 2010.

B. Age Distribution

- The population within and immediately surrounding Redmond tends to be slightly younger relative to the greater trade area. The 2005 median age within the local trade is estimated at 37.4 years and 39.3 years within the greater trade area (Exhibit R-2). In the State of Oregon, the 2005 estimated median age is 37.3 years.
- The estimated proportion of the population under the age of 15 in 2005 is 21.4% within the local Redmond trade area, and 20.6% in the greater trade area. Both are higher than the state average of 19.5% for this age group.
- An estimated 13.7% of the local trade area population was age 15 to 24 in 2005, and just below 13% in the greater trade area. The state average is roughly in the middle, at 13.2%.
- Prime consumer age categories, ages 25 to 64 comprise approximately 52% in both trade areas, with the state's average age in this cohort slightly higher at 53.5%.
- The share of residents age 65 years or older in 2005 was slightly higher in the greater market area (14.2%) compared to the local market (13.3%) and the State of Oregon (12.8%).

**EXHIBIT R-2
POPULATION BY AGE
Redmond Market Area
2005**

Age Category	Redmond <i>Local</i>	Redmond <i>Greater</i>	State of Oregon
Under 5	7.1%	6.7%	6.5%
5-14	14.3%	13.9%	13.0%
15-19	7.1%	7.0%	6.9%
20-24	6.6%	5.9%	7.3%
25-34	11.4%	10.9%	13.3%
35-44	15.0%	14.1%	14.0%
45-54	14.5%	15.1%	15.1%
55-64	10.7%	12.3%	11.1%
65-74	6.8%	8.0%	6.3%
75-84	4.7%	4.6%	4.6%
85 and Older	1.8%	1.6%	1.9%
Total	27,221	73,682	3,657,282
Median Age	37.4	39.3	37.3



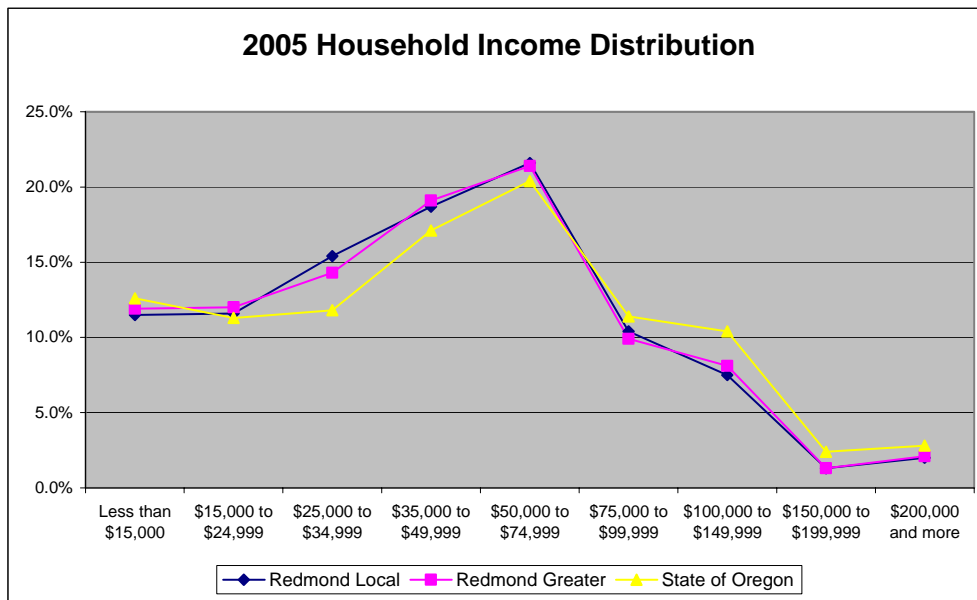
Source: ESRI BIS

C. Household Income Distribution

- Exhibit R-3 shows that on the whole, local and greater trade area residents are slightly less affluent than households statewide. Estimated 2005 median household income ranges from \$44,375 in the local Redmond market to \$44,006 in the greater market area, compared to \$47,424 for the state as a whole.

**EXHIBIT R-3
HOUSEHOLD INCOME
Redmond Market Area
2005**

Income	Redmond <i>Local</i>	Redmond <i>Greater</i>	State of Oregon
Less than \$15,000	11.5%	11.9%	12.6%
\$15,000 to \$24,999	11.6%	12.0%	11.3%
\$25,000 to \$34,999	15.4%	14.3%	11.8%
\$35,000 to \$49,999	18.7%	19.1%	17.1%
\$50,000 to \$74,999	21.6%	21.4%	20.4%
\$75,000 to \$99,999	10.4%	9.9%	11.4%
\$100,000 to \$149,999	7.5%	8.1%	10.4%
\$150,000 to \$199,999	1.3%	1.3%	2.4%
\$200,000 and more	2.0%	2.1%	2.8%
Median Household Income	\$44,375	\$44,006	\$47,424



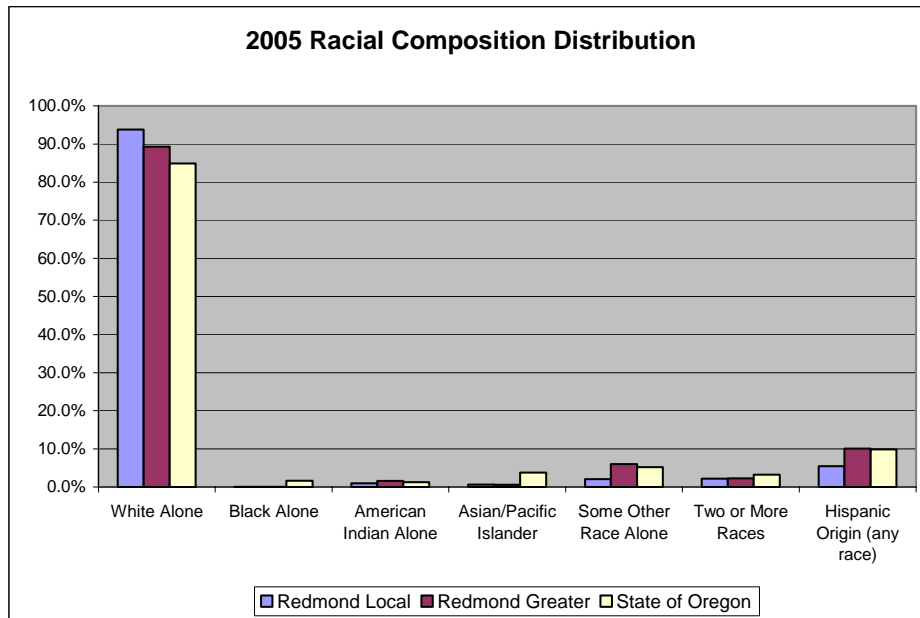
Source: ESRI BIS

D. Racial Composition

- Racial distribution (as shown in Exhibit R-4) in the local and greater Redmond trade area populations is less diverse than both the state and the greater Redmond trade area.
- An estimated 89.3% to 93.8% of greater and local trade area residents are white alone, up to 10% more than the state average of 84.9%. However, while only 5.5% of the local population is of Hispanic origin, the percentage practically doubles in the greater market area (10.1% of Hispanic origin).

**Exhibit R-4
RACIAL COMPOSITION
Redmond Market Area
2005**

Race	Redmond <i>Local</i>	Redmond <i>Greater</i>	State of Oregon
White Alone	93.8%	89.3%	84.9%
Black Alone	0.1%	0.1%	1.7%
American Indian Alone	1.0%	1.6%	1.3%
Asian/Pacific Islander	0.7%	0.6%	3.8%
Some Other Race Alone	2.1%	6.0%	5.2%
Two or More Races	2.2%	2.3%	3.3%
Hispanic Origin (any race)	5.5%	10.1%	9.9%
Total	27,221	73,682	3,657,282



Source: ESRI BIS

E. Community Tapestry Segments

Recognizing that people who share the same demographic characteristics may have widely divergent interests and shopping preferences, Community Tapestry data (developed by ESRI Business Information Solutions) categorizes neighborhoods throughout the nation into 65 consumer groups or market segments. Neighborhoods are geographically defined by census blocks, which are analyzed and sorted by a variety of demographic and socioeconomic characteristics as well as other determinants of consumer behavior.

Local and greater trade area households have been grouped into Tapestry market segments, which reveal both differences and similarities among the two areas. Both Redmond market areas are chiefly represented by the “Midland Crowd” market segment, which represents 33% of both markets. This group is comprised of married couples with a median age of 36 and an average income of \$47,000.

The major difference in the two market areas is most apparent in the segment representing the second highest percentage of households. The “Aspiring Young Families” segment (18.1%) has the greatest representation in local Redmond, with a median age of 30 and a median income of \$46,400. This is substantially different than the “Rural Resort Dwellers” market segment which ranks second (18.7%) in the greater Redmond area market. This segment is much older, with a median age of 48, and has a slightly lower median income of \$43,000.

Exhibit R-5 on the following page identifies the market segments that comprise at least five percent (5%) of total households in the local and greater trade areas. These groups are summarized below with detailed descriptions provided in Appendix A.

Midland Crowd, 33% of Local and Greater Trade Area Households

Tapestry’s largest market, *Midland Crowd* represents 11 million people, nearly 4 percent of the total U.S. population, in one market. As expected, this market reflects some characteristics of the U.S. population, with a median age 36 years and an average family size of 3.1 people. The median household income of \$47,000 is just below the U.S. median of \$48,100. These differences distinguish the *Midland Crowd* residents. These neighborhoods are located in mainly rural areas, which since 2000, have been growing at an annual rate of more than 2.5 percent. Approximately 40 percent of the homes were built after 1990; more than 95 percent of their homes are single-family houses or mobile homes. These do-it yourselfers take pride in their homes and vehicles. Their vehicle of choice is a used truck such as a Ford or Chevrolet. For leisure, they go fishing or hunting, listen to country music, and watch television. They are politically conservative, devoted pet lovers, and interested in domestic travel.

Exhibit R-5
TAPESTRY/LIFESTYLE CHARACTERISTICS
HOUSEHOLDS BY PRIMARY MARKET SEGMENT
Redmond Market Area, Oregon
2005

Redmond Local						
	Market Segment	Percent of Households	Household Type	Median Age	Median Income	Consumer Purchases/Preferences
1	Midland Crowd	33.0%	Married couples	36	\$47,000	Rural location, w/ nearly 30% in mobile homes. Do-it-yourselfers. Many w/ 3 vehicles. Strong TV watchers. Enjoy hunting, fishing, pets.
2	Aspiring Young Families	18.1%	Married couples	30	\$46,400	Live in start up homes or town homes, nearly half are renters, spend their discretionary income on their children and homes. Enjoy eating out, movies, and playing sports.
3	Green Acres	13.6%	Married couples	39	\$61,200	Pastoral setting, blue collar families w/ children 6-17, these do-it-yourselfers are not afraid to tackle home improvement projects, watch NASCAR, football and enjoy hunting and hiking
4	Midlife Junction	12.7%	Married couples	44	\$42,900	Approaching retirement, 1/3 already receive retirement income live quiet settled lives. Comfortable shopping online and over the phone, enjoy dining out at full service restaurants. They also enjoy gardening watching TV., books and the newspaper.
5	Great Expectations	5.5%	Married couples	33	\$36,000	Young singles and married couples, 1/2 own home. Enjoy a young active lifestyle, for leisure they go out to dinner and a movie, attend concerts, theme parks, zoo and the beach.
Total		82.9%				

Redmond Greater						
	Market Segment	Percent of Households	Household Type	Median Age	Median Income	Consumer Purchases/Preferences
1	Midland Crowd	33.0%	Married couples	36	\$47,000	Rural location, w/ nearly 30% in mobile homes. Do-it-yourselfers. Many w/ 3 vehicles. Strong TV watchers. Enjoy hunting, fishing, pets.
2	Rural Resort Dwellers	18.7%	Married couples	48	\$43,000	Enjoy simple life and consumer tastes describe these residents. Own domestic 4-wheel drive trucks. Lifestyle includes baking and home cooked meals, as well as participation in local civic issues. They go hunting, fishing and listen to country music.
3	Green Acres	11.7%	Married couples	39	\$61,200	Pastoral setting, blue collar families w/ children 6-17, these do-it-yourselfers are not afraid to tackle home improvement projects, watch NASCAR, football and enjoy hunting and hiking.
4	Home Town	9.0%	Married couples	40	\$42,900	Low population density, single family homes where more than 1/2 own homes. Enjoy movies, museums, zoos and indoor activities such as reading, and playing cards. Watch CNN and Fox.
5	Aspiring Young Families	6.8%	Married couples	30	\$46,400	Live in start up homes or town homes, nearly half are renters, spend their discretionary income on their children and homes. Enjoy eating out, movies, and playing sports.
Total		79.2%				

Source: ESRI BIS

Rural Resort Dwellers, 18.7% Greater Market Area Households

Rural Resort Dwellers residents follow the scenic route. Favoring milder climates and pastoral settings, they live in rural non-farm areas throughout the United States. These small, growing communities consist of single-family or mobile homes with a significant inventory of seasonal housing. With a median age of 46 years, the population is older than the U.S. median; most residents are married with no children living at home. Although retirement officially looms for many, most are still working. Many in *Rural Resort Dwellers* neighborhoods are self-employed with a median household income of \$43,000. Simple living and consumer tastes describe the *Rural Resort Dwellers* residents. They own equipment so they can work on home and garden improvement projects. Domestic four-wheel drive trucks are popular. Their lifestyle includes baking and preparing home-cooked meals as well as participation in local civic issues. They read magazines that focus on fishing, hunting, and home improvement. They go hunting, listen to country music, and zoom around in power boats.

Aspiring Young Families, 18.1% Local and 6.8% Greater Market Area Households

Residents of *Aspiring Young Families* neighborhoods are attracted to the large, growing metropolitan areas in the South and West, with the highest concentrations in California, Florida, and Texas. These residents are mainly young, start-up families, married couples, or single parents with children. Although young with a median age of 30 years, almost half of them have already purchased start-up homes, with a high percent of townhouses. Half of them are renters who live in newer multiunit buildings. Residents spend much of their discretionary income on their children and homes. They buy baby and children's products and toys, bedroom and dining room furniture, cameras, and VHS/DVD players. For leisure, families enjoy dining out, going to the movies, playing baseball or basketball, and visiting theme parks. They spend time online visiting chat rooms, searching for employment, playing games, researching information about real estate, and making travel plans.

Green Acres, 13.6% of Local Market & 11.7% of Greater Market Area Households

A "little bit country," *Green Acres* residents enjoy homes in a pastoral setting. This somewhat upscale market represents developing fringe areas, with more in the Midwest. Most families are blue-collar baby boomers, many with children aged 6-17 years. Their median household income of \$61,200 and median home value of \$168,000 are high compared to the U.S. as a whole. Country living describes the lifestyle of *Green Acres* residents. They are do-it-yourselfers and are not afraid to tackle home improvement projects ranging from painting to installing a deck. They are enthusiastic about gardens and own a separate freezer to hold the bounty. For leisure, they watch Home and Garden TV, NASCAR races and pro football games on TV. Their favorite outdoor activities include hiking, hunting and backpacking.

Midlife Junction, 12.7% Greater Market Area Households

Somewhere between the child-rearing years and retirement lies Tapestry's *Midlife Junction* segment. Few households still have children. Most of the labor force is still employed but approaching retirement. Approximately one-third of these residents already draw retirement income. Most still own their homes, but many have eschewed home ownership responsibilities and moved into multiunit apartments, somewhere between urban and rural. *Midlife Junction* residents have a median age of 40 and a median household income of \$42,900. They live quiet, settled lives. They spend their money prudently and do not succumb to fads. They are comfortable shopping online or by phone. Dining out on the weekends at full-service restaurant is a favorite activity; they also patronize fast-food establishments. They enjoy gardening, watching television, and reading books and the newspaper.

Home Town, 9.0% of Greater Market Area Households

Home Town residents stay close to their home base. Although they move from one house to another, they rarely cross the county line. Single-family homes predominate in these suburban neighborhoods with low population density, found mainly in the Midwest and South. The median home value is \$58,900; more than half of *Home Town* residents own their homes. The local job market offers employment primarily in the manufacturing, retail trade, and support services in industries. Residents enjoy going to the movies, museums, and zoos and indoor activities such as reading and playing cars. They like to watch CNN, Fox News, Discovery Channel, and any movie channel. Many own pets. Perhaps hindered by a lack of choice, they tend to shop for apparel at discount stores or small local malls, but they are gaining confidence in shopping online.

Great Expectations, 5.5% Local Market Area Households

Young singles and married-couple families dominate in this large urban market. The median age of the population is 33 years. A high proportion of *Great Expectations* residents are in their twenties. Labor force participation is high. They pursue a variety of careers primarily in the manufacturing, retail, and other service sectors. Home ownership is increasing; approximately half of these residents now own single-family homes with a median home value of \$95,500. The rest still rent apartments in small multiunit buildings. Their neighborhoods are older suburbs, with most homes built before 1960. They are not afraid to tackle small home maintenance and improvement projects but also enjoy a young, active lifestyle. Leisure time for these residents is spent going out to dinner and a movie, attending music concerts, visiting theme parks, the zoo, and the beach. They have tried their hand at different sports such as fishing, hunting, and canoeing.

AREA EMPLOYEES

Redmond's local employees are an important captive market for downtown retail and service businesses, as they come to Redmond on a daily basis throughout the year and are in close proximity to retail, restaurant and service establishments. Market research conducted by the Building Owners and Managers Association of America demonstrated that office workers (as one segment of the workforce) spend between 10 and 15 percent of their expendable incomes in and near their places of work.

Information on workday shopping behavior provided in a survey conducted by the International Council of Shopping Centers reveals that:

- The majority of downtown workers (76%) prefer to walk to lunch, up to three blocks.
- The most frequent items purchased by workers include cards, stationery, gifts, drugstore items, books and magazines.
- With lesser frequency, workers buy office supplies, jewelry, apparel, accessories, housewares, cosmetics, arts and crafts, and items found in galleries.
- Many workers (28%) will stop for "after work" activities (drinks, dinner and shopping) when such opportunities are available. Forty-eight percent (48%) of these workers are inclined to come back to the downtown district to eat and shop on weekends.

The remainder of this section highlights state and local employment trends and information on the employment base in close proximity to downtown Redmond.

A. State and Region

The Oregon Office of Economic Analysis September 2005 report forecasts total private non-farm employment for the state to rise by 3.0% in 2005. The Oregon Employment Department reported that in January 2005, the state reached a new high for total non-farm employment. Continued but slower job growth is anticipated for 2006 (1.5%) and 2007 (1.4%). Job gains will be strongest for the transportation equipment sector, construction and professional and business services. Overall, job levels will still be below average job levels in 2000, a peak employment year. As a whole, Oregon is expected to add nearly 240,000 jobs during the next decade for a total increase of 15%. This total job growth is slightly larger than the prior decade which resulted in the addition of 231,000 jobs statewide.

Deschutes, Crook and Jefferson Counties are part of the Oregon Employment Department's Region 10. Ten year employment forecasts (2004-2014) for the region show a total employment increase of 17,520 jobs or 24.4%, making Central

Oregon the fastest-growing region in the state, due in part to the area's rapidly expanding population base. The total increase in the region is expected to be less than in the prior decade when 20,830 jobs were created.

Non-manufacturing industries will lead Central Oregon's growth with the greatest expansion occurring in the leisure and hospitality sector projected to add 3,690 jobs (+39.4%) by 2014; professional and business services, 2,410 jobs, (+37.7%); and retail trade, 2,980 jobs (+29.3%). The manufacturing sector will grow modestly with 400 new jobs projected for a 4.7% increase.

Unemployment rates in Central Oregon continue to decline with September 2005 unemployment in Deschutes County at 4.8% compared to 5.7% in September 2004 and 5.7% for Crook County compared to 6.8% last year. Oregon unemployment was 5.5% and 6.6% for the same points in time.

In the near future, new employers to the area will further stretch central Oregon's tight labor market. The Madras minimum and medium security prison facilities will employ 400 construction workers and 100 permanent employees for Phase 1, to be completed in 2006 and 400 permanent employees for Phase 2.

Two Wal-Mart super centers are proposed for the area which together would add approximately 600 net new jobs. The Redmond center is moving rapidly ahead with the proposed Bend center experiencing some public opposition.

Redmond was recently announced as the site for an ODS insurance claims processing center which will bring between 100 and 125 jobs to downtown Redmond where ODS intends to locate the facility.

Among other potentially significant initiatives that could expand the area's employment base is the Juniper Ridge project. The City of Bend recently completed a master plan for the development of Juniper Ridge, a 1500-acre city-owned parcel on the north edge of Bend. A large portion of the project is slated for industrial-related development. The 500-acre Phase 1 is expected to break ground during 2007 and focus on light industrial and technology businesses. The Phase 2 area contains space for a future educational facility, including a university campus with academic programs that would support the research and development uses in Phase 1. Phase 2 also proposes a broad mix of residential, commercial, mixed-use, and open space uses.

B. Local Area

Exhibit R-6 depicts the total number of employers and employees within Deschutes County and the proportionate share of Redmond and Bend. Bend dominates the county with the largest share of firms (67.4%) and employees (66.3%).

Exhibit R-6
Deschutes County Employment, 2004
Firms and Employees

<u>Area</u>	<u>Firms</u>		<u>Employees</u>	
	<u>#</u>	<u>% of Total</u>	<u>#</u>	<u>% of Total</u>
Redmond	811	14.30%	8,885	15.1%
Bend	3,806	67.40%	38,799	66.3%
Remainder of County	1,029	18.20%	10,803	18.4%
Deschutes County	5,646	100%	58,487	100%

Source: Oregon Employment Department

2000 Census data reveals that the vast majority (94%) of Deschutes County residents work in the county, with 93% of all county workers residing in the county. However, the Deschutes labor market draws on surrounding counties as well with nearly 18% of Jefferson County residents and 15.4% of Crook County residents working in Deschutes County.

Despite the current job differential between Bend and Redmond, Redmond has significant room to grow, boasting approximately half the landmass of Bend, but only one-fourth the population. Over 1,500 acres of industrially-zoned property are located in the Redmond city limits with approximately 300 acres still to be developed. As part of this, the City owns a 128-acre industrial parcel, Desert Rise. The City will sell large lots to industrial end users stipulating a number of conditions such as minimum lot size and minimum number of jobs created to assure economic gains for the community.

Redmond's largest employers, though relatively small in employment, represent diverse economic sectors: St. Charles Medical Center: *Redmond* (450), T-Mobile (325), Eagle Crest Partners: *Redmond* (305 employees), Wal-Mart (230), Team Millwork (228), and the Opportunity Foundation (215).

Redmond's strategic location at the geographic center of the region also makes it a current and future hub for employment activity. Employers and employees alike have identified other competitive advantages for Redmond compared to Bend, including the relatively lower cost housing in Redmond and less congestion. In addition to these factors, a central location and prime industrial land, Redmond can count a number of key assets that will help fuel and sustain growth, among these being the regional airport, regional exposition center at the new \$37 million Deschutes County Fairgrounds, and the regional Technical

Training Complex/Manufacturing-Applied Technology Training Center for central Oregon Community College.

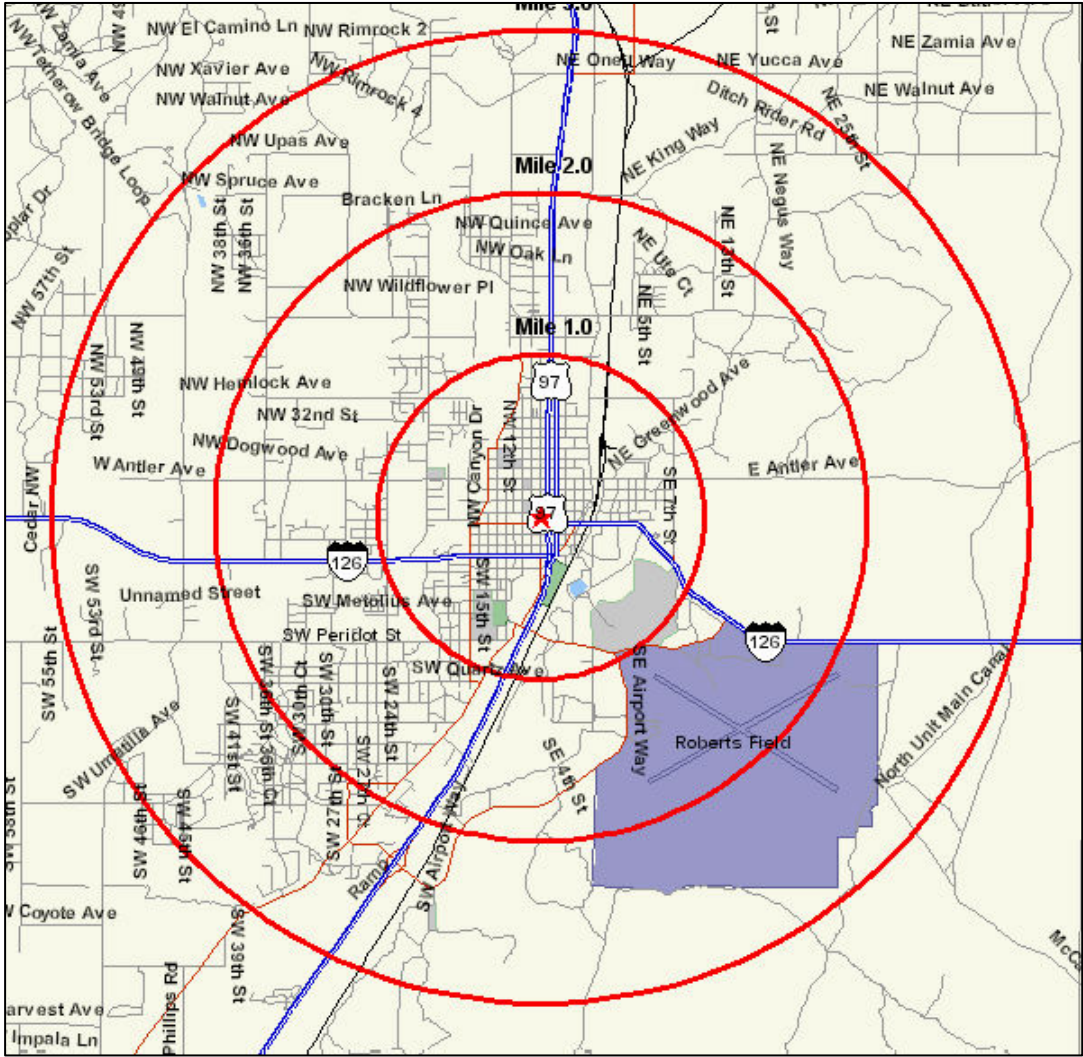
Employment within a one-, two- and three-mile radius of downtown Redmond (i.e., 446 SW 7th Street) is displayed in Exhibit R-7, below. Almost 5,300 workers are employed within a one-mile radius in 667 businesses. Roughly twice that number (10,380) are employed in total within a three-mile radius by a total of 1,276 businesses, a significant market within easy reach of downtown retail and service businesses.

Service jobs account for the largest share of total employment within the entire three-mile radius, comprising 3,394 or 32.6% of all jobs. Retail trade is the second largest employment sector, with 2,505 employees in the three-mile area or 24% of the total. The one-, two- and three-mile areas are shown on the map on the following page.

**Exhibit R-7
Business Establishments and Employment by Major Industrial Sector
1-Mile, 2-Mile and 3-Mile Radius of 446 SW 7th St, Redmond**

Business Description	1-Mile Radius				2-Mile Radius				3-Mile Radius			
	Businesses		Employees		Businesses		Employees		Businesses		Employees	
Industries (All)	667	100.0%	5,252	100.0%	346	100.0%	3,345	100.0%	263	100.0%	1,783	100.0%
Industries (Private Sector)	580	87.0%	4,047	77.1%	316	91.3%	3,003	89.8%	237	90.1%	1,585	88.9%
Industries (Government and Non-Profit)*	87	13.0%	1,205	22.9%	30	8.7%	342	10.2%	26	9.9%	198	11.1%
Retail (All Retail)	174		1,343		73		787		37		375	
Building Mats and Garden Supply	16	9.2%	139	10.3%	8	11.0%	34	4.3%	8	21.6%	42	11.2%
General Merchandise Stores	2	1.1%	64	4.8%	2	2.7%	51	6.5%	2	5.4%	201	53.6%
Food Stores	19	10.9%	255	19.0%	3	4.1%	86	10.9%	2	5.4%	5	1.3%
Auto Dealers and Gas Stations	23	13.2%	172	12.8%	23	31.5%	230	29.2%	1	2.7%	1	0.3%
Apparel and Accessory Stores	9	5.2%	27	2.0%	1	1.4%	1	0.1%				
Home Furniture, Furnishings and Equipment	14	8.0%	50	3.7%	12	16.4%	64	8.1%	5	13.5%	21	5.6%
Eating and Drinking Places	43	24.7%	501	37.3%	13	17.8%	271	34.4%	5	13.5%	59	15.7%
Miscellaneous Retail Stores	48	27.6%	135	10.1%	11	15.1%	50	6.4%	14	37.8%	46	12.3%
Finance (All)	83		458		28		219		21		108	
Bank, Savings and Lending Institutions	26	31.3%	185	40.4%	8	28.6%	97	44.3%	5	23.8%	38	35.2%
Security and Commodity Brokers	4	4.8%	17	3.7%	5	17.9%	21	9.6%	3	14.3%	24	22.2%
Insurance Carriers and Agencies	19	22.9%	77	16.8%	1	3.6%	3	1.4%	2	9.5%	4	3.7%
Real Estate, Trusts, Holdings and Other	34	41.0%	179	39.1%	14	50.0%	98	44.7%	11	52.4%	42	38.9%
Service (All)	264		1,874		120		946		91		574	
Hotel and Other Lodging	4	2.0%	21	1.4%	3	3.0%	27	3.2%	3	4.2%	25	5.5%
Personal Services	74	36.5%	246	16.8%	27	27.3%	111	13.2%	30	41.7%	82	18.0%
Business Services	46	22.7%	240	16.4%	28	28.3%	118	14.0%	24	33.3%	114	25.1%
Entertainment/ Recreation Services	11	5.4%	132	9.0%	7	7.1%	19	2.3%	5	6.9%	33	7.3%
Health Services	50	24.6%	269	18.4%	28	28.3%	436	51.7%	6	8.3%	186	40.9%
Legal Services	5	2.5%	25	1.7%	1	1.0%	4	0.5%				
Educational Services	13	6.4%	529	36.2%	5	5.1%	128	15.2%	4	5.6%	15	3.3%

Source: Claritas 2005



Map Showing Distance from Downtown Redmont in 1-, 2-, & 3-Mile Rings

VISITOR MARKET

Central Oregon's natural and recreational amenities and numerous resorts make the area a significant visitor destination for the Pacific Northwest and beyond. The central Oregon visitor region is comprised of Crook, Deschutes, Jefferson and South Wasco Counties. The visitor industry is integral to the central Oregon economy generating nearly 7,200 jobs and \$463.4 million in visitor spending in 2003, with approximately 83% emanating from Deschutes County. (Source: Dean Runyan Associates.)

Exhibit R-8 depicts the number of beds at hotels, lodges and resorts by community or major facility to help gauge the distribution of the visitor spending throughout Deschutes County. The Bend/Sun River area dominates the market with 79% of the total number of beds in Deschutes County. The current number in the Redmond/Eagle Crest area amounts to 11% of the total. The bed tax revenues associated with those beds is approximately \$647,000 or 10.3% of total bed tax revenue in Deschutes County (04-05).

**Exhibit R-8
Deschutes County Lodging
2005**

Area	# of Beds	% of Total
Bend	2,988	52%
Sun River Resort	1,527	27%
Redmond	484	8%
Eagle Crest Resort	170	3%
Sisters/Black Butte Area	385	7%
Deschutes County: <i>Balance</i>	174	3%
TOTAL	5,728	100%

In the immediate Redmond area are several significant visitor attractions which provide the opportunity for capturing additional retail, restaurant and entertainment spending by this market. Visitor counts for area facilities and draws appear in Exhibit R-9, below.

**Exhibit R-9
Redmond Area Visitor Counts**

Facility/Attraction	Visitor/User Counts	Visitor Characteristics/Trends/Impacts
Deschutes County Fair and Expo Center	430,000 (04-05) 300 annual events	Pacific NW; \$44 mil. In direct economic impact (04-05)
Eagle Crest	TBD	Families, professionals, retirees
Smith Rock	700,000 annual	Includes many 'regular' day trippers
Roberts Airfield	147,105 passenger enplanements in 2003	181,100 (projected 2008); 213,200 (projected 2013)
Highway 97	13,500-14,000 ADT each direction, downtown Redmond	50% is estimated as pass-through traffic

Source: Marketek, Inc. 2005

As downtown Redmond progresses with its physical improvements and related business development and promotional activities, it should be able to draw an increasing number of visitors from throughout the region. Additional visitor information appears in the Retail Demand Analysis.

SECOND HOME BUYER MARKET

A. National Trends

A new study by the National Association of Realtors shows sales of second homes surged in 2004, and that investment property and vacation homes make up a significant portion of the overall housing market, accounting for more than one-third of residential transactions. The study, based on two surveys, shows that 23 percent of all homes purchased in 2004 were for investment, while another 13 percent were vacation homes. In addition, there was a record of 2.82 million second home sales in 2004, up 16.3 percent from 2.42 million 2003. The investment-home component rose 14.4 percent to 1.80 million sales in 2004 from 1.57 million in 2003, while vacation-home sales rose 19.8 percent to 1.02 million in 2004 from 850,000 in 2003.

Whether used as a vacation home, an investment vehicle, or both, second homes have become increasingly popular and have helped fuel the growth of the housing market. The U.S. Census reports that there were a total of 3.6 million vacant seasonal homes in the third quarter of 2002, up from 3.1 million 1990 and only 1.7 million in 1980. The category “vacant seasonal homes” is often cited as the total number of vacation homes. However, this assumption does not account for many recreational properties that are not vacant. In addition, other Census data estimates that there are 9.2 million homes held by owners besides their primary residences. While there is no data on what proportion of these homes are held for recreational or vacation use, it appears that the second home market is larger than the 3.6 million units cited above.

In the greater Redmond market area, approximately 1,500 or six percent of all homes are “seasonal” properties. This figure is anticipated to grow nearly four fold by 2015 with the number of new resorts coming online, making it all the more important to understand the dynamics of this market. A 2002 survey completed by the National Association of Realtors (NAR) and escapehomes.com provides insights into the motivations and characteristics of second homeowners nationally.

Motivations

- Most second homes are purchased for recreational use with only modest interest in renting. Thus, most second homeowners never rent their homes.
- Fifty-one percent (51%) of participants in the NAR survey said that they bought or kept a second home to use for a vacation home, 18% were planning for retirement and 15% sought some income from renting the property. Most investment homeowners never use their homes.
- Recent buyers of second homes are more interested in diversifying their investment portfolios than they were prior to 2000. The majority of second

homebuyers interviewed for this research reported that the stock market slump of the last few years has made them more likely to buy a second, or even third, home.

- For most people, buying a second home is very much a lifestyle choice, but the investment potential has increased given strong price appreciation.
- The idea of a family retreat is important to more than one-half of (57%) second homeowners.
- One in six second home buyers over 55 plans to make their second home their primary residence after retirement.

Characteristics

- Today the typical second-homeowner is 61 years old, has owned the property for 9 years, has annual household income of \$76,000, is married and purchased the property for recreational use.
- During the next decade, the typical second homebuyer will be younger. The second home market will be driven by middle-class baby-boomers entering their prime years for buying recreational and investment property. Median age of people buying a second home is 46.
- Vacation-homeowners spent a median of 8 weeks per year at their property, while over one-half of all investment owners never used their property. Almost 55% of investment owners rented to others for at least six months a year. These properties tend to be in resort areas.

B. Redmond, Oregon Trends

The census shows that in the year 2000, of the 2,794 vacant units in the greater Redmond trade area, 54% or 1,498 were “units for seasonal, recreational, or occasional use.” This compares to 31% of all vacant units for the state as a whole. See Exhibit R-10, next page, for a summary of the market area’s housing tenure patterns.

Exhibit R-10

**TOTAL HOUSING UNITS BY TENURE
Local & Greater Redmond Trade Area, State of Oregon
2000**

Tenure	Housing Units					
	Local Redmond		Greater Redmond		State of Oregon	
	Number	Percent	Number	Percent	Number	Percent
Owner-occupied	5,872	65.6%	17,496	65.8%	856,951	61.0%
Renter-occupied	2,515	28.1%	6,302	23.7%	476,772	29.0%
Vacant	562	6.3%	2,794	10.5%	118,986	10.0%
Total	8,949	100%	26,592	100%	1,452,709	100%
Vacant Units						
<i>For Rent</i>	162	29%	445	16%	37,482	31.5%
<i>For Sale</i>	138	25%	377	14%	20,349	17.1%
<i>Rented or Sold, Not Occupied</i>	40	7%	127	5%	7,158	6.0%
<i>Seasonal, Recreational, Occasional</i>	127	23%	1,498	54%	36,850	31.0%
<i>For Migrant Workers</i>	0	0%	8	0%	333	0.3%
<i>Other Vacant</i>	94	17%	339	12%	16,814	14.1%
Total Vacant Units	561	100%	2,794	100%	118,986	100%

Source: 2000 Census, Marketek, Inc.

The Redmond second home market is anticipating rapid expansion with several new resort projects in various phases of development. Exhibit R-10 on the next page summarizes the status of key resort developments and other significant housing projects in the greater Redmond market area. During the 2000-2015 timeframe, nearly 4,500 second home units are anticipated to come on the market.

Exhibit R-11
Selected Destination Resorts/Major Residential Developments in the Redmond Area
Nov-05

Name/Location	Acres	Lots/units	Ave. Price	Target Market	Timing
Resort Development					
Brasada Ranch, Powell Butte, Crook County	1,800	900 lots	\$350,000	Middle-to-upper income professionals	202 lots @ \$360ksold in 2 days; 80 ranch home sites (\$300-\$600k) sold in Oct. 05
Eagle Crest Resort, Redmond: <i>Overview</i>		2,372 units total, 1,419 built.	\$300,000-\$1.5 mil	Retirees and professionals, age 45+	60% built-out, 204 units under construction; 10 yr. horizon
Eagle Crest Resort: <i>Eagle Ridge</i>	1,700	990 units; 717 constructed		Mid-to-upper income vacationers; pt-time residents	1 phase remains to be completed in 5-10 yrs
Eagle Crest Resort: <i>Highlands</i>		823 units. 385 lots, 30 constructed. 216 condos, 100 constructed. 222 detached, 13 constructed		Retirees and professionals	5-10 years
Thornburgh Resort, <i>Overview</i> near Smith Rock	1,980	1000 total	NA		Pre-development; water requirements in dispute
-The Tribute at Thornburgh	1,250	650	NA		
-The Pinnacle at Thornburgh	730	350	NA		
Pronghorn Resort, Deschutes County	640	289 home sites; 190 condos	>\$325,000	High income golfers, retirees	Under construction
Ranch at the Canyons, Smith Rock, Terrebonne, Deschutes County	1,700	60	>\$750,000	High end market	Under construction
Selected Residential Developments					
Brooks Resources Development, Prineville	1000 acre PUD	2,951 total, w/ est'd. 15% 2nd homeowners	\$230-\$250,000	Entry level to high end	Phase 1, 5 years: 100-140 units a year; 15-20 year build out
Prineville Subdivisions:	est'd	1,800 units total			
-Colson & Colson	300	1000	\$200,000	Middle income	Pre-development
-Mayberry South	150	300	\$225,000	Middle income	Pre-development
-Mayberry/Smith North	200	500	\$200,000	Middle income	Pre-development
Madras Land Development Co. Madras	800 acre PUD	NA	NA	Mostly middle market; mixed densities	Break ground, spring 2006 on 180 ac in UGB
Source: Marketek, Inc.					

OPINION RESEARCH

In September 2005, two surveys were prepared and conducted to reach target audiences key to strengthening the retail base of the downtown business district: area residents/employees and business owners/operators. Area residents, employees and businesses were urged via newspaper feature stories and chamber of commerce publicity to help shape the future of downtown Redmond by completing an on-line survey. In addition, hard-copy surveys were delivered in-person to downtown businesses, many of whom requested that their employees fill out on-line surveys. Shopper surveys were available at city hall, the chamber of commerce and selected downtown business locations. The primary objective of this research is to gain an understanding of the perceptions, needs and motivations of local shoppers and businesses. Surveys were augmented with three downtown business and stakeholder focus groups during the September site visit, over 20 in-store visits/interviews with business owners and an interactive retail marketplace workshop held during the October site visit. Approximately 60 persons participated in all. Detailed results of the surveys are provided in Appendices B and C. Survey, interview and focus group findings are summarized below.

A. Shopper Survey

- 263 people participated in the survey.
- 167 (64.2%) reported doing most of their non-grocery shopping in Bend, while 64 (24.6%) do most of their non-grocery shopping in Redmond. When shopping in Bend, big box stores were the most popular destination.
- By far the most common reason cited for shopping choice was the availability of a wide selection of goods. Price was the second most important factor influencing shopping preference.
- When people chose to shop in Redmond, their primary reasons were to support local businesses and the convenient location. The major disadvantages of shopping in Redmond were poor selection of goods/services, traffic, and lack of parking. Respondents also felt stores would benefit from improving their appearance and expanding hours of operation.
- The kinds of merchandise most frequently cited as being needed in Redmond were women's casual apparel, shoes, books, and linens and towels.
- The kinds of leisure/ entertainments services that topped the list were restaurants, tailoring and alterations, a copy center, and vision care.

- By far the most frequently type of restaurant cited was seafood, followed in demand by fine dining, a steakhouse, family restaurants, and a bakery.
- When respondents were asked if they would consider living in high quality housing if it were available in downtown Redmond, almost 2/3 of the 212 people who responded to the question said "No." Of those who answered yes, the vast majority preferred to own their homes.
- The qualities of Redmond dearest to its residents are its small-town atmosphere and the attractiveness of its original historic buildings.

B. Business Owner Survey

- The survey generated responses from 42 Redmond business owners, over 33% of whom have been in business for more than ten years.
- No uniform business hours can be identified from the survey. More than 43% of the businesses operate from Monday-Saturday, while 35% are open only Monday-Friday.
- More than half (55%) of the estimated customer base is comprised of Redmond residents. The balance of customers was broken down as follows: 36 % from Deschutes County, 31% from the tri-county area and 14% from travelers/tourists.
- Improvements to businesses during the last two year were made by 34 respondents (80%). Of these, 24 (56%) involved financial investment. The amount of investment varied widely, ranging from \$1,000 to \$2.5 million. The median investment was \$25,000.
- Almost 2/3 of the business reported moderate growth in their business. Not a single business was experiencing a decline in sales. The remaining businesses were evenly divided between rapid growth and no growth.
- Eighteen businesses expressed the intention to expand their business during the next year, with the same number planning to operate on the same level. None of the businesses intended to reduce operations.
- The factors cited by more than 30% of the respondents as most effecting the success and expansion of their businesses were qualified labor, foot traffic, and public access. The three greatest obstacles to success were current economic conditions, competition, and skill level of employees.
- The kind of assistance most desired by business to improve their success was in marketing and advertising. Almost two-thirds of those responding indicated interest in participating in a joint marketing program.
- Thirty businesses said they invested in their business. The investments ranged from \$1,000 to \$4 million, and totaled \$4.7 million. Physical improvements

were made by 40% of the businesses, and 40% invested in marketing, advertising and promotion.

- When asked what qualities of downtown Redmond should be maintained in the face of change, the most overall consensus was to keep a friendly, small-town atmosphere. Also of notable interest were the following: "the old town look of downtown; smaller, individually owned businesses/no chains; and free parking."
- Businesses identified what they most would like to change in downtown as being: traffic, building conditions and the lack of retail variety.
- The future image seen as most desirable was of a downtown that had ample parking, was pedestrian friendly, and offered a diverse range of shopping choices.

When asked about shopping needs and interests, business owners expressed an interest in:

- Restaurants (especially middle to upper end), night clubs, and boutique/specialty stores
- More shoe stores, children's clothes, men's clothes, etc.
- Multi-plex cinema/theater
- McMenemy's or Deschutes Brewery
- Retail business and office buildings

Exhibit R-11 on the following page identifies goods and services for which 30% or more of residents and a significant number of businesses expressed an interest.

EXHIBIT R-11

SUMMARY OF TOP RANKED SHOPPING NEEDS AND INTERESTS

Business Type	Resident Survey	Business Survey
Books	X	X
Music/CDs	X	X
Sporting Goods		
Gifts & Cards	X	X
Pet Supplies	X	
Arts & Crafts Supplies	X	X
Computers & Accessories	X	
Electronics	X	
Linens & Towels	X	X
Furniture	X	
Garden Supplies	X	x
Appliances	X	
Antiques		
Jewelry	X	
Women's Casual Apparel	X	
Women's Business Apparel	X	
Women's Specialty Apparel	X	X
Men's Casual Apparel	X	X
Men's Business Apparel	X	
Men's Specialty Apparel		
Children's & Infant's Apparel	X	X
Athletic Apparel	X	X
Teen & Young Adult Apparel	X	X
Boutiques		X
Shoes	X	X
Bakery	X	X
Hardware	X	X
Groceries	X	
Trader Joe style store		X
Pharmacy	X	
Concerts/Live Music	X	X
Art galleries		X
Movie Theater	X	X
Live Theater	X	
Dinner Theater	X	
Bowling	X	
Swimming Pool	X	
Exercise Studio/Gym	X	
Mini Golf	X	
Outdoor Recreation		
Video/ DVD Rental	X	
Day Care		
Car Wash/Detailing		
Tailor/Alterations	X	
Dry Cleaner/Laundry	X	
Computer Repair	X	
Hair/Beauty	X	
Pack & Mail	X	
Copy Center	X	
Coffee House	X	X
Seafood Restaurant	X	X
Steakhouse	X	X
Fine Dining	X	X
Deli	X	
Family Restaurant	X	X
Brewpub/Grille	X	X
Pizza/Italian Restaurant	X	
Healthy/Natural Restaurant	X	

C. Focus Groups

Participants were asked to rate the current status/health of downtown Redmond on a scale of 1 to 10 with 10 being, 'the picture of success,' and 1 being, 'in serious trouble.' The average rating was a 4, with recognition that there are many positive initiatives underway today. A couple of individuals noted that there has never been more momentum around downtown revitalization than there is today. The groups were asked to identify key opportunities or strengths that downtown Redmond should build upon toward future success, issues and challenges it must address and a series of questions regarding future vision and interests for downtown.

Downtown opportunities and current strengths

- Assets: political will for change, \$, energy, redevelopment occurring
- Hotel redevelopment still on the table; many interested parties; an important asset to develop
- Multi-plex movie theatre proposed by local developer
- Possible redevelopment of older downtown motel site for mixed-use
- RDP will hire executive director by February; City will pay for position for 2 years
- ODS insurance company leaning toward Redmond (over Medford) to locate back office operation (120 jobs) and possible dental hygiene school. Would possibly locate on Evergreen & 7th.
- Couplet completion 2005-06
- By pass completion 2007
- Play on the 'ring' of resorts in the area—new household formation
- Redmond has a very engaged local team—both city and volunteer leaders
- Skybox Sports Bar renovation has had a positive impact on foot traffic for nearby businesses
- Connect Sam Johnson Park and the 'canyon' to downtown w/ walking/biking trails
- Better connect downtown to Smith Rock---guides, trails, rock climbing/sports shop
- Promote historic assets
- Owner/ operator of Eagle Crest offering \$100,000 matching grant over 2 years for downtown
- building facades
- Tourists are stopping downtown where enticed. The Gathering reports 3/4s of the customer traffic in recent months is visitor-related
- Historic church is serving as downtown event center
- New property owners planning to make property improvements to the vacant, historic bank, corner of Evergreen & 5th
- Urban renewal agency offers low interest loan program for property improvement
- Local ownership of businesses and customer service are especially key downtown

CHALLENGES / ISSUES FOR DOWNTOWN

- Downtown very long and narrow. Expand the energy east-west, particularly toward 7th St—area around the Plaza and down the street. Local Grounds has nice outdoor eating space; use as catalyst
- Significant new retail development in town (out Highland and south) and adjacent to Fred Meyer—80,000 SF Nolan's Town Center—will challenge downtown to perform
- Retail sprawl stretches 3 miles south to the airport interchange
- Discounters/big boxers are growing in Redmond: Super Wal-Mart, Home Depot, eventually
- Possible lifestyle center out by Wal-mart (Desertscape developer)
- Numerous vacancies on Main Street
- Core retail area is Forest to Black Butte; 5th to 8th St.
- Many blank spaces/walls; many parking lots; many institutional uses
- Business health a concern: "Half the businesses don't go out of business, they just don't do anything!"
- Several business owners expressed concern about developers/investors buying downtown properties, making improvements and significantly raising rents that will seriously challenge small business.
- Downtown needs to be visually attractive—need energy around clean up

Downtown business mix observations

- Highly eclectic mix serving diverse markets (matte, western shop, pet store, medical supply/tattoo, shoes, arcade, tobacco shop)
- A few boutique-type businesses that the business development group seems to desire more of (Gathering, Clothes Encounter, art gallery/jewelry)
- Several marginal businesses
- Several new, start-up businesses (matte, Beyond Shadows, jewelry/gallery, etc)
- Several businesses serving lower-income market (2nd hand kids clothing/baby supplies; pawn shop, consignment)
- 4-5 antique stores; 10+ salons; 6+ banks
- Several youth-oriented businesses: Goth store, arcade/teen center, skate shop, clothing store (Erickson mall)
- Several convenience: grocery, 2 hardware, lumber, liquor
- No dinner places except Sully's
- No place for breakfast downtown
- Several destination downtown businesses such as sporting goods store—highly unique merchandise mix and draw from throughout Central Oregon and well beyond.
- Estimated 1/4 of ground floor space is occupied by office users

KEYS TO DOWNTOWN SUCCESS

- Reduce truck traffic
- Develop entertainment venue for foot traffic
- More retail & retail on ground floor
- Expand activity-alive after 5
- A 'draw' is crucial
- Want more events, special activities downtown
- Night time activity and entertainment really needed
- Deschutes Brewery-type bar
- Leisure place—places w/ ambiance
- Improved plaza—add water feature and grass/greenery
- Mix of uses highly desirable—residential and office
- Downtown hotel highly desired
- Extend business hours
- Encourage more residential
- Concentrate retail in a 3 block area

DOWNTOWN'S UNIQUE MARKET POSITION

- Encourage 'rural western' theme—authentic and down home—'Rope 'em in!'
- More unique development and unique business like Dawson Station – craftsman style
- More upscale one of a kind boutiques
- Offer things you can't find in other places
- Specialty
- Arts and entertainment
- Locally owned and operated, not 'anywhere USA'
- Serve variety of income levels
- Authentic western town/cowboy town—western wear, home furnishings
- Western-oriented artisans and crafts people
- Must focus on aesthetics

Geographic market area

- Sisters, Prineville, Madras, to Tumalo (toward Bend); 25 mi east, 30 mi north

Market needs

- More food and entertainment
- Music store
- Consider national retailers as anchors
- Athletic/recreation apparel and accessories
- Accommodate both middle and high income targets

RETAIL MARKET ANALYSIS

RETAIL SUPPLY

The retail supply section examines the type and characteristics of the existing retail base in the Redmond market area and evaluates downtown Redmond as a retail shopping district.

**Exhibit RS-1
Retail Sales Trends (1997-2002)
Redmond Market Area and Deschutes County**

Area	1997		2002		% Chg	% Chg
	Establishments	Sales (\$Mil)	Establishments	Sales (\$Mil)	Estab.	Sales
Redmond	100	\$185.7	112	\$249.5	12.0%	34.4%
Bend	391	\$848.5	498	\$1,380.3	27.4%	62.7%
Deschutes County	687	\$1,297.3	763	\$1,863.4	11.1%	43.6%
Madras	39	\$62.8	36	\$84.3	-7.7%	34.2%
Prineville	53	\$88.1	47	\$72.6	-11.3%	-17.6%

Source: Census of Retail Trade, Marketek, Inc.

A. Existing and Planned Retail Development

To gain insight into the retail sector throughout the greater Redmond area, Exhibit RS-1 compares growth in the retail establishments and sales in Redmond, Bend, Madras, Prineville and Deschutes County during the 1997-2002 timeframe. Not surprisingly, growth in Bend outpaced all local areas with sales in 2002 (\$1.38 billion) comprising 74% of the Deschutes County total (\$1.86 billion). Redmond experienced a healthy increase in retail sales during that time, from \$185.7 million to \$249.5 million, owing in large part to the location of Fred Meyer and Safeway in 1999. As another indicator of recent local commercial expansion, commercial building permits totaled 562 during the 1999-2004 time period or 94 a year.

During the 1997-2002 timeframe, retail expansion in Bend and Redmond negatively impacted the local commercial base of both Prineville and Madras. The addition of large discounters such as Wal-Mart and Fred Meyer in Redmond and Costco in Bend has pulled sales out of the smaller outlying communities. Other factors also affected the decline, such as the closing of the last sawmill, Ochoco Mill in Prineville during that time period and a large flood in downtown Prineville in 1998.

The downtown districts and organized shopping centers within the greater Redmond retail market area were inventoried to provide an understanding of the retail context that downtown Redmond operates within and the status of the retail industry as a whole. Exhibit RS-2 provides a snapshot of market area retail centers. Within each community, commercial development has grown up around the major highways that bisect the towns and as a result, all of the towns except Sisters have a preponderance of free standing highway-oriented commercial development spread out from one end of town to other.

Exhibit RS-2 Existing Retail Development: November 2005 Redmond Market Area			
City/Shopping Center Name	Size	Anchor Businesses	Vacancies/Comments
Madras			
Palisades Shopping Center	35,000 SF	Bi-Mart, Burger King	No vacancy
5 th Street Strip Center	<10,000 SF	Radio Shack	No vacancy
Downtown	<100,000 SF	Black Bear Diner	No vacancy. Great Earth Natural Foods moving to larger, more prominent downtown location
Safeway Shopping Center	N/A	No other businesses	
Erickson's Sentry	N/A	No other businesses	
Prineville			
Ochoco Plaza	82,000 SF	Ray's Food, Sears, Rite Aid, Pizza Hut	2 small vacancies
Downtown	>100,000 SF	Schuck's Auto Supply, Prineville Men's Store	2 Main Street vacancies
Aspen Park Center	N/A	Papa Murphy's	Vacancy (>3,000 SF) behind main strip
Redmond			
Wal-Mart Center & adjacent commercial	115,000 SF	Wal-Mart, Mi Pueblito Mexican, Color Tile, BedMart, Depot	1 building under construction
Fred Meyer Shopping Center & adjacent strip	190,000 SF <i>estimated</i>	F.M., Blockbuster, Baskin-Robbins, Super Cuts, NY City Sub, Cellular One	No vacancy; \$1.5 SF (NNN) for small pad
Hwy 97 Strip Center	40,000 SF <i>estimated</i>	Dollar Tree, Hunan Chinese Restaurant	1 vacancy
Redmond Plaza	N/A	Domino's Pizza, Hollywood Video	No vacancy
Veteran's Way Retail Center	6,000 SF	Pho Saigon, Nails, Coffee, Office	\$1.25-\$1.34 SF (NNN)
Wagner's Square	100,000 SF	Albertson's, Rite Aid, Bi-Mart, Burger King, Shari's	No vacancy
Downtown	484,460 SF groundfloor commercial	Cent Wise Sporting Goods/Hardware, Sully's, Sky Box, Parr Lumber	8 vacancies; 35,690 SF <i>estimated</i> ; Av rents: \$1.00/SF
Sisters			
Ray's Food Place	20,000 SF	Ray's grocery	expanding 2006: adding bank kiosk
5 Pines Development	N/A	Cinema, athletic club, spa	
Downtown	200,000 SF <i>estimated</i>	Stitching Post, restaurants	95% occupancy; lease rates \$0.90-\$1.20 (gross)

Source: Marketek, Inc.

The majority of retail in the market area can be characterized as convenience goods and services meeting local market needs. Downtown Sisters, known as a successful specialty shopping district is the exception, offering selected shoppers goods and unique merchandise that principally serves the visitor market. Sisters' retail businesses have until recently located almost exclusively on the downtown blocks, which may be one reason for the shopping district's overall success. The cinema complex on the western edge is creating a new, though small, retail focal point.

Grocery-anchored strip centers along the highway are prevalent with accompanying restaurant and commercial service tenants. Older single story detached commercial structures—many with limited street appeal—dot the highways between the strip centers and downtown districts. The quality of retail uses on Highway 97 varies considerably from unattractive, run-down commercial buildings to newer structures of quality materials—all generally occupied by destination businesses.

The traditional downtown districts in Prineville and Madras appear to be 'holding their own' at this point in time with few or no vacancies. However, they struggle with a wide spectrum of tenants in terms of quality, market appeal and staying power. Redmond's downtown district is particularly large by comparison to the other downtowns within the market area, which is a factor in the relatively higher number of vacancies.

Exhibit RS-3 summarizes new and proposed major projects and developments including retail throughout the greater Redmond market area as of mid-November 2005. With the exception of Madras, every community has new retail in pre-construction or under construction, a response in part to their growing local markets. Redmond's retail expansion leads with the addition of 80,000 square feet at Nolan Town Center, the proposed Super Wal-Mart and a number of other proposed or planned projects that incorporate retail.

At present, throughout the market area, there is approximately 314,000 square feet of new retail, restaurant and related space planned or under construction to be absorbed over the next few years. This figure includes the possibility of a Super Wal-Mart in Redmond adding 130,000 SF of space (net), assuming the existing Wal-Mart (100,000 SF est'd) closes.

RS-3
New/Proposed Retail Development: November 2005
Redmond Market Area

City	Size/price range	Timing/Comments
Prineville		
3 rd St. strip center	15,000 SF retail; anchors: Dollar Tree, Starbucks, bank	2006
Ochoco Mill Property Master Plan	55.8 acres	In planning phase. One large commercial anchor (Safeway, Fred Meyer) is anticipated
Madras		
Downtown property redevelopment w/ urban renewal funds		Ongoing
Other commercial		New office building; motel chain interest
Redmond		
Nolan Town Center	80,000 SF, Anchors: Ray's Grocery , Mc Donald's, Starbucks	2005-06 opening
Super Wal-Mart, Canal & Maple Sts	230,000 SF; general merchandise, plants, groceries, auto lube, tires, garden products and furniture	Pre application
Chelsey Square	13,180 SF; Izzys Restaurant, Dentist, First American Title	Under construction
Highland Marketplace, Highland Avenue	5 acres	Pre-construction, \$1.66 SF
Frank's Landing , nearby existing Wal-Mart	25-acres mixed use project with up to 20,000 SF retail, restaurants	Under construction
Sisters		
5 Pines Development	2 new restaurants, conference ctr	2005-2006
Westside commercial	Mc Donalds/Chevron/Conv. Grocery; + 20,000 SF (4 pads)	2005-2006
Eastside commercial	Ray's Grocery expansion from 20,000 to 42,000 SF+ bank, small retail/restaurant	2005-2006
U.S. Forest Service Property	50-80 acres; mixed-used	2006-2010

Source: Marketek, Inc.

B. Downtown Redmond's Retail Base

Exhibit RS-4, below, provides an approximate distribution of ground floor commercial uses in the core downtown Redmond area depicted on the map on the following page. The core area is defined as from Cedar to Highland (north - south) and from 9th to 4th Streets (east - west).

**Exhibit RS-4
Ground Floor Commercial Uses: November 2005
Downtown Redmond**

	Square Feet	% of Total
Retail	200,456	41%
Office	114,886	23%
Service commercial*	87,017	18%
Restaurant & Entertainment	51,449	11%
Vacant commercial	35,690	7%
Total	489,498	100%

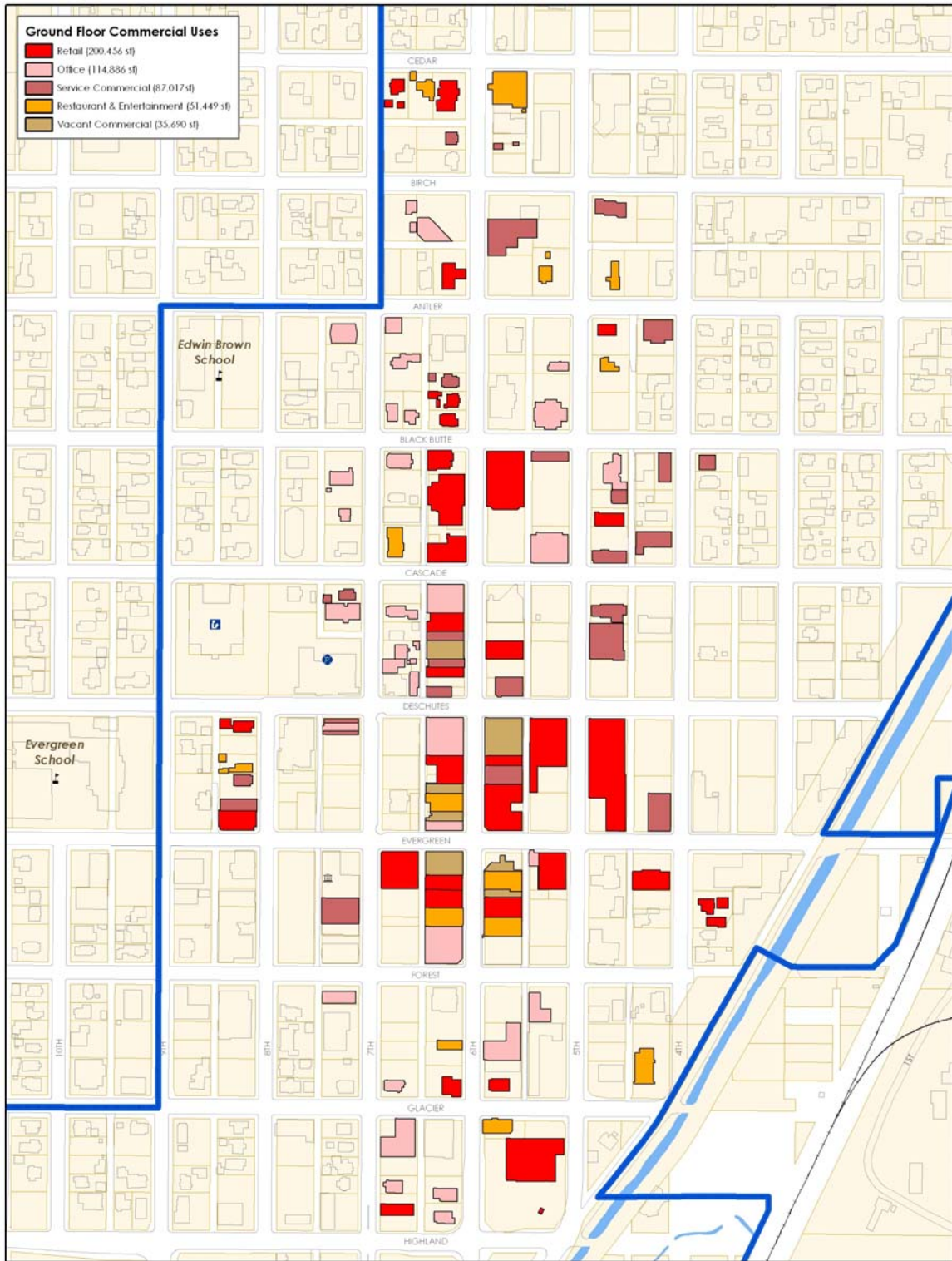
*hair salon, gym, bowling, spa

Source: City of Redmond, Marketek, Inc. SERA Architects, Inc.

Downtown Redmond has approximately 489,498 square feet of ground floor commercial space within the business district, exclusive of gas stations and institutional uses such as banks. This is roughly the size of a regional shopping center and about one-third the size of a super-regional mall such as Washington Square in Tigard, Oregon. By far, downtown is the largest shopping district in the Redmond market area. Based upon the City's current tax lot data base and Marketek's inventory of downtown businesses, retail occupants comprise 41% of the ground floor space, followed by office users (23%), service commercial (18%), and restaurant/entertainment users (11%). Vacant ground floor space is estimated at seven percent (7%).

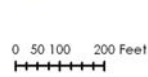
The map identifies retail uses in red, with the greatest concentration located on 6th Street in a four block area between Black Butte and Forest Streets. Among the largest occupants in this area are: Erickson's Sentry Supermarket, Cent Wise Sporting Goods and Sky Box sports bar. The majority of tenants are local, owner-occupied, small businesses offering a range of unique merchandise from books and gifts to apparel and antiques. In the near term, these four blocks will provide the foundation for strengthening the overall business mix and appeal of the downtown shopping district.

MAP OF DOWNTOWN REDMOND'S GROUND FLOOR COMMERCIAL SPACE



Redmond Downtown Action Plan Update
Ground Floor Commercial Uses

- City Hall
- Fire Station
- Library
- Police
- School
- Urban Renewal District



11.30.05

C. Downtown Redmond's Competitive Position

Successful downtown districts of any size have a healthy business climate and a pro-active marketing program. Key amenities and characteristics to draw customers and/or business prospects to neighborhood or community shopping center are presented in Exhibit RS-5. These are particularly critical for older commercial districts seeking to compete with new shopping malls, lifestyle centers and big box retailers. Although many of these challenges have already been identified, they are listed here to portray a composite picture and to evaluate the downtown Redmond commercial district from two key perspectives:

1. What customers want from a shopping experience; and
2. Business climate and marketing factors that affect business decision-makers seeking a profitable location.

<p>Key for Rating S = Strength W= Weakness N = Neutral</p>

Exhibit RS-5		
Downtown Redmond Analysis – Strengths & Weaknesses		
Critical Success Factors	Rating	What Redmond Offers
Retail Marketplace		
Growing population base	S	Over 27,000 people live in the greater Redmond market area. In the next 5 years, rapid population growth is expected to continue with a 4.4% increase on an average annual basis, compared to 1.04% for Oregon as a whole.
Average or above average incomes	N	Median household income of over \$44,000 for Redmond's market areas is somewhat lower than Oregon's at \$47,424 for 2005. However, the attraction of higher end households to resorts and new housing developments will favorably impact median incomes.
Strong visitor market	S	Redmond has a diverse and growing visitor market to draw upon from outdoor enthusiasts to golfers. With over \$367 million in county wide visitor spending (2003), 5.5% av. annual growth and numerous visitor venues, tourism is an important industry.
Business growth/expansion	S	Over a dozen new businesses have opened downtown in the last 2 years with 43% of business owner survey respondents planning expansions in the year ahead.
Available shopping – a selection of quality shopping for a range of incomes available	W	As a whole, downtown Redmond is a pass through business district for Highway 97 travelers.

Exhibit RS-5

Downtown Redmond Analysis – Strengths & Weaknesses

Critical Success Factors	Rating	What Redmond Offers
		The existing shopping does serve multiple markets, but with limited selection.
Business anchors/attractors bringing repeat shoppers to town.	N	Downtown has numerous destination businesses (EX: Sky Box, Clothes Encounters, Pure Skate Shop, Cent Wise Sporting Goods, etc) and several convenience anchors: gas/auto service, hardware (2), grocery. Cross-over shopping is reportedly limited.
Real Estate		
High occupancy rate	N	Downtown’s ground floor vacancy rate is moderate, estimated at 7%. The larger concerns are the significant vacant land ideally utilized for infill development and a number of potential retail properties occupied with offices.
Quality commercial space available with good signage, parking, accessibility and small flexible space options.	N	Downtown has a handful of retail-oriented vacancies in the core retail area, enough to offer a small selection. Downtown lease rates are generally lower than strip centers or malls (\$1/SF).
Small spaces for business incubation or an incubator (reduces cost through shared expenses, and access to expertise)	W	There does not appear to be a suitable space downtown to encourage home-based businesses and start-ups to move to a storefront location.
Real estate investment is occurring	S	Local private investment appears to be strong. 16 downtown properties on 6 th Street alone have sold in the last 3 years, with significant property improvement occurring.
An up-to-date inventory of available commercial buildings and sites for sale and for lease	W	There is no current, centralized inventory of available downtown properties for lease or sale with price and basic property data. Some sites with development potential have no signage for sale or lease.
Attractive Shopping Environment		
Inviting, landscaped, well signed and appealing shopping environment that entices auto travelers to stop and shop	N	Downtown Redmond is eager to enhance its ‘curb appeal’ through more green space in the downtown area. The rotating banners help identify the district.
Quality built environment creating interest and appeal	W	Redmond has a small but valuable concentration of historic buildings that are an asset and should be used as the basis for complementary new construction. Overall, the built environment offers limited appeal as the building character is uneven.
Attractive city entrances with good signage to downtown	N	Signage to downtown is limited without gateways. Shoppers need clear, consistent directional signage to the shopping district. This would help slow fast driving traffic as well.

Exhibit RS-5

Downtown Redmond Analysis – Strengths & Weaknesses

Critical Success Factors	Rating	What Redmond Offers
Storefronts reflect pride and ownership	N	A few businesses are working hard to create inviting storefronts. Many more would benefit from help with their storefront image and merchandising.
Concentrated nodes or linkages of development creating a critical mass or dense shopping environment, attracting more shoppers.	W	As a whole, the retail energy of downtown Redmond is spread out among 16 blocks on the 5 th & 6 th St. couplet. At present, drivers and pedestrians cannot identify the heart of downtown.
Accessibility		
Parking to support stores and services.	N	The parking assessment revealed good availability of parking, however, shoppers & businesses noted 'parking safety' as a big concern with traffic pressures. Signage to parking is needed.
Walkable shopping district to encourage browsing and impulse shopping.	W	Intense truck & auto traffic through downtown make for an uncomfortable walking environment.
Incentives		
Financial assistance (revolving or low-interest loans, etc.)	S	Urban renewal agency offers low interest loans for property improvement.
Façade improvement/sign assistance	S	Program is being revamped to encourage greater participation; Eagle Crest has matching grant fund.
Landscape design/ assistance	W	No known incentive.
Business Environment		
Local entrepreneurship	S	On the rise. Several new businesses have opened in the last year or so with most businesses reportedly reinvesting. Several property owners have or are making improvements.
A streamlined, one-stop regulatory process that is clearly articulated in planning documents and that is consistently administered.	S	The city permitting process appears to be efficient. No noted business complaints.
Growing, diversified economic base	S	Within a 3-mile radius of downtown are 10,380 employees and 1,276 establishments. Redmond is well positioned with land, location and other assets to grow commercial and industrial businesses.
A coordinated network of organizations or resource providers that provide a comprehensive array of technical assistance and financing for business.	N	Many organizations in Deschutes County offer assistance to small businesses, but are not directly linked to the Redmond Downtown Partnership at this time.

Exhibit RS-5

Downtown Redmond Analysis – Strengths & Weaknesses

Critical Success Factors	Rating	What Redmond Offers
Networking	S	A very strong local chamber, together with a growing downtown organization, are significant assets.
Ongoing Business Recognition Program	W	Not occurring as of yet, but a good potential activity for the Redmond Downtown Partnership (RDP).
Business District Marketing		
Special Events: <i>frequency, mix</i>	N	Sunfest and Art Beat are strong, but many businesses want more events to draw attention to downtown.
Business Promotions	S	RDP sponsors 4 promotions a year. Good base to expand from with more joint retail promotions.
Public Relations	N	At present, RDP capacity is limited for ongoing promotion of downtown's many great initiatives and changes. The chamber picks up the ball for promotion of business members.
Positive Community Outlook & Salesmanship	S	There's a good 'vibe' in Redmond today among business owners and residents alike. This energy should be channeled around marketing and business development.
Web site	W	No downtown website at present.
Community Newsletter/Newspaper	S	The Redmond Spokesman, a weekly publication, is a positive partner for downtown.
Design, logo, slogans	W	Downtown Redmond lacks a distinct identity and message. No identifiable image.
Business Attraction/Lead Generation Activities		
Specific types of businesses &/or merchandise identified to target	N	Not established, but will be guided by the Downtown Master Plan.
Business recruitment campaign/ lead-generating activities	N	Business Development Team will be trained as part of downtown plan update. Success will be dictated by follow-through.

RETAIL MARKET DEMAND

This section provides estimates of existing retail leakage and future potential market demand for retail uses in the Redmond market area. Retail demand is considered from both the local shopper and visitor target markets.

A. Existing Retail Balance

Retail market activity can be measured by the supply of existing retail and potential demand from the consumer marketplace. Exhibit RD-1 provides a general snapshot of current retail activity in the greater Redmond market area using the industry sectors defined by the North American Industry Classification System (NAICS), comparing supply and demand estimates and the resulting leakage or surplus of sales.

Retail 'supply' is based on estimates of actual retail sales for Redmond trade area businesses from ESRI Business Information Solutions, using the Census of Retail Trade and a variety of other business and government data bases. ESRI also estimates consumer demand or retail potential. Retail 'demand' represents the expected amount spent by residents of the defined trade area for various retail goods and services, based upon consumer expenditure patterns derived from the U.S. Consumer Expenditure Survey. Bear in mind this data only reflects potential spending from local shoppers and does not include spending from visitors, second home owners and employees working in the greater Redmond market area but living elsewhere.

Retail leakage or conversely, surplus is estimated by measuring the difference between Supply and Demand. The difference is either a leakage of sales out of the trade area, where retailers outside the trade area are filling demand for retail product, or a surplus of sales, meaning that certain business categories are 'importing' sales from shoppers who live outside the trade area.

In reality, the consumer marketplace is quite fluid. Even if goods are locally available, priced appropriately and of good value, local shoppers will always do a certain amount of shopping away from home. Certain businesses such as restaurants are often dependent on drawing customers from beyond the local residential population. However, the estimate of sales leakage and surplus provides a reasonable indication of the availability of goods in the local market.

Exhibit RD-1
Existing Retail Supply/Demand Balance: *Selected Categories*
Greater Redmond Retail Trade Area, 2005

NAICS	Supply (Retail Sales)	Demand (Spending Potential)	Difference Leakage/(Surplus)
442: Furniture & Home Furnishings Stores	\$12,591,924	\$14,805,125	\$2,213,201
443 Electronics & Appliance Stores	\$4,783,171	\$9,166,578	\$4,383,407
444: Bldg Materials, Garden Equip. & Supply Stores	\$19,878,308	\$30,605,883	\$10,727,575
445: Food & Beverage Stores	\$95,153,148	\$113,090,563	\$17,937,415
446 Health & Personal Care Stores	\$19,361,432	\$14,863,069	-\$4,498,363
448: Clothing & Clothing Accessories Stores	\$13,182,553	\$12,655,272	-\$527,281
451: Sporting Goods, Hobby, Book, & Music Stores	\$15,445,750	\$12,593,049	-\$2,852,701
452: General Merchandise Stores	\$95,744,471	\$93,679,281	-\$2,065,190
453: Miscellaneous Store Retailers <i>florist, office supplies</i>	\$20,825,936	\$17,247,639	-\$3,578,297
722: Food Services & Drinking Places	\$83,297,982	\$95,488,056	\$12,190,074

Source: ESRI BIS, Marketek, Inc

Exhibit RD-1 depicts a leakage of sales occurring in five out of ten of the retail categories included, with the largest leakage or gap occurring with Food & Beverage stores at \$17.9 million, followed by Food & Drinking Places (\$12.1 million), and Building Materials, Garden Equipment & Supply (\$10.7 million.) One interpretation of this data is that there are insufficient retail offerings in the categories where leakage is occurring. Since this data only includes potential spending by market area residents and does not incorporate spending by visitors and the workforce, leakage in certain categories may actually be higher.

While several categories appear to have a surplus of sales, the most significant relative to the size of existing and potential sales are Health & Personal Care (-\$4.4 mil), Sporting Goods, Hobby, etc (-\$2.8 mil), and Miscellaneous Store Retailers (-\$3.5 mil.). In the case of health/personal care or drugstore-related goods, the greater Redmond market area offers consumers numerous choices among chain stores alone, including two Rite-Aids, Walgreen's, three Bi-marts, Fred Meyer and other grocery drugstore departments. Regarding NAICS 451 which includes sporting goods and other retail sub-categories, shopping selection is strong with sporting goods departments within area chain stores, Redmond's Big R store and Cent-wise Sporting Goods in downtown. Again, these figures only reflect the difference in actual and potential sales for the greater Redmond *resident* market area. In selected segments of these retail categories, it is possible that additional retail sales may be supported.

Using the data presented in Exhibit RD-1, a very approximate summary of the existing retail supply and demand balance indicates that there is net unmet spending potential of \$33.9 million in the greater trade area. Using an average target sales per square foot figure of \$225, this translates to 150,799 square feet of supportable retail space.

B. Retail Sales Potential and Supportable Space

The methodology for estimating statistical market support for retail space in the local and greater trade areas is displayed in Exhibits RD-2 through RD-6. This methodology applies expenditure potential¹ by type of merchandise to local and greater trade area population figures in order to obtain potential sales volume for trade area residents. Potential sales are divided among five merchandise and service categories: *shopper's goods, convenience goods, food & beverages, personal services* and *other retail expenditures*. Note that gas and auto-related sales and service are not included, as these are not retail sales typically desired in the downtown business district. Exhibit RD-2 defines the types of goods and services within several of these categories. For instance, "apparel" includes women's apparel, men's apparel, children's apparel, footwear, watches and jewelry.

Exhibit RD-2

SUMMARY OF MERCHANDISE AND SERVICE CATEGORIES

Merchandise/Service Category	Types of Goods/Services
Apparel	Women's Apparel, Men's Apparel, Children's, Footwear, Watches & Jewelry
Home Furnishings	Furniture, Floor Coverings, Major and Small Appliances, Household Textiles, Floor Coverings, PC Software and Hardware, Housewares, Dinnerware, Telephones
Home Improvement	Maintenance and Remodeling Materials, Lawn & Garden
Misc. Specialty Retail	Pet Care, Books & Periodicals, Sporting Equipment, Toys & Hobbies, Video Cassettes & Games, TV/VCR/Cameras, Audio Equipment, Luggage, Eyeglasses
Groceries	Food at Home, Nonalcoholic Beverages at Home, Alcoholic Beverages, Smoking Products, Housekeeping Supplies
Restaurants	Food Away From Home, Alcoholic Beverages
Entertainment/Recreation	Admission to Movie/Theater/Opera/Ballet, Recreational Lessons, Participation in Clubs, Video Rental, RV Services
Personal Services	Shoe Repair, Laundry & Dry Cleaning, Alterations, Clothing Rental & Storage, Watch & Jewelry Repair, Photo Processing & Supplies, Child Care

Source: ESRI BIS

¹ Consumer spending is estimated from the Bureau of Labor Statistics' Consumer Expenditure (CEX) Surveys. The CEX surveys have been used for over a century to provide data to study consumer spending and its effect on gross domestic product.

Exhibits RD-3 and RD-4 depict potential retail sales for the local and greater Redmond trade areas (see map on page 6), respectively for the 2005-2015 time frame. Estimates of sales per square foot of store space, derived from the Urban Land Institute's *Dollars and Cents of Shopping Centers*, are used to convert adjusted potential sales to supportable space estimates. In Exhibit RD-3, for example, in the case of apparel, potential sales of \$24,246,295 in the local trade area at sales per square foot of \$209 will support 116,011 square feet devoted to this type of merchandise.

Exhibit RD-3 shows that in 2005, there is the potential for approximately 811,583 square feet of retail space based on potential expenditures of residents who reside full-time in the local trade area (a ten minute drive time from downtown). In the greater trade area (which encompasses the local area and also includes Madras, Prineville and Sisters), there is the potential for 2.1 million square feet of retail space (2005) based on resident expenditure potential. That is, greater trade area residents have the potential to generate sales demand that will support 2.1 million square feet of retail space, 811,583 square feet of which is supported by local trade area residents. However, these potential expenditures by residents may occur outside of the local or greater trade areas if desirable goods and services are not available locally.

Exhibits RD-3 and RD-4 also convey the same analysis for the 2010 and 2015 time periods. By 2010, potential local trade area sales of \$231.3 million will support 991,660 of retail space, growing to \$282.2 million by 2015 with 1.2 million square feet in retail space potential. Exhibit RD-4 shows that retail spending potential in the greater trade area will increase from \$512.7 million to nearly \$701 million, resulting in supportable square feet of 2.9 million by 2015.

The net gain in both potential sales and square feet from 2005-2015 for the two trade areas appears in five year increments in the last row of each exhibit. Using the local trade area as an illustration (Exhibit RD-3), by 2010, growth in the local residential population could support an increase of 180,077 square feet in retail space demand. By 2015 an *additional* 218,114 square feet of retail space potentially can be supported.

Exhibit RD-3

**RETAIL EXPENDITURE POTENTIAL
Redmond Local Retail Market Area
2005-2015**

Merchandise or Service Category	Per Household Expenditure	*Target Sales (\$/SF)	2005 Retail Potential		2010 Retail Potential		2015 Retail Potential	
			Sales	Space (SF)	Sales	Space (SF)	Sales	Space (SF)
Apparel	\$2,305	\$209	\$24,246,295	116,011	\$29,626,165	141,752	\$36,142,400	172,930
Home Furnishings	\$1,336	\$199	\$14,053,384	70,620	\$17,171,608	86,289	\$20,948,480	105,269
Home Improvement	\$1,055	\$140	\$11,097,545	79,268	\$13,559,915	96,857	\$16,542,400	118,160
Misc. Specialty Retail	\$1,893	\$216	\$19,912,467	92,187	\$24,330,729	112,642	\$29,682,240	137,418
Shoppers Goods			\$69,309,691	358,087	\$84,688,417	437,540	\$103,315,520	533,777
Grocery	\$5,766	\$390	\$60,652,554	155,519	\$74,110,398	190,027	\$90,410,880	231,823
Health & Personal Care	\$1,176	\$365	\$12,370,344	33,891	\$15,115,128	41,411	\$18,439,680	50,520
Convenience Goods			\$73,022,898	189,411	\$89,225,526	231,438	\$108,850,560	282,342
Restaurants	\$2,985	\$263	\$31,399,215	119,389	\$38,366,205	145,879	\$46,804,800	177,965
Entertainment	\$881	\$90	\$9,267,239	102,969	\$11,323,493	125,817	\$13,814,080	153,490
Personal Services	\$599	\$151	\$6,300,881	41,728	\$7,698,947	50,986	\$9,392,320	62,201
Total			\$189,299,924	811,583	\$231,302,588	991,660	\$282,177,280	1,209,775
Five Year Net Gain					\$42,002,664	180,077	\$50,874,692	218,114

* Target sales are based on the Urban Land Institute, "Dollars and Cents of Shopping Centers."

Sources: ESRI BIS; Urban Land Institute; Marketek, Inc.

© 2005 by Marketek, Inc.

Exhibit RD-4

**RETAIL EXPENDITURE POTENTIAL
Redmond Greater Retail Market Area
2005-2015**

Merchandise or Service Category	Per Household Expenditure	*Target Sales (\$/SF)	2005 Retail Potential		2010 Retail Potential		2015 Retail Potential	
			Sales	Space (SF)	Sales	Space (SF)	Sales	Space (SF)
Apparel	\$2,219	\$209	\$62,311,739	298,142	\$72,816,485	348,404	\$85,196,286	407,638
Home Furnishings	\$1,329	\$199	\$37,319,649	187,536	\$43,611,135	219,151	\$51,025,626	256,410
Home Improvement	\$1,066	\$140	\$29,934,346	213,817	\$34,980,790	249,863	\$40,928,004	292,343
Misc. Specialty Retail	\$1,857	\$216	\$52,146,417	241,419	\$60,937,455	282,118	\$71,297,658	330,082
Shoppers Goods			\$181,712,151	940,914	\$212,345,865	1,099,536	\$248,447,574	1,286,473
Grocery	\$5,802	\$390	\$162,925,962	417,759	\$190,392,630	488,186	\$222,761,988	571,185
Health & Personal Care	\$1,192	\$365	\$33,472,552	91,706	\$39,115,480	107,166	\$45,765,648	125,385
Convenience Goods			\$196,398,514	509,464	\$229,508,110	595,352	\$268,527,636	696,570
Restaurants	\$3,344	\$263	\$93,902,864	357,045	\$109,733,360	417,237	\$128,389,536	488,173
Entertainment	\$860	\$90	\$24,149,660	268,330	\$28,220,900	313,566	\$33,018,840	366,876
Personal Services	\$589	\$151	\$16,539,709	109,534	\$19,328,035	128,000	\$22,614,066	149,762
Total			\$512,702,898	2,185,287	\$599,136,270	2,553,691	\$700,997,652	2,987,854
Five Year Net Gain					\$86,433,372	368,404	\$101,861,382	434,163

* Target sales are based on the Urban Land Institute, "Dollars and Cents of Shopping Centers."

Sources: ESRI BIS; Urban Land Institute; Marketek, Inc.

© 2005 by Marketek, Inc.

Exhibit RD-5 distributes increases in supportable retail space in the local and greater retail market areas among various retail categories for the years 2010 and 2015. The exhibit also provides estimates of the downtown Redmond shopping district's potential capture of this space. Estimates of demand account for downtown's promise as a shopping district and assume that a comprehensive redevelopment program is underway. In other words, a passive approach to economic revitalization would likely result in downtown achieving only a fraction of its estimated potential.

Capture rates--or the amount of space that is expected to be absorbed--are primarily based on Marketek's experience in similar shopping districts throughout the nation, the downtown's retail potential relative to the market area and the potential for infill and redevelopment opportunities. The captures assume that local area shoppers will have a greater propensity to spend more locally than shoppers in the greater trade area, if goods and services are available. They also assume that over time as downtown turns around, it will be able to attract more of the area's potential retail spending and space. Over the next ten years, Exhibit RD-5 shows downtown Redmond capturing up to 27% of the increase in potential local retail market area retail expenditures, translating into 104,339 square feet of retail space. In addition, Marketek estimates that downtown Redmond has the potential to capture up to 7% of the increase in greater retail market area expenditures over the next ten years, representing a total of 51,367 square feet of retail space.

It should also be noted the assigned captures assume that downtown Redmond will focus business development efforts on unique specialty merchandise including home furnishings and apparel and will significantly expand its role as an entertainment/restaurant destination in the future. Over time as housing is more fully incorporated into the downtown mix, the business district should offer and be able to support more convenience goods and services than is factored into the capture rates shown on the next page. More information on the distribution of space among *shopper's goods*, *convenience goods*, *restaurant*, *entertainment* and *personal service* retail categories will be provided in the Retail Strategy section of this report. The estimate for potential retail space in the downtown should be considered conservative based on the fact that existing retail spending gaps and expenditures of three key target markets – visitors, seasonal residents and employees commuting into Redmond from outside the trade area – are not factored into estimates.

Exhibit RD-5

SUMMARY OF NEW POTENTIAL SUPPORTABLE RETAIL SPACE IN THE STUDY AREA
2010-2015

Merchandise/Service Category	Study Area New Supportable Retail Space								Total Study Area New Supportable Retail Space	
	2010				2015				Supported By Local Area	Supported By Greater Area
	Supported by Local Retail Area		Supported by Greater Retail Area		Supported by Local Retail Area		Supported by Greater Retail Area			
	Capture	Sq Ft	Capture	Sq Ft	Capture	Sq Ft	Capture	Sq Ft	Area	Area
Shoppers Goods										
<i>Apparel</i>	22%	5,739	7%	3,591	26%	8,021	8%	4,837	13,761	8,428
<i>Home Furnishings</i>	38%	6,028	7%	2,155	44%	8,424	8%	2,903	14,452	5,058
<i>Home Improvement</i>	13%	2,285	6%	2,298	15%	3,193	7%	3,094	5,478	5,392
<i>Misc. Specialty Retail</i>	29%	5,924	7%	2,978	33%	8,279	8%	4,011	14,202	6,990
Subtotal	25%	19,976	7%	11,022	30%	27,917	8%	14,845	47,893	25,867
Convenience Goods										
<i>Grocery</i>	15%	5,297	4%	2,547	16%	6,793	5%	3,752	12,090	6,299
<i>Health & Personal Care</i>	25%	1,887	6%	907	27%	2,420	7%	1,336	4,306	2,243
Subtotal	17%	7,184	4%	3,454	18%	9,213	5%	5,088	16,396	8,542
Restaurants	25%	6,623	7%	4,213	30%	9,626	8%	5,675	16,248	9,888
Entertainment	40%	9,139	5%	2,262	40%	11,069	6%	3,199	20,208	5,460
Personal Services	17%	1,574	4%	739	18%	2,019	4%	870	3,593	1,609
Total	25%	44,495	6%	21,690	27%	59,844	7%	29,677	104,339	51,367

Source: Marketek, Inc.

© 2005 by Marketek, Inc.

In an effort to put the demand estimates into context, Exhibit RD-6 (next page) shows the average size of several types of businesses that may be appropriate for the study area. In addition to the median size of all businesses within a particular business category, the median size of national, local chain and independent retailers is also shown.

Exhibit RD-6

TYPICAL SIZE OF SELECTED BUSINESSES

Merchandise or Service Category/Business	Median	National	Local Chain	Independent
Specialty Retail				
Appliances	5,956	6,292	5,911	-
Art Gallery	1,802	-	1,802	1,907
Arts/Crafts Supplies	8,928	20,957	-	3,070
Beauty Supplies	1,807	1,634	2,450	1,829
Bike Shop	3,440	-	-	2,596
Bookstore	10,093	23,000	9,990	2,740
Cameras	2,000	2,000	-	-
Children's Wear	3,913	4,879	3,054	2,105
Family Shoe Store	4,000	4,113	5,100	2,460
Family Wear	8,000	8,500	3,474	5,132
Gift/Cards	4,200	4,900	3,780	1,653
Hardware	13,200	13,900	-	-
Home Accessories	7,595	10,215	5,365	2,462
Jewelry	1,500	1,610	1,968	1,200
Luggage	2,500	2,499	-	-
Men's Clothing Store	3,500	4,319	3,065	2,750
Pet Supplies	7,995	17,600	3,201	3,200
Record/Tapes	4,464	6,178	-	2,017
Sporting Goods	8,465	22,000	4,980	2,995
Toys	7,855	12,000	-	3,344
Women's Ready to Wear	4,400	4,503	3,960	2,145
Convenience				
Drugstore/Pharmacy	10,920	10,860	16,668	4,977
Supermarket	50,420	49,071	51,495	23,300
Bakery	1,990	4,000	-	1,700
Gourmet Grocery	18,000	-	-	-
Wine/Liquor	3,440	-	6,237	2,920
Personal Services				
Day Spa	2,875	-	2,563	3,060
Women's Hair Salon	1,400	1,450	1,250	1,361
Nail Salon	1,200	-	1,200	1,200
Picture Framing	1,600	1,703	-	1,588
Health Club	10,249	9,548	5,508	10,249
Mail/Packaging/Photocopying	1,278	1,240	-	1,236
Tailor/Alteration	950	-	900	1,035
Video Rental	6,000	6,333	4,240	4,733
Shoe Repair	855	-	-	795
Drycleaners	1,800	-	1,800	1,649
Film Processing	1,252	1,600	1,304	1,150
Day Care	4,000	-	-	3,901
Laundry	2,114	-	2,150	1,955
Restaurants				
Restaurant with Liquor	5,204	6,669	5,600	3,362
Restaurant without Liquor	3,581	6,500	3,025	2,625
Bar/Cocktail Lounge	3,821	-	-	3,821
Ice Cream Parlor	1,137	1,144	1,137	1,116
Coffee/Tea	1,578	1,650	1,624	1,400
Entertainment				
Cinema	35,022	37,161	35,022	21,250

Source: Urban Land Institute, "Dollars and Cents of Shopping Centers"

Market area expenditure data can also be utilized to reveal what prices residents will pay and/or the level of their discretionary income they are willing to devote to various goods or services. The Spending Potential Index (SPI) is a measure of market activity that denotes actual dollars spent on certain goods and services. An SPI equal to 100 indicates that consumers are buying or spending at a rate equal to the national average; a SPI greater or less than 100 indicates that consumers are buying/spending above or below the national average, respectively.

Exhibit RD-7 shows that households in Redmond's greater market area overall spend at a rate somewhat below the national average, reflecting the area's below average incomes (Exhibit R-3). Spending is highest for satellite dishes, recreational vehicles and fees, pets/supplies, auto loans, prescription drugs, lawn and garden supplies, insurance and smoking products. The message for retailers focusing on local market sales is to emphasize value and worth for their cost-conscious shoppers, but not at the risk of reduced quality.

Exhibit RD-7

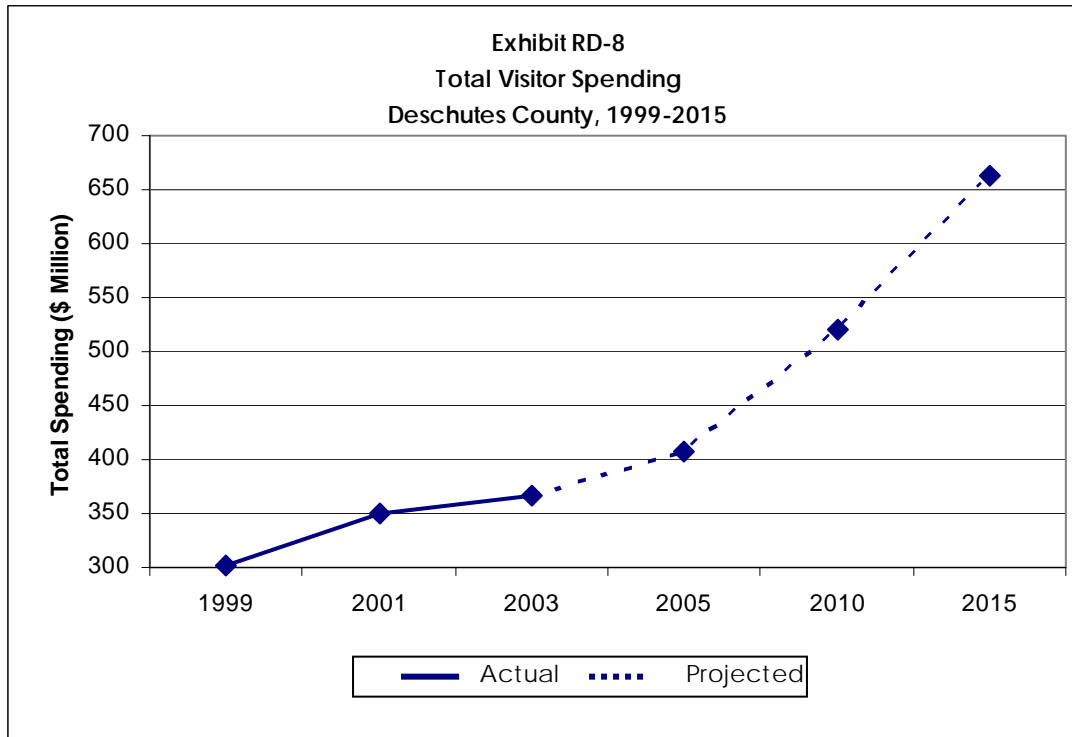
**SPENDING POTENTIAL INDEX OF SELECTED GOODS AND SERVICES
Redmond Greater Trade Area**

Merchandise/ Service Category	Spending Potential Index	Merchandise/ Service Category	Spending Potential Index
	Trade Area		Trade Area
Apparel	80	Financial Services	
Men's	81	Investments	60
Women's	79	Auto Loans	92
Children's	82	Health	
Footwear	79	Nonprescription Drugs	88
Watches & Jewelry	81	Prescription Drugs	97
Apparel Products and Services	77	Eyeglasses and Contact Lenses	86
Computer		Home	
Computer/Hardware for Home	80	Home Improvement	
Software/Accessories for Home	80	Mortgage Payment/Basics	81
Entertainment & Recreation	84	Maintenance/Remodeling Serv	82
Entertainment Fees & Admissions	75	Maintenance/Remodeling Supp	91
Membership Fees	78	Utilities/Fuel/Public Service	87
Sports Participation	77	Household Furnishings	
Theater/Movies/Ballet/Opera	72	Household Textiles	80
Sporting Events	78	Furniture	79
Recreational Lessons	72	Floor Coverings	79
Television & Sound Equipment	83	Major Appliances	86
Cable Television	85	Housewares	84
Color Television	80	Small Appliances	83
VCR/Video Camera/DVD Player	78	Luggage	75
Video Cassettes and DVDs	82	Telephone & Accessories	82
Video Game Hardware/Software	79	Household Operations	
Satellite Dishes	92	Child Care	74
Video/DVD Rental	80	Lawn & Garden	92
Sound Equipment	82	Moving/Storage	78
Rental & Repair of TV/Sound	81	Housekeeping Supplies	85
Pets & Supplies	90	Insurance	
Toys & Games	80	Homeowners/Renters	92
Recreational Vehicles & Fees	98	Vehicle	85
Sports/Exercise Equipment & Supplies	84	Life	90
Photo Equipment & Supplies	81	Health	92
Books/Magazines/Subscriptions	80	Personal Care Products	84
Food & Beverages	83	School Books & Supplies	81
Groceries	84	Smoking Products	91
Bakery & Cereal Products	83	Transportation	
Meats, Poultry, Fish & Eggs	84	Vehicle Purchases	90
Dairy Products	84	Gas & Oil	90
Fruits & Vegetables	82	Vehicle Maintenance & Repair	84
Other Foods at Home	85	Travel	
Meals at Restaurants	82	Air Fare	76
Alcoholic Beverages	78	Hotels/Motels	82
Nonalcoholic Beverages at Home	86	Rental Cars	76
		Food/Drink	82

Source: ESRI BIS

C. Visitor Market Demand

Within Deschutes County, visitor spending has grown steadily from \$307 million in 1999 to \$374 million in 2003. From 1991 to 2003, visitor spending increased 5.5% on an average annual basis, tracking the growth at the state level of 5.6%. Exhibit RD-8 presents a straight line projection of visitor spending using the 5.5% rate of growth and with that assumption indicates that in 2005, county wide spending should reach nearly \$408 million, growing to \$520 million by 2010 and \$663 million by 2015.



Source: Dean Runyan Associates, Marketek, Inc.

Exhibit RD-9 on the next page depicts the distribution of visitor spending by commodity purchased for 2003 (actual) and beyond (projected). Based upon actual 2003 figures, the proportion of spending by purchase and projections of future spending (Exhibit RD-8), spending by commodity type is projected for the years 2005, 2010 and 2015. The projections utilize the 2003 ratio of spending. The last three columns summarize the increase in spending by commodity and total increase over the 2005-2015 time frame.

Exhibit RD-9
Deschutes County
Visitor Spending by Commodity Purchased
2003-2015
 \$ (Millions)

	2003 (Actual)	% of Total	2005 (Estimated)	2010 (Estimated)	2015 (Estimated)	Increase 2005-2010	Increase 2010-2015	Total Increase 2005-15
Accommodations	\$88.6	24.1%	\$98.3	\$125.4	\$159.9	\$27.0	\$34.5	\$61.5
Food & Beverage Services	\$95.9	26.1%	\$106.4	\$135.7	\$173.0	\$29.3	\$37.3	\$66.6
Food Stores	\$38.3	10.4%	\$42.5	\$54.2	\$69.1	\$11.7	\$14.9	\$26.6
Ground Transp. & Motor Fuel	\$38.9	10.6%	\$43.2	\$55.1	\$70.2	\$11.9	\$15.1	\$27.0
Art, Entertainment & Recreation	\$51.5	14.0%	\$57.2	\$72.9	\$92.9	\$15.7	\$20.0	\$35.8
Retail Sales	\$50.9	13.9%	\$56.5	\$72.0	\$91.8	\$15.5	\$19.8	\$35.3
Air Transportation	\$3.1	0.8%	\$3.4	\$4.4	\$5.6	\$0.9	\$1.2	\$2.2
Total	\$367.2	100.0%	\$407.6	\$519.7	\$662.6	\$112.1	\$142.9	\$255.0

Source: Dean Runyan Associates, Marketek, Inc.

These figures allow a broad estimation of retail demand generated by the visitor market in the Redmond area. Excluding non-retail spending categories (transportation and lodging), total potential retail and restaurant spending by overnight visitors in 2005 in Deschutes County is estimated to be \$262.7 million. Using the Redmond/Eagle Crest area's share of Deschutes County bed tax revenues as a basis (Exhibit R-8), Redmond area was assigned a conservative 10.3% capture of county-wide visitor spending, estimated at \$27.1 million in 2005. This spending in turn could potentially support approximately 136,000 square feet of additional retail, restaurant and entertainment space. With the total projected increase in county-wide visitor spending identified in RD-9, by 2010, the Redmond area visitor spending could grow to \$34.5 million supporting 172,500 square feet. By 2015 with Redmond's capture of visitor spending estimated at \$44 million, 220,000 square feet of retail and related space could be supported. Downtown is well positioned to capture a large share of this spending as visitors are constantly on the lookout for unique shopping, dining and entertainment experiences they cannot find at home. Bear in mind these figures assume that Redmond will have sufficient appeal to visitors and the product—ie, restaurants, specialty goods and entertainment—to prevent visitor expenditures from flowing outside of the community.

D. Area Employees

As discussed in the Demographic Profile, over 10,000 employees of Redmond area businesses work within a three-mile radius of downtown (Exhibit RD-10), many of whom live outside of the local or greater trade area (in Bend or elsewhere) and are not included in the retail demand analysis. Consider, for instance, if each of the 10,000 employees ate out at Redmond area restaurants only once per week, spending an average of \$7. Revenue generated of over \$3.5 million annually would support almost 14,000 square feet of restaurant space

alone. In addition to area workers, commuters and passers-through along Highway 97 inevitably look to study area businesses to satisfy a portion of their shopping needs (e.g., take-home food, drycleaner/tailor) if quality businesses are present.

**Exhibit RD-10
 REDMOND EMPLOYMENT SNAPSHOT
 One-, Two-and Three-Mile Radius
 2005**

Geography	Businesses	Employees	Top Employer
	<i>cumulative</i>		
One-Mile Radius	667	5,252	Services (36% of Jobs)
Two-Mile Radius	1,013	8,597	Services (28% of Jobs)
Three-Mile Radius	1,276	10,380	Services (32% of Jobs)

Note: Radius center point is 446 SW 7th St, Downtown Redmond

Sources: ESRI BIS; Claritas

This market assessment demonstrates that retail development potential in the greater Redmond area is relatively strong and growing, fueled by population and visitor growth. With consideration for existing retail supply, new/planned retail development, and projected growth in the local and visitor markets, it is estimated that over the 2005-2015 time period, approximately 781,800 in added supportable retail space potential is achievable within the greater Redmond trade area.

Downtown Redmond’s success in capturing new and expanding retail development and its long term viability will be strongly influenced by a number of factors including the community’s willingness and desire to urge new development to locate in the urban core and to limit development on the edges of the City.

Critical strategies include property redevelopment and aggressive marketing to fill downtown’s 36,000 square feet of vacant space and steps to influence the business mix as new retail space becomes available. These will be explored more fully in Section IV, Redevelopment Strategy.

REDEVELOPMENT STRATEGY

The following section is intended to provide guidelines on how the downtown Redmond should *position itself to capture potential demand for retail space and propose next steps to achieve this potential.*

A. Key Guidelines

Implementing a successful economic development program will center on downtown Redmond's ability to offer businesses, residents and visitors an environment different from and more inspiring than what they can find elsewhere. The following guiding principles should be considered throughout the redevelopment process:

- **Brand Yourself.** Downtown Redmond must perceive itself as a product and market itself to compete with other nearby business districts. Developing a brand theme or an identity upon which all other initiatives are based – e.g., logo, urban design, signage, advertising, marketing collateral, website, etc. – is a key step in the marketing process. Business districts and communities that win in the long run are those that create brand personalities that connect with people, that share values and that build long term relationships. The bottom line is that downtown Redmond needs *aggressive* marketing to residents, visitors and quality retailers promoting downtown as a first choice for shopping and business location.
- **Looks Count.** Downtown Redmond must recreate itself as a vibrant, clean and safe business district in the eyes of prospective businesses and target markets. Implementing consistent design standards/signage, promoting infill development and eliminating unattractive/obsolete structures are just a few remedies. The bypass and reduction in traffic will positively affect the feeling of safety, but the physical enhancements should begin now.
- **Housing Link.** A critical strategy in support of retail vitality in the downtown core is to encourage the addition of a substantial number of housing units, especially market rate. Housing will contribute to demand for additional shops, services and home-oriented products and food facilities.
- **Cluster and Focus.** A critical component of retail development is the creation of a compact, unified district with complementary businesses that benefit from each other's sales, customers and markets. The primary vehicle for developing unified groups of stores and businesses is clustering – creating mutual advantages in terms of pedestrian flow and shared markets between businesses. Successful clustering is dependent on having the appropriate mix of businesses that generate market synergies and an uninterrupted grouping of retail businesses that draw customers to and through the entire business

district. Educating business owners, property owners and real estate professionals about the importance of using this business development tool is critical. The city may want to consider zoning and regulatory measures to encourage contiguous retail frontage and discourage office users in core downtown blocks

- **Walkable Core Area.** To overcome existing negative perceptions of downtown Redmond, creating a safe, pleasant and convenient atmosphere for pedestrians should be a priority redevelopment initiative. The relatively large scale of downtown Redmond will make it important to encourage pedestrian activity initially in a particularly node or core area, which as earlier noted is about four blocks in length on Sixth Street from Black Butte to Forest Streets. Over time, this area will spread out to include more blocks in all directions. This guideline is directly linked to branding and clustering and speaks to the need to *call out* in all possible ways Sixth Street as the retail focus, i.e., this is 'the place' to shop in downtown Redmond.
- **Clear Location Strategy.** Related to the concept of clustering is the need to follow a few basic rules of thumb regarding successful business location in downtowns. These include:
 - Scatter restaurants to help generate customer traffic in hotspots throughout the district
 - Build on key anchors or traffic generators to attract complementary businesses nearby
 - Group stores appealing to same sub-market and stores with competitive merchandise
 - Use secondary locations for personal & professional services—side streets or upper stories
 - Intersperse stores with complementary goods: e.g., shoes, apparel, jewelry
- **Strive to be Different.** While national retailers will appeal to a wide market and demonstrate that the downtown district is economically viable, they also mimic what can be found in shopping districts throughout the nation. Downtown Redmond's historic character combined with unique local merchants set it apart from nearby malls and shopping districts. One-of-a-kind unique specialty stores and restaurants initially should be the focus of business recruitment efforts. This tactic does not preclude encouraging existing successful operations in the region such as a Deschutes Brewery or Newport Market in Bend to open additional locations.
- **Know What You Have to Offer.** One of the best strategies for recruiting business prospects and developers is to be able to provide an inventory of available real estate, and better yet, be in the position to bring key properties to the table. Redevelopment opportunity properties should be ranked according to their potential for redevelopment, or locational, importance, categorized as a short-term or long-term potential initiative and marketed via collateral specification sheets.

- **Get the Word Out.** Working with the local media to highlight success stories and monitor new business and construction/redevelopment throughout the downtown Redmond will help convince target markets that the downtown Redmond is an attractive and unique place to live/work/play. Other effective forms of communication include newsletters, websites that keep potential residents up-to-date on special events, and organizing a speaker's bureau. Maintaining strong lines of communication with area residents and businesses will also be important.

B. Market Position

For a recruitment program to be successful, a clear market position statement must be articulated for the district. Downtown's market position statement describes the type of retail mix, the shopping environment, and the target customer market. The statement distinguishes downtown Redmond from surrounding shopping districts. Focus groups and business interviews emphasized several core values that will form the basis for downtown's market position:

- Serve multiple markets—not just upscale shoppers—friendly *hometown appeal*
- Locally owned and operated businesses—*real people*
- Emphasis on specialty retail, restaurants and entertainment
- Authentic western flavor—*real West*

Potential Market Position

"Downtown Redmond is a historic mixed-used business district with one-of-a-kind specialty shopping, entertainment, restaurants and housing options serving area residents and visitors."

Potential Tagline

"Homespun businesses with authentic western hospitality."

C. Business Mix

A successful business district in virtually any size community will have a balance and mix of uses that includes retail shopping, professional, financial and government services, entertainment, housing and personal services. Downtown Redmond already exists as a mixed-use center bringing residents, businesses and employees to the business district for many purposes. At present, downtown Redmond's business base includes all of the uses noted above but with limited and highly dispersed retail selection. A critical goal over the next five years and longer will be to increase the number of retail businesses in the core downtown area and maintain ground floor space for retail businesses. Category descriptions are provided below.

1. Retail

The retail category includes grocery, pharmaceuticals, apparel, dry goods, hardware, cards and gifts, home furnishings, and any other category that provides goods with or without services. Successful small downtowns offer a mix of largely convenience and specialty goods, with a good selection of restaurant venues. The most likely retailer for the Redmond downtown core will be a locally owned proprietorships, regional chains, franchises, or small local corporations. National corporate chains prefer mall locations though are increasingly seeking alternative sites in successful and emerging downtown districts. If large development sites can be packaged, downtown Redmond may interest larger format retailers.

2. Professional and Financial Services

This category includes banks, savings & loans, physicians, insurance agencies, financial advisors, attorneys, certified public accountants, home designers, and any other office situation that provides professional services. The function of this category is to provide downtown with employees that will use, and are able to pay for, other available services. This category tends to pay higher rents and have fewer turnovers than the retail and entertainment categories.

3. Entertainment

This category is closely related to retail except that businesses function as attractors for customers seeking entertainment venues. Entertainment establishments include restaurants, movie theatres, live performance spaces, galleries, bars and taverns, coffee shops and any other business that attracts customers for social or entertainment purposes. The potential availability of large development sites that can accommodate multi-level formats may be particularly appropriate for entertainment anchors.

4. Government Services

Downtown has been the traditional location for government offices and services such as the post office, fire hall and library. Government offices, such as the post office are essential in developing the personality of a community through their scale, character and design. They too are meeting places for local residents to gather and exchange information.

Downtown Redmond has the capability to serve local residents, area workers, visitors and seasonal residents with a wide range of goods and services. The keys to downtown's business development success are to:

- Offer unique, quality merchandise, restaurant and entertainment outlets
- Target high dollar volumes per square foot for a business to succeed. IE, smaller spaces, in-depth merchandise and high turnover inventory.
- Focus on the 'middle market' with moderately priced goods
- Work with downtown's existing business anchors to provide complementary product lines and encourage cross-over sales.

The results of the statistical market analysis as well as the opinion research indicate that Redmond has ample opportunity to grow its retail base and fill niches and voids in the local marketplace. Identifying the most appropriate business mix for Redmond, as earlier noted, is a function of demographics and lifestyle characteristics, spending potential, survey research, the existing business base and retail trends.

Success will be achieved in downtown Redmond with business owners dedicated to:

- Providing a good quality product at a fair price
- Providing *exceptional* customer service
- Responding to the changing needs of both trade area customers and visitors
- *Aggressively* marketing to these target customer groups
- Offering multiple, complementary product lines
- Filling specific, unique niches
- Having focus, imagination and a deep desire to meet the needs of the customer

Downtown Redmond's best business opportunities are for specialty retail, restaurants and entertainment-type businesses. Attraction of additional anchors—particularly restaurant and entertainment—that will animate downtown in the late day and evening hours is critically important. The following list of business and merchandise opportunities can be supported based upon the market analysis, support the goal of concentrating on specialty goods and entertainment, and were identified as priorities by shoppers and business owners. The significant expansion of the Redmond area housing market calls attention to the need for more home furnishings products and services of all kinds. Combinations of the goods and services as well as many others that have unique appeal to area markets should be considered for business development efforts.

The City and the downtown Redmond business development team should keep in mind that even as downtown works to attract specialty, lifestyle-type retail goods, it is in direct competition with other existing and planned retail centers throughout the market area. The competition includes other downtowns and strip centers that may attract businesses suitable to downtown Redmond, as well.

The absorption and distribution of retail demand into the marketplace is a highly dynamic and fluid process, influenced by factors ranging from the timing and availability of quality space and existing business anchors to district marketing and incentives. All 'smart' shopping districts, or centers, strive to offer the marketplace a diversity of quality businesses, including specialty goods that are so prevalent in today's consumer market. Additionally, Redmond area shoppers (local residents and visitors) will follow the retail energy to any hot new spots offering something different or a known desirable product, such as Starbucks.

Each of Redmond's shopping centers will capture spending from a variety of target markets, though grocery-anchored centers will draw more heavily from

area residents. In the short term, to overcome its physical impediments (traffic, physical condition, etc) downtown Redmond will need to work hard and smart to encourage quality businesses to locate there over newer shopping centers or attractive freestanding commercial space.

Combinations of these goods and services as well as many others that have unique appeal to area markets should be considered for business development efforts. The location of specific business types will be considered in the business clustering strategy.

Exhibit S-1 TARGET BUSINESS OPPORTUNITIES Downtown Redmond		
Merchandise	Unique apparel & accessories for all ages Western wear Outdoor gear: climber Casual men's & women's apparel, including golf Books/cards/music Bed & bath linens/accessories Kitchen accessories shop Furniture-locally made & other Specialty grocery: wines, fresh meats/cheese, baked goods Garden & outdoor accessories Drapery/home decor	Art—locally produced Made in Deschutes County Art—Native American/western Jewelry Music/CD shop Lighting Home accessories Decorating center/interior design Unique gifts (more!) Gifts/home accessories Photography-art
Restaurants/Food	Breakfast/lunch Deli/yogurt/ice cream Steakhouse/seafood Olive Garden-like	Bakery/chocolate shop Ethnic Fine dining Other family dining
Entertainment	Movie theatre Live entertainment @ restaurant, pub, coffee house Brewpub Community Art Center	
Personal care	Vision care Naturopathic/homeopathic/alternative health Tailoring/alterations	

D. Business Development Strategy

This section provides an overview of key business development strategies and next steps for successfully promoting and capitalizing on the market opportunities identified in the market analysis. These will be further defined together with the Redmond Downtown Partnership, the City of Redmond and the Downtown Business Development Team in the upcoming team/staff training in the final phase of this project.

Exhibit S-2 BUSINESS DEVELOPMENT PROGRAM Downtown Redmond	
Primary Program Goals	<ul style="list-style-type: none"> • Increase local spending by trade area shopper and visitor target markets • Retain, strengthen and expand the existing business base in downtown Redmond • Recruit or encourage businesses that will complement and improve the existing commercial mix and will enhance downtown’s attractiveness to its target markets.
Program Elements	Customer Attraction and Expansion Business Retention and Expansion Business Attraction
Core Strategies	<ul style="list-style-type: none"> • Develop positive downtown image through branding and marketing • Encourage residents, businesses, visitors, and area employees to shop in downtown Redmond • Encourage, support, and assist existing businesses. • Incubate, support, and grow new businesses. • Target new businesses to add to the business mix and strengthen the overall economic base. • Create vacant property improvement program

E. Next Steps

Selected “next steps” in successfully promoting and capitalizing on the market opportunities identified in the market analysis are outlined in the chart that follows. These steps should form the basis for RDP’s Economic Restructuring and Promotion Committee workplans and also help focus the work of the RDP executive director, once onboard. In the immediate future (6-12 months), the emphasis should be on working with existing businesses, implementing the Business Retention and Expansion strategies.

Next Steps: Business Retention and Expansion

- Promote the findings of the Retail Market Analysis through the media and in business networking meetings. Help existing businesses expand and diversify their merchandise mix based upon the opportunities identified.
- Through RDP, institute a monthly Business Recognition or Kudos Program to celebrate downtown businesses for their exceptional service, business improvements, community service, new initiatives and other positive endeavors.
- Respond to the top needs identified by businesses in the business owner survey--*marketing*—with a series of workshops and one-on-one technical assistance visits ranging from merchandising and window displays to target marketing and retail promotions.
- Investigate possible incentives and technical assistance to help “home-grown” businesses and entrepreneurs locate in the downtown. The Western Ranch Leather & Woodwork business on 6th Street is an example of a local home business that took the leap to a storefront location.
- Organize a formal business assistance/advisory program where a local Business Assistance Team is in regular contact with downtown businesses and helps identify and respond to critical issues in timely manner. Tap the business development services of Central Oregon Community College.

Next Steps: Customer Attraction & Expansion

- Create a brand identity for the downtown Redmond to be incorporated in all marketing and development initiatives (key messages, district name, logos, brochures, website, etc.).
- Develop collaborative marketing initiatives and joint/cross promotions between RDP and the Redmond Chamber, the Deschutes County Expo Center, Eagle Crest, Smith Rock State Park, Central Oregon Visitor’s Association and other key organizations promoting the Redmond area.
- Invest in a website specific to the downtown Redmond district that communicates its identity to existing and prospective businesses, residents and customers.

Next Steps: Business Attraction

- Focus first on filling existing vacancies within the core retail area using the target business list and clustering/locational strategies.
- Develop target recruitment campaigns for up to three key business opportunities, to include mailings, one-on-one contact, third-party outreach, targeted collateral material and related activities.
- Create a list of and maintain referral networks with leading realtors/brokers, economic development agencies, developers and business leaders and educate them regarding the types of businesses most appropriate for the downtown Redmond. Develop a schedule of communications and events to keep the group informed about downtown initiatives and opportunities.
- Enable developers and prospective businesses to access downloadable marketplace data, maps, leading downtown businesses, current and future planning projects and other pertinent recruitment material and applications online.
- Create a comprehensive database of key economic indicators to track and promote downtown Redmond’s vitality and overall progress. Data should include: vacancy rate, jobs, employment, private/public investment, businesses recruited/retained, special event/promotion traffic counts and retail impact, etc.

CONCLUSION

With the retail market analysis completed, downtown Redmond has a valuable and factual foundation for promoting its significant business opportunities and implementing customized district strategies. Whether targeting local or visiting shoppers for increased spending, promoting business opportunities or improving the image of downtown Redmond, a clear marketing goal, well organized action plan and commitment to implementation are imperative.

In order for community and commercial revitalization to be truly successful in downtown Redmond, it is critical that partnerships and collaborations be strengthened to tap market opportunities and move the 'economic' vision forward. While the Redmond Downtown Partnership should lead revitalization activities, Redmond's business and community leaders as well as other stakeholders must sit at the table. A sustainable revitalization effort requires that a wide variety of groups 'take on' appropriate pieces of marketing and development efforts. The more groups and people involved in the process, the more pride and *local ownership* will be evident in the results. Downtown Redmond's success is truly a community project.

The final phase of this component of the project – business development training and more detailed action planning – will help ensure that downtown marketing and development plans are implemented. Downtown Redmond can become the revitalized traditional downtown shopping district envisioned. It will take cooperation, focus, and using the information and recommendations developed through this project to move the district toward a more successful future.



Downtown Market Analysis & Business Development Plan Appendices

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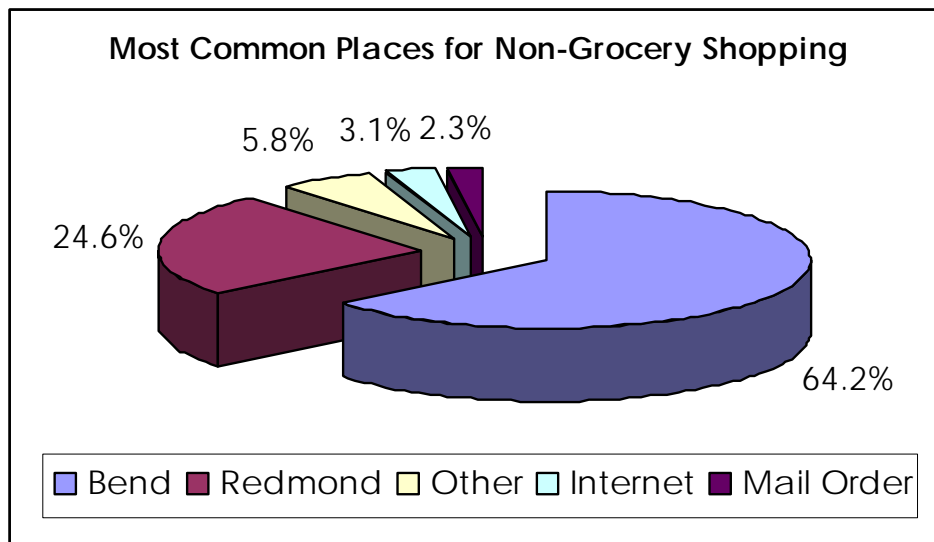
APPENDIX A

Opinion Survey Summary: Redmond Area Shoppers

263 people participated in the survey as of 9/30/05.

Q: Where do you do most of your non-grocery shopping (e.g., apparel, home furnishings, sporting goods, etc.)?

- 167 (64.2%) reported doing most of their non-grocery shopping in Bend. Redmond and other places were also identified as popular places to do non-grocery shopping.
- 15 (5.8%) reported *other* for their non-grocery shopping which included Portland, Salem and either Bend or Redmond depending on what they needed.
- Only 5% of the residents preferred to do their non-grocery shopping on the internet or order through mail.

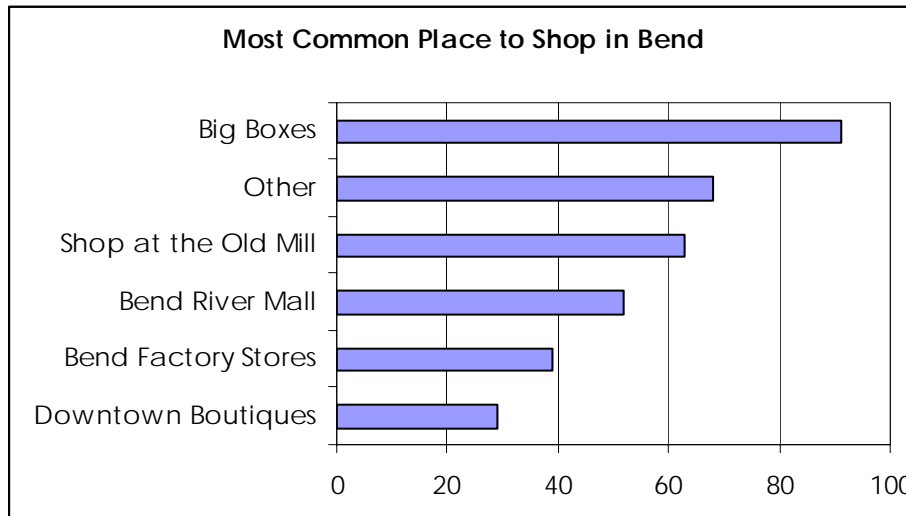


Q: If you shop regularly in Bend, where do you do most of your shopping?

- 237 people responded to this question.
- Of those shopping in Bend, 91 (38.4%) reported that the most common place they shop is at Big Box Stores.

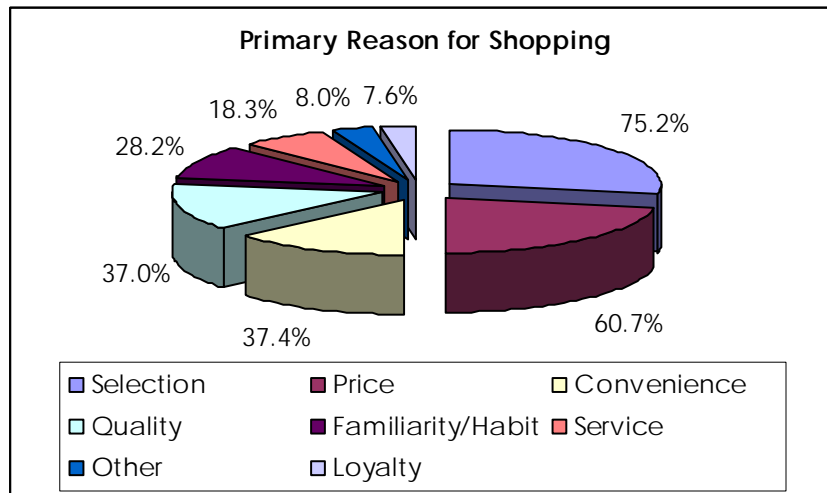
	Response Total	Response Percent
Bend	167	64.2%
Redmond	64	24.6%
Other	15	5.8%
Internet	8	3.1%
Mail Order	6	2.3%

- Shopping at *other* places ranked second and included large discounters such as Costco, Target, Wal Mart and other department stores.
- Many of those that fall under the other category commented that they shop at all of the above and couldn't choose from the options.
- 12.2 % shopped in downtown Bend.



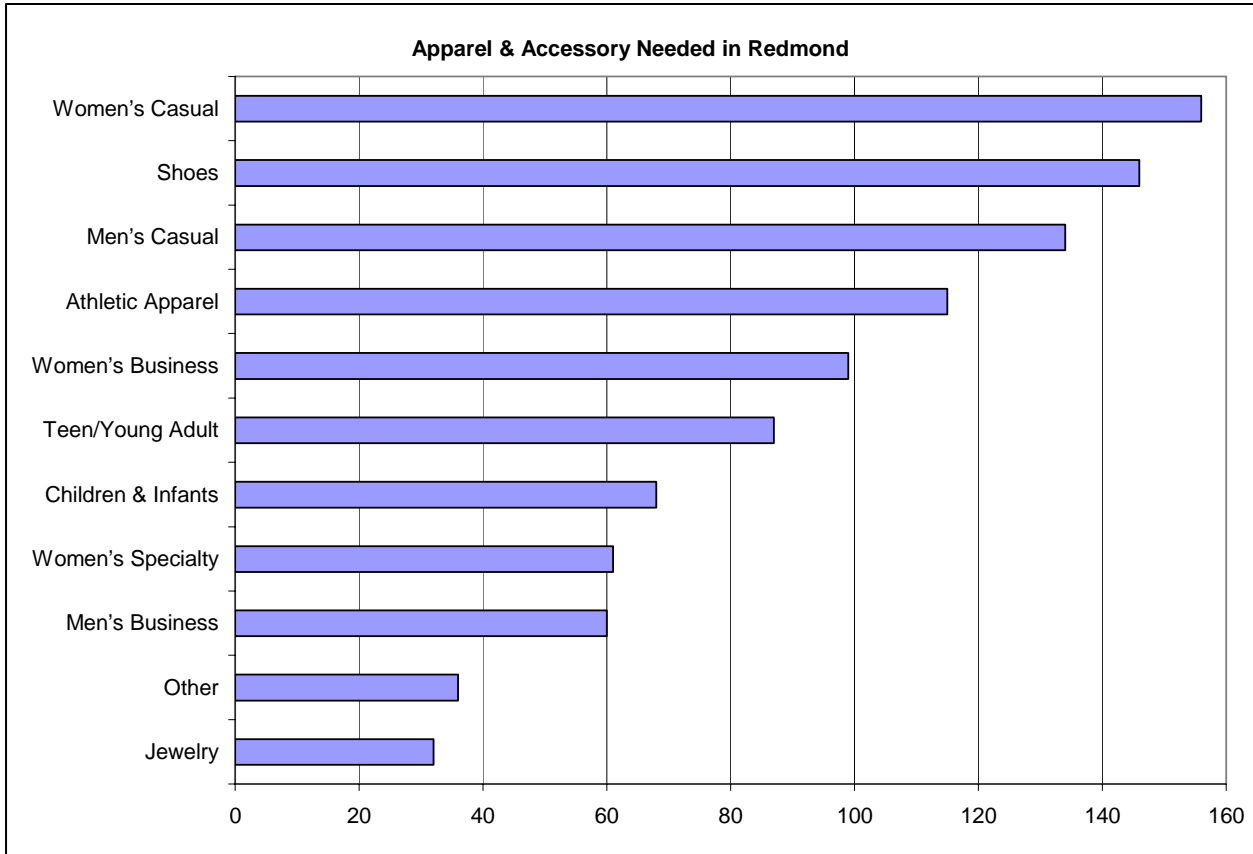
Q: What are the primary reasons for shopping where you do?

- 262 people replied to the question.
- The most common reason cited for shopping choice was the availability of a wide selection of goods. Price was the second most important factor influencing shopping preference.
- Many commented on the availability factor. The stores that they would like to shop at are unavailable in Redmond or near their home and so they have to go to Bend.
- Convenience and quality ranked evenly among the primary reasons, but were not the top two choices.



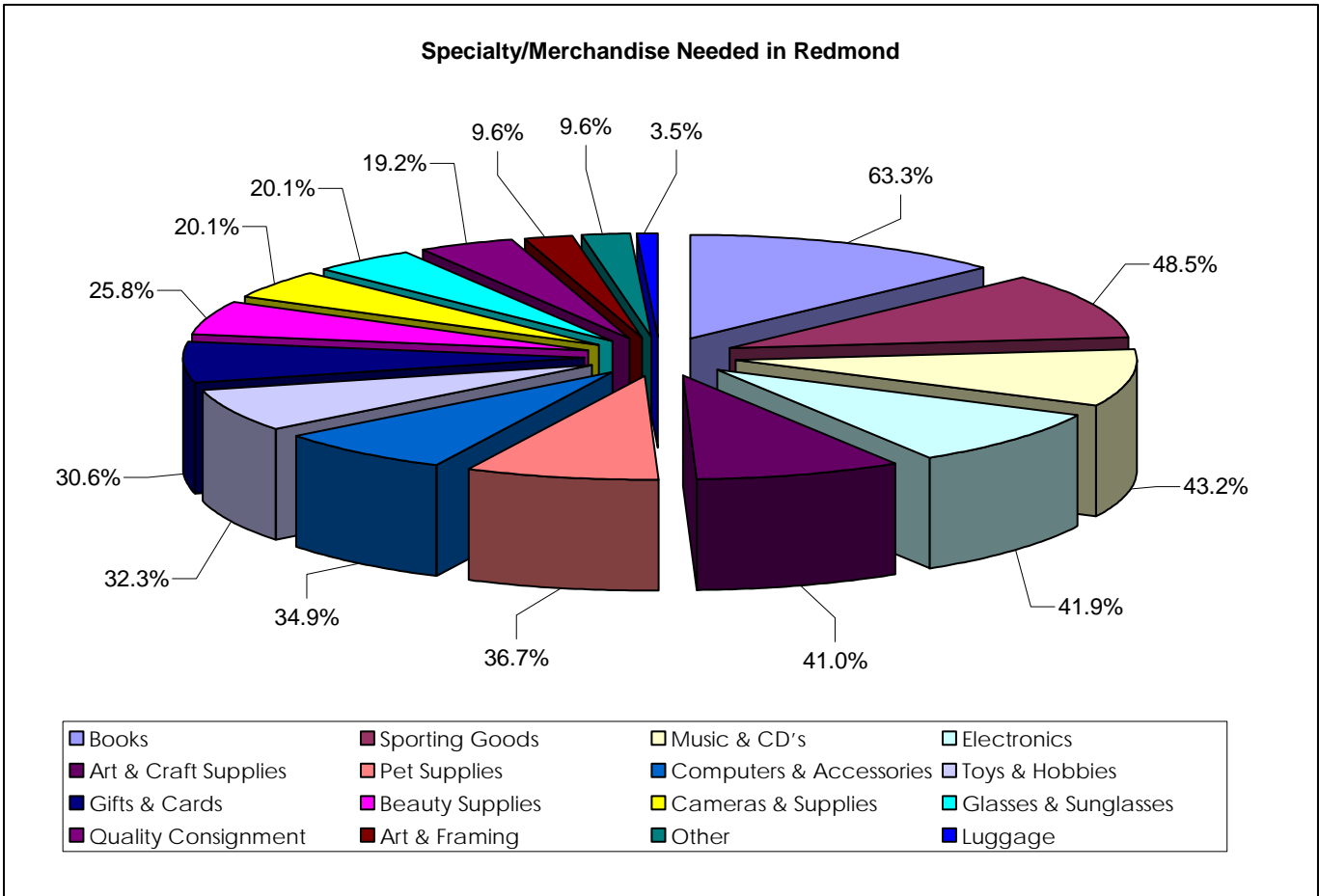
Merchandise Needs in Redmond

Q: What kinds of apparel and accessory stores are needed and would be supported in Redmond if they existed?



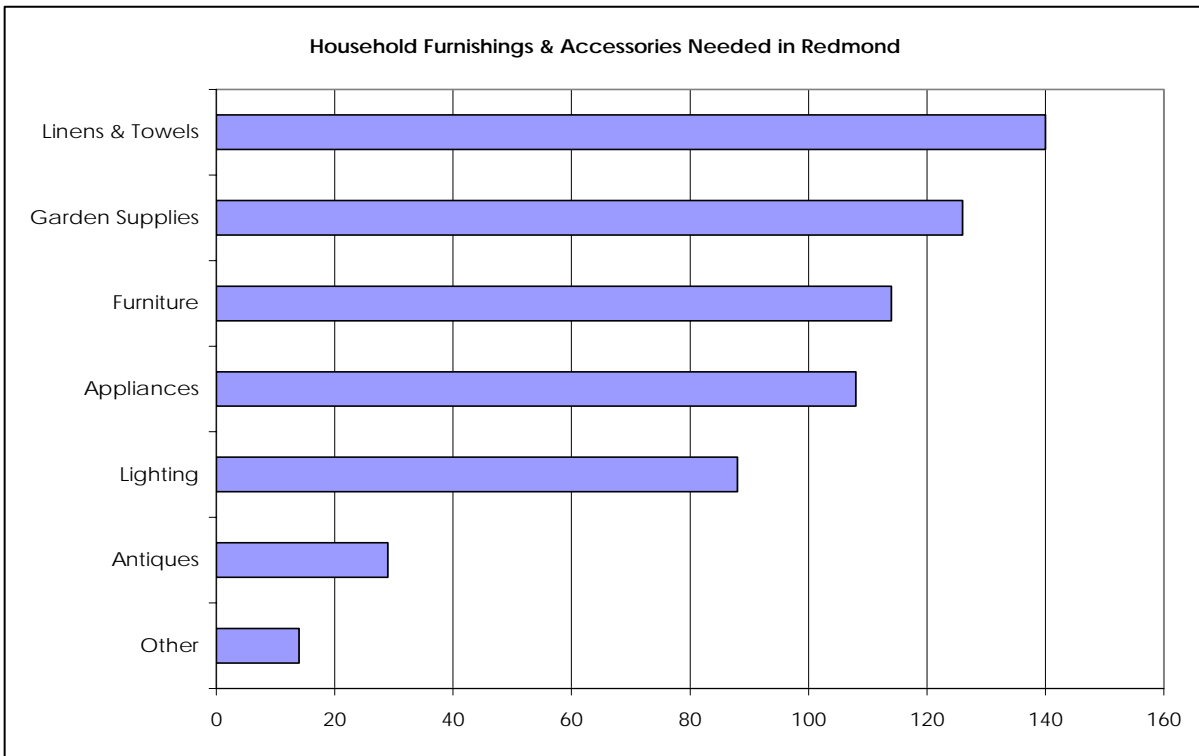
- 229 people participated in the survey.
- 156 (68.1%) reported that women's casual clothing is something that is needed and would be supported if the stores in Redmond carried it.
- Next to women's casuals, shoes was the second choice reported by 146 (63.8%) people
- Several made a comment that they feel the need for a store catering to oversized people. One quoted, *"There are no plus size stores in Central Oregon, you have to go to the valley, this would pull from all Central Oregon residents."*
- Others said that they would prefer more choices of similar stores, such as different department store, bookstores, auto parts store, etc.
- There was a range of opinion about shopping needs. While some say that there needs to be more quality and appealing stores, others say that they have plenty store and don't need anymore.

Q: What types of specialty/merchandise do you think are needed and would be supported in Redmond if they existed?



- 229 people responded to this question.
- Books were reported most often (63.3%) as a needed specialty shop/merchandise in Redmond. Sporting goods, music and CD's, electronics, and gifts and cards were reported almost equally (48%-41%).
- Again among the *other* category, stores for over sized people seemed to be a top choice as well as food stores such as Wild Oats and bakery and also restaurants such as Olive Garden.

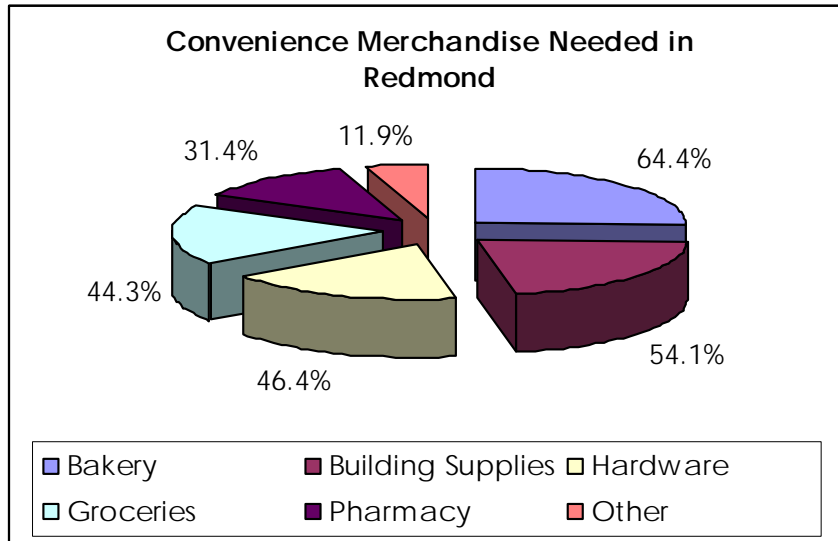
Q: What kinds of household furnishings and accessories are needed and would be supported in Redmond if they existed?



- 213 people answered the question.
- 140 (65.7%) reported linens and towels as the most needed household accessories in Redmond, followed by garden supplies, (59.2%.)
- Several reported quality stores with good supplies as very important. Others commented on the desire for plumbing and hardware stores such as Home Depot and Lowes and perhaps furniture stores such as Levitz

	Response Percent	Response Total
Linens & Towels	65.7%	140
Garden Supplies	59.2%	126
Furniture	53.5%	114
Appliances	50.7%	108
Lighting	41.3%	88
Antiques	13.6%	29
Other	6.6%	14

Q: What kinds of convenience merchandise are needed and would be supported in Redmond if they existed?



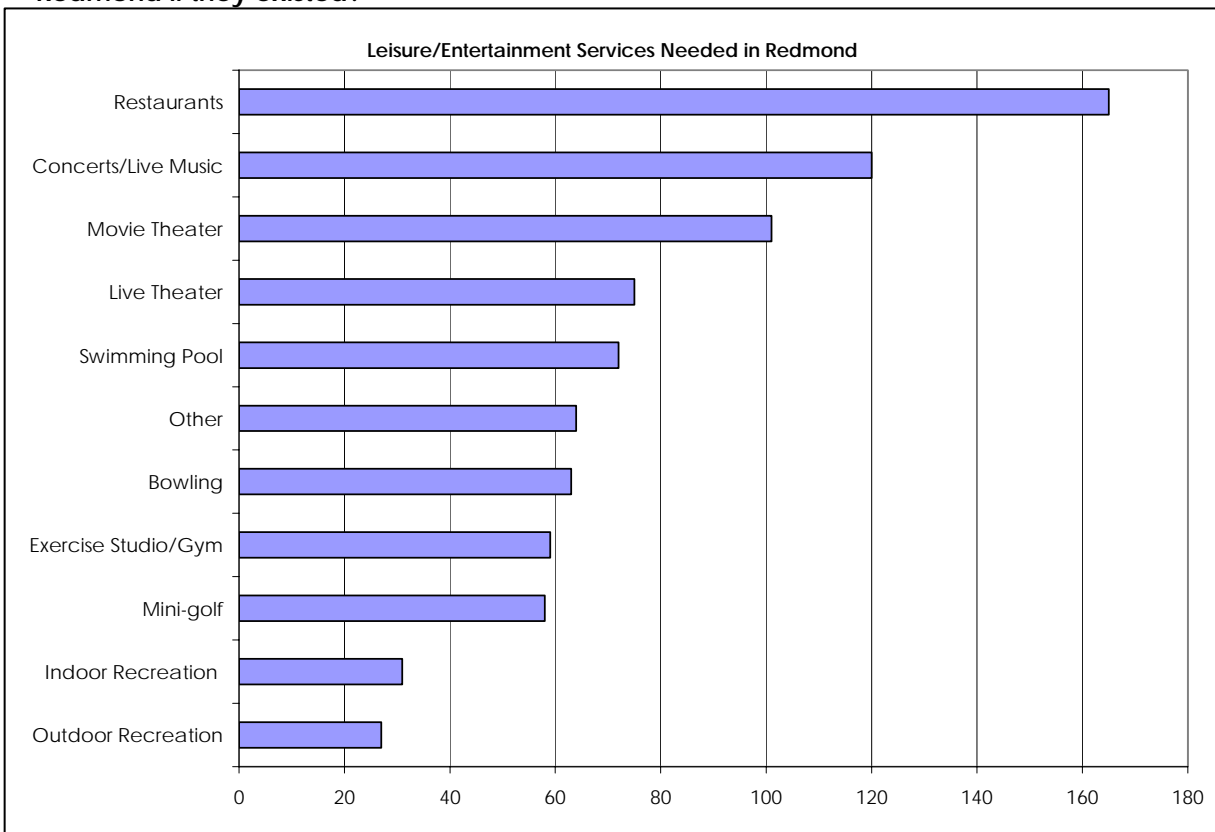
- 194 people responded to the question.
- Bakery was reported as the most needed convenience good/service in Redmond by 125 (64.4%) people. Building supplies was the second most needed convenience merchandise noted.
- The need for hardware and groceries was reported fairly equally (44%-46%).
- The desire for 'Good Food' was frequently noted. Stores with good quality and health food, organic grocery store, sandwich/deli shops, bagel shops, coffee shops were highly desirable. Also having a variety of both sit down and fast food restaurants is important.
- A few people commented, "We have all the above, but don't have many choices on where to shop."

When asked to explain **why shoppers may not be buying these products locally**, even if some of this merchandise is available locally, many said they need more *selections and convenience*. Competitive pricing and a better selection of goods are highly desirable; many also addressed the issue of traffic and parking problems. "Parking and shopping on 5th or 6th (especially 6th) Streets is hazardous to my health! Having semi-trucks roar by, spewing exhaust and making noise does not make for a peaceful shopping experience. Getting my child out of a car seat while parked downtown is frightening. Getting myself out of the car is scary!" Price also seems to be a factor. "If things are not

too expensive then the quality is poor and for good quality, it cost too much for many to afford." "Selection and price are the biggest factor. A lot of people in Redmond do not have the money to afford some of these specialty stores that have good quality products but are highly expensive." Lastly, many are unsatisfied with the quality of customer service as they commented that at many stores there is "...rude customer service." The lack of customer service is a concern but with the limitations people don't have a choice but to go to the stores and deal with the poor service.

Service Needs in Redmond

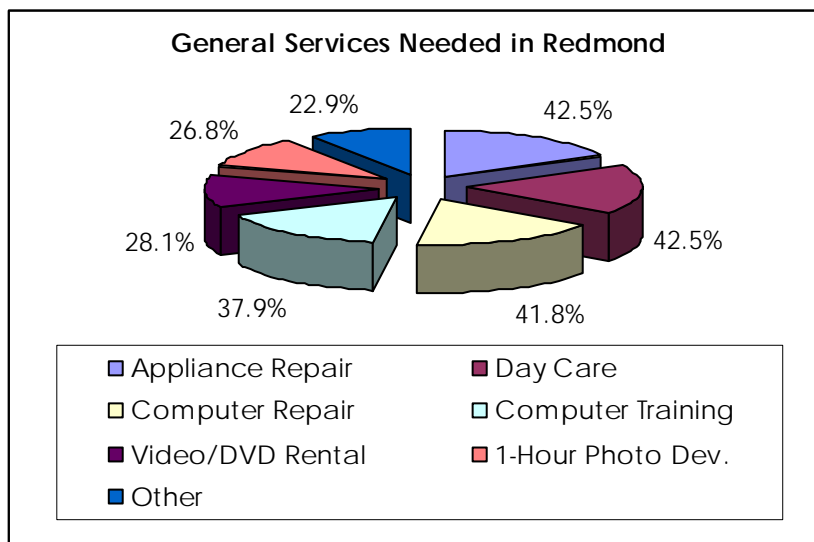
What kinds of leisure/entertainment services are needed and would be supported in Redmond if they existed?



- 205 people responded.
- By far, 165 (80.5%) people reported restaurants as the most needed leisure/entertainment service in Redmond.
- Live music/concert and movie theater were reported as the next entertainment services needed.

- More affordable community programs (athletic club, dance, gymnastics, karate, theater, etc.) seem to be of a high interest. Many noted a Y.M.C.A. as an option that felt should be considered.
- A wide range of things were commented upon from restaurants to health/sports clubs, to movie theaters/night clubs. More indoor sports seem to be of an interest as well.
- Some noted that many services are already there, but people would like to have a better quality and more affordable things and more choices such as different places for swimming, tennis, indoor soccer, basket ball, etc.
- One noted, *"There is an increase in children in the area. We need safe, affordable, accessible activities for our children."*

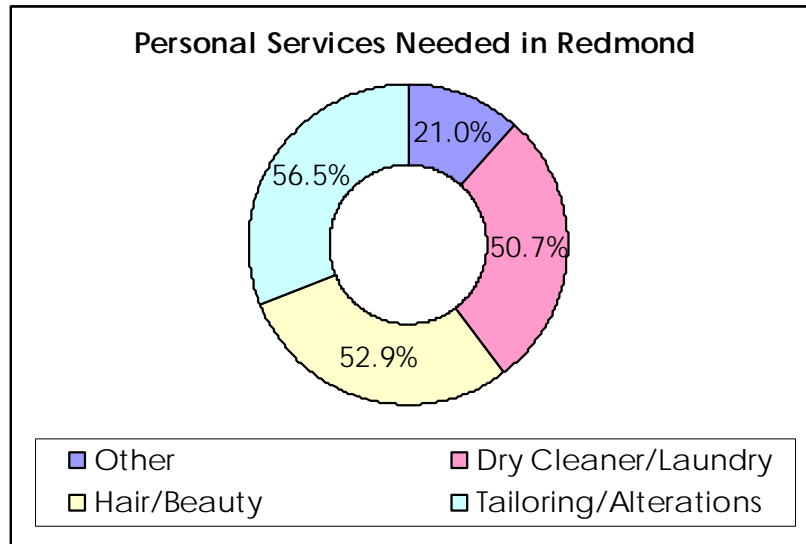
Q: What kinds of general services are needed and would be supported in Redmond if they existed?



- 153 people replied to the question.
- Appliance repair (42.5%), day care (42.5%) and computer repair (41.8%) were reported fairly equally in terms of the general services needed.
- Video/DVD rental (26.1%) and 1-hour photo (26.8%) were identified equally as well in terms of the number reported.

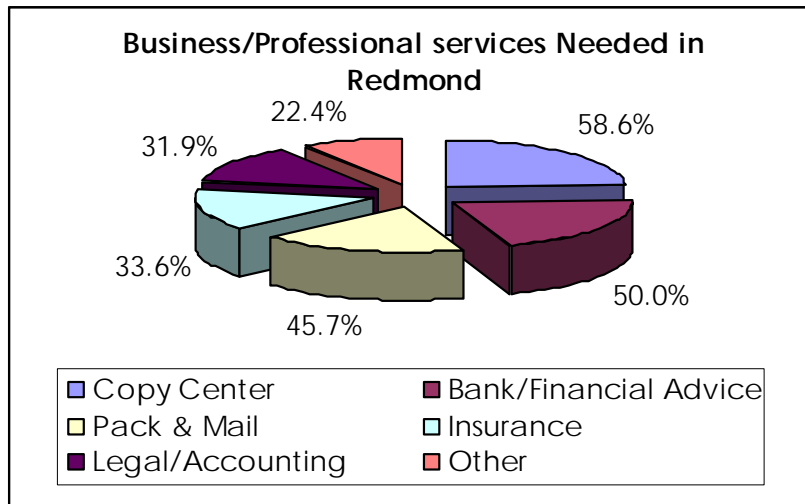
- Others commented that they have everything they need and don't feel like there is a need for anything else. Many others feel the need for a "handyman:" someone for auto repair, electronics repair, shoe repair, plumbing/home repair.

Q: What kinds of personal services are needed and would be supported in Redmond if they existed?



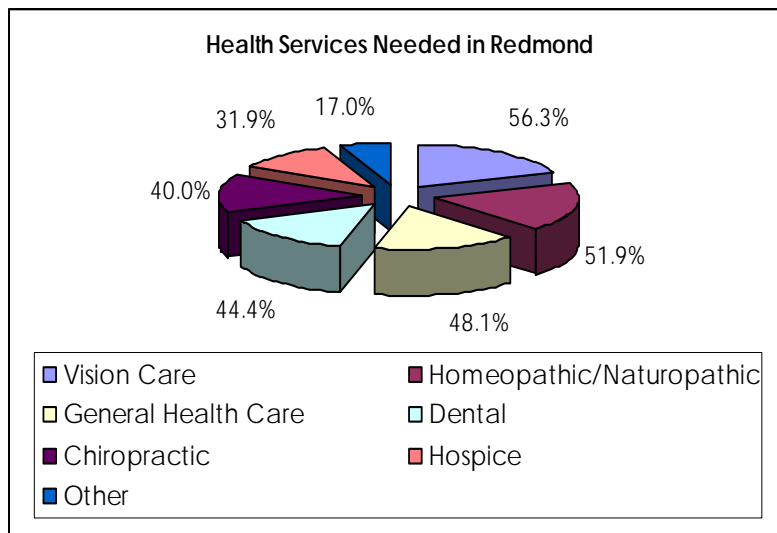
- 138 people participated in the question.
- 78 (56.5%) reported tailoring/alterations is the most need personal service in Redmond.
- Hair/beauty (52.9) and dry cleaner/laundry (50.7%) were reported fairly equally after the tailoring/alterations.
- Many people say that they already have all of these things and some even think that there is more then enough of these services in Redmond and don't need any more.
- Others say that although these things are in Redmond, they would like to have them in a better location providing better quality.

Q: What business/professional services do you think are needed and would be supported in Redmond if they existed?



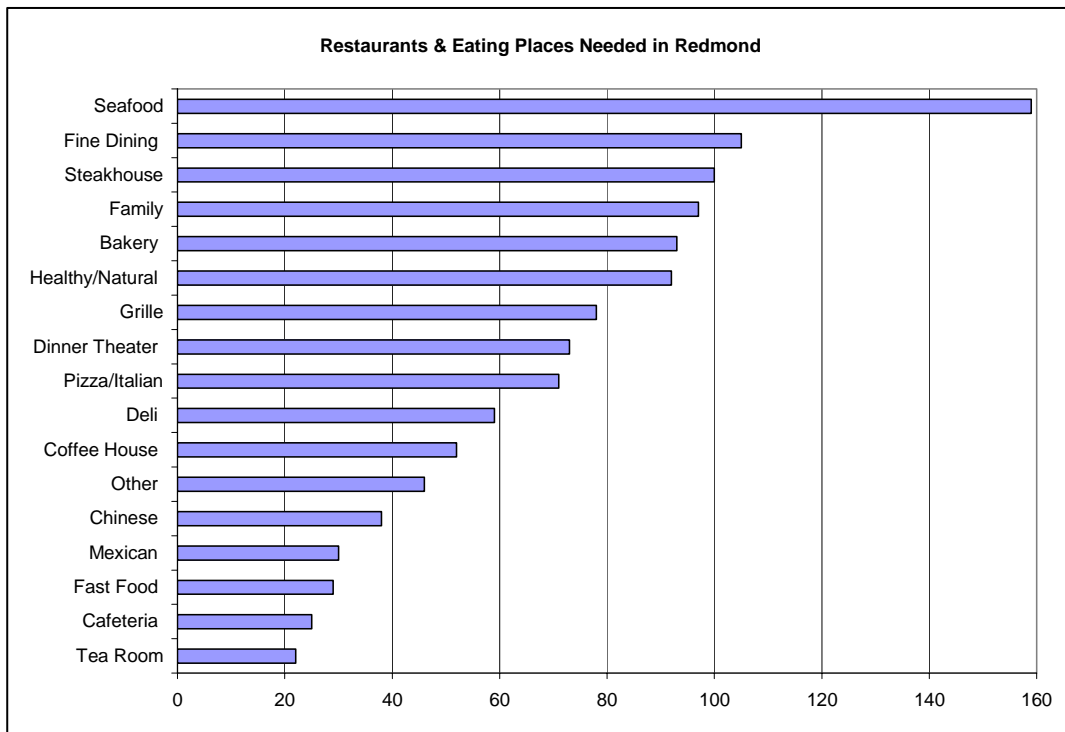
- 116 people answered.
- 68 (58.6%) reported that a copy center is the most needed business/professional service in Redmond.
- Insurance (33.6%) and legal/accounting (31.9%) were reported about the same.
- Many feel that these services already exist in Redmond, but they need to improve on quality and service.
- One commented, *"We have all those businesses just wrong locations—not convenient."*

Q: What health services do you think are needed and would be supported in Redmond if they existed?



- 135 people answered the question.
- 76 (56.3%) reported vision care was needed as a health service in Redmond. The need for Homeopathic/naturopathic (51.9%) and general health care (46.1%) were reported fairly equally.
- Many feel that Redmond already has all the health services needed.
- Others feel the need for more alternative medicine such as acupuncture, yoga, etc. Many also feel that there should be more physicians available and that too many special treatment trips have to be made to Bend or Portland and feel that the treatment should be provided there.

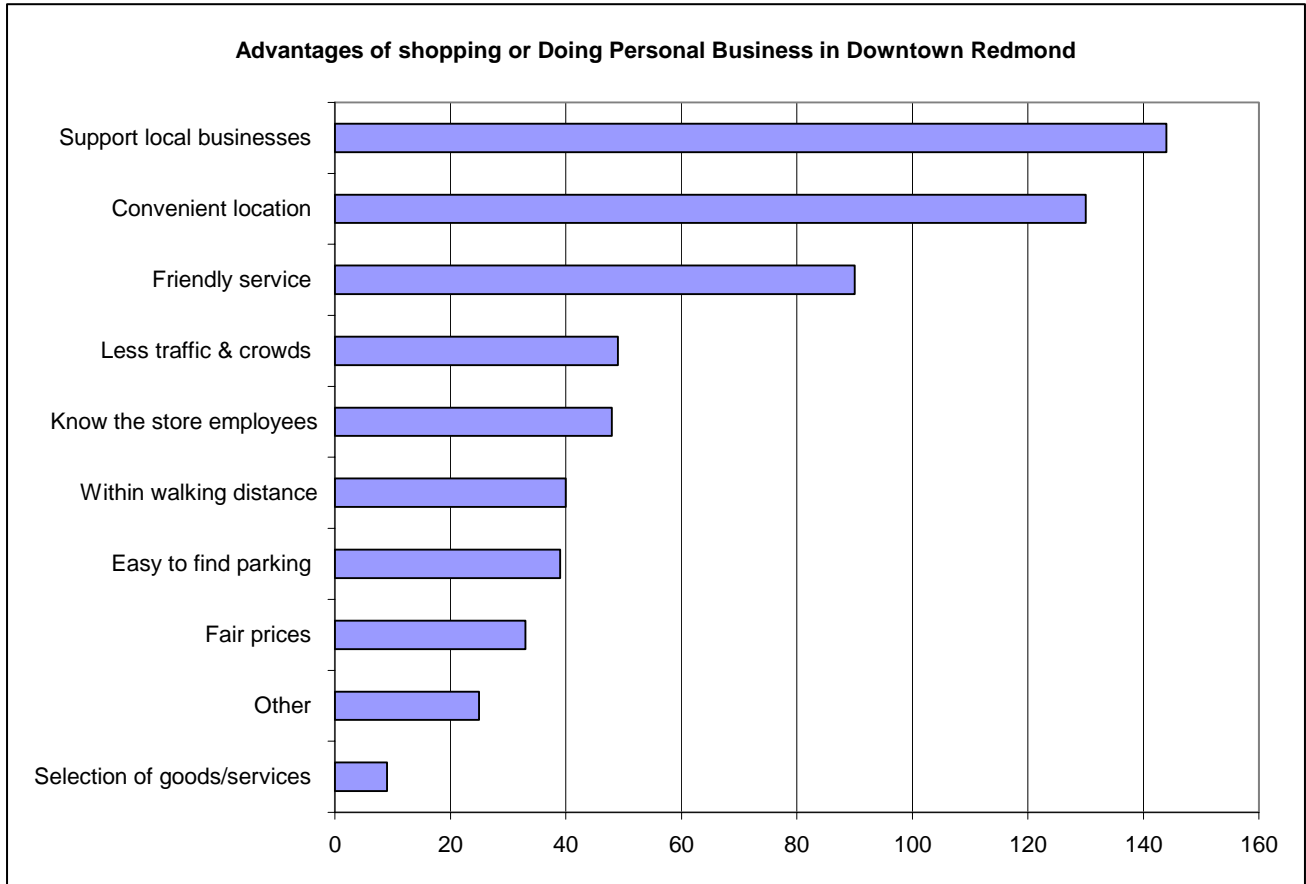
Q: In your opinion, what types of restaurant and eating places are needed in Redmond and would be supported if they existed?



- 215 people replied.
- Seafood is by far the most needed type of restaurant needed in Redmond, reported by 150 (74%) people.
- Fine dining (48.8%) is the second most desired type of restaurant.
- Fast food and cafeteria are among the least wanted dining options.
- A Thai restaurant seemed to be in high demand or any nice Asian/ethnic places.
- Olive Garden, Red Lobster, Applebee's, Chilis, and other chain restaurants were noted as highly desirable.
- Many say there are more than enough Mexican and Chinese restaurants and feel like they need a variety of other choices.
- One quoted, "All of the above, we do not have a lot of selection, Redmond is rundown."
- When asked, "When some of these services may be available locally and you are aware of them, why you may not choosing local service providers?" Answers included: "Local services, although present, often are lacking in selection and price. The quality, price and overall appearances make one want to turn away as well as the poor customer service". Many expressed the traffic, parking and location issue; if businesses were easier to get to, it would be useful.

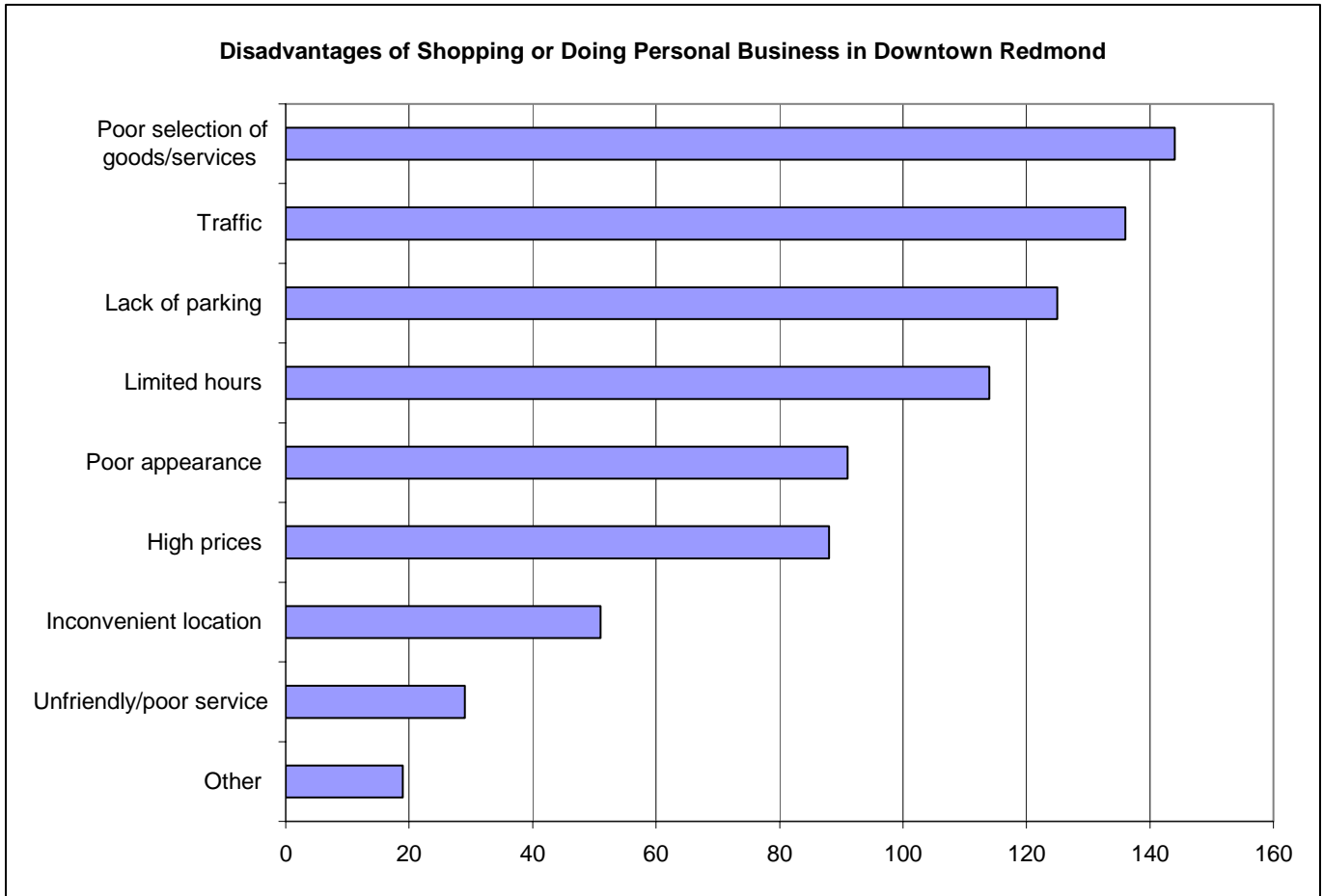
Shopping/Personal Business Preferences

Q: Currently, what are the major advantages of shopping or doing personal business (e.g. banking) in downtown Redmond?



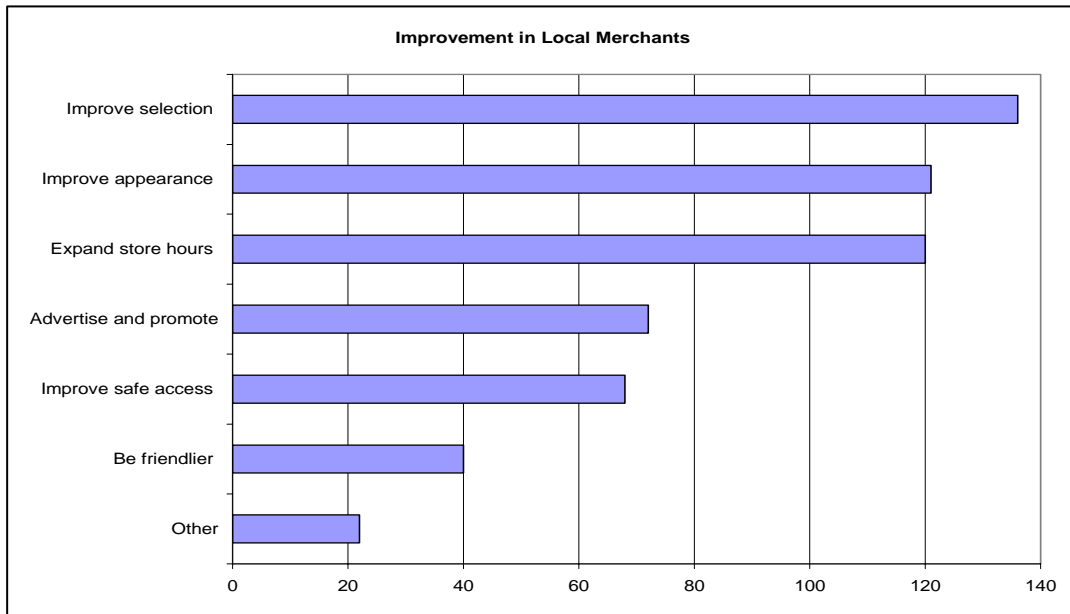
The greatest advantage of shopping in Redmond is to support local business and the least is selection of goods and services. Many people commented that they don't find any advantages of shopping in Redmond, *"none right now the parking is horrible and the traffic makes it miserable, I avoid it at all costs."*

Q: Currently, what are the major disadvantages of shopping or doing personal business (e.g. banking) in downtown Redmond?



- The greatest disadvantage of shopping in Redmond is poor selection of goods/services and traffic as well as parking. One quoted, *"Gas stations with neon signs 30 ft. high, restaurants and businesses painted like gas stations, dirty, noisy, Uncross-able streets, junky shops with junky merchandise, tacky storefronts."* Many others really stressed the traffic and parking issues as well as limited selection and overpriced items. Lack of public transportation, pollution and overall appearance were also mentioned.

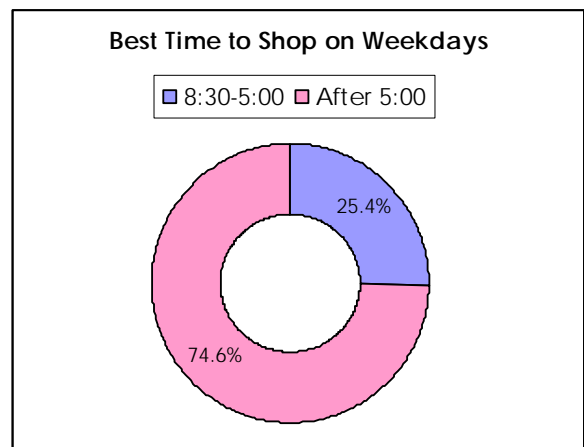
Q: What can local merchants do to improve their stores?



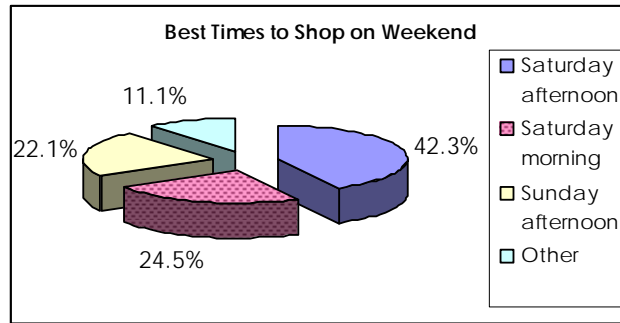
- 205 answered this question.
- 136 (66.3%) reported an improvement in selections should be done as local stores.
- Appearances (59%) and extend hours (58.5%) were reported almost equally.
- Prices are an issue. Many expressed the need to have reasonable/completive price on items rather than paying so much.
- Customer service again was noted as needing improvement.

Q: What are the best times for you to shop during the week (Monday-Friday)?

- 213 people responded to the question.
- About 75% reported that the best time for them to shop is after 5:00 pm on the weekdays.

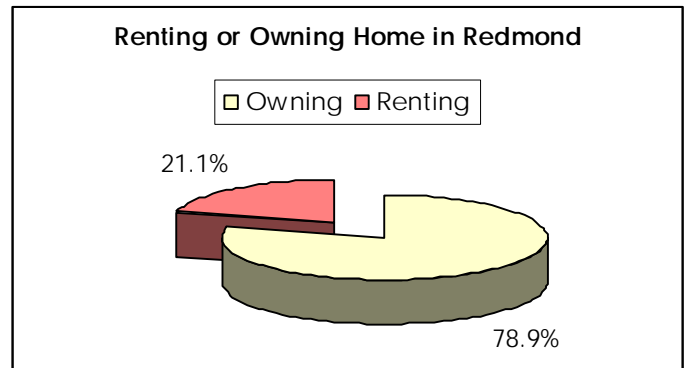
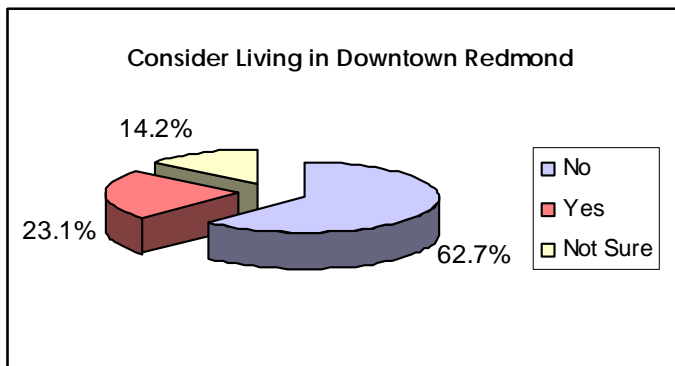


Q: When are the best times for you to shop on the weekend?



- The best time to shop on the weekends is on Saturday afternoons.
- Many don't have a special time to shop on the weekend though do feel that it would be nice if the stores were open till later.

Q: Would you consider living in downtown Redmond if high quality new or renovated units were available?



- 212 people replied to the question.
- 133 (62.7%) reported they would not want to live in downtown Redmond if high quality and renovated units were available.
- Among this who answered Yes they would live in downtown, 78.9% would prefer to own their homes.

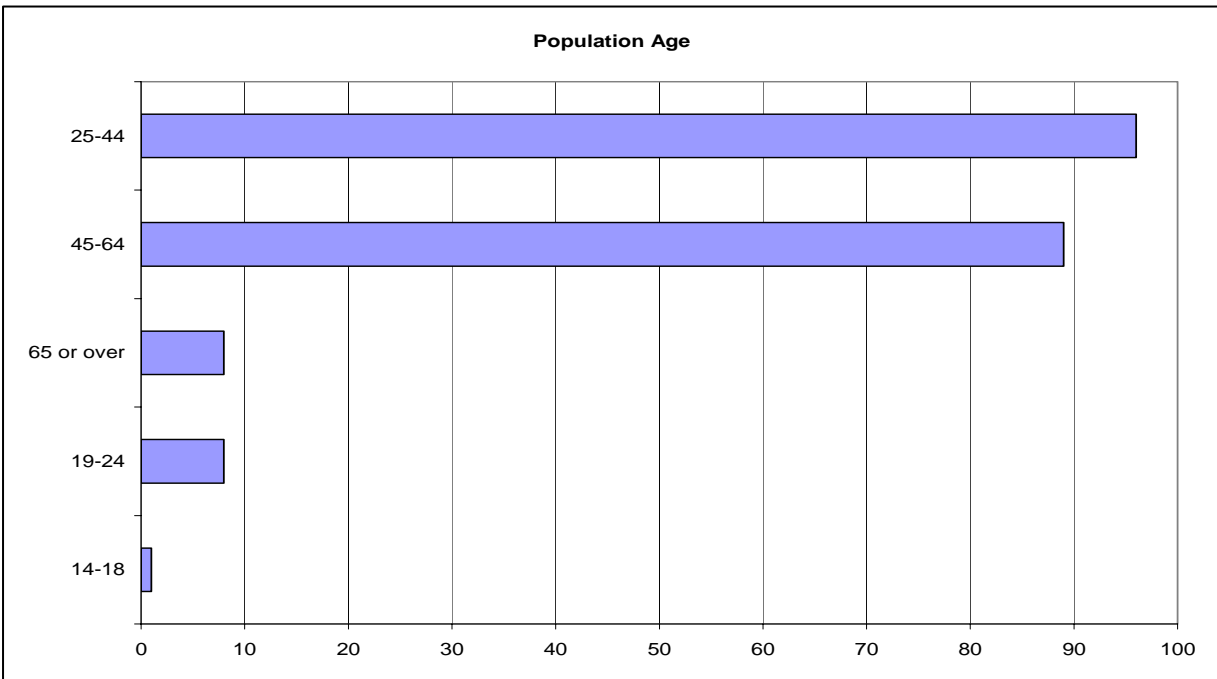
Your Thoughts about Downtown Redmond

When asked, **as downtown Redmond continues to redevelop and change, if you could keep one thing the same what would it be**, many said to keep the small town feel and the old town look with a modern touch to it. *“The old buildings; maintain a classy “old town” feel vs. the strip mall/plastic sign character so prevalent in most of the new development in Redmond (Fred Meyer mall, Fisher’s Landing, Ray’s Food Place development, Wal-Mart area, etc.)”* Many people like the small community feeling and would like to keep that as the town expands. They would also like to keep the original buildings such as the hotels and historic buildings but just spruce it up and make it look attractive. Several said that they really enjoy the friendly atmosphere and would like to keep that.

When asked, **if you could change one thing about the downtown Redmond what would it be**, people said traffic and parking (finding). These issues were repeatedly identified as huge problems. Others feel that there needs to be more selection in terms of the stores for shopping. Along with traffic, parking and selection, the appearance of the stores, buildings and the overall town is something many felt should be changed. One comment sums up the feelings expressed by many: *“When the trucks and traffic are less, it will be less dirty but we need to keep the streets and sidewalks clean and put some new paint on the buildings to freshen the image. Stores can be old but they don’t have to look old.”*

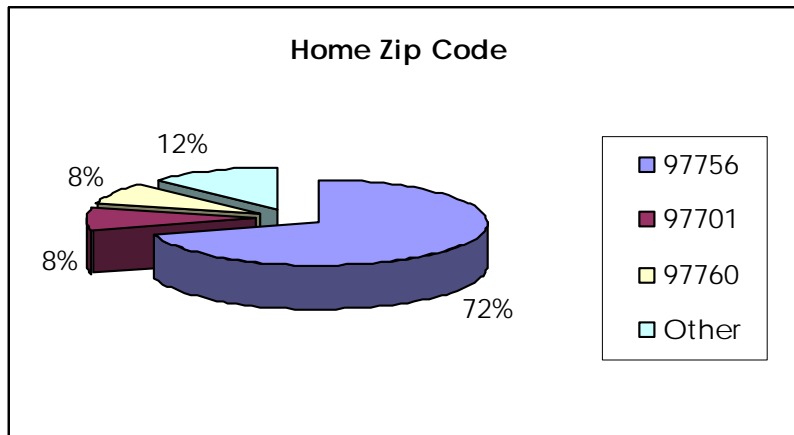
When asked **what identity or image would you like to see downtown Redmond develop for itself** as a unique shopping/business district, many people said they would like the clean attractive appearance with a Victorian/old image to the town. Many people like the friendly community and the feeling of family in the town and would like to see that. *“A family-friendly place to shop and dine, with a lot of variety and choices. Not just antique shops and Mexican restaurants.”* noted one of the participants.

General Information



- 202 people reported their age.
- 96 (47.5%) reported to be between the age of 25-44 years old
- The second highest age group of 44.1% was between 45-64 years old.

Zip codes reported



- 202 people participated in this survey question.
- Majority of the people (72%) reported they live in 97756 zip code, Redmond.
- 12% reported to live in zip codes such as 97759, 97754, 97753, 97213, etc.

General comments

Other comments made by the survey participants were that Redmond has the potential to change into a better place but the community needs to work together especially since everyone wants to see a change.

"Central Oregon is changing every year, Redmond needs to keep up with the demand. Its difficult to park downtown and the shops are not worth it."

Many people have lived in Redmond for a long time and would like to continue to live there but other places are becoming cheaper and perception is that Redmond goods and services are overpriced.

"I would really like to stay in Redmond but Bend is becoming cheaper in taxes, houses, food, gas, and just all around activities that you can do with family and friends"

Several people live in Redmond because they enjoy the small town but strongly feel that it needs to be a little more developed with things such as chain restaurants like Olive Garden, a 24 Hour Fitness Club and a quality department store so that Redmond residents don't have to go to Bend, Salem or Portland to enjoy these things. Overall people enjoy living in Redmond because of the small town atmosphere, the feeling of community, the shops and stores, the old look, etc. but repeatedly express the desire to overcome the traffic and parking problems.

"I'm glad to see that someone is attempting to help downtown Redmond. Over the last 10 years we've seen it spiral downward. 10 years ago we frequented many of the businesses downtown, but it now so dingy and run down and full of changing or vacant store fronts, we've shifted our buying to Fred Meyer, etc. Traffic has also been a major deterrent from going downtown."

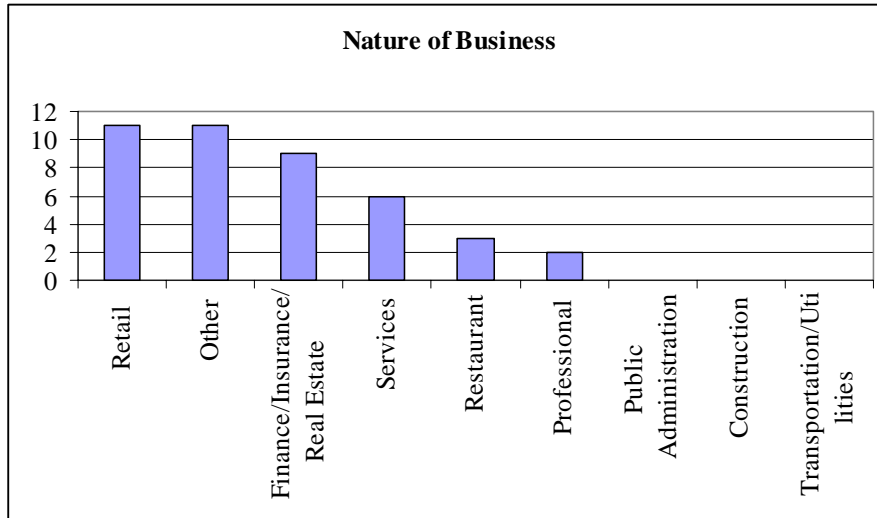
People generally expressed hope that things will change in Redmond, making it a better, safer and a friendlier place to live.

APPENDIX B

Option Survey Summary: Downtown Redmond Business Owners

42 businesses responded to this survey

Q: What is the nature of your business?

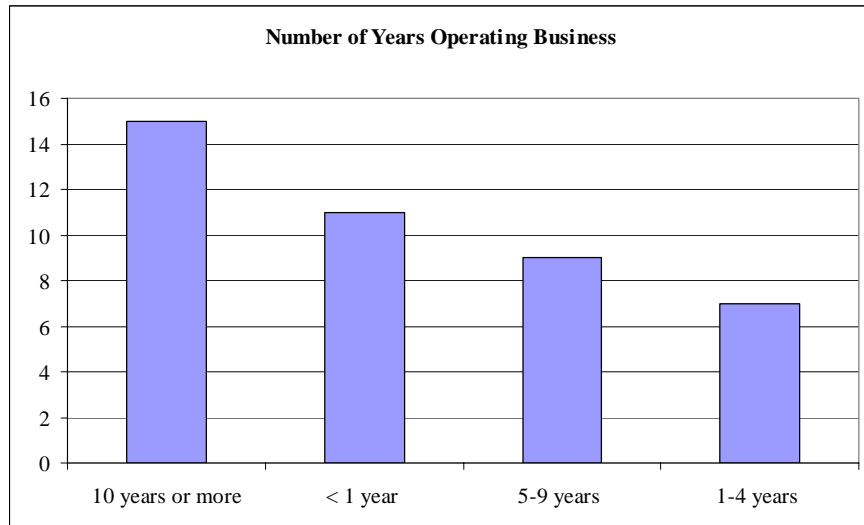


- 26.2% said that retail and other no listed on the survey is the nature of their business
- 21.4% said that finance/insurance/real estate is the nature of their business

Other Comments:

- Human Resources
- Coffee Cart
- Consulting
- Commercial Printing
- Publishing
- Redmond Family Fun Center

Q: How long have you been operating this business in Redmond?



- 35.7% of the survey respondents operating business in Redmond have been operating it for 10 years or more.
- 26.2% have been operating it for less than one year
- 38.1% have been operating it for about 1-9 years

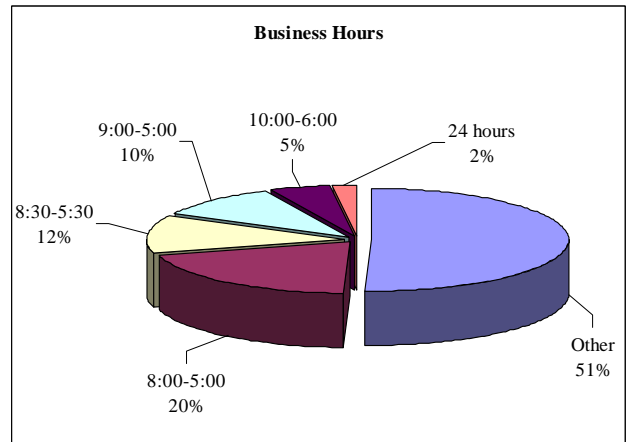
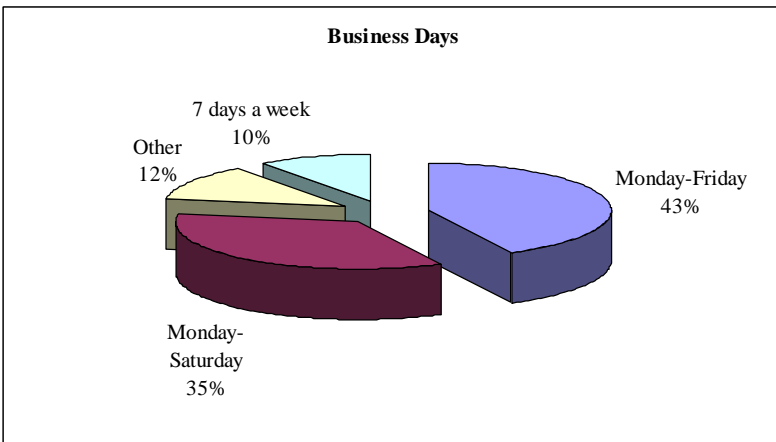
Name up to 3 advantages or strengths you associate with doing business in Redmond.

- | | | |
|-------------------------------|---|---|
| • Good and growing community | • Trust of clients and community | • Up and coming communities with a lot of potential |
| • Locally owned and operated | • Strong community commitment | • Networking opportunities |
| • Know customers personally | • Friendly people and positive attitude of town | • Vibrant chamber of commerce |
| • Centrally located in county | • Limited competition | • Keeping the money local |

Q: How many employees does your company have including yourself?

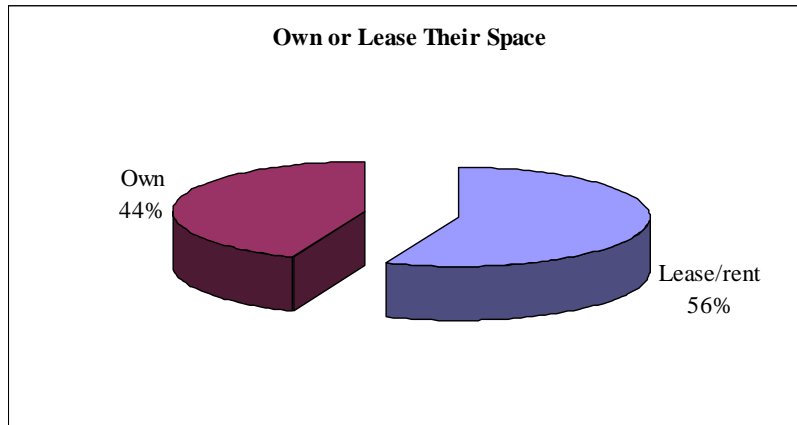
- 57.5% of those responded said that they have part time employees at their company
- 87.5% of those responded said that they have full time employees at their company including themselves

Q: What are your business days and hours?



- 43% operate their business from Monday through Friday
 - 35% operate their business from Monday through Saturday
 - 12% responded other
 - 10% operate their business seven days a week
 - Others said from Tuesday- Saturday, also Monday - Thursday
-
- 20% operate their business from 8:00 - 5:00
 - 12% operate their business from 8:30 - 5:30
 - 10% operate their business from 9:00 - 5:00
 - 5% operate their business from 10:00 - 6:00
 - 2% operate their business 24 hours
 - 51% responded other
 - Others said different times for the weekdays and different times for the weekends

Q: Do you own or lease your space?

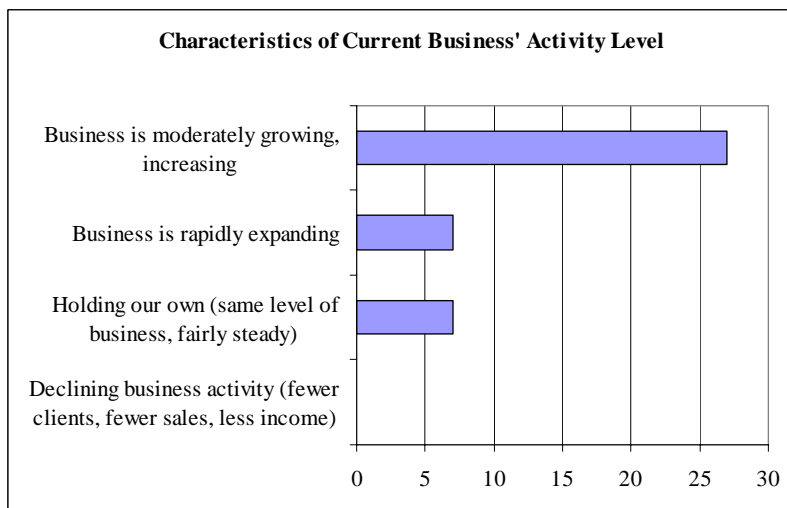


- 56% lease or rent their space
- 44% own their space

Q: If you lease, what is the rate you are paying?

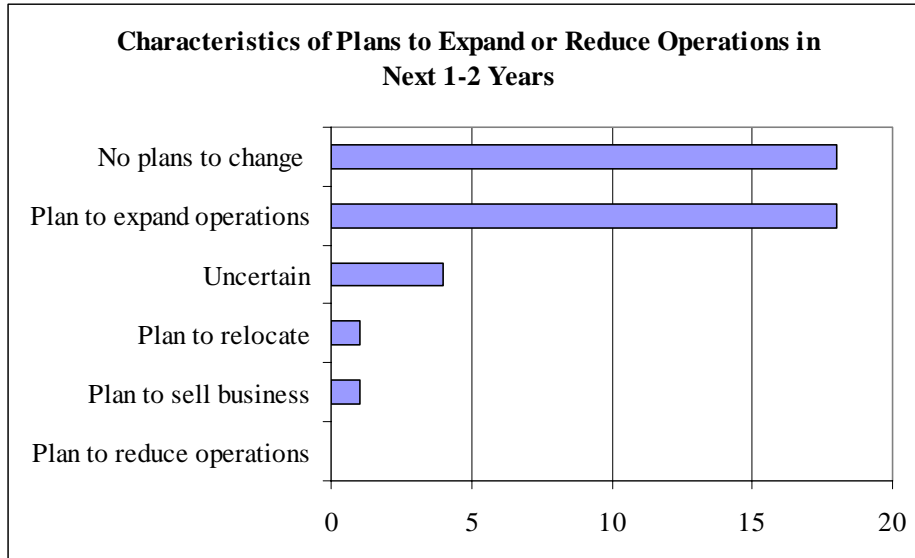
- \$1,800 per mo, approx 1600 sq. ft
- \$850, \$1 per sq. ft
- \$517.65 for 665 sq. ft
- 850 sq. ft/\$550 per month
- \$1,350 for 2000 sq. ft.
- \$500 for 400 sq. ft

Q: How would you characterize your current business' activity level (i.e. last 24 months of operation)?



- 65.9% characterize their current business activity level as moderately growing and increasing
- 17.1% characterize their current business activity level as rapidly expanding and "holding our own"
- 0% reported that their business is declining in activity level

Q: Which description below best characterizes your plans to expand or reduce your operations in the next one-two years?



- 42.9% have either no plans to change their operation in the next one-two years or have a plan to expand their operation
- 9.5% are uncertain about expanding or reducing their operation in the next one-two years
- 2.4% have plans to relocate or to sell their business in the next one-two years

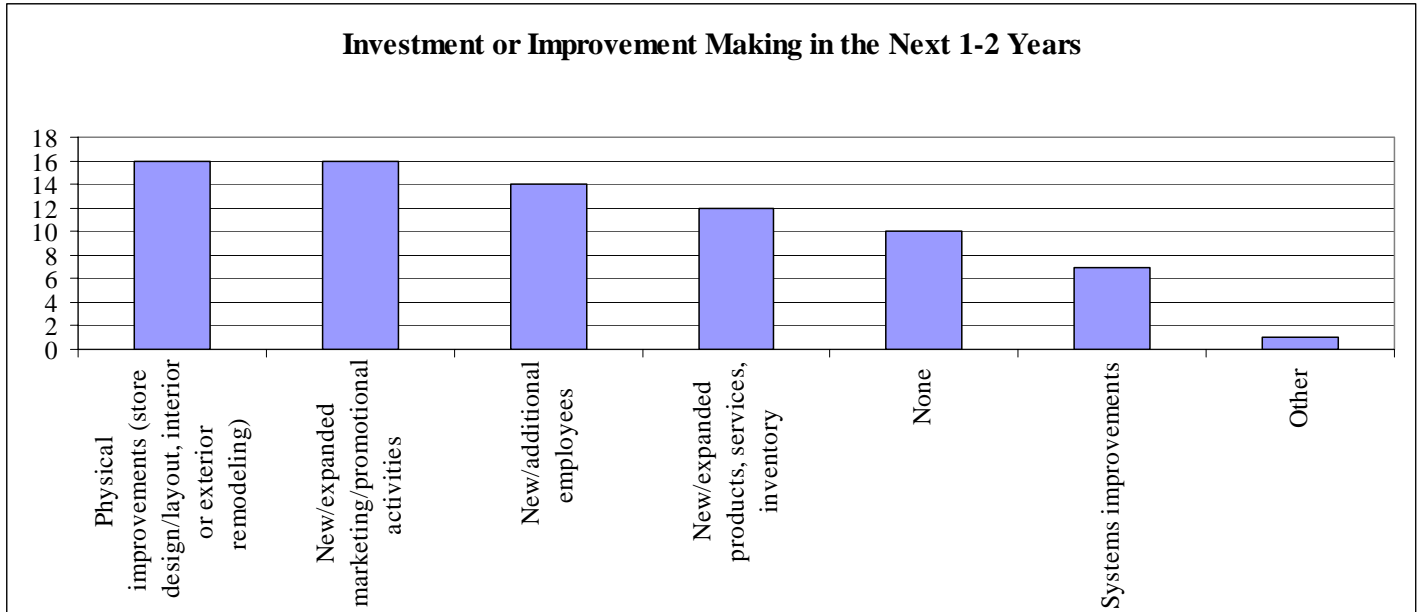
Please check any type of investment or improvement you have made in your business in the last two years:

- 50% respond that physical improvements such as store design/layout, interior/exterior remodeling are the type of investments or improvement they have made in their business in the last two years
- 40% respond that new/expanded products, services, inventory are the type of investments or improvement they have made in their business in the last two years
- 27.5% respond that new/additional employees are the type of investments or improvement they have made in their business in the last two years
- 22.5% respond that new/expanded marketing/promotional activities are the type of investments or improvement they have made in their business in the last two years
- 17.5% respond that systems improvements are the type of investments or improvement they have made in their business in the last two years

The estimated dollar value for each investment/improvement checked in previous question:

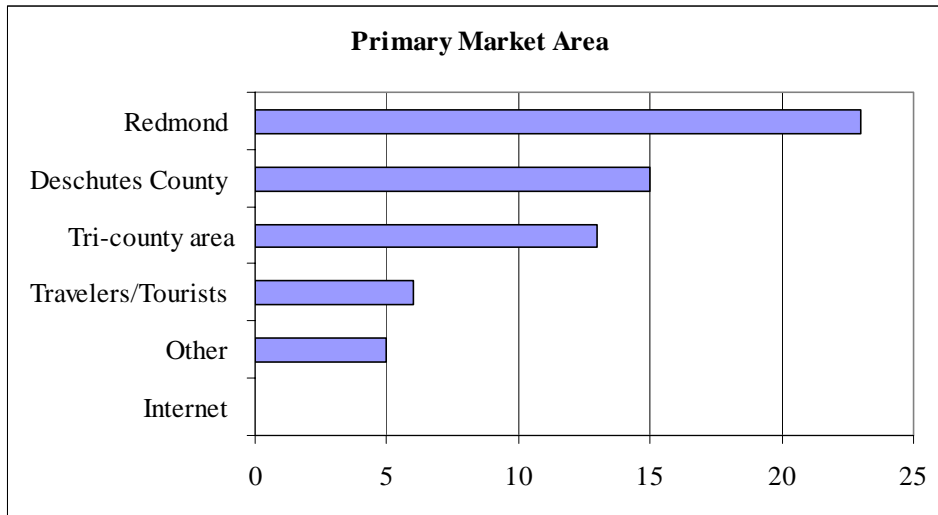
- Office build out cost about \$15,000
- \$15,000/physical \$5,000/marketing
- \$20,000 - \$50,000
- Physical renovation = \$75,000
- To complex to define
- New POS system = \$55,000, 8% increase in advertising budget

Please check any type of investment or improvement you plan on making in the next one-to-two years.



- 40% responded that physical improvements such as store design/layout, interior or exterior remodeling and new/expanded marketing/promotional activities are the types of investment or improvement they plans on making in one-two years
- 35% responded that new/additional employees are the types of investment or improvement they plans on making in one-two years
- 30% responded that new/expanded products, services, inventory are the types of investment or improvement they plans on making in one-two years
- 25% responded that no types of investment or improvement they plans on making in one-two years
- 17.5% responded that systems improvements the types of investment or improvement they plans on making in one-two years
- Other commented of moving to a new location in a new building end of 2005

Q: What is the primary market area from which the majority of your sales are derived?

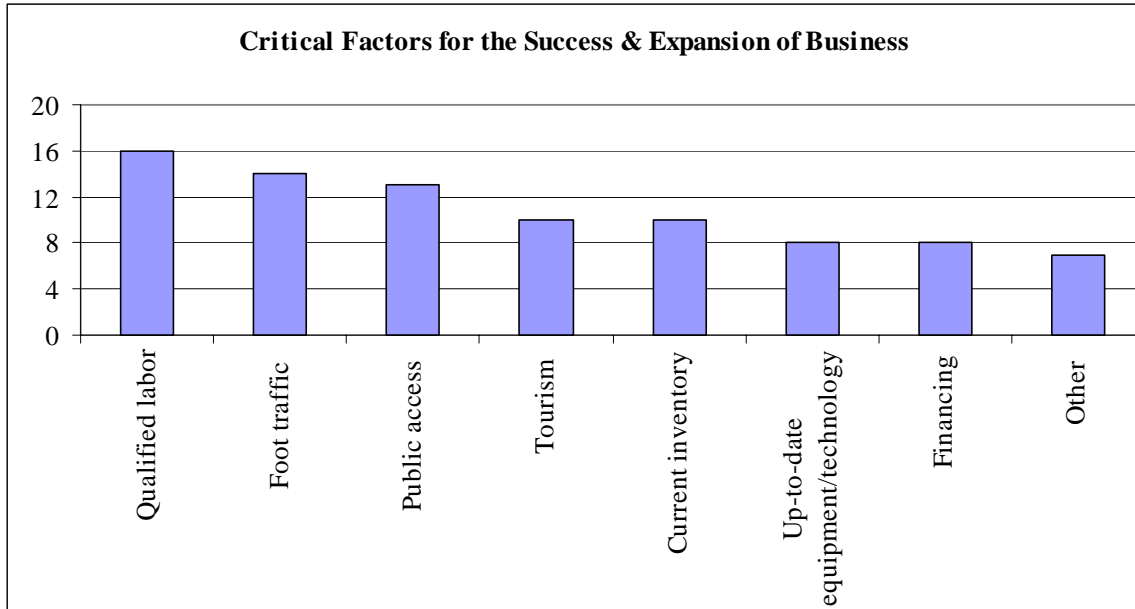


- 54.8% said that Redmond is the primary market area from which the majority of their sales are derived
- 35.7% said that Deschutes County is the primary market area from which the majority of their sales are derived
- 31% said that Tri-county area is the primary market area from which the majority of their sales are derived
- 14.3% said that travelers/tourists is the primary market area from which the majority of their sales are derived
-

Those reported travelers/tourists commented:

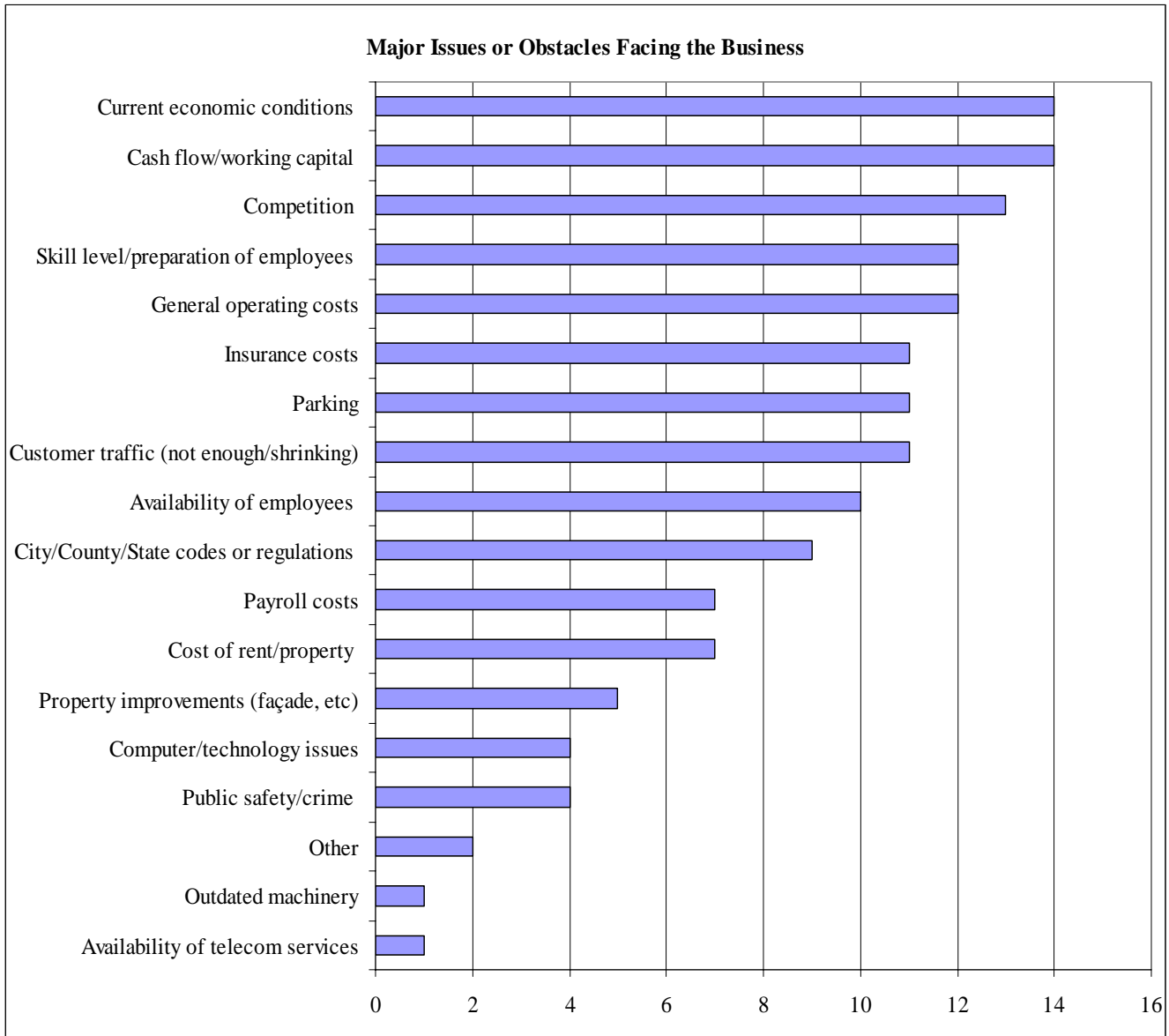
- "We cater to antique enthusiasts"
- "We capture people passing through who want to get a cup of coffee without having to stop and get out."
- "Our publication will appeal to locals and will be of general interest to visitors."

Q: In addition to a strong economy, what are the critical factors for the success and expansion of your business?



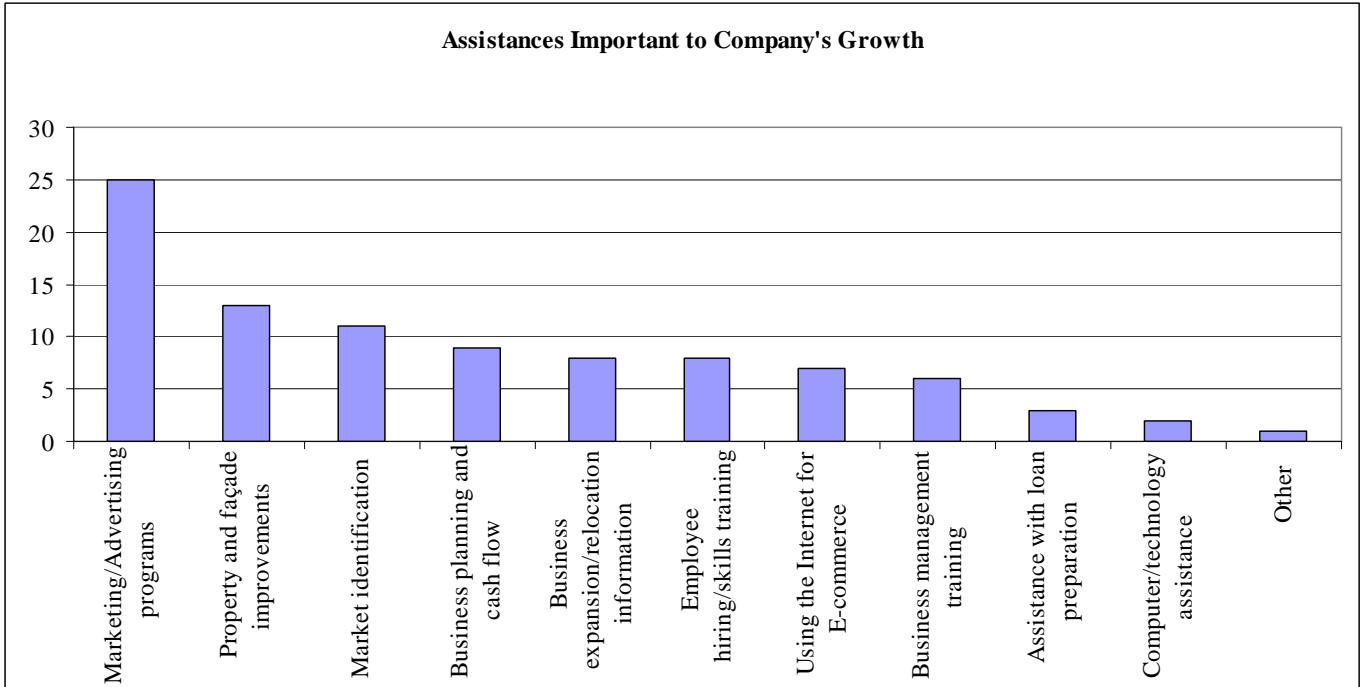
- 40% reported that qualified labor is a critical factor for the success and expansion of their business
- 35.% reported that foot traffic is a critical factor for the success and expansion of their business
- 32.5% reported that public access is a critical factor for the success and expansion of their business
- 25% reported that tourism and current inventory are critical factors for the success and expansion of their business
- Others commented the advertising and marketing are critical factors for the success and expansion of their business

Q: What are some of the major issues or obstacles facing your business today?



- 35% reported that current economic conditions and cash flow/working capital are some of the major issues or obstacles facing their business today
- 32.5% reported that competition is a major issue or obstacle facing their business today
- 30% reported that skill level/preparation of employees and general operating costs are some of the major issues or obstacles facing their business today
- 27.5% reported that insurance costs, parking & customer traffic are some of the major issues or obstacles facing them.
- Some of the other issues are availability of employees, payroll costs, city regulations, public safety/crime, etc.
- Others commented:
 - "Oregon tax laws, codes & administrative rulings tend to be unhealthy for business"
 - "Downtown access & parking regulations are too much. Business owners should have parking passes at least one per business. Customers do not have much SAFE parking either."

Q: To keep your business healthy and competitive, which of the following types of assistance are important to your company's growth?



- 73.5% reported that to keep their business healthy & competitive marketing/adv. programs are important for their company's growth
- 38.2% reported that to keep their business healthy and competitive property and façade improvement are the type of assistance that are important
- Others reported business planning and cash flow, expansion/relocation information, etc. are important for company's growth

Q: Are you interested in participating in a cooperative business marketing effort to attract customers to Redmond or to encourage residents to shop locally?

- 62.2% reported "yes" they would be interested in participating in a cooperative business marketing effort to attract customers to Redmond or to encourage residents to shop locally
- 37.8% reported "no" they would not be interested in participating in a cooperative business marketing effort to attract customers to Redmond or to encourage residents to shop locally

The Future of Redmond and Doing Business in Downtown Redmond

Q: As downtown Redmond continues to grow and change, if you could keep one thing the same about the shopping/business district what would it be?

- Small town atmosphere
- Free parking
- Local flavor of the downtown
- Pedestrian friendly
- Keep heavy traffic out & easy access
- The 'old town' look of downtown
- Local ownership of small businesses
- Positive personal, welcoming style
- Keeping the mix of businesses
- Hometown environment

Q: What identity or image would you like to see downtown Redmond develop for itself as a unique shopping district attractive to residents and visitors alike?

- Small personal service oriented
- Historic image
- We grow, but not too fast
- Quaint, peaceful, green and accessible
- Beautiful, charming, diverse, affordable
- Fun living and shopping and working pretty quiet
- Family oriented.
- Great restaurants, with boutique type shops.
- High class specialty shops, unique store fronts and signage

Q: If you could change one thing about downtown Redmond, what would it be?

- Easier access and parking
- More housing opportunities, with a park
- No pawn shop or fun center right downtown
- Streets in poor condition
- More pedestrian friendly
- Clean up old and vacant lots and buildings
- Less big truck traffic/noise
- Provide entertainment-retail
- Signage restrictions

Q: How would you rate your overall confidence in the economic future or vitality of downtown Redmond?

- 47.1% rated high and moderate overall confidence in the economic future or vitality of downtown Redmond
- 5.9% rated overall confidence in the economic future or vitality of downtown Redmond low

Q: In your opinion, what types of retail, restaurant and/or service businesses are needed in the downtown Redmond area and would be supported?

- Restaurants boutique/specialty stores
- Middle to upper end restaurants and specialty shops
- Multi-plex cinema/theater
- Mcmenamin's or Deschutes Brewery
- We could use more evening eateries. a men's apparel store would be welcome
- More shoe stores, children's clothes, men's clothes, etc.
- A variety of restaurants and night clubs
- Retail business and office buildings

Q: Are there products or services that your business currently purchases out of town that you would purchase in town if they were available?

- 68.8% reported "no" there are no products or services that their business currently purchases out of town that they would purchase in town if they were available
- 31.2% reported "yes" there are products or services that their business currently purchases out of town that they would purchase in town if they were available

Those reporting yes commented:

- We try to purchase all of our Marketing, promotional, and office supplies from Redmond businesses. If Redmond doesn't carry it we may go to Bend but rarely do any internet purchases.
- All our retail products are purchased from either Portland or Bend.
- Event furniture - had to purchase at Costco bulk food at good prices.

Q: In your opinion, what could local businesses do to attract more local residents who are currently shopping in other areas?

- Make parking more comfortable--easier access nicer surroundings
- Provide a much broader array of products and services. We are too limited in general retail
- Better hours. At 5pm most shops close
- Advertise inform residents of parking availability tidy sidewalks and shops
- A central, diverse core that includes unique dining
- Promotional activities to get more people to come into downtown

Q: What could local businesses do to attract more visitors and other shoppers who live out of the area?

- Advertise more--unify advertising campaign
- Work with the chamber, have a web site to promote their business
- Organize, and market the downtown experience in artistic and compelling ways
- Create more festivals and events
- Be part of a pleasant, pedestrian friendly downtown
- Keep store fronts clean and interesting