Downtown Portland Retail Strategy Update

Portland Business Alliance
January 2007
Downtown Retail Strategy Update:
Task Force Members

Christopher Kopca, Chair, Downtown Development Group
Jerry Irwin, Pioneer Place
Kirsten Kays, Nordstrom
Anne Nalto Campbell, Bill Naito Companies
Mark New, New & Neville Real Estate Services
Douglas Obletz, Shiels, Obletz, Johnsen
Molly Spencer, Mercantile

Ex-Officio:
Lewis Bowers, Portland Development Commission
Claudia Plaza, Portland Development Commission

Staff:
Teal Davison, Portland Business Alliance
Carly Riter, Portland Business Alliance
Introduction
The Downtown Retail Core, a sub district of Portland’s central city, has been well positioned by past efforts from late-twentieth century political leadership for downtown revitalization, including the 1972 Downtown Plan, the 1988 Central City Plan, Metro’s 2040 Growth Plan advocating for density and development in the central city, and the 2002 Downtown Retail Strategy. Throughout these efforts, there has been an acknowledgement of a retail hierarchy among urban centers and hinterlands. Continued planning and investment in downtown Portland is a testament to the Retail Core as a first tier retail market, with upscale and higher price point goods; including leading fashion vendors, select nationals, strong anchors, local independent retailers, flagship stores and specialty services. Coupled with adjacent office buildings, flourishing restaurant activity, cultural attractions, major concentration of hotels, market rate urban housing development, and a multi modal transit nexus that connects close-in neighborhoods and suburban areas with downtown, the Retail Core is the primary upscale retail district for the region. A legacy of sound planning and consistent investment from the public sector and the downtown property owners within the Business Improvement District continue to set the Retail Core apart from other shopping areas as a visitor and regional elite destination abundant with higher order and first-to-market retail opportunities.

Downtown & the Role of Retail
Downtown Portland is the regional center of economic and cultural arts activity and is an employment nucleus. Downtown’s industry sectors of retail, restaurants and entertainment, professional services, health, social and educational services, and government centers serve regional populations and the regional economy. Visitors, the business community, and residents consider Downtown Portland the heart of the region, and investment in the downtown core benefits both the city and the region.

Downtown is comprised of several markets with complementary uses and boundaries that connect and intersect with the Retail Core. National downtown revitalization experts maintain that a successful Retail Core is an essential component to a stable and thriving central city. Due to its direct impact on the street level and its role in each market, retail is the bell weather for overall downtown success. Retail activates the ground level and sidewalks, is essential to attract a strong visitor market, gives the downtown office market a competitive advantage over suburban or edge city locations, and both services and attracts a downtown residential market. Any fluctuations in the retail segment immediately impacts the street level environment and the residual effect on other economics soon follow.

Downtown Portland Retail Strategy
The 2002 Downtown Portland Retail Strategy, adopted by the Portland Business Alliance (the Alliance) predecessor organization (Association for Portland Progress), and the Portland Development Commission (PDC), was the result of both private and public sector participation in creating a vision for the future of retail in
downtown Portland. The 2002 Strategy outlined the following conclusions that
guide the public and private sector in retail development effort today:

- The Retail Core is a first tier retail center with a natural market of higher-end,
destination retail set apart from mid-market convenience and discount
shopping areas. All development of complementary markets and
recruitment efforts should focus on reinforcing the natural market share.

- Maintain Downtown Portland as a distinct destination retail center for the
region. Without it, the positive effects for other retail, office and residential
development are difficult to achieve.

- Expand the size of the adjacent residential market. A strong Retail Core
needs a large, proximate, balanced housing stock.

- Create distinctiveness in Downtown sub areas and linkage between them in
order to create variety.

- Strengthen retail streets that serve as connectors in order to promote retail
continuity, create pedestrian friendly streets that encourage retail activity,
and co-tenancy opportunities to create visual linkage among storefronts.

- Continue aggressive marketing, retention, and recruitment to keep
Downtown Portland on the forefront of retailers' and customers’
consciousness.

The 2002 Strategy has helped generate significant achievements for Downtown: 1) the
conversion of the former Meier and Frank building into a Macy’s department
store and luxury hotel; 2) the remodeling plans of Nordstrom; 3) increasing retail
and parking opportunities by the proposed redevelopment of the 10th and Yamhill
garage, the Galleria and adjacent blocks; 4) Park Block 5 redevelopment into
subsurface parking and a new public space; 5) Transit Mall revitalization project; 6)
the expansion of key retailers such as Abercrombie & Fitch; 7) the inclusion of a
new Pedestrian Wayfinding Signage Program, and; 9) efforts to retain local
independent retailers such as Carl Greve Jewelers in the downtown. These are all
major accomplishments for Downtown. However the momentum cannot stop with
this level of success, as there are significant liabilities that threaten the future of the
Retail Core. With the direction of the 2002 Strategy, a more aggressive approach in
the near term is needed to reverse the downward trend in the Retail Core before it
becomes a dramatic problem.

Present Liabilities
While downtown Portland development is the envy of many cities, downtown retail
is not keeping pace with outlying and adjacent competitive markets. It is becoming
increasingly vulnerable to experiencing a notable downward slide. The following
factors need to be addressed:
1. Declining Market Share & Customer Base

- Increasing retail competition from lifestyle centers such as Bridgeport Village and the Streets of Tanasbourne, modernization and renovation of malls such as Washington Square and the forthcoming addition to Clackamas Town Center, and adjacent and close-in neighborhood retail has led to Downtown losing market share. Over the last 4 years, downtown has lost at least 7 prospective first-to-market key retailers and 95,000 square feet of retail to suburban locations. Additional lifestyle centers and malls are currently under construction. First-to-market retailers including J Crew, Talbots, and Williams-Sonoma that originally located downtown have since expanded their presence to suburban centers.
- While active recruitment efforts by brokers, the Alliance, and PDC have been successful in soliciting strong interest from key retailers, lack of appropriate space, fragmented ownership, strong suburban and neighborhood competition, and poor economics of the proposals have combined to very few new destination retailers in the downtown retail core.
- Several retailers have indicated they are at risk of closing or moving out of downtown due to one of more of the following issues: decreased sales, decreasing customer base, displacement issues related to rent increases or building demolition, and obstruction issues related to the concentrated amount of construction underway.

2. Challenges to Shopper Comfort

- An expanding perception that downtown is unsafe; nuisance acts of public disorder, loitering, protesting, and aggressive panhandling creates an intimidating shopping experience for many downtown customers.

3. Streetscape Deterioration

- A concentration of A-Boards, newspaper racks and dumpsters serve as obstructions in the right of way and impair connection between retail locations.
- An extended weakness in retailing performance between 3rd and 4th avenues and 9th and 10th avenues creates a significant void for the rest of the Retail Core.
- Considerable vacant and underutilized ground floor sites in key locations within the Retail Core discourage pedestrian flow between buildings and retail locations.
- A large concentration of empty storefronts and ground floor vacancies encourage street disorder and discourage pedestrian traffic.
- Outdated retail space within the City-owned parking structures in the Retail Core negatively impacts leasing capabilities of adjacent properties.

4. Limited Sites for Infill & Development
• Many parcels within the compact boundary of the Retail Core are difficult to reconfigure or redevelop due to either historic designation or the parcel is at its highest and best use.
• Many properties are difficult to lease as retail sites due to factors such as low ceilings, fragmented interiors, multiple levels, minimal storefronts, conflicting adjacent tenancy, prohibitive signage restrictions, and limited landlord/tenant improvement capital.

5. Challenges to Shopper Convenience
• Inadequate customer parking availability, whether real or perceived, within the retail core deters the retail customer and is increasingly problematic with short term parking stalls lost to either all day parking status or to construction projects. In addition, a disjointed shopper validation system creates customer confusion and frustration.
• Concentrated amounts of construction in the Right-of-Way impact pedestrian and vehicular mobility in the downtown.

Universal Downtown Constraints
Downtown retail development suffers universal competitive disadvantages in relationship to suburban areas. Regardless of significant and well-intentioned efforts, barriers that are inherent to downtowns will continue to afflict the Retail Core until public investment is leveraged to balance market dynamics and ensure the Core remains a viable retail destination.

Challenge: Delivering Competitive Retail Sites
• Contiguous retail space in downtown Portland is limited by fragmented and absentee property ownership among small block sizes.
• Fragmented ownership makes it extremely difficult to deliver the larger sized spaces many contemporary retailers require.
• Renovation of existing buildings is expensive due to increasingly strenuous codes, often making renovation more expensive than new construction.
• New retail build-out within mixed-use projects is limited by the financial feasibility of the entire development. Compounding this, scarcity and high price of land lead to more expensive mid and high-rise construction.
• Mall developers attract retailers with a cache of build-to-suit locations and can adapt to changing retail formats.
• Mall developers can offer a substantial financial incentive package to key retailers to establish a base that will automatically attract other similar retailers.

Challenge: Retail Continuity, Co-tenancy & Attractive, Safe Streetscapes
• Malls have strict design controls for common ways and storefront programming in order to create a consistent pedestrian flow.
• Mall developers control the property and are able to control co-tenancy issues through merchandising mix plans.
• Downtowns are unlike malls in that they are multipurpose centers with diverse commercial and public activity that hinder uniform storefront design and connectivity.

• Incompatible surrounding uses and underutilized ground floor space within the Retail Core disrupts flow of retail storefronts and dilutes the critical mass of retail needed at the street level.

Call to Action
The competitive disadvantages inherent with downtowns, coupled with the unique present challenges bring the Retail Core to a defining moment. The overlay of various needed public improvement projects such as the Transit Mall Revitalization project, rebuilding of Naito Parkway, added short term parking in the Park Block 5, and the proposed redevelopment of the 10th and Yamhill Parking Garage have created a short term problem in maintaining access during construction, but a long term opportunity to reposition and create a renaissance in downtown Portland. Either upcoming private and public investment can be leveraged to diminish liabilities of the Retail Core, or it will continue to languish and ultimately reach a threshold of crisis for which reversal will be a substantially more costly and arduous process. In order to seize this chance, a pointed, achievable, near-term 5-year action plan is needed that can be implemented through a closely aligned private and public partnership. The strategy must: 1) Coordinate public and private sector efforts; 2) Secure adequate financial investment to alleviate challenges associated with retail retention and recruitment; and 3) Create specific opportunities for retail growth within the next five years that is appropriate for first tier retail centers and focused on the following guiding principles:

• Enhanced Services
• Catalytic Investment
• Targeted Retail Recruitment
• Targeted Retail Retention
• Financial Investment
• Coordination of Public and Private Efforts
• Supportive Public Policy
• Supportive Markets

Retail Core Geography
The Retail Core is a sub district in the downtown and shares boundaries with complementary markets of housing, office, and tourism. Enhanced services and financial investment discussed in this report are specifically targeted to the area within the Retail Core boundary and policy discussion supporting the development of housing, office and tourism markets.

• Keep boundaries tight to: 1) strengthen streets as retail connectors; 2) ensure a critical mass of retail; 3) avoid diluting the distinction of the sub district
• Expand western Retail Core boundary up to 12th to: 1) incorporate space for new development and infill; 2) create the shortest link along developed retail streets to the Brewery Blocks

• Target development and infill in the area between SW Washington, SW 9th, Burnside and SW 13th to connect the Retail Core to the Brewery Blocks

**Strategy Concept**

1) **Enhanced Services**

Provide an enhanced level of services to the Retail Core:

- Consider expanding the Business Improvement District to service the enlarged boundary of the Retail Core.
- Deliberately manage public safety issues both real and perceived through the efforts of Portland Downtown Services, Inc, Multnomah County, and the City of Portland including loitering, aggressive panhandling, street disorder, and other acts of intimidation.
- Promote Right-of-Way mobility by reorganizing and/or reducing the number of sidewalk obstructions including A-Boards, newspaper racks, sidewalk dumpsters, and individuals sitting or laying on the sidewalk.
- Ensure effective marketing messages are communicated to existing retailers, prospective retailers, and the retail customer to position the Retail Core as a competitive market.
- Designate a City ombudsperson to simplify the permitting and design review process for retailers and property owners in the Retail Core.
- Provide signage and enhanced lighting to identify the Retail Core as a unique shopping district.
- Plan and manage the availability of proximate parking for the retail customer, and restore a comprehensive parking validation system.
- Create controlled public space programming to activate more areas of the Core.
- Upgrade planters, garbage cans, etc

2) **Prioritized Investment**

Target resources to work with cooperative owners to create a critical mass of new or improved retail space appropriate for new destination retailers and key expanding or relocating independent retailers. Key sites include:

- Galleria
- 10th & Yamhill Garage parcel
- Block 216
- Zell block
- Pioneer Place
- 3rd & Alder Garage parcel
Create tools to assist in filling larger existing or upcoming vacancies, including:

- Guild Theater
- Public Service Building (existing Nike Town space)
- United Carriage West
- Cornelius Hotel
- New Fieldner Building
- Existing Carl Greve Building
- Esquire Hotel
- Existing Kitchen Kaboodle space
- Pioneer Courthouse Square
- Pioneer Place
- 3rd & Alder garage retail space
- Starr Furniture Building (formerly Famous Footwear)
- Gilbert Building (former ground floor law office)
- Loyalty Building (former Leather Furniture)
- Park Building (former site of Broadway Bagels)

3) Retail Recruitment
Support brokers and property owners with targeted retail recruitment effort

- Provide research and marketing materials to market the Retail Core
- Reinstall a regional independent retailer recruitment program
- Assist property owners and brokers with ICSC retail events
- Identify a point of contact for recruitment of prospective retailers
- Continue funding Downtown Marketing program

4) Retail Retention
Retain existing retailers

- Provide direct financial support for tenant improvements
- Provide relocation services for key retailers facing displacement and are at risk of leaving the Retail Core
- Mitigate the obstruction impact of major construction projects on adjacent businesses when street closures occur that includes working to create a resource for working capital loans
- Create a parking management committee that includes both city and private representatives

5) Financial Investment
Create effective financial investment tools and resources.
Public Sector

- Work to ensure continued use of Tax Increment Financing to assist the Retail Core
- Work to ensure a consistent use of Tax Increment Financing throughout Downtown Waterfront, South Park Blocks, and River District urban renewal areas.
- Explore the use of commercial tax abatements, Enterprise Zones, New Market Tax Credits, etc for retail development
- Identify public funding to ensure the development of designated catalytic retail sites
- Identify funding for tenant improvements in order to deliver strategic retailers that will anchor other retail

Private Sector

- Explore an increase of BID resources in the Retail Core
- Assist in funding downtown Marketing efforts
- Explore sources for working capital loans
- Identify other private sector funding resources

6) Coordination of Public and Private Efforts

Establish one person to act as the lead downtown Retail Manager and synthesize private and public efforts for retail development.

- Create a retail management position to coordinate with the public and private sector to solicit and maintain support of key property owners, to work with brokers and property owners to define a common merchandising mix, and to execute the action items of the Retail Strategy
- Stimulate greater coordination among owners of key retail properties

7) Supportive Public Policy

Advocate support for Retail Core in policy & planning discussions

- Address land use issues that affect retail continuity and pedestrian flow in the Retail Core through the Central City Plan Update
- Advocate for the Retail Core to be included in the expanded or new Urban Renewal Area via the West Side Study
- Monitor ongoing health of Downtown annually so trends can be identified objectively

8) Supportive Markets

Expand residential, office, and tourism markets within and immediately adjacent to the Retail Core

- Facilitate the development of market-rate housing projects
- Facilitate the development of office towers as a source of employment and market support
- Facilitate visitor-supportive services including hotels, cultural, and entertainment attractions