



**Portland Public Market
Feasibility Study & Business Plan**

Portland Public Market Feasibility Study & Business Plan

Prepared for:

Portland Development Commission

Prepared by:

Bay Area Economics
GBD Architects
Project for Public Spaces
Shiels Oblatz Johnsen

February 2006



March 7, 2006

Mr. Ross Plambeck
Portland Development Commission
222 NW 5th Avenue
Portland, OR 97209

Dear Ross:

We are pleased to provide this completed Feasibility Study for the proposed Portland Public Market. The Study addresses both market and financial feasibility, as well as the potential development strategy and business plan for the Market. Recommended next steps are identified.

This Study seeks to inform the larger Ankeny / Burnside Strategy effort that is currently underway. The Strategy will address the potential for a larger Market District, with the Public Market as a catalyst anchor use. The work for this Study indicates a substantial potential for a Market District that could serve as an organizing theme for revitalization of the surrounding area.

Our work has shown that there is great interest and potential support for the Public Market, but also that there are a number of complex issues to be addressed. The effectiveness of solutions to address start-up risks and other implementation challenges is likely to be the most significant factor in determining whether a Public Market becomes viable and self-sufficient.

The work for this Study was reviewed and guided by an Advisory Committee of local residents active in the food industry and related fields. On behalf of our consultant team, we would like to thank the members of the Advisory Committee, PDC staff, and others who provided valuable assistance in the preparation of the Study.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Smith-Heimer'.

Janet Smith-Heimer
Managing Principal

A handwritten signature in black ink, appearing to read 'Ron Golem'.

Ron Golem
Vice President

Executive Summary

Purpose of the Study

This report presents the findings from a Feasibility Study for the proposed Portland Public Market. This study was commissioned by the Portland Development Commission (PDC), and funded in part by the U.S. Dept. of Agriculture. The Study assesses the market support and financial feasibility of a preliminary Market concept in the Skidmore Fountain Building, a historic structure adjacent to Ankeny Plaza in Old Town Portland and provides a detailed business plan along with implementation strategies.

What is a Public Market?

A public market is a permanent retail facility where multiple small vendors gather to sell fresh and prepared food from stalls, attracting shoppers by the variety of locally-produced food items. Project for Public Spaces (PPS), a non-profit organization engaged in stimulating the creation of public markets throughout the U.S., has identified these key characteristics of a public market:

- Public markets have public goals such as preserving local agriculture; and
- Public markets usually create public spaces where people can gather, and public markets contain locally-owned independent businesses such as local farmer vendors and other small retailers.

The proposed Portland Public Market would operate indoors on a permanent, year-round basis, distinct from farmers' markets in the region, which operate outdoors on a seasonal, part-time basis. The proposed Portland Public Market would have a variety of differently sized permanent vendor stalls, temporary day tables, restaurants, dry and cold storage facilities, and an important educational component with demonstration kitchens and classrooms for educational programs. The kitchens and classrooms, and the corresponding educational programming, are key components of creating a public use to attract the general public.

Evolution of the Portland Public Market Concept

The Portland Public Market, Inc. (PPM) non-profit, and its fundraising entity, Historic Portland Public Market Foundation, have over the last five years advocated, fundraised (including a USDA grant), and developed a vision and number of concepts for the creation of a public market that would reconnect Portland with its long history of public markets offering locally grown food.

The Portland region is an outstanding example of an agricultural economy connecting with a strong interest in fresh, healthy, locally produced food. Many other organizations and individuals in the Pacific Northwest, as well as around the U.S. and the world, are organizing around the principles of sustainable agriculture, and more broadly sustainable lifestyles. This supports three broad opportunities for a public market in Portland:

- The market as a place to demonstrate sustainable agriculture, address food policy issues, and provide food and nutrition education;
- The market as a place to attract the public and foster small, locally-owned businesses in a gathering place that promotes community interaction and activities; and

- The market as a place to satisfy increased consumer demand for specialty food items, particularly high quality gourmet and ethnic food items.

The Portland Public Market

Creation of a successful new venture at the Skidmore Fountain Building requires that the market capture the most advantageous aspects of these three opportunities, while positioning itself to avoid direct competition with other retailers and markets. This can best be done by orienting it towards sustainable retailing, including a primary focus on fresh and prepared foods grown locally, but also encompassing a limited amount of complementary sustainable products and services, with a year-around approach to the merchandising mix. This broadened concept enables strong marketing and branding opportunities, unique to Portland and the Pacific Northwest. It is an extension of local policies of sustainability, agricultural preservation, quality foodstuffs, and support for micro-enterprises, including ethnic retailers.

A Market District

The effort to create a public market, consideration of the future of the Saturday Market, proposals for Little Italy, and PDC goals for urban revitalization of the area surrounding the Skidmore Fountain Building has led to discussion of the opportunity for a themed Market District that incorporates all these uses. Other successful public markets show that fresh, prepared, and specialty food as well as related merchandise items are the core retail categories needed for success. There are, however, a range of other complementary uses, including sit-down restaurants, wineries, breweries, cooking schools, and small scale food production facilities, as well as residences that can benefit from the foot traffic and identity created by a public market, as well as augment the customer base for market vendors. These uses can generate synergy with each other by being located in various nearby locations, and most of them have greater potential to attract private investment than does a public market. The potential for a Market District is being evaluated in a separate consultant study, and therefore is not addressed in this Study, except to note its potential.

Plans to secure the future of Saturday Market are currently under consideration by a separate consultant study. The Saturday Market is a generator of substantial foot traffic, and has a customer base that is better educated and somewhat more affluent than Portland's population as a whole, characteristics that are consistent with the target audience for the Public Market. Retaining the Saturday Market in a site as close to the Public Market as possible would generate significant benefits for the Public Market as well as a potential Market District. The Study addresses options for doing this, including potential coordination issues if the two markets share use of certain areas.

Focus of this Report

This report focuses on the following key questions (with steps taken to address the questions shown as sub-bullets):

1. ***Market Demand.*** *Will the Portland region generate sufficient customer demand, and potential vendor interest to support a Public Market with a range of fresh, high-quality, locally-produced food?*

Steps taken to research this demand question included:

- A shopper survey of residents within two miles of the proposed site
- A downtown employee survey within walkable distances
- A vendor survey to ascertain interest in selling at the Market

- An overview of food retailing trends and shifting spending patterns
1. ***Building Reuse Feasibility.*** *Can the Skidmore Fountain Building, which requires substantial rehabilitation, be made into a functional Market building? *

Steps taken to research this facility question included:

- Architect site tours and plan review
- General assessment of structural and historic constraints on reuse as Market
- Conceptual layout of key, main, and necessary functions

1. ***Development and Operating Feasibility.*** *What are the likely development costs, and how much initial public investment is needed to create the Market? Can the general concept achieve operating feasibility?*

Steps taken to analyze this financial feasibility question included:

- Comparison of three design options
- Analyses of financing and organizational strategies, merchandizing and educational programs and partnerships
- Development of project timeline identifying actions leading to targeted opening date
- Estimate of initial investment to create a Market, including renovation of the existing structure and new construction to enlarge the building to a feasible initial size.
- Evaluation of operating revenues and costs based on conceptual layout developed.

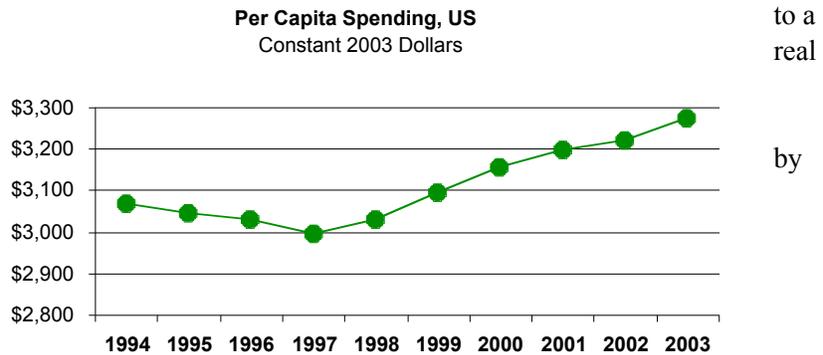
Market Demand

Food Spending Trends

A key question regarding market demand for a public market is whether this type of facility can attract consumer spending for food (both fresh and prepared items) without “cannibalizing” existing grocery stores, other specialty food stores, and farmers’ markets.

One of the main reasons that public markets have been successful across the U.S. is that overall spending for food has risen in the U.S. over the past decade, as consumer tastes become more discriminating. With the advent of a diverging set of purchasing venues (e.g., discount grocery stores, traditional grocery stores, specialized grocery retailers for organics, and farmers’ markets), the once-relatively stable amount spent per person on food in this country has grown. In addition, a plethora of restaurants and prepared food outlets has added to the shifting mix of where we purchase food and in what forms.

These patterns are reflected in the chart, which illustrates per capita spending in the U.S. for all types of food (eaten at home and out of the home) rising from less than \$3,100 per person in 1994 to almost \$3,300 per person in 2003 (in 2003 dollars). This translates growth of almost 7 percent in spending for the period. In the Portland region, a slightly different time period covered the Economic Census (for years 1997 and 2002) indicates a similar overall increased food spending trend. Multnomah County had a combined at home/away from home expenditure of \$1.8 B in 1997, increasing to almost \$2.0 B in 2002 in constant 2002 dollars (more than 9 percent for the five year period). The proliferation of new food buying venues such as New Seasons and Whole Foods grocery stores, along with multiple new and thriving farmers' markets and new types of fast casual restaurants, all echo this pattern on the ground.



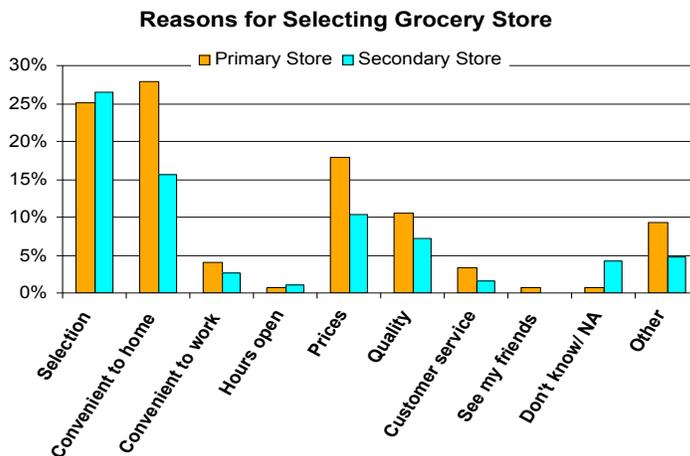
Customer Demand

This Study included a survey of potential customer demand, based on a two mile radius from the project site. Defined as the “Immediate Market Area,” this nearby area contains residents who may shop at the Market for some of their weekly household groceries. The survey achieved 100 completed responses.

Current Food Shopping Patterns

Over 85 percent shopped at their favorite store once a week or more often.

The most-frequented stores (“primary store”) were: Fred Meyer (38 percent of responses), Safeway (13 percent), and New Seasons (11 percent). Other popular primary grocery stores included WinCo (7 percent), Wild Oats (7 percent), Trader Joe’s (6 percent). Whole Foods only attracted 4 percent of respondents as a first-choice for grocery shopping. However, when combined, the high-end and specialty grocers together (e.g., New Seasons, Wild Oats, etc.) stores account for approximately 31 percent of responses.



Note: Shows aggregation of multiple reasons given for selecting each store and (9)

The survey also asked about the next most-frequented grocery store. Fred Meyer again ranked the most popular (22 percent of responses), followed by Safeway and Trader Joes (16 percent each). New Seasons only attracted six respondents as a second-choice store, the same rate as Wild Oats. The secondary store was visited less frequently, with only 48 percent shopping there weekly or more often; 28 percent reported a once every two weeks pattern at their second-choice store.

Respondents were allowed to answer more than one reason for selecting their primary store – when responses are combined, the reasons included convenience to home (28 percent of all responses), selection (25 percent), price (18 percent), and quality of merchandise (11 percent). For the secondary store, the aggregation of multiple answers lead to “selection” as the predominate reason for choosing the store.

Other survey findings regarding shopping patterns included:

- About 51 percent of respondents spent more than \$100 per week on groceries, a strong rate of spending when considering the small household sizes of the respondents.
- Almost 60 percent stated quality was more important than price when deciding where to shop for groceries.
- Mexican foodstuffs were the most frequently-mentioned ethnic item attracting shoppers (37 percent of responses).
- Regionally grown food is also important, particularly for produce and meat/fish categories of food.

This data suggests that selection and quality are key factors in deciding where to shop, and that many shoppers go to more than one venue at least several times per month. The Public Market should target those shoppers interested in selection and quality, for their weekly shopping needs as well as for their secondary special shopping needs.

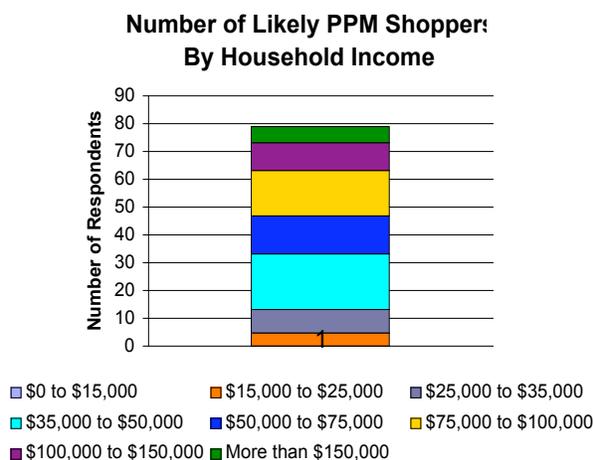
Interest in Portland Public Market

When asked about their expected frequency of shopping at the Public Market if it were open to at least 7 pm and located in the Central City:

- 48 percent expected to shop there once a week or more
- 31 percent expected to shop there once a month or more
- 9 percent a few times a year
- Just one person stated that they would never shop there

Clearly, the concept of a Public Market is very appealing to the Immediate Market Area’s residents. These findings only varied by a few percentage points for residents located on either side of the

Willamette River.



Interest in shopping at the Public Market was also distributed across household income groups (see chart), suggesting that the Market needs to ensure food items and promotions/marketing targeted to a wide range of income categories to maximize its attraction and sales.

A follow-up question about the location of the Public Market at the Skidmore Building (described as near the Saturday Market) found:

- 67 percent stated that this location

positively influenced their decision to shop at the Public Market

- 21 percent stated that this location negatively influenced their decision

This finding suggests that the Public Market at the Skidmore location will need to promote its positive attributes to attract the one-fifth segment of residents concerned about its location.

Other feedback from the survey regarding the Public Market included:

- Respondents would like to see ethnic restaurants at the Market; 33 percent mentioned “Asian” and 14 percent mentioned Mexican. Other popular restaurant types included local, and soups/sandwiches/salads.
- Parking and transit access both were important to respondents. Almost 80 percent desired both proximate and inexpensive parking, and 66 percent desired accessibility to MAX.

Estimate of Sales from Immediate and Local Market Area Residents

A conservative sales estimate based on the survey results was made as follows:

- Approximately half of the 43,000 households in the Immediate Market Area (two mile radius) will visit the Public Market annually, at an average rate of twice a month (mid-point of survey responses), spending an average of \$20 per shopping trip on food items (e.g., fresh and prepared food). This equals approximately \$10.75 million per year from Immediate Market Area households.
- Half of the broader Local Market Area (net of the Immediate Market Area customers) will also visit during a typical year, at an average rate of once a month, and spend at least \$10 per trip, resulting in additional sales of approximately \$1.98 million.
- The combined annual sales from households within three miles of the Skidmore location total approximately \$12.73 million.

Downtown Employee Demand

To assess potential demand and interest in the Public Market from workers in Portland’s Central City, an email survey was distributed through six large employers in the area to their 3,700 employees. A total of 802 complete responses were received (response rate of almost 22 percent). Statistics regarding the origin of the survey responses by subarea and the demographics of the respondents are included in the body of this report.

Employee lunch-time patterns included:

- Respondents brought their lunch an average of slightly more than two days per week, ate at a sit down restaurant slightly less than one day per week, and bought take-out lunch an average of 1.5 days per week
- Respondents occasionally bought lunch at to a grocery store or farmers market or skipped lunch all together
- Per week, 17 percent of respondents spent less than \$5 on purchased lunch, 42 percent spent \$5 to \$15, and 38 percent spent over \$15 on purchased food
- 69 percent based choice of lunch purchase on a combination of convenience and preference

This suggests that even where food is high quality, convenience is a key factor in determining where Central City employees go for lunch. It is likely that the Public Market will primarily attract a lunch crowd from the nearest employment locations.

Patterns of after-work dining in the Central City included:

- 36 percent reported doing so at least once per month (including 13 percent who do so once a week or more)
- 37 percent said less than once a month
- 25 percent never stayed in Central City to dine after work

These patterns suggest that the Public Market should target the frequent and occasional dinner customer related to after-work dining.

Patterns of after-work grocery shopping included:

- 56 percent never shop for groceries in the Central City
- 38 percent said they pick up ingredients for dinner, but most of this shopping occurs near the place of residence rather than in the Central City

This lack of shopping in Central City suggests a potential untapped market of employees stopping at the Public Market to pick up fresh dinner ingredients and/or prepared dinner foods on the way home.

Interest in Portland Public Market

As a location to purchase lunch:

- 44 percent would buy lunch there once a week or more
- 30 percent would go there between one and three times per month
- 15 percent would buy lunch there a few times a year

As a location to buy after-work groceries on way home:

- Almost 60 percent would buy groceries once a month or more
- 20 percent would buy groceries at least a few times per year

With nearly 75 percent of respondents indicating they would buy lunch at the Market once a month or more and nearly 60 percent indicating they would buy groceries at the Market once a month or more, clearly the concept of a Public Market is very appealing to Central City employees, provided that it is conveniently located.

A question about the location of the Public Market at the Skidmore Building (described as near the Saturday Market) found:

- 68 percent stated that this location positively influenced their decision to visit
- 19 percent stated that this location negatively influenced their decision to visit

Other feedback from the employee survey included:

- 44 percent would attend education programs such as cooking classes, 28 percent would not attend education programs, and 27 percent were undecided
- 70 percent felt that inexpensive parking and proximity to MAX were both important features
- 76 percent wanted evening hours of operation on weekdays, and 60 percent wanted evening hours on weekends

Estimate of Sales From Central City Workers

For lunchtime spending, a conservative sales estimate was made, based on the following:

- To estimate likely lunch spending at the Market, the Study focused on the 28,000 employees within a convenient walking distance or a couple of MAX stops of the Skidmore site. Based on responses to the survey, Central City workers would have lunch at the market 2.5 times per month (30 times per year) if convenient to their place of work. National and local survey data suggest that at least two-thirds of lunchtime food purchases are “take away” purchases, leading to an assumption that nearby workers would buy lunch from Public Market food vendors 20 times per year
- With a nearby employee population of 28,000 and expected lunch spending of \$7 per visit, estimated lunchtime sales from Public Market food vendors is \$3.92 million per year

For grocery spending after work, the following estimate was made:

- The closest 28,000 workers within a five minute walk or few MAX stops away will shop for groceries in the Central City about once per month.
- The Public Market would capture half of these sales at \$10 spent per work-based trip, leading to a sales estimate from nearby workers for groceries of approximately \$1.68 million per year

Tourist / Visitor Demand

Tourist spending is a key component of annual sales at many Public Markets around the country. In Portland, with approximately seven million visitors to the metropolitan region and an estimated \$440 million of visitor spending at restaurants and other eating and drinking establishments each year¹, even small capture rates suggest a potential for millions of dollars in sales at the Public Market. For purposes of this Study BAE conservatively assumes that 5 percent of sales will come from tourists, resulting in an estimate of \$0.97 million per year.

Total Potential Sales at Public Market Vendor Stalls

Based on the survey information plus a small tourist estimate, the total sales volumes per year at the Portland Public Market were conservatively estimated at \$19.295 million per year. If these sales occur at the relatively small spaces envisioned for the produce and other vendor stalls (totally 17,000 net square feet in space layout described in report), this would result in sales per square foot at the stalls of over \$1,000 per year².

¹ Portland Oregon Visitors Association.

² While this estimate may seem high, it compares to the higher end of the range for successful Public Markets. For example, Granville Market in Vancouver BC reports sales of over \$1,800 per square foot of vendor stall. It should be also noted that many small produce and other small space vendors, on a net basis, experience these sales volumes at typical farmers' markets.

Market Supply

Farmers Markets and Grocery Stores

Over the past nearly two decades, the Portland region has experienced dramatic growth in farmers markets. At present, 16 farmers markets operate throughout the region, with several operations holding multiple sales events each week. The largest and most popular of the farmers markets report that sales have increased substantially throughout the past five years, despite the proliferation of numerous newer, smaller markets or expansion to multiple events per week. A pattern of differentiation and specialization has also emerged, with several markets emphasizing (in addition to fresh produce and prepared goods) specialty crafts or plants and gardening items. These findings, while anecdotal, suggest that the demand for fresh produce, prepared foods, and the experience of shopping in the open-air weekend or weekday marketplace has reached a critical mass in Portland. The largest challenge facing the region's farmers markets is the seasonality of the agricultural output in Oregon. Several markets, to counter-act this factor, have experimented with winter or holiday events, featuring crafts, holiday wreaths, and prepared foods available as gift items.

The Immediate Market Area also contains a mix of six full service stores, one large discounter, one major specialty store, and numerous unique specialty retailers. The mix of stores includes two Safeway's, two Zupan's, a Fred Meyer, a Wild Oats, a Trader Joe's, and the new Whole Foods store just over a half mile from the subject site.

Vendor Interest

One of the primary challenges of creating the Portland Public Market will be to attract a strong, market-ready set of vendors from among the region's farmer producers and prepared food sellers. The expansion of vendors at the region's farmers markets indicates a healthy and growing sector of farmers willing to sell "retail", however, the feasibility of the Public Market will depend not only on demonstrable sales, but on a sufficient pool of vendors able to provide an array of fresh foods.

Vendor Survey

To test the interest from among regional farmer producers, this Study surveyed vendors and others contained on a mailing list maintained by the Portland Farmers Market. Approximately 325 surveys were mailed out, with 71 surveys returned, for a response rate of 22 percent. Respondents primarily produced fruits and vegetables (45 and 33 percent, respectively). The third most common item produced was prepared foods. Most of the producers sold at farmers markets between June and October, and almost half of the respondents also sold items at December farmers markets in the region.

Average daily sales volumes varied substantially among respondents. Just under 10 percent sold less than \$250 per day at the market, while 34 percent reported average sales of \$250 to \$500 per day. More than 12 percent reported average daily sales in excess of \$2,000, indicating very strong sales volumes at this type of outlet for some of the more established participating vendors.

Many of the respondents are selling their items through multiple distribution channels. While the average respondent reported about 43 percent of their total sales volume occurred at farmers markets, the average respondent also sold 15 percent of their total volume directly to food retailers (e.g., Pastaworks, People's Co-Op), and 15 percent of their volume to wholesalers.

Interest in Selling at Public Market

Survey findings included:

- Of the 64 respondents to the question of interest in selling at the Public Market, 27 stated that they would be very interested in selling at the Market, and another 17 stated that they would possibly be interested in selling there.
- This means that at least 44 vendors would consider opportunities offered to expand their sales at the Portland Public Market.
- Of those stating a preference for type of stall, 25 respondents were interested in permanent indoor stalls, an additional 7 selected day tables, and 16 preferred outdoor stalls
- Reasons for interest in selling at the Public Market included increased sales, increased visibility to new customers, and broadened market segments such as sales to restaurants.
- 9 vendors stated that they were unsure of their interest, and 11 respondents indicated that they were unlikely or definitely not interested in selling at the Public Market.
- Some of the interested respondents also may consider making or selling items other than those they currently produce, including 13 vendors who would consider initiating a line of prepared foods, and another 10 are interested in making hot food for sale on-site.

Other findings from the vendor survey included:

- 75 percent cited that they need assistance with advertising/marketing
- 44 percent cited staffing as a need
- Desired features at the Public Market included on-site ATM machine, food tastings, and a variety of offerings to complement their own merchandise. More than 80 percent of vendors also felt that on-site seating, on-site cold storage, on-site dry storage, and on-site food education were important. Other items mentioned as important included children's play area, parcel pick up area, and in one case, a dog-sitting area.
- Amenities ranked low (with half or more feeling that it was not very important) included upscale restaurant and craft merchants.
- Opinions about the offering of crafts at the Public Market were mixed. Just under half of the respondents with an opinion felt that only food-related crafts should be allowed, while an equal number thought that other high quality crafts should be permitted.
- Several interesting suggestions were made for the Public Market, including offering a pooled system for accepting credit card purchases, offering preferential parking spaces to donors or "best customers" of the Market, and creation of a variety of lease options to broaden days / weeks of commitment. In addition, one respondent mentioned the need to limit merchants re-selling others agricultural goods.

Site and Building Reuse Feasibility

Site Conditions

- The site is readily accessible for pedestrians. The MAX light rail stop in front of the building on First Avenue provides excellent access to transit.

- Delivery and customer vehicle access is more complex and a critical constraint. Existing access is from the west on the single lane, one-way Ankeny Street. There are currently no curb cuts from the site onto Naito Parkway. Visibility and accessibility for customer vehicles is complicated by street geometry in the area, the MAX tracks on First Avenue, and other impediments.
- Customer parking solutions will be the subject of further study during the Burnside Ankeny Plaza area planning process to be completed during summer 2005.
- Truck access for loading and unloading will need to be from Naito Parkway, preferably on the north side of the Skidmore Fountain Building adjacent to the Burnside Bridge. Based on discussions with the Portland Department of Transportation, it appears likely that the median in Naito Parkway can be reconfigured to allow large trucks to back into this service zone. Smaller trucks of the type common to Public Markets could also use the area under the Burnside Bridge.

Building Conditions

The Skidmore Fountain building was toured, visually inspected, and reviewed for “fatal flaws” regarding reuse as a Public Market. The team did not identify any fatal flaws in the concept. Specific items and conditions are summarized below:

- The Skidmore Fountain Building is an un-reinforced masonry building (UMB) with wood floors. A mid-1980’s upgrade provided some basic seismic strengthening and added a mezzanine level and penthouse above the existing roof level. Likely elements need to further strengthen the building seismically including adding plywood to existing floor and roof diaphragms, connecting the walls to the floors via wall ties, adding diaphragm chord reinforcement via a continuous strap at the perimeter, strapping across the existing girders at the column lines, bracing all parapets, adding vertical lateral force-resisting systems, upgrading foundations, and reinforcing masonry walls on the upper floors.
- Seismic upgrade costs for these types of buildings are in the range of \$17 to \$22 per square foot. If there are adjacent new additions to the building, seismic costs may be reduced to \$15 to \$18 per square foot.
- The exterior appears in generally good condition with few signs of weathering. Most of the exterior brick needs to be re-pointed and cleaned up. The windows are in fair to poor condition, and based on subsequent evaluation by a window restoration contractor may need replacement or refurbishment. The roof is in poor condition with many patches in an attempt to stop leaks.
- Interior brick walls appear to be in good condition, with no known lead-based paint, asbestos, or other hazardous materials. The current atrium opening does not meet life safety requirements. Existing tenant improvements for both retail and office are not code-compliant, and require demolition and replacement / upgrading. None of the current ceilings in the upper floor offices appear to meet current seismic bracing requirements. Bathrooms do not meet Americans with Disabilities Act (ADA) requirements.
- The building appears to be fully covered by fire protection sprinklers, however not all areas were available to inspection. Some existing tenant improvements do not comply with coverage requirements. There does not appear to be on-site water storage, and this may be required for expanded use of the facility.
- The existing HVAC equipment is nearly 20 years old and will require replacement as part of an expansion.
- The main electrical service to the building will require upgrading for an expansion, particularly if a full-service restaurant is added.

Conclusions

- The extent and value of the of improvements needed to place a Public Market in the building will trigger code requirements for the Skidmore Fountain Building to be brought up to current building code requirements, including those for seismic performance.
- The existing mezzanine level should be removed. This will improve ceiling heights, and facilitate restoration of the original building atrium, as well as new uses that require extensive ducting, such as restaurants.

Formulation of Public Market Development Options

The market feasibility work and building condition assessment were used to formulate an independent evaluation and refinement of options for a Portland Public Market, including vendor mix, three alternative facility development schemes, and a business plan with recommended funding and organizational strategies. These option were also used to assess how a Public Market can contribute to the revitalization of the surrounding Ankeny Plaza / Burnside area and Old Town area and serve as the anchor of a larger Market District.

Comparison of Options

A total of three options for the Public Market were developed in the Study to reflect different design concepts for a site located on the block occupied by the Skidmore Fountain Building in the Old Town area. One of these concepts also includes sit-down restaurants in an additional mezzanine-level structure open to the Market below. The key characteristics of the facilities, projected operating results, and total development costs and funding needs are:

Portland Public Market - Comparison of Key Project Characteristics

	Option A: Multi-Level in Historic Building	Option B: Single Level With Added Market Halls	Option B-1: Option B With Added Restaurants
Vendor Area Indoors - Sq. Ft. Net of Circulation, Non-Sales	13,693	14,000	13,350
Vendor Area Outdoors - Sq. Ft. Net of Circulation, Non-Sale	2,500	2,500	2,500
Sit-Down Mezzanine Level Restaurants - Sq. Ft. Net of Circ	0	0	6,800
Total Building Area - Sq. Ft., All Functions	29,366	30,328	37,228
Stabilized Annual Operating Revenues	\$1,156,470	\$1,184,010	\$1,292,886
Stabilized Annual Operating Expenses	\$966,418	\$966,418	\$966,418
Stabilized Annual Net Operating Income	\$190,052	\$217,592	\$326,468
Total Development Cost - Through Start-Up	\$13,708,632	\$13,902,623	\$15,558,981
Funding Requirement - Unidentified Sources	\$8,353,489	\$8,547,480	\$10,471,934

Sources: BAE, 2006.

More information on these options and operating assumptions are described below and analyzed in detail in the Study.

Development Strategy

Development Program and Vendor Mix

The work done in this Study established that the minimum critical mass for a Portland Public Market is likely in the range of approximately 25 food vendors occupying at least 25,000 square feet of market space, including space for a demonstration kitchen, educational programs, seating, and storage and other support activities. An Outdoor area for up to 25 daily vendors is also an important component of the Market. Analysis of the block containing the Skidmore Fountain Building showed that the largest market accommodating all these activities would fit no more than approximately 30 food vendors. Therefore, for the purposes of this Study, it was decided to model a slightly larger facility.

This resulted in a conceptual vendor mix for approximately 30 food vendors, along with eight small vendors of sustainable lifestyle goods and food-related merchandise, occupying approximately 14,000 square feet of stall space. Other Public Market activities, circulation, and support facilities result in a building of approximately 30,000 square feet. Approximately 6,000 square feet of outdoor area in Ankeny Plaza would be used for daily vendors as well as seating for Market visitors during eight months of the year. This size puts the Market near the middle range of U.S. public markets, based on data made available by USDA, as shown in Table 1 in the Study. The projected vendor mix is as follows:

Portland Public Market - Conceptual Vendor Mix		
	Number of Stalls	Total Area Useable sf
Green Grocer - permanent	4	2,400
Green Grocer - indoor day tables	varies	800
Flower, Plants	2	240
Butchers, Meat, Seafood	4	2,400
Bakers	3	2,400
Specialty Food	10	1,200
Prepared Food	7	3,500
Sustainable / Non-Food Items	8	960
Totals	38	13,900
Outdoor Day Vendor Stalls	25	2,500

Sources: Project for Public Spaces; BAE, 2006.

Site Planning and Site Options

While the Skidmore Fountain Building and adjacent lots are feasible for reuse for the Portland Public Market, it is a challenging site with significant constraints. A range of development concepts were evaluated, and were distilled into three concepts, one that uses the existing Building and adjacent lots that are being transferred to PDC, and two others that add in the adjacent Naito lot through a purchase from its owners:

- Facility Option A: Multi-Level Market with Added North Market Hall.** This option uses the basement, first, and second levels of the Skidmore Fountain Building, as well as the lot on the Building's north side between it and the Burnside Bridge, for vendor stalls and support activities (the existing mezzanine or second level is demolished so that the ceiling height on the first level is approximately 16 feet, and the existing atrium is extended into the basement). A two-story glass and steel pavilion structure would be attached to the Building on the lot between it and the Burnside Bridge in order to expand the first and second floor areas (a new "North Market Hall").
- Facility Option B: Single-Level Market with Added North and East Market Halls.** This option adds the purchase of the Naito lot and development on it of an additional one-story glass and steel pavilion structure (the new "East Market Hall"). The North Market Hall is also built, but is a one-story glass and steel pavilion structure in this option. Both halls are used for vendor stalls, along with the first floor of the Skidmore Fountain Building (the existing mezzanine or second level is also demolished in this alternative, and the existing atrium is extended into the basement). The basement of the Building

would be used for support activities, including the demonstration kitchen, classrooms, and other support functions.

- **Facility Option B-1: Single-Level Market with Added North and East Market Halls and Second-Level Atrium Restaurants.** This option is the same as Option B, with the addition of a second level mezzanine-level structure that is atop the East Market Hall and open to the Public Market below. This addition would allow two signature restaurants of 2,000 square feet each with an additional 1,000 square feet each of back of house space. Each restaurant would also have an approximately 400 square foot lounge on the ground level of the Market (created by reducing the vendor sales area) to accommodate a lounge and host station. This option has been added to allow evaluation of the potential benefits of how a restaurant featuring local, high quality foods and featuring Pacific Northwest cuisine might attract shoppers to the Market, enhance its identity, and create additional business for Market vendors. The feasibility of structuring a lease deal so that the restauranteur finances all interior tenant improvements and furniture, fixtures, and equipment is also evaluated.

All of the options also include approximately 2,500 square feet of outdoor daily vendor space, for approximately 25 vendors, along with approximately 2,000 square feet of outdoor seating for Public Market customers. This are would be used approximately eight months per year, with little use outside the growing season.

Conceptual site plans, building sections, and floorplans for the alternatives are presented in the Study.

Parking is not included in this analysis, as Public Market parking is expected to be included in a parking strategy for the Ankeny/Burnside area that is being developed by PDC.

Condominium / Mixed Use Alternatives

Development of the Public Market in the lower floors of the Skidmore Fountain Building leaves the upper floors available for other uses in another development project. By placing a condominium map on the Building, as well as potential new development in mixed use projects, different ownership interests can be created for the area occupied by the Public Market and other uses. This would support a range of ownership arrangements, including ownership or long-term lease by the Public Market of the space it occupies, either through an arrangement with a developer for the building or directly with PDC.

The most viable near-term uses for the upper floors of the Skidmore Fountain Building are likely to be for-sale residential or office condominiums. Options B/B-1 envisions a single-story new Public Market structure on the adjacent Naito lot, however the lot is well suited to the development of a mixed-use project that could have the Public Market as a ground floor tenant under a condominium arrangement.

Development Cost

Detailed development cost estimates were prepared for each facility option, as shown in Tables 4, 5A, and 5B in the Study. These estimates include a pro-rated share of the existing \$3.5 million indebtedness on the Skidmore Fountain Building, based on the area occupied by the Public Market. The cost estimate for Options B/B-1 includes an estimated \$1.5 million to purchase the Naito lot. Seismic costs for the entire Skidmore Fountain Building were also pro-rated based on the area occupied by the Public Market. Development costs include, as shown in Tables 11 and 12 in the Study, approximately \$435,000 business development, fundraising, or personnel costs incurred prior to the Market's opening. They also include approximately \$87,000 to \$620,000 in additional subsidies or short-term loans that would be required to offset operating losses in the Market's initial years until stabilized break-even operations are reached.

Financial Feasibility Analysis

A detailed cash flow model was prepared to evaluate the financial feasibility of the proposed Public Market operation. The model includes a series of adjusted assumptions regarding revenues and operating expenses that are based on the market potential identified in this Study, as well as the operating experience of other public markets as researched by Project for Public Spaces.

Permanent and day table vendors are projected to pay a percentage of gross sales as rent, ranging from approximately seven to 10 percent. They are also projected to pay a pro-rata share of Public Market operating expenses approximately equal to \$13 per square foot per year. Outdoor daily vendors are projected to pay on average \$40 per stall per day (with rates higher at peak periods and lower at off-times), with an approximately \$5 surcharge to reimburse operating expenses. Based on interviews with retail real estate brokers, as summarized in Appendix I, restaurants in Option B-1 are assumed to generate lease revenue of \$18 per square foot per year, triple-net (tenant pays all maintenance, taxes, and operating expenses). All options assume approximately \$26,000 per year in revenue from rental of the Market for after-hours special events, and rental of the demonstration kitchen and classrooms for culinary classes hosted by other (cooking, nutrition, and other programs arranged by the Market are assumed to generate no facility rental revenues).

Operating expenses include 10 full-time equivalent (FTE) positions to operate the Public Market, including a General Manager and Assistant Manager, bookkeeper, floor staff for day tables, security, maintenance, and janitorial. Utility costs have been increased to reflect the recent spike in energy prices. A marketing program is included. Reserves for replacement are also included to generate funds to pay for ongoing capital repairs necessitated by the heavy wear and tear on market facilities.

Results from Operations

The projected operating results, for a projected Public Market (Options A or B) opening in 2009, are as follows (these figures reflect an assumed three percent annual inflation rate in revenues and expenses):

Portland Public Market Cash Flow Projection - With Typical Vendor Mix					
Operating Results (a)	Year				
	2009	2010	2011	2012	2013
Total Revenues	\$635,296	\$804,912	\$984,134	\$1,156,470	\$1,208,585
Total Expenses	\$884,410	\$910,942	\$938,270	\$966,418	\$995,411
Net Operating Income (NOI)	(\$249,113)	(\$106,030)	\$45,864	\$190,052	\$213,175
Cumulative NOI	(\$249,113)	(\$355,143)	(\$309,279)	(\$119,227)	\$93,947

Source: BAE, 2006.

Option B-1 with restaurants above the East Market Hall, would generate substantially higher Net Operating Income because the additional construction cost is assumed to be financed through grants or other sources that do not require the Market to carry debt (see the discussion in the following section on financing). This means that restaurant rents, while modest, are directly added to Net Operating Income, as shown below:

Portland Public Market Cash Flow Projection - Typical Vendor Mix + Restaurants

Operating Results (a)	Year				
	2009	2010	2011	2012	2013
Total Revenues	\$768,926	\$939,379	\$1,119,367	\$1,292,886	\$1,348,589
Total Expenses	\$884,410	\$910,942	\$938,270	\$966,418	\$995,411
Net Operating Income (NOI)	(\$115,484)	\$28,437	\$181,097	\$326,468	\$353,178
Cumulative NOI	(\$115,484)	(\$87,047)	\$94,050	\$420,518	\$773,696

Source: BAE, 2006.

Lower Cost and Food Discount Alternatives

An alternative vendor mix to serve households of all income levels and address food security issues could include a range of fresh food and meat vendors selling goods at various quality grades and price points, and ethnic “street-style” prepared food items. Attention must be paid to vendor locations to ensure that lower-cost vendors are not clustered in one area of the market. Vendors of high quality items can also be encouraged to include some lower price point items to attract a broader range of shoppers to their stalls. Another alternative is to establish a program that would provide additional food discounts to eligible low-income households. The projected operating results for this alternative show that by Year 4 it would achieve break-even stabilized operations, with an annual Net Operating Income of approximately \$96,000 per year. The cumulative operating deficit by the end of the fifth year of operations would be approximately \$315,000.

Another alternative is having Market vendors accept the Oregon Trail Card, an electronic point-of-sale system that allows use of food stamps, and possibly providing eligible households an additional discount. This is an excellent program for attracting lower-income households, and has been demonstrated by the Portland Farmers Market. Public market vendors are small-scale entrepreneurs with a strong preference for running cash-based businesses, and it will require some effort for the Market to gain vendor acceptance of such a program.

Financing

A full range of financing options were evaluated for this Study, including a private fundraising campaign, sponsorships, private investment, New Market Tax Credits, federal funding, and other types of potential public support. The goal of the analysis is to reduce financial risk for the Public Market by not burdening it with debt or a need to repay private investors. The following amounts, are identified in the table at left are potentially available through the opening of the Public Market under Options A or B, based on an analysis of the likely availability and feasibility of these sources.

Portland Public Market - Conceptual Sources of Funds, Through Opening

Sources of Funds	
Capital Campaign by Public Market	\$4,000,000
Federal Funding To Be Obtained	1,000,000
Repayment of Bridge Loan from Earnings	355,143
Identified Sources	\$5,355,143
Other Sources - To Be Identified	8,353,489
Total Sources Needed	\$13,708,632

Source: BAE, 2006.

The analysis indicates that beyond the identified sources that are believed likely to

be available, there remains a shortfall of approximately \$8.4 million that will need to be covered from sources that are yet to be determined.

An alternative was modeled using New Markets Tax Credit Derived Financing. This could generate approximately \$4 million in additional funding in the form of below-market interest rate interest-only debt. However, this debt would need to eventually be repaid, and combined with bridge financing needs would create a significant debt burden that creates a high level of risk for the Market, as discussed in the Study.

Option B-1 Restaurants

Interviews were conducted with the types of restauranters that might be interested in a Public Market location. These are summarized in Appendix I.

The results indicated significant interest and appreciation of the benefits of locating in the Public Market, conditioned upon the specific space, Market operation, and lease structure. However, a smaller proportion expressed interest in an mezzanine-level location open to the Market, based on concerns about less access to foot traffic, general aversion to second floor locations, and concerns about the impact of Market operations. This suggests that restaurants above the East Market Hall are considerably riskier than restaurant locations that would be on the ground floor level of the Public Market.

Portland Public Market - Conceptual Sources & Uses of Funds, Option B-1, Single Level Market w/Restaurants, Through Opening	
Sources of Funds	
Projected Sources	
Capital Campaign by Public Market	\$4,000,000
Federal Funding to be Obtained	1,000,000
Repayment of Bridge Loan from Earnings	87,047
Identified Sources	\$5,087,047
Other Sources - To Be Identified	\$10,559,409
Total Sources Needed	\$15,646,456

Source: BAE, 2006.

A similar analysis of required funding for Option B-1, with restaurants in additional mezzanine-level space above the East Market Hall that is open to the Market below, was also conducted. This results in a need for approximately \$2 million in additional funding to cover the extra cost of construction for the mezzanine-level structure to house the restaurants. The total funding need is somewhat reduced by the greater net income generated by Option B-1, resulting in a lesser need for bridge financing to cover operating deficits during the start-up period.

A financial feasibility analysis of Option B-1, as measured by its ability to amortize improvement costs (even after restauranters fully finance all tenant improvement work and fixtures, furnishings, and equipment) was conducted. The analysis looked at development costs, revenues, ability to cover debt service using a standard real estate financing structure, and potential returns to equity investors.

As shown in the table on the next page, the relatively low lease rates that can be realized under the proposed deal structure (no tenant improvement allowance as all tenant improvement and furniture, fixtures, and equipment costs are borne by the restaurateur) makes the addition of the mezzanine-level structure financially infeasible, i.e. the cost to develop the core and shell exceeds the lease revenues that can be generated.

This raises a policy question as to the potential appropriateness of potentially providing public financing

Option B-1 Restaurants Proforma

Development Costs	
Site / Air Rights Acquisition Cost	\$0
Hard Construction Cost	\$1,276,500
Total Soft & Financing Costs	\$740,881
Total Development Cost	<u>\$2,017,381</u>
Project Cash Flow & Residual Value	
Annual Rental Revenues	\$124,200
Less Operating Expenses at 5%	(6,210)
Annual Net Operating Income	\$117,990
Less Annual Debt Service (g)	(124,344)
Annual Cash Flow	(\$6,354)
Value at 8.0% Capitalization Rate	\$1,474,875
Less Development Cost	(2,017,381)
Net Residual Value	<u>(\$542,506)</u>

Sources: Sources: BAE, 2006.

for a use that is not feasible and that does not generate the same level of public benefit as other Public Market uses and activities. Potential alternatives include: (1) requiring the Public Market to fund construction of the mezzanine-level structure from private sources; or (2) shift the risks of developing the mezzanine-level restaurant structure onto a developer of a mixed-use project other than the Public Market.

While shifting risk to another developer may results in restaurants that are built adjacent to or across the street from the Market, many of the identified benefits, including generating synergy with the Market and creating an increased base of business for Market vendors, could still be realized.

Organizational Strategy

The analysis in the Study show that the most significant risk factor for the Public Market is Start-Up Risk. The non-profit manager of the Public Market must develop substantial capabilities in the fields of real estate development and leasing, fundraising, marketing and promotion, retail merchandising, facility operations, and property and financial management, among others. Two organizational strategies were identified for this Study.

The first option is based on the Historic Portland Public Market Foundation (PPM) non-profit, if it is to become the Public Market Manager. PPM would need to undertake substantial organizational development that would encompass include an evolution in its Board membership to support a capital campaign and ongoing operations, hiring staff with successful previous public market development and management experience, and creating an organizational culture that integrates a commitment to food sustainability with a bottom-line focus on operating results. PDC would need to enter into an agreement with PPM with performance standards, milestones, and rights of approval.

The second option would involve PPM continuing its focus on advocacy, community involvement, and fundraising, with a new operations oriented non-profit to be formed for the sole purpose of developing and operating the Public Market. An agreement between PPM and the new operating entity would address define roles and responsibilities.

Merchandising

This Study highlights the need for an experienced Public Market General Manager who can vary the vendor mix and merchandise offerings on a daily basis. This is particularly important to strike an appropriate and successful balance between the Market’s distinct and potentially conflicting goals:

- Showcasing high-quality foodstuffs, providing new markets for local food producers, and encouraging shoppers to incorporate sustainable principles into their lifestyles; and
- Providing on a daily basis year-around the full range of goods shoppers want, including imports from

outside the local foodshed, so shoppers can always get all items needed for complete meals.

Based on an assessment of other food shopping choices in the region, the Public Market's greatest competitive advantage may be in fresh local produce, and local seafood caught or farmed in Oregon waters. The Public Market should strive to be the best location in town to shop for these two categories.

Educational Programs and Partnerships

The Public Market has the potential to forge a number of partnerships with other organizations devoted to sustainability, food policy and food security, agricultural preservation, small family farms, economic development, and healthy living. The educational programs and partnerships that would be made possible by these organizations are an essential part of the public character of the Public Market and its focus on sustainability. The Study contains an inventory of potential partners and identifies the functions they could benefit, including funding, technical assistance, marketing, education, and events.

Recommendations

This Study provides a series of recommendations to make the public market a unique and special place for food retailing and sustainable lifestyles. These include:

- Refine the concept to brand it as The Portland Public Market, or equivalent unique retailing concept that is sustainable and reinforces Portland's leadership in sustainable development.
- Create a strong tenant mix that includes established specialty food retailers along with producers seeking a new business venture or growth opportunity.
- Use the Ankeny Plaza/Burnside planning process to position the Public Market as a catalytic centerpiece for revitalization, creating a Market District with multiple food-related uses.
- Have PDC take the lead initiating the Public Market's economic development components, in partnership with other organizations, to assist new businesses become permanent vendors.
- Balance marketing and promotion of the Public Market as a tourist destination with management controls to ensure that it does not eventually become a predominantly tourist-oriented facility.
- Open the Public Market to capitalize on the first phase of new market-rate residential development in the Ankeny Plaza area, but also support a range of affordable and workforce housing, including artists housing, to preserve diversity in Public Market shoppers and how vendors merchandise.

Next Steps

The project timeline shown in the Study identifies a series of actions that should occur over the next few months in order to meet a target opening date of early 2009 for the Public Market:

- If the City is to provide significant financial or other support to the Market, then PDC needs to enter into an agreement with the future non-profit Market manager governing how the Market will be developed and operated to maximize public benefits and minimize risk to the public investment.
- The City and Market manager need to determine the best strategy for development of the Public Market facility, including whether to pursue a turn-key arrangement involving an experienced developer of mixed-use projects, or another approach to provide necessary real estate development expertise.

- A final decision on a site should be made, and acquisition must proceed for that site, including any adjacent parcels that are needed for the project.
- The future Market manager needs to recruit its General Manager and develop its organization in order to obtain start-up funding, and begin detailed business planning for its fundraising (including a fundraising feasibility study) the future Market operation.
- A design team that blends local knowledge with public market expertise should be assembled to work with the Market operator to prepare schematic designs and design development drawings and a refined cost estimate.

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Introduction

Purpose of the Study

This report represents the results of a Feasibility Study for the proposed Portland Public Market. This Study was commissioned by the Portland Development Commission (PDC), and funded in part by the U.S. Dept. of Agriculture.

The Feasibility Study assesses the market support and financial feasibility of the Market concept, and focuses on development of the concept in the Skidmore Fountain Building, a historic structure adjacent to Ankeny Plaza in Old Town Portland. This Study builds upon and refines the Market concept, provides a recommended vendor mix, proposes three alternative development schemes, and presents a business plan with recommended funding and organizational strategies.

The Study focuses on the following key questions:

- Will the Portland region generate sufficient customer demand, and potential vendor interest to support a Public Market with a range of fresh, high-quality, locally-produced food?
- Can the Market achieve long-term viability and operate on a break-even basis without ongoing public subsidy?
- Does the Skidmore Fountain Building, which requires substantial rehabilitation, offer the opportunity to develop a feasible and functional Market? Will locating the Market in this building stimulate neighborhood revitalization?
- How large should the Public Market be, and what will be the likely development and operating costs, and the potential up-front public investment that is needed for its establishment?
- What additional adjacent properties may be needed for the Public Market, and what development issues will have to be addressed to create a successful project?

Study Approach

A consultant team experienced in public markets and led by Bay Area Economics (BAE), with support from the Project for Public Spaces, and the Portland firms of GBD Architects and Shiels Obletz Johnsen, was retained by PDC to prepare an independent Feasibility Study for a potential Portland Public Market that applies knowledge gained from other successful public markets in the U.S. and Canada. Because a Portland Public Market could potentially require substantial public support to become a reality, PDC sought to determine the extent of its economic viability, as well as the core activities and functions that are needed to establish a successful Market. The consultant team has completed the following work for this Study:

- Conducted original survey research of potential Public Market customers and vendors.
- Performed market research to estimate potential demand and competitive supply, and market support.
- Interviewed a broad range of stakeholders to identify potential programs and partnerships.
- Conducted an initial architectural assessment of the Skidmore Fountain Building, its potential reuse, and related issues.

- Formulated three development concepts, including one with sit-down restaurants, and estimated development cost, potential for phasing, expansion possibilities, circulation/layout, and opportunities for inclusion in a mixed-use development.
- Convened a national “Expert Panel” to review findings and discuss issues related to successful public market start-up and operations in Portland.
- Responded to questions raised by preliminary research, the Expert Panel, and ongoing input from PDC staff and Advisory Committee. These questions include refined definition of “public” and private components of the Market, methods to attract customers and vendors focused on sustainable agriculture and retailing, and ways to create a vendor mix that offers foodstuffs for all income groups.
- Identified sources and uses of funding to start the Market and fund building renovation and improvements.
- Analyzed operating revenues and expenses over time and prepare a cash flow model for the start up and first several years operation of the Market.
- Evaluated alternative organizational strategies for the entity that would develop the Market, as a recipient of potential public support, as well as potential partnership opportunities.
- Provided detailed recommendations and identified next steps to implement the Market.

Assumptions and Limiting Conditions

The following assumptions and limiting conditions apply to this report:

- This Study was prepared under contract to PDC managed by PDC staff. PDC established an Advisory Committee to provide additional perspectives and recommendations that capture differing views of the best approach to developing a public market in Portland. The consultant team’s charge from PDC was to start with a “clean sheet” and independently and factually evaluate a full range of options, including those identified by PPM, given PDC’s goals, time and budget constraints, and the early stage of the development of the Market concept.
- The consultant team evaluated a specific building and location - the Skidmore Fountain Building – at the direction of PDC. There may be other locations and existing buildings in the Old Town area and elsewhere in Portland with favorable characteristics for a similar concept, but these other locations were not evaluated for this Study.
- PDC’s direction to the consultant team including formulation of the best approach to developing a public market that requires the lowest possible level of final contributions from the City, while generating maximum benefits for the Downtown/Waterfront Urban Renewal Area (URA) and the City.
- The Study did not include testing of marketing themes or detailed business plan elements, such as potential naming of the Public Market after James Beard (nor did it include testing of alternative names or themes for potential sponsor or shopper interest); incorporation of specific vendors or restaurateurs or their concepts; recommendations for a future capital campaign or assessment of its feasibility; or potential future expansion of the Public Market beyond the block containing the Skidmore Fountain Building.
- During the course of this Study, several other food selling concepts and organizations have evolved and promoted ideas for specific markets in the Ankeny Plaza area. This report did not seek to evaluate or coordinate with these other concepts, at the direction of PDC. However, it should be

noted that PDC has commissioned two separate studies which commenced as this Study was in process: a development strategy for the Ankeny Plaza/Burnside area, and an evaluation of potential future locations for the Saturday Market.

- The Public Market is considered as a potential catalyst project to revitalize the larger Ankeny Plaza/Burnside neighborhood as a portion of the Downtown/Waterfront URA. To coordinate and maximize synergies for these parallel efforts, the concept of creating a “Market District” throughout the area is being explored by a separate consultant team, and is not addressed in detail in this Study.
- During the course of the BAE consultant team’s work for PDC, numerous questions and issues arose related to the Market’s mission and operating principles, its future outlook vis-à-vis specialty grocery store evolution, and the exact nature of its vendor mix. These are complex issues to resolve at this conceptual stage of development, particularly since the actual development and operations team have not been established. The consultant team has made every effort to provide its collective best professional judgment and recommend realistic, implementable concepts and actions.
- As with every new retail venture, there is substantial risk associated with the development and operations of the Market. Potential risks include general business cycles, market demand, financing, timing, and management/operator risks.
- This report seeks to provide sufficient information to identify key actions to ensure the Market’s success in Portland, however the specific actions that should be taken and their timing should be expected to evolve based on external economic considerations as well as the evolution of the concepts for the Market’s development, vendor mix, and operations.

Report Contents

The following sections of this report describes public markets and their history in Portland, analyzes potential customers and vendors, and estimates supportable market demand in terms of sales. The report then summarizes an architectural assessment of the building and site. The report continues with an overview of a refined positioning and branding concept for the Portland Public Market. Next, the report describes the development strategy, including three options, each of which has advantages and disadvantages given the site and building configuration. The report then analyzes the estimated development and operating costs of each option, including allowances for increasing the affordability of Market goods for households facing food security challenges. The report then summarizes sources of funding to start and construct the Market. Organizational strategy issues are addressed along with a profile of the array of potential partner organizations that will help shape the Market’s education, outreach, and economic development programs. The report concludes with a series of recommended next steps to implement the Portland Public Market.

Portland Public Market Background

What is a Public Market?

In the tradition of personal selling in the public realm, a public market is a retail place where vendors gather to sell fresh food from stalls, and consumers are attracted by the wide variety of locally-produced food items. Public market operations and settings vary widely, including indoor and outdoor public spaces, permanent and temporary stalls, and various combinations of retailers and restaurants. The Project for Public Spaces (PPS), a non-profit organization involved in supporting the creation of public markets and high quality public spaces throughout the U.S., has identified three characteristics that distinguish public markets from other types of retail activity:

1. *Public markets have public goals.* These can include helping preserve local agriculture, revitalization of a commercial district, and increasing small business opportunities.
2. *Public markets create public spaces.* They help create a safe, inviting, and lively place that promotes interaction and community activities among a wide range of people.
3. *Public markets contain locally owned, independent businesses.* Vendor stalls that are locally owned offer unique choices that are simply not available in more standard retail settings.

This Study focuses on a “market hall” type of public market with a permanent indoor facility containing a variety of differently-sized vendor stalls for permanent vendors, as well as temporary “day tables.” Support facilities would include dry and cold storage, as well as demonstration kitchens and areas for classes and educational programs. This type of public market typically has at least two-thirds of its stalls’ square footage selling fresh foods and produce, with a focus on locally-grown products. The remaining area is occupied by stalls offering prepared and specialty foods, also with a local focus, as well as hot foods and meals prepared on-site.

Public markets are distinct from farmers’ market in several key ways. Public markets are permanent, operating six or seven days per week year around, and have numerous stalls operated by both farmers / growers and other retailers selling locally-made products and food items, resulting in a wide selection of merchandise. If tenanted properly, a public market will offer ample fresh food items to prepare full course meals year-round and serve as a primary grocery store for some consumers (including seasonal and non-seasonal produce, fresh meat/fish, seasonings, prepared sauces, herbs, and sufficient dry goods to supply the weekly needs of a household). In contrast, farmers’ markets operate more seasonally in temporary facilities, and typically only for one or two days per week during the growing season. Farmers markets tend to offer a variable range of foodstuffs each week, depending on what is seasonally growing at that time; thus, shopping for a household’s entire weekly food needs at a farmers market is usually difficult to consistently achieve. Farmers markets also have a higher proportion of actual farmers personally staffing their booths and selling directly to consumers. Public markets can be complementary to farmers markets; the experience of other cities suggests that Portland can expect that having both of these types of markets will expand the overall demand for fresh, locally grown and prepared foods, allowing both types of markets to thrive.

The Portland Public Market Vision

Portland Public Market, Inc. (PPM), is a non-profit that has advocated for the creation of a public market over the last five years. Its activities have included extensive work by Board and community members to formulate concepts and prepare plans and studies, as well as secure funding via grants from Housing and Urban Development and U.S. Department of Agriculture (the latter provided partial funding for this Feasibility Study). PPM has entered into an agreement with the James Beard Foundation to name the market after the renowned chef, a native Oregonian, as well as to receive financial support from it. PPM's non-profit entity, the Historic Portland Public Market Foundation, seeks to generate funds from private donors for development of the future market.

The vision of PPM is to reconnect Portland, with its long history of public markets dating back to the City's early days, with a modern, year-around public market. A range of concepts have been identified for a new Portland Public Market, including the following:

- Establish a showplace that increases the visibility in the region of local agriculture and specialty food makers;
- Enhance the viability of local agriculture by providing ways for farmers to expand their offerings and customer base;
- Improve access to high-quality affordable local fresh foods for households of all income ranges;
- Provide classes and other education programs to improve nutrition and consumer support of local agriculture by increased knowledge of how to prepare meals using affordable and local fresh foods;
- Create new small business opportunities for makers and sellers of specialty and prepared food items;
- Promote revitalization of the Old Town area through a catalytic development of the Public Market that attracts retail and other diverse, mixed-use development;
- Provide an amenity to support increased residential population in the Downtown Waterfront area;
- Formulate a development and business plan that ensures the Public Market's long-term self-sufficiency without ongoing public investment; and
- Secure the future of the historic Skidmore Fountain building through renovation and establishment of new uses that generate sufficient revenues to ensure its long-term preservation.

More information about PPM and its work can be found at its website, www.portlandpublicmarket.com.

Downtown Waterfront Revitalization

PDC is actively engaged in revitalization of the area around Ankeny Plaza and throughout its Downtown Waterfront Urban Renewal Area (URA). A Portland Public Market at the Skidmore Fountain Building would be consistent with URA goals and other revitalization activities because it would activate the surrounding street area with retail uses that would draw shoppers, and create "eyes on the street" to discourage inappropriate activities in the area under the Burnside Bridge, thereby addressing public concerns about safety.

Recent URA activities include the creation of a "Downtown Waterfront Development Opportunities Project" study that recommends a revitalization strategy to construct over 2,000 new residential units, including substantial amounts of new affordable housing. This new residential development will create

substantial additional demand for public market vendors, and the presence of a public market, restaurants, and related retail will provide an important amenity for the new residential community.

A public market at the Skidmore Fountain Building, and redevelopment of the former Fire Station 1 on the other side of Ankeny Plaza, are identified as important first step activities. Fire Station 1 is envisioned as a potential new mixed-use development with over 160 residential units. It should be noted that the proximity of Fire Station 1 to the Skidmore Fountain Building may create opportunities for joint use parking facilities shared with a public market.

Other Downtown Waterfront URA goals that support the revitalizing the area and attracting a wide range of users include developing Waterfront Park as a major public open space; developing a high density retail / office core area; promoting preservation of historic buildings and districts (Portland has the second largest collections of historic cast iron buildings in the U.S.); maintaining existing affordable housing while also encouraging new mixed-income housing; and ensuring sufficient transportation facilities to maintain accessibility and accommodate growth.

The following page shows the Skidmore Fountain Building location, and the proximity to other Old Town, waterfront, and central Portland locations.

Customer Market Analysis

The success of the Portland Public Market will depend on attracting several key market segments to the facility on a continuous basis. The three key market segments – local area residents, downtown employees, and Portland area visitors – together will create the synergy and sales to support the vendors and permanent retailers.

Each of these market segments has different consumer characteristics in terms of fresh and prepared food spending, and each draws from a different geographic area. This chapter provides an overview of demographic trends for the Portland region, and then focuses on each key market segment, including a summary of primary survey research conducted for this report. The chapter concludes with an estimate of potential spending and sales capture from each key market segment.

Market Area Definitions

For purposes of demographic trends and local resident survey research, this Study defines two primary market areas. The “Immediate Market Area” is the area surrounding the Skidmore building up to a two-mile radius. For residents living in this two-mile ring, the future Public Market can become a frequent destination for weekly primary or secondary shopping needs, similar to a typical grocery store.

In addition, this Study examines a “Local Market Area,” defined as a three-mile ring surrounding the site. The Public Market can also serve as a frequent grocery attraction for shoppers in this market area, but would likely compete heavily with other grocery shopping options closer to home, such as traditional grocery stores and farmers’ markets.

A map showing both the “Immediate Market Area” and the “Local Market Area” is included on the following page.

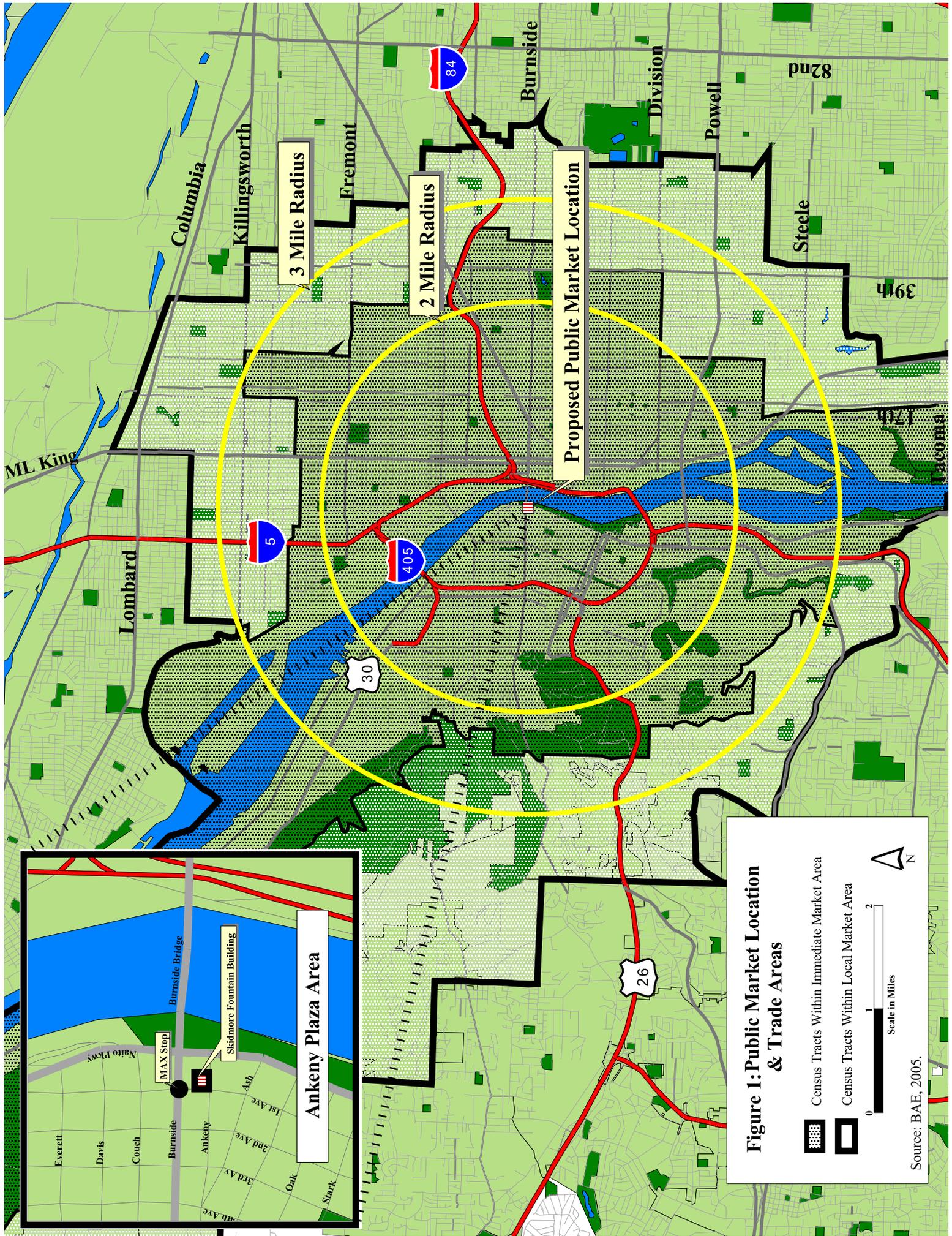


Figure 1: Public Market Location & Trade Areas

-  Census Tracts Within Immediate Market Area
 -  Census Tracts Within Local Market Area
- Scale in Miles
- 0 1 2
- N

Source: BAE, 2005.

Ankeny Plaza Area

- MAX Stop
- Skidmore Fountain Building

Burnside Bridge

Nato Pkwy

Everett

Davis

Conch

Burnside

Ankeny

2nd Ave

3rd Ave

Oak

Stark

1st Ave

Ash

4th Ave

Demographic Trends

Demographic tables related to this section can be found in Appendix B.

Immediate Market Area

As shown in Table B-1, the Immediate Market Area was home to almost 77,300 residents living in 43,250 households in 2000. A high proportion of Immediate Market Area households were renters, and the average household size was relatively small, at 1.85 persons per household.

The Immediate Market Area is characterized by a relatively middle-aged resident population (see B-2), with a median age of 34.5 years. As would be expected in a population of urban dwellers, the proportion of children is low (8.7 percent of total residents) compared with the City and the region (18 and 21 percent, respectively). Persons age 25 to 54 make up nearly 58 percent of the total population.

Household incomes in the Immediate Market Area show a mixed distribution (Table B-3). While the median household income for the area was just over \$31,000 in 2000, almost 7,400 households earned \$75,000 or more at that time. Adult residents show a strong level of educational attainment, with over 47 percent achieving a bachelor's degree or higher, compared to approximately 33 and 30 percent for the City and the region, respectively. All of these indicators for the Immediate Market Area suggest a strong consumer base for the Public Market.

Since the 2000 Census, the Immediate Market Area has added nearly 5,000 residential units, primarily at market rates (see Appendix G). Based on the area's average household size of 1.85 persons, these new housing units translate into more than 9,000 new residents in the Central City. At this time, no reliable demographic information is available about this population. Given recent sales prices of housing units in the Central City, these new residents are likely relatively affluent, and represent a potentially strong market segment for the Public Market. Based on planned pipeline, the strong residential growth trend in the Central City is likely to continue.

Data specifically for the area within a quarter mile of the Skidmore building as of the 2000 Census indicated relatively few households; with only 380 of the 43,250 Immediate Market Area households residing in this small neighborhood. However, with the ongoing boom in residential development in the Central City, the limited residential population in the vicinity of the proposed Public Market appears poised to change. At present there are nearly 700 units under construction in the Central City with nearly 2,250 additional units planned or proposed, including more than 150 slated for development immediately adjacent to the proposed Public Market site as part of the redevelopment of the adjacent fire station.

Local Market Area

In the three-mile ring comprising the Local Market Area, the 2000 Census shows an estimated 153,700 residents living in approximately 76,000 units. The proportion of renter households is typical of the City and the region, with 44 percent renter households. The age distribution of the Local Market Area is also typical of the City overall, with a median age of 35 years, and a concentration of just under 13 percent children under age 15. Household incomes for the Local Market Area were relatively strong in 2000, with a median household income of \$37,000, and approximately 21 percent of the households earning \$75,000 or more. More than 46 percent of adult residents of the Local Market Area have attained a bachelor's degree or higher, a strong educational attainment level.

These demographic indicators suggest a relatively strong and stable “inner ring” of neighborhoods, with moderate incomes, high educational attainment, and a mix of homeowners and renters.

City of Portland and Region

Both the City and the region’s households are predominantly owners, with a City ownership rate of 55.8 percent and a regional rate of 62.6 percent according to the 2000 Census. The City’s age distribution is relatively even, with just under 18 percent of total population falling in the category of children under age 15. The region’s age distribution is similar, with a slightly higher proportion of children (21.3 percent).

Median household incomes for the City overall and the region are somewhat stronger than for the Immediate or Local Market Areas, reflecting higher income areas in more suburban locations. In the City of Portland, the 2000 median household income of \$40,700, with approximately 19.4 percent of households earning \$75,000 or more. For the region, these indicators rose to a median of \$47,500, with 25 percent earning \$75,000 or more. Educational attainment in these areas was also relatively strong, with 32.6 percent of the City’s adults and 29.2 percent of the region’s adults having earned a bachelor’s degree or higher in 2000.

These indicators suggest a strong regional demand for high quality food products, although the Immediate Market Area’s household incomes indicate that residents living nearby the Skidmore Fountain Building will need to be able to purchase some moderately-priced items as well, in order to be attracted to the Public Market.

Employment

Table B-5 provides data from the 2000 Census on the number of jobs for the four geographies analyzed. As shown, the Immediate Market Area contained a substantial number of jobs, totaling more than 154,000 in 2000. The three-mile Local Market Area was even more job-rich, with a total of 327,800 jobs in 2000. Dominant sectors in both the Immediate and Local Market Areas included Services, Government, and Finance / Insurance / Real Estate. At the regional level, Manufacturing also had a strong share of total jobs, but this sector was less prevalent in the Immediate and Local Market Areas.

The strong presence of a substantial employment base within two miles of the proposed Public Market, accessible by transit and major arterials, suggests that daytime employees will be an important market segment for Market sales support.

Potential Demand From Residents

In order to fully assess potential demand and interest in the Public Market among Portland's residents, a telephone survey of residents living in the Immediate Market Area (e.g., within two miles of the site) was conducted. This section summarizes survey findings and estimates potential sales from this key market segment.

Survey Methodology

The survey instrument was developed by BAE, based on similar shopper telephone surveys administered in other communities related to food shopping and public market demand. A draft survey was created and circulated to Portland Development Commission staff and the Bureau of Planning staff for review and comment. The draft survey was also pre-tested. These reviews led to a slightly refined final survey instrument, which is included in Appendix C.

The telephone resident survey was conducted using a random sample of listed telephone numbers culled from a national database. Phone numbers were organized by zip code, with BAE choosing those zip codes that are primarily located within two miles of the site.³ Residents were called in the early evening hours, during the months of November and early December, 2004. A total of approximately 500 "live" numbers were called in order to obtain the 100 completed surveys. Trained survey administrators were used to staff this effort.

Profile of Respondents

About 70 percent of the respondents lived in one- or two- person households, and another 16 percent lived in three-person households. Approximately 60 percent of the respondents were aged 25 to 54. These demographics are consistent with area demographics, where average household size was 1.7 persons per household and 57.8 percent of residents were aged 25 to 54. Approximately 40 percent of survey respondents reported a household income of \$75,000 or more last year. This sample has higher incomes than were reported for the Immediate Market Area in the 2000 census, likely due to general increases in household incomes since 2000, along with an influx of wealthier households to central Portland since 2000.

Current Food Shopping Patterns

The first series of questions asked respondents about the time of day and portion of the week during which they do most of their grocery shopping. About 30 percent shop evenly between weekdays and weekends, with another 42 percent favoring weekdays. The most popular time of day was afternoons (1:30 to 5 pm), with about 30 percent selecting this time period. Another 25 percent favored the early evening hours for their most typical food shopping time period (5 pm to 8 pm), and another 21 percent favored the mornings (before 11:30 am). A surprising 11 percent stated that lunchtime was the most favored shopping period of the day (11:30 am to 1:30 pm).

In terms of the most-mentioned primary grocery store (i.e. where they "do most of their shopping"), Fred Meyer attracted 38 percent of the responses. The next most popular grocer was Safeway (13 percent of

³ Zip codes surveyed were 97201, 97204, 97205, 97209, 97210, 97212, 97214, 97227, and 97232. With the exception of 97210, each of these zip codes is entirely or primarily within two miles of the site. In the case of 97210, the zip code for much of Northwest Portland, this zip codes stretch well north of the site. This zip code was included because its main population center around NW 23rd Street is squarely within a two-mile radius from the site and outlying portions of the zip code are not densely populated (e.g., Forest Park and the industrial areas of Northwest Portland).

responses), followed by New Seasons (11 percent of responses). Other popular primary grocery store destinations included WinCo (nine percent), Wild Oats (seven percent), and Trader Joe's (six percent). Whole Foods only attracted four percent of respondents as a first-choice for grocery shopping. Combining specialty grocers together (e.g., New Seasons, Wild Oats, Trader Joe's, Zupan's, and Whole Foods), these stores account for approximately 31 percent of all responses.

Just over 40 percent of respondents shopped at their favorite store either every day, or at least two to three times per week (frequent shoppers). Another 45 percent shopped at least once per week at their favorite store. The predominant trip to their first-choice store originates from home (77 percent), with only 12 percent traveling to their grocery stop directly from work. Just over 70 percent travel to their first-choice store by automobile, while 16 percent report walking to the store. A full 55 percent reported that the time to travel to their first-choice store was less than 10 minutes.

Respondents were asked for reasons why they select their primary store, with up to two reasons accepted and tabulated for this Study. In combination, the frequency of "convenient to home" accounted for 28 percent of responses. "Selection" (including regarding produce, organic products, and meat) accounted for the next most frequent reason, with 25 percent of responses. "Prices" accounted for the third most-popular reason, with a combined 18 percent of responses selecting this factor. "Quality of merchandise" was the fourth most-frequently mentioned reason (11 percent of combined responses).

The first reason given for visiting the primary store were also cross-tabulated by the store name, in order to track shopper preferences. Shoppers naming large conventional grocery stores such as Fred Meyer and Safeway were primarily interested in the convenience of the location to home. At specialty and high-end grocers such as New Season's, Trader Joe's, and Whole Foods, other factors such as selection and quality were cited more often. Only WinCo shoppers were primarily concerned with price. Thinking of the Public Market, this data suggests that while convenience to home remains the predominate reason for choosing one's primary grocery store, among shoppers interested in specialty and high-end grocery items, selection and quality predominate.

The survey also asked about the next most-frequented ("secondary") grocery store, assuming that residents of urban Portland frequent more than one grocery store to round out their food purchases. All but six of the respondents mentioned a second-choice store, with Fred Meyer again ranked the most popular (22 percent of responses to this question). Safeway and Trader Joe's both ranked second highest, with 16 percent of respondents mentioning each of these stores. Interestingly, New Seasons only attracted six respondents as a second-choice store, the same rate as Wild Oats. Whole Foods attracted five percent as their second-choice store.

For the second-choice store, visitation was reportedly less frequent. None of the respondents shopped at their second-choice store every day, 11 percent shopped there two or three times per week, 37 percent reported weekly shopping, and 28 percent reported a bi-monthly visit pattern.

Regarding travel to the secondary store, about three quarters of respondents traveled directly from home, with only 14 percent traveling from work. Modes of travel were similar to the first-choice store patterns, with almost 70 percent using automobiles, and 15 percent walking to their secondary store. However, time traveled lengthened for some respondents to travel to their second-choice store; while 47 percent traveled less than 10 minutes, another 40 percent traveled 10 to 20 minutes to reach the secondary store. This indicates, again, the pattern of further travel to buy special items at special food stores.

Reasons for selecting the secondary store also varied compared to the primary store. In this case, “selection” was the predominate reason for choosing one’s store, with 26 percent of combined responses. “Convenience to home” was the second most important reason (16 percent of combined responses). Price and quality reasons obtained 10 percent and seven percent of responses, respectively.

General Opinions

The survey also probed for more general opinions regarding quality, price, and selection of various types of food.

When asked which is more important overall, quality or price, when deciding where to shop for food, almost 60 percent stated “quality,” and only 19 percent stated “price.” About a fifth of respondents (22 percent) did not know or did not have an opinion on this question.

When asked about more specific factors influencing the store selection, several interesting patterns emerged. A full 95 percent rated “selection of fresh vegetables and fruit” as very important in their store selection. Other key factors included “selection of fresh meats” (61 percent rated as very important), “selection of cheese / dairy items” (59 percent rated as very important), and “selection of breads / bakery items (43 percent rated as very important). The physical atmosphere of the store and neighborhood, the selection of fresh fish, and price were also rated as very important factors by at least 40 percent of respondents.

In terms of ethnic foodstuffs, the most popular type by far was Mexican, garnering 37 percent of responses to the question of “what types of ethnic food if any do you typically like to buy.” If all forms of “Asian” food are added together, this broad category garnered a 22 percent response (but was segmented by eight percent Chinese, eight percent “general Asian,” four percent Thai, and two percent Japanese). A full 19 percent of respondents either didn’t buy ethnic food or had no opinion.

The survey also asked specifically about the importance of factors related to the use of pesticides and / or artificial preservatives by food category. In all three food categories, most respondents rated a desire to have products grown without pesticides / artificial preservatives as quite important, with 82 percent stating this was “very or somewhat important” for produce, 85 percent for meat / fish, and 80 percent for cheese / dairy products. When asked about the importance of food grown regionally, this factor was rated as very/somewhat important quite frequently for all categories of food. Preferences for U.S. produced also echoed the preferences for locally grown items.

Grocery Spending

When asked about typical total expenditures on groceries per week, the spending patterns were revealing. About 30 percent spent between \$100 and \$150 per week, and another 21 percent spent more than \$150 per week on groceries. These rates of spending are particularly strong when considering the small household sizes of the respondents.

Farmers Market Shopping

Next, the survey queried about patterns of shopping at Portland’s farmers’ markets. About 20 percent stated that they never shop at an area farmers market, while at the other end of the spectrum, about 30 percent shopped at one at least once a week during the season. In between, 22 percent shopped one to three times per month, and about 28 percent shopped one to five times during the entire season. The primary reason given by the infrequent shoppers (e.g., less than once a month) was due to inconvenient times or locations.

The Saturday Portland Farmers Market was the most popular market (selected by 33 percent of those responding to this question), followed by the Hollywood market (29 percent of those answering). The Wednesday Portland Farmers Market only garnered a nine percent response to this question, on par with the Eastbank and slightly ahead of the Hillsboro market.

Most respondents travel 10 to 20 minutes to their favorite farmers' market, and a surprising 22 percent walk there (although 37 percent drive). Fully 71 percent travel to their favorite farmers market from home rather than work.

The primary reason for selecting their favorite farmers' market was "selection of produce" with 24 percent of all responses (combination of two answers). A wide range of "other" reasons were also provided by respondents, including atmosphere, local, fresh food, and support of local farmers.

Interest in Portland Public Market

The final series of questions asked respondents about their interest in various aspects of the planned Public Market. First, respondents were asked about their expected frequency of shopping at the Public Market if it were open to at least 7 pm and located in the Central City. A positive 48 percent expected to shop there one to three times per week, 31 percent expected to shop there one to three times per month, nine percent less than once a month, and just one person stated that they would never shop there. Clearly, the concept of a Public Market is very appealing to the Immediate Market Area residents, and appears to appeal at frequencies higher than actual shopping trips to farmers' markets.

A comparison of responses from by residents living on opposite sides of the Willamette River indicates little difference in enthusiasm for a Public Market located in the Central City. Analysis of the responses by place of residence shows that 46 percent of Portland's Westside residents said they would visit at least once per week, compared to 49 percent of eastside residents. These patterns of little difference by place of residence hold throughout. It should be noted that the question did not ask about specific locations within the Central City (see this topic addressed below).

Looking more specifically at potential Central City locations respondents were asked about the likelihood of shopping if the Public Market were located in the Pearl District, the Lloyd District, downtown, or Central Eastside, the highest-ranked location was the Lloyd District (with a 42 percent "very likely" response). The next-highest rated area was the Central Eastside (36 percent rated this location "very likely"), followed by downtown, with a rating of 32 percent as "very likely."

Focusing on the downtown location, the survey results show little difference in the level of interest between residents living in the City's west and eastside. Thirty three percent of Westside residents said they were very likely to visit a Public Market in the downtown, compared to 31 percent of eastside residents. Another 42 percent of Westside residents said they were somewhat likely to visit that location, compared to 43 percent of eastside residents. Overall, eastside residents did prefer an eastside location, but thinking of a downtown location, they were quite amenable to visiting a Public Market across the River from their place of residence, with levels of interest nearly identical to those living on the Westside.

A follow-up question late in the survey asked specifically about the location of the Public Market at the Skidmore Building (described by name as well as "near the Saturday Market"). Interestingly, 67 percent stated that this location positively influenced their decision to shop at the Public Market, while 21 percent stated that it negatively influenced their decision. It should be noted that 65 percent of respondents

visited the Saturday Market at least once a year, and 12 out of the 67 positive responses related the Saturday Market to the Public Market. Examples of these positively-influenced responses related to the Saturday Market included:

“an interesting addition to the Saturday Market...”

“It would be a good location if they can keep the Saturday Market going...”

Respondents were also asked about what type of restaurants they would like to see at the Market. The overwhelming answer (60 percent of responses) was ethnic restaurant, with 33 answers mentioning “Asian” and 14 mentioning Mexican. Other popular restaurant types included local operators, and “soups / sandwiches / salads.”

The availability of both parking for automobiles and transit access seemed to be important to respondents, with 79 percent stating that nearby parking was very / somewhat important, 78 percent stating that inexpensive parking was very / somewhat important, and 66 percent stating that accessibility to MAX was very / somewhat important.

Estimate of Sales From Immediate and Local Market Area Residents

Based on conservative assumptions regarding the capture of potential grocery sales from households in the Immediate Market Area, the Study assumes that approximately half of the 43,000 households in this Area will be interested in visiting the Public Market in any given year. This segment will visit the Market at least twice a month (the conservative mid-point of the survey result), spending an average of \$20 per shopping trip on food items (e.g., produce, meat / fish / prepared foods). This sales estimate equals approximately \$10.75 million per year from Immediate Market Area households.

Assuming that half of the broader Local Market Area (net of the Immediate Market Area customers) will also visit during a typical year, at an average frequency of once a month, and spend at least \$10 per trip, this would result in additional sales of approximately \$1.98 million.

Thus, the combined total annual sales from resident households within three miles of the Skidmore location would total approximately \$12.73 million based on estimated 2000 households. When evaluated against a potential net rentable stall area of 17,000 square feet (including fresh and prepared foods), this sales volume equates to approximately \$750 per square foot of vendor stall space annually.

Potential Demand From Downtown Employees

In order to fully assess potential demand and interest in the Public Market from workers in Portland’s Central City, an email survey was distributed through several large employers in the area. This section summarizes survey findings and estimates potential sales from this key market segment.

Survey Methodology

The survey instrument was developed by BAE, based on similar email surveys administered in other communities related to retail purchases, dining, and food purchases. A draft survey was created and circulated to the Portland Development Commission staff and the Bureau of Planning staff for review and comment. The draft survey was also pre-tested. These reviews led to a revised survey, which is included in Appendix D.

BAE identified a set of large employers in the Central City area, using various sources, including local

market knowledge, subscription database services such as Dunn & Bradstreet, and the Portland Business Alliance directory of large employers. From among the set of identified employers, BAE contacted 10 employers, including the property management for a large office building in the downtown area. Six employers agreed to participate, distributing the survey via email to approximately 3,700 employees in the Central City area, including locations in the Lloyd District and downtown. In total, BAE received 802 complete responses, a response rate of almost 22 percent. These anonymous responses came from throughout the Central City with 62 percent of respondents reporting work location in downtown zip codes, 21 percent reporting work locations in Lloyd District and close in North Portland zip code areas. Nine percent reported the zip code for Old Town; one percent reported a Northwest Portland zip code; and the remaining seven percent reported work locations outside the Central City.

Profile of Respondents

About 61 percent of the respondents lived in households with only one or two people. Another 20 percent lived in three-person households. This is consistent with the City of Portland, where average household size is 2.3 persons. As was expected for a sample of downtown workers, most respondents (approximately 77 percent) were age 25 to 54 years. Approximately 48 percent of survey respondents reported a household income of \$75,000 or more last year, significantly higher than were reported for the City in the 2000 Census, but consistent with higher than average earnings expected from large employers in the Central City. Sixty-five respondents did not answer the household income question (out of 802).

Central city employees were asked to provide the zip code where they live. Responses indicate a respondent pool that includes people from throughout the Portland metropolitan region. The top 10 zip codes account for only thirty percent of responses. Among these zip codes Northeast, Southeast, Northwest, and North Portland area well represented as well as Beaverton. In total respondents resided in every section of Portland as well as Vancouver, Hillsboro, Gresham, Tigard, Lake Oswego and most other communities in the Portland area.

Respondents reported their means of travel to work and these answers are used below to examine other questions in more detail. Nearly 54 percent of respondents reported commuting to work by means other than a car. This included 23 percent who use MAX, 20 percent who use other forms of public transit, and four percent who bike or walk. Forty six percent of people drive to work. As examined below, the relatively high level of transit ridership (particularly MAX) bodes well for the proposed Public Market location in the Skidmore Fountain area. In addition to those who ride MAX to / from work, a number of people, particularly those working in the Lloyd District, indicated that they would consider riding MAX across the river to visit a Public Market in the Old Town area.

Current Lunch Buying and Central City Dining Patterns

The first series of questions asked respondents about their lunch buying and Central City dining habits. When asked about their typical work week, respondents reported bringing their lunch on average slightly more than two days per week; eating at sit down restaurant slightly less than one day per week; buying take-out 1.5 days per week, and very occasionally going to a grocery store or farmers market (0.2 days per week); or skipping lunch all together (0.2 days per week).

Seventeen percent of respondents spend very little each week (less than \$5) to purchase lunch food. Forty two percent report spending between \$5 and \$15 per week, while a quarter of respondents spend between \$15 and \$25 , and 13 percent spend more than \$25 per week.

Respondents were asked reasons for their out-of-office lunch location choices. Less than 10 percent

reported exclusively choosing to go to favorite places where they really enjoy the food. Twenty-one percent said they go wherever is convenient. Just over two-thirds said their choices were a combination of favorite places and convenience. Responses to this question suggest that even where food is high quality, the location and convenience are key in shaping Central City employees' decisions about where to go for purchased lunches.

Employees were asked how often they buy lunch at farmers' markets during the market season. Consistent with their other answers, the average employee did not report going often. Nearly 56 percent of respondents reported that they never buy their lunch at a farmers' market. This number is high considering that there are two farmers markets in the downtown area, but may reflect the reality that workers do not venture far from their office buildings during lunch. Approximately 20 percent reported going relatively consistently (at least once per month during the season), and 15 percent reported going less than once a month.

The survey also asked how often employees remain in the Central City to dine after work. The most typical response was less than once per month, given by nearly 37 percent of respondents. Nearly 36 percent reported dining after work in the Central City at least once per month (including a subset of 13 percent who do so once a week or more often). About 25 percent reported never staying in the area to dine after work and.

Current Food Shopping Patterns

The next section of the survey focused on grocery buying habits. BAE asked all employees how often they shop for groceries in the Central City. Excluding those respondents who live in or very near the Central City (so would shop in Central City because of their residence location), just 11 percent of employees shop for groceries in the Central City once a week or more; 11 percent shop there one to three times a month; and 20 percent shop there less than once a month. Reflecting that most people do their grocery shopping near home, fully 56 percent of respondents indicated that they never shop for groceries in the Central City.

The survey asked about specific locations where employees shop for groceries in the Central City at least once a month. Interestingly, farmers markets were the top response, accounting for 20 percent of responses. Whole Foods and Safeway each received 16 percent of responses.

To understand grocery-buying habits in connection with daily commutes, the survey asked respondents about their food buying habits when returning home from work. Only 20 percent of respondents indicated that they do most of their grocery shopping during their commute home from work, and another 20 percent of respondents reported never shopping for groceries on their way home from work. Most people fell into the middle, indicating that they pick up certain types of items during their commute home, but do most shopping at another time. The most popular items to pick up on the way home from work were fresh items / ingredients for dinner, reported by 38 percent of respondents. Thirty percent of respondents pick up staples during the commute home. Finally, 17 percent of respondents buy prepared and ready-to-eat foods, on their way home. Responses to this question confirm the commonly held notion among grocery retailers that most food shopping trips originate at the customer's home, but also suggest a potentially important role for Central City markets, serving as a convenient place for area workers to purchase certain food items on the way home from work. Looking only at the response of MAX riders to this question, the number of people who do most of their grocery shopping on the way home remains steady at 20 percent, although the number of people who never shop for groceries during their commute home increases from 20 to 34 percent. As with the broader group of all respondents, in general MAX

riders do most of their shopping at another time but do stop on their way home to pick up ingredients for dinner, staples, and prepared foods.

The survey also asked employees about food buying habits during the workday. Only 22 percent said that during a typical month they would buy some food items during the workday. Reinforcing the idea that there is potential for a Central City market to serve convenience-conscious Central City workers, 29 percent said they would buy more groceries during the workday if a market or store were nearby. Only 11 percent reported difficulty transporting groceries home from work as an obstacle to shopping more during the workday. This percentage increases slightly to 17 percent when filtering out people who drive their automobile to work but still, according to survey responses, is not a major obstacle. Nineteen percent indicated that they are not interested in buying grocery items during the workday.

The survey asked employees about shopping trips to the Portland Farmers Markets. Seven percent reported going on a weekly basis and 13 percent reported going one to three times per month. Twenty percent of respondents went a few times per year, and most simply did not go (55 percent).

Grocery Spending

When asked about typical total expenditures on groceries per week, the largest number of respondents (28 percent) reported spending between \$50 and \$74 per week. Twenty two percent of households, including the median household, reported spending between \$75 and \$99 per week. About 25 percent spent between \$100 and \$150 per week. Only 11 percent spent more than \$150 per week on groceries. These rates of spending are on par with the national average of \$80 of grocery spending per two-person household per week.⁴

Interest in Portland Public Market

The final series of questions asked respondents about their interest in various aspects of the planned Public Market. First, respondents were asked about their expected frequency of getting lunch at the Public Market if they could reach it within five minutes from their work site. Employees were quite enthusiastic about the market, with 44 percent stating they would buy lunch there once a week or more. Thirty percent said they would go there between one and three times per month, while 15 percent indicated they would buy lunch there a few times a year. Only six percent said they would not buy lunch there.

Focusing on grocery purchases, respondents were positive about the Public Market but less enthusiastic than they were about buying lunch at the Market. Slightly more than a quarter of respondents indicated that they would visit the Market one time per week or more to buy groceries. Nearly a third indicated they would buy groceries there between one and three times per month. A fifth indicated they would buy groceries there at least a few times per year. Only one in seven respondents said they would not buy groceries there.

With nearly 75 percent of respondents indicating they would buy lunch at the Market once a month or more and nearly 60 percent indicating they would buy groceries at the Market once a month or more, clearly the concept of a Public Market is very appealing to Central City employees, provided that it is conveniently located.

⁴ Food Marketing Institute, *Trends in the United States: Consumer Attitudes and the Supermarket*, 2004, pg. 55

In addition to buying lunch and groceries at the Public Market, employees were asked if they might attend education programs such as cooking classes. Forty four percent indicated they would participate in classes. Twenty eight percent thought they would not, and 27 percent were undecided.

The availability of inexpensive parking and proximity to MAX were both quite important for respondents, with more than 70 percent of respondents identifying these features as very or somewhat important.

Based on a list of various items, respondents identified what goods they feel are most important to sell at a public market. As expected, the selection of produce was of foremost importance, identified as somewhat or very important by 93 percent of respondents. Other items identified as somewhat or very important by most respondents included the selection of breads and bakery items (87 percent) and the selection of deli prepared foods and meals to go (85 percent). The second tier of items, those identified as somewhat or very important by more than two-thirds of respondents included the following: selection of cheeses and dairy products (80 percent), selection of ethnic foods (78 percent), selection of fresh flowers (72 percent), selection of organic products (67 percent), selection of fresh fish (67 percent), and selection of fresh meats (66 percent). The selection of wine and beer (42 percent), frozen foods (25 percent), and non-food items (25 percent) were viewed as less important.

Other Public Market features that respondents viewed as somewhat or very important were competitive prices with supermarkets (92 percent of respondents) and evening hours on *weekdays* (76 percent). A smaller but, nonetheless, substantial number of respondents viewed evening hours on *weekends* as somewhat or very important (60 percent).

The survey asked Central City employees how often they might visit various types of restaurants at the Public Market. Respondents were keen on take-away restaurants with two-thirds indicating they would visit such restaurants once a month or more, including 35 percent who said they visit on a weekly basis. Respondents were also enthusiastic about fast-casual restaurants with 55 percent indicating they would go at least once a month. Respondents did not expect to patronize mid-scale or upscale restaurants very often, with the largest number of respondents indicating they would come “once in a while”, but less than several times a year.

The next set of questions queried respondents about various Central City locations as potential sites for the Public Market. When asked about the likelihood of shopping if the Public Market were located in the Pearl District, the Lloyd District, downtown, or Central Eastside, the highest-ranked location was downtown (with a 61 percent “very likely” response). Not surprisingly answers to this question were highly influenced by the employee’s work location. Downtown workers were quite enthusiastic about having the Public Market in downtown (with 97 percent indicating they were somewhat or very likely to patronize the Market in this location). They were unenthusiastic about other locations, with fewer than 50 percent indicating they were somewhat or very likely to visit a Public Market located elsewhere. Lloyd District workers were similarly enthusiastic about having the Public Market in their backyard (with 96 percent indicating they were somewhat or very likely to patronize the Market if located in the Lloyd District). Compared to downtown workers, Lloyd District workers were more amenable to visiting a Public Market located farther a field. Two-thirds indicated they were either somewhat or very likely to visit a Public Market in downtown.

As a follow up question, respondents were asked specifically about the location of the Public Market at the Skidmore Building (described as near the Saturday Market). Most said that the location would have a positive affect on how often they visit the Public Market (68 percent). The most common reasons for this

response were proximity to place of work, easy accessibility via MAX, and the presence of the Saturday Market in the area, an asset that many identified as the key reason to visit the area. Nineteen percent of respondents indicated that the location would negatively affect how often they visit the Public Market. Common reasons for this response were concerns about crime in the area, concerns about traffic and ease of parking, and concerns about the Public Market negatively impacting Saturday Market. Among those concerned with crime in the area, many were hopeful that the Public Market might improve the area, but were taking a “wait and see” attitude.

Estimate of Sales From Central City Workers

Sales potential from Central City employees breaks into two categories: grocery spending and lunch spending. In addition to the survey of Central City employees, extensive survey data exists regarding worker spending in downtown settings nationwide. A combination of information from the local survey and national findings forms the basis of the following estimate.

Grocery spending is expected primarily from central city workers with job locations closest to the Market (e.g., within a five minute walk), augmented by workers who can conveniently access the Market by transit or car on the way home. Beyond these segments, this Study makes the conservative assumption that few Central City employees will frequent the Market during the workday or on their way home for purposes of grocery shopping.

When asked about shopping for groceries at a Public Market within five minutes travel time from work, employees were quite enthusiastic; 27 percent would go once per week or more, another 31 percent would go so at least one to three times per week, and 19 percent would go a few times per year. Looking at Census Tracts in the immediate vicinity of the Public Market – tracts that fall substantially within a quarter mile of the proposed site – there were approximately 28,000 employees as of the 2000 Census. Assuming conservatively that these employees will shop for groceries in the Central City (approximately one visit per employee per month) and that the Public Market would capture half of these sales at \$10 spent per work-based trip, the sales estimate from nearby workers for groceries is approximately \$1.68 million annually.

For lunchtime spending, nearly all survey respondents reported traveling no more than 10 minutes to get lunch, a finding that is supported by national survey data. As a result, for the purposes of estimating lunch spending, the estimate focuses on the 28,000 employees estimated to be within a convenient walking distance or a couple of MAX stops of the proposed Public Market site. Central city employees reported going out for lunch an average of 2.5 days per week (130 times per year), with average reported spending of between \$5 and \$15 per week. These figures appear quite reasonable and are slightly below the national averages. Based on responses to the survey, Central City workers would have lunch at the market 2.5 times per month (30 times per year) if convenient to their place of work. National and local survey data suggest that at least two-thirds of lunchtime food purchases are “take away” or deli-style purchases rather than “dine in” restaurant purchases. Based on that information, this analysis assumes that nearby workers would buy lunch from Public Market food vendors 20 times per year. With a nearby employee population of 28,000 and expected spending per trip of \$7, estimated lunchtime buying from Public Market food vendors is \$3,920,000 per year.

Potential Demand From Tourists / Visitors

Tourist spending is a key component of annual sales at many Public Markets around the country. Seattle's Pike Place Market, Vancouver, Canada's Granville Island Public Market, and Portland, Maine's Public Market, all are among the most visited destinations in those cities, generating millions of dollars of annual tourist expenditures. While tourism is important to the success of many public markets, it also presents certain challenges for market operators. There is often a tension between maintaining a market's focus on its core mission and reaping short-term profits by orienting toward the tourist trade. There are numerous examples of markets that have drifted toward sales of souvenirs and a food selection that deemphasizes fresh ingredients in favor of ready-to-eat items. When this occurs, locals stop coming and tourist traffic ultimately slows as the market loses its appeal as a unique and authentic destination.

Over the long term, most successful markets count on no more than 10 percent of their sales volume from tourists. Regardless of how one measure it, the potential Public Market sales from tourists in Portland are quite significant. With approximately seven million visitors to the metropolitan region per year and an estimated \$440 million of visitor spending at restaurants and other eating and drinking establishments each year⁵, even small capture rates suggest a potential for millions of dollars in sales at the Public Market. For purposes of this Study BAE conservatively assumes that five percent of annual sales will come from tourist traffic.

⁵ Portland Oregon Visitors Association.

Summary of Potential Sales For Fresh/Prepared Food Vendors

The following table summarizes potential sales at the Portland Public Market's fresh and prepared food vendors from each market segment.

Summary of Potential Sales By Market Segment

	Immediate Market Area	Local Market Area	Total
Resident Households			
Number of Households	43,000	33,000	
Rate of Attraction Per Year	50%	50%	
Sales Per Trip	\$20	\$10	
Frequency	Twice Monthly	Monthly	
<i>Total Sales per Year</i>	\$10,750,000	\$1,980,000	\$12,730,000
Central City Workers			
<i>Grocery Shopping On Way Home</i>		Not Estimated	
Number of Employees (a)	28,000		
Capture at Public Market	50%		
Frequency	Monthly		
Sales Per Trip	\$10		
<i>Total Sales Per Year</i>	\$1,680,000		\$1,680,000
<i>Lunchtime</i>			
(Prepared Food/ Take Away)			
Number of Employees (a)	28,000		
Frequency of Purchasing Take-Out Lunch	20/yr		
Average Expenditure	\$7		
<i>Total Sales Per Year (b)</i>	\$3,920,000		\$3,920,000
Potential From Tourists (c)			\$965,000
TOTAL SALES FOR VENDORS			\$19,295,000
Sales Per Square Foot - Vendors			\$1,135

- a) Estimate of Central City workers within five minute walk or two MAX stops of Skidmore Building.
- b) Includes only food vendor sales; does not include sales at restaurant tenants.
- c) Estimate that 5% of total sales at Market from tourists.

Thus, based on conservative estimates the proposed 17,000 square foot vendor sales area could achieve sales of more than \$1,100 per square foot per year⁶. For the 100 square foot vendor (a typical small stall) this would result in \$110,000 of sales per year⁷.

⁶ This estimate is not directly comparable to typical grocery store sales per square foot, which include support space (e.g., storage, circulation, etc). This estimate is more directly comparable to the produce, butcher, and prepared food departments in a specialty grocery store.

⁷ It should be noted that the vendor survey showed 90 percent of producers earned at least \$250 per day at farmer's market events. If the Public Market stall sales estimate were broken down to a per day sales level, assuming a five day sales week, the \$110,000 estimate equates to less than \$450 per day for the vendor.

Vendor Market Analysis

This chapter summarizes the “competitive supply” of grocery stores and farmers markets in the Immediate Market Area (a two mile ring around the Skidmore Fountain Building), in order to assess the nature of fresh food sales currently available. This chapter also summarizes the results of a mail survey of potential vendors drawn from farmers market vendors and other farmers on the Portland Farmers Market mailing list.

Competitive Supply

Farmers Markets

Over the past nearly two decades, the Portland region has experienced dramatic growth in farmers markets. As shown on Appendix E-1, there are presently 16 farmers markets operating throughout the region, with several operations holding multiple sales events each week. The largest and most popular of the farmers markets report that sales have increased substantially throughout the past five years, despite the proliferation of numerous newer, smaller markets or expansion to multiple events per week. A pattern of differentiation and specialization has also emerged, with several markets emphasizing (in addition to fresh produce and prepared goods) specialty crafts or plants and gardening items.

These findings, while anecdotal, suggest that the demand for fresh produce, prepared foods, and the experience of shopping in the open-air weekend or weekday marketplace has reached a critical mass in Portland. The farmers markets are popular neighborhood pastimes, with established customer bases and calendars replete with educational programs and special events.

The largest challenge facing the region’s farmers markets is the seasonality of the agricultural output in Oregon. Throughout the summer and early fall, farms in Oregon produce a cornucopia of fresh fruits and vegetables. However, during late fall and throughout the winter months, due to climate conditions, locally-grown items become scarcer, and farmers markets close.

Several markets, to counter-act this factor, have experimented with winter or holiday events, featuring crafts, holiday wreaths, and prepared foods available as gift items.

Grocery Stores

The Immediate Market Area has a substantial supply of grocery stores, ranging from discount to traditional to more upscale or specialty retail.

As shown in Appendix E-2, the Immediate Market Area contains a mix of six full service stores, one large discounter, one major specialty store, and numerous unique specialty retailers. The mix of stores includes two Safeway’s, two Zupan’s, a Fred Meyer, a Wild Oats, a Trader Joe’s, and the new Whole Foods store just over a half mile from the subject site.

Typically, a broad rule of thumb is that one full service grocery store can serve roughly 10,000 households, depending on household incomes. With approximately 76,000 residents in 2000, this supply of stores falls approximately within the expected range, especially given the presence of Trader Joe’s, which caters to a larger subregional market segment. In a Market Area that has added 5,000 housing units since the 2000 census, with an additional 3,000 in construction or planned / proposed, it is reasonable to

believe the market place will support additional grocery square footage.

Vendor Interest

One of the primary challenges of creating the Portland Public Market will be to attract a strong, market-ready set of vendors from among the region's farmer producers and prepared food sellers. The expansion of vendors selling at the region's farmers markets indicates a healthy and growing sector of farmers willing to sell "retail", however, the feasibility of the Public Market will depend not only on demonstrable sales, but on a sufficient pool of vendors able to provide an array of fresh foods.

To test the interest from among regional farmer producers, this Study took the approach of surveying vendors and others contained on a mailing list maintained by the Portland Farmers Market.

Methodology

The Vendor Survey was drafted by BAE, and reviewed by PDC and the Portland Farmers Market staff for confidentiality and related issues. BAE provided copies of the final survey instrument to the Portland Farmers Market, who then conducted the mailing process to maintain proprietary oversight of their mailing list. The survey instrument was mailed in written copy, with a self-addressed, stamped return envelope included in it. Approximately 325 surveys were mailed out, with 71 surveys returned, for a response rate of 22 percent. It should be noted that the report authors do not know who among the mailing list represents producers versus other farmers market interested parties; thus, the actually response rate if just producers were known may be higher than reported here.

Profile of Respondents

As shown in Table F-1, fruits and vegetables were the most common items produced by the respondents (45 and 33 percent, respectively). The third most common item produced was prepared foods. Most of the producers sold at farmers markets, with the most commonly-cited months between June and October. Almost half of the respondents also reported selling items at December farmers markets in the region.

The most frequented farmers market was the Portland Saturday Market, which is due to the source of the sample for this survey. Other commonly-utilized markets included the Beaverton Saturday market and the Hillsdale Sunday market. Again, due to the dominance of Portland Farmers Market participants, the most common customer cited was "people who live in downtown Portland or nearby."

Average daily sales volumes varied substantially among respondents. Just under 10 percent of respondents sold less than \$250 per day at the market, while 34 percent reported average sales of \$250 to \$500 per day. More than 12 percent reported average daily sales in excess of \$2,000, indicating very strong sales volumes at this type of outlet for some of the more established participating vendors.

Many of the respondents are selling their items through multiple distribution channels. While the average respondent reported about 43 percent of their total sales volume occurred at farmers markets, the average respondent also sold 15 percent of their total volume directly to food retailers (e.g., Pastaworks, People's Co-Op), and 15 percent of their volume to wholesalers. Web sales and farm stands were also significant methods of retailing, while Community Supported Agriculture (CSA) mechanisms were not substantial contributors to overall sales volumes.

Interest in Public Market

The heart of the survey focused on interest in the proposed Portland Public Market. Overall, interest in participating at the Public Market was very enthusiastic. Of the 64 respondents to this question, 27 stated that they would be very interested in selling at the Market, and another 17 stated that they would possibly be interested in selling there. This result means that at least 44 vendors would consider opportunities offered to expand their sales at the Portland Public Market. In addition, nine vendors stated that they were unsure of their interest, representing another segment of potential tenants for the Market. Only 11 respondents indicated that they were unlikely to be interested, or definitely not interested in selling at the Public Market.

Reasons given for interest in selling at the Public Market included increased sales (76 percent of respondents selected this reason), increased visibility to new customers (44 percent selected this reason), and broadened market segments such as sales to restaurants (24 percents selected this reason).

Some of the respondents also may consider making or selling items other than those they currently produce, including 13 vendors who would consider initiating a line of prepared foods, and another 10 are interested in making hot food for sale on-site.

Assistance Needed

The respondents were asked if they would need assistance to expand their business in order to sell at the Public Market. An overwhelming 75 percent cited Advertising / Marketing as a need. Another key need for some respondents was help with staffing (44 percent). Other than these two items, only between 20 and 35 percent needed other kinds of assistance, with financing considered the least necessary (only 22 percent selected this need for assistance).

Participation by Months and Days of the Week

The findings shown on F-1 provide a picture of when the respondents envision selling at the Public Market. The least preferred month / days were January and February on Mondays and Tuesdays, but even during these winter months, weekend interest climbed to 26 on Saturdays. During the summer peak months, between 30 and 36 vendors were interested in Fridays and Saturdays, and almost the same numbers were interested in Sunday participation.

Types of Stalls and Improvements Needed

From among the range of interested potential vendors, the interest in permanent stalls available for longer term leases was strong, with 25 respondents selecting this configuration. An additional seven selected day tables, and 16 preferred outdoor stalls similar to farmers market set-ups.

Most respondents requested a covered stall, and a substantial number also preferred an enclosed stall. Electricity at the stall was preferred by about half of the respondents, with water or a sink available at the stall preferred by 60 percent. Most (roughly three quarters) did not need food processing or kitchen facilities at their stalls.

With respect to other desired features at the Public Market, the most popular choices were an on-site ATM machine, food tastings, and a variety of offerings to complement their own merchandise. More than 80 percent of vendors also felt that on-site seating, on-site cold storage, on-site dry storage, and on-site food education were important or somewhat important. Amenities ranked low (with half or more feeling that it was not very important) included upscale restaurant on-site, and craft merchants on-site. Other items mentioned as important included children's play area, parcel pick up area, and in one case, a

dog-sitting area.

Opinions about the offering of crafts at the Public Market were mixed. Just under half of the respondents with an opinion felt that only food-related crafts should be allowed, while an equal number thought that a range of food-related and other high quality crafts should be permitted.

Finally, several interesting suggestions were made for the Public Market, including offering a pooled system for accepting credit card purchases, offering preferential parking spaces to donors or “best customers” of the Market, and creation of a variety of lease options to broaden days / weeks of commitment. In addition, one respondent mentioned the need to limit merchants re-selling others agricultural goods.

Conclusions

The vendor survey indicated a very positive response to the concept of a Public Market at the Skidmore Fountain Building. While some vendors will desire day tables or limited rental of spaces, more than 25 vendors appear to be interested in permanent stalls for the longer-term, and have ideas about expanding their product offerings to take advantage of this new retail opportunity.

It should be noted that this survey was conducted on a confidential and anonymous basis, so individual vendors expressing interest will need to be re-identified through further outreach when planning for the Public Market has progressed.

Building and Site Analysis

GBD Architects, a Portland firm with extensive experience in the adaptive reuse of historic buildings such as the Brewery Blocks, has prepared a draft architectural feasibility study for the Skidmore Fountain Building. The purpose of this Study is to identify the issues associated with the building's renovation as a mixed-use development housing, a Public Market, and other uses. A specific objective was to conduct a "fatal flaw" analysis to determine if any issues are of a sufficient magnitude to preclude successful and economically feasible reuse of the building.

Building Assessment

Seismic Strengthening

The Skidmore Fountain Building is a heavy unreinforced masonry building (UMB) with wood floors. A mid-1980's upgrade provided some basic seismic strengthening and added a mezzanine level and penthouse above the existing roof level. The likely elements of a seismic strengthening for a UMB include the following:

- Strengthen existing floor and roof diaphragms by adding plywood.
- Connect the walls to the floors via wall ties.
- Add diaphragm chord reinforcement via a continuous strap at the perimeter.
- Strap / tie across the existing girders at the column lines.
- Brace all unbraced parapets.
- Add vertical lateral force resisting systems such as shear walls, braced frames or moment frames. At least four vertical lateral force resisting elements would be required; two in each direction.
- Upgrade foundations under the new vertical force resisting system elements.
- Strong back unreinforced masonry walls on the upper floors.

Seismic upgrade costs for these types of buildings are in the range of \$17 to \$22 per square foot. If there are adjacent new additions to the building, some of the vertical lateral force resisting elements may be placed in the new construction. This would save money since these elements are included in new construction (although they would have to be incrementally larger). This approach could reduce seismic upgrade costs to the range of \$15 to \$18 per square foot.

Windows

Most windows are wood, with some steel windows at the penthouse floor. The windows are in fair to poor condition and, based on subsequent evaluation by a window restoration contractor, may need replacement or refurbishment.

Roof and Exterior

The roof is in poor condition with many areas patched in an attempt to stop leaks. The roof has been damaged by foot traffic. There are soft areas, especially around drains, indicating sub-surface damage. Standing water was observed in multiple locations.

The exterior is in generally good appearance with few signs of weathering that are of concern. Some of

the painted wood storefronts need repainting, and some of the basalt / sandstone requires re-pointing of the mortar and cleaning / sealing of the stone. A majority of the exterior brick needs to be re-pointed and cleaned up (and in some places the finish brick has worn to the point that it needs replacements).

Interior Improvements

Existing retail improvements on the first floor and office improvements on the upper floors are substandard and not code-compliant, and are assumed to be needing demolition and replacement / upgrading. None of the current ceilings in the upper floor offices appear to meet current seismic bracing requirements and are generally very old and damaged. There was limited access to bathrooms, and none of the ones inspected are in compliance with Americans with Disabilities Act (ADA) requirements.

The interior brick walls appear to be in good condition, aside from occasional splattered paint and remnants of past tenant modifications. There is no existing knowledge of lead-based paint, asbestos, or other hazardous materials, but an amount for remediation should be budgeted in a building of this age.

The current atrium opening does not meet life safety requirements.

Mechanical and Electrical

The building appears to be fully covered by fire protection sprinklers, however not all areas were available to inspection. Some existing tenant improvements do not comply with coverage requirements. There does not appear to be on-site water storage, and this may be required for expanded use of the facility.

The existing HVAC equipment is nearly 20 years old and will require replacement as part of an expansion.

The main electrical service to the building will require upgrading for an expansion, particularly if a full-service restaurant is added.

If the building is expanded the existing fire alarm system will need replacement, although it is adequate for the current building, and more bells and ADA-compliant strobes are needed.

Recommended Improvements

The extent and value of the improvements needed to place a Public Market in the building will trigger code requirements for the Skidmore Fountain Building, including those for seismic performance.

The existing mezzanine level should be removed. This will improve ceiling heights, and facilitate restoration of the original building atrium, as well as new uses that require extensive ducting, such as restaurants.

There is no “fatal flaw” that precludes use of the Skidmore Fountain Building for a Public Market as part of a mixed-use development program. For planning purposes, the cost of adaptive reuse of this type of historic building, including seismic retrofit, should be assumed to be comparable to that of new construction.

Site and Circulation

The site is readily accessible for pedestrians. A MAX light rail stop in front of the building on First Avenue provides excellent access to regional transit.

Delivery and customer vehicle access is more complex and a critical constraint. The existing access is from the west on the single lane, one-way Ankeny Street. There are currently no curb cuts from the site onto Naito Parkway. Visibility and accessibility for customer vehicles is complicated by street geometry in the area, the MAX tracks on First Avenue, and other impediments. The best solution for customer vehicle access will be development of adjacent parking.

Truck access for loading and unloading will need to be from Naito Parkway. The best location for loading / unloading and other service activities would be on the north side of the Skidmore Fountain Building, adjacent to the Burnside Bridge. Based on discussions with the Portland Department of Transportation, it appears likely that the median in Naito Parkway can be reconfigured to allow large trucks to back into this service zone. Smaller trucks of the type common to Public Markets could also use the area under the Burnside Bridge.

Public Market vendor parking would best be accommodated in the area under the Burnside Bridge. Residential uses on the upper floors of the Skidmore Fountain Building would require dedicated parking adjacent to the building which would also best be accommodated in the area under the Burnside Bridge. This will likely necessitate restricting or eliminating current public parking use of this area.

Development Issues

There are several key development issues that must be addressed in order for successful development and operation of the Public Market at the Skidmore Fountain Building site. These include:

Existing Indebtedness

There is a total of approximately \$4 million in existing indebtedness on the Skidmore Fountain Building, tied to HUD funding sources that was used for its acquisition by the existing non-profit tenant. This matter is evaluated in detail later in this report, as part of the recommended development strategy for the renovated building.

Adjacent Area Acquisition

While the City of Portland currently owns the Skidmore Fountain Building, it does not have control of the adjacent Skidmore Fountain and Ankeny lots that are needed to accommodate new construction to allow a Public Market of sufficient scale.

The Skidmore Fountain lot is owned by the City, and it is encumbered by a lease that runs through 2010. Options for acquisition of this lease interest will need to be evaluated.

The Ankeny lot is owned by the Naito family, which is willing to consider transfer of interest. Options for acquisition through a ground lease or outright purchase need to be evaluated. A ground lease could offer the advantage of reducing initial investment, in return for ongoing annual payments of ground rent.

The area under the Burnside Bridge is owned by the City of Portland and has been used as a metered parking area. This area will need to be converted to parking and loading areas dedicated to the Public Market. Residential uses will require dedicated parking to be viable, and this is the only available parking area adjacent to the building. The issues associated with street closure, and dedicating its use to the Public Market, need to be addressed with the Portland Department of Transportation.

Relationship of Saturday Market to the Site

Saturday Market currently uses the area under the Burnside Bridge, the Naito lot, and Ankeny Plaza. Depending upon its final configuration, the Public Market may utilize a significant portion of these areas, including the Naito lot for Options B/B-1, and Ankeny Plaza for daily outdoor vending and shopper seating.

Saturday Market is a beloved Portland institution, and the prospect of its current operation being impacted or relocated is a source of concern for many. PDC has selected a consultant team that is currently evaluating long-term locations for the Saturday Market that provide it a secure home and address the limitations of its current sites. A series of sites in the City are being considered, including a site that would use a combination of the area under the Burnside Bridge, Ankeny Plaza, and a portion of the Waterfront Park directly across the street.

The Saturday Market generates significant foot traffic throughout the year with a peak around the holidays, often a somewhat slower time of year for public markets. A Saturday Market that is near the Public Market and within the Market District provides vendors, restauranteurs, and others with a significant benefit, and along with the Public Market and other proposed projects such as Little Italy, could be considered one of the potential anchors for a future Market District.

Market research work conducted for the Saturday Market in 2003 by Market Decisions Corporation indicated that 42 percent of Saturday Market shoppers have college degrees or higher educational attainment, nearly one-third more than Portland as a whole. One-third of Saturday Market shoppers had in 2002 annual household incomes of \$60,000 or greater, a few percentage points higher than Portland. The profile of Saturday Market shoppers as better educated with higher household incomes matches the profile of the type of consumer who would be interested in Public Market offerings. Therefore, it is to the Public Market's advantage for Saturday Market to be retained in a location as near to it as possible.

Option A would create the least impact on Saturday Market's continue use of the Skidmore Fountain Building block. Coordination would be needed with the Public Market to ensure that Market vendors and service providers do not use the area under the Burnside Bridge or the loading dock on days when the Saturday Market operates. The Public Market would need to scale back its use of Ankeny Plaza on days when Saturday Market needs it for vending; the holiday seasons when Saturday Market is biggest and would need the most use of Ankeny Plaza is when the Public Market is expected to not use it at all.

Option B/B-1's use of the Naito lot presents a greater challenge for maintaining Saturday Market in an adjacent location. The above described use of a portion of the Waterfront Park, as well as the area under the Burnside Bridge and Ankeny Plaza under the same conditions as described for Option A may be a solution whose viability will have to be addressed by the pending Saturday Market study.

Development Strategy

The Portland Public Market Opportunity

The opportunity for a Portland Public Market arises from convergence of several different policy and stakeholder interests and market opportunities.

Demonstration of Sustainable Agriculture and Food Policy/Education

The Portland region is an outstanding example of an agricultural economy converging with a strong interest in fresh, healthy, locally produced food. Rich in producers, vendors, food retailers, vintners, and restaurateurs, Portland and its surrounding foodshed have emerged as a culinary and agricultural leader in sustainable food systems and food policy. Examples of local and statewide organizations devoted to these principles include Ecotrust, the Oregon Department of Agriculture, and the Portland Food Alliance. Area farmers' markets organizations also generally focus on providing a periodic "place" to promote these themes.

In a related vein, the City of Portland and its residents and business community have long had a leadership role in this broad movement, and have consolidated and grown numerous programs through the City's Office of Sustainability. Through this Office's divisions, the concept of sustainability is repeatedly promoted – through green building publications and funds, alternative energy, forest resource management practices, etc.

A Place to Attract the Public and Foster Small Business

At the same time, the concept of a public market, designed as a permanent gathering place for small businesses selling foodstuffs and craft items, has emerged on a national scale. Some of these concepts have evolved as both local-serving and destinations for tourists. Project for Public Spaces (PPS) has defined Public Markets as having three key components:

- Implement public goals such as preserving local agriculture and increasing small business opportunities;
- Create public spaces that create lively interactive places to promote community activities for a wide range of people; and
- Foster small, locally-owned businesses.

One of the key concepts underlying the public market is that it is a gathering place for the public, merged with a retail facility designed to maximize sales for its tenants. In this sense, the public market recaptures the best of traditional commerce, seen worldwide in all cultures as the market square, the mercado, the souq, or the bazaar.

Attraction of Consumers Interested in Specialty Food Retailing

Another theme is the emergence of specialty food retailing, with particular emphasis on high quality gourmet items, ethnic foods, or a combination of both of these merchandising approaches. The Study assesses how this increased consumer interest in quality and unique food ingredients has led to an increase in spending per household on food and related prepared food items.

Several corporate retailing strategies have emerged to market food items to an increasingly discerning customer base. In Portland, Whole Foods, Trader Joe's, and the locally-owned Zupan's and New Seasons have all thrived by focusing on full-service grocery store retailing offering variations of this merchandising approach. With these retailers' emphasis on fresh, organic, locally-grown or interesting imported foods, consumers in Portland have demonstrated their strong demand for specialty food retailing. Portland also supports a range of smaller independent specialty food retailers who successfully compete against larger local and national competitors. Interviews of these vendors demonstrated a high level of interest in a Portland Public Market, as described in Appendix H of this Study.

Promotion of Sustainable Lifestyles

Consumers who are interested in sustainable agriculture are most likely to consider it a component of their broader commitment to a sustainable lifestyle and society. Such consumers, who represent a core audience for the Public Market, are interested in maximizing opportunities to obtain sustainable goods and services. Lifestyle-oriented food retailers are increasing their offerings to include sustainable apparel, publications, health-related products, and other items (Whole Foods recently opened a stand-alone prototype retail store offering sustainable apparel and other goods adjacent to one of its stores). A limited amount of non-food retailing of sustainable products can strengthen the Market's identity and enhance consumer perception of it as a unique destination.

More practically, most successful public markets include a limited amount of non-food retailing, because it helps attract and sustain consumer interest and also because it can generate revenues from odd corners and spaces not suited to food retailing, as well as compensate for seasonal fluctuations in the number of fresh food vendors. At the same time, such uses must be carefully selected and controlled so they do not adversely affect the overall market experience.

It is essential that any limited amount of non-food retailing in the Public Market excludes craft items or other products that would generate competition with the Saturday Market. In addition to various types of sustainable products with an emphasis on local producers, the Public Market identity allows for a strong branding around organic and sustainable garden products, such as plants, flowers, and other winter season gardening items.

Positioning the Public Market

To create a successful new venture at the Skidmore Fountain Building, the Public Market will need to capture the best of the above opportunities in a place that functions as a central location for all of them, while being positioned uniquely to avoid direct overlap with other retailers and markets. The Public Market needs to attract shoppers who want to buy food items, gather and socialize, and discover or promote sustainable practices and lifestyles. It needs to attract and nurture growers/producers as well as a limited number of other non-food oriented entrepreneurs who want to start or expand their businesses, reach larger numbers of shoppers, and establish a permanent home.

This Study evaluates typical public market vendors such as bakeries, produce, fish, meat, flowers,

prepared foods, specialty foods, and related items as the core uses in a new retail Portland Public Market. Other public markets in the U.S. and Canada have demonstrated that a focus on providing the highest quality and best range of offerings in these categories is the essential requirement for success. Complementary educational programming is also evaluated as a means to increase consumer interest in the fresh, high quality foods offered by the Public Market. The Public Market project serves the key public purposes of creating a new community destination; increasing Portlanders' access to fresh, high-quality, affordable foodstuffs; promoting agriculture and food production in the local foodshed; and encouraging sustainable lifestyles. It would be developed through a public/private partnership using a combination of public and private funding sources.

Support for a Market District

A Public Market has strong potential to be synergistic, and, along with existing uses such as Saturday Market, as well as other complementary proposed projects such as Little Italy, can help establish a vibrant Market District in the Old Town area. The Market District concept is being explored in another study; it is attractive because it provides an organizing theme for regeneration of the Old Town area, with uses that connect back its original history as the place where Portland first began.

As an anchor use that generates heavy foot traffic, a tightly focused and well operated Public Market can attract interest that catalyzes regeneration of the Old Town area and helps other uses succeed in locations next to or near the Public Market. These complementary uses, such as high-quality sit-down restaurants, wineries, breweries, cooking schools, and food production, could occur as complementary projects by other entrepreneurs and/or mixed-use developers, and would serve to generate business for Public Market vendors. These projects typically provide more private benefits than the public purposes served by the Public Market, and would primarily be privately developed and funded through private sources (with some potential public support available for projects that support larger Market District development objectives).

Development Strategy and Program

The development strategy is focused on development of just the space that will be occupied by the Portland Public Market at the Skidmore Fountain Building site (although this space could be included in a future mixed-use development, the goal is to avoid having the Public Market project be contingent upon a larger development project). The upper floors of the Building would be available for another development project with other uses.

Development Program

The block containing the Skidmore Fountain Building, bounded by 1st Avenue, Ankeny Street, Naito Parkway, and the Burnside Bridge, consists of five parcels. Four of these parcels are being transferred to PDC by the Saturday Market, and include the Skidmore Fountain Building. One of those parcels is an approximately 3,800 square foot parking area between the building and the Burnside Bridge⁸. The fifth parcel is an approximately 15,000 square foot property between the Building and Naito Parkway that is part of the Naito landholdings.

Work for the first part of this Study established that the minimum “critical mass” for a Public Market is likely in the range of approximately 25 vendors occupying at least 25,000 square feet of market space,

⁸ This parcel is encumbered by a leasehold interest that goes through 2010 and may need to be resolved, depending on the timing of construction of the Public Market.

including space for a demonstration kitchen, educational programs, large seating area (also suitable for rental for special events), and storage and other support activities. Another critical component is the inclusion of an outdoor vending area in Ankeny Plaza during the peak growing season, approximately eight months per year, that allows for 25 or more outside “day vendor” tables rented on a daily basis, along with seating, in order to expand market offerings and create activity that helps pull people into the Market.

Analysis of the block containing the Skidmore Fountain Building showed that the largest potential market accommodating all these activities would fit no more than approximately 30 food vendors. Therefore, for the purposes of this Study, it was decided to model a slightly larger facility in order to take full advantage of the site. This resulted in a conceptual vendor mix for approximately 30 food vendors, along with eight small vendors of sustainable non-food merchandise. This size puts it near the middle range of U.S. public markets, based on data made available by USDA, as shown in Table 1 on the following page.

Potential Alternate Locations

The Study determined that there were no “fatal flaws” for reuse of the Skidmore Fountain Building for a Public Market, and this Study develops alternate design schemes for how to reuse the building. However, as described in the balance of this section, the Building presents significant constraints that make creation of an appropriate design more challenging and tend to significantly increase development costs.

Many of these issues could be mitigated by developing the Public Market as the ground floor use in a new mixed-use building, with new construction allowing the design to be tailored to the Market’s needs. It would also shift the challenges of successful real estate development from a new non-profit to an experienced developer who could provide a “turn-key” facility and an advantageous long-term lease or ownership interest. An example of such a site could be the new development proposed for the fire station site across Ankeny Plaza from the Skidmore Fountain Building. That site or other alternative locations were not considered at this time because of the direction to the consultant team to focus on the Skidmore Fountain Building and its block, but may warrant further study in the future.

Table 1: Public Markets in the United States and Canada

Name & Location	Area	Unit	Date Opened	Number of Vendors	Vendor Mix and Comments
Washington DC Fish Wharf Washington, DC	65	Feet Long	1933	5	Open-air seafood and fish market on Washington's waterfront. Floats directly on the river on several long barges.
South Hall at Eastern Market Washington, DC	16,500	Building SF	1873	14	Meats, seafood, dairy, bakery items, flowers and produce. Combined with an open-air, weekend farmers' market and arts and community center.
River Market Little Rock, AR	15,000 10,000	Building SF Leasable SF	1996	17	Meat, baked goods, newsstand, flowers, deli, spices, coffee and prepared food. Market consists of 17 owner-operated shops, stalls, and day tables with 150-175 vendors. Farmers market twice a week in two large open-sided pavilions next to market.
Portland Public Market Portland, ME	37,000 17,000	Building SF Leasable SF	1998	18	Produce, meat and poultry, seafood, baked goods, flowers, specialty foods, and two sit-down restaurants.
Findlay Market Cincinnati, OH	20,400	Leasable SF	1855	22	Meat, fish, poultry, produce, flowers, cheese, deli, and ethnic foods. On weekends from April to November, 100 outdoor vendors comprise a farmers market, along with special events. Renovated in 2003.
City Market Kansas City, MO	95,000	Leasable SF	1857	31	Fresh produce, meats, seafood, specialty and prepared food, flowers and gifts from across the world. Open-air setting with a farmers market on weekends in March through November. Renovated in 1980. 160 indoor and outdoor vendors total.
Sweet Auburn Curb Market (a) Atlanta, GA	n/a	n/a	1924	31	Fresh produce, meats and cheeses, fresh flowers, African clothing, and several small ethnic cafes. Renovated in 1994.
North Market Columbus, OH	44,000	Building SF	1876	35	Meat, baked goods, fish, green grocery items and produce, ethnic food specialties, gourmet groceries and unique gifts.
Ferry Building Marketplace San Francisco, CA	65,000	Building SF	1993	40	Meat, fish, poultry, wine, cheese, bread, flowers, produce, ready-to-cook and cooked items, and ferry tickets. Three large restaurants anchor building corners. Farmers' market occurs four days a week along two open air arcades.
Granville Island Public Market Vancouver, BC	41,939	Building SF	1979	50	Green groceries, meat, baked goods, fish, imported items, ethnic food, crafts, sweets, flowers and casual eateries. Opened with 20 vendors; extensive space for day tables can accommodate up to 47 vendors.
West Side Market Cleveland, OH	66,132	Leasable SF	1912	67	Indoor-outdoor market with 181 vendors of produce, meats, bakery, fish, spices, sauces, and prepared food. Consists of two buildings with an outdoor arcade covered in the winter. SF includes basement for storage and refrigeration.
Souard Market St. Louis, MO	34,000	Building SF	1838	69	Produce, live poultry, pets, art, meat spices, coffee, flowers. Market has two outdoor wings under roofs and opens Wednesday through Saturday.
Reading Terminal Market Philadelphia, PA	75,000 40,000	Building SF Leasable SF	1892	72	Baked goods, meats, poultry, seafood, produce, flowers, ethnic foods, cookware and eclectic restaurants.
Lexington Market (a) Baltimore, MD	160,000	Building SF	1782	140	Fresh produce, delicatessen, fresh fish, fresh poultry, bakery, meat, seafood, international cuisine, and candy. Renovated in 2002.
The Eastern Market Warren, MI	1,873,087	Total Lot SF	1841	200+	Farm fresh fruits and vegetables, meat products (beef, pork, lamb, poultry, geese, ducks and rabbits), herbs and spices, nuts, candies and condiments.
Pike Place Market Seattle, WA	500,000	Total Lot SF	1907	240	Produce, meat, poultry, dairy, specialty food, seafood, wine. Additional 200 day stalls used by crafts and produce merchants.
Rochester Public Market Rochester, NY	60,000 435,600	Building SF Total Lot SF	1905	300	Fresh fruit, meat, fish, poultry, eggs, dairy, baked goods, seasonal produce, flowers, plants, jewelry, dry goods, crafts, paintings, and specialty foods. Market is comprised of two open-air sheds and one enclosed shed.

(a) Not verified by Bay Area Economics.

Sources: Project for Public Spaces, USDA Farmer Direct Marketing, BAE, 2006.

The resulting Public Market facility would have nearly 14,000 useable square feet of vendor stall space, as shown in Table 2.

Table 2: Portland Public Market - Conceptual Vendor Mix

	Average Stall Size Useable sf	Number of Stalls	Total Area Useable sf	Share
Green Grocer - permanent	600	4	2,400	17%
Green Grocer - indoor day tables	n/a	varies	800	6%
Flower, Plants	120	2	240	2%
Butchers, Meat, Seafood	600	4	2,400	17%
Bakers	800	3	2,400	17%
Specialty Food	120	10	1,200	9%
Prepared Food	500	7	3,500	25%
Food Prep / Non-Food Items	120	8	960	7%
Totals		38	13,900	100%
Outdoor Day Vendor Stalls	100	25	2,500	100%

Sources: Project for Public Spaces; BAE, 2006.

Facility Options

A range of development concepts, using either the four parcels that are being transferred to PDC or the entire block, were evaluated to accommodate this requirement along with spaces for storage and support activities, the demonstration kitchen and education area and classrooms, and public amenities and administration.

These concepts were distilled into three discrete development options that have comparable areas for various Public Market functions:

- **Facility Option A: Multi-Level Market with Added North Market Hall.** This option uses the existing four Saturday Market lots, and the basement, first, and second levels of the Skidmore Fountain Building for vendor stalls and support activities (the existing mezzanine or second level is demolished so that the ceiling height on the first level is approximately 16 feet, and the existing atrium is extended into the basement). A two-story glass and steel pavilion structure would be attached to the Building on the lot between it and the Burnside Bridge in order to expand its first and second floor areas (the new “North Market Hall”).
- **Facility Option B: Single-Level Market with Added North and East Market Halls.** This option uses all five lots, including the purchase of the Naito lot for development of a one-story glass and steel pavilion structure (the new “East Market Hall”). The North Market Hall is a one-story glass and steel pavilion structure in this option. Both halls are used for vendor stalls, along with the first floor of the Skidmore Fountain Building (the existing mezzanine or second level is also demolished in this alternative, and the existing atrium is extended into the basement). The basement of the Building would be used for support activities, including the demonstration kitchen, classrooms, and other support functions.
- **Facility Option B-1: Single-Level Market with Added North and East Market Halls, Second Level Atrium Restaurants.** This option is the same as Option B, with the addition of a second floor

mezzanine-level⁹ above the East Market Hall, open to the Public Market below. This mezzanine-level space is sized to allow two restaurants of approximately 3,000 square feet each, open to the Public Market below, and oriented to take advantage of river and Ankeny Plaza views. It also includes approximately 400 square feet on the ground level of the Market (with a commensurate reduction in vendor stall area) for each restaurant to locate a small lounge and host station to greet customers. This option has been added to evaluate the financial implications and architectural feasibility of adding two “bistro” restaurants, as recommended by PPM in order to enhance the identity of the Public Market, consistent with its vision.

An indoor seating area of approximately 1,500 to 2,000 square feet is included in all of the facility options; this space would be used by market shoppers who wish to consume products purchased on-site. It would also be available for a limited amount of special event rental after-hours by organizations interested in the unique Market setting.

In addition to the indoor space, all options would include approximately 4,000 square feet of outdoor areas to accommodate up to 25 daily outdoor vendors; the daily variety in vendors and offerings would complement the permanent indoor vendors and help make the market more dynamic. There would also be approximately 2,000 square feet of outdoor tables and seating for Public Market visitors and customers to enjoy the public setting and food they have purchased. These outdoor areas would be located in Ankeny Plaza as well as the site of the East Market Hall.

GBD Architects prepared a series of conceptual plans for these options, shown on the following pages.

The drawings on the following pages are conceptual and diagrammatic in nature – they are intended to show the locations of uses, relationship of activity areas, approximate areas, and factors affecting design. They do not represent a proposed design scheme, vendor layout or detailed floorplan, or the other details that would typically be determined in future schematic design and design development. Substantial changes and revisions should be expected as development and operating programs and plans are refined in the future.

A range of potential needs and issues were identified during discussions with the Advisory Committee:

- Offices and administrative areas will be located in the same area as the demonstration kitchen and education areas. It is anticipated that administrative offices and a Public Market employee break area would require less than approximately 1,000 square feet.
- Approximately 1,200 square feet of cold storage, and approximately 800 square feet of dry storage are provided. This is slightly less than the rule of thumb of storage approximating 15 percent of vendors’ stall area, but it is constrained by the size of the basement and other uses to be accommodated.
- Preliminary analysis indicates that semi-trailer trucks and large vehicles cannot be maneuvered under the Burnside Bridge. A loading dock is shown to accommodate large vehicles that would need to back in from Naito Parkway. While this is the only practical solution, it raises access issues discussed elsewhere in the Study.

⁹ The building code considers an upper level that covers more than one-third of the floor below it to be an atrium, requiring additional exiting. While this space is technically an atrium, for descriptive purposes it is referred to as a “mezzanine” in this Study. The conceptual floorplan shows a layout that meets building code requirements.

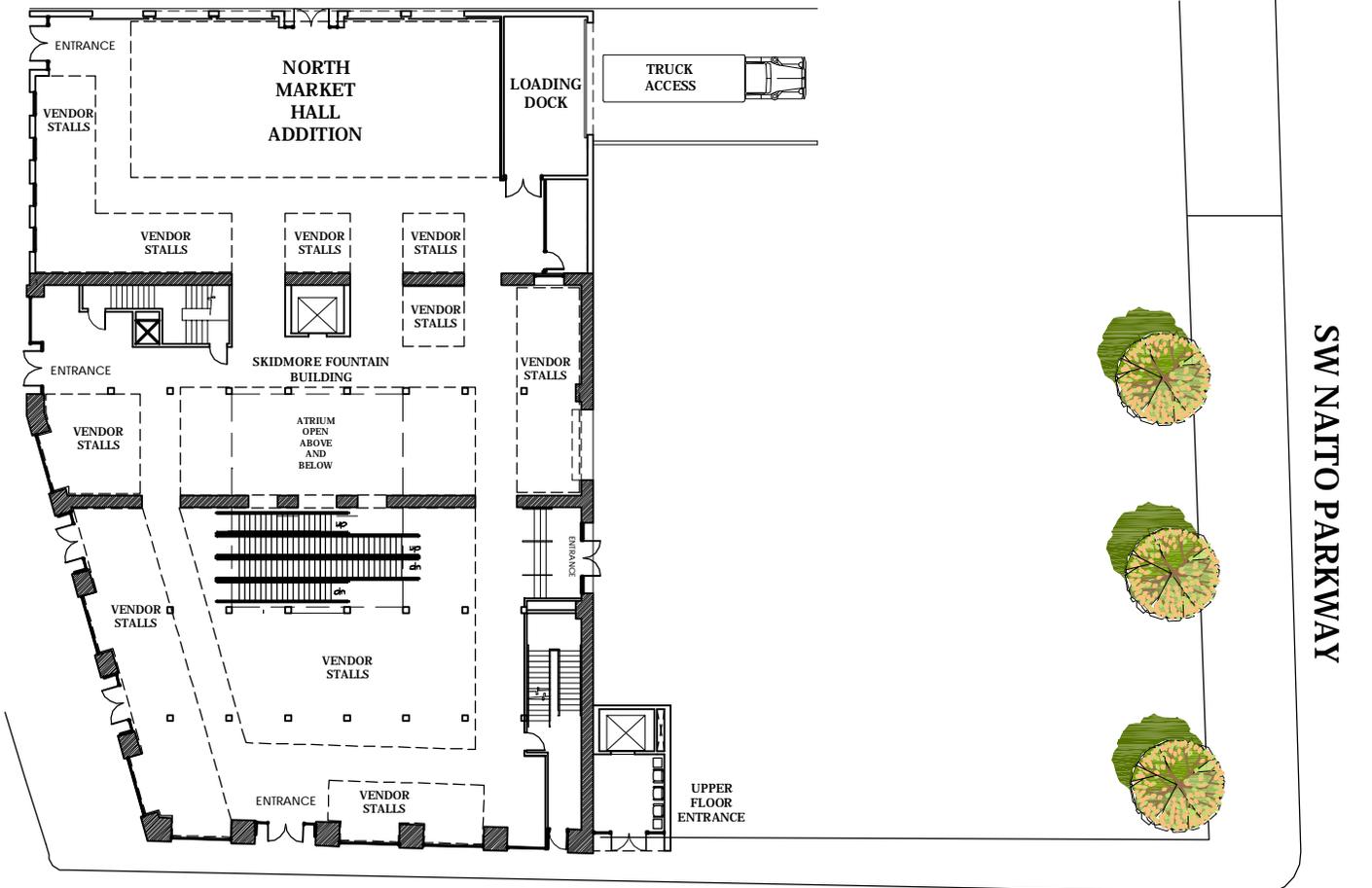
Option A: Multi - Level Facility

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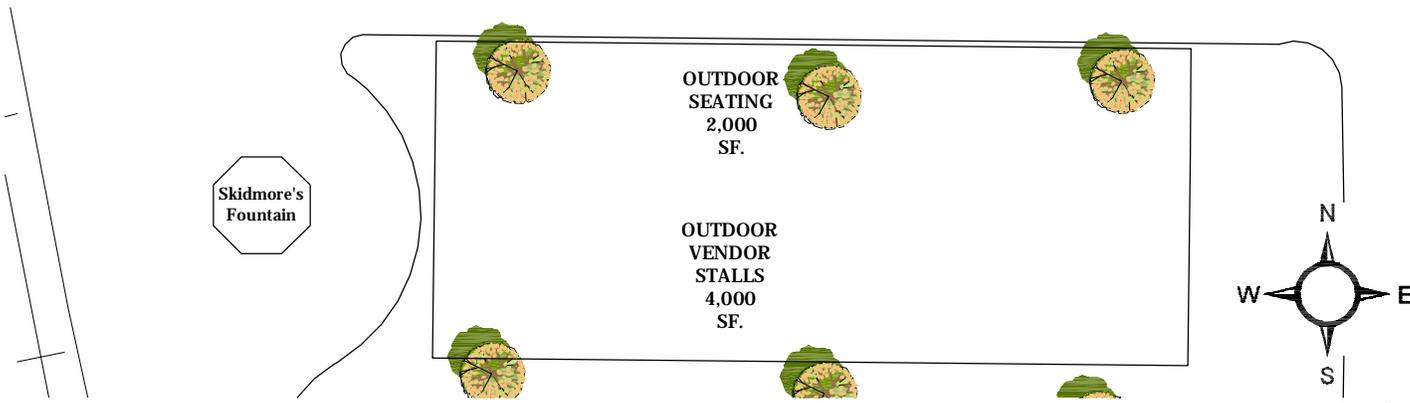
-  boundary of existing building
-  line of floor above

W. BURNSIDE STREET

AT GRADE LOADING
FROM UNDER BURNSIDE
BRIDGE



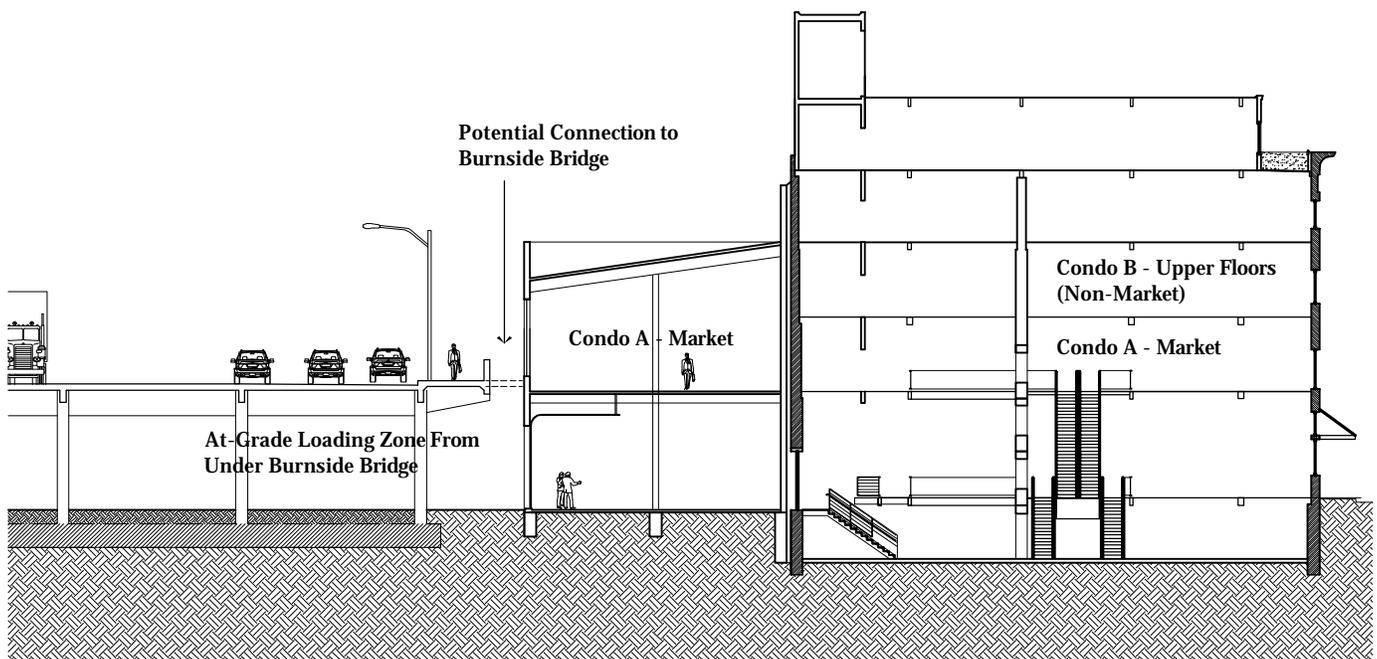
SW ANKENY STREET



Not to Scale

Conceptual Site Plan - At Ground Floor

Option A: Multi - Level Facility



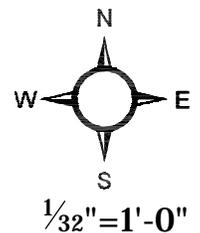
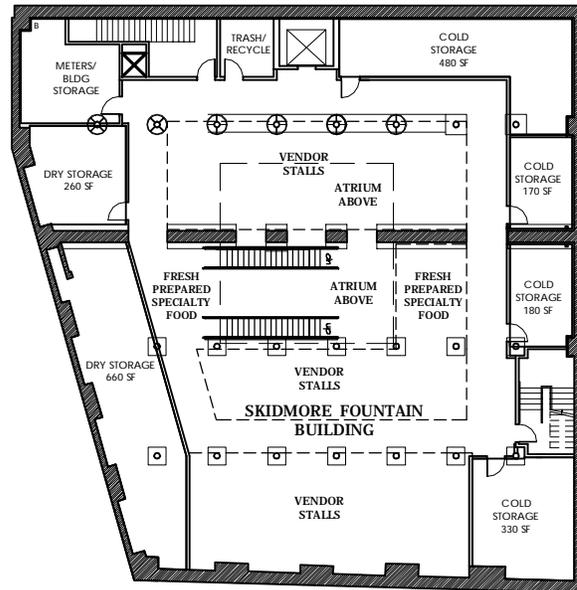
$\frac{1}{32}'' = 1'-0''$

Conceptual Building Section - Looking East

Option A: Multi - Level Facility

LEGEND

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-  line of floor above

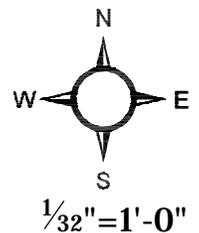
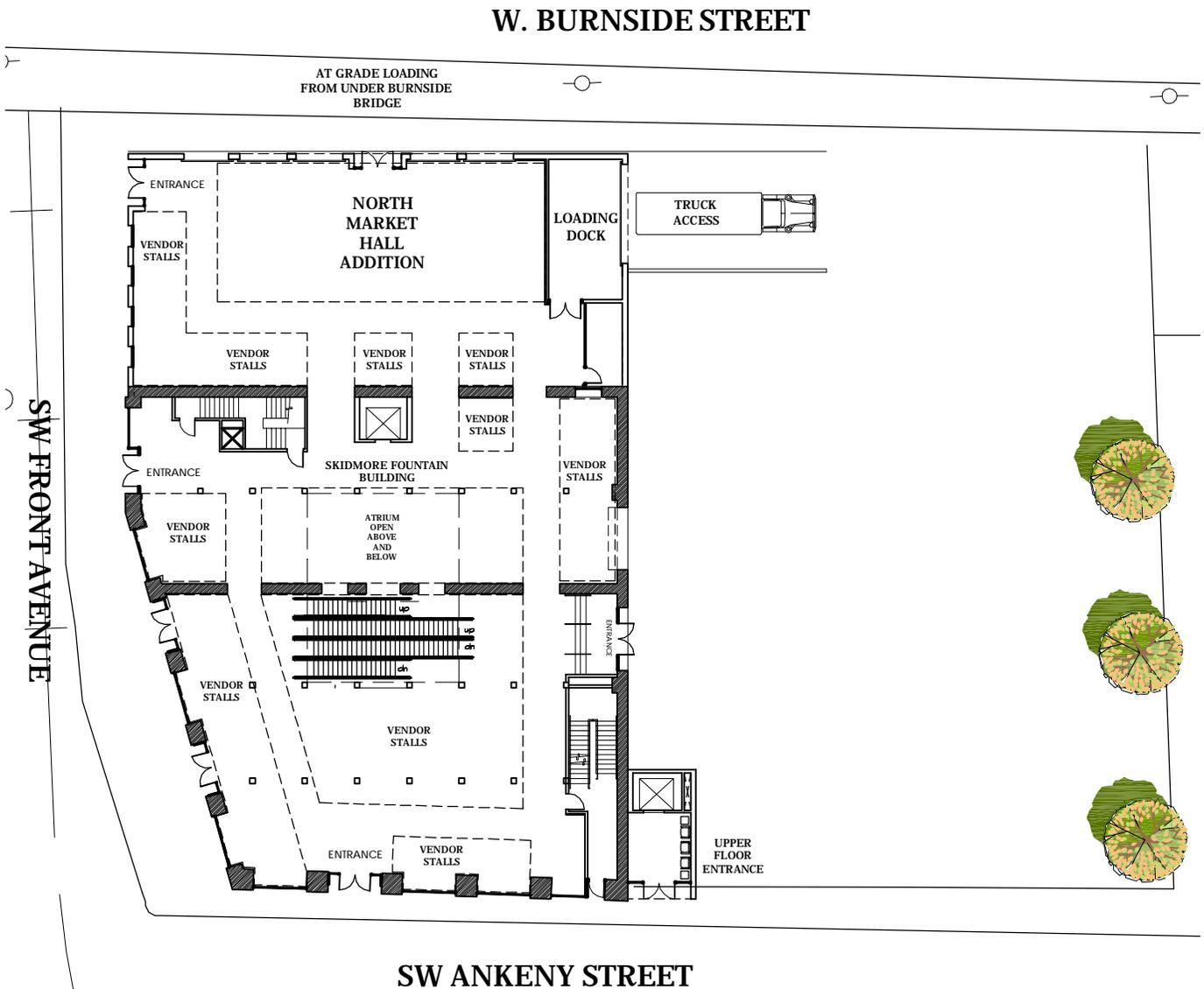


Conceptual Basement

Option A: Multi - Level Facility

LEGEND

-  boundary of existing building
-  line of floor above



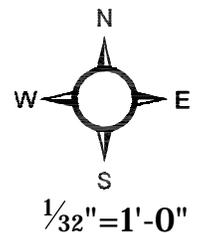
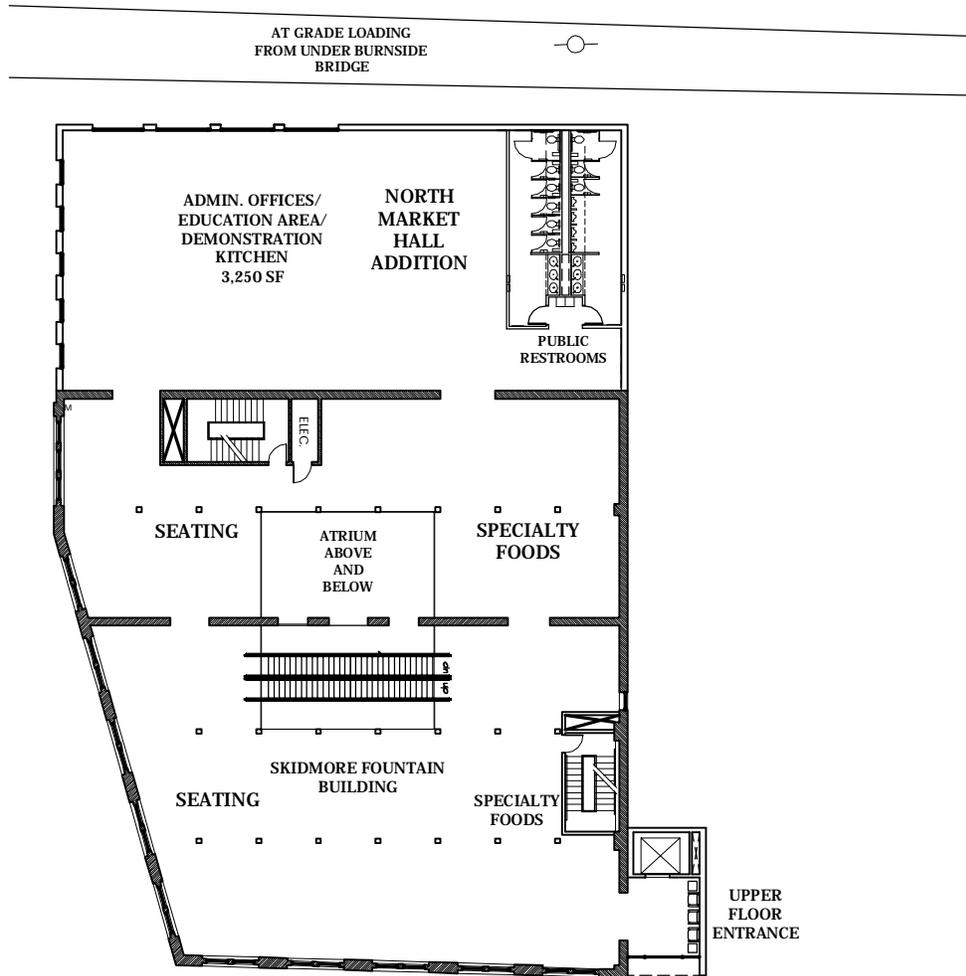
Conceptual Ground Floor

Option A: Multi - Level Facility

LEGEND

-  boundary of existing building
-  line of floor above

W. BURNSIDE STREET



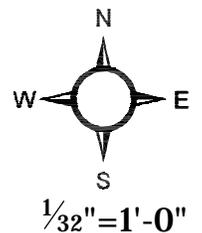
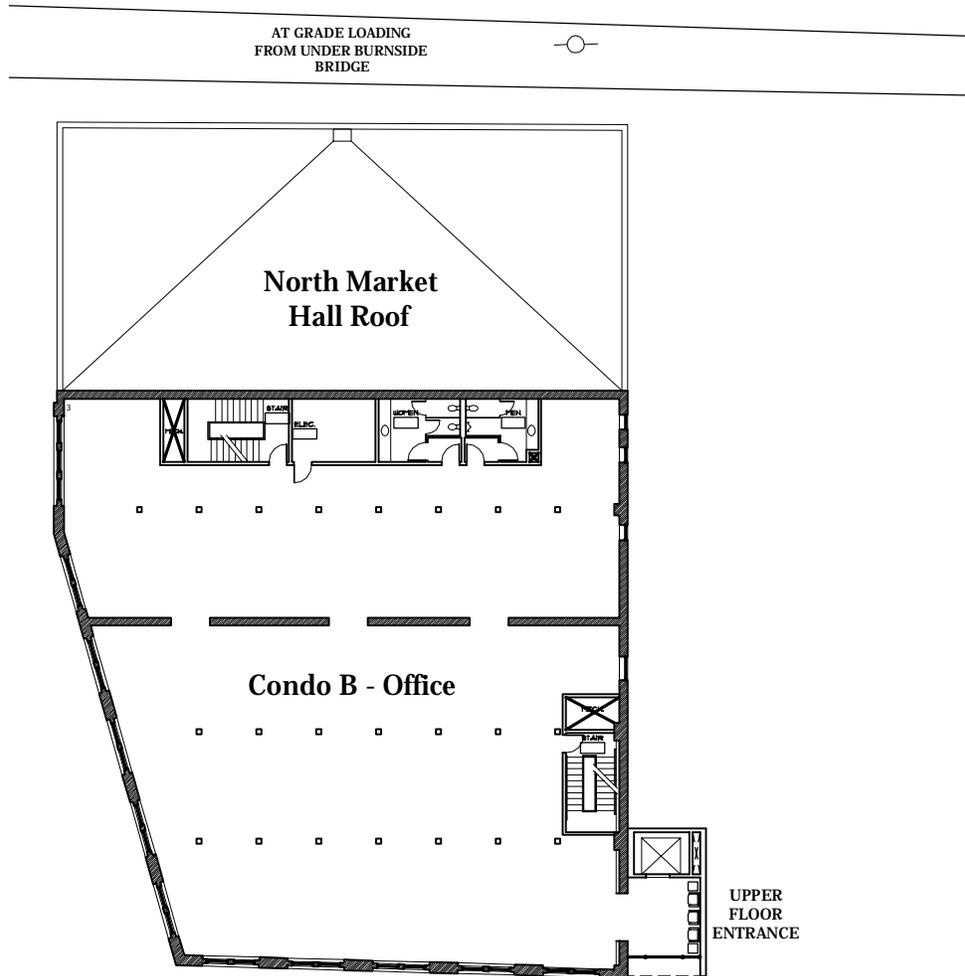
Conceptual Second Floor

Option A: Multi - Level Facility

LEGEND

-  boundary of existing building
-  line of floor above

W. BURNSIDE STREET



Conceptual Third Floor - Condo B

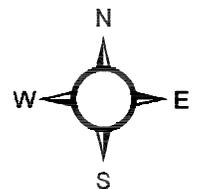
Option B: Single-Level Facility

LEGEND

-  boundary of existing building
-  line of floor above

W. BURNSIDE STREET

AT GRADE LOADING FROM UNDER BURNSIDE BRIDGE



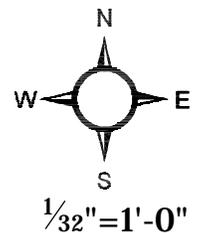
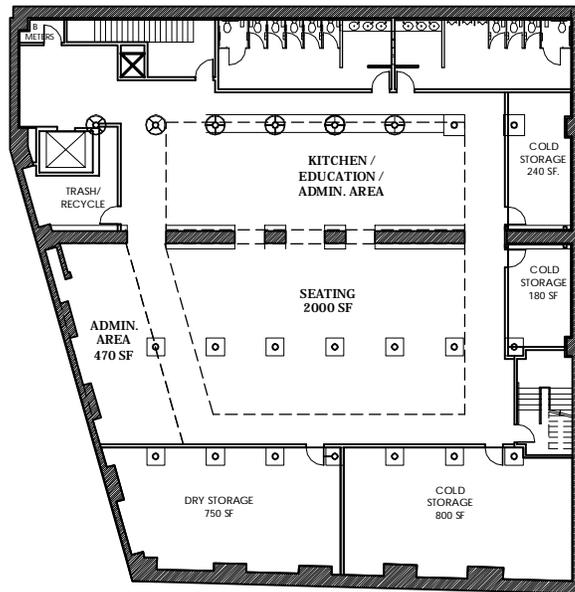
Not to Scale

Conceptual Site Plan - At Ground Floor

Option B: Single - Level Facility

LEGEND

-  boundary of existing building
-  line of floor above



Conceptual Basement

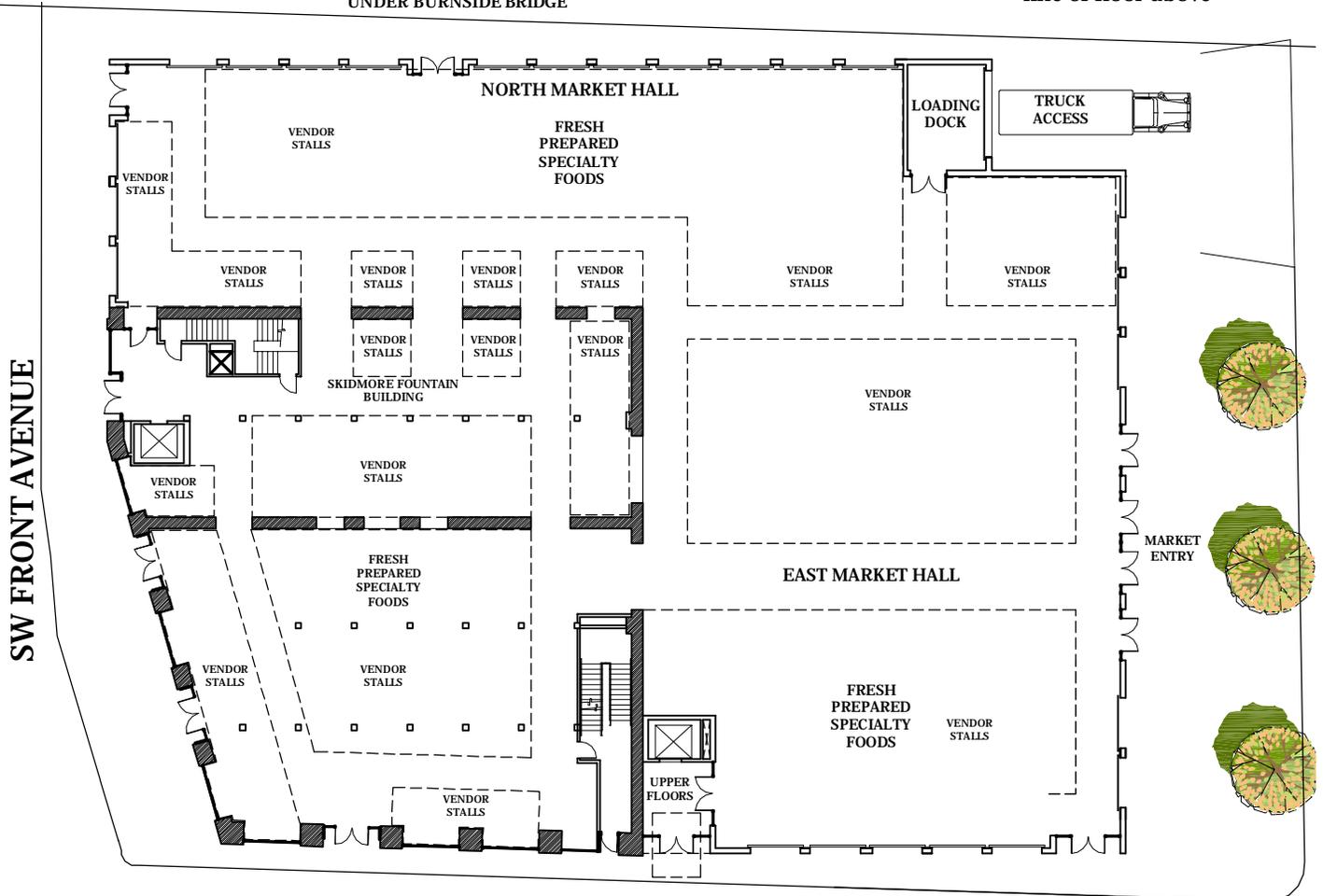
Option B: Single - Level Facility

LEGEND

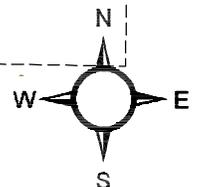
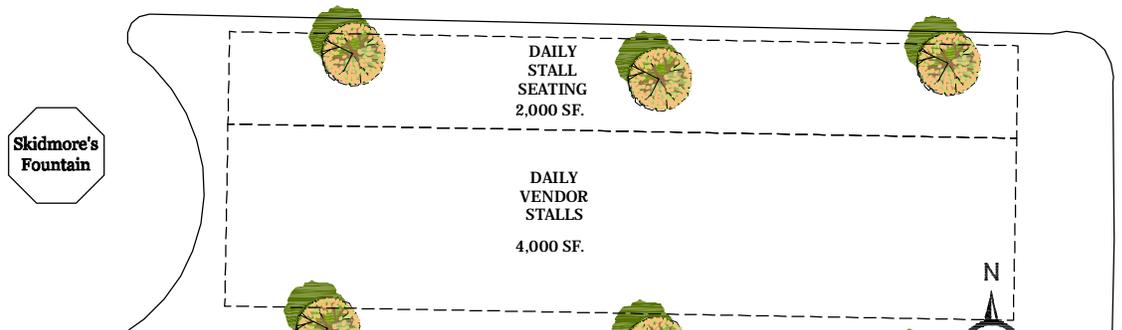
-  boundary of existing building
-  line of floor above

W. BURNSIDE STREET

AT GRADE LOADING FROM
UNDER BURNSIDE BRIDGE



SW ANKENY STREET



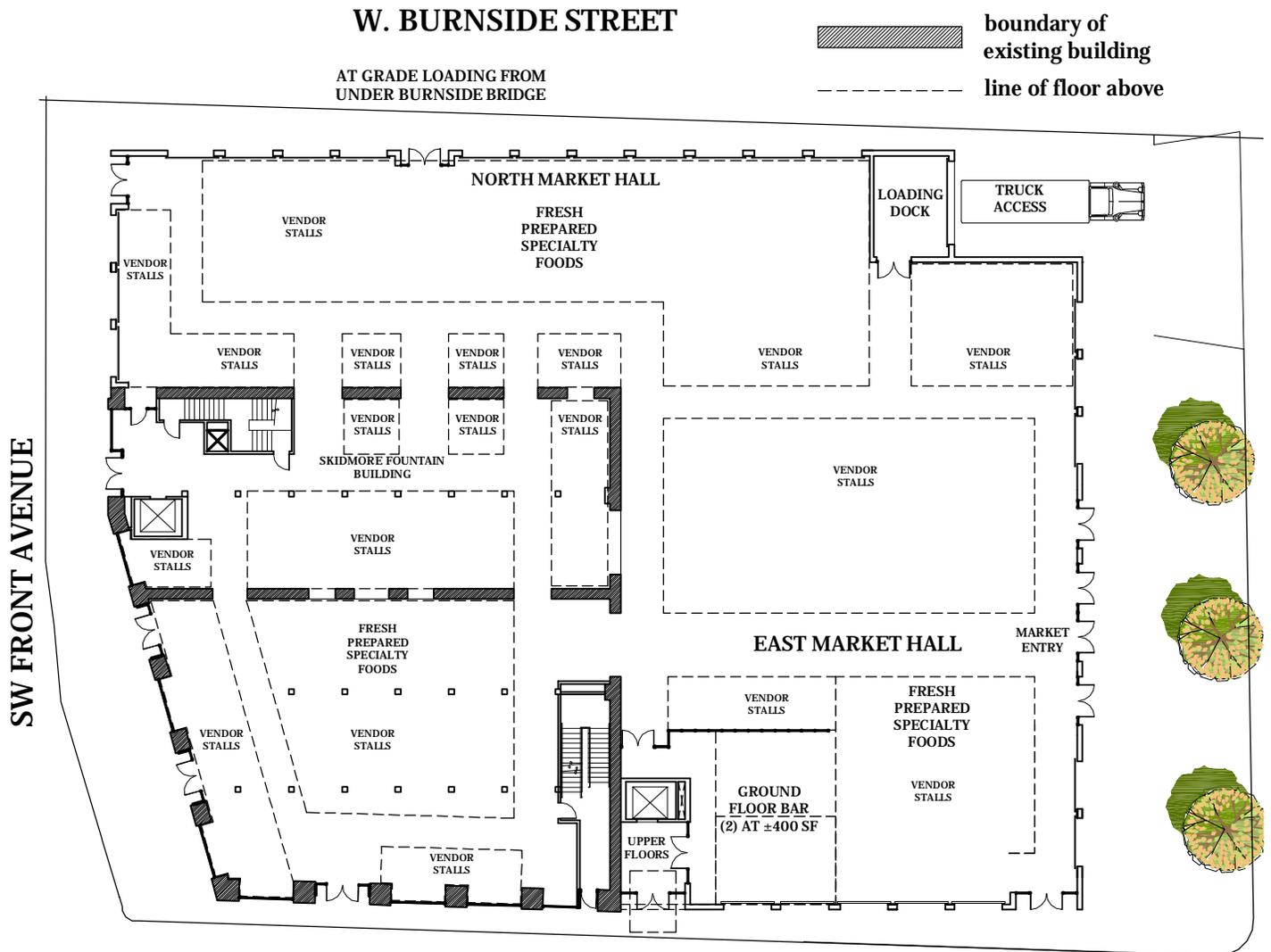
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Conceptual Ground Floor

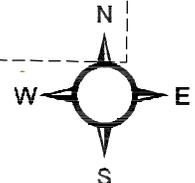
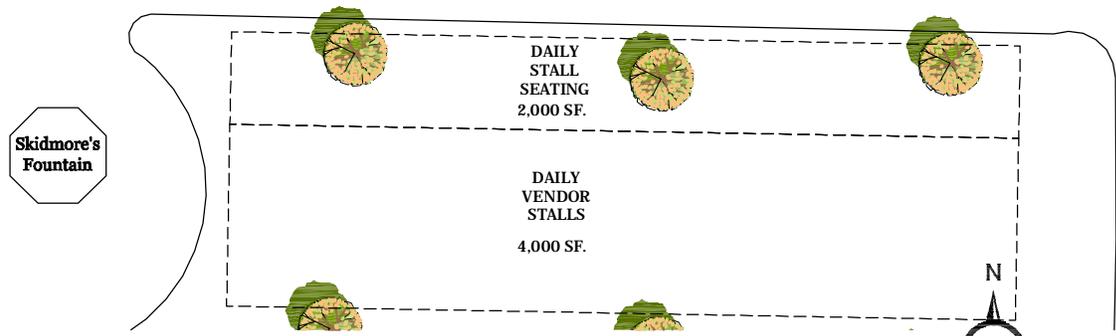
Option B-1: Single-Level Public Market with Restaurants Above

LEGEND

-  boundary of existing building
-  line of floor above



SW ANKENY STREET



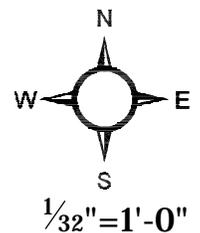
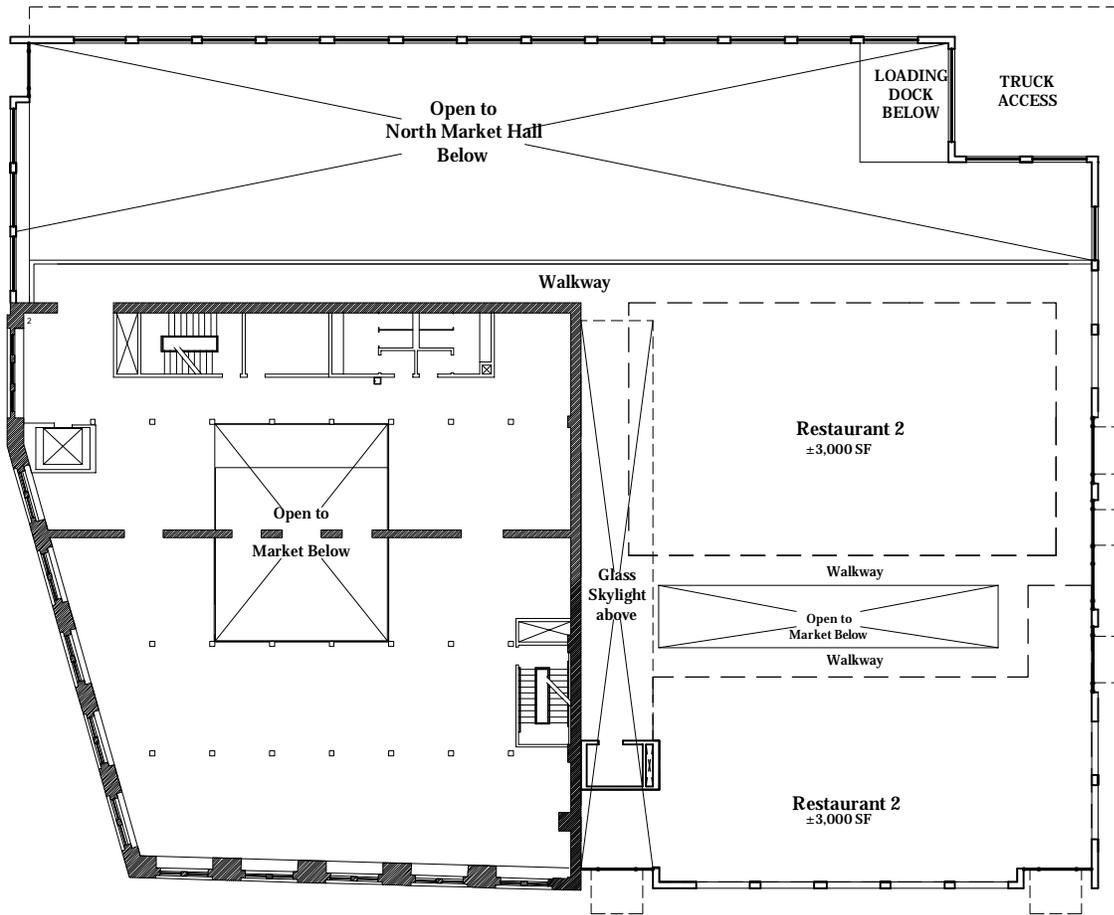
1/32" = 1'-0"

Conceptual Ground Floor

Option B-1: Single-Level Public Market with Restaurants Above

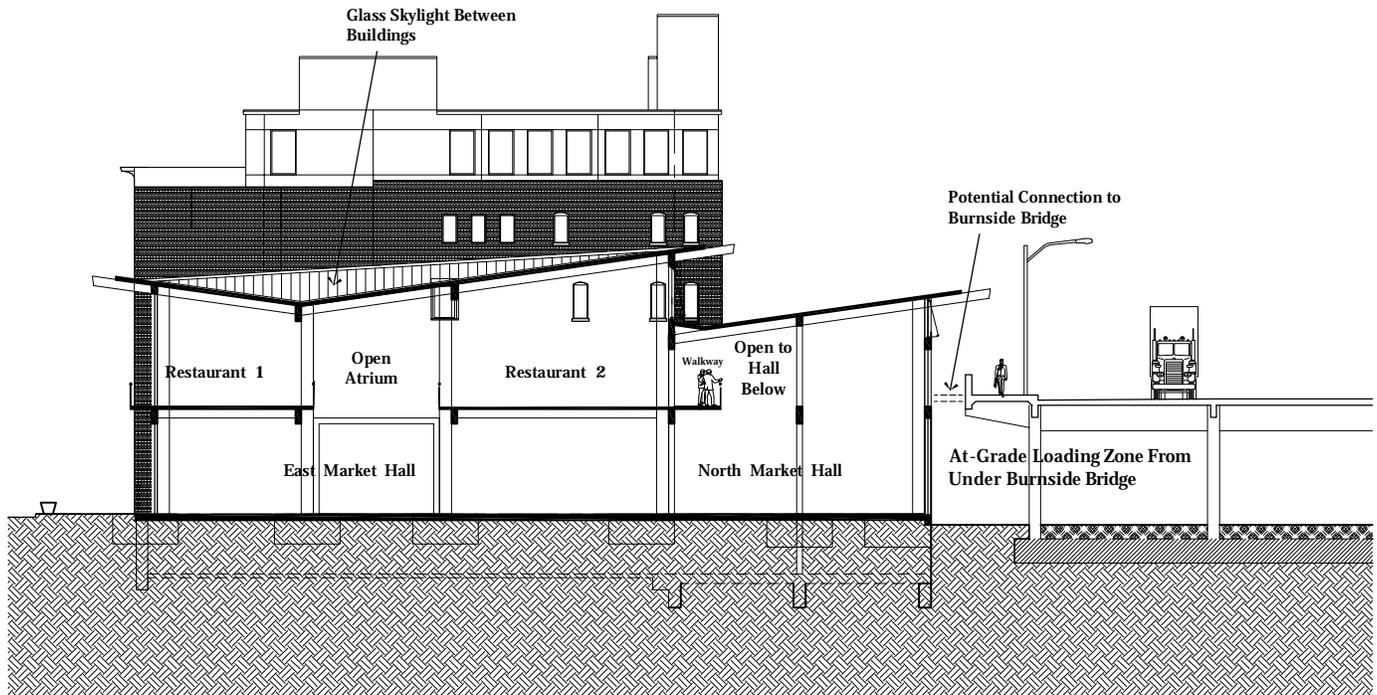
LEGEND

-  boundary of existing building
-  line of floor above



Conceptual Second Floor - East Market Hall

Option B-1: Single - Level Facility with Restaurants



1/32" = 1'-0"

Conceptual Building Section

PORTLAND DEVELOPMENT COMMISSION | PORTLAND PUBLIC MARKET - FEASIBILITY STUDY

BAY AREA ECONOMICS | GBD ARCHITECTS | KPFF CONSULTING ENGINEERS | CBG CONSULTING ENGINEERS

JAN 2006

Table 3 details which Public Market functions are located in which areas of the Building and the new North and East Market Halls. The areas used for Market functions is approximately 21,000 square feet in the three options; the addition of circulation in public spaces, elevators, stairs, and other building requirements increases the total gross area to approximately 30,000 square feet (the actual area would be determined by future design development).

Table 3: Portland Public Market - Alternative Conceptual Development Programs

	Option A: Multi-Level in Historic Building	Option B: Single Level With Added Market Halls	Option B-1: Option B With Added Restaurants
<u>Gross Interior Building Area - sf (w/ circulation, net of atriums)</u>			
<i>Existing Skidmore Fountain Building</i>			
Basement - Fresh & Prepared Food	5,490	0	0
Basement - Kitchen, Ed Area, Seating	0	3,500	3,500
Basement - Admin & Restrooms	0	1,500	1,500
Basement - Storage	2,800	3,290	3,290
1st Floor - Fresh & Prepared Food	7,238	7,238	7,238
2nd Floor - Specialty Food	2,238	n/a	n/a
2nd Floor - Kitchen, Ed Area, Seating	3,500	n/a	n/a
2nd Floor - Admin, Restrooms	1,500	n/a	n/a
<i>New Market Halls</i>			
East Market Hall Loading / Service	n/a	500	500
East Market Hall Fresh & Prepared Food	n/a	11,000	10,000
East Market Hall - Ground Floor Lounge for Restaurants	n/a	n/a	1,000
East Market Hall - 2nd Floor Mezzanine Restaurants	n/a	n/a	6,900
North Market Hall Loading / Service	500	0	0
North Market Hall Fresh, Prep'd, Specialty Food (a)	<u>6,100</u>	<u>3,300</u>	<u>3,300</u>
Total Building Area	29,366	30,328	37,228
<u>Estimated Useable Area - sf (b)</u>			
<i>By Function</i>			
Fresh, Prepared, Specialty Food	13,693	14,000	13,350
Kitchen, Education, Seating	2,800	2,800	2,800
Restaurants (c)	0	0	6,800
Admin, Restrooms	1,200	1,200	1,200
Storage, Service	<u>2,640</u>	<u>3,032</u>	<u>3,032</u>
	20,333	21,032	27,182
Add Circulation, Elevators, Stairs	<u>9,033</u>	<u>9,296</u>	<u>10,046</u>
Total Gross Area	29,366	30,328	37,228
(a) Includes 2nd floor area for North Market Hall not included in Option B.			
(b) Estimated efficiency factor for vendor sales area: 65%			
Estimated efficiency factor for other areas: 80%			
(c) Restaurants assumed to have 6,000 sf 2nd floor useable area, plus 800 1st floor useable area for bar and host.			

Sources: GBD Architects; BAE, 2006.

Advantages and Disadvantages of Development Options

While Options A and B/B-1 can result in Public Market facilities that support a successful operation, each option has significant advantages and disadvantages, as well as issues that have to be addressed. Issues that are common to both options include:

- *Seismic Retrofit.* The scope of retrofit to accommodate the Public Market will trigger Portland building code requirements for a full seismic upgrade to the Skidmore Fountain Building to current

code standards. Seismic retrofit for the entire building needs to be done as a single project. This means that in the absence of a mixed-use development project for the non-Market occupied areas of the Building, an arrangement will be needed to fund and manage seismic retrofit work, with the Public Market paying its pro-rata share.

- *Integration with Upper Floor Uses of Skidmore Fountain Building.* Non-Market uses on the upper floors of the Building will require a separate lobby and elevator. The location of these will need to be decided as part of the design of the Market, in a manner that maximizes the market potential of the upper floors. Similar coordination will be necessary regarding aspects of market operations that may raise conflicts with upstairs users, particularly residential tenants.
- *Expansion Space.* The first part of this Study suggested that the Public Market, if successful, might grow to the same size as the Granville Island Public Market in Vancouver, BC, which contains nearly 50 vendors and occupies approximately 45,000 square feet. There are no practical on-site options for expansion space using the five parcels in the Skidmore Fountain Building block to accommodate future growth of the Market. It is not practical for food vending to occur on more than three levels of the Skidmore Fountain Building in Option A. If Option A is developed initially it is unlikely that the Naito lot would be available for Market expansion in the future, setting aside the difficulty of adding a large new vendor area with horizontal circulation to a market oriented to vertical circulation. Adding vertical circulation in the Building to the predominantly horizontal circulation pattern in Option B is not practical, either (but may be more feasible in Option B-1).

The only other direction for expansion is under the Burnside Bridge approach. Because the area under the Bridge is a public right-of-way, City Council action would be needed to vacate the public right-of-way for private use by the Market. Other issues that would need to be addressed include, but are not limited to, the seismic safety of the Bridge approach and design modifications to protect a potential Market addition and users from traffic incidents (as well as to create a potential entry from the Bridge into the Market). These issues require further study, leaving it unclear at this time as to the viability of expansion under the Bridge.

It may be possible to accommodate Market growth by locating additional space or functions on adjacent properties across Ankeny Street or 1st Avenue, including in the first floor of future mixed-use developments. The specific availability of sites would depend on the timing of potential Market expansion.

The advantages and disadvantages that are unique to Options A and B can be summarized as follows:

<u>Option</u>	<u>Pro</u>	<u>Con</u>
A: Multi-Level in Skidmore Fountain Building + North Hall (2-stories)	<ul style="list-style-type: none"> • Avoids acquisition of Naito lot • More intensive use of Skidmore building • Preserves Market District Naito lot development option or existing weekday parking / Saturday Market use • Likely sooner opening date 	<ul style="list-style-type: none"> • Vertical circulation requires escalators, boosting cost • Multi-level retail challenge: visibility on lower, upper floors • Design challenging • Need easement on Naito lot for truck loading access
B: Single-Level in Skidmore Fountain Building + North Hall (1-story) + East Hall (Naito Lot)	<ul style="list-style-type: none"> • Single-level circulation is more typical of public markets • More visible facility from Ankeny, Naito Parkway • Opportunity for stronger architectural statement • Opportunity for Market District-type uses on upper floors of Skidmore Building 	<ul style="list-style-type: none"> • Approximate \$1.5 million acquisition cost for Naito lot • Potential impacts on other Naito lot users, Saturday Market or weekday parking • May preclude denser mixed-use development on Naito lot per Ankeny-Burnside Strategy
B-1: Single-Level in Skidmore Fountain Building + North Hall (1-story) + East Hall (Naito Lot) + Open Mezzanine Restaurants above East Hall	<ul style="list-style-type: none"> • <i>Same as Option B, plus:</i> • Restaurants can enhance Market as destination • Restaurants can provide added business for vendors • <u>I</u>f development can be financed without debt, increases Market revenue 	<ul style="list-style-type: none"> • <i>Same as Option B, plus:</i> • Substantial additional cost - \$2 million just for “core and shell” • Upper level is riskier location with smaller potential pool of interested restaurateurs • Benefits largely realized by restaurants by others adjacent to or across from Market

Parking

The Study identifies a potential parking requirement for the Portland Public Market of 150 to 200 spaces, exclusive of parking for other upper floor uses in the Skidmore Fountain Building. Although proximity to MAX is an important benefit for the Market, the availability of convenient parking for customers who drive is essential for the Public Market’s success. Parking should be located less than one block from the Market. The Skidmore Fountain Building does not have its own on-site parking. There are a limited number of public metered spaces under the Burnside Bridge, some of which may need to be converted to a loading zone for the Market. The parking on the adjacent Naito lot is controlled by another owner, and it should be expected that the site would be developed for other uses in the near- to medium-term.

PDC will be conducting a study of parking requirements to support urban revitalization in the Ankeny Plaza / Burnside and Old Town areas surrounding the Skidmore Fountain Building site. The Public Market would likely be subject to the same charges and costs for future parking as will other businesses in the area. The parking requirements and siting for the Public Market will be included in that study, and

therefore are not subjects for this Study.

Potential Upper Floor Uses in the Skidmore Fountain Building

Either of the development options would result in the upper floors of the Skidmore Fountain Building being available for other uses: Option A would leave the third, fourth, and fifth floors available (the fifth floor is a partial floor penthouse); Options B/B-1 includes the same floors as well as the second floor (both options assume that the existing second floor, or mezzanine, is demolished). The range of potential uses for these floors, and their advantages and disadvantages, include:

- *Retail.* For Option A, third floor non-Market retail is unlikely to be successful because of the vertical circulation required and the relatively small size of the floorplate (8,290 gross square feet). Second floor non-Market retail may be feasible in Options B/B-1, although second floor uses in smaller retail projects tend to be oriented towards personal services than retail uses that depend on heavy foot traffic.

Retail rents in most of downtown Portland are modest, with an average rent of in the Second Quarter of 2005 at \$21 per square foot per year triple-net (tenant pays all operating costs), according to CB Richard Ellis. Upper floor non-Market retail space in the Skidmore Fountain Building is unlikely to be considered prime retail space, and based on current market conditions may not be able to generate sufficient rent to justify renovation costs.

- *Restaurants.* Restaurants may be a compatible use for second floor space in the Skidmore Fountain Building in Options B or B-1. The restaurant business is extremely challenging, however, with extraordinary costs for development of new spaces due to kitchen and plumbing requirements as well as extensive needs for furniture, fixtures, and equipment (FF&E). The need for sound and odor separation from other upper floor uses in the Skidmore Fountain Building would also likely add considerable cost.

BAE interviewed Portland restauranteurs in order to assess the potential for restaurants as part of or adjacent to the Public Market, as well as potential development costs. These findings are discussed later in this section; the interview results are presented in Appendix I. Regarding restaurants in the upper floors of the Skidmore Fountain Building, many restauranteurs will not be interested in such a location because of its limited visibility and accessibility. Many restauranteurs are also unable to afford these high costs and rely upon developers to fund some or most of build-out cost. Given restaurants' inability to pay high rents and high build-out costs, this is a problematic use for a development project for the upper floors of the Skidmore Fountain Building.

- *Office.* The upper floors of the Building have most recently been used for office space. While currently leased to a range of small tenants, the poor layout and condition of the building has resulted in very low lease rates of \$10 per square foot per year, full service gross (except for janitorial). Portland's downtown office market is weak. According to CB Richard Ellis, vacancy rates for downtown Class B and C space (most comparable to the Building, depending on the extent of renovation) are 13 percent and 18 percent, with rental rates in the \$16 to \$17 per square foot per year range, full service gross (all expenses included), and modest to negative absorption of available space. Office rents for public agencies or non-profits are typically lower than those for other private firms. The current building rents, or market rents for renovated buildings in the local area, do not currently support renovation of the upper floors for office use in the near-term.

Another office option that may have more potential is the creation of for-sale office condominium

units. This product type is targeted at smaller professional firms and other companies that seek the financial advantages of owning their office space, and have enjoyed strong demand in a number of U.S. cities where the office market is otherwise weak. The small floors, strong character, and riverfront location of the Building may work well for this product type. Sale prices for office condominiums are typically higher than the equivalent capitalized lease value, helping justify development costs.

- *Residential.* The for-sale residential market has been very strong in Portland, as it has been in most other U.S. cities, with prices for new for-sale multifamily developments in the Downtown area exceeding \$300 per square foot. For-sale residential has the most near-term economic potential for upper floor uses. For-sale residential units at the Building have the ability to achieve these prices, provided that future development on the adjacent Naito lot does not eliminate river views, and suitable adjacent parking is available. The economics of market-rate rental residential are more challenging, and likely uneconomic in the near-term although potentially more viable in the longer-term as the rental residential market strengthens.

While residential above supermarkets or food retailing has traditionally been thought an incompatible use, over the last decade a number of mixed-use projects with residential over supermarkets have been successful, including in Portland. Such projects require extra attention to achieving proper separation of spaces, and designing loading and service spaces to minimize nuisances to residents.

Restaurants Above the East Hall of the Public Market

PPM's concept for the Public Market includes at least two restaurants above the Public Market in a mezzanine level space open to the Public Market below that allows restaurant patrons to experience the Public Market setting. The envisioned location is above the East Market Hall, in order to maximize views of the Willamette River and Ankeny Plaza. The restaurants are seen as an essential component of attracting persons interested in high quality, Pacific Northwest foods to the Public Market, a source of business for Public Market vendors, and part of the identity of the Public Market. Each of the restaurants would feature an approximately 2,000 square foot dining room and 1,000 square foot back of house area, with an approximately 400 square foot lounge and host area on the ground floor of the Market. These would be "bistro" style restaurants operated by some of the signature chefs in Portland who have developed and advocated a local Pacific Northwest cuisine based on fresh, local, and sustainably grown ingredients.

This concept was incorporated into Option B-1 to allow its feasibility to be evaluated. The stated benefits for Market identity and increased shopper interest would require additional survey and focus group research beyond the scope of this Study, and were not considered. PPM indicates that it has already held discussions with several potential restauranteurs whose investors would be willing to fully finance the cost of tenant improvements. Thus, the questions that this Feasibility Study addresses regarding restaurants above the Public Market are: (1) the extent of potential restaurateur interest in such a location; (2) the potential benefits for the Public Market as well as an adjacent Market District; and (3) whether the rent that can be generated from the restaurant leases is sufficient to amortize the cost of building the core and shell structure (i.e., exclusive of tenant improvements) for the restaurants.

Research to address these questions included interviews with retail brokers involved in restaurant lease negotiations to establish potential demand for space above the Public Market; interviews with signature restauranteurs identified by members of the Advisory Council for this Study, and information on typical restaurant tenant improvement costs from firms active in building such space. A summary of the broker

and restaurateur interviews is presented in Appendix I of this Study. The information on buildout costs and whether it can be amortized from market-supported rents is contained in the discussion of development costs later in this section.

Key findings from the interviews include:

- Most of the restaurateurs saw the potential of playing off the traffic flow generated by the Public Market. Most were conditionally interested in a location within the Public Market, depending upon factors such as specific lease terms, vendor mix, market operations, parking, other restaurants, and other factors that are unknown at this stage of development.
- Reaction to an open mezzanine location above the Public Market was mixed. Three restaurateurs were averse to a location that is not at street level or had trouble visualizing the concept, and expressed concerns about reduced foot traffic, noise and other impacts from the market, and a disconcerting lack of activity when the Market is closed. Two restaurateurs considered such a mezzanine location suitable for their restaurants.
- Restaurateurs anticipate buying food from Public Market vendors provided quality and prices meet their standards, and see the marketing advantages of such an arrangement. There was a broad range of estimates for potential weekly purchases, ranging from \$550 to \$9,000.
- Typical restaurant lease deals involve tenant improvement allowances of \$120 to \$200 per square foot, with rental rates around \$24 per square foot per year, triple-net (tenant pays all maintenance, taxes, and operating expenses). Second floor locations for restaurants are in general considered very risky and likely to limit the pool of interested parties. Lease deals with no tenant improvement allowance are highly unusual, and doing one would likely require very low rents in the range of \$15 per square foot per year, triple-net, or less.

This information leads to the following conclusions regarding restaurants as a component of the Public Market:

- Only a certain proportion of restaurateurs would be willing to consider a restaurant location in the Public Market that is not at street level (such as in an open mezzanine environment). Given the right design, Market operation, and lease structure, it may be possible to attract signature restaurants to locations above the East Market Hall, although this will be a greater challenge than if the location were at street level.
- Given the perceived greater risk of an above street-level location, in the event one or more of the restaurant closes (a common occurrence in the restaurant business), it may be considerably more difficult to find another restaurant to take over such a space, compared to a location at street-level.
- Restaurants in the Public Market would generate some level of additional business for Market vendors. Based on the broad range of potential purchases, which will be affected by the specifics of products offered, purchases could range from one percent up to 13 percent of total market sales.
- The benefits for Public Market vendors, as well as a potential Market District, would be at least as great if signature restaurants were located across Ankeny Street or 1st Avenue, rather than in the Public Market itself.

Thus, while locating restaurants above the Public Market may provide certain benefits, it is also associated with considerable risk for the Public Market operation. Some of these benefits (such as support for vendors) can be obtained from locations adjacent to the Market, with all of the risk shifted to

other parties. It should also be noted that while a number of public markets in the U.S. and Canada do have sit-down table service restaurants, this is far from a common feature of public markets (particularly signature restaurants) as can be seen in Table 1, and the experience of others indicates that such restaurants are not needed to create a successful public market.

Relationship of Saturday Market to the Site

Saturday Market currently uses the area under the Burnside Bridge, the Naito lot, and Ankeny Plaza. Depending upon its final configuration, the Public Market may utilize a significant portion of these areas, including the Naito lot for Options B/B-1, and Ankeny Plaza for daily outdoor vending and shopper seating.

Saturday Market is a beloved Portland institution, and the prospect of its current operation being impacted or relocated is a source of concern for many. PDC has selected a consultant team that is currently evaluating long-term locations for the Saturday Market that provide it a secure home and address the limitations of its current sites. A series of sites in the City are being considered, including a site that would use a combination of the area under the Burnside Bridge, Ankeny Plaza, and a portion of the Waterfront Park directly across the street.

The Saturday Market generates significant foot traffic throughout the year with a peak around the holidays, often a somewhat slower time of year for public markets. A Saturday Market that is near the Public Market and within the Market District provides vendors, restauranteurs, and others with a significant benefit, and along with the Public Market and other proposed projects such as Little Italy, could be considered one of the potential anchors for a future Market District.

Market research work conducted for the Saturday Market in 2003 by Market Decisions Corporation indicated that 42 percent of Saturday Market shoppers have college degrees or higher educational attainment, nearly one-third more than Portland as a whole. One-third of Saturday Market shoppers had in 2002 annual household incomes of \$60,000 or greater, a few percentage points higher than Portland. The profile of Saturday Market shoppers as better educated with higher household incomes matches the profile of the type of consumer who would be interested in Public Market offerings. Therefore, it is to the Public Market's advantage for Saturday Market to be retained in a location as near to it as possible.

Option A would create the least impact on Saturday Market's continue use of the Skidmore Fountain Building block. Coordination would be needed with the Public Market to ensure that Market vendors and service providers do not use the area under the Burnside Bridge or the loading dock on days when the Saturday Market operates. The Public Market would need to scale back its use of Ankeny Plaza on days when Saturday Market needs it for vending; the holiday seasons when Saturday Market is biggest and would need the most use of Ankeny Plaza is when the Public Market is expected to not use it at all.

Option B/B-1's use of the Naito lot presents a greater challenge for maintaining Saturday Market in an adjacent location. The above described use of a portion of the Waterfront Park, as well as the area under the Burnside Bridge and Ankeny Plaza under the same conditions as described for Option A may be a solution whose viability will have to be addressed by the pending Saturday Market study.

Mixed-Use Development on Naito Lot

Although Option B's concept for the Naito lot is a single-story glass and steel pavilion-style "East Market Hall" developed by the Public Market, or alternatively in Option B-1, with an added mezzanine structure creating a second level for two restaurants, the site's riverfront location and PDC's larger goals for

Downtown Waterfront revitalization make it an excellent site for a larger mixed-use development. Development up to a 4:1 FAR and 75 foot height limit is currently allowed on the site. Such a larger mixed-use development could include space for the Public Market on its ground floor. The development of such a project would necessitate the involvement of an experienced mixed-use developer and the negotiation of an appropriate long-term leasehold or ownership interest for the Public Market space.

Development Scenarios

The Skidmore Fountain Building can accommodate a mix of other uses in addition to the Portland Public Market. These uses and the Market facility itself (including potential development on the Naito lot) could be developed as a single or multiple projects. The Skidmore Fountain Building should be split into condominium units to facilitate the widest range of potential development scenarios. The section drawing of the Building in the previous pages of this Study indicates for Option A two potential condo units: one for the Public Market including the basement, first, and second floors as well as the North Market Hall addition; and the second for the upper floor uses (Options B and B-1 would also include the second floor; in this option the North Market Hall is only one-story).

Condo mapping could support the following development scenarios:

1. Portland Public Markets owns the lower floor condo, and a new developer owns the upper floor condo;
2. A new developer owns both condos, and enters into a long-term lease with the Portland Public Market for the lower floor condo;
3. A new developer owns the upper floor condo, and PDC owns the lower floor condo and enters into a long-term lease with the Portland Public Market for its use; or
4. The Portland Public Market owns both condos, and either retains or sells the upper floor condo.

Turn-key Development of the Public Market Facility

Engaging an experienced developer of mixed-use projects to finance and construct the Public Market space as the ground floor use in a mixed-use project, either the Skidmore Fountain Building or elsewhere, may present several advantages. By shifting the responsibility for facility development to another party, the Public Market operator can better focus on its own business planning, fundraising, vendor recruitment, and other functions central to opening a successful Market. It brings to bear the expertise of an experienced developer in performing timely and cost-effective construction, an expertise that is very difficult for public agencies or non-profits to develop on their own. It may present an opportunity for other more profitable uses in a mixed-use development to provide a certain “cross-subsidy” to the non-profit Public Market use. As described in the previous section, an agreement could be structured so that the Public Market receives a space that it is ready to move into, with a low-cost long-term lease or condo or other ownership interest.

Upper Floor Development in Skidmore Fountain Building

The land residual static proforma prepared for this Study was updated to show the potential returns for development on the upper floors, assuming a PDC requirement that the project pay for its pro-rata share of the existing \$3.5 million indebtedness. This project would also pay its pro-rata share of seismic retrofit costs. Based on projected future real estate values and construction costs, the resulting project would have a residual value of negative \$1 million, as shown in Appendix J. This means that a subsidy of at least \$1 million would need to be identified for this project to proceed. This is a direct result of the project being

required to pay \$1.7 million towards existing building indebtedness.

Timeline

A number of steps will need to occur before the Portland Public Market can open and that are described in the following sections of this Study. Key actions include deciding on an organizational strategy and negotiation of an agreement with the future Market Operator, recruitment of an experienced General Manager, site selection and negotiation of an acquisition agreement, forming the design and construction team and beginning design work, detailed business planning, and design and implementation of a multi-source financing strategy that includes a major capital campaign. This must all occur before construction can commence or recruitment and development of market vendors. Based on typical timelines for these activities, a tentative “best case” illustrative timeline for the Portland Public Market’s creation, with a target opening the First Quarter of 2009, is as follows:

Item	2006				2007				2008				2009
	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Qtr. 1
Market Operator Agreement		■											
Acquire Site(s)			■										
Recruit General Manager			■										
Detailed Business Planning			■	■									
Hire Architect, Project Team			■										
Schematic Design				■									
Grant, Other Financing		■	■	■	■	■	■	■	■	■	■	■	■
Capital Campaign			■	■	■	■	■	■	■	■	■	■	■
Design Development					■	■	■	■					
Final Design & Approvals							■	■	■	■			
Vendor Development, Recruiting							■	■	■	■	■	■	■
Building Construction									■	■	■	■	■
Prepare for Opening											■	■	■
Tenant Improvement Construction												■	■
Market Opens													*

Once the Public Market opens, it is expected to take at least three years, or until 2012, for it to reach stabilized (level long-term) sales, as is typical for most new retail ventures.

Development Cost

Development cost estimates were developed for Options A and B/B-1, and are set forth in Tables 4 and 5. Total development costs at well over \$400 per square foot are significant, and arise from a combination of factors. Base building per square foot estimates are based on the costs developed in the first step of this Study. Additional costs that were identified by PDC and the consultant team for this Study include:

- The Public Market’s pro-rata share of the building’s existing \$3.5 million indebtedness (based on the area it would occupy), as a building acquisition cost;
- Land acquisition costs of approximately \$1.5 million for the Naito lot in Options B/B-1;
- Escalators for vertical circulation in Option A;
- Above-standard construction costs for the glass and steel pavilion design of the North and East Market Halls. Interviews with Portland area general contractors experienced with this type of structure indicate that it adds approximately 50 percent to hard construction costs;

- A pro-rata share for the Public Market of seismic retrofit costs for the Skidmore Fountain Building; and
- Allowance for up to a 25 percent contingency on hard construction costs, to allow for additional costs that may arise as design proceeds, as well as to allow for volatility in construction material costs.

The hard construction cost estimates were revised to show the recent spike in construction costs in the Portland region (an estimated 11 percent from January 2004 to January 2005, according to R.S. Means

Table 4: Portland Public Market - Conceptual Development Budget Option A, Multi-Level Facility in Existing Building

Development Budget	
<u>Development Costs</u>	
Building Acquisition	\$ 1,787,050
Hard Costs	
Seismic Retrofit	\$ 504,039
Core and Shell	3,597,885
Vertical Circulation - Escalators	1,107,000
Tenant Improvements	1,536,848
Site Improvement	98,400
FF&E	200,000
Total Hard Costs	\$ 7,044,173
Soft & Financing Costs	
Soft Costs	\$ 1,761,043
Construction Financing Costs	566,351
Contingency	<u>1,761,043</u>
Total Soft & Financing Costs	\$ 4,088,438
Total Development Cost	<u>\$ 12,919,661</u>

Sources: GBD Architects; Project for Public Spaces; R.S. Means Co Square Foot Costs 2005; BAE, 2006.

or basic building envelope costs). Costs for furnishings, fixtures, and equipment (FF&E) can run another \$500,000 for a 3,000 square foot restaurant, and up to \$1 million for a 7,500 square foot restaurant. This means that depending on the quality of the facility, tenant improvement costs for a smaller, lower-end restaurant may run approximately \$900,000 to build-out and equip, while a high quality large restaurant may be as much as \$2.5 million.

The cost of constructing the second level mezzanine core and shell for restaurants atop the East Market Hall is assumed to be approximately the same as the cost of constructing the glass and steel pavilion style East Market Hall.

Company), and it was assumed that construction costs would continue to rise at a higher rate than inflation until construction commences in 2008, resulting in a cumulative increase during that period of approximately 23 percent over current costs.

Restaurant Construction Costs

BAE contacted a mid-market restaurant operator¹⁰ with extensive ongoing experience in the cost-effective construction of numerous restaurant facilities in Portland, solely in order to obtain local estimates of tenant improvement (TI) costs for interior partitions, mechanical, electrical, and plumbing systems, kitchen build-out, interior finishes, etc. Restaurant TI costs in the Portland area were found to range from \$105 to \$200 per square foot, depending on quality (this does not include core and shell (“vanilla shell”),

¹⁰ Pacific Coast Restaurants, the operator of a number of restaurants in the Portland region.

Other Costs, Tax Credits

Although the Skidmore Fountain Building is eligible for historic preservation tax credits, the relatively small value associated with the area occupied by the Public Market would not justify the extensive application and underwriting costs associated with use of the tax credits, and they are therefore not included as an offset to development costs.

The above figures do not include approximately \$435,000 in business development, fundraising, or personnel costs incurred prior to the Market's opening. They also do not include subsidies that would be required to offset operating losses in the Market's initial years until stabilized break-even operations are reached. These additional costs are discussed in following sections.

Table 5A: Portland Public Market - Conceptual Development Budget Option B, Single Level Market With Additional Halls

Development Budget - Option B

<u>Development Costs</u>	
Acquisition Costs	
Land Acquisition - Naito Lot	\$ 1,500,000
Building Acquisition	<u>1,218,893</u>
	\$ 2,718,893
Hard Costs	
Seismic Retrofit	\$ 343,790
Core and Shell	4,354,052
Vertical Circulation - Escalators	0
Tenant Improvements	1,581,054
Site Improvement	98,400
FF&E	<u>200,000</u>
Total Hard Costs	\$ 6,577,297
Soft & Financing Costs	
Soft Costs	\$ 1,644,324
Construction Financing Costs	528,815
Reserve for Start-Up Period	<u>0</u>
Total Soft & Financing Costs	\$ 3,817,463
Total Development Cost	<u>\$ 13,113,653</u>

Sources: GBD Architects; Project for Public Spaces;
R.S. Means Co Square Foot Costs 2005; BAE, 2006.

Table 5B: Portland Public Market - Conceptual Development Budget Option B-1, Single Level Market With Restaurants

Development Budget - Option B-1 (with Restaurants)

<u>Development Costs</u>	
Acquisition Costs	
Land Acquisition - Naito Lot	\$ 1,500,000
Building Acquisition	<u>1,218,893</u>
	\$ 2,718,893
Hard Costs	
Seismic Retrofit	\$ 343,790
Core and Shell	5,627,102
Vertical Circulation - Escalators	0
Tenant Improvements	1,525,704
Site Improvement	98,400
FF&E	<u>200,000</u>
Total Hard Costs	\$ 7,794,997
Soft & Financing Costs	
Soft Costs	\$ 1,948,749
Construction Financing Costs	626,718
Reserve for Start-Up Period	<u>0</u>
Total Soft & Financing Costs	\$ 4,524,216
Total Development Cost	<u>\$ 15,038,106</u>

Sources: GBD Architects; Project for Public Spaces;
R.S. Means Co Square Foot Costs 2005; BAE, 2006.

Financial Feasibility Analysis

The Study provides a simple pro forma for stabilized operating results for three facilities options. For this Study, a detailed cash flow model was prepared with refined projected operating results based on the three development options outlined in the previous section. The cash flow model shows projected annual operating results from the first year the Public Market is open until the fifth year, when revenues and expenses have reached stabilized long-term levels. The model identifies operating losses in the first years of the market and, combined with the development budget, allows a projection of the required funding to develop and sustain the Public Market. The complete model, including detailed development cost assumptions, is contained in Appendix J to this Study.

Revenues

The proformas in Appendix K, Table 6, detail the revenue assumptions that are made for the financial feasibility analysis. Key assumptions include:

- Stabilized vendor sales in the long-term are assumed to average \$500 per square foot, based on a seven day per week, year-around operation. This figure is reduced in the first years of Public Market operation, due to the six day per week operation the first two years of the Market, as well as to adjust for the time it takes to reach the stabilized sales level. Annual sales in Year 1 are projected to be 40 percent of the stabilized figure or \$200 per square foot; in Year 2 60 percent of the stabilized figure or \$300 per square foot; and 80 percent in Year 3 or \$400 per square foot.

The stabilized sales estimate of \$500 per square foot is slightly less than 50 percent of the estimated market support for Public Market sales identified in the Study. It is also comparable to or considerably less than sales performances at other public markets such as Pike Place or Granville Island.

- No substantial drop is forecasted for permanent year-around vendors, particularly those selling meat, poultry, seafood, flowers, wine, etc. Fresh vegetables from the local foodshed are expected to be increasingly available outside the traditional growing season through increased use of passive solar greenhouse technology. In order for the Public Market to be a year-around reliable source of high-quality food, it will as needed offer foods from outside the foodshed that are properly labeled as to their point of origin to fully inform shoppers.

Table 6: Portland Green Market Revenue Assumptions

Annual Revenue by Category	Average % of Sales
Permanent Stalls - Fresh Food Vendors	7.0%
Permanent Stalls - Prepared, Specialty Food	8.0%
Permanent Stalls - Low Cost Food Vendors	3.0%
Day Tables - Market Operated	10.0%
Day Tables - Vendor Operated - Daily Flat Rate	n/a

Sources: Project for Public Spaces; BAE, 2005.

- Permanent vendors are assumed to pay percentage rent, along with a pro-rata reimbursement of Market operating expenses. Percentage rents are assumed because they reduce the risk to small public market vendors of not being able to pay a fixed minimum base rent during slow sales periods, and for this reason are standard practice in public markets (unlike most retail

space, which involves a minimum base rent and a percentage rent provision). Percentage rates are based on data collected by Project for Public Spaces for U.S. public markets, and range from 7

percent to 10 percent depending on category, as shown in Table 6.

- Outdoor daily vendors pay a flat rate for table rental that averages \$40 per day, along with a surcharge for operating expense reimbursement. No percentage rent is paid by these tenants. The season for outdoor vending is estimated at eight months each year.
- Based on a survey of retail real estate brokers experienced with restaurant leasing, as summarized in Appendix I, the lease rate for restaurants in Option B-1 with a deal structure providing no tenant improvement funding is assumed to be \$18 per square foot per year, triple-net (tenant pays all maintenance, taxes, and operating costs). This is approximately \$3 per square foot higher than the brokers indicated was supportable, however the higher figure was chosen to allow a 20 percent premium for the association with the Market.
- Revenues for special event rental of the seating area is assumed to occur approximately 30 evenings each year. This is a unique space and it is difficult to compare to other facilities, on one hand it is likely to be considerably more institutional in character than is typical, on the other hand the Market ambience may offset this. Based on BAE's experience we believe that an evening rental rate of \$750 per event represents the upper end of what is achievable. Costs for management and staff time for booking and agreement management, as well as on-site security to keep vendor areas secure, is estimated to average approximately \$150 per event, with all other direct costs paid by users¹¹. This results in estimated annual revenue of approximately \$18,000.
- Revenues for rental of the demonstration kitchen for cooking classes by third parties (such as culinary schools) is assumed to occur a total of 80 days per year. Note that classes organized by the Public Market, including those related to nutrition or other topics, are assumed to be low- or no-cost and unable to support a facility rental charge. For higher cost classes, the facility rental would effectively be passed along to students as an additional per-person facility charge. Each rental is estimated to generate approximately \$100, resulting in estimated annual revenue of approximately \$8,000.
- Vacancy allowances average 15 percent for permanent stalls, and 35 percent for day tables and outdoor daily vendors (for those months that outdoor daily vendors operate).
- Expense reimbursement is paid by all vendors, including users of program spaces such as the kitchens and classrooms, to recover the operating costs of the Market, excluding payroll. This results in an estimated average expense reimbursement for permanent vendors of approximately \$13 per square foot per year, and an approximately \$5 per day surcharge for outdoor daily vendors. This results in annual expense reimbursement revenue of approximately \$375,000 in 2012 when stabilized operations are achieved.
- The projected stabilized revenue from permanent stall vendors in 2012 is approximately \$570,000 after vacancy allowances, and from day tables and outdoor vendors approximately \$230,000 after vacancy allowances.

Expenses

Table 7 in Appendix K provides detailed information on projected operating expenses; key information from that table is presented here. Operating expenses are comparable to those identified in the first part of this Study, except for slight reductions in personnel and other costs to ensure an efficient operation.

Key assumptions include:

¹¹ Provisions requiring renters to make food purchases from Market vendors and restaurants may generate some additional financial benefits for them, but may not generate any additional revenues for the Market itself.

- The Market will be open six days per week during its start-up in the first two years, but will then expand to seven day per week operation as sales ramp up.
- There are approximately 10 full-time equivalent (FTE) personnel to support the seven day per week operation, including a Market manager and assistant manager, bookkeeper, floor staff, custodians, and security. Annual payroll with benefits is projected to be approximately \$439,000.
- Marketing charges equivalent to one percent of sales are collected from vendors; generating an annual marketing budget of approximately \$129,000 in 2012.
- Reserves of approximately \$37,000 per year as of 2012 are set-aside to ensure that funds are available

Table 7: Portland Public Market Operating Expense Assumptions

Market Operating Expenses

Utilities/Garbage/Maint & Repairs	sf	\$5.25
Marketing	% Sales	1.0%
Parking - per Strategy to be Developed		TBD
Property Taxes / Insurance	sf	\$1.00
Office, Telecom, Web, Supplies	lump sum	\$10,000
Professional Services, Misc.	lump sum	\$12,000
Reserves for Replacement	sf	\$1.00
Total Payroll + Benefits	10 FTE	\$438,750

Sources: Project for Public Spaces; BAE, 2006.

\$966,000 in 2012 when stabilized long-term operations are achieved.

for replacement of floors, equipment, and other furnishings as it wears out due to the heavy customer traffic generated by a public market.

- Operating expenses are assumed to be largely fixed and thus constant from the opening of the market. Estimated annual operating costs are approximately

Results from Operations

Table 8 provides a summary of the projected operating results for the first five years of the Public Market, from its opening in 2009 through the achievement of stabilized revenues and expenses in 2012 as well as the fifth year of Market operations in 2013. The key figure is Net Operating Income (NOI), or revenues less expenses. A positive NOI means that revenues can be used to establish reserves, repay financing, or for other purposes. A negative NOI means that the market is losing money, and must obtain a funding source to offset that loss.

Table 8: Portland Public Market Cash Flow Projection - With Typical Vendor Mix

Operating Results	Year				
	2009	2010	2011	2012	2013
Revenues (a)					
Permanent Stalls					
Fresh Food	\$75,634	\$116,855	\$160,481	\$206,619	\$212,817
Prepared, Specialty	145,146	224,250	307,970	384,962	408,407
Low Cost Foods	0	0	0	0	0
Less Vacancy Allowance	<u>(22,078)</u>	<u>(34,110)</u>	<u>(46,845)</u>	<u>(59,158)</u>	<u>(62,122)</u>
	198,702	306,994	421,606	532,423	559,102
Day Vendors					
Day Tables - Market Operated	18,008	27,823	38,210	47,762	50,671
Day Tables - Vendor Operated	108,049	166,935	229,258	286,573	304,025
Less Vacancy Allowance	<u>(44,120)</u>	<u>(68,165)</u>	<u>(93,614)</u>	<u>(117,017)</u>	<u>(124,143)</u>
	81,937	126,593	173,854	217,318	230,552
Facility Rental	11,705	18,085	24,836	31,977	32,936
Expense Recovery (CAM)	<u>342,952</u>	<u>353,241</u>	<u>363,838</u>	<u>374,753</u>	<u>385,996</u>
Total Revenues	\$635,296	\$804,912	\$984,134	\$1,156,470	\$1,208,585
Expenses (b)					
Payroll & Benefits	\$493,817	\$508,632	\$523,890	\$539,607	\$555,795
Utilities / Garbage / Maintenance	179,206	184,582	190,119	195,823	201,698
Marketing	118,357	121,908	125,565	129,332	133,212
Parking	0	0	0	0	0
Taxes, Permits & Insurance	34,134	35,158	36,213	37,300	38,419
Office - Telecom, Supplies	11,255	11,593	11,941	12,299	12,668
Professional Services, Misc.	13,506	13,911	14,329	14,758	15,201
Reserves for Replacement	<u>34,134</u>	<u>35,158</u>	<u>36,213</u>	<u>37,300</u>	<u>38,419</u>
Total Expenses	\$884,410	\$910,942	\$938,270	\$966,418	\$995,411
Net Operating Income (NOI)	(\$249,113)	(\$106,030)	\$45,864	\$190,052	\$213,175
Cumulative NOI	(\$249,113)	(\$355,143)	(\$309,279)	(\$119,227)	\$93,947
Alternate: New Market Tax Credit	(\$120,000)	(\$120,000)	(\$120,000)	(\$120,000)	(\$120,000)
Derived Financing - Debt Service (c)					

Notes

- (a) See Table 6 for revenue assumptions. Adjusted for inflation from 2005 by annual rate of: 3%
- (b) See Table 7 for revenue assumptions. Adjusted for inflation from 2005 by annual rate of: 3%
- (c) See report for details on alternative using NMTC; based on NMTC amount in Table 12. Debt is at 3% interest-

Source: BAE, 2006.

Lower Cost Food Alternatives

One of the identified objectives for the Public Market is ensuring a diverse base of shoppers that includes households across the income spectrum. Several methods for doing this were identified in discussions with members of the Advisory Committee for this Study. One method for ensuring diversity is including lower-cost prepared food items such as street-style ethnic food, which has proven popular with a wide range of Portlanders. Vendors who offer higher grade, higher cost fresh food items can also be encouraged to offer some value-oriented merchandise that broadens their customer base. Other public

markets encourage the multiple vendors in categories such as fresh produce and meat to sell different quality grades at different prices. This lessens direct competition between these vendors, as well as providing a more diverse set of offerings for households of all income levels. Careful attention should be paid to where vendors are located to avoid the impression that vendors offering lower price-point goods are being concentrated in any one location.

These methods illustrate how to increase affordability through careful attention to vendor mix. The experience of public markets is that this approach provides the greatest flexibility by allowing ongoing fine-tuning to ensure that Market offerings truly appeal to Portlanders regardless of their socio-economic profile.

Table 9: Portland Public Market Cash Flow Projection - Food Discounts to Eligible Households

Operating Results (a)	Year				
	2009	2010	2011	2012	2013
Total Revenues	\$593,625	\$740,531	\$895,717	\$1,059,547	\$1,091,333
Total Expenses	\$884,410	\$910,942	\$938,270	\$966,418	\$995,411
Net Operating Income	(\$290,784)	(\$170,411)	(\$42,554)	\$93,129	\$95,922
Cumulative NOI	(\$290,784)	(\$461,195)	(\$503,749)	(\$410,620)	(\$314,698)

Source: BAE, 2006.

Another concept that has been discussed by PPM is having Market vendors accept the Oregon Trail Card that allows food recipients to apply food stamps to eligible purchases through a point of sale terminal. Such an action would encourage food stamp recipients to shop at the Public Market, similar to a program implemented by the Portland Farmers Market. Advisory Committee members also suggested that a program to provide an additional discount to low-income households shopping at the Market could be tied to use of the Oregon Trail Card.

The use of food stamps in public markets is an important step to increase its attractiveness to eligible households, and should be implemented. There is a potential for vendor resistance because small scale vending of fresh and prepared food items is by its nature a cash businesses, that offers a certain simplicity and other advantages to vendors, who are reluctant to forego its advantages. However, the example of the Portland Farmers Market suggests that this challenge can be successfully addressed.

The challenge for providing an additional discount is finding a permanent source of revenue to support it in the long run. The typical experience of those involved in program development for non-profit organizations is that grants and sponsorship programs are available for a trial demonstration or initiation of new programs. However, funders and sponsors see their role as assisting in the development and deployment of new programs, but not their long-term support, and consider a program's ability to obtain other stable funding a test of its viability. Thus, they are unlikely to provide long-term operating support, no matter how worthwhile the program.

This means that a discounted food program would need to find another source of support to remain viable. One alternative would be a rent reduction to offset the value of the discount. Based on the projected operation, if 11 percent of Public Market shoppers (approximately the level of Oregon food stamp recipients) received a 20 percent discount, the annual loss in vendor revenues would be approximately

\$124,000 at stabilized operations, and if credited against vendor rent payments it would create the operating results shown in Table 9. This analysis shows that the Public Market could support a program of food discounts for food-stamp eligible households, provided that it does not need to generate a higher NOI. Alternative methods for implementing such a program, such as sale by the Market of tokens to eligible households, may have the potential to simplify administration and encourage vendor acceptance.

Results of Restaurant Operations

Table 10 provides a summary for the operating results of the Public Market for Option B-1, which includes the addition of two restaurants in a second floor open mezzanine-level setting above the East Market Hall. Because the Market is assumed to be built without debt to ensure its self-sufficiency (as discussed in the next section), the operating cash flow shown in Table 9 does not account for the approximately \$2 million in additional cost to build the core and shell for the mezzanine-level structure (the restaurant operators would be responsible for financing the cost of approximately \$1.8 million more for tenant improvements and FF&E). This cost estimate is based on the same per square foot construction cost as the rest of the East Market Hall glass and steel pavilion structure.

Thus, even with the modest triple-net lease rate previously identified, all of the additional revenue flows directly to the bottom line, and stabilized Net Operating Income would increase by approximately \$140,000 per year. The following section contains a discussion on the financial feasibility of such an investment in the mezzanine-level structure versus the returns it would generate.

Table 10: Portland Public Market Cash Flow Projection - Typical Vendor Mix + Restaurants

Operating Results (a)	Year				
	2009	2010	2011	2012	2013
Revenues (b)					
Permanent Stalls					
Fresh Food	\$75,634	\$116,855	\$160,481	\$206,619	\$212,817
Prepared, Specialty	138,303	213,677	293,450	366,813	389,152
Low Cost Foods	0	0	0	0	0
Less Vacancy Allowance	(21,394)	(33,053)	(45,393)	(57,343)	(60,197)
	192,543	297,479	408,538	516,089	541,772
Day Vendors					
Day Tables - Market Operated	18,008	27,823	38,210	47,762	50,671
Day Tables - Vendor Operated	108,049	166,935	229,258	286,573	304,025
Less Vacancy Allowance	(44,120)	(68,165)	(93,614)	(117,017)	(124,143)
	81,937	126,593	173,854	217,318	230,552
Facility Rental	11,705	18,085	24,836	31,977	32,936
Restaurants	139,788	143,982	148,301	152,750	157,333
Expense Recovery (CAM)	342,952	353,241	363,838	374,753	385,996
Total Revenues	\$768,926	\$939,379	\$1,119,367	\$1,292,886	\$1,348,589
Expenses (c)					
Payroll & Benefits	\$493,817	\$508,632	\$523,890	\$539,607	\$555,795
Utilities / Garbage / Maintenance	179,206	184,582	190,119	195,823	201,698
Marketing	118,357	121,908	125,565	129,332	133,212
Parking	0	0	0	0	0
Taxes, Permits & Insurance	34,134	35,158	36,213	37,300	38,419
Office - Telecom, Supplies	11,255	11,593	11,941	12,299	12,668
Professional Services, Misc.	13,506	13,911	14,329	14,758	15,201
Reserves for Replacement	34,134	35,158	36,213	37,300	38,419
Total Expenses	\$884,410	\$910,942	\$938,270	\$966,418	\$995,411
Net Operating Income (NOI)	(\$115,484)	\$28,437	\$181,097	\$326,468	\$353,178
Cumulative NOI	(\$115,484)	(\$87,047)	\$94,050	\$420,518	\$773,696

Notes

- (a) This model assumes public market operation shown in Table 8, with two added sit-down restaurants.
(b) See Table 6 for revenue assumptions. Adjusted for inflation from 2005 by annual rate of: 3%
(c) See Table 7 for expense assumptions. Adjusted for inflation from 2005 by annual rate of: 3%

Source: BAE, 2006.

Need for Initial Operating Subsidies

As shown in the above tables, the three year period needed for the Public Market to achieve stabilized sales, along with relatively fixed operating costs, means that there will be significant operating losses in the first two to three years. These losses will require either additional grant support or short-term loans.

For a typical public market vendor mix, the cumulative operating shortfall in the first two years will be approximately \$355,000. The figure for a Public Market with restaurants decreases to approximately \$115,000 due to the factors described in the previous paragraphs. However, as sales increase and net income rises, the cumulative net income becomes positive by the end of the fifth year of operations.

For a mix with discounted food sales for eligible low-income households, the cumulative operating shortfall in the first three years will be approximately \$504,000.

Financing Options

The Portland Public Market will require substantial financial assistance. The assumptions, options and recommendations to support its capital needs up to the point that the Market opens are analyzed below (but not funding needed to support Market operations after it opens, which is discussed in the previous section).

Assumptions

Project. The total facility development cost, excluding the option with restaurants, is estimated to be no more than \$13.7 million, including the Skidmore Foundation Building, North Hall, and the East Hall, building and land acquisition, and working capital, as well as furniture, fixtures, and equipment such as refrigeration equipment. There is also an estimated \$434,000 cost for business development and pre-opening operating activities, including payroll (General Manager and other staff), office space, and other services.

Limited Capital Debt. To maintain reasonable rents for the vendors, the Market's goal is to build the facility with no or limited debt. Therefore, the project is anticipated to have a low NOI unable to support any significant capital debt.

Skidmore Fountain Building Debt. The current debt on the Skidmore Fountain Building is allocated between the different future users of the building.

Skidmore Fountain Building Multi-Use. The costs included in the Skidmore Fountain Building redevelopment are limited to those attributed to the portion of the Public Market. The remaining costs for other uses in the building are assumed to be incurred as part of the project but not included in the analysis.

Finance Options

A combination of sources of funding will be required to enable the project to proceed:

Private Fundraising. Contributions and sponsorships can be expected to provide a significant portion of the cost of the project. The existing Historic Portland Public Market Foundation non-profit has already conducted several successful events and has enlisted a considerable base of support to conduct fund. Private fundraising -- from individuals, corporations and foundations -- can be expected to support a portion of the costs for the development of the market. Based on the experience of consultant team member Rick Gustafson, who has been involved in other major capital campaigns in the region, private fundraising requires a range of 18 to 36 months to be successful in securing the sufficient commitment.

Private fundraising can effectively commence when there is a site and the organization is clearly charged with developing the market. The first step of a fundraising campaign is to prepare a case statement and to conduct an evaluation of the fundraising potential. An early analysis by fundraising counsel J.S. May of Metropolitan Group has indicated a potentially diverse pool of significant contributors. The Market's attraction for both urban and rural constituencies sets it apart from many Portland-based projects.

Markets around the country have successfully conducted fundraising efforts that have secured \$4 to \$5 million in contributions to support the development of the public in their community. The Minneapolis Global Market Place is currently under construction, and it conducted fundraising through a non-profit organization that raised through charitable contributions nearly \$5 million of an \$11 million project, with the remainder from a combination of federal and local sources. The Milwaukee Public Market was recently developed for a project cost of \$11 million.

Sponsorships. Sponsorships can be an important part of a project and should be considered by the Market. The longer term sponsorships of up to five or more years can set up with payment due in the first year. Portland Streetcar has \$250,000 in annual revenue from sponsorships. Sponsors generally seek marketing tie-ins, and may be more interested in supporting Public Market education and other public programs, as opposed to facility construction. A sponsorship consultant would need to be retained to assess the amount and types of potential sponsorship revenues, including opportunities for additional naming rights for the Public Market in addition to the use of the James Beard name.

Private Equity and Investment. Private investment in the public market has been used to create other public markets around the country. Private investors have developed public markets, either as components of new mixed-use development, or as a use in an already owned building. The Los Angeles Grand Central Market is a successful example. Privately operated markets experience considerably more pressure to assure a profitable operation and are less able to accomplish the other public objectives proposed for the Portland Public Market.

Historic Preservation Tax Credits. Historic Preservation Tax Credits are available for rehabilitation of eligible components of historic structures on or eligible for the National Register of Historic Places that are rehabilitated according to guidelines managed by the National Park Service. This would apply primarily to the Skidmore Fountain Building core and shell. Rehabilitation of just the portion of the Building that the Market would occupy would result in a modest level of credits that is unlikely to justify the significant underwriting and issuance costs to utilize these credits, and is not evaluated in this Study. However, a larger project for all of the Building may generate enough potential credits to be worth considering.

New Markets Tax Credit Derived Financing. The Skidmore Fountain Building is located in a target census tract for New Market Tax Credits. A non-profit Public Market operator could obtain below-market rate financing from a Community Development Entity that is the recipient of debt and equity leveraged through the sale of New Markets Tax Credits. The most common model used by non-profits allows up to 95 percent of a project's cost to be financed, with favorable debt coverage ratios as low as 1.1 times net operating income, and interest-only loans at rates as low as three percent. Loans can also be structured so that debt service is tied to available cash flow. An essential requirements for New Markets Tax Credit derived financing is that it must involve debt (unlike other tax credit programs) in order to meet Internal Revenue Service requirements. This debt must be structured so that it will be repaid after a certain period (i.e. write-down or forgiveness provisions are not acceptable).

An affiliate of PDC has \$60 million outstanding allocation for New Market Tax Credits, and its allocation guidelines allow a maximum of \$20 million for any one project. However this allocation has been fully committed, although it may be possible to obtain additional allocations when they are offered in the future. There are a range of other New Market Tax Credit allocatees, in order to access it for a Public Market, one would need to be identified whose geographic area includes Portland (e.g., an allocatee whose area of service is national), and who is interested in this type of project.

Federal Funding. The City of Portland has actively sought assistance from the federal government to support the development of the Portland Public Market. Initial marketing funds were secured through the US Department of Agriculture. Two earmarks are currently available to support construction including a \$99,000 preliminary design and engineering grant through a HUD EDI grant. Another earmark has been obtained through the help of Congressmen Wu and Blumenauer from "Save America's Treasures" appropriations in the amount of \$300,000. Additional federal support should be sought for \$1 million to support the capital program.

Other Public Support. Projects that are priorities for the City of Portland, and have "feasibility gaps" that

cannot be closed through other combinations of private fundraising, other grant sources, debt or equity investments, and support urban renewal goals, have received direct financial support from PDC. There are a variety of forms such support can take, including grants and loans.

Recommended Financing Strategy

The challenge of financing a public-serving business operation that generates a modest level of NOI means that a combination of funding sources is likely to be required. The following amounts are projected to be potentially available for the Public Market:

Private Fundraising

Up to \$4 million, comprised of approximately \$2 million or more from foundations; \$1 million from corporate contributions; and \$1 million from individuals. Examples of local and national foundations to be approached include the Meyer Memorial Trust, Fred Meyer Trust, Collins Foundation, Murdoch Foundation, Ford Family Foundation, and Kellogg Foundation.

Federal Funding

Up to \$1 million, through the assistance of Oregon's Congressional delegation.

New Market Tax Credit Derived Financing

The constraining factor for use of New Markets Tax Credit Derived Financing will be the most level of NOI to support debt financing, even if it is on the below-market rate terms made possible by the program. This is particularly true if bridge financing is also used to offset operating losses that the Market is expected to incur in the first couple years of its operations, before sales reach their stabilized level. For illustrative purposes, up to \$4 million in New Market Tax Credit Derived Financing is assumed to be available. Its use, however, will necessitate showing a credible source of repayment. For example, if that source were to be a standard commercial mortgage, Market sales would need to increase to approximately \$700 per square foot per year to generate sufficient NOI (this sales level is within the market demand forecast in the Study).

Debt

Based on available NOI, it may be possible in theory to support an amortizing loan of up to approximately \$1.5 million. However, such a commercial loan would be difficult to underwrite because of the modest NOI and public purpose of the Market. It may require a credit augmentation; one possibility would be a pledge of the ownership interest in the Skidmore Fountain Building. Requiring a Market to carry long-term debt generates significant risk because of its modest revenues and tendency towards fluctuations in revenues. For these reasons, it is strongly recommended that the Public Market be developed without use of long-term debt, including New Markets Tax Credit derived financing.

One appropriate use of debt would be a short-term bridge loan to cover operating losses in the Market's first couple years of operation, before sales (and thus percentage rent receipts) reach their stabilized level. Such a bridge loan could be repaid in the following couple years from the projected NOI that would be generated by the Market once it reaches stabilized operations.

Table 11 shows projected the Sources and Uses of funds for the Public Market up through its opening day, for Option A (the figures for Option B are contained in Appendix K, and as they are very similar to Option A are not presented here). Both these tables include pre-opening costs for personnel, facilities, and start-up activities.

Table 11: Portland Public Market - Conceptual Sources & Uses of Funds, Option A, Multi-Level Facility, Through Opening

Sources of Funds

Projected Sources	
Capital Campaign (a)	\$4,000,000
Federal Funding	1,000,000
Repayment of Bridge Loan (g)	355,143
Identified Sources	\$5,355,143
Other Sources - To Be Identified	\$8,353,489
Total Sources Needed	<u>\$13,708,632</u>

Uses of Funds

Acquisition / Land (c)	\$1,787,050
Predevelopment (d)	300,000
Construction (e)	10,832,610
Pre-Opening (f)	433,828
Pre-Stabilization Bridge Loan (g)	355,143
Total Uses	<u>\$13,708,632</u>

Notes

- (a) Capital fundraising campaign by private partner.
- (c) Acquisition of site in Skidmore Fountain Building is \$3.5 million x share of building and plus costs of adjacent land for market hall additions.
- (d) Development expenses prior to construction commencement.
- (e) See Table 4 for cost detail.
- (f) Executive Director, other staff, offices, working capital, other costs prior to opening.
- (g) Bridge loan to cover operating loss Years 1, 2. Repaid from future years' earnings.

Source: BAE, 2006.

Table 12 shows an alternate scenario for the same facility that uses up to \$4 million in New Markets Tax Credit derived financing. This scenario results in a need for additional bridge financing to cover debt service as well as operating losses in the first couple years, and it may take up to seven years to repay that bridge financing. This financing scenario presents significant risks for a Public Market due to the debt involved, and is therefore not recommended.

**Table 12: Portland Public Market - Conceptual Sources & Uses of Funds,
New Markets Tax Credit Alternative, Through Opening**

Sources of Funds

Projected Sources	
Capital Campaign (a)	\$4,000,000
Federal Funding	1,000,000
Repayment of Bridge Loan (g)	715,143
Identified Sources	\$5,715,143
New Markets Tax Credit Derived Financing (h)	\$4,000,000
Other Sources - To Be Identified	\$4,353,489
Total Sources Needed	<u>\$14,068,632</u>

Uses of Funds

Acquisition / Land (c)	\$1,787,050
Predevelopment (d)	300,000
Construction (e)	10,832,610
Pre-Opening (f)	433,828
Pre-Stabilization Bridge Loan (g)	715,143
Total Uses	<u>\$14,068,632</u>

Notes

- (a) Capital fundraising campaign by private partner.
- (c) Acquisition of site in Skidmore Fountain Building is \$3.5 million x share of building area plus costs of adjacent land for market hall additions.
- (d) Development expenses prior to construction commencement.
- (e) See Table 4 for cost detail.
- (f) Executive Director, other staff, offices, working capital, other costs prior to opening.
- (g) Bridge loan to cover operating loss Years 1, 2. Repaid from future years' earnings.
- (h) See report for explanation.

Source: BAE, 2006.

Table 13 shows the projected sources and uses of funds for Option B-1, reflecting the additional costs associated with construction of the mezzanine-level structure above the East Market Hall to house two restaurants:

This scenario also assumes that the goal is to establish a debt free Public Market, eliminating financing risk that could affect its viability. This means that up to approximately \$8.5 million may need to be obtained from other sources.

Financial Feasibility Analysis for Additional Restaurants

While the addition of restaurants in Option B-1 will increase total project costs approximately \$2 million (excluding the additional costs for tenant improvements and FF&E to be paid by the restauranters), the assumption that the Public Market will be developed in a debt-free manner means that an assumption is made that this cost will be covered from yet-to-be determined grant or other sources of funding. In turn, this means the additional lease revenues generate a significant increase in Public Market cash flow because none of it is needed to offset the cost of construction, as would be the case in a typical real estate development project.

Table 13: Portland Public Market - Conceptual Sources & Uses of Funds, Option B-1, Single Level Market w/Restaurants, Through Opening

Sources of Funds

Projected Sources	
Capital Campaign (a)	\$4,000,000
Federal Funding	1,000,000
Repayment of Bridge Loan (g)	<u>87,047</u>
Identified Sources	\$5,087,047
Other Sources - To Be Identified	<u>\$10,559,409</u>
Total Sources Needed	<u>\$15,646,456</u>

Uses of Funds

Acquisition / Land (c)	\$2,718,893
Predevelopment (d)	300,000
Construction - Public Market (e)	10,094,760
Construction - Restaurants Core & Shell	2,011,928
Construction - Restaurants TI & FF&E (f)	0
Pre-Opening (g)	433,828
Pre-Stabilization Bridge Loan (h)	<u>87,047</u>
Total Uses	<u>\$15,646,456</u>

Notes

- (a) Capital fundraising campaign by private partner.
- (c) Acquisition of site in Skidmore Fountain Building is \$3.5 million x share of building area; plus costs of adjacent land for market hall additions.
- (d) Development expenses prior to construction commencement.
- (e) See Table 5 for cost detail.
- (f) Core and shell only; restauranters finance all build-out costs for tenant improvements and furniture, fixtures, and equipment.
- (g) Executive Director, other staff, offices, working capital, other costs prior to opening.
- (h) Bridge loan to cover operating loss Years 1, 2. Repaid from future years' earnings.

Source: BAE, 2006.

From a financial analysis perspective, the most appropriate method to evaluate the feasibility of the cost of the core and shell construction for the mezzanine-level structure is to prepare a development proforma that shows development costs, shows a typical real estate development debt structure, and then determines whether the resulting lease revenue is sufficient to cover the cost of debt service and generate a return for equity investors.

Table 14 on the following page presents the results of such an analysis, based on the development costs and lease revenues identified in previous sections. The analysis shows that the low rental rate resulting from the proposed deal structure is insufficient to even cover the assumed debt service. The potential equity investors would suffer the loss of their investment, as shown by the negative rate of return. These results mean that the project would be incapable of attracting debt financing, and would be considered infeasible. The lease revenues are insufficient to even amortize the cost of the improvements. The only viable approach for constructing the proposed improvement would be through grant or other sources that do not require repayment or a return on investment.

The results of this analysis are not meant to suggest that the proposed restaurants would not create a number of the benefits identified by its proponents, including tying-in to vendors selling fresh foods, promoting the unique relationship between Portland restaurants and local food producers, or supporting food-related promotions.

It does mean however, that whomever is the potential funder of this improvement (potentially this is PDC) would face a policy decision as to whether to provide funds for a facility to house for-profit restaurants that cannot be justified on a financial return on investment basis. The difficulty of this decision is enhanced by the inherent risk associated with restaurants, which in this case is increased by the proposed second floor location atop the Market, as discussed previously.

An alternative decision, which could reduce both the need for grant funding and reduce a public funder's risk exposure would be to either: (1) require that a mezzanine-level space for restaurant uses be funded from non-public sources; or (2) shift the risk of developing the restaurant space onto a developer of mixed-use project other than the Public Market. While the latter alternative might result in restaurants being built next to or across the street from the Public Market, it would still generate many of the identified benefits for Market vendors as well as for the Market District overall (but not necessarily for the Public Market itself).

Table 14: Option B-1 Restaurants Proforma (a)**DEVELOPMENT PROGRAM**Area Calculations

Restaurants w/ circulation (b)	sf	6,900
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Rental Revenue

	<u>Unit</u>	<u>Rate</u>
Restaurants (c)	sf / yr	\$18

DEVELOPMENT COST ASSUMPTIONS

Atrium for Restaurants (d)	sf	\$185
Parking (e)	space	\$0
Tenant Improvements (f)		\$0
Soft Costs (% of hard costs)		25%
Contingency (% of hard costs)		25%

FINANCING ASSUMPTIONS (g)

Interest Rate	8.00%
Construction Loan Fees	2.00%
Avg. Outstanding Balance	60%
Loan to Cost Ratio	70%

PRO FORMA**DEVELOPMENT COSTS**

Site / Air Rights Acquisition Cost		\$0
Hard Construction Cost		\$1,276,500
Soft & Financing Costs		
Soft Costs	\$319,125	
Construction Financing Costs	102,631	
Developer Profit	0	
Contingency	<u>319,125</u>	
Total Soft & Financing Costs		\$740,881

Total Development Cost	<u>\$2,017,381</u>
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PROJECT CASH FLOW, RESIDUAL VALUE

Annual Rental Revenues	\$124,200
Less Operating Expenses at 5%	<u>(6,210)</u>
Annual Net Operating Income	\$117,990
Less Annual Debt Service (g)	<u>(124,344)</u>
Annual Cash Flow	<u>(\$6,354)</u>
Value at 8.0% Capitalization Rate	\$1,474,875
Less Development Cost	<u>(2,017,381)</u>

Net Residual Value	<u>(\$542,506)</u>
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(a) This table presents an alternative analysis of restaurant development costs and returns based on typical development project financing structures.

(b) Based on area identified by PPM, Inc., plus 15% for circulation.

(c) Based on BAE interview with prospective restaurateurs identified by PPM, Inc., as well as PDC survey of Old Town retail space, including restaurants.

(d) Construction costs same as East Market Hall. Elevator cost paid by upper floor developer of Skidmore Fountain Building (shared use w/ restaurants).

(e) Restaurant assumed to use Public Market parking area, to be addressed by PDC.

(f) Restaurants assumed, per PPM, Inc., to finance and perform 100% of all TI costs, including all restaurant fixtures, furnishings, and equipment.

(g) Same assumptions as for Public Market in Option B. Permanent loan is 30 years.

Sources: Sources: BAE, 2006.

Business Plan & Operations

Organizational Strategy

Work conducted for this Study has established that a number of the potential risks faced by the Portland Public Market are reasonable and/or can be mitigated, including:

- *Demand Risk* related to whether sufficient shopper demand exists, answered by the analysis that demonstrated \$19.3 million in potential sales for the Market, more than double the level assumed for the cash flow analysis in this Study;
- *Supplier Risk* based on whether there are sufficient potential vendors to provide the mix of high-quality and local foods needed to attract shoppers, answered by Study surveys and interviews showing strong interest among farmers and specialty food vendors;
- *Operating Risk* as to whether the market can collect sufficient rents and control costs to achieve break-even operating results, as shown in the cash flow modeling exercise for this Study;
- *Financing Risk* on whether a financial structure can be devised that does not place undue financial pressure on the Market, as discussed in the previous section of this Study; and
- *Design Risk* and *Construction Risk* are assumed to be mitigatable through the selection of a capable architect and contractor and effective construction management during improvement work.

The most significant remaining risk to be addressed is *Start-Up Risk*, or whether a capable non-profit entity can take the lead in planning, fundraising, opening, and ongoing operation of the Public Market. This is perhaps the most significant risk the Public Market faces because it can be mitigated only through previous experience and expertise with the development, opening, and operation of public markets. It calls for an entrepreneurial non-profit with strong operating experience, qualities that are not nearly as prevalent in the non-profit sector as they are in the for-profit sector.

PDC, should it decide to provide use of the Skidmore Fountain Building at advantageous terms to the Public Market, as well as other potential support, would need to ensure that its agreement with the Public Market developer and operator calls for an effective organizational structure and needed capabilities at both the Board and staff levels.

Non-Profit Operator

The existing PPM non-profit corporation has been formed and has obtained tax-exempt 501(c)(3) status. PPM has raised approximately \$100,000 from private contributions in support of its activities as well as substantial federal support. The non-profit approach to developing the public market is an approach that has been used in many other projects that involve continuing operations.

The non-profit approach has been used in other public markets in the U.S. and has been used on several projects and activities in Portland. Pioneer Square is a publicly owned asset managed by a private non-profit corporation that includes the City's Parks Director on its board along with numerous property owners around the Square. The non-profit is responsible for managing events throughout the year, maintaining the square, and managing leasing activity in the block. The non-profit has secured the participation of the private sector in the active use of the Square, and has also been able to preserve and endorse the public purpose of the Square.

Another local success is Portland Streetcar, Inc. (PSI). Its Board of Directors includes property owners who helped fund the streetcar with assessments, City Commissioner for Public Works, General Manager of TriMet, Portland State University, and citizen activists. PSI is responsible for designing, building, operating and maintaining the streetcar operation on behalf of the City of Portland. Funding comes from a combination of public support from the City, TriMet and private sponsorships.

Framework for Potential PDC Support

This Study assumes that the existing PPM non-profit will continue to advocate for creation of the Portland Public Market, and support its fundraising. A question that PDC needs to address is what conditions it should establish in the event it decides to provide support to the Portland Public Market project. There are two potential approaches that are discussed in more detail in the following sections:

- *Establish a New Operating Non-Profit.* This would involve PDC's active participation in the creation of a companion non-profit to PPM. The new non-profit would be strictly focused on facility development and day-to-day operation of the Market. PPM would continue to be responsible for fundraising, advocacy, community involvement, and other support for the Market.
- *Establish Performance Standards for PPM as Developer and Operator.* The alternative approach would be for PPM to act as the developer and operator of the Public Market. In return for support from the City, including potential financial support, PDC would establish performance standards for PPM as well as milestones to ensure that appropriate organizational capacities are developed.

New Operating Non-Profit

This option would involve a decision by PDC to take a lead role in establishing a new operating non-profit that would be responsible for facility development and operation of the Portland Public Market. The operating non-profit in turn would have a contractual arrangement with PPM regarding PPM's support for educational program development, fundraising, advocacy, volunteer assistance, and other types of support.

The advantage of this organizational strategy is that it allows the new organization to be a lean, business-oriented operating entity, while PPM takes the lead in areas that are traditional strengths for community-based non-profit organizations. The Board of the new operator could include PPM members, as well as local business leaders, experts in the local agriculture and food industry, experts in operation of retail facilities, and City representatives. The key job for the Board of the operator would be ensuring the hiring of a Public Market General Manager with previous successful experience developing and operating public markets, and overseeing that Manager's development of facility and business plans. It should be expected that funding of approximately \$435,000 would be needed over a three year period for the start-up costs for the new operator, prior to opening of the Public Market.

The disadvantage of this strategy is that it introduces the risk of conflict between the operator and PPM to the extent of disagreements on development or operations. The establishment of a cooperative relationship between the two organizations is essential to the success of this strategy. Should PPM elect not to pursue a significant capital campaign, the operating non-profit would either need to assume this responsibility, leading to a significant change in its organization to meet the new responsibility, or some other source of financial support for the development of the Public Market would need to be identified.

PPM as Public Market Developer and/or Operator

This option would involve PDC deciding to negotiate a formal contract with PPM for it to take the lead in development, opening, and/or operation of the Public Market in return for PDC support, subject to specified performance standards and milestones. Key provisions should include:

- Formulation of a fundraising plan by PPM that is acceptable to PDC and that spells out the expected sources of private and public funding, responsibilities for fundraising, and timelines for performance (including any support to be provided pursuant to decisions by PDC);
- Actions to be taken by PPM to successfully implement its fundraising program, including enhancing the composition of its Board to strengthen its capability to undertake a capital fundraising campaign of \$4 million or more;
- Previous experience requirements for the General Manager that PPM will hire to oversee development, opening, and operation of the Public Market, as well as requirements for a construction manager and other consultants to assist the General Manager with development activities;
- PDC's involvement and right of approval of architects, contractors, and other key professionals to be retained for Public Market development;
- Requirements for PPM to submit annual budgets and operating plans setting forth target rents, tenant mix, staffing, operating expenses, and other operating parameters that are subject to PDC's approval;
- Establishment of an Advisory Board or other mechanisms to provide vendors as well as community members with a voice in the development and operation of the Public Market; and
- In the event that performance standards and milestones are not met, the terms and conditions for dissolution of the agreement and PDC assumption of operating responsibility for the Market.

The advantage of this option is that it builds on the advocacy work of the PPM that has advanced the Public Market project to this stage. Entering into an agreement with the above terms and conditions would provide an appropriate framework for PPM's organizational growth to assume responsibility for development and operation of a \$13 million or more project.

The disadvantage of this option is that while it may mitigate a significant amount of the start-up risk, it does not eliminate it or necessarily bring it to a reasonable level. Under this option, the ultimate success of the Public Market, and whether it succeeds or fails, will most likely be based on whether the relatively new PPM organization can rapidly develop its capabilities, retain the right staff, manage a complicated public/private development project, and learn to become an efficient and consistent facility and market operator.

The Development Strategy section outlines a range of potential options for how the Market could be developed, including the option of having an experienced mixed-use developer construct space for a PPM-operated project as part of a larger mixed-use development, with PPM given a long-term lease or other ownership interest in the space it would use. Such an approach would allow PDC to restrict the scope of its contract with PPM to those matters related to the opening and operation of the Public Market.

Exit Strategy

An “exit strategy” refers to how a real estate investor realizes the benefits from a project or mitigates its losses, depending on outcome, typically through a sale, refinancing, transfer, or other recapitalization or restructuring of the ownership interest.

For the purposes of this Study, it is assumed that any City support to the Public Market would continue to be available on a long-term basis, provided that Market operations continue to be self-sufficient, and meets the requirements of its agreements with PDC (however, it would be appropriate for PDC to consider shorter-term forms of support if that better meets its policy objectives and available resources).

The question that remains is what PDC could do in the event that the Public Market is not able to meet its financial commitments, including sustained self-sufficiency through break-even operations, so that additional financial support is needed from the City for the Market to remain open. Potential options for PDC to recoup its investment could include:

- As described in the previous section, exercise its right pursuant to its agreement with the Market operator to replace the operator (whether it is a new non-profit or PPM) with a new entity that has the capacity to return the Market to break-even operation. The new operator could be a non-profit or for-profit entity, and including a retail developer or property manager with experience operating market halls, mercados, or other facilities with multiple small vendors; or
- The sale of its interest in the property housing the Public Market. The nature of the interest being sold (e.g., larger mixed-use project or only the Public Market space) would determine the pool of interested buyers with the necessary capacity; different buyers may have different levels of interest in continuing the Public Market operation.

Marketing and Operations

Merchandising

The Portland Public Market will feature a range of fresh, prepared, and specialty food products. In selecting its vendors and offerings, the Market will need to strike on an ongoing basis an appropriate balance between two distinct and sometimes conflicting goals:

- Serving as a showcase for high-quality local foodstuffs, providing new markets for local food producers, and encouraging shoppers to experience new ways of thinking about food choices, and incorporate sustainable principles into their lifestyles; and
- Providing on a daily basis year-around the full range of goods that shoppers want, including items imported from outside the local foodshed, so that the Public Market is always a place that customers can go to get all the items they need for complete meals.

Decisions on vendor mix will need to be made by the Public Market General Manager on a day to day basis, pursuant to the goals set forth in a current operating plan.

Based on an assessment of other food shopping options in the region, it appears that the Public Market’s greatest competitive advantage may be in fresh local produce, and local seafood caught or farmed in Oregon waters. The Public Market should strive to be the best location in town to shop for these two categories of items.

The vendor mix in Table 3 in the Development Strategy section of this Study provides a general outline of the recommended number of vendors and square footage that should be allocated to various categories. Significant additional considerations include:

- Prepared foods should be fresh, unique, and include ethnic items, rather than typical “fast food” offerings. These should include hot and high-quality offerings that can attract a lunchtime crowd, visitors, as well as those stopping by on the way home to pick up a convenient meal. At the same time, the number of prepared food vendors should be carefully controlled to avoid crowding out fresh and specialty food vendors;
- A seating area for purchasers of prepared foods, with a nearby coffee bar, juice bar, and possibly a bakery, can become the social center of the Market, and a destination in its own right;
- Non-food retailing should be limited to those items that are related to the Public Market theme such as sustainable clothing, products, and other items directly used in food preparation. Items that are more crafts-oriented, including serving and dinnerware, should be left to other venues such as Saturday Market.

Staffing

The Portland Public Market is projected to require 10 full-time equivalent positions (FTE) of staffing. This complement is expected to be needed as of the opening date of the Market, as staff workload is not diminished appreciably during the start-up period when sales are below stabilized levels. As staff gains experience with operation of the market, the same staffing level should be able to handle the increased workload associated with higher sales.

Projected staff positions, staffing levels, and responsibilities are as follows:

<u>Position</u>	<u>FTE</u>	<u>Duties</u>
General Manager	1.0	<ul style="list-style-type: none"> • Pre-opening, lead team in design and development of Market facility • Select vendors and negotiate agreements • Ensure vendor compliance with agreement, Market rules • Oversee development and implementation of marketing plan • Serve as public face of the Market, liaison with City, etc. • Serve as on-site manager weekdays • Ensure proper operation and maintenance of Market facility • Prepare budgets, operating plans, monitor and act to remain on-budget and on-plan • Secure and oversee professional services as needed • Provide support to Market Board of Directors
Assistant Manager	1.0	<ul style="list-style-type: none"> • Assist General Manager with his/her duties • Acting GM during vacation, sick leave, or other extended absence from Market • Serve as on-site manager weekends and during special events
Bookkeeper	0.5	<ul style="list-style-type: none"> • Collection of rental payments, other receivables • Monitor vendor compliance with reporting requirements • Process payments and other accounts receivable • Enter data, manage PC-based accounting system, prepare reports
Floor Staff	1.5	<ul style="list-style-type: none"> • Operate day tables and handle sale of consigned items • Monitor activity in vendor areas, alert other staff to items requiring action • Serve as public "ambassadors" to Market visitors, assist with questions, other needs
Security Guard	2.5	<ul style="list-style-type: none"> • Patrol market, outdoor areas to ensure compliance with laws and Market rules • Serve as public "ambassadors" to Market visitors, assist with questions, other needs • Provide customers with escort to vehicle as requested
Maintenance	1.0	<ul style="list-style-type: none"> • Conduct preventive maintenance and perform repairs as needed to ensure facility remains in good operating condition • Secure and supervise contractors providing specialized maintenance services • Open / close Market as needed, act as supervisor as directed by GM or Assistant
Janitorial	2.5	<ul style="list-style-type: none"> • During Market operating hours, provide dayporter services, maintain cleanliness of service areas, and patrol for removal of waste • After market close clean common and service areas.

Educational Programs and Partnerships

The Public Market will have numerous opportunities to forge partnerships with local and statewide organizations devoted to sustainability, food policy and food security, agricultural preservation, small family farms, economic development, and healthy living. Examples of potential partners are shown below; this is not an exhaustive listing, but a brief overview of potential partners who were interviewed for this Study. The chart below shows potential functions that each partner could fill, in keeping with current organizational activities.

Summary of Example Potential Partners

		Technical				
		Funding	Assistance	Marketing	Education	Events
Portland Office of Sustainability	Promotes Portland's sustainability through programs on energy, food policy, recycling, and green building	X	X	X	X	X
Portland Food Alliance	Education and certification of organic food producers & vendors		X		X	X
Friends of Wenger Farm	Promotes sustainable food systems, environmental stewardship and local economic development through a working farm		X		X	
Oregon State University Food Innovation Center	Training, business development, marketing assistance for food producers		X	X	X	X
Oregon Tilth	Non-profit research and education membership organization dedicated to biologically sound and socially equitable agriculture		X	X	X	X
Ecumenical Ministries	Association of 17 Christian denominations that work together for unity and justice. Operate Northeast Emergency Food program, work with immigrants re: food security.	X	X	X	X	X
Oregon Department of Agriculture	Offers many programs in marketing, branding, producing, and small agri-business.	X	X	X	X	X
Agri-Business Council	Large statewide trade organization	X	X	X	X	X
Oregon Environmental Council	Environmental organization w/strong sustainability orientation	X	X	X	X	X
Growing Gardens	Portland gardening organization, promotes community gardens, organics, youth, food access		X		X	X
Oregon Department of Health	Focus on food and nutrition, food stamps, WIC	X	X	X	X	X
Ecotrust	Fosters regional food system in Pacific Northwest		X	X	X	X
Portland State University Food Industry Leadership	Research and industry advancement for food retailers and business/entrepreneurs.		X	X		

Center	Technical				
	Funding	Assistance	Marketing	Education	Events
Chef's Collaborative		X		X	
The Portland Slow Food Convivium			X	X	X
The Portland Culinary Alliance			X	X	X
The Portland Oregon Visitors Association (POVA)			X		X
Oregon Farmers Market Association		X	X		

Many of these partners are extremely supportive of the Public Market concept, and are available for further discussion to organize their roles and contributions to the facility.

In addition to these potential future partners, a number of individuals and organizations have been active partners to PPM in its advocacy for a Public Market and its work to develop concepts for its development and operation. This includes:

- The Oregon Congressional delegation
 - Sen. Ron Wyden
 - Sen. Gordon Smith
 - Rep. David Wu
 - Rep. Greg Walden
 - Rep. Earl Blumenauer
 - Rep. Peter DeFazio
 - Rep. Darlene Hooley
- The James Beard Foundation
- City of Portland / Multnomah County Food Policy Council
- Mercy Corps NW
- Old Town / Chinatown Visions Committee

Recommendations

Refine Market Concept to Create Unique, Identifiable Destination

This report has taken a first step toward moving the concept of a Portland Public Market to a more unique, specific image of place for retailing. In addition, the strategy seeks to blend the Market as a place for food policy and education, with the Market as a place for sustainable development. The blending of these three parallel themes results in the following recommendation:

Recommendation:

Refine the concept of the market to brand it as an integral component of the Portland lifestyle. Seek to express a unique retailing concept that is sustainable, linked to other local foodshed initiatives, and reinforces Portland's image as a leader in sustainable agriculture and development locally and nationally.

Create a Tenant Mix of Established and New Retailers

The research for this report indicated strongly that competition within the market is key to its success. There must be sufficient food and related offerings to accomplish the following:

- Provide for a full complement of fresh food ingredients to prepare that evening's dinner;
- Provide a full complement of fresh food and staples to achieve weekly grocery shopping needs;
- Provide prepared foods to eat on site, take home, and accommodate lunch time and evening fast-casual diners;
- Offer an array of items spanning and appealing to a range of income levels and ethnic interests; and
- Attract several established, strong specialty food retailers from Portland region who can immediately attract their customers to the new location, and lend their merchandising expertise to the start-up process

Recommendation:

To initiate the Market with the strongest possible tenant mix, seek to tenant it with a mix of established specialty food retailers from the region, along with producers seeking a new business venture or a growth opportunity. The first part of this report identified a strong interest from the region's food producers, and this report identifies strong interest from a variety of established specialty food retailers. The Market should seek to attract tenants from both pools of merchants.

Maximize Revitalization and Economic Development Benefits

The Public Market as Catalyst for a Market District

One of the primary reasons people like markets is because they promote sociability and interaction. In surveys conducted for the Ford Foundation, shoppers cited the 'gathering place' as the number one reason they enjoy markets. This interaction builds social capital and a sense of community. A report on the 'social ecology of farmers markets' by Professor Robert Sommer from UC Davis documented that people who go to public markets have nine times more social interactions than those who go to supermarkets. Talking to acquaintances is also made easier at a market – the shared experience puts everyone on equal

footing, and lends itself to informal socializing. The Public Market can be an important center of community activity for new Ankeny Plaza residents.

Across the country, the resurgence of traditional retailing in the form of market districts are proving once again to be appealing on a human scale and attractive for their cultural and historic connections. Markets experience sales levels well above the national averages of traditional mall and storefront retail, and strengthen the network of local suppliers and their support businesses. Seattle's Pike Place Market is the best known example of a successful market district, where the public market sparked a residential, commercial and civic boom that continues to this day. Other recently revived market districts anchored by public markets include: Little Rock (River Market), Roanoke (City Market), Baltimore (Lexington, Cross Street, Broadway, etc.), London (Borough Market, Smithfield, Camden, etc.), Honolulu (Oahu Market), Detroit (Eastern Market), Kansas City (City Market), Omaha (The Old Market), New York (Gansevoort, Fulton Fish, Flower District, etc.), Cincinnati (Findlay Market) and Richmond, VA.

One of the key lessons from market development around the U.S. is to reinforce the historic nature of food shopping, farmer to customer interaction, and personalized commerce. This approach must be based on the "character" of the place, along with merchandising which emphasizes the local economy and local vendors. Character comes from an aggregate of uses over time that preserves integrity and honest experiences – and a Market District showcasing Portland's mature vendor pool of producers, farmers and entrepreneurs provide the critical pieces needed to move forward.

A Portland Public Market and larger Market District offer an opportunity to create and then build on Portland's highly valued sense of place, history, and community interaction. The Ankeny Plaza area and the historic Cast Iron district were the historic locations for Portland's initial marketplace. The raw ingredients can still be found or resurrected: the river port as a center for raw, manufactured and exotic products, the gathering point for immigrants and natives, the stone and brick historic buildings with cast iron facades (some in storage), the historic cobblestones and scenic topography, the layout of the streets in grid patterns, and the surrounding public improvements to this day all work to create a Market District. Even the functions of the area today echo the commercial heartbeat of emerging merchants, as evidenced both by the popular Saturday Market at the Skidmore location, as well as by proposals to create additional specialized retail facilities such as Little Italy.

Recommendation:

Further develop the Market District strategy through the Ankeny Plaza/Burnside planning process, currently under formulation, using the Public Market as a catalytic centerpiece to revitalization. This approach should also strategically plan for revitalization of the surrounding area, based on a coordinated approach to block-by-block development plans. As the area revitalizes and adds new housing units, additional retail outlets, critical parking facilities, and community facilities, the Public Market will serve as a strong catalyst to brand the area and attract the region's residents and visitors.

The Public Market as Small Business Development Engine

A primary benefit of public markets focused on small, independent retailers and producers is to provide a market "channel" not previously available, connecting small business people to their customers in a unique setting. Due to the nature of public markets, with small selling stalls, centralized management and marketing, and an exciting concept with strong demand, the Public Market will fill the gap between growers and shoppers with strong support in a "themed" retail setting.

Thus, the Public Market is more than a place – its mission and purpose is closely linked to small business

development. The region has a particularly strong set of sustainable food growers, independent retailers, and related micro-enterprise, and the Public Market and a Market District can help its continued vitality. A public market can help establish small retailers not quite ready for storefronts. Markets create an essential building block opportunity in the development of small businesses, echoing the traditional rise of small business in the U.S. These and other linkages to micro-enterprise program can help low-income entrepreneurs get a start in owning and operating retail businesses at the Public Market. The Market can act as an incubator for independent operators and a magnet for other businesses looking to locate in a commercial area with built-in retail synergies. However, to preserve opportunities for local businesses, the location of large and out-of-town retail chains in the Market District should be limited.

Recommendation:

The Portland Development Commission, as the City's lead economic development agency, offers a wide array of support, technical assistance, and financial incentives to foster small business development. PDC should take a lead role in initiating the Public Market's economic development components, in partnership with other organizations devoted to fostering small business, agricultural enterprises, and financing for capital and operations that are present in the Portland region. Available small business assistance should be targeted to food merchandising, including technical assistance with health department regulations, start-up capital and ongoing operations, accounting, hiring, marketing, and merchandising techniques. This support will be key to assisting some vendors and start-up businesses make the transition from temporary, ad hoc arrangements to permanent selling.

Linkages to Citywide Visitor and Tourism Economic Development Initiatives

Successful markets in other cities – Seattle, Philadelphia, New Orleans and more recently San Francisco – have proven to be strong beacons for tourists; some markets are the number one attraction for tourists. The Public Market's and potential Market District's location in the Skidmore/Old Town Historic District is convenient via foot or MAX to the Oregon Convention Center, its future headquarters hotel, the Rose Quarter, and downtown hotels. A well-positioned Public Market can provide a unique destination for visitors that aids in the marketing of Portland to potential conventions and other group events.

At the same time, based on lessons learned at other revived public markets, the tendency to orient facilities towards tourism can have subtle long-term negative impacts. Tourists spend less per visit than locals, can annoy loyal shoppers, and typically buy prepared foods and impulse items but do not buy much in the way of groceries or staples necessary to reinforce the linkages to regional growers. There is a risk that market merchants will slowly shift their merchandising to prepared food and other items take advantage of tourists who want to “buy” a piece of the local market experience. When merchants begin to rely on tourist dollars, it is very difficult to correct, and an exodus of local shoppers will accelerate over time.

Recommendation:

Balance marketing/promotion of the Public Market as a tourism destination with key needs to maintain a local-serving weekly and monthly destination for fresh food purchases. Management must be able to control the merchandising mix so it does not drift and create unintended consequences. Provide management with control through provisions in lease agreements regarding merchandising techniques, approved product lines and allocation of display areas to balance merchandise offerings for locals versus tourists. Such measures preserve the appeal of a market for local residents and ensure an authentic experience that ultimately gives tourists what they really want.

Linkages to Housing Development

Public markets are attractive to new residents, and in other cities real estate developments use proximity to a market as selling point. The Downtown Waterfront Development Opportunity Strategy identifies an opportunity for 1,000 new units of housing in the Ankeny Plaza area, adjacent to the Public Market and potential Market District site, and a total of over 1,700 new residential units for the larger Downtown Waterfront area. This new residential development will be synergistic with the Public Market, providing a substantial customer base for it while the Public Market serves as an amenity to attract new residents to the area.

At the same time, as shown by the experience of the Pike Place Market, the grit and character of the market's social fabric can unintentionally attract affluent new urbanites who wanted to live in a 'real' neighborhood, resulting in an upward spirals of demand and price appreciation. Detroit is readying a strategic plan for its historic Eastern Market which will include a housing component, and people are already moving into the Eastern Market district and converting spaces above commission houses into lofts, galleries, clubs and apartments.

Recommendation:

The Public Market project should seek to open in time to capitalize on the first major phase of new market rate residential development in the Ankeny/Burnside area. At the same time, planning should accommodate affordable and workforce housing to maintain the character and ambiance of the historic Ankeny Plaza. Therefore, a range of affordable housing types, including artists housing, should be included in planning for Ankeny Plaza and the Downtown Waterfront. This will also have the benefit of helping to preserve diversity in the household incomes of Public Market shoppers, and encourage vendors to provide a more authentic variety in their offerings.

Linkages to Office Development

Office workers are drawn to markets for picking up groceries or grabbing a quick lunch. Annual sales to office workers can become a significant number – sometimes as high as 10 to 20 percent depending on the specific demographics. However, Portland's office core is a healthy walk from the market district. A typical employee with a one-hour lunch break would be rushed to walk to the market and return with time for lunch, limiting demand from downtown workers to an extent.

A market can be a factor, but not the primary one, when large employers are deciding where to locate an office. The public market would be more attractive to small offices that could locate on whole or partial floors of historic buildings in the Market District.

Recommendation:

Include office space opportunities for small and growing firms, whether related to food and sustainability or otherwise, within the Market District. These types of office users in future development will help create daytime traffic in the Market District.

Organize for Implementation

Establishing a new non-profit operator for the Portland Public Market who can successfully plan, fundraise, open, and sustain long-term break-even operations for an enterprise that will gross \$1.2 million annually, is a major challenge. A significant number of new for-profit retail businesses fail, and non-profit organizations typically have less depth of management expertise, available capital, and other resources than do for-profit businesses. The Study has demonstrated that many of the potential risks associated with

the Portland Public Market, including demand risk, supplier risk, operating risk, and financing risk do have the potential to be successfully mitigated.

The largest remaining risk factor for the success of the Public Market is start-up risk, i.e. whether a non-profit market management entity can develop the capabilities that are needed for a successful market operation, including real estate development and leasing, fundraising, marketing and promotion, retail merchandising, facility operations, and property and financial management, among others. The most likely reason for a future failure of the Public Market would be a management entity that is not up to these tasks.

PPM as the non-profit advocate for the Public Market has successfully advanced a vision for a public market, pushed for its creation, developed concepts for its design and operation, and raised a couple hundred thousand dollars for its work. If PPM will be the developer and/or operator of the Public Market, success will require that it evolve from an advocacy organization to an operating entity. The significant organizational development tasks that this encompasses include an evolution in its Board membership to include more members with development and operating experience, hiring staff with successful previous public market development and management experience, and creating an organizational culture that integrates a commitment to food sustainability with a bottom-line focus on operating results.

Recommendation:

PDC, in return for City financial and other support, should work with PPM to determine its capability and commitment to the organizational development and other actions necessary for it to successfully develop and/or operate the Public Market. Should PDC and PPM decide that the creation of a new non-profit operator is a preferred alternative, PDC and PPM should work to develop an agreement that lays out a division of responsibilities between operating activities and program development, fundraising, and community involvement. Whoever is the Market developer and/or operation should be held to performance that address fundraising and financing plans; organizational development; staffing requirements and experience; PDC rights of approval on development decisions, budgets, and operating plans; community involvement; and milestones and remedies.

Design a Functional Market Building

The design and construction of a cost-effective and properly laid out market facility is essential for the Public Market's success. Incorporating a market into an existing historic building, even with the construction of additions, presents significant challenges in terms of preservation requirements, addition of extensive new building systems (mechanical, electrical, and plumbing), stall layout, customer circulation, and loading and service functions. The challenges are increased by the small floorplates of the Skidmore Fountain Building, and its constrained site, even with potential acquisition of the adjacent Naito lot. The design of public markets and smaller spaces for food retailing is a specialty, and the designer's skill in navigating design issues, health code and building code requirements, and historic preservation will directly influence total development costs and future market operating costs.

Recommendation:

For the schematic design stage, recruit an architectural team that includes an architect that is experienced in the design of public markets (as market designer) as well as a local Portland architect that is experienced in historic preservation, the development of food-related facilities, and expert in local codes (as architect of record). The design process should include an advisory group of specialty food vendors, including produce, meat, seafood, and other potential Public Market tenants to provide practical

advice on what works and what doesn't. A construction manager, preferably with experience in the construction of public markets or projects with extensive small multi-tenant spaces, should be incorporated early in the process to assist with value engineering to lead to a cost-effective design.

Appendix A: Advisory Committee Members

Greg Cervetto	Grayrose Marketing Group
Chip Lazenby	Bullivant Houser Bailey (Former PDC Legal Counsel)
Tom Gilpatrick	PSU Food Industry Leadership Center
Amelia Hard	Share Our Strength Hunger Relief
Dalton Hobbs	Oregon Department of Agriculture, Development and Marketing Division
Jane Jarrett	Architectural Foundation of Oregon
Phil Kalberer	Kalberer Company
Deborah Kane	The Head Table
Marcus Simantel	Agri-Business Council of Oregon
Barb Slaughter	Portland Farmers Market

Appendix B: Data Tables

Table B-1: Population and Household Demographics, 2000

	<u>Immediate Market Area (a)</u>	<u>Local Market Area (b)</u>	<u>City of Portland</u>	<u>Region (c)</u>
Population	77,292	153,709	529,121	1,874,449
Households	43,250	76,066	223,737	725,401
Average Household Size	1.68	1.95	2.30	2.54
Household Type				
Families	26.7%	38.0%	52.9%	64.8%
Non-Families	73.3%	62.0%	47.1%	35.2%
Tenure				
Owner	25.6%	56.1%	55.8%	62.6%
Renter	74.4%	43.9%	44.2%	37.4%

Notes:

(a) Immediate Market Area includes all Census block groups located within a two-mile radius of proposed market site

(b) Local Market Area includes all Census block groups located within a three-mile radius of proposed market site

(c) Region includes Clackamas, Multnomah, Washington, and Yamhill Counties in Oregon and Clark County in Washington.

Sources: 2000 U.S. Census; Bay Area Economics, 2005.

Table B-2: Age Distribution, 2000

Age	Immediate Market Area (a)		Local Market Area (b)		City of Portland		Region (c)	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Under 15	6,732	8.7%	19,777	12.9%	93,515	17.7%	399,575	21.3%
15 to 20	4,389	5.7%	9,214	6.0%	39,454	7.5%	151,746	8.1%
21 to 24	7,452	9.6%	11,923	7.8%	33,046	6.2%	101,122	5.4%
25 to 34	21,063	27.3%	36,255	23.6%	97,000	18.3%	292,960	15.6%
35 to 44	12,243	15.8%	25,061	16.3%	86,604	16.4%	310,093	16.5%
45 to 54	11,399	14.7%	24,119	15.7%	78,367	14.8%	276,457	14.7%
55 to 64	5,771	7.5%	11,653	7.6%	39,972	7.6%	149,325	8.0%
65 to 74	3,537	4.6%	7,102	4.6%	28,215	5.3%	94,687	5.1%
75 to 84	3,111	4.0%	6,001	3.9%	23,829	4.5%	72,098	3.8%
85 +	1,594	2.1%	2,604	1.7%	9,119	1.7%	26,386	1.4%
Total	77,291	100.0%	153,709	100.0%	529,121	100.0%	1,874,449	100.0%
Under 15	6,732	8.7%	19,777	12.9%	93,515	17.7%	399,575	21.3%
Age 25 to 54	44,705	57.8%	85,435	55.6%	261,971	49.5%	879,510	46.9%
Over 65	8,242	10.7%	15,707	10.2%	61,163	11.6%	193,171	10.3%
Median Age	34.5		34.9		35.2		34.7	

Notes:

- (a) Immediate Market Area includes all Census block groups located within a two-mile radius of proposed market site
- (b) Local Market Area includes all Census block groups located within a three-mile radius of proposed market site
- (c) Region includes Clackamas, Multnomah, Washington, and Yamhill Counties in Oregon and Clark County in Washington.

Sources: 2000 U.S. Census; Bay Area Economics, 2005.

Table B-3: Household Income Distribution, 2000

Estimated Income	Immediate Market Area (a)		Local Market Area (b)		City of Portland		Region (c)	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than \$15,000	11,475	26.5%	16,047	21.1%	36,268	16.2%	84,841	11.7%
\$15,000 to \$24,999	6,576	15.2%	10,111	13.3%	29,823	13.3%	81,133	11.2%
\$25,000 to \$34,999	6,026	13.9%	10,160	13.3%	31,186	13.9%	91,802	12.6%
\$35,000 to \$49,999	6,248	14.4%	11,595	15.2%	38,638	17.3%	126,742	17.5%
\$50,000 to \$74,999	5,645	13.0%	12,162	16.0%	44,516	19.9%	159,619	22.0%
\$75,000 to \$99,999	2,988	6.9%	6,740	8.9%	20,667	9.2%	86,032	11.9%
\$100,000 to \$149,999	2,569	5.9%	5,598	7.4%	14,735	6.6%	63,264	8.7%
\$150,000 to \$249,999	1,241	2.9%	2,434	3.2%	5,783	2.6%	24,093	3.3%
\$250,000 to \$499,999	363	0.8%	773	1.0%	1,633	0.7%	6,013	0.8%
\$500,000 and over	225	0.5%	485	0.6%	738	0.3%	2,454	0.3%
Total	43,356	100.0%	76,105	100.0%	223,987	100.0%	725,993	100.0%
HHs earn \$75,000 and over	7,386	17.0%	16,030	21.1%	43,556	19.4%	181,856	25.0%
Median Household Income	\$31,019		\$37,244		\$40,713		\$47,453	

Notes:

- (a) Immediate Market Area includes all Census block groups located within a two-mile radius of proposed market site
- (b) Local Market Area includes all Census block groups located within a three-mile radius of proposed market site
- (c) Region includes Clackamas, Multnomah, Washington, and Yamhill Counties in Oregon and Clark County in Washington.

Sources: 2000 U.S. Census; Bay Area Economics, 2005.

Table B-4: 2000 Educational Attainment for Population 25+ Years of Age

Education Level	Immediate Market Area (a)		Local Market Area (b)		City of Portland		Region (c)	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 9th Grade	1,734	2.9%	3,884	3.4%	18,744	5.2%	53,095	4.3%
9th to 12th Grade, No Diploma	3,633	6.2%	7,280	6.4%	33,382	9.2%	102,978	8.4%
High School Graduate	8,725	14.8%	17,144	15.1%	80,947	22.2%	288,826	23.6%
Some College, No Degree	13,773	23.4%	26,144	23.1%	90,825	25.0%	337,788	27.6%
Associate Degree	3,025	5.1%	6,031	5.3%	21,255	5.8%	84,740	6.9%
Bachelor's Degree	17,723	30.1%	33,371	29.5%	77,321	21.3%	238,213	19.4%
Graduate or Prof. Degree	10,328	17.5%	19,418	17.1%	41,377	11.4%	119,349	9.7%
Total	58,941	100.0%	113,272	100.0%	363,851	100.0%	1,224,989	100.0%
High School Graduate or Higher	53,574	90.9%	102,108	90.1%	311,725	85.7%	1,068,916	87.3%
Bachelor's Degree or Higher	28,051	47.6%	52,789	46.6%	118,698	32.6%	357,562	29.2%

Notes:

(a) Immediate Market Area includes all Census block groups located within a two-mile radius of proposed market site

(b) Local Market Area includes all Census block groups located within a three-mile radius of proposed market site

(c) Region includes Clackamas, Multnomah, Washington, and Yamhill Counties in Oregon and Clark County in Washington.

Sources: 2000 U.S. Census; Bay Area Economics, 2005.

Table B-5: Jobs by Industry, 2000

Industry	Immediate Market Area (a)		Local Market Area (b)		City of Portland		Region (c)	
	Number	Percent of Total	Number	Percent of Total	Number	Percent of Total	Number	Percent of Total
Agriculture, forestry, fishing and hunting and mining	914	1%	1,211	0%	1,575	0%	11,740	1%
Construction	8,930	5%	15,525	6%	24,375	6%	66,145	7%
Manufacturing	10,754	6%	27,276	10%	44,235	11%	150,140	16%
Wholesale trade	7,569	4%	13,585	5%	20,385	5%	47,355	5%
Retail trade	16,695	10%	24,150	9%	40,920	10%	113,305	12%
Transportation and warehousing and utilities	11,185	6%	18,545	7%	32,710	8%	53,975	6%
Information	8,813	5%	10,868	4%	12,610	3%	26,545	3%
Finance, insurance, real estate and rental and leasing	19,420	11%	24,010	9%	29,700	8%	68,675	7%
Professional, scientific, management, admin., etc.	28,275	16%	36,239	14%	45,920	12%	99,645	11%
Arts, entertainment, recreation, accommodation and food services	25,550	15%	44,830	17%	71,490	18%	164,565	17%
Other services (except public administration)	15,410	9%	19,715	8%	30,575	8%	69,990	7%
Public administration	8,070	5%	12,394	5%	19,825	5%	44,675	5%
Armed forces	10,925	6%	12,114	5%	15,855	4%	31,015	3%
	95	0%	235	0%	760	0%	1,145	0%
Total Jobs	172,605	100%	260,697	100%	390,935	100%	948,915	100%

Notes:

(a) Immediate Market Area includes all Census tracts whose center is with a two-mile radius of proposed market site

(b) Local Market Area includes all Census tracts part of which is within a three-mile radius of proposed market site

(c) Region includes Clackamas, Multnomah, Washington, and Yamhill Counties in Oregon and Clark County in Washington.

Source: Census Transportation Planning Package 2000; Bay Area Economics, 2005.

Appendix C: Resident Survey Tabulations

Table C-1: Portland Resident Survey Results

Grocery Shopping

1. Do you do most of your food shopping on weekdays or weekends?

	Number of Responses	Percent
Weekdays (Monday to Friday)	42	42%
Weekends (Saturday and Sunday)	26	26%
Both about the same	31	31%
Don't know/ No opinion	1	1%
Total	100	100%

2. What time of day do you do most of your shopping?

	Number of Responses	Percent
Morning (before 11:30am)	21	21%
Lunch time (11:30am to 1:30pm)	11	11%
Afternoon (1:30pm to 5:00pm)	31	31%
Evening (5:00pm to 8:00pm)	25	25%
Night (after 8:00pm)	1	1%
Other	1	1%
Don't know/ No opinion	10	10%
Total	100	100%

3. At what store do you typically do most of your food shopping?

	Number of Responses	Percent
Albertson's	3	3%
Whole Foods	4	4%
City Market	0	0%
Wild Oats Market	7	7%
Costco	0	0%
WinCo	9	9%
Lamb's	0	0%
Zupan's Markets	3	3%
Fred Meyer	38	38%
Market of Choice	0	0%
New Season's Market	11	11%
Trader Joe's	6	6%
QFC (Quality Food Centers)	2	2%
Haggen	0	0%
Safeway	13	13%
Wal-Mart	0	0%
Plaid Pantry	0	0%
Don't know/ No opinion	0	0%
Other	4	4%
Total	100	100%

4. On average, how often do you shop at your first choice store?

	Number of Responses	Percent
Every day	8	8%
2 or 3 times per week	33	33%
Once per week	45	45%
Once every two weeks	5	5%
Less than once every two weeks	7	7%
Don't know/ No opinion	2	2%
Total	100	100%

Table C-1: Portland Resident Survey Results

5. What are the main reasons you shop at your first choice store?

	First Choice		Second Choice		Total	Percent
	Responses	Percent	Responses	Percent		
Selection of produce	10	10%	3	6%	13	9%
Selection of meats/other	2	2%	7	14%	9	6%
Selection of organics	6	6%	5	10%	11	7%
Selection beer and wine	0	0%	0	0%	0	0%
Selectin of specialty products	3	3%	2	4%	5	3%
<i>Selection Subtotal</i>	21	21%	17	33%	38	25%
Convenient location to home	40	40%	2	4%	42	28%
Convenient location to work	2	2%	4	8%	6	4%
Hours open	0	0%	1	2%	1	1%
Prices	17	17%	10	20%	27	18%
Quality of merchandise	11	11%	5	10%	16	11%
Customer service	1	1%	4	8%	5	3%
See my friends/neighbors	1	1%	0	0%	1	1%
Don't know/ No opinion	1	1%	0	0%	1	1%
Other	6	6%	8	16%	14	9%
Total	100	100%	51	100%	151	100%

6. Which of the following statements best describes your typical visit to your first choice store?

	Number of Responses	Percent
I usually go straight to this store from work	12	12%
I usually leave from my home to go to this store	77	77%
Other	8	8%
Don't know/ No opinion	3	3%
Total	100	100%

	Number of Responses	Percent
Car	71	71%
Light Rail (MAX)	0	0%
Other public transportation (bus or street car)	8	8%
Bicycle	1	1%
Walk	16	16%
Taxi	1	1%
Other	2	2%
Don't know/ No opinion	1	1%
Total	100	100%

8. How many minutes does it usually take you to get from your (home or workplace) to your first choice store?

	Number of Responses	Percent
Less than 5 minutes	32	32%
5 to 9 minutes	23	23%
10 to 14 minutes	24	24%
15 to 19 minutes	10	10%
20 to 30 minutes	5	5%
More than 30 minutes	3	3%
Don't know/ No opinion	2	2%
Total	99	100%

Table C-1: Portland Resident Survey Results

9. What is the next most frequent store you shop at for food?

	Number of Responses	Percent
Albertson's	2	2%
Whole Foods	5	5%
City Market	0	0%
Wild Oats Market	6	6%
Costco	2	2%
WinCo	2	2%
Lamb's	0	0%
Zupan's Markets	7	7%
Fred Meyer	22	22%
Market of Choice	1	1%
New Season's Market	6	6%
Trader Joe's	16	16%
QFC (Quality Food Centers)	3	3%
Haggen	0	0%
Safeway	16	16%
Wal-Mart	0	0%
Other	8	8%
Don't know/ No Answer	4	4%
Total	100	100%

10. On average, how often do you shop at your second choice store?

Factors	Number of Responses	Percent
Every day	0	0%
2 or 3 times per week	11	11%
Once per week	37	37%
Once every two weeks	28	28%
Less than once every two weeks	18	18%
Don't know / no opinion	6	6%
Total	100	100%

11. What are the main reasons you shop at your second choice store?

	First Choice Responses	Percent	Second Choice Responses	Percent	Total	Percent
Selection of produce	10	10%	5	8%	15	8%
Selection of meats/other	3	3%	6	10%	9	5%
Selection of organics	6	6%	3	5%	9	5%
Selectin of specialty products	11	11%	7	11%	18	9%
<i>Selection Subtotal</i>	<i>30</i>	<i>30%</i>	<i>21</i>	<i>33%</i>	<i>51</i>	<i>26%</i>
Convenient location to home	30	30%	0	0%	30	16%
Convenient location to work	2	2%	3	5%	5	3%
Hours open	1	1%	1	2%	2	1%
Prices	12	12%	8	13%	20	10%
Quality of merchandise	11	11%	3	5%	14	7%
Customer service	1	1%	2	3%	3	2%
See my friends/neighbors	0	0%	0	0%	0	0%
Don't know/ No opinion	8	8%	0	0%	8	4%
Other	5	5%	4	6%	9	5%
Total	100	100%	63	100%	193	100%

12. Which of the following statements best describes your typical visit to your second choice store?

	Number of Responses	Percent
I usually go straight to this store from work	14	14%
I usually leave from my home to go to this store	74	74%
Other	4	4%
Don't know/ No opinion	8	8%
Total	100	100%

	Number of Responses	Percent
Car	68	68%
Light Rail (MAX)	1	1%
Other public transportation (bus or street car)	5	5%
Bicycle	2	2%
Walk	15	15%
Taxi	1	1%
Other	2	2%
Don't know/ No opinion	6	6%
Total	100	100%

Table C-1: Portland Resident Survey Results

14. How many minutes does it usually take you to get from your (home or workplace) to your second choice store?

	Number of Responses	Percent
Less than 5 minutes	25	25%
5 to 9 minutes	22	22%
10 to 14 minutes	25	25%
15 to 19 minutes	15	15%
20 to 30 minutes	3	3%
More than 30 minutes	3	3%
Don't know/ No opinion	7	7%
Total	100	100%

15. Which would you say is more important to you when deciding where to shop for food - Price or Quality?

	Number of Responses	Percent
Price	19	19%
Quality	59	59%
Don't know/ No opinion	22	22%
Total	100	100%

16. How important are the following aspects when you are deciding where to shop for groceries?

	Very Important	Somewhat Important	Not Important	Total Responses
Selection of fresh breads and other bakery items	43	38	19	100
Selection of fresh fish	41	23	36	100
Selection of fresh meats	61	18	21	100
Selection of deli prepared food and meals to go	15	33	52	100
Selection of fresh vegetables and fruit	95	5	0	100
Selection of organic products	36	38	26	100
Selection of wine or beer	24	33	43	100
Selection of frozen foods	16	37	47	100
Selection of cheese and other dairy items	59	31	10	100
Selection of non-food items (toiletries, paper goods, etc)	28	44	28	100
Selection of fresh flowers	11	27	62	100
Selection of ethnic foods	20	53	27	100
Price of items	40	50	10	100
Chance to see friends and neighbors	8	24	68	100
Physical atmosphere of the store and neighborhood	43	39	18	100

17. What types of ethnic food, if any, do you typically like to buy?

	Number of Responses	Percent
Mexican	37	37%
Italian	3	3%
Japanese	2	2%
Vietnamese	0	0%
Chinese	7	7%
Thai	4	4%
Soul Food	0	0%
Middle-Eastern	8	8%
African (e.g. Ethiopian)	0	0%
Asian (general)	8	8%
Indian	8	8%
Kosher	2	2%
Other	2	2%
Don't buy any ethnic food/No Answer	19	19%
Total	100	100%

18. When buying fruits and vegetables, how important are the following choices?

	Very Important	Somewhat Important	Not Important	Total Responses
Grown in the local agricultural region	52	35	13	100
Grown in the United States	58	28	14	100
Grown without use of pesticides or fertilizers	64	22	14	100

19. When buying meat, fish, and poultry, how important are the following choices?

	Very Important	Somewhat Important	Not Important	Total Responses
Raised in the local agricultural region	54	29	17	100
Raised in the United States	61	22	17	100
Raised without hormones or artificial preservatives	70	15	15	100

Table C-1: Portland Resident Survey Results

20. When buying cheese and other dairy products, how important are the following choices?

	Very Important	Somewhat Important	Not Important	Total Responses
From the local agricultural region	40	30	30	100
From the United States	40	27	33	100
Produced without use of pesticides or fertilizers	62	18	20	100

21. About how much does your household spend on groceries in a typical week?

	Number of Responses	Percent
Less than \$25	4	4%
\$25 to \$49	14	14%
\$50 to \$74	16	16%
\$75 to \$99	12	12%
\$100 to \$149	29	29%
\$150 or more	21	21%
Don't know/ No answer	4	4%
Total	100	100%

Farmers' Markets Shopping

22. Within the typical 6 month season (May to October), how often do you usually shop at Portland farmers' markets?

	Number of Responses	Percent
Don't know	1	1%
Never	19	19%
1 to 2 times per season	15	15%
3 to 5 times per season	13	13%
Once per month during the season	12	12%
2 to 3 times per month during the season	10	10%
About once per week during the season	30	30%
More than once per week during the season	0	0%
Total	100	100%

23. If you shop at the farmers' markets less than 6 times per season, what are the main reasons you don't shop there more often?

	Number of Responses	Percent
Don't know times or locations	7	15%
Inconvenient times and/or locations	25	53%
Too expensive	3	6%
Other	4	9%
Don't know/ No answer	8	17%
Total	47	100%

24. Which farmer's market do you shop at most frequently?

	Number of Responses	Percent
Alberta Coop Farmers' Market, Sunday	1	1%
Beaverton Farmers' Market, Saturday	2	3%
Beaverton Farmers' Market, Wednesday	1	1%
Eastbank Farmers' Market, Thursday	6	9%
Hillsdale Farmers' Market, Sunday	5	7%
Hollywood Farmers' Market, Saturday	20	29%
Peoples' Farmers' Market, Wednesday	1	1%
Portland Farmers' Market, Saturday	23	33%
Portland Farmers' Market, Wednesday	6	9%
Portland Farmers' Market, Thursday	1	1%
Other Farmers' Market	4	6%
Total	70	100%
Don't know/No answer	10	14%

Table C-1: Portland Resident Survey Results

25. Which of the following statements best describes your typical visit to this market?

	Number of Responses	Percent
I usually go straight to the market from work	10	13%
I usually leave from my home to go to the market	57	71%
Other	9	11%
Don't know/ No answer	4	5%
Total	80	100%

26. How do you usually get to this market?

	Number of Responses	Percent
Car	37	46%
Light Rail (MAX)	0	0%
Other public transportation (bus or street car)	8	10%
Bicycle	6	8%
Walk	22	28%
Taxi	0	0%
Other	2	3%
Don't know/ No answer	5	6%
Total	80	100%

27. How many minutes does it usually take you to get from your (home or workplace) to this market?

	Number of Responses	Percent
Less than 5 minutes	12	15%
5 to 9 minutes	15	19%
10 to 14 minutes	24	30%
15 to 19 minutes	12	15%
20 to 30 minutes	10	13%
More than 30 minutes	0	0%
Don't know/ No answer	7	9%
Total	80	100%

28. What are the main reasons you shop at your favorite farmers' market?

	First Choice		Second Choice		Total	Percent
	Responses	Percent	Responses	Percent		
Selection of produce	29	36%	9	11%	38	24%
Selection of meats/other	0	0%	0	0%	0	0%
Selection of organics	0	0%	3	4%	3	2%
Selectin of specialty products	0	0%	1	1%	1	1%
Convenient location to home	8	10%	1	1%	9	6%
Convenient location to work	1	1%	2	3%	3	2%
Hours open	0	0%	0	0%	0	0%
Prices	2	3%	1	1%	3	2%
Quality of merchandise	6	8%	5	6%	11	7%
Customer service	0	0%	0	0%	0	0%
See my friends/neighbors	4	5%	3	4%	7	4%
Don't know/ No answer	6	8%	31	39%	37	23%
Other (a)	24	30%	24	30%	48	30%
Total	80	100%	80	100%	160	100%

(a) Other category responses included "atmosphere", "local", "fresh", and "support local farmers"

Proposed Public Market

29. If a permanent, year-round Public Market were open every day until at least 7:00pm in the Central City, about how often do you think you would shop there?

	Number of Responses	Percent
Less than once per month	9	9%
Once per month	13	13%
2 or 3 times per month	18	18%
Once per week	31	31%
2 or 3 times per week	17	17%
Every day	1	1%
Never	1	1%
Don't know/ No answer	10	10%
Total	100	100%

Table C-1: Portland Resident Survey Results

30. For each of the following possible Public Market locations, how likely are you would be to shop there?

	Very Likely	Somewhat Likely	Unlikely	No Opinion	Total Responses
In the Pearl District	30	32	37	1	100
In the Lloyd District	42	27	30	1	100
Downtown	32	42	25	1	100
Central Eastside	36	29	33	2	100

31. How important are the following aspects in considering shopping at the proposed Public Market?

	Very Important	Somewhat Important	Not Important or N/A	Total Responses
Selection of fresh breads and other bakery items	48	34	18	100
Selection of fresh fish	49	26	25	100
Selection of fresh meats	57	21	22	100
Selection of deli prepared food and meals to go	22	32	46	100
Selection of fresh vegetables and fruit	95	3	2	100
Selection of organic products	55	27	18	100
Selection of wine or beer	21	28	51	100
Selection of frozen foods	11	20	69	100
Selection of cheese and other dairy items	45	36	19	100
Selection of non-food items (toiletries, paper goods, etc)	17	20	63	100
Selection of fresh flowers	25	38	37	100
Selection of ethnic foods	34	41	25	100
Competitive prices (with supermarkets)	46	43	11	100
Open in the evenings on weekdays	49	19	32	100
Open in the evenings on weekends	25	24	51	100

32. What types or names of restaurants would you most like to see at the Public Market?

Types	Number of Responses	Percent
Ethnic (a)	121	60%
Local, no chains	17	8%
Café, casual	9	4%
Deli	8	4%
Soups, salads, sandwiches	12	6%
Variety of choices	5	2%
Sit down	6	3%
Sea food	4	2%
Fresh, healthy	6	3%
Inexpensive	3	1%
Other (b)	11	5%
Total	202	100%

(a) Specified Ethnic restaurants	Number of Responses	Percent
Asian	33	42%
Mexican	14	18%
Middle Eastern	4	5%
Indian	7	9%
Italian and Pizza	12	15%
Other ethnic (Greek, Ethiopian, European)	9	11%
Total	79	100%

(b) Other category included responses of bakery, vegetarian, hamburgers, inexpensive, juice bar, and pub.

33. When thinking about traveling to the Public Market, how important are the following aspects?

	Very Important	Somewhat Important	Don't Know or N/A	Total Responses
Nearby Parking	58	21	21	100
Inexpensive Parking	61	17	22	100
Close to MAX light rail stop	46	20	34	100
Close to Portland Streetcar	31	28	41	100

34. How likely would you and your household members be to use the following types of education events that may be part of the Public Market?

	Likely	Not Likely	No Opinion	Total Responses
Exhibits about local farming and agricultural history	40	54	6	100
Cooking classes for adults, families, and children	56	39	5	100
Educational programs (nutrition, organic gardening)	53	42	5	100
Resource center with books about food and farming	23	59	18	100
Events about agriculture issues	44	49	7	100

Table C-1: Portland Resident Survey Results

35. How would this location (near the Skidmore Fountain and the Saturday market area) influence your interest in visiting the Public Market?

	Number of Responses	Percent
Positively influence interest (a)	67	67%
Negatively influence interest (b)	21	21%
Neutral influence/ No opinion	12	12%
Total	100	100%

(a) 12 responses (18%) included the existence of the Saturday market as a reason for the location's positive influence

samples of responses:

- "I think it'd be great"
- "I'd love to visit the market... it'd be awesome!"
- "it's got it all going for it because it's so convenient and easy to get to"
- "great, wonderful, perfect"
- "very good location... could do park and ride"
- "I think it's a really good spot... good transit area"
- "it would fit well with the Saturday market"
- "an interesting addition to Saturday market... "
- "that'd be great... it's central, it's at the MAX and bus lines"
- "I ride MAX home, I could stop driving to Fred Meyers"
- "it'd be a good location if they can keep the Saturday market going"

(b) 9 responses (43%) cited parking and traffic issues as a reason for the location's negative influence

samples of responses:

- "I don't really like that area... it's an effort to get there... seems off the beaten track of city"
- "MAX stop is kind of run down... never have a reason to go there"
- "no parking over there. I doubt I'd go unless there was a parking garage or free parking"
- "It's kind of scary... kind of an icky area... it's close to me though..."
- "don't like location... too busy near waterfront, too touristy"
- "no parking there... people are not going to take MAX"
- "that would be a mess! too many people, not a good idea, too congested... terrible location"
- "parking is too hard, high crime"
- "tough for parking, area not attractive"

36. Do you visit the Saturday Market at least once a year?

	Number of Responses	Percent
Yes	64	65%
No	34	35%
Total	98	100%

Household Demographics

37. How many people live in your household, including yourself?

	Number of Responses	Percent
1	32	32%
2	38	38%
3	16	16%
4	8	8%
5	4	4%
N/A	2	2%
Total	100	100%

38. Including yourself, how many adults live in your household?

	Number of Responses	Percent
1	34	34%
2	55	55%
3	8	8%
4	1	1%
N/A	2	2%
Total	100	100%

Table C-1: Portland Resident Survey Results

39. What is your age range?

	Number of Responses	Percent
18 to 24 years	2	2%
25 to 34 years	16	16%
35 to 44 years	20	20%
45 to 54 years	24	24%
55 to 64 years	23	23%
65 or over	13	13%
N/A	2	2%
Total	100	100%

40. What zip code do you work in?

	Number of Responses	Percent
97005	2	2%
97201	3	3%
97202	3	3%
97204	3	3%
97205	5	5%
97209	8	8%
97210	9	9%
97212	7	7%
97213	3	3%
97214	5	5%
97232	3	3%
97239	5	5%
Other	21	21%
Don't know or N/A	23	23%
Total	100	100%

41. What was the combined annual income for your entire household last year?

	Number of Responses	Percent
\$0 to \$14,000	7	7%
\$15,000 to \$24,000	7	7%
\$25,000 to \$34,000	8	9%
\$35,000 to \$49,000	20	21%
\$50,000 to \$74,000	14	15%
\$75,000 to \$99,000	16	17%
\$100,000 to \$150,000	10	11%
More than \$150,000	12	13%
Total	94	100%
Don't know or N/A	6	

42. Do you have any other comments or suggestions for the proposed Public Market?

samples of responses:

- "Affordable parking [is] key"
- "Anxious to see it happen!"
- "As long as it doesn't interfere with Saturday market, it's great! The location is a good idea"
- "Awesome idea, [would] love to see it happen... go for it!"
- "Best idea I've ever heard"
- "Partner with a food bank, space with access to open, park setting is appealing, not just urban..."
- "Cool place (other than homeless shelter), bring business there"
- "Encouraged by location, excited about classes (make sure they're inexpensive)"
- "Exciting. Publicize at many venues in many ways... want everyone to know it's there"
- "Go for it!"
- "Great idea, especially location"
- "It's the next best thing to picking berries yourself... I can't wait to go!"
- "I think it's a great idea"
- "I'd like to see it happen"
- "It's a wonderful concept. We very much support it. We're excited for it"
- "Keep it out of Pearl... keep it accessible to normal people."
- "Love idea... wonderful concept... make it user friendly, little shops, bistro seating, plenty of room to navigate, lots of light"
- "Needs to be easier to get in and out... make it unpretentious, all inclusive"
- "Sounds good!" "Include lots of uniqueness- old world, fish, meats, italian style, pickles, ethnic vegetables, bakeries, pastries"
- "Sounds very exciting"
- "Wherever it is, I'd go and support because it's Portland!"
- "Location and parking are crucial"
- "Parking is a big issue, especially on weekends. Shuttle from parking to dense market area to make access easier."
- "Parking must be easy... be able to use "scripps" to raise money for schools"
- "Would like it to foster neighborhood markets... aid should be provided for low income customers"

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Appendix D: Central City Employee Survey Tabulation

Table D-1: Downtown Worker Survey Results**1. To begin, please indicate the zip code for your primary place of work.**

Responses	Response Total	Percent of Respondents
97201 (Downtown)	129	14.3%
97204 (Downtown)	356	39.6%
97232 (Lloyd District)	147	16.4%
97205 (Northwest)	10	1.1%
97207 (Downtown)	71	7.9%
97208 (Downtown)	76	8.5%
97227 (North)	42	4.7%
other	68	7.6%
<i>Number of respondents</i>	<i>899</i>	

2. In a typical work week, how many times do you do the following for lunch? (Total should equal 5)

Responses	Response Total	Average Response (in days)
Bring meal from home	1892	2.2
Eat at a sit down restaurant	654	0.7
"Take out" from a restaurant / food cart	1384	1.6
Buy prepared meal at nearby grocery store/Farmer's Market (when open)	189	0.2
Do not eat lunch	177	0.2
Other	94	0.1
<i>Number of respondents</i>	<i>878</i>	

3. Please estimate the average amount you spend each week going out for lunch.

Responses	Response Total	Percent of Respondents
Less than \$5	146	16.7%
\$5 to \$15	365	41.8%
\$15 to \$25	235	26.9%
More than \$25 a week	121	13.8%
Do not know	7	0.8%
<i>Number of respondents</i>	<i>874</i>	

4. When you go out for lunch (either sitting down or taking food away), which of the following best describes how you choose where to go?

Responses	Response Total	Percent of Respondents
I usually go to favorite places where I really enjoy the food	85	9.7%
I usually go to nearby places because they are convenient	186	21.3%
My choice is a combination of favorite places and whatever is convenient	590	67.5%
Other/No Opinion	13	1.5%
<i>Number of respondents</i>	<i>874</i>	

5. Thinking of your favorite place to go out to lunch (either sitting down or taking away food), about how far away from your place of work is it?

Responses	Response Total	Percent of Respondents
Less than 5 minutes from work	429	49.9%
5 to 10 minutes from work	381	44.3%
More than 10 minutes from work	34	4.0%
Not applicable/Do not know	16	1.9%
<i>Number of respondents</i>	<i>860</i>	

6. When the Farmer's Markets are open, from May to October, how often do you buy lunch there?

Responses	Response Total	Percent of Respondents
More than 1 time a week	20	2.3%
About 1 time a week	84	9.8%
1 to 3 times a month	72	8.4%
Less than once a month	132	15.3%
Never	477	55.5%
Do not know	75	8.7%
<i>Number of respondents</i>	860	

7. About how often in a typical work week do you remain in the Central City after work and go out for dinner?

Responses	Response Total	Percent of Respondents
More than 1 time a week	32	3.7%
About 1 time a week	80	9.3%
1 to 3 times a month	196	22.8%
Less than once a month	316	36.7%
Never	222	25.8%
Do not know	14	1.6%
<i>Number of respondents</i>	860	

8. Which of the following statements best describes grocery shopping in your household during a typical month?

Responses	Response Total	Percent of Respondents
I do half or more of the grocery shopping for my household	672	78.5%
I do some of the grocery shopping for my household, but someone else does most of it	128	15.0%
I do none or almost none of the grocery shopping for my household	47	5.5%
Other (please specify)	9	1.1%
<i>Number of respondents</i>	856	

Examples of Other Responses

*My spouse and I do the shopping together
eat out a lot
shop w/ entire family 1x a month*

9. How often do you purchase groceries for your household in the Central City?

All Responses	Response Total	Percent of Respondents
Every day	6	0.7%
A few times a week	47	5.5%
About 1 time a week	66	7.7%
1 to 3 times a month	100	11.7%
Less than once a month	169	19.7%
Never	455	53.2%
Do not know	13	1.5%
<i>Number of respondents</i>	856	

Responses Excluding Immediate Market Area Residents	Response Total	Percent of Respondents
Every day	2	0.3%
A few times a week	29	3.8%
About 1 time a week	53	6.9%
1 to 3 times a month	83	10.9%
Less than once a month	154	20.2%
Never	431	56.4%
Do not know	12	1.6%
<i>Number of respondents</i>	764	

10. At which of the following Central City locations do you shop for groceries at least once a month? (Select ALL that apply)

Responses	Response Total	Percent of Responses
Whole Foods	174	15.7%
Safeway	179	16.1%
Portland Farmers Market – Wednesday Market	120	10.8%
Portland Farmers Market – Thursday Pearl District Market	24	2.2%
Portland Farmers Market – Saturday Market	84	7.6%
Not applicable/do not know	392	35.3%
Other (please specify)	137	12.3%
<i>Number of respondents</i>	842	

Examples of Other Responses

Fred Meyer
Trader Joe's
Zupan's

11. Which of the following statements describes your grocery shopping habits during your commute home from work? (Select ALL that apply)

Total Responses	Response Total	Percent of Respondents
I do most of my grocery shopping during my commute home from work	166	19.7%
I pick up a few fresh food items/ingredients for dinner during my commute, but most shopping is done at another time	321	38.1%
I pick up prepared foods/"meals ready to eat" during my commute, but most shopping is done at another time	142	16.9%
I pick up staples during my commute, but most shopping is done at another time	254	30.2%
I never/almost never stop at the grocery store on the way home	219	26.0%
None apply to me/Do not know	18	2.1%
<i>Number of respondents</i>	842	

Responses of MAX Riders	Response Total	Percent of Respondents
I do most of my grocery shopping during my commute home from work	33	20.2%
I pick up a few fresh food items/ingredients for dinner during my commute, but most shopping is done at another time	51	31.3%
I pick up prepared foods/"meals ready to eat" during my commute, but most shopping is done at another time	22	13.5%
I pick up staples during my commute, but most shopping is done at another time	39	23.9%
I never/almost never stop at the grocery store on the way home	56	34.4%
None apply to me/Do not know	4	2.5%
<i>Number of respondents</i>	163	

12. Which of the following statements describes your grocery shopping during the work day (on break or at lunchtime)? (Select ALL that apply)

Responses	Response Total	Response Percent
In a typical month, I buy no or almost no grocery items during work days	282	33.5%
In a typical month, I buy at least some grocery items during work days	189	22.4%
I would buy more groceries during work days but I don't have time	92	10.9%
I would buy more groceries during work days but I can't store them easily	123	14.6%
I would buy more groceries during work days but I can't easily transport them home	95	11.3%
I would buy more groceries during work days but there isn't a good market/store nearby	238	29.3%
I am not interested in buying groceries during my work days	161	19.1%
None apply to me/Do not know	53	6.3%
<i>Number of respondents</i>	842	

13. When the Portland Farmers Market is open (on Wednesdays & Saturdays on the Park Blocks, and on Thursdays in the Pearl District), how often do you buy household groceries there?

<u>Responses</u>	<u>Response Total</u>	<u>Percent of Respondents</u>
One or more times a week	59	7.0%
About 1 to 3 times a month	110	13.1%
Less than once per month/ a few times a year	176	21.0%
Do not know	29	3.5%
I do not buy groceries at the Portland Farmers Market	464	55.4%
<i>Number of respondents</i>	838	

14. Please estimate the average amount your household spends each week on all household groceries.

<u>Responses</u>	<u>Response Total</u>	<u>Percent of Respondents</u>
Less than \$50	94	11.2%
\$50 to \$74	231	27.6%
\$75 to \$99	186	22.2%
\$100 to \$149	212	25.3%
\$150 or more per week	92	11.0%
Do not know	23	2.7%
<i>Number of respondents</i>	838	

15. Do you think you might visit the Public Market to buy lunch?

<u>Responses</u>	<u>Response Total</u>	<u>Percent of Respondents</u>
Yes, I would probably buy lunch there once a week or more	362	43.7%
Yes, I would probably buy lunch there one to three times each month	255	30.8%
Yes, I would probably buy lunch there less than once a month/few times per year	123	14.9%
No, I would not buy lunch there	48	5.8%
Do not know/No Opinion	40	4.8%
<i>Number of respondents</i>	828	

16. Do you think you might visit the Public Market to buy groceries?

<u>Responses</u>	<u>Response Total</u>	<u>Percent of Respondents</u>
Yes, I would probably buy groceries there once a week or more	225	27.2%
Yes, I would probably buy groceries there one to three times each month	255	30.8%
Yes, I would probably buy groceries there less than once a month/few times per year	158	19.1%
No, I would not buy groceries there	120	14.5%
Do not know/No Opinion	70	8.5%
<i>Number of respondents</i>	828	

17. Do you think you might visit the Public Market to watch chefs, take cooking classes, or learn more about food?

<u>Responses</u>	<u>Response Total</u>	<u>Percent of Respondents</u>
Yes, I would participate in the classes or education programs	367	44.3%
No, I would not participate in the classes or education programs	235	28.4%
Do not know/No Opinion	226	27.3%
<i>Number of respondents</i>	828	

18. Please tell us how important these items are to your visiting the Public Market?

<u>Responses</u>	<u>% of Responses (No. of Responses)</u>			<u>Number of Respondents</u>
	<u>Very Important</u>	<u>Somewhat Important</u>	<u>Important/No Opinion</u>	
Accessible by MAX	47% (389)	25% (205)	28% (233)	827
Accessible by Bus	27% (220)	26% (216)	47% (391)	827
Inexpensive parking	50% (409)	21% (177)	29% (240)	826
<i>Number of respondents</i>	826	594	586	

19. How important do you consider the following market features in considering shopping at the proposed Public Market?

Responses	% of Responses (No. of Responses)			Number of Respondents
	Very Important	Somewhat Important	Not Important/ No Opinion	
Selection of fresh vegetables & fruits	81% (657)	12% (99)	7% (56)	812
Competitive prices (with supermarkets)	66% (539)	26% (210)	8% (67)	816
Selection of fresh breads and other bakery items	53% (429)	34% (280)	13% (103)	812
Selection of deli prepared foods and meals to go	50% (402)	36% (289)	15% (121)	812
Selection of cheese and other dairy items	37% (305)	43% (348)	20% (162)	815
Selection of ethnic foods	33% (266)	45% (367)	22% (183)	816
Open in the evening on weekdays	49% (399)	28% (225)	24% (192)	816
Selection of fresh flowers	28% (230)	44% (361)	28% (225)	816
Selection of organic products	37% (297)	31% (248)	33% (268)	813
Selection of fresh fish	35% (286)	32% (256)	33% (270)	812
Selection of fresh meats	32% (260)	34% (277)	34% (275)	812
Open in the evening on weekends	31% (251)	29% (240)	40% (326)	817
Selection of wine or beer	11% (93)	30% (246)	58% (474)	813
Selection of frozen foods	5% (41)	20% (164)	75% (608)	813
Selection of non-food items such as toiletries, paper goods	5% (40)	20% (163)	75% (612)	815
Number of respondents				826

20. Public Market restaurants will likely emphasize the use of local ingredients.

Please tell us how often you would visit the following types of restaurants at the Public Market.

Responses	1 time/week or more	1-3 times/month	Several times/year	Once in a while	Never	Don't Know
Take-away restaurants/ food carts	35% (283)	32% (260)	9% (76)	14% (114)	4% (34)	4% (35)
Fast-casual restaurants (order at counter, food brought to table)	19% (150)	36% (292)	15% (117)	21% (167)	5% (41)	4% (35)
Mid-scale family restaurants (table service)	7% (56)	22% (178)	23% (186)	32% (253)	9% (71)	7% (58)
Upscale full-service restaurants featuring innovative, Pacific Northwest cuisine	2% (18)	14% (110)	21% (166)	40% (321)	12% (98)	11% (89)
Number of respondents	812					

21. Next I would like to get your opinion about possible locations for the Public Market. For each location that I read, please tell me if you would be Very Likely, Somewhat Likely, or Unlikely to shop there, or if you have no opinion.

Total Responses	Very Likely	Somewhat Likely	Unlikely	No Opinion	Number of Respondents
In the Pearl District	11% (87)	35% (277)	50% (405)	4% (32)	801
In the Lloyd District	27% (215)	23% (182)	47% (376)	3% (28)	801
Downtown	61% (486)	28% (228)	9% (72)	2% (17)	803
Central Eastside	17% (135)	24% (192)	53% (426)	6% (48)	801
Number of respondents	802				

Lloyd District Employee Responses	Very Likely	Somewhat Likely	Unlikely	No Opinion	Number of Respondents
In the Pearl District	8% (13)	31% (53)	58% (98)	3% (5)	801
In the Lloyd District	88% (149)	8% (14)	2% (3)	2% (3)	801
Downtown	17% (29)	50% (85)	30% (51)	2% (4)	803
Central Eastside	27% (45)	32% (54)	38% (64)	4% (6)	801
Number of respondents	802				

Downtown Employee Responses	Very Likely	Somewhat Likely	Unlikely	No Opinion	Number of Respondents
In the Pearl District	12% (66)	36% (203)	49% (280)	4% (21)	801
In the Lloyd District	10% (55)	26% (149)	60% (346)	3% (20)	801
Downtown	75% (428)	22% (124)	2% (13)	1% (7)	803
Central Eastside	13% (77)	22% (123)	59% (335)	6% (35)	801
Number of respondents	802				

22. One location being considered for the Public Market is near the site of the Saturday Market in the vicinity of SW Ankeny Street and SW 1st Avenue. This area is being considered as a way to renovate a historic building and to revitalize what once was a vibrant Market district in downtown. If applicable, please explain how this location might influence your interest in visiting the Public Market?

Responses	Response Total	Percent of Respondents
Positive	376	68%
Negative	104	19%
Neutral	72	13%

Number of respondents 552

Example of Responses

This is a good location. It is within easy walking distance from my office.

I was disappointed to find the [Sat.] market did not include food items similar to Seattle's Pike Place Market. We need this market! ...not practical for a lunch getaway... great weekend and/or day off destination when I could travel there directly by bicycle or on the bus to that end of the transit mall

I need the prices to be close to what I pay in the supermarket. I think it's the best idea I've heard in years!

I would not bring myself or family because of the drug and transient problems in that area

EXCELLENT location! I would probably visit it more often than if located elsewhere.

Free parking is nearly essential

I would enthusiastically and financially support whatever can be done to make current farmers market more accessible ... I love it, use it and miss it when it closes each year.

Hate the location - I find it a depressing location. Not a place I would go at night.

I would want some reassurances that the market area would be safe and that parking was safe and close to the market.

I would consider this to be a good location, and place I could visit fairly easily.

Anything that we can do to bring more jobs and renovate this beautiful city I am for. I am excited for a full service Public Market with local organic products & competitive pricing. easily accessible both by MAX and by car. Parking in the area can be difficult. [The market is] an ideal match-up with the Saturday Market... best of both worlds.

That sounds like a great location due to easy access via MAX.

Location permits me to walk to Public Market, enjoy lunch or shopping, and walk back to work within a reasonable timeframe

it's only a few blocks from my office and plays off the "waterfront" ambiance. Good choice!

This is just a hop, skip, and a jump away from my work... being next to the Max line, would make it highly probable that I would visit the market many times during the week.

I would have very negative feelings about the Public Market if the Saturday Market were forced out of business.

Anything remotely similar to Seattle's Pike's Place would be a draw to me.

I work very close to there, it is on the max line, I think it's a fabulous idea! Go team!

23. Where do you currently live? (Please write your ZIP CODE)

Responses (Location of Center of Zip Code)	Response Total	Percent of Respondents
97006 (Beaverton)	27	3.4%
97202 (Southeast)	21	2.6%
97206 (Southeast)	20	2.5%
97211 (Northeast)	20	2.5%
97212 (Northeast)	22	2.8%
97213 (Northeast)	33	4.1%
97217 (North)	22	2.8%
97219 (Southeast)	38	4.8%
97223 (Southeast)	23	2.9%
97229 (Northwest)	20	2.5%
other	550	69.1%

Number of respondents 796

24. How do you typically travel to work each day?

Responses	Response Total	Percent of Respondents
Walk	17	2.1%
Ride bicycle	17	2.1%
MAX light rail	163	20.3%
Public transportation other than MAX (bus or streetcar)	181	22.6%
Car	372	46.4%
Other (please specify)	51	6.4%
<i>Number of respondents</i>	801	

Example of Other Responses

*carpool
 combination of MAX, car, walk
 depends on the weather*

25. How many people live in your household, including yourself?

Responses	Response Total	Percent of Respondents
1	136	17.2%
2	353	44.5%
3	155	19.5%
4 or more	149	18.8%
<i>Number of respondents</i>	793	

26. How many adults in your household work outside the home, including yourself?

Responses	Response Total	Percent of Respondents
1	267	33.9%
2	465	59.1%
3 or more	55	7.0%
<i>Number of respondents</i>	787	

27. Please select the answer that best describes your age

Responses	Response Total	Percent of Respondents
14 to 17 years	1	0.1%
18 to 24 years	20	2.5%
25 to 34 years	188	23.9%
35 to 44 years	175	22.2%
45 to 54 years	245	31.1%
55 to 64 years	154	19.5%
65 or older	5	0.6%
<i>Number of respondents</i>	788	

28. Please select the range of income for your household last year (2004).

Responses	Response Total	Percent of Respondents
Less than \$25,000	10	1.4%
\$25,000 to \$35,000	66	9.0%
\$35,000 to \$50,000	126	17.1%
\$50,000 to \$75,000	176	23.9%
\$75,000 to \$100,000	163	22.1%
\$100,000 to \$125,000	104	14.1%
\$125,000 or more	92	12.5%
<i>Number of respondents</i>	737	

Appendix E: Farmers Markets / Grocery Stores

Table E-1: Portland Area Farmers Markets

Market/Location	Days/Hours of Operation	Year Opened	# of Vendors	Est. Avg. Attend./Day	Stall Rental Rate	Comments
Alberta Coop Farmers' Market 1500 NE Alberta St.	Sun 10:00AM - 2:00PM June - October	2002	n/a	n/a	no charge in past years	Market has faced difficulties. Management may be changing.
Beaverton Farmers' Market SW Hall Boulevard, btwn 3rd & 5th Streets	Sat 8:00AM - 1:30PM May - October Wed 4:00PM - 7:00PM July - September	1988	100	10,000	\$35/wk \$40/wk \$45/wk \$25/wk	The Beaverton market is reportedly the largest in the Pacific North market is limited in size compared to the Saturday market, the mai this is because the Wed. market draws from the same base of peo Has a strong nursery and plant vendor component, as well as mea prepared foods, etc. 60% of vendors are full-season reserve, rest t
Cedar Mill Sunset Farmers' Market	8:00AM - 1:00PM June 5 - Sept 25	1999	20	1,000	\$25/wk \$45/wk	Small, neighborhood, volunteer-run market based in parking lot of Sells mostly produce and kettel corn, has strong arts and crafts co Some fish, meat, bakery items on infrequent basis. Sales decreas However, this market has a strong local neighborhood following ar This market frequently has educational events as well as seasonal (Blueberry Festival, Watermelon Days with contests, etc).
Eastbank Farmers' Market	Th 3:30PM - 7:30PM June 3 - Sept 30	2003	35	1,500	\$30/wk \$50/wk	This neighborhood grassroots market was created in 2003 by a co 2005 season was first "viable" business year. Items sold include pr baked goods, fish, prepared foods, and flowers. No crafts allowed Sales increasing. First market to accept food stamps. Known as c
Fairview Farmers' & Artist Market Fairview City Hall, 1300 Village St	Th 4:00PM - 8:30PM April 7 - Oct 20	2004	45	4,000	\$20 - \$25/wk	This one year old market had an excellent first year and is gearing their second season with excited vendors and an expanded seaso vendors sell produce, arts and crafts, holistic body products, chee nuts, prepared foods, and ready to eat meals. They have a strong component which includes classes on nutrition, environmental con and a chef's collaborative.
Gresham Farmers' Market	Sat 8:30AM - 2:00PM May 7 - Oct 29	1986	100 - 110	4,000 - 5,000	\$20/wk	This market, located in historic downtown Gresham, is composed l produce vendors and craft vendors (up to 40% as allowed by mark is visited frequently by recycling presenters and other extension at from different nonprofits who can use stalls free of charge. Sales s along with the Oregon economy. There has been a small impact ir nearby farmers' markets, but this manager thought it was far small customers. The Gresham Farmers' Market customers are typically
Hillsboro Farmers' Market Tues: Main St at Courthouse	Tues 5:00PM - 8:30PM June 14 - Aug 30	1998	60	6,500	\$35/wk \$100/wk \$30/wk	Tuesday market is a very unique market combined with a free con There are about 30 farmer vendors, 15 hot and prepared foods, ar The Tuesday and Saturday markets are located around the county The Saturday and Sunday markets offer a broad variety of vendor: processed foods (jams, jellies, etc), bakesies, nurseries, and crafts a smaller scale in a different location. The Hillsboro market is one a tight-knit, large, and strong neighborhood following. There are ec demonstrations, master gardeners and recycling presentations, an location is "in the heart of Hillsboro."
Sat: Main St at Courthouse	Sat 8:00AM - 1:00PM May 7 - Oct 29	2003	65	1000 to 1500	\$35/wk \$30/wk \$30/wk	
Sun: Orenco Station Parkway and NE 61st	Sun 10:00AM - 2:00PM May 15 - Oct 2	1982	25	2,500	\$30/wk	

Table E-1: Portland Area Farmers Markets

Market/Location	Days/Hours of Operation	Year Opened	# of Vendors	Est. Avg. Attend./Day	Stall Rental Rate	Comments
Hillsdale Farmers' Market	Sun 10:00AM - 2:00PM May 15 - Oct 30 Sun 10:00AM - 2:00PM Nov - March (twice per month)	2002	50	2,000	\$35/wk \$45/wk \$25/wk \$35/wk	The Hillsdale Farmers' Market is a very successful year round, nei in a Town Center. The market includes produce vendors as well a (pesto and sauces, burgers, sausages, baked goods, cheeses), "ri (caribbean and pizza), as well as nurseries and fresh flower vendor more prepared food. Market has seasonal festivals (June Strawbe past year, vendors have reported a 10% to 15% increase in sales- increased knowledge of locally grown produce, and a new retail or A survey conducted last summer season reported that 65% to 75% within a 2 mile radius of the market. The market is thinking about e to secure more space within the Town Center.
Hollywood Farmers' Market NE Hancock btwn 44th & 45th	Sat 8:00AM - 1:00PM May 7 - Oct 29	1997				
Lake Oswego Farmers' Market Millenium Park and Evergreen	Sat 9:00AM - 2:00PM May 14 - Oct 29					
Milwaukie Sunday Farmers' Market SE Main btwn Harrison & Jackson, across from City Hall	Sun 9:30AM - 2:00PM May 15 - Oct 16					
Peoples' Farmers' Market 3029 SE 21st Ave	Wed 2:00PM - 7:00PM Year-round market					
Portland Farmers' Market Sat: SW Park and Salmon Park Blocks	Sat: 8:30AM - 2:00PM April 2 - Dec 17	1992	140			
Portland Farmers' Market Wed: SW Park and Salmon Park Blocks	Wed: 10:00AM - 2:00PM May 4 - Oct 26	1997				
Portland Farmers' Market Thurs: NW 10th btwn Irving & Johnson EcoTrust Building	Sun 10:00AM - 2:00PM June 2 - Sept 8	2001				
Vancouver Farmers' Market						
Tigard Area Farmers' Market NE Corner of Hall Blvd & Oleson Rd	Sun 9:00AM - 2:00PM May 8 - Oct 30	1994	35 - 40	2885(a)	\$30/wk full season 10% discount	Market located in medical clinic parking lot on Sundays. Items sold include produce, plants & gardening supplies, cheese, i coffee, preserved food, and ready to eat food. Also sells selected (up to 10 to 15% of available market space) and furniture. Has strong educational programming with one workshop or more f Pasrt year has seen noticable increase in sales.

Source: BAE, 2005.

Table E-2: Grocery Retailers in Central Portland (a)

Full-Service Grocery Stores

Grocer	Location	Distance from Ankeny Plaza	Size (Sq.ft.)	Comments
Whole Foods	1210 NW Couch St	0.6 Miles	43,000	Store opened in 2002. Whole Foods reports that the store shows strong performance producing average weekly sales above its new store economics model. Store specializes in natural and organic foods and includes a bakery, deli, and extensive produce selection.
Fred Meyer	100 NW 20th Place	1.2 Miles	45,000 (b)	Large store sells grocery and non-food items, including an electronics department. On the grocery side, the store includes a bakery, deli, and produce section. Store targets a mid-range market. Parking is free and located beneath the store in a one-level.
Zupans	1620 NE Broadway	1.4 Miles	30,000	This store has an expected opening date of Spring 2005. It will offer another high-end grocery option for shoppers living in close in Northeast Portland. This location is on the ground floor of a mixed use development with condos above.
Zupans	2340 West Burnside	1.4 Miles	11,500	Like other Zupans Markets this one caters to high-end food shoppers. The location features hardwood floors and exposed beams an excellent produce department. The store sells all basics ingredients, but focuses on specialty items, including top-of-the-line.
Safeway	1515 NE Broadway	1.9 Miles	35,000	Store was recently renovated. It is a standard Safeway grocery including a butcher, bakery, and floral shop. Parking is in a two level podium structure.
Safeway	1030 SW Jefferson	1.1 Miles	47,000	Store opened in 2004. It is located in downtown and part of a mixed use development that includes apartments located above and a two-level parking garage below. All of its deliveries are made to an underground garage, with freight hoisted up by elevator.
Wild Oats	2825 E Burnside St	1.7 Miles	20,000	Formerly a Northwest Nature's grocery, the Laurelhurst Wild Oats sells natural, organic and environmentally friendly foods. In addition to its healthy, organic fare, in the Portland-area, Wild Oats tends to carry grocery items associated more with conveniences.
Trader Joe's	2122 NW Glisan	1.3 Miles	13,000	This store is located in at the site of the former Durst Thriftway in the heart of Northwest Portland. At-grade, on-site parking is available. Like all Trade Joes this one straddles the line between full-service and specialty grocer, with an expanding.

Table E-2: Grocery Retailers in Central Portland (continued)

Cooperative Grocery Stores				
Food Front Co-op	2375 NW Thurman	2.0 Miles	5,675	A co-op that functions as neighborhood store with a somewhat upscale bent, this store offers an excellent selection of organic, local produce, a small meat section and a deli.
Green Grocers				
Sheridan Fruit Co.	409 SE MLK Jr. Blvd	0.7 Miles	2,500	The last of the Produce Row greengrocers, Sheridan is a small high-end-leaning market with bulk foods, a meat & cheese counter, wine, beer, etc.
Uncle Paul's	2310 SE Hawthorne Blvd	2.0 Miles	3,000	Located in a large tent, this market focuses exclusively on produce and sells a wide variety at competitive prices.
Specialty Grocery Stores				
Martinotti's Cafe & Deli	404 SW 10th Ave	0.6 Miles	3,000	Located in downtown Portland on the edge of the Pearl District, this small specialty grocer carries Italian staples, fresh meats, cheeses, and wines as well as serving lunch at its cafe.
City Market	735 NW 21st	1.4 Miles	4,000	This outlet is an innovative partnership between three retailers, Pastaworks, Newmann's Fish Company, and Viande Meats and Sausage, each of which operates within a shared space, utilizing a common cash register. The market offers many staple items including
Anzen	736 NE MLK Jr	1.0 Miles	1,900	Small shop sells Japanese ingredients, including fresh fish and shellfish.
Becerra's Intl Grocery	3022 NE Glisan	1.9 Miles	2,500	Store carries Mexican and other Latin American staples.

Notes:

- (a) Table lists major grocers located within two miles of Ankeny Plaza.
- (b) Estimate of grocery store size. Contains non-food departments including electronics.

Source: BAE, 2005.

Appendix F: Vendor Survey Tabulation

Table F-1: Vendor Survey Results

1. First, we would like to know about your business. Please indicate which of the following you raise or produce (Circle ALL that apply).

Responses	Response Total	Percent of Respondents
Produce – fruits	30	44.8%
Produce – vegetables	22	32.8%
Prepared foods (e.g., jams, honey, spreads, sauces, etc.)	13	19.4%
Livestock – poultry	8	11.9%
Baked goods (e.g., breads, pastries, etc.)	7	10.4%
Livestock – beef or lamb	5	7.5%
Cheese, Dairy Products	5	7.5%
Hot food served on site at farmers markets (e. sandwiches, bur	3	4.5%
Crafts (wreaths, decorative items, etc.)	3	4.5%
Seafood	1	1.5%
Other (please specify)	23	34.3%
<i>Number of respondents</i>	67	

Examples of Other Responses

Cut Flowers
 Nursery Plants
 Handcrafted drinks (e.g., root beer)
 Dried fruits and nuts
 Eggs
 Wool products

2. We are interested in learning about your current involvement at farmers markets in the Portland-Vancouver region. Please tell us during which months you sold goods at any of the farmers markets during 2004. (Circle ALL that apply).

Responses (a)	Response Total	Percent of Respondents
April	15	22.7%
May	42	63.6%
June	49	74.2%
July	50	75.8%
August	56	84.8%
September	55	83.3%
October	49	74.2%
December	32	48.5%
Did not sell in any months in 2004	5	7.6%
<i>Number of respondents</i>	66	

Table F-1: Vendor Survey Results

3. Please indicate which of the following farmers markets you participated in during the previous season? (Circle ALL that apply)

Responses (b)	Response Total	Percent of Respondents
Alberta Coop Farmers Market	2	3.3%
Beaverton Saturday Farmers Market	20	33.3%
Beaverton Wednesday Farmers Market	7	11.7%
Cedar Mill Saturday Sunset Farmers Market	0	0.0%
Eastbank Thursday Farmers Market	6	10.0%
Gresham Saturday Farmers Market	6	10.0%
Hillsboro Farmers Mkt @ Orenco Station	4	6.7%
Hillsboro Saturday Farmers Market	5	8.3%
Hillsboro Tuesday Marketplace	5	8.3%
Hillsdale Sunday Farmers Market	15	25.0%
Hollywood Saturday Farmers Market	9	15.0%
Lake Oswego Saturday Farmers Market	9	15.0%
Milwaukie Sunday Farmers Market	6	10.0%
Peoples' Farmers Market -- Wednesday	7	11.7%
Portland Saturday Farmers Market	47	78.3%
Portland Thursday Farmers Market	15	25.0%
Portland Wednesday Farmers Market	22	36.7%
Tigard Area Sunday Farmers Market	7	11.7%
Vancouver Saturday Farmers Market	4	6.7%
Vancouver Sunday Farmers Market	3	5.0%
<i>Number of respondents</i>	<i>60</i>	

4. To get a better understanding of the types of customers at farmers markets, please estimate the % of your total sales at farmers market to each kind of customer. (Please estimate the % of your total sales; write "0" if line does not apply to you).

Responses	Average of Responses
People who live in downtown Portland or nearby _____%	_____ 9 54%
People who live elsewhere _____%	_____ 27%
Workers from downtown Portland _____%	_____ 10%
Workers from elsewhere _____%	_____ 4%
Tourists _____%	_____ 6%
Total	100%
<i>Number of respondents</i>	<i>53</i>

Table F-1: Vendor Survey Results

5. For your regular customers at farmers markets in the Portland-Vancouver region, about how often do they shop your stall? (select ONE answer)

Responses	Response Total	Percent of Total
Weekly or more often	38	62.30%
Two to three times per month	16	26.20%
Once per month	3	4.90%
Less than once per month	0	0%
Don't know	4	6.60%

Number of respondents 61

6. Do your customers typically ask about the following items? (For each item, please mark the space that best matches your experience at farmers markets in the Portland-Vancouver region.)

Responses	% of Responses / (No. of Responses)				Response Total
	Most Ask	Some Ask	Few Ask	Don't Know	
Organic items	26% (14)	35% (19)	37% (20)	2% (1)	54
Nutrition of items	12% (6)	38% (20)	42% (22)	8% (4)	52
Cooking tips	10% (5)	54% (28)	33% (17)	4% (2)	52
Where grown	42% (22)	32% (17)	25% (13)	2% (1)	53

Number of respondents 57

7. Please tell us your average daily sales volume at all of the farmers markets in the Portland-Vancouver region where you sold during the past year. (select ONE answer).

Responses	Response Total	Percent of Total
Less than \$250	6	9.50%
\$250 to \$499	21	33.30%
\$500 to \$999	17	27%
\$1,000 to \$1,999	11	17.50%
\$2,000 to \$2,999	3	4.80%
\$3,000 or more	5	7.90%
Don't know	0	0%

Number of respondents 63

Table F-1: Vendor Survey Results

8. To get a better understanding of how you sell your agricultural products, please tell us how your overall typical yearly sales break down. (Please estimate the percent of your total sales; if category is not applicable write "0").

Responses	Average of Responses
All Portland-Vancouver region farmers markets	42.5%
Farmers markets not in Portland-Vancouver region	6.4%
Community Supported Agriculture (CSA)	1.9%
Sold directly to food retailers	15.0%
Sold to wholesalers	14.8%
Other	19.4%
Total	100.0%

Number of respondents **60**

Examples of Other Responses

Direct sales including farmstands, "u-pick" and off-farm retail locations

Web sales

Sales to co-ops

Sales to nurseries

Examples of food retailers direct sales

Pastaworks

People's Co-op

Harvest Fresh Grocery & Deli (McMinnville)

Higgins Restaurant

Hot Lips Pizza

9. Looking ahead over the next several years, which of the following statements best describes your interest in participating in the Public Market? (Select ONE answer).

Responses	Response Total	Percent of Total
I am strongly interested -- it is very likely that I would sell at the Public Market	27	42.20%
I am somewhat interested -- it is possible that I would sell at the Public Market	17	26.60%
I am unsure of my interest	9	14.10%
I am not very interested -- it is unlikely that I would sell at the Public Market	4	6.20%
I have no interest -- PLEASE SKIP TO QUESTION #18.	7	10.90%

Number of respondents **64**

Table F-1: Vendor Survey Results

10. Which of the following potential benefits of the Public Market would appeal to you? (select ALL answers that apply).

Responses	Response Total	Percent of Total
Allows me to increase total revenues	45	76.30%
Allows me to diversify what I raise/sell/produce	15	25.40%
Extends my ability to sell to year-around	25	42.40%
Increases the visibility of my product to new customers	44	74.60%
Provides facilities to sell to new types of customers, i.e., restaurants	24	40.70%
Other (please specify)	8	13.60%
<i>Number of respondents</i>	59	

Examples of Other Responses

- Would allow me to sell to tourists
- Would build a community of conscientious customers
- Possibility of selling on consignment using labor provided by the Public Market

11. The Public Market may offer services/vendors to help grow their businesses. Thinking about your ability to sell at the Public Market, which items would you need or like help with? (For each item, please mark an "X" to indicate your opinion)

% of Responses/(No. of Responses)

Responses	This would help my business	Don't need this	No opinion	Response Total
Financing to expand ag production	22% (12)	69% (37)	9% (5)	54
Financing to build/ operate a Market stall	27% (15)	64% (36)	9% (5)	56
Knowing how to expand production / add items	30% (16)	63% (34)	7% (4)	54
Knowing how to set up a retail stall	31% (17)	64% (35)	5% (3)	55
Managing a retail stall	36% (20)	58% (32)	5% (3)	55
Help with staff/personnel	44% (23)	54% (28)	2% (1)	52
Advertising/ Marketing	75% (42)	23% (13)	2% (1)	56

Number of respondents **59**

Table F-1: Vendor Survey Results

12. Please indicate which months of the year and days of the week you would be interested and able to sell at the Public Market. (Please mark box with an "X" for each day and month you would be interested to sell at the Public Market)

Responses	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday	Average	Maximum
January	15	15	19	18	19	25	18	18	25
February	15	15	19	18	19	26	19	19	26
March	16	16	21	20	21	26	20	20	26
April	20	20	25	23	25	30	23	24	30
May	22	22	28	25	28	32	26	26	32
June	23	23	30	26	31	33	29	28	33
July	25	26	32	28	32	34	31	30	34
August	25	26	32	28	32	35	31	30	35
September	24	25	31	27	32	35	31	29	35
October	23	24	31	26	30	35	28	28	35
November	21	24	30	25	27	33	26	27	33
December	19	20	25	21	23	29	22	23	29
Average	21	21	27	24	27	31	25		
Maximum	25	26	32	28	32	35	31		

Responses	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday	Average	Maximum
January	25%	25%	32%	31%	32%	42%	31%	31%	42%
February	25%	25%	32%	31%	32%	44%	32%	32%	44%
March	27%	27%	36%	34%	36%	44%	34%	34%	44%
April	34%	34%	42%	39%	42%	51%	39%	40%	51%
May	37%	37%	47%	42%	47%	54%	44%	44%	54%
June	39%	39%	51%	44%	53%	56%	49%	47%	56%
July	42%	44%	54%	47%	54%	58%	53%	50%	58%
August	42%	44%	54%	47%	54%	59%	53%	51%	59%
September	41%	42%	53%	46%	54%	59%	53%	50%	59%
October	39%	41%	53%	44%	51%	59%	47%	48%	59%
November	36%	41%	51%	42%	46%	56%	44%	45%	56%
December	32%	34%	42%	36%	39%	49%	37%	38%	49%
Average	35%	36%	46%	40%	45%	53%	43%		
Maximum	42%	44%	54%	47%	54%	59%	53%		

Number of respondents

59

Table F-1: Vendor Survey Results

13. Please tell us which, if any, of the following items you do NOT currently make or sell, but might consider selling at the Public Market. (Please circle all that apply.)

Responses	Response Total	Percent of Total
Produce – fruits	8	21%
Produce – vegetables	6	16%
Livestock – beef or lamb	8	21%
Livestock – poultry	8	21%
Seafood	5	13%
Cheese	4	11%
Baked goods (e.g., breads, pastries, etc.)	9	24%
Prepared foods (e.g., jams, honey, spreads, sauces, etc.)	13	34%
Hot food served on site (e.sandwiches, burritos, tamales, etc.)	10	26%
Crafts (wreaths, decorative items, etc.)	9	24%
Other (please specify)	9	24%
<i>Number of respondents</i>	38	

Examples of Other Responses

Smaller quantities of prepared foods and drinks for on-site consumption
 Greenhouse-raised produce
 Spices, grains, ground flours
 Ready to eat foods made with farm fresh ingredients

14. If you were to sell at the Public Market, we are interested to know the specific kind of stall that would best meet your needs. Please tell us which type of stall would work best for you. (Select ONE answer)

Responses	Response Total	Percent of Total
Indoor Day Table - place on a large table with other products, intended for short term/day use rental	7	13.70%
Permanent Indoor Stall - available for longer term lease	25	49%
Outdoor stall - similar to a farmers market stall	16	31.40%
Other (please specify)	3	5.90%
<i>Number of respondents</i>	51	

Examples of Other Responses

Indoor stalls similar to farmer's market stalls
 Consignment stalls where one could leave products to be sold by Public Market employees

Table F-1: Vendor Survey Results

15. Assuming that you rented a stall at the Public Market, which amenities would be important for you to have at your stall? Please tell us your opinion about each feature(For each feature, mark an "X" in one box)

Responses	% of Responses / (No. of Responses)				Response Total
	Very Important	Somewhat Important	Not Very Important	No Opinion/Don't Know	
Covered stall	74% (40)	15% (8)	9% (5)	2% (1)	54
Enclosed stall	33% (16)	29% (14)	39% (19)	0% (0)	49
Electricity at stall	27% (13)	29% (14)	45% (22)	0% (0)	49
Water/sink at stall	39% (20)	29% (15)	29% (15)	2% (1)	51
Food processing facilities available at stall	9% (4)	11% (5)	73% (32)	7% (3)	44
Kitchen available at stall	7% (3)	12% (5)	70% (30)	12% (5)	43
Other amenity at stall	23% (5)	0% (0)	36% (8)	41% (9)	22

Number of respondents 57

Examples of Other Responses

- Cooler/ Refrigerator
- Sink
- Lights
- Convenient truck loading

16. We are interested to know your opinion about features that would be helpful to all of the vendors there, even if you will not be participating at the Public Market. Please tell us your opinion about each feature(For each feature, mark one box)

Responses	% of Responses / (No. of Responses)				Response Total
	Very Important	Somewhat Important	Not Very Important	No Opinion/Don't Know	
On site secure dry storage	37% (22)	34% (20)	17% (10)	12% (7)	59
On site secure cold storage	59% (34)	19% (11)	19% (11)	3% (2)	58
On site seating area for customers	57% (34)	27% (16)	15% (9)	2% (1)	60
Food education center on site	32% (19)	41% (24)	20% (12)	7% (4)	59
Food tastings / events on site	59% (36)	30% (18)	8% (5)	3% (2)	61
ATM machine on site	69% (40)	21% (12)	7% (4)	3% (2)	58
Oregon Ag Commission Marketing Showcase on site	17% (10)	40% (23)	29% (17)	14% (8)	58
Variety of prepared food vendors on site (sandwich, burrito, etc)	41% (24)	44% (26)	8% (5)	7% (4)	59
Café or food court on site	28% (16)	41% (24)	22% (13)	9% (5)	58
Upscale restaurant(s) on site	9% (5)	21% (12)	56% (32)	14% (8)	57
Craft merchants on site	11% (6)	22% (12)	56% (30)	11% (6)	54
Other amenity on site:	55% (6)	0% (0)	9% (1)	36% (4)	11

Number of respondents 61

Examples of Other Responses

- Restrooms
- Children's play area
- Dog sitting area
- Parcel pick up area
- Cold case display

Table F-1: Vendor Survey Results

17. Which of the following statements best describes your opinion about crafts that may be offered at the Public Market? (Select ONE answer)

	Response Total	Percent of Total
The Public Market should only offer food-related crafts (e.g., wreaths, food baskets)	24	46.20%
The Public Market should offer a range of food-related and other types of craft-sellers that v	23	44.20%
The Public Market should allow any types of craft-sellers that v	2	3.80%
I have no opinion about crafts at the Public Market	3	5.80%
<i>Number of respondents</i>	52	

18. Do you have any other suggestions for the Public Market (including additional information that would help you decide whether to sell there)?

Examples of Responses

- Provide garbage service for vendors
- Provide system so that small operators can accept credit cards
- Create a variety of options for the number of days/weeks of required commitment
- Provide assistance to small producers who would like to pool resources with one another and sell out of the same stall
- Keep down the number of people re-selling other people's agricultural goods
- Offer preferred parking spaces for the Public Market's best customers and/or people who donate to a Public Market foundation

Appendix G: Analysis of Central City Housing Market

In recent years the housing market in Portland's Central City has been quite strong. Table G-1 lists the number of new housing units built in the Central City between 1997 and 2005. The data show a market that has absorbed nearly 800 units per year across this period. While concerns loom about the future of the nationwide housing boom, particularly the prospect of rising interest rates, a number of factors bode well for continued strength in Portland's Central City housing market, including an improving national and local economy, national and local trends toward urban living, and regional growth management policies that encourage job growth in the Central City while limiting urban sprawl.

In order to assess the financial feasibility of condominium development as part of the Portland Public Market development, BAE conducted a survey of currently selling and recently sold condominium units in Portland, as of April, 2005. The primary focus of this market research was for sale condominium units in the Central City, particularly those units located in adaptively reused historic buildings.

BAE obtained detailed sales price information for units in nine comparable developments. Although located in different neighborhoods and with varying amenities, these units show a relatively narrow range of sales prices per square foot with a median sales price of approximately \$300 per square foot and most unit sales prices falling between \$275 and \$325 per square foot.

Table G-3 lists sales price information for comparable developments. Located in the Pearl District, The Avenue at NW 15th & Irving is a recent conversion of a warehouse building into loft condominiums. Although located immediately adjacent to the I-405 freeway, units are currently selling for more than \$325 per square foot. The Irving Street Lofts and Chown Pella provide examples of earlier conversions of former industrial buildings to residential condos. Both developments feature minimalist architecture with exposed beams and supports. Units in these buildings are currently selling, or have recently sold, for between \$275 and \$355 per square foot, depending in part on views and the quality of finishes installed since the units' initial conversion to condos in the mid-1990s.

Comparable Adaptive Reuse Condominium Buildings in the Pearl District



The Avenue



Irving Street Lofts



Chown Pella

Looking outside the Pearl District, the Ball Parc American building at NW 21st and Johnson and the Ambassador building at SW 6th and Madison, provide two additional examples of conversions of historic buildings to condominiums. The Ball Parc American is situated in a trendy part of Northwest Portland within walking distance of numerous restaurants and shops. The Ambassador is located in a primarily commercial part of downtown somewhat near to the Park Blocks, museums, and theaters. Both are conversions of turn of the century apartment buildings. Particularly in the case of the Ambassador (converted in 1979), these are older conversions to condominiums. Even so, both developments have

units currently selling or recently sold for approximately \$300 per square foot.

Comparable Adaptive Reuse Condominium Buildings in the Northwest and Downtown



Ball Parc American



The Ambassador

The nearest comparable developments to the Skidmore Fountain Building are located in Old Town and the River District. Only a quarter-mile from the proposed Public Market site, the Old Town lofts are new construction, but due to their proximity make a good point of comparison for potential condominium development in the Skidmore Fountain Building. When the Old Town Lofts were built in 2000, they were a pioneering project in the Old Town area. Even given income restrictions on certain units in the building, sales prices of recently sold and currently selling units range between \$265 and \$330 per square foot. Located nearby, McCormick Pier is a 1980s apartment development currently undergoing conversion to condominiums. Units are selling from between \$270 and \$315 per unit. These units have the advantage of a riverfront location in a gated community but lack the urban quality and proximity to shops and restaurants that typifies most other development in the Central City.

Comparable Buildings in Old Town and the River District



Old Town Lofts



McCormick Pier

East of the river, two recent developments suggest the strength of the condo market beyond the Pearl District. Located at NE 6th and Holladay, one mile from the Skidmore Fountain Building, the Cascadian Court Condos are a new construction project completed in 2003. Situated near the convention center in a somewhat pioneering location for high-end condominiums, units in this building have recently resold for between \$245 and \$295 per square foot. Located farther to the east, the 1620 Broadway Condos show prices very comparable to the Pearl District. Located above a new Zupan's Market, the sales office reports 80 percent presales with prices from \$290 per square foot up to \$400 per square foot for penthouse units with high quality finishes.

Comparable Buildings in Old Town and the River District



Old Town Lofts



1620 Broadway

Despite a range of project and neighborhood amenities, condominium developments in Portland show a relatively consistent range of sales prices per square foot ranging from \$275 to \$325. In most instances it appears to be the quality of the unit (e.g., views, finishes, etc.) rather than the location of the development driving differences in price per square foot. As evidence of this, most buildings show a spread consistent with the spread in price for the market place as a whole. Given current market conditions, this analysis indicates that sales prices ranging between \$275 and \$300 per square foot are an appropriate and conservative estimate of expected sales prices for condominiums units developed in the Skidmore Fountain Building.

Table G-1: Summary of Central City Housing Construction, Portland, 1997 to 2005

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>Under</u> <u>Construction</u>	<u>Planned/</u> <u>Proposed</u>
Downtown	0	113	350	179	26	0	362	0	231	817
River District	229	347	728	222	483	165	649	1236	450	451
Lloyd District	0	50	116	0	59	0	0	185	0	0
Central Eastside	11	0	0	90	0	0	0	0	0	400
Goose Hollow	0	154	0	124	0	0	0	0	0	400
University District	0	0	0	0	0	0	130	384	0	0
Central City Total	240	664	1,194	615	568	165	1,141	1,805	681	2,068

Average Units Constructed Per Year (1997 to 2004) 799

Units added between 2000 and 2005 4,975

Source: Portland Development Commission, *2002 Central City Housing Inventory*; Portland Business Alliance, *2003 Central City Development and Redevelopment Project*; BAE 2005.

Table G-2: Detail of Central City Housing Construction, Portland, 1997 to 2005

		<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>Under Construction</u>	<u>Planned/ Proposed</u>
Goose Hollow											
Stadium Station Apt.	737 SW 17th Ave.		115								
Webb Plaza	1401 SW Alder St.		39								
Collins Circle Apt.	1704 SW Jefferson St.				124						
Civic Condos	SW 19th & Burnside										260
Civic Apartments	SW 19th & Burnside										140
University District											
Stephen Epler Hall (a)	1809 SW 11th Ave.							130			
Broadway Jackson Inn	1984 SW Broadway								384		
Total		240	664	1,194	615	568	165	1,141	1,805	681	2,068

Notes:

(a) Demolished existing building and redeveloped (did not result in increased units)

Source: Portland Development Commission, *2002 Central City Housing Inventory*; Portland Business Alliance, *2003 Central City Development and Redevelopment Project*; BAE 2003.

Table G-3: Currently Selling and Recently Sold Comparable Units in Central City

Project Name Location & Distance From Subject Site	Year Converted to Condos	Units Selling/Sold (a) Total Units in Project (b)	Sales Date	Sq. Ft.	Asking/ Sales Price	Price/Sq.ft.	Amenities/Comments
Adaptive Reuse/Historic Buildings							
Pearl District							
The Avenue NW 15th & Irving 1.0 Mile	2004	0BR/1BA 1BR/2BA 166 Units	Currently Selling Currently Selling	859 1,641	\$284,900 \$535,000	\$332 \$326	2004 conversion of the Meier & Frank warehouse into residential 166 lofts. Larger units feature hardwood floors, tile, granite, maple cabinets, two baths, gas cooking, central air, fire place, and walk-in closets. Located on western edge of the Pearl ad
Irving Street Lofts NW 14th & Irving 1.0 Mile	1995	1BR/1BA 1BR/1BA 1BR/1BA 1BR/1BA 86 Units	Currently Selling Currently Selling Currently Selling Currently Selling	685 1,202 1,299 1,635	\$242,900 \$330,000 \$357,500 \$464,900	\$355 \$275 \$275 \$284	Warehouse building converted to lofts in 1995. Offers classic minimalist loft architecture with exposed beams and large concrete support columns. Located near the western edge of the Pearl District.
Chown Pella NW 13th & Glissan 0.8 Miles	1996	1BR/1BA 1BR/1BA 1BR/1BA 1BR/1BA 68 Units	Oct-04 Oct-04 Oct-04 Jan-05	839 953 1,001 1,253	\$267,000 \$310,000 \$289,900 \$385,000	\$318 \$325 \$290 \$307	Early conversions of an industrial building in the Pearl District. 1910 building was converted to lofts in 1996. Units feature minimalist loft architecture. Centrally located within the Pearl District.
Northwest Portland							
Ball Parc American NW 21st & Johnson 1.4 Miles	1996	1BR/1BA 2BR/1BA 66 Units	Nov-04 Dec-04	714 1,114	\$215,000 \$375,000	\$301 \$337	1996 Conversion of an historic apartment building. Masonry construction with attractive architectural features. Located in mixed use area of Northwest Portland near 21st Avenue
Downtown							
Ambassador SW 6th & Madison 0.9 Miles	1979	2BR/1BA 46 Units	Currently Selling	826	\$240,000	\$291	Building listed on National Historic Register. Converted from apartments to condos in 1979. Offers hardwood floors, crown molding, rooftop deck. Located in downtown Cultural District.

Note:

- (a) Table lists currently selling and recently sold units sizes and types. Developments may include other floor plans not listed here.
- (b) Total number of units show is a count of all residential units in the development; it is not the number of currently selling or recently sold units.

Sources: First American Real Estate; BAE, 2005.

Table G-3: Currently Selling and Recently Sold Comparable Units in Central City (continued)

Project Name Location & Distance From Subject	Year Converted/ Developed	Unit Selling/Sold (a) Total Units in Project	Sales Date	Sq. Ft.	Asking/ Sales Price	Price/Sq.ft.	Amenities/Comments
Other Comparable Developments							
Old Town & River District							
Old Town Lofts NW 4th & Flanders 0.3 Miles	2000	1BR/1BA 1BR/1BA 2BR/2BA 2BR/2BA 60 Units	Dec-04 Dec-04 Currently Selling Currently Selling	725 1,272 1,329 1,355	\$192,450 \$369,900 \$429,900 \$449,950	\$265 \$291 \$323 \$332	New construction. Located in Old Town. Amenities include secured parking & entry, in-unit laundry hookups, and large view windows.
McCormick Pier - Phase III 600 NW Naito Pkwy 0.4 Miles	2004	1BR/1BA 1BR/1BA - Townhouse 2BR/1BA - Townhouse 2BR/2BA - Townhouse 113 Units	Currently Selling Currently Selling Currently Selling Currently Selling	690 746 892 1,011	\$185,900 \$209,900 \$282,900 \$307,000	\$269 \$281 \$317 \$304	1980s apartment development converted to condominiums. Community offers an on-site pool, hot tubs, gym, courts, and picnic areas. Riverfront location with views across the Willamette. Granite countertops, hardwood floors, washer/dryer in units.
Eastside							
1620 Broadway Condos NE 16th & Broadway 2.0 Miles	2004	1BR/1BA 2BR/2BA 2BR/2BA - Penthouse 88 Units	Currently Selling Currently Selling Currently Selling	1,028 1,384 2,063	\$299,000 \$425,000 \$825,000	\$291 \$307 \$400	New construction. Zupari's Market on ground floor. Units offer patios, large windows, natural gas fireplaces, and granite countertops. Located in a mixed use section of Northeast Portland near shops and restaurants, 2 miles from downtown.
Cascadian Court Condos NE 6th & Holladay 1.1 Mile	2003	1BR/1BA 1BR/1BA 2BR/2BA	Dec-04 Dec-04 Dec-04	541 679 1,226	\$133,000 \$198,800 \$353,000	\$246 \$293 \$288	New construction. Nine-story mixed-use complex with 59 condominium units above retail space. Units offer floor to ceiling windows and maple cabinets. Located on the Eastside near the Convention Center.

Note:

(a) Table lists currently selling and recently sold units sizes and types. Developments include other floor plans not listed here.

(b) Total number of units show is a count of all residential units in the development; it is not the number of currently selling or recently sold units.

Sources: First American Real Estate Solutions; BAE, 2005.

Appendix H: Specialty Food Retailer Interviews

Portland Specialty Food Retailers

To gain insights regarding the pool of potential specialty food and other vendors for the Public Market, a series of interviews were conducted with well-known Northwest food vendors and specialty retail establishments. In total, the owners or managers of 18 businesses were contacted and 13 agreed to be interviewed. Those contacted included meat and seafood retailers and producers, a natural food market specializing in spices and dried goods, produce markets, bakeries, florists, wines shops, delis and a large format specialty grocery store. To compile the list BAE relied on a variety of sources including recommendations from the Advisory Committee, local media reports, and knowledge of the local market place. A list of interviewees is below. With a rich diversity of specialty food and related vendors situated in and around the Portland area, this list represents only a handful of the potential vendors for the Public Market.

Vendor	Location
Gartners Meats	NE Portland
Greener Pastures Poultry	Lane County
The Kiva	Eugene
Manzo Brothers Produce	Seattle
New Seasons Market	N, NE, SW, SE Portland
Newman's Fish Market	NW Portland
Otto's Sausage Kitchen & Meat Market	SE Portland
Pastaworks	NW, SE Portland
Phil's Uptown Meat Market	NW Portland
Sammy's Flowers	NW, NE, & SE Portland
St. Honore Bakery	NW Portland
Uncle Paul's Produce Market	SE Portland
Urban Wine Works	NW Portland
Woodstock Wine and Deli	SE Portland

Key Findings

The Competitive Environment

Vendors were asked about the competitive environment and recent business trends. Most reported strong growth in sales over the past few years. Vendors attributed recent growth in sales to a variety of factors, including growing awareness of and demand for specialty, local, and organic food products. One vendor attributed growth in sales to improvements in the neighborhood where his business is located, including significant public investments such as a new library and the development of new housing units, including affordable housing. Among the competitive advantages mentioned were the ability to establish personal relationships with customers and an ability and willingness to stock goods from local growers and producers.

According to small retailers interviewed, the growth and expansion of larger format specialty food retailers such as Whole Foods, New Seasons, Trader Joe's, and Zupan's has had a mixed impact on business, in limited instances resulting in the closure of certain locations or temporary declines in

business, but more often having no effect or a positive effect on business. One vendor noted a temporary drop in sales related to the opening of Whole Foods and Trader Joe's in Northwest Portland. Still this retailer reported that sales returned to normal levels after several months. Another retailer explained that more important than competition from large retailers is maintaining a high quality tenant mix of small specialty food retailers within a market or shopping district. This retailer explained that he has closed locations in the past related to problems with a co-located produce vendor. He cautioned that management of a commercial center (or Public Market) must work quickly to support or replace poor performing tenants.

Other vendors reported little or no effect related to the growth of large-scale specialty food retailers. With well-established customer bases and growing interest in their product offerings, most small retailers reported steady growth in recent years. One business owner reported a strong boost in sales related to the opening of a Zupan's nearby. He credited this store with increasing traffic in the area and bringing new customers to his door.

As expected, vendors reported that most of their customers tend to live within one to two miles of their establishments. Even so, many vendors also reported attracting some customers from farther a field including Salem and the Oregon Coast. In general, vendors selling more expensive and/or specialized goods reported attracting customers from greater distances. This included wine, sausage, and seafood retailers.

The Supply Chain

Most vendors indicated a preference for buying local, with some estimating that 40 to 60 percent of their supply chain is from the Pacific Northwest. Offering locally produced goods was described as an important part of their appeal to customers. Where vendors did not buy locally, reasons included a need to offer goods that were not in season in the Northwest during certain times of year and a desire to stock items not grown or produced in the Northwest.

Interest in the Public Market

Vendors were very supportive of the concept and expressed strong interest in selling at the Public Market. Among the 13 vendors interviewed only one indicated that he was not interested in opening a location at the Public Market. Among the remaining vendors, most expressed serious interest, but said that their decision would depend on a range of factors including the following:

- *The mix of vendors who commit to participate.* Vendors were quite concerned that there be a critical mass of complementary, high quality vendors.
- *The timing of the Public Market's opening.* Vendors noted that market conditions change, as do the circumstances for individual businesses. One retailer for instance indicated that he tends to sign five year leases for spaces and will have to factor in the expiration of current leases when deciding whether to open a location at the Public Market. Most vendors indicated that they would like to be kept abreast of developments regarding the Public Market so that they can factor the possibility of opening a location at the Public Market into future business plans.
- *The cost and adequacy of space at the market.* Vendors noted that competitive rents for space would be a factor in their decision to open a location at the Public Market, although most interviewees are accustomed to operating businesses in strong retail corridors and paying prevailing market prices. Businesses with the least retail experience were the most concerned with rents and hoped there would be options to rent space at the Public Market for prices that are

comparable to farmers markets. For many vendors, the cost of space was less of a concern than its quality, adequacy, and functionality. These vendors were willing to pay a fair market rent, but expected space that met their particular needs. Vendors selling meat and seafood believe that representatives from their industry need to be closely consulted to assure the Public Market will meet health and safety standards. Likewise, bakers were concerned that they have access to adequate kitchen facilities and produce vendors were concerned that they have adequate display space. With a variety of specific space requirements, the interviews suggest the need to closely consult vendors representing key food categories as space planning moves forward into more detailed iterations.

Vendors were mixed in their reaction to the Skidmore Fountain building as a location for the Public Market. Most felt that it was crucial that parking issues be addressed so that customers would perceive the site as very easily accessible. Some felt that the area's reputation for crime and vagrancy were a concern, but none saw this as an insurmountable obstacle. Finally, some felt that the area needed more housing before they would be convinced of its viability as a location for food retailing. Still, given the success of the Saturday Market, most vendors felt the location had demonstrated potential for expanded retail offerings. Other positive factors mentioned were the centrality of the location within the region, its proximity to the Pearl District, and its potential visibility to the passing traffic on Burnside Street and the MAX line.

Appendix I: Retail Broker / Restaurateur Interviews

Portland Retail Broker Interviews

PDC staff interviewed four Portland retail real estate brokers and a local banker who are experienced with restaurant leases to obtain their perspective on the potential for restaurants in a Public Market or within the Market District, and to identify potential lease rates that the market would support. These brokers were provided with programming assumptions provided by PPM, including two 2,000 square foot restaurants above the East Market Hall in an open mezzanine-level configuration, with each having 1,000 square feet for back of house; a “plain vanilla shell” buildout (exterior envelope with no interior partitions, mechanical or plumbing systems, or other improvements, including no kitchen build-out) with no tenant improvement (TI) allowance; and the restaurateur responsible for providing all TIs.

Key findings from these interviews include:

- Second floor locations are very risky and unlikely to attract restaurants, particularly without a TI allowance, even in a signature destination. One person wondered whether a Public Market would be a high enough quality venue to attract a signature restaurant. It may almost be necessary to provide free rent as an incentive to overcome its disadvantages.
- One broker stated that brokers tend to look backwards to what has been proven to work, and possibly a second floor location above the Public Market would work, but it should still be considered risky. Another noted that such a location might make it difficult to obtain financing.
- Two brokers suggested that rents of \$24 to \$25 per square foot per year, triple-net (lessee responsible for all maintenance, taxes, and operating costs), could be obtained only with a TI allowance of \$120 to \$150 per square foot, or even up to \$200 per square foot.
- Potential lease rates for lease deals with no tenant improvement allowance was suggested by one broker at \$15 per square foot per year, triple-net, and another in the “mid-teens”. Another person suggested a deal structure with annual rents in the “low teens”, possibly plus percentage rent, and a modest TI allowance of \$50 per square foot. One stated that he couldn’t imagine a restaurant deal with no TI allowance; and another suggested that it would require “very low rents”, and noted that it is hard to determine rents without more specifics on the particular lease structure.
- One person identified TI costs for a casual chain restaurant as running from \$300,000 to \$500,000 with the costs of furniture, fixtures, and equipment (FF&E) typically running \$450,000 and up.

The interviewees believe that a restaurant lease in the Public Market with the restaurateur funding all TIs would be unlikely to generate a rental rate of more than \$15 per square foot per year, triple-net, and that a lease structure with a lowered base rent and a percentage of sales above a threshold figure might be needed to share the risk between the restaurateur and the Public Market.

Portland Restaurateurs Interviews

To gauge local restaurants' interest in locating at the Public Market in an open mezzanine-level space, BAE conducted interviews with operators of high quality restaurants in Portland. Members of the Advisory Committee for the Feasibility Study provided the names of eight restaurateurs for BAE to interview, and in collaboration with PDC and BAE formulated a set of interview questions. This resulted in interviews with six operators: Wildwood Restaurant, Carafe, Lauro Kitchen, Noble Rot, Paley's Place, and Park Kitchen. Key findings from these interviews include:

Interest in locating at the Public Market

Restaurateurs were asked about locating within the Public Market building and the feasibility of operating on an open mezzanine or adjacent to the Public Market. Among the six restaurateurs interviewed, five expressed conditional interest depending on lease terms, quality of vendor mix, market principles and hours, market architectural style, menu and business hour stipulations, parking, and the presence of another restaurant.

Restaurateurs were mixed in their reaction to the mezzanine configuration. Three of the interviewees had trouble visualizing the mezzanine or voiced a psychological aversion to locating restaurants below or above street level. Only two interviewees considered an open mezzanine suitable for their restaurants. Restaurateurs also had concerns about reduced foot traffic flow, noise from below limiting offerings and prices, and a possible "ghost-town" ambience from closed vendors in the Public Market in the evenings. One restaurateur stressed that only a fast-paced, specific niche restaurant would fit the Market, such as the Hog Island Oyster Company in the public market in the San Francisco Ferry Building.

For locations adjacent to the Market, most of the restaurateurs saw potential in playing off the Market's traffic flow while being buffered from any impacts of Market operations or a potential decline in the Market's viability. Some saw advantages in locating within the Public Market building, such as stronger patronage during the rainy or cold seasons, the immediate supply of a target audience, and the tourism draw of the Market. One restaurateur considered the Market District area dodgy and the entire Public Market venture too risky.

Most of the restaurateurs placed the fair rental rate at \$20 to \$28 per square foot, triple net, including a tenant improvement allowance, depending upon restaurant hours and lease term stipulations. One restaurateur, assuming that his restaurant would be a main draw, would only pay up to \$15 per square foot, triple net. Interviewees were split on a lease structure providing a base rent plus percent of sales: some opposed it and regarded it as antiquated, while others would consider it with base rent at about \$16 per square foot.

Relocating the Saturday Market

Two restaurateurs expressed options regarding the effect of relocation of Saturday Market on restaurants. They expressed misgivings about uprooting a viable market that gives the City character, and foresaw problems mitigating the impact of its relocation.

Vendor-Restaurateur Synergy

All of the restaurateurs anticipated buying food items from market vendors if the quality and prices met their standards. Most saw marketing advantages in buying from market vendors, although one restaurateur pointed out that he accomplishes the same ends by putting local products on his menu. Four of the six would buy non-local food from vendors during the winter as most already adjust their menus due to the fluctuations of seasonal farming. Estimates of potential weekly spending ranged from \$550 to

\$9,000.

All of the restauranteurs believe that having restaurants in the Public Market would help attract customers to the Market's fresh food vendors. They suggested that the restaurant tenants should be distinctly identified as from the Pacific Northwest, such as an ethnic or other unique restaurant using organic local ingredients.

Appendix J: Upper Floor Proformas

DEVELOPMENT PROGRAM				PRO FORMA	
Area Calculations (a)				Development Costs	
3rd Floor - Residential		sf	8,290	Acquisition Cost (e)	\$ 1,713,578
4th Floor - Residential		sf	8,290		
5th Floor - Residential		sf	<u>5,250</u>	Hard Costs	
			21,830	Seismic Retrofit	\$ 483,316
				Residential Units	2,685,090
				Site Improvement	<u>98,400</u>
				Total Hard Costs	\$ 3,266,806
Residential Units	# of Units	Unit Size	ales Price (b)	Soft & Financing Costs	
Upper Floor Residential	9	1,200	\$437,760	Soft Costs	\$ 816,702
Penthouse Residential	3	1,500	\$492,480	Construction Financing Costs	236,386
Below Market Rate Un	<u>3</u>	<u>1,200</u>	\$242,346	Developer Profit at 8% of Sales	491,545
	15			Contingency	<u>326,681</u>
				Total Soft & Financing Costs	\$ 1,871,314
DEVELOPMENT COST ASSUMPTIONS (c)				Total Development Cost	\$ <u>6,851,698</u>
Seismic Retrofit		sf	\$22	Net Residual Value	
Residential Units (inclusive) (d)		sf	\$123	Sales Revenue	\$ 6,144,317
Parking		space	\$0	Less Development, Sales Costs	<u>(7,158,913)</u>
Site Improvement Costs		sf	\$5		
Soft Costs (% of hard costs)			25%	Net Residual Value	\$ <u>(1,014,596)</u>
Contingency (% of hard costs)			10%		
Residential Unit Sales Costs			5%		
FINANCING ASSUMPTIONS					
Interest Rate			8.00%		
Construction Loan Fees			2.00%		
Avg. Outstanding Balance			60%		
Loan to Cost Ratio			70%		

Notes

- Based on GBD Portland Public Market Feasibility Study, 1/05. Assumes 2nd floor used for Market or other non-residential uses.
- Sale prices based on BAE survey of Downtown Portland new residential development April 2005. Inflated to start of sales Jan 2009 by applying estimated 5% annual average increase in sales prices from 2005 resulting in total in 21.6%. Note that parking at 1 space per unit is assumed to be provided off-site adjacent to project, per PDC.
- Seismic cost estimate from GBD. Other costs estimates from R.S. Means, BAE. Inflated to projected start of construction in Jan 2008 by applying estimated 11% Portland OR construction cost inflation '04 - '05 = total increase by J.23%
- Includes interior finishes and appliances.
- Current 2005 value of existing indebtedness on building, prorated based on area of building used for project.

Sources: Sources: GBD Architects; R.S. Means Co. *Square Foot Costs 2005* ; BAE, 2005.

Appendix K: Portland Public Market Cash Flow Model

Table 1: Portland Public Market Cash Flow Model - Contents

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Table 15	Option B-1 Restaurants Pro forma

Sources: BAE, 2006.

Table 2: Portland Public Market - Conceptual Vendor Mix

	<u>Average Stall Size Useable sf</u>	<u>Number of Stalls</u>	<u>Total Area Useable sf</u>	<u>Share</u>
Green Grocer - permanent	600	4	2,400	17%
Green Grocer - indoor day tables	n/a	varies	800	6%
Flower, Plants	120	2	240	2%
Butchers, Meat, Seafood	600	4	2,400	17%
Bakers	800	3	2,400	17%
Specialty Food	120	10	1,200	9%
Prepared Food	500	7	3,500	25%
Food Prep / Non-Food Items	120	<u>8</u>	<u>960</u>	<u>7%</u>
Totals		38	13,900	100%
Outdoor Day Vendor Stalls	100	25	2,500	100%

Sources: Project for Public Spaces; BAE, 2006.

Table 3: Portland Public Market - Alternative Conceptual Development Programs

	Option A: Multi-Level in Historic Building	Option B: Single Level With Added Market Halls	Option B-1: Option B With Added Restaurants
<u>Gross Interior Building Area - sf (w/ circulation, net of atriums)</u>			
<i>Existing Skidmore Fountain Building</i>			
Basement - Fresh & Prepared Food	5,490	0	0
Basement - Kitchen, Ed Area, Seating	0	3,500	3,500
Basement - Admin & Restrooms	0	1,500	1,500
Basement - Storage	2,800	3,290	3,290
1st Floor - Fresh & Prepared Food	7,238	7,238	7,238
2nd Floor - Specialty Food	2,238	n/a	n/a
2nd Floor - Kitchen, Ed Area, Seating	3,500	n/a	n/a
2nd Floor - Admin, Restrooms	1,500	n/a	n/a
<i>New Market Halls</i>			
East Market Hall Loading / Service	n/a	500	500
East Market Hall Fresh & Prepared Food	n/a	11,000	10,000
East Market Hall - Ground Floor Bar for Restaurants	n/a	n/a	1,000
East Market Hall - 2nd Floor Mezzanine Restaurants	n/a	n/a	6,900
North Market Hall Loading / Service	500	0	0
North Market Hall Fresh, Prep'd, Specialty Food (a)	<u>6,100</u>	<u>3,300</u>	<u>3,300</u>
Total Building Area	29,366	30,328	37,228
<u>Estimated Useable Area - sf (b)</u>			
<i>By Function</i>			
Fresh, Prepared, Specialty Food	13,693	14,000	13,350
Kitchen, Education, Seating	2,800	2,800	2,800
Restaurants (c)	0	0	6,800
Admin, Restrooms	1,200	1,200	1,200
Storage, Service	<u>2,640</u>	<u>3,032</u>	<u>3,032</u>
	20,333	21,032	27,182
Add Circulation, Elevators, Stairs	<u>9,033</u>	<u>9,296</u>	<u>10,046</u>
Total Gross Area	29,366	30,328	37,228

(a) Includes 2nd floor area for North Market Hall not included in Option B.

(b) Estimated efficiency factor for vendor sales area: 65%
 Estimated efficiency factor for other areas: 80%

(c) Restaurants assumed to have 6,000 sf 2nd floor useable area, plus 800 1st floor useable area for bar and host.

Sources: GBD Architects; BAE, 2006.

Table 4: Portland Public Market - Conceptual Development Budget Option A, Multi-Level Facility in Existing Building

Development Program		Development Cost Assumptions (b)	
<u>Rehab Area - Skidmore Fountain Bldg. (a)</u>		<u>Hard & Soft Costs</u>	
Basement - Food Vendors	sf 5,490	Seismic Retrofit	sf \$22
Basement - Kitchen, Ed, Seating	sf 0	Core and Shell - Skidmore Ftn. Bldg.	sf \$105
Basement - Admin, Restrooms	sf 0	Core and Shell - New Halls (k)	sf \$185
Basement - Storage	sf 2,800	Escalator Allowance (l)	lump sum \$1,107,000
1st Floor - Food Vendors	sf 7,238	Tenant Improvement - Mkt Hall (c)	sf \$55
2nd Floor - Food Vendors	sf 2,238	Tenant Improvement - Admir	sf \$37
2nd Floor - Kitchen, Ed Area	sf 3,500	Parking	space \$0
2nd Floor - Admin, Restrooms	sf 1,500	Site Improvement Costs	sf \$5
Total Rehab Area	22,766	FF&E	lump sum \$200,000
<u>New Construction - Market Halls (a)</u>		Soft Costs (% of hard costs)	25%
East Hall Loading, Service	sf 0	Contingency (% of hard costs)	25%
East Hall Food Vendors	sf 0	<u>Financing Assumptions</u>	
North Hall Loading, Service	sf 500	Interest Rate	8.00%
North Hall Food Vendors	sf 6,100	Construction Loan Fees	2.00%
Total Rehab Area	6,600	Avg. Outstanding Balance	60%
		Loan to Cost Ratio	70%
Total Developed Area	29,366	Construction Cost Inflation Factor (b) 23%	
Development Budget			
<u>Development Costs</u>			
Building Acquisition (e)	\$ 1,787,050		
<u>Hard Costs</u>			
Seismic Retrofit (m)	\$ 504,039		
Core and Shell (m)	3,597,885		
Vertical Circulation - Escalators	1,107,000		
Tenant Improvements	1,536,848		
Site Improvement	98,400		
FF&E	200,000		
Total Hard Costs	\$ 7,044,173		
<u>Soft & Financing Costs</u>			
Soft Costs	\$ 1,761,043		
Construction Financing Costs (i)	566,351		
Contingency	1,761,043		
Total Soft & Financing Costs	\$ 4,088,438		
Total Development Cost (n)	\$ 12,919,661		

Notes

- (a) Based on GBD Portland Public Market Feasibility Study, 1/05.
- (b) Seismic cost estimate from GBD. Other costs estimates from R.S. Means, BAE. Inflated to projected start of construction in Jan 2008 by applying estimated 11% Portland OR construction cost inflation 2004 - 2005 = total increase by Jan 2008 of: 23%
- (c) Vendor areas fully finished, with utilities, ready for vendor occupancy. Restaurants responsible for own TI's.
- (d) Includes interior finishes and appliances.
- (e) Market share of existing Skidmore Fountain Building debt based on portion of occupied building x \$3.5 million (current 2005 value).
- (h) Development cost for Market portion of building. Does not include parking development costs.
- (i) Construction loan assumed repaid by bond and other sources at end of construction.
- (j) Includes direct operating expenses + marketing, but no payroll.
- (k) Higher cost associated with glass and steel pavilion style architecture.
- (l) Estimate from Fujitsu escalators, \$175,000 installed x 4 runs, plus \$200,000 allowance for structural modifications electrical, and other building work.
- (m) Amount corresponds to ratio of Skidmore Fountain Building occupied by Market compared to total building area.
- (n) Does not include potential historic preservation tax credit. Eligible preservation costs of \$1.94 million x 20% credit x 80% NPV is approx. \$329,000 cost. However, application and underwriting costs are likely to exceed value of potential credit, so it is not included here.

Sources: GBD Architects; Project for Public Spaces; R.S. Means *Cost of Construction 2005*; BAE, 2006.

Table 5: Portland Public Market - Conceptual Development Budget Options B & B-1, Single Level Market With Additional Halls

Note: Option B-1 is same as Option B, except for the addition of two restaurants in an atrium structure atop the East Market Hall.

Development Program		Development Cost Assumption (b)	
<u>Rehab Area - Skidmore Fountain Bldg. (a)</u>		<u>Hard & Soft Costs</u>	
Basement - Food Vendors	sf 0	Seismic Retrofit	sf \$22
Basement - Kitchen, Ed, Seating	sf 3,500	Core and Shell - Skidmore Ftn. Bldg.	sf \$105
Basement - Admin, Restrooms	sf 1,500	Core and Shell - New Halls (k)	sf \$185
Basement - Storage	sf 3,290	Escalator Allowance (l)	lump sum \$0
1st Floor - Food Vendors	sf 7,238	Tenant Improvement - Mkt Hall (c)	sf \$55
2nd Floor - Food Vendors	sf 0	Tenant Improvement - Admin	sf \$37
2nd Floor - Kitchen, Ed Area	sf 0	Parking	space \$0
2nd Floor - Admin, Restrooms	sf 0	Site Improvement Costs	sf \$5
Total Rehab Area	15,528	FF&E	lump sum \$200,000
<u>New Construction - Market Halls (a)</u>		Soft Costs (% of hard costs) 25%	
East Hall Loading, Service	sf 500	Contingency (% of hard costs) 25%	
East Hall Food Vendors	sf 11,000	<u>Financing Assumptions</u>	
East Hall Bar/Host (B-1 Only)	sf 1,000	Interest Rate	8.00%
East Hall Restaurants (B-1 Only)	sf 6,900	Construction Loan Fees	2.00%
North Hall Loading, Service	sf 0	Avg. Outstanding Balance	60%
North Hall Food Vendors	sf 3,300	Loan to Cost Ratio	70%
Total Developed Area - Option B	30,328	Construction Cost Inflation Factor (b)	23%
Total Developed Area - Option B-	37,228		
Development Budget - Option B		Development Budget - Option B-1 (with Restaurants)	
<u>Development Costs</u>		<u>Development Costs</u>	
<u>Acquisition Costs</u>		<u>Acquisition Costs</u>	
Land Acquisition - Naito Lot (n)	\$ 1,500,000	Land Acquisition - Naito Lot (n)	\$ 1,500,000
Building Acquisition (e)	<u>1,218,893</u>	Building Acquisition (e)	<u>1,218,893</u>
	\$ 2,718,893		\$ 2,718,893
<u>Hard Costs</u>		<u>Hard Costs</u>	
Seismic Retrofit (m)	\$ 343,790	Seismic Retrofit (m)	\$ 343,790
Core and Shell (m)	4,354,052	Core and Shell (m)	5,627,102
Vertical Circulation - Escalators	0	Vertical Circulation - Escalators / Elevator (p)	0
Tenant Improvements	1,581,054	Tenant Improvements	1,525,704
Site Improvement	98,400	Site Improvement	98,400
FF&E	<u>200,000</u>	FF&E	<u>200,000</u>
Total Hard Costs	\$ 6,577,297	Total Hard Costs	\$ 7,794,997
<u>Soft & Financing Costs</u>		<u>Soft & Financing Costs</u>	
Soft Costs	\$ 1,644,324	Soft Costs	\$ 1,948,749
Construction Financing Costs (i)	<u>528,815</u>	Construction Financing Costs (i)	<u>626,718</u>
Total Soft & Financing Costs	\$ 3,817,463	Total Soft & Financing Costs	\$ 4,524,216
Total Development Cost(o)	<u>\$ 13,113,653</u>	Total Development Cost(o)	<u>\$ 15,038,106</u>

- Notes** 23%
- (a) Based on GBD Portland Public Market Feasibility Study, 1/05. Restaurant area per Portland Public Market, Inc, with 15% circulation factor.
 - (b) Seismic cost estimate from GBD. Other costs estimates from R.S. Means, BAE. Inflated to projected start of construction in Jan 2008 by applying estimated 11% Portland OR construction cost inflation 2004 - 2005 = total increase by Jan 2008 of:
 - (c) Vendor areas fully finished, with utilities, ready for vendor occupancy. Restaurants responsible for own TI's.
 - (d) Includes interior finishes and appliances.
 - (e) Market share of existing Skidmore Fountain Building debt based on portion of occupied building x \$3.5 million (current 2005 value).
 - (f) Placeholder.
 - (g) Placeholder.
 - (h) Development cost for Market portion of building. Does not include parking development costs.
 - (i) Construction loan assumed repaid by bond and other sources at end of construction.
 - (j) Includes direct operating expenses + marketing, but no payroll.
 - (k) Higher cost associated with glass and steel pavilion style architecture.
 - (l) Estimate from Fujitsu escalators, \$175,000 installed x 4 runs, plus \$200,000 allowance for structural modifications electrical, and other building work.
 - (m) Amount corresponds to ratio of Skidmore Fountain Building occupied by Market compared to total building area.
 - (n) Purchase required for addition, based on estimated \$100/sf land value.
 - (o) Does not include potential historic preservation tax credit. Eligible preservation costs of \$1.32 million x 20% credit x 80% NPV is approx. \$224,000 cost. However, application and underwriting costs are likely to exceed value of potential credit, so it is not included here.
 - (p) Restaurants are served by same elevator serving non-Market uses in separate condo for upper floors of Skidmore Fountain Bldg, paid for by that project.

Table 6: Portland Public Market Revenue Assumptions

Estimated Average Annual Stabilized Sales/sf (a)		\$500		
	Average % of Sales (b)	Equivalent Rent / sf (c)		
Vendor / Lessee Revenue by Category				
Permanent Stalls - Fresh Food Vendors	7.0%	\$35 per year		
Permanent Stalls - Prepared, Specialty Food	8.0%	\$40 per year		
Permanent Stalls - Low Cost Food Vendors (d)	3.0%	\$9 per year		
Day Tables - Market Operated	10.0%	\$50 per year		
Day Tables - Vendor Operated - Daily Flat Rate	n/a	\$40 per stall per day		
Restaurants - Atrium Atop Public Market (Option B-1)	n/a	\$18 per sf per year		
Vacancy Allowance (Market Days Operated)				
Vacancy - Permanent Stalls		10%		
Vacancy - Day Tables, Outdoor Daily Vendor Stalls		35%		
Outdoor Daily Vendor Season	April - Nov	8 months		
Annual Sales During Start-Up	Year 1	Year 2	Year 3	
Estimated Average Sales Pre-Stabilized	\$200	\$300	\$400	
Initial Revenues as % of Stabilized Revenues	40%	60%	80%	
Special Event / Classes Facility Rental Revenue				
Seating Area (Option A, 2nd floor; Option B basement)		2,000 sf		
Estimated Average Rental Rate		\$750 per event		
Booking, Management, Security Expenses (not recovered)		(\$150) per event		
Bookings		30 per year		
Estimated Annual Revenue		\$18,000		
Demonstration Kitchen / Classroom Rental (e)		\$100 per event		
Rentals		80 per year		
Estimated Annual Revenue		\$8,000		

Notes

- (a) This figure is used to calculate supportable rents, whether based on percent or flat rate lease. This figure is less than the market supportable level of sales identified in the Phase 1 report. Figures are in 2005 amounts. Costs adjusted for inflation in cash flow model.
- (b) Based on the percentage rents for public market tenants. Restaurants leases are assumed to not include percentage clauses, or if they do revenues do not exceed base rent.
- (c) This is the effective annual rent, for stall area leased, based on assumed sales and applicable percentage rent. This figure is used for cash flow modeling purposes. Does not include expense reimbursement of certain market operating costs by vendors.
- (d) Vendors providing low-cost fresh, prepared, or specialty food items. Rents set lower in return for food prices maintained at target levels. Estimated stabilized sales are \$300/sf/year.
- (e) Rentals for culinary classes arranged by others; revenue is net. Use for market classes, demonstration is no charge.

Sources: Project for Public Spaces; BAE, 2006.

Table 7: Portland Public Market Operating Expense Assumptions

Market Operating Expenses (a)

Utilities/Garbage/Maint & Repairs (b)	sf	\$5.25
Marketing	% Sales	1.0%
Parking - TBD (h)		\$0.00
Property Taxes / Insurance (c)	sf	\$1.00
Office, Telecom, Web, Supplies (d)	lump sum	\$10,000
Professional Services, Misc. (e)	lump sum	\$12,000
Reserves for Replacement (f)	sf	\$1.00

Payroll (a)	FTE	Salary	Total
Market Manager	1.00	\$ 60,000	\$ 60,000
Assistant Market Mgr.	1.00	\$ 45,000	\$ 45,000
Bookkeeper	0.50	\$ 30,000	\$ 15,000
Floor Staff (Market Operated Day Tables)	1.50	\$ 30,000	\$ 45,000
Security Guard	2.50	\$ 30,000	\$ 75,000
Maintenance	1.00	\$ 35,000	\$ 35,000
Janitorial	<u>2.50</u>	<u>\$ 25,000</u>	<u>\$ 62,500</u>
	10.00		\$ 337,500
Payroll Taxes + Benefits	30% of payroll		<u>101,250</u>
Total Payroll + Benefits	10 FTE	\$	438,750

Market Operations

Market - gross area (g)	sf	30,328
Estimated Average Annual Sales/st		\$500

Notes

- (a) Figures are in 2005 amounts. Costs adjusted for inflation in cash flow model.
Note that restaurant leases are assumed to be 100% triple-net, with restaurants paying all operating costs, therefore resulting in no additional operating costs for Market.
- (b) This figure has been increased \$.75 since Phase 1 report to allow for increased energy costs.
- (c) Insurance only, property occupied by market non-profit is assumed to be tax-exempt.
Restaurants assumed to pay 100% of their property tax as part of triple-net expenses.
- (d) Includes cleaning supplies and paper products.
- (e) Accounting, legal services, other professional assistance.
- (f) Allowance for capital repairs needed due to wear and tear on facilities.
- (g) This is the figure for Option B, larger of two facility options. Option A is 29,366 sf
- (h) Parking charges and costs are to be determined, pending completion of studies on how to address parking as part of the larger Ankeny / Burnside revitalization strategy.

Sources: Project for Public Spaces; BAE, 2006.

Table 8: Portland Public Market Cash Flow Projection - With Typical Vendor Mix

Operating Results	Year				
	2009	2010	2011	2012	2013
Revenues (a)					
Permanent Stalls					
Fresh Food	\$75,634	\$116,855	\$160,481	\$206,619	\$212,817
Prepared, Specialty	145,146	224,250	307,970	384,962	408,407
Low Cost Foods	0	0	0	0	0
Less Vacancy Allowance	<u>(22,078)</u>	<u>(34,110)</u>	<u>(46,845)</u>	<u>(59,158)</u>	<u>(62,122)</u>
	198,702	306,994	421,606	532,423	559,102
Day Vendors					
Day Tables - Market Operated	18,008	27,823	38,210	47,762	50,671
Day Tables - Vendor Operated	108,049	166,935	229,258	286,573	304,025
Less Vacancy Allowance	<u>(44,120)</u>	<u>(68,165)</u>	<u>(93,614)</u>	<u>(117,017)</u>	<u>(124,143)</u>
	81,937	126,593	173,854	217,318	230,552
Facility Rental	11,705	18,085	24,836	31,977	32,936
Expense Recovery (CAM)	<u>342,952</u>	<u>353,241</u>	<u>363,838</u>	<u>374,753</u>	<u>385,996</u>
Total Revenues	\$635,296	\$804,912	\$984,134	\$1,156,470	\$1,208,585
Expenses (b)					
Payroll & Benefits	\$493,817	\$508,632	\$523,890	\$539,607	\$555,795
Utilities / Garbage / Maintenance	179,206	184,582	190,119	195,823	201,698
Marketing	118,357	121,908	125,565	129,332	133,212
Parking	0	0	0	0	0
Taxes, Permits & Insurance	34,134	35,158	36,213	37,300	38,419
Office - Telecom, Supplies	11,255	11,593	11,941	12,299	12,668
Professional Services, Misc.	13,506	13,911	14,329	14,758	15,201
Reserves for Replacement	<u>34,134</u>	<u>35,158</u>	<u>36,213</u>	<u>37,300</u>	<u>38,419</u>
Total Expenses	\$884,410	\$910,942	\$938,270	\$966,418	\$995,411
Net Operating Income (NOI)	(\$249,113)	(\$106,030)	\$45,864	\$190,052	\$213,175
Cumulative NOI	(\$249,113)	(\$355,143)	(\$309,279)	(\$119,227)	\$93,947
Alternate: New Market Tax Credit	(\$120,000)	(\$120,000)	(\$120,000)	(\$120,000)	(\$120,000)
Derived Financing - Debt Service (c)					
Notes					
(a) See Table 6 for revenue assumptions. Adjusted for inflation from 2005 by annual rate of:					3%
(b) See Table 7 for revenue assumptions. Adjusted for inflation from 2005 by annual rate of:					3%
(c) See report for details on alternative using NMTC; based on NMTC amount in Table 12. Debt is at 3% interest-only.					

Source: BAE, 2006.

Table 9: Portland Public Market Cash Flow Projection - Food Discounts to Eligible Households

Operating Results (a)	Year				
	2009	2010	2011	2012	2013
Revenues (b)					
Permanent Stalls					
Fresh Food	\$75,634	\$116,855	\$160,481	\$206,619	\$212,817
Prepared, Specialty	149,468	230,927	317,140	408,318	420,568
Less Vacancy Allowance	<u>(22,510)</u>	<u>(34,778)</u>	<u>(47,762)</u>	<u>(61,494)</u>	<u>(63,339)</u>
	202,592	313,004	429,859	553,443	570,047
Day Vendors					
Day Tables - Market Operated	18,008	27,823	38,210	49,195	50,671
Day Tables - Vendor Operated	108,049	166,935	229,258	295,170	304,025
Less Vacancy Allowance	<u>(44,120)</u>	<u>(68,165)</u>	<u>(93,614)</u>	<u>(120,528)</u>	<u>(124,143)</u>
	81,937	126,593	173,854	223,837	230,552
Less Credit for Discounts (d)	(45,561)	(70,391)	(96,670)	(124,463)	(128,197)
Facility Rental	11,705	18,085	24,836	31,977	32,936
Expense Recovery (CAM)	<u>342,952</u>	<u>353,241</u>	<u>363,838</u>	<u>374,753</u>	<u>385,996</u>
Total Revenues	\$593,625	\$740,531	\$895,717	\$1,059,547	\$1,091,333
Expenses (c)					
Payroll & Benefits	\$493,817	\$508,632	\$523,890	\$539,607	\$555,795
Utilities / Garbage / Maintenance	179,206	184,582	190,119	195,823	201,698
Marketing	118,357	121,908	125,565	129,332	133,212
Parking	0	0	0	0	0
Taxes, Permits & Insurance	34,134	35,158	36,213	37,300	38,419
Office - Telecom, Supplies	11,255	11,593	11,941	12,299	12,668
Professional Services, Misc.	13,506	13,911	14,329	14,758	15,201
Reserves for Replacement	<u>34,134</u>	<u>35,158</u>	<u>36,213</u>	<u>37,300</u>	<u>38,419</u>
Total Expenses	\$884,410	\$910,942	\$938,270	\$966,418	\$995,411
Net Operating Income	(\$290,784)	(\$170,411)	(\$42,554)	\$93,129	\$95,922
Cumulative NOI	(\$290,784)	(\$461,195)	(\$503,749)	(\$410,620)	(\$314,698)

Notes

- (a) This model assumes the public market operation shown in Table 8, with discount on food sales given to eligible households, and vendors given a rent credit or reimbursement by Market. See study for explanation.
- (b) See Table 6 for revenue assumptions. Adjusted for inflation from 2005 by annual rate of: 3%
- (c) See Table 7 for revenue assumptions. Adjusted for inflation from 2005 by annual rate of: 3%
- (d) Assumes vendors in food-stamp eligible categories have sales to 11% of customers (Oregon eligible food stamp population) made at a 20% discount, with discount reimbursed by Market.

Source: BAE, 2006.

Table 10: Portland Public Market Cash Flow Projection - Typical Vendor Mix + Restaurants

Operating Results (a)	Year				
	2009	2010	2011	2012	2013
Revenues (b)					
Permanent Stalls					
Fresh Food	\$75,634	\$116,855	\$160,481	\$206,619	\$212,817
Prepared, Specialty	138,303	213,677	293,450	366,813	389,152
Low Cost Foods	0	0	0	0	0
Less Vacancy Allowance	<u>(21,394)</u>	<u>(33,053)</u>	<u>(45,393)</u>	<u>(57,343)</u>	<u>(60,197)</u>
	192,543	297,479	408,538	516,089	541,772
Day Vendors					
Day Tables - Market Operated	18,008	27,823	38,210	47,762	50,671
Day Tables - Vendor Operated	108,049	166,935	229,258	286,573	304,025
Less Vacancy Allowance	<u>(44,120)</u>	<u>(68,165)</u>	<u>(93,614)</u>	<u>(117,017)</u>	<u>(124,143)</u>
	81,937	126,593	173,854	217,318	230,552
Facility Rental	11,705	18,085	24,836	31,977	32,936
Restaurants	139,788	143,982	148,301	152,750	157,333
Expense Recovery (CAM)	<u>342,952</u>	<u>353,241</u>	<u>363,838</u>	<u>374,753</u>	<u>385,996</u>
Total Revenues	\$768,926	\$939,379	\$1,119,367	\$1,292,886	\$1,348,589
Expenses (c)					
Payroll & Benefits	\$493,817	\$508,632	\$523,890	\$539,607	\$555,795
Utilities / Garbage / Maintenance	179,206	184,582	190,119	195,823	201,698
Marketing	118,357	121,908	125,565	129,332	133,212
Parking	0	0	0	0	0
Taxes, Permits & Insurance	34,134	35,158	36,213	37,300	38,419
Office - Telecom, Supplies	11,255	11,593	11,941	12,299	12,668
Professional Services, Misc.	13,506	13,911	14,329	14,758	15,201
Reserves for Replacement	<u>34,134</u>	<u>35,158</u>	<u>36,213</u>	<u>37,300</u>	<u>38,419</u>
Total Expenses	\$884,410	\$910,942	\$938,270	\$966,418	\$995,411
Net Operating Income (NOI)	(\$115,484)	\$28,437	\$181,097	\$326,468	\$353,178
Cumulative NOI	(\$115,484)	(\$87,047)	\$94,050	\$420,518	\$773,696

Notes

(a) This model assumes public market operation shown in Table 8, with two added sit-down restaurants.

(b) See Table 6 for revenue assumptions. Adjusted for inflation from 2005 by annual rate of: 3%

(c) See Table 7 for expense assumptions. Adjusted for inflation from 2005 by annual rate of: 3%

Source: BAE, 2006.

**Table 11: Portland Public Market - Conceptual Sources & Uses of Funds,
Option A, Multi-Level Facility, Through Opening**

Sources of Funds

Projected Sources

Capital Campaign (a)	\$4,000,000
Federal Funding	1,000,000
Repayment of Bridge Loan (g)	355,143
Identified Sources	\$5,355,143

Other Sources - To Be Identified

\$8,353,489

Total Sources Needed

\$13,708,632

Uses of Funds

Acquisition / Land (c)	\$1,787,050
Predevelopment (d)	300,000
Construction (e)	10,832,610
Pre-Opening (f)	433,828
Pre-Stabilization Bridge Loan (g)	355,143

Total Uses

\$13,708,632

Notes

- (a) Capital fundraising campaign by private partner.
- (c) Acquisition of site in Skidmore Fountain Building is \$3.5 million x share of building area; plus costs of adjacent land for market hall additions.
- (d) Development expenses prior to construction commencement.
- (e) See Table 4 for cost detail.
- (f) Executive Director, other staff, offices, working capital, other costs prior to opening.
- (g) Bridge loan to cover operating loss Years 1, 2. Repaid from future years' net operating income.

Source: BAE, 2006.

**Table 12: Portland Public Market - Conceptual Sources & Uses of Funds,
New Markets Tax Credit Alternative, Through Opening**

Sources of Funds

Projected Sources

Capital Campaign (a)	\$4,000,000
Federal Funding	1,000,000
Repayment of Bridge Loan (g)	715,143
Identified Sources	\$5,715,143

New Markets Tax Credit Derived Financing (h) **\$4,000,000**

Other Sources - To Be Identified **\$4,353,489**

Total Sources Needed **\$14,068,632**

Uses of Funds

Acquisition / Land (c)	\$1,787,050
Predevelopment (d)	300,000
Construction (e)	10,832,610
Pre-Opening (f)	433,828
Pre-Stabilization Bridge Loan (g)	715,143

Total Uses **\$14,068,632**

Notes

- (a) Capital fundraising campaign by private partner.
- (c) Acquisition of site in Skidmore Fountain Building is \$3.5 million x share of building area; plus costs of adjacent land for market hall additions.
- (d) Development expenses prior to construction commencement.
- (e) See Table 4 for cost detail.
- (f) Executive Director, other staff, offices, working capital, other costs prior to opening.
- (g) Bridge loan to cover operating loss Years 1, 2. Repaid from future years' net operating income.
- (h) See report for explanation.

Source: BAE, 2006.

**Table 13: Portland Public Market - Conceptual Sources & Uses of Funds,
Option B, Single Level Facility, Through Opening**

Sources of Funds

Capital Campaign (a)	\$4,000,000
Federal Funding	1,000,000
Repayment of Bridge Loan (g)	<u>355,143</u>
Identified Sources	<u>\$5,355,143</u>

Other Sources - To Be Identified **8,547,480**

Total Sources Needed **\$13,902,623**

Uses of Funds

Acquisition / Land (c)	\$2,718,893
Predevelopment (d)	300,000
Construction (e)	10,094,760
Pre-Opening (f)	433,828
Pre-Stabilization Bridge Loan (g)	<u>355,143</u>

Total Uses **\$13,902,623**

Notes

- (a) Capital fundraising campaign by private partner.
- (c) Acquisition of site in Skidmore Fountain Building is \$3.5 million x share of building area; plus costs of adjacent land for market hall additions.
- (d) Development expenses prior to construction commencement.
- (e) See Table 5 for cost detail.
- (f) Executive Director, other staff, offices, working capital, other costs prior to opening.
- (g) Bridge loan to cover operating loss Years 1, 2. Repaid from future years' net operating income.

Source: BAE, 2006.

**Table 14: Portland Public Market - Conceptual Sources & Uses of Funds,
Option B-1, Single Level Market w/Restaurants, Through Opening**

Sources of Funds

Projected Sources

Capital Campaign (a)	\$4,000,000
Federal Funding	1,000,000
Repayment of Bridge Loan (g)	87,047
Identified Sources	\$5,087,047

Other Sources - To Be Identified

\$10,559,409

Total Sources Needed

\$15,646,456

Uses of Funds

Acquisition / Land (c)	\$2,718,893
Predevelopment (d)	300,000
Construction - Public Market (e)	10,094,760
Construction - Restaurants Core & Shell	2,011,928
Construction - Restaurants TI & FF&E (f)	0
Pre-Opening (g)	433,828
Pre-Stabilization Bridge Loan (h)	87,047

Total Uses

\$15,646,456

Notes

- (a) Capital fundraising campaign by private partner.
- (c) Acquisition of site in Skidmore Fountain Building is \$3.5 million x share of building area; plus costs of adjacent land for market hall additions.
- (d) Development expenses prior to construction commencement.
- (e) See Table 5 for cost detail.
- (f) Core and shell only; restauranteurs finance all build-out costs for tenant improvements and furniture, fixtures, and equipment.
- (g) Executive Director, other staff, offices, working capital, other costs prior to opening.
- (h) Bridge loan to cover operating loss Years 1, 2. Repaid from future years' earnings.

Source: BAE, 2006.

Table 15: Option B-1 Restaurants Proforma (a)**DEVELOPMENT PROGRAM**Area Calculations

Restaurants w/ circulation (b)	sf	6,900
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Rental Revenue

	<u>Unit</u>	<u>Rate</u>
Restaurants (c)	sf / yr	\$18

DEVELOPMENT COST ASSUMPTIONS

Atrium for Restaurants (d)	sf	\$185
Parking (e)	space	\$0
Tenant Improvements (f)		\$0
Soft Costs (% of hard costs)		25%
Contingency (% of hard costs)		25%

FINANCING ASSUMPTIONS (g)

Interest Rate	8.00%
Construction Loan Fees	2.00%
Avg. Outstanding Balance	60%
Loan to Cost Ratio	70%

PRO FORMA**DEVELOPMENT COSTS**

Site / Air Rights Acquisition Cost		\$0
Hard Construction Cost		\$1,276,500
Soft & Financing Costs		
Soft Costs	\$319,125	
Construction Financing Costs	102,631	
Developer Profit	0	
Contingency	<u>319,125</u>	
Total Soft & Financing Costs		\$740,881

Total Development Cost	<u>\$2,017,381</u>
-------------------------------	---------------------------

PROJECT CASH FLOW, RESIDUAL VALUE

Annual Rental Revenues	\$124,200
Less Operating Expenses at 5%	<u>(6,210)</u>
Annual Net Operating Income	\$117,990
Less Annual Debt Service (g)	<u>(124,344)</u>
Annual Cash Flow	<u>(\$6,354)</u>
Value at 8.0% Capitalization Rate	\$1,474,875
Less Development Cost	<u>(2,017,381)</u>
Net Residual Value	<u>(\$542,506)</u>

- (a) This table presents an alternative analysis of restaurant development costs and returns based on typical development project financing structures.
- (b) Based on area identified by PPM, Inc., plus 15% for circulation.
- (c) Based on BAE interview with prospective restaurateurs identified by PPM, Inc., as well as PDC survey of Old Town retail space, including restaurants.
- (d) Construction costs same as East Market Hall. Elevator cost paid by upper floor developer of Skidmore Fountain Building (shared use w/ restaurants).
- (e) Restaurant assumed to use Public Market parking area, to be addressed by PDC.
- (f) Restaurants assumed, per PPM, Inc., to finance and perform 100% of all TI costs, including all restaurant fixtures, furnishings, and equipment.
- (g) Same assumptions as for Public Market in Option B. Permanent loan is 30 years.

Appendix L: Advisory Committee Report

Summary of Committee Process

Summary of Findings

Interim Meeting Notes, April 14, 2005

Summary of Interviews, June 15, 2005

Committee Summary, July 6, 2005

Public Market Board Response to Questions

Meeting Summary, August 23, 2005

Meeting Summary, November 17, 2005

Meeting Summary, February 22, 2006

Portland Public Market Feasibility Study Advisory Committee

Summary of Committee Process

The Portland Public Market Feasibility Study Advisory Committee was established to provide opportunities for key stakeholders to address the pertinent issues related to the BAE feasibility study. Members represented the Portland Public Market Board, the Portland Saturday Market and the Portland Farmers Market as well as agricultural, architectural, legal and marketing interests. Except for the first session, all meetings were facilitated by Elaine Cogan, principal, Cogan Owens Cogan. Ross Plambeck was the PDC project manager. The list of members follows:

- Greg Cervetto, Grayrose Marketing Group
- Chip Lazenby, Bullivant, Houser, Bailey attorneys; formerly PDC Legal Counsel
- Tom Gilpatrick, Portland State University Food Industry Leadership Center
- Amelia Hard, Share Our Strength Hunger Relief
- Jane Jarrett, Architectural Foundation of Oregon
- Phil Kalberer, Kalberer Company
- Deborah Kane, The Head Table
- Ron Paul, Chair, Portland Public Market Board
- Marcus Simantel, Agri-Business Council of Oregon
- Barb Slaughter, Portland Farmers Market
- Dianne Stefani-Ruff, Executive Director, Portland Farmers Market
- Lynn Youngbar, President, Portland Farmers Market Board

Advisory Committee Meetings

Below is a summary of the five open meetings held by the Committee between April 14, 2005 and February 22, 2006. More complete summaries are attached.

April 14, 2005

- Discussed experiences of other public markets in the country.
- Reviewed potential elements of the Portland Public Market, such as tenant and vendor mix, operations, rules and parking. Also discussed the potential for the Portland Public Market in terms of competitiveness and vendor readiness.

July 6, 2005

- Suggested revisions to BAE's Phase 1 report after hearing a presentation from Ron Golem of BAE.
- Discussed results of interviews with representatives of the Portland Saturday and Farmers Markets and the Portland Public Market Board.
- Brainstormed issues related to a public market that still need to be resolved, either by the Public Market Board, PDC or the consultants conducting the feasibility study.
- Recommended goals for the Portland Public Market.

August 23, 2005

- Commented on possible revisions to the mission and goals of the Public Market.
- Received an update on the Ankeny/Burnside study recently commissioned by PDC.
- Discussed issues related to the Public Market that were brainstormed at the previous meeting, including the role of Ron Paul, who is both a member of the Portland Public Market Board and an employee of the City of Portland; the Market's relationship to the Saturday and Farmers Markets; space and site; target market and product mix; and public funding.
- Suggested issues that require further research.

November 17, 2005

- Commented on BAE's draft Phase 2 report with Ron Golem and Janet Smith-Heimer of BAE (present) and subconsultant David O'Neil (via speaker phone.)

February 22, 2006

- With Ron Golem of BAE in attendance and subconsultant David O'Neil participating by speaker phone, reviewed the final draft of the Phase 2 report and agreed on the following in regard to the Portland Public Market:

General

- There is a market for a public market in Portland.
- The Public Market is an appropriate use of public funds if they consist of tax increment financing earmarked for this development.
- Additional private fundraising efforts are needed.
- Subsidization of high end restaurants in the Market is not likely to be accepted by the public.
- Although the BAE study concentrates on the Skidmore Fountain Building, its findings that a public market is feasible in Portland can be transferred to other sites.
- A skilled manager to administer the Public Market is essential.
- Ownership of the market should be discussed further.

Site-Specific

- Option B is the preferred floor plan at this time.
- Revitalization of the Ankeny/Burnside area is critical to the success of the Public Market in that area.
- The synergy with the Saturday Market is a vital component.
- A restaurant located in or near the public market is desirable; it can generate additional foot traffic and contribute to the revitalization of the area.
- Adequate parking for the Public Market should be provided, but not at the expense of the Saturday Market.

**CONSULTATION FOR THE PORTLAND DEVELOPMENT COMMISSION
ON THE PORTLAND PUBLIC MARKET PROJECT**

**Summary of Findings from Interviews with Representatives
of the Portland Farmers, Saturday and Public Markets**

In May, 2005, Cogan Owens Cogan, LLC (COC), was retained by the Portland Development Commission (PDC) to assist the agency on the Portland Public Market study. The purpose of COC's consultation was to work with representatives of the Public Market, Portland Farmers Market and Portland Saturday Market to discuss and resolve as much as possible, their pertinent issues related to the mission and operation of the proposed new Public Market.

The first phase in this effort was to interview representatives of the markets in May-June 2005. The summary follows.

Interviewees: Jana McLellan and Dianne Stefani-Ruff: Farmers Market; Charles Houtchens, Paul Verhoeven and Rhia Weinhaus: Saturday Market; Ron Paul and Marcus Simantel, Public Market.

Interviewer: Elaine Cogan, principal, Cogan Owens Cogan, LLC

What is your mission and purpose?

All three cite as their basic mission providing avenues for local vendors to sell their products. Naturally, the products vary, with Farmers concerned with local produce and Saturday, craftspeople and their wares. Both charge rental fees. Saturday is a membership, "mutual benefit" corporation (nonprofit but not tax exempt). In addition to providing a local venue for locally produced goods, Public adds an educational component to its mission as well as the opportunity for a variety of ethnic, small family-enterprises. Public recognizes that if the market is to be open year-round, some of its "fresh" produce cannot be grown locally.

What is your target market?

Both Saturday and Farmers say their customers are primarily well-educated, middle to high income white. Farmers adds that they are 45% women with no or small families. While their acceptance of food stamps is an attempt to reach a broader, lower income demographic, Farmers admits they have not yet solved the dichotomy of "how to sell to low-income people and still make a profit." Thirty percent of the summer customers at Saturday are tourists. Public is aiming for a broader demographic, particularly people living within two miles, downtown employees and a greater ethnic and economic mix.

What types of products do you offer?

Saturday: Arts and crafts as well as packaged and ready-to-eat foods such as candies or flavored pumpkin seeds. All products are the work of the seller or immediate family. All food products for on-site consumption must be made by the sellers or their immediate families.

Farmers: Oregon and Washington-produced farm, fish and seafood, nursery; processed food products that are value-added such as jams; non-farm food produced on premises; strives for balance among vendors' offerings.

Public: Future plans: Renovate existing (Skidmore Fountain) building. Basement winery; main floor: prepared or fresh produce, meats, cheese, fish, bakery, complementary foods to enable customers to prepare a complete meal; no crafts except in relation to food; bistros on the mezzanine level. Vendor/customer variety to reflect an indigenous cross-section of Portland.

What are the important characteristics of a public market?

Both Saturday and Farmers agree it should complement their existing markets and be self-sufficient with little or no public subsidy. They question whether Public would be "unique" if it offers commercial or imported products. Both believe their markets should be the open-air venues for the Public, with Farmers adding that, to avoid competition, the same party should manage both the indoor and outdoor produce vendors.

(Saturday/Farmers) What would be the ideal relationship between each market and the public?

Both agree it should be symbiotic, each supporting the others, with a "rising tide" that helps all. They also are not adverse to "keep talking", though Farmers is not convinced it is in their best interest to be an active partner at the present time.

What additional issues need to be addressed?

Though both existing markets express an interest in cooperating with the Public project, they have different concerns. Of the two, Saturday has more immediate concerns about future space, with or without the Public. The Skidmore Fountain building and area is slated for redevelopment, regardless of whether it is found feasible for the Public.

As stated above, Farmers has product and management issues and believes the Public will work for them only if they (Farmers) were in charge of all the produce vendors, indoors and out.

- There are some questions about the BAE survey of produce vendors, e.g., what types did/did not reply? was there an adequate sampling of ethnic vendors, especially if this is a target audience for Public?

- How can the Public reach/serve low-income customers when the general demographic market appears to be white, high end?
- What is the difference between the Public concept as currently articulated and Whole Foods, New Seasons and similar area private markets?
- The BAE prediction of 5% tourist trade may be too low.
- What happens to Saturday if Public/PDC begin to look seriously at the 511 Building in Northwest Portland?
- What can be done to arrive at a clearer definition of the Public Market? What it is, whom it serves, etc.
- What is PDC's role in regard to the Public?
- What has been Ron Paul's role, what is it now and what should it be in the future?
- Can Portland support all three markets, given the current success of Saturday and Farmers?

**PORTLAND PUBLIC MARKET
Stakeholder Questionnaire**

Date _____

Organization _____

Name(s) _____ Title(s) _____

Address _____

Phone _____ E-Mail _____

1. What is your basic mission and purpose?
2. What is your target market? (geographic, demographic, income, etc.)
3. What types of products do you offer?
4. What are the most important characteristics of a Portland Public Market?
5. (Saturday/Farmers) What would be the ideal relationship between your market and this Public Market?
6. What opportunities and constraints help/hinder/affect that relationship? (products, market, governance, etc.)
7. What relationship do you have or would like to have with the other (Saturday/Farmers)?
8. What opportunities and constraints help/hinder/affect that relationship?
9. (To PM only): What should be the ideal relationship with the Saturday and Farmers Markets?
10. What opportunities and constraints help/hinder/affect those relationships?
11. Any additional issues that need to be addressed as planning for the Public Market moves forward?

Report from the Portland Public Market Interim Review Meeting

Portland Development Commission Offices

April 14, 2005

Below is a list of comments and questions from the discussion at the PPM Interim Review Meeting, organized by topic (comments and questions aren't attributed to particular speakers; as noted there was a wide range of opinion on the topics that were discussed).

Expert Panel Discussion

Granville Island (Vancouver) Experience

- Issues raised in the feasibility study sound familiar to the experience starting the Granville Island (GI) Public Market.
- The GI Public Market is 41,000 sqft w/ 21,000 sq ft of net leasable space
- The Market was seen as key to redevelopment of the surrounding area.
- When the Market opened in 1979, demand was uncertain.
- Market opened with 20 vendors and option to expand and lots of space for day tables. In response to strong sales the Market was remodeled and expanded in 1986 to accommodate 50 vendors and 48 day tables.
- Today the Market includes a Tailgate Market where up to 25 farmers can drive up and sell their goods out of the back of trucks.
- GI Public Market has always remained focused on its key consumer base, those people living in the nearby neighborhoods. This population is estimated at around 200,000. A quick scan of planning documents from Vancouver shows that the downtown area had a population of approximately 120,000 in 1979 when the Market opened and has a population of 150,000 today.
- The Market has struck upon a workable balance of produce and specialty foods after much trial and error.
- Located on an island with only one main entry point, parking has been crucial. The GI area has 1,400 parking spaces including 500 paid spaces and the remaining spaces are free with a three-hour time limit. The Market has to be vigilant in patrolling the time limit.
- Loading occurs through the Market's front door mostly during specified times and is part of the market experience for shoppers, but does require careful management.

Ferry Building (San Francisco) Experience

- Following the development of the Ferry Building about 10 percent of farmer's went inside and began operating retail shops.
- The educational piece of the Ferry Building Market has fallen by the wayside in spite of it being an initial goal of the Market.

Pike Place (Seattle) Experience

- In Seattle the Market clears the road in front of the Market on certain days for loading. Otherwise it's a free-for-all and delivery can be difficult.
- Market tenants should be able to keep different hours. The Market should be designed to allow this, meaning that there should be multiple entrances to the Market.

- Plumbing systems must be redundant.
- There is never enough back of the house space.
- A market needs lots of cold storage, which can be used by farmers selling at other markets in the city. Pike Place was renting cold storage space for \$24/sq. ft./year. This may have gone up in the past few years.
- Over the years, Pike Place has transitioned. It's still a prime spot to buy many food items, but is no longer the best spot in town to get fresh produce, instead the neighborhood farmers markets have filled this niche. At Pike Place other sellers are thriving such as flower vendors.
- Pike Place established a Community Supported Agriculture (CSA) program eight or nine years ago. Boxes offer products from 25 different vendors and include meats, shelf life products, processed foods, and fresh produce. The CSA has 1,200 subscribers and costs \$420 per 20 week season, which translates to just over \$20 per week. The CSA allows onsite pick up of boxes as well as delivery to downtown offices.
- There are condos above Pike Place. These are in many ways a great upstairs and a logical choice given current market conditions. Nonetheless, they present property management headaches.

Morning Question and Answer Session

Would condominiums above the public market work?

- Are condos an appropriate use above a public market due to crowds, smells, and noise?
- There are examples of condos above public markets including Pike Place.
- In Portland, there are residential units above the downtown Safeway and condos above the new Zupan's on Broadway. There are also numerous examples of condos above restaurants in various locations across the country.
- Are estimated condo construction costs and expected sales price accurate? These issues need further exploration in next phase of the study.
- Condos above the Market must be understood in the context of other planned residential development in the area including 100+ units at the fire station. Condos at the Market would not be a stand-alone pioneering project.

What vendors would move to the market?

- There should be more discussion of the types of assistance that vendors would require to enter the market. This question was asked in the survey but there should be more discussion in the feasibility study.
- The Market may address vendor desires for assistance with staffing and marketing by providing a permanent, centralized place to sell.
- The feasibility study should include information about what types of vendors (e.g., produce, meat, baked goods) were interested in selling at the Public Market.

Is the Public Market viable in a very competitive food marketplace?

- The experience of visiting a Public Market is key to its success.
- There has been a strong increase in Portland Farmers Market sales year over year despite increasing competition from high-end grocers.

How will delivery work at the Market?

- Loading as shown in the feasibility study is inadequate, the area under the Burnside Bridge is problematic for delivery.
- The east side along Naito should be made into a loading zone.
- There is a need to be deliver goods throughout the day.
- It is possible to cut off delivery at a certain hour, (e.g., 10 a.m.).
- Loading and unloading of goods is part of the market experience and doesn't have to be hidden from view.

Other comments:

- There needs to be more attention to the Public Market as a public space rather than simply as a building. Planning for the space around the Market is key and should be more thoroughly explored.
- Public Market goals must be identified clearly and programming for the Market must explicitly address these goals. Its uniqueness needs to be defined -- as it stands there are too many goals and there is not a clear link between programming for the Market and how it serves its many goals.
- There's a need to address how Public Market refuse is collected and removed.

Afternoon Question and Answer Session

Where will sales at the Market come from?

- The educational component of the Market will be key to increasing fresh food sales. If one can tap into the market of consumers currently buying pre-packaged, non-local food there is huge potential.

What will the tenant mix look like, what goods will they sell?

- Over time there is a natural tendency for vendors to sell more pre-packaged food and non-local food items. These items are more profitable and require less effort.
- Controls are necessary to keep a market focused on its mission.
- Certain types of value-added processing is quite welcome, including butchers marinating meats, but this processing should be done in-house or at least locally.
- The Market must decide how much ready-to-eat, lunch counter type sales it wishes to allow. Vendors will push this direction due to profitability, but the Market may drift from its reason for being if it turns into a food court.

What do we know about vendor readiness?

- At the Ferry Building only a couple of the businesses are entirely new. Most had successful retail operations elsewhere in the Bay Area. The focus was on locally-owned artisan producers.
- At Pike Place one cannot have another business elsewhere. Each business at Pike Place must be new. It is key to the Market's mission that it serves as an incubator for new businesses. The first Starbucks opened at the Pike Place market.
- In order to help new businesses, Pike Place will provide structured assistance such as setting up the infrastructure of a stall. The Market often requires several months of rent upfront and then rebates this rent later to allow reinvestment in the business.

How will a seven day per week Market work for producers who need to be at the farm?

- A farmer indicated that he is generally not present at his farm's stands at farmers markets. As with farmers markets, the vendors will need to hire help or rely on family members to staff their booth at the Market.
- Some producers may begin to do work on-site at the market, e.g., a butcher who prepares meat on-site.
- Most sales will occur on weekend days.
- Most large public markets are open seven days per week.
- The ability to leave produce (e.g. in cold storage) is very helpful for farmers.

What's happening with the Saturday Market?

- PDC has launched a process with the Saturday Market to find a new home.
- Saturday Market is supportive of the Public Market development but concerned that it will harm the Saturday Market if unsuccessful.
- There will be opportunities for cross promotion between the Saturday Market and Public Market.
- The Saturday Market should be part of a recreated market district around Ankeny Plaza.

What rules will govern what is sold the Public Market?

- Various models for leasing and merchandising plans were described, including allowing those with permanent booths to re-sell produce, but requiring day table vendors to sell only from their own farm or from nearby farms.
- It is key to not use a one-size fits all approach. Vendors who pay rent all year round should be treated differently.
- Rules could vary depending on the season, for instance allowing out of state strawberries only during winter months.

Can local farmers compete if the Market allows the resale of out of state produce?

- New Seasons grocery store achieves much higher sales prices for local berries than out-of-state berries by labeling and promoting local berries and relying on a knowledgeable customer base.
- There must be different price points at the Market, so one should be leery of excluding cheaper out-of-state produce. Local produce can compete provided that accurate labeling is required.

Is there an opportunity for the Public Market to help farmers sell in the wholesale market?

- This is possible with sales to restaurants and possibly small independent grocers.

Where will parking be located? Adequate parking is extremely important.

- Parking will be address at a neighborhood wide level and requires additional thought in the next phase of the feasibility study.
- People won't walk very far with groceries in hand. One must think about a typical grocery basket and how far one could carry it. Selling \$100 worth of groceries at a time to certain customers will be important. How will they be accommodated?
- Are there ways to have a customer loading zone or porters to carry groceries to cars?

Summary of Interviews with representatives from Portland Farmers Market, Public Market and Saturday Market

Drafted by Elaine Cogan

June 15, 2005

Please review them and return any suggestions for changes/corrections by next Monday, June 20. We hope you are planning to attend our next advisory committee meeting July 6 when we will review the final draft of the BAE consultants' report and discuss outstanding issues and how they may be resolved. Of course, call me at any time, (503) 225-0192.

Draft Summary of Findings

Interviewees: Jana McLellan and Dianne Stefani-Ruff: Farmers Market; Charles Houtchens, Paul Verhoeven and Rhia Weinhaus: Saturday Market; Ron Paul and Marcus Simantel, Public Market.

This summary follows the outline of the interview questionnaire.

1. Basic mission

All three cite as their basic mission providing avenues for local vendors to sell their products. Naturally, the products vary, with Farmers concerned with local produce and Saturday, craftspeople and their wares. Both charge rental fees. Saturday is a membership, "mutual benefit" corporation (nonprofit but not tax exempt.)

In addition to providing a local venue for locally produced goods, Public adds an educational component to its mission as well as the opportunity for a variety of ethnic, small family-enterprises. Public recognizes that if the market is to be open year-round, some of its "fresh" produce cannot be grown locally.

2. Target market

Both Saturday and Farmers say their customers are primarily well-educated, middle to high income white. Farmers add they are 45% women with no or small families. While their acceptance of food stamps is an attempt to reach a broader, lower income demographic, Farmers admits they have not yet solved the dichotomy of "how to sell to low-income people and still make a profit." Thirty percent of the summer customers at Saturday are tourists. Public is aiming for a broader demographic, particularly people living within two miles, downtown employees and a greater ethnic and economic mix.

3. Types of products offered

Saturday: Arts and crafts as well as packaged and ready-to-eat foods, such as candies or flavored pumpkin seeds. All products are the work of the seller or immediate family. All food products for on-site consumption must be made on-site.

Farmers: Oregon and Washington produced farm, fish and seafood, nursery; processed food products that are value-added such as jams; non-farm food produced on premises; strives for balance among vendors' offerings.

Public: Indoors, renovation of existing building. Still in planning stage but expects a basement winery; main floor: prepared or fresh produce, meats, cheese, fish, bakery, complementary foods to enable customers to prepare a complete meal; no crafts except in relation to food; bistros on the mezzanine level. Vendor/ customer variety to reflect an indigenous cross-section of Portland is important.

4. Your Opinion of the Important Characteristics of a Public Market

Both Saturday and Farmers agree it should complement their existing markets and be self-sufficient with little or no public subsidy. They question whether Public would be "unique" if it offers commercial or imported products. Both believe their markets should be the open-air venues for the Public, with Farmers going further by saying that to avoid competition, they would want to manage both the indoor and outdoor produce vendors.

5. Ideal Relationship between each Market and the Public

Both agree it should be symbiotic, each supporting the others, with a "rising tide" that helps all. They also are not adverse to "keep talking", although Farmers is not convinced it is in their best interest to be an active partner at the present time.

6. Additional Issues

- Though both existing markets express an interest in cooperating with the Public project, they have different concerns. Of the two, Saturday has more immediate concerns about future space, with or without the Public. The Skidmore fountain building and area is slated for redevelopment, regardless of whether it is found feasible for the Public. As stated above, Farmers has product and management issues and believes the Public will work for them only if they were in charge of all the produce vendors, indoors and out.
- There are some questions about the BAE survey of produce vendors, e.g. what types did/did not reply? Was there an adequate sampling of ethnic vendors, especially if this is a target audience for Public?
- How can the Public reach/serve low-income customers when the general demographic market appears to be white, high end?
- What is the difference between the Public concept as currently articulated and Whole Foods, New Seasons and similar area private markets?
- The BAE prediction of 5% tourist trade may be too low.
- What happens to Saturday if Public/PDC begin to look seriously at the 511 Building?
- What can be done to arrive at a clearer definition of the Public Market? What is it, who does it serve, etc.
- What is PDC's role in regard to the Public?
- What has been Ron Paul's role, what is it now and what should it be in the future?
- Can Portland support all three markets, given the current success of Saturday and Farmers?

**Portland Public Market Feasibility Study Advisory Committee
July 6, 2005**

Meeting Summary

Attending

Committee Members: Greg Cervetto, Amelia Hard, Jane Jarrett, Deborah Kane, Chip Lazenby, ,
Dianne Stefani-Ruff, Paul Verhoeven

Guests: Suzanne Briggs, Charles Houtchens, Rhia Weinhaus

Portland Development Commission (PDC) staff: Lew Bowers, Amy Miller-Dowell, Ross
Plambeck

City staff: Ron Paul

Consultants: Elaine Cogan and Suzanne Roberts, Cogan Owens Cogan; Ron Golem, BAE; Rick
Gustafson, Shiels Oblatz Johnsen

Welcome and Introductions

Elaine Cogan opened the meeting with an overview of the agenda. Committee members, guests
and staff introduced themselves.

Update of Phase 1 Report

Ron Golem, BAE, reviewed revisions to the final Phase I feasibility report, responding to staff
and committee members' comments. One question addressed in the update was whether
potential demand would vary if the Public Market is located on the other side of the Willamette
River. After reviewing the data, the team found there would be minimal difference. Another
question addressed was about where the demand for the market will come from and how
expanding food consumption would be supported. The team collected additional data from the
USDA and found that individual consumption of food is increasing in dollar value, meaning that
a higher proportion is spent on eating outside of the home. In Multnomah County, this amount
increased from \$1.8 billion to \$2 billion between 1997 and 2002. Tied to this, new markets and
casual restaurants are doing well.

*Summarized comments and questions from Committee members and guests are in italics.
Summarized responses from staff and the consultants follow in regular print.*

*Can we presume the level of support shown in the responses would not depend on the location of
the site?*

The numbers relate to the trade area we studied.

*Since the national study results are shown per capita, and local results in gross dollars, do you
have any sense of the estimated population growth?*

The population estimates are from the 2000 Census. We estimate a growth of about six or seven percent.

Other changes to the report include an increase to the demand estimate, although whether that level of sales is achieved depends on the mix and other issues involved in running a successful operation; and also an increase in the cost for security.

The purpose of Phase 1 was to answer a limited set of questions, such as whether there is a market potential, whether the building is feasible to rehabilitate and if it will break even once it is open. Now, we have good “yes” answers to these questions and can move on to Phase 2. We need to develop a business plan, including a mission, goals, capacity, organization vendor mix and partner arrangements. Then, we will develop a more detailed strategy describing how things tie together, public-private partnerships, and catalytic benefits--meaning what can have synergetic ties with future developments.

This second phase may last through September, assuming you can resolve unanswered Phase 1 issues by the end of July. From today’s meeting, we will have a list of those issues. The consulting team and the Public Market Board will consider them and report back in a few weeks.

When will you expand the first round of surveys with a wider variety of vendors?

It will be part of Phase 2. We will look at the whole other universe of potential vendors.

Summary of Interviews

Next, Elaine distributed a report on her interviews with representatives of the Public Market, Saturday Market and Farmers Market. Her questions focused on the mission, purpose and characteristics of the Public Market from their points of view. Both the Saturday Market and Farmers Market representatives say their customers are well-educated with no or small families. The Farmers Market has tried to reach out to low-income customers by accepting food stamps. Both market representatives say that the Public Market’s products should complement existing markets and should be self-sufficient with little or no public subsidy. The Farmers Market is concerned about competition and says that ideally the same operator should manage the indoor and outdoor produce vendors. The ideal relationship would be one in which the markets help each other and all benefit by the increase of customers. Representatives are concerned about the produce and ethnic vendors who did not reply to the survey and that it is important to reach them. They also question how the Public Market can serve low-income people, if that is one of its missions, and how it will be different from other upscale private markets. Participants believe that the study’s estimate of tourist trade is too low and asked where the Saturday Market would relocate if the 511 Building houses the Public Market. They want a clearer definition of the Public Market and PDC’s and Ron Paul’s roles and whether Portland can support all three markets.

Is it only produce vendors who are interested in both in and outdoor space?

The people I interviewed believe it would be more workable to manage if one entity managed the space both inside and outside, regardless of what they are selling.

There seems to be a contradiction between the desire of the Farmers Market to manage produce vendors at the Public Market and the perception that they are not sure they want to be involved.

We (the Farmers Market) are not saying that we want to manage all of it. It is not true that the Farmers Market believes the Public Market will work for them only if they are in charge of all the produce vendors, indoors and out.

The report will be corrected to reflect this.

Is the cost level per square foot or booth for Saturday Market vendors going to increase after our site becomes a “premium location?” That would impact the ability for a significant level of vendors to participate, thereby decreasing the feasibility for the grass roots businesses that make such markets successful.

That is an example of the issues we need to discuss further in the agenda.

Categorization of Issues

Next, Elaine asked members to think of all the issues related to the Public Market that need to be resolved and write them down on sticky notes. An issue is defined as something that was not answered in the feasibility report but needs to be considered before the process moves forward.

The issues were placed on flipcharts, grouped into like categories which Elaine then reviewed, asking for any changes or additions. Many will be discussed by the Public Market Board who will report back to the Committee. Other issues will be addressed in the feasibility study. The following is a summary of the discussion. The complete list of the issues is in Appendix A.

What is the current and future role of Ron Paul?

Ron explained that nearly half the Public Market’s funding is from the City, independent of the rest, through PDC, and the rest from grants. He said his role is partly as a participant in the advisory committee representing the Public Market Board and partially as the person responsible to answering to USDA, the grant provider. He also is a co-client of the feasibility study with PDC. The Public Market is a private, nonprofit organization. He is not compensated by the Market and is an employee of the City as a whole (not an individual City bureau.)

If Ron Paul is not paid staff to the Public Market Board, it is a policy issue and there is no legal conflict.

This is an issue that needs to be made clear because it often comes up.

Will the next phase of the study see the markets as competitors or working together?

The study assumes there will be clear synergies. This needs to be a parallel process in which the Public Market Board ties its answers back to the study.

How would the estimates be affected if the Saturday Market and Public Market are not located in the same area?

In that case, we may have to do one study with them located in the same area and one without.

It is difficult to have a conversation without a definition of the Public Market.

I sense that the Farmers Market is waiting for the Public Market to say what they want to hear before agreeing to have a conversation but unless we have a conversation, the likelihood of divergence is greater.

The Public Market Board representatives agreed to design this ideal relationship and bring it to this Committee for discussion.

The next category dealt with many space and site issues, including Ankeny Square, the Burnside Bridge and the 511 Building. The feasibility study's scope covers only the Skidmore Building, which was the only site that seemed to have potential with this process started.

The Public Market has already concluded that it wants to move forward with the assumption of locating in Ankeny Square and the Skidmore Building. The second choice would be the 511 Building, but we have decided to move forward with what is currently the most feasible option.

The next category dealt with the target market, vendor development and customer attraction. Some are for the Public Market to address, others for the feasibility study.

I am still trying to get an idea of the purpose of the Portland Public Market. Public markets are usually a mix of products, with agricultural components. The Saturday Market wonders if the Public Market sees itself as an umbrella for products the existing markets provide, with possible some items that cannot crossover to the others. We understand that competition may be unavoidable and just want clarity as to your purpose.

The Public Markets intends to sell prepared foods, but not crafts; and understands that it is a three way conversation.

If the Saturday Market and Public Market are located in the same area, will more money be spent to bring in the extra customers needed?

We have been working from the business end while any solid marketing goes backwards from the perception of the consumer. The Saturday Market has had many years to establish its customers and is considered an entertainment destination. The Public Market will be a 24/7 venue. Will the traffic be there to cover the overhead? The second question is whether it is taking away from existing markets.

One of my questions is about how the Public Market differentiates itself and provides value added to the community. I want the Public Market to clarify this before I get involved.

The next category relates to public funding. PDC will deal with much of this as part of the public policy process, but the Public Market Board can articulate its philosophy.

For example, who built the parks on which the Farmers Markets operate and could they operate without the parks? The public subsidy envisioned by the Public Market is building the building, not the ongoing operation.

Be careful with that analogy because the Farmers Market continues to pay rent and subsidizes improvements. There is a strong feeling that the City is doing something for you (Public Market) that it is not doing for us.

The feasibility study also will address this. Public markets are not able to carry debt to finance development. There needs to be public funding, so the question is whether it can carry itself, without debt, once it opens.

Goals from Phase 1 Report

Elaine asked members to review and suggest changes or additions to a list of goals drafted by the PDC staff and consultants based on previous input from the committee and others.

Some seem to be a means to an end rather than a goal.

Maybe we should prioritize them first and then see how similar goals are consistent with each other.

There should be a goal to secure a permanent location for the Saturday Market.

Has there been a survey for the potential clientele for the new building? It seems as if space there would be expensive.

An ongoing sales basis does not fit for artists. I am not worried about the loss of revenue from those who want permanent space.

Members were then asked to express their priorities among the goals with green (high priority); yellow (medium priority) and red (low priority) dots. The results are shown in Appendix B. Establishing a showplace and enhancing the viability of local agriculture were selected as high priorities, followed by creating new business opportunities. Most members agree on the goal of long-term self-sufficiency. Few seem to think securing the future of the Skidmore Building is a high priority.

I consider this to be a means to a goal, rather than a goal.

It shows that the Public Market concept is bigger than the building.

You would be robbing the space. You also have McCall Park, and therefore may be doubling up.

Members are divided on the goals of creating a public space and a permanent space for Saturday Market. The two highest priorities seem to focus on the Public Market as an entity.

How does the uncertainty of location affect PDC's study goals?

We assume our study will contain scenarios with and without the Public Market. On the other hand, we are investing much in looking at the Ankeny Square site. It is confusing when we do not know what else is an option.

It would be helpful to see how the priorities would have ranked without input from Board members.

The consultants will present the results of this exercise in a weighted average.

The Skidmore Building is not a relevant issue. It will be preserved no matter what. It has no bearing on the feasibility study.

The Committee generally agreed.

However, we need to look at costs associated with using it.

Again, the Public Market Board has decided to focus on developing at Ankeny Square. What has changed now is how to tie the Public Market to a historic location; the waterfront is very compelling versus new construction that may be at demographic crossroads of what we want to achieve.

At this point, changing the location would not greatly impact the feasibility study. The concept works in multiple locations.

I rated it low because it is a given and not a priority to focus on.

The Public Market Board favors pursuing the Ankeny site with full enthusiasm but understands problems associated with it. If loading and parking questions are not answered, we should have another possible site in our back pocket.

PDC is interested in the Skidmore Building (Ankeny site) because we need to find a viable use for the building and the Public Market seems to fit.

Has the Public Market Board considered including Little Italy in this discussion?

Little Italy is a self-contained project looking at many sites. The Public Market and City have not discussed whether to include them, though they would be important. I personally question their socioeconomic compatibility with the Public Market. All parties need to discuss what they want to be in this respect.

The Public Market should not be pigeonholed into anything because that would be limiting.

PDC has no thoughts on the location of Little Italy but it will come up in the Ankeny-Burnside Study.

The Public Market Board will meet and develop responses on issues listed by Committee members at this meeting for subsequent PDC and Advisory Committee review. The next Advisory Committee meeting is **Wednesday, August 17, from 1:30 to 4:30.**

**Portland Public Market Feasibility Study Advisory Committee Meeting Summary
July 6, 2005**

Appendix A

Ron Paul's Role

- What is Ron Paul's role in Phase 2? Is his dual role creating conflict?
- Whom does he represent?

Market Relationships

- Resolution and articulation (for public) of Public/Farmers/Saturday Market missions and differences.
- How to achieve a sustaining relationship between the area's Farmers Markets, Saturday Market and the Public Market.

Space/Site

- Isn't the Skidmore Building too cramped to serve even as the kernel of the Public Market?
- Will there be enough room at the Ankeny Square site for facilities needed for educational programs?
- Can the loading problems at the Skidmore Building really be solved?
- Can the Public Market and Saturday Market share outside space?
- Answer the questions regarding river access and loading and unloading for vendors. Imagine a really busy, crowded, bustling environment. Is this location too small and/or do we scale our vision for the market to the space?
- When is the Public Market going to settle on a site? What is the process for the 511 Building? Are we wasting time with this?
- Cost of square footage—will it allow a profit for vendors?
- Has there been a study on the projected sales based upon a 24/7 overhead versus a once-a-week overhead? In the report, 56% of people never shop for groceries in the city.
- How much space does the Public Market really need?
- If condos are to be in SFB upper levels...access? parking?
- How much parking will be needed for the Public Market and Saturday Market?
- How will the Public Market keep rent costs down to provide small business incubation?

Target Market

- Differentiation of the Public Market. What is the value added?
- Agricultural goals?
- Have we factored in what the competition will do to gain customers, e.g., Whole Foods, organic sales focus, T.V., etc.?
- Vendor development/support plan.

- What is the plan to drive customers to the Public Market, e.g. television and print advertisement?
- How does the Public Market serve the low-income community?

Products

- Clarify Public Market product mix.
- What is the import versus local product policy?
- If Saturday Market is the preferred venue for crafts, should the Public Market sell any crafts, even those that are food-related?
- How does the Public Market serve regional agriculture? Be specific.
- Will the Public Market Board be able to define their products? What venues will ensure no competition with existing markets?
- Is the Saturday Market an integral part of a Public Market at all possible locations?

Public Funding

- Why should PDC help fund the Public Market and Saturday Market and not other ventures, such as the Farmers Market and others?

Feasibility Study

- How will the Public Market feasibility interact with the Saturday Market Permanent Home Study; Ankeny Plaza and Burnside studies?
- How dependent is market feasibility on future Old Town housing growth?
- Can the Public Market activate the area enough on a daily basis to overcome the negative effect of homelessness/Mission?
- What does public subsidy mean?
 - gift of building or land?
 - tax abatements?
 - can/will privately funded market support all types or vendors?
- What is a reasonable level of feasibility and business planning before you proceed?
- What is the PDC's ideal role?
- What is the best organizational structure for the Public Market?
 - City owned/nonprofit managed
 - City owned/MERC managed
 - City owned/City managed
 - Other
- Can the three markets share money and/or add to revenues?

Ankeny Plaza Site

- Deal with Saturday Market displacement.
- What will happen to the area under the Burnside Bridge?

- Will the current housing boom in the Pearl District be sufficient (and long-lasting enough) to fuel interest in for-sale residential units in Ankeny Square?

Other

- What happens to feasibility project now that the 511 Building is in the mix?
- How does the Saturday Market relate to the 511 Building option?
- When will we stop asking the unanswerable competition question?

**Portland Public Market Feasibility Study Advisory Committee Meeting Summary
July 6, 2005**

Appendix B

Total number of votes			Portland Public Market Feasibility Study Market Goals - What are your priorities?
High	Medium	Low	
9			Establish a showplace that increases the visibility in the region of local agriculture and specialty food makers
9			Enhance the viability of local agriculture by providing ways for farmers to expand their offerings and customer base
5	3		Improve access to high-quality affordable local fresh foods for households of all income ranges
4	3	1	Provide classes and other education programs to improve nutrition and consumer support of local agriculture by increased knowledge of how to prepare meals using affordable and local fresh foods
6	1		Create new small business opportunities for makers and sellers of specialty and prepared food items
2	4	1	Promote revitalization of the Old Town area through a catalytic development of the Public Market that attracts retail, residential and other diverse, mixed-use development
7	1		Ensure the Public Market's long-term self-sufficiency without ongoing public investment
2	4	4	Secure the future of the historic Skidmore Fountain building through renovation and establishment of new uses that generate sufficient revenues to ensure its long-term preservation
3	4	1	Create and maintain a vibrant public space
2	5	1	Secure permanent location for Saturday Market

**Portland Public Market Board's response to
Advisory Committee for Feasibility Study questions
identified at July 6, 2005 workshop**

Ron Paul's Role

Q: What is Ron Paul's role in Phase 2? Is his dual role creating conflict?

A: In any public-private partnership in the city's history, city staff has taken an active role in creating and/or managing the often-precarious gestation period.

Comment: question on dual role not addressed. Response not clear on specific role in Phase 2

Q: Whom does he represent?

A: Ron's role in the gestation of the Public Market is no different from that of other city staff members who have preceded him on other civic enterprises.

Market Relationships

Q: Resolution and articulation (for public) of Public/Farmers/Saturday Market missions and differences.

A: The mission of the Portland Public Market is to operate a daily, year-round, indoor-outdoor venue to showcase our region's bounty, to promote sustainable agricultural practices, to encourage healthy eating, and to provide entrepreneurial opportunities for those who produce and sell the food we eat.

Q: How to achieve a sustaining relationship between the area's Farmers Markets, Saturday Market and the Public Market.

A: The Public Market is not now contemplating, nor has it ever contemplated, selling crafts that would compete with Saturday Market, with the possible exception of culinary items such as custom knives or cutting boards. In those cases, the Public Market would consult with Saturday Market prior to agreeing to handle that vendor and/or those items.

A: Some smaller [Farmer's Market] producers may choose to form co-ops in order to achieve [Public Market] scale, while others may already be capable of operating at that level but have not yet had the opportunity to do so

A: The Public Market will also offer year-round day stalls, which may result in more overlap and shared interest from current Farmers Market vendors.

A: Undoubtedly, some competition may occur and the Public Market is sensitive to that and commits to promoting the dates and times of local Farmers Markets with its website and other publications.

A: Until a name other than "Portland" Public Market emerges, the chance for confusing the two institutions also increases. The board has dedicated itself to establishing a process

for choosing a name to replace “Portland Public Market.”

Space/Site

Q: Isn't the Skidmore Building too cramped to serve even as the kernel of the Public Market?

Q: Will there be enough room at the Ankeny Square site for facilities needed for educational programs?

Q: Can the loading problems at the Skidmore Building really be solved?

Q: Can the Public Market and Saturday Market share outside space?

Q: Answer the questions regarding river access and loading and unloading for vendors. Imagine a really busy, crowded, bustling environment. Is this location too small and/or do we scale our vision for the market to the space?

Q: Cost of square footage—will it allow a profit for vendors?

Q: Has there been a study on the projected sales based upon a 24/7 overhead versus a once-a-week overhead? In the report, 56% of people never shop for groceries in the city.

Q: How much space does the Public Market really need?

Q: If condos are to be in SFB upper levels...access? parking?

Q: How much parking will be needed for the Public Market and Saturday Market?

A: Phase 1 of the BAE Feasibility Study determined that this building was suitable for renovation into a Public Market and that, despite its challenges, could provide a historic anchor to the new construction that would surround it. If, for whatever unforeseen reasons, this location reveals flaws that cannot be corrected, then (and only then) would the Board entertain other possibilities.

A: Many of the other questions raised during the meeting fall more in the purview of the BAE consultant team - i.e., the size of the building, loading and parking issues, upper floor uses, etc. The Public Market welcomes the continuing discussions of these and other issues as we progress.

Q: When is the Public Market going to settle on a site? What is the process for the 511 Building? Are we wasting time with this?

A: The Public Market Board has determined that the Skidmore Fountain Building and its surrounding parking lot is the preferred and only site currently under consideration.

Q: How will the Public Market keep rent costs down to provide small business incubation?

A: rents must be affordable and retail prices reasonable. One mechanism to insure the success of the Market is to build the facility debt-free as a part of a larger urban redevelopment vision

A: Rents will be based on a percentage of sales so that the barriers to opening a central city retail location will be far lower in the Public Market than they would be elsewhere in the downtown area.

Target Market

Q: Differentiation of the Public Market. What is the value added?

A: In categories other than fruits and vegetables, the Public Market will offer some infrastructure advantages over farmers markets. For lamb, pork, poultry, beef, game, seafood, dairy and cheese, wines and certain prepared foods requiring refrigeration, the necessary casework to safely store and display these foods is neither portable nor practical for itinerant sales. A permanent facility will allow that segment of the region's agricultural economy to benefit from increased exposure to a public eager to purchase more of those products than seasonal Farmers Markets can physically provide.

A: The Public Market will also offer year-round day stalls, which may result in more overlap and shared interest from current Farmers Market vendors. Those day stall vendors are likely to respond to the levels of customer demand on an ad hoc basis and tailor their participation accordingly, although without requiring a long-term personal or financial commitment.

Q: Agricultural goals?

A: Some smaller producers may choose to form co-ops in order to achieve that scale, while others may already be capable of operating at that level but have not yet had the opportunity to do so. Some have called this category "Ag in the middle", a third option lying between direct customer sales, which yield high per-customer profits but reach relatively few customers, and wholesale markets, which reach a large number of customers at a lower profit margin

Q: Have we factored in what the competition will do to gain customers, e.g., Whole Foods, organic sales focus, T.V., etc.?

A: The question of how the Public Market differs from private supermarkets was also raised during the July 6th meeting. A Public Market aggregates small, locally owned businesses in a public space with distinctly public goals that do not include making a profit for the landlord or external shareholders. The authenticity quotient is significantly higher in a Public Market, as is the personal relationship between buyer and seller. There are supermarkets that do an arguably better job than others in approximating the goals of a Public Market; they do not, however, replicate the inherent qualities of successful Public Markets.

Vendor development/support plan.

Q: What is the plan to drive customers to the Public Market, e.g. television and print advertisement?

A: The Public Market's hours of operation--seven days a week throughout the year--will appeal to those who may not have the flexibility in their work or home schedules to do their shopping only during certain hours and/or on certain days of the week during the growing season.

Q: How does the Public Market serve the low-income community?

A: Like the region's Farmers Markets, the Public Market will maintain a commitment to attracting and serving diverse customers of all socio-economic levels. The Public Market's Board of Directors has made a specific commitment to finding effective ways of encouraging participation by low-income customers, especially those suffering from food insecurity. Some possibilities include free cooking classes and reduced prices for customers enrolled in the Food Stamp and WIC programs (participation by vendors would be voluntary and their costs would be reimbursed). The Public Market also will dedicate itself to attracting a full range of vendors who span the region's ethnic and income boundaries. Rents will be based on a percentage of sales so that the barriers to opening a central city retail location will be far lower in the Public Market than they would be elsewhere in the downtown area. By having the complexion of Portland fully represented in the vendor base, the likelihood of attracting a diverse clientele increases significantly.

Products

Q: Clarify Public Market product mix.

A: In categories other than fruits and vegetables, the Public Market will offer some infrastructure advantages over farmers markets. For lamb, pork, poultry, beef, game, seafood, dairy and cheese, wines and certain prepared foods requiring refrigeration, the necessary casework to safely store and display these foods is neither portable nor practical for itinerant sales. A permanent facility will allow that segment of the region's agricultural economy to benefit from increased exposure to a public eager to purchase more of those products than seasonal Farmers Markets can physically provide

Q: What is the import versus local product policy?

A:

Q: If Saturday Market is the preferred venue for crafts, should the Public Market sell any crafts, even those that are food-related?

A: The Public Market is not now contemplating, nor has it ever contemplated, selling crafts that would compete with Saturday Market, with the possible exception of culinary items such as custom knives or cutting boards. In those cases, the Public Market would consult with Saturday Market prior to agreeing to handle that vendor and/or those items.

Q: How does the Public Market serve regional agriculture? Be specific.

A: The Public Market will feature permanent indoor vendors whose products will overlap those of Farmers Market vendors but who will be operating at different scales.

Will the Public Market Board be able to define their products? What venues will ensure no competition with existing markets?

A:

Is the Saturday Market an integral part of a Public Market at all possible locations?

A:

Public Funding

Why should PDC help fund the Public Market and Saturday Market and not other ventures, such as the Farmers Market and others?

A: One mechanism to insure the success of the Market is to build the facility debt-free as a part of a larger urban redevelopment vision

Feasibility Study

Q: How will the Public Market feasibility interact with the Saturday Market Permanent Home Study; Ankeny Plaza and Burnside studies?

A: Public Market is committed to working cooperatively with Saturday Market to help it secure a permanent location for its crafts producers. We believe that Saturday Market, with its 30-year history, will continue to thrive and that a unique and permanent home in the Old Town/China Town area is within reach.

Q: How dependent is market feasibility on future Old Town housing growth?

A:

Q: Can the Public Market activate the area enough on a daily basis to overcome the negative effect of homelessness/Mission?

A:

Q: What does public subsidy mean?

- gift of building or land?
- tax abatements?
- can/will privately funded market support all types or vendors?

A:

Q: What is a reasonable level of feasibility and business planning before you proceed?

A:

Q: What is the PDC's ideal role?

A:

Q: What is the best organizational structure for the Public Market?

- *City owned/nonprofit managed*
- *City owned/MERC managed*
- *City owned/City managed*
- *Other*

A:

Q: Can the three markets share money and/or add to revenues?

A:

Ankeny Plaza Site

Q: Deal with Saturday Market displacement.

A: Regarding Saturday Market, the Public Market is committed to working cooperatively with Saturday Market to help it secure a permanent location for its crafts producers. We believe that Saturday Market, with its 30-year history, will continue to thrive and that a unique and permanent home in the Old Town/China Town area is within reach.

Comment: PDC and Saturday Market are actively engaged in a process to find a new permanent home for Saturday Market. The consulting firm, Parametrix, has been conducting focus group discussions with the vendors and surrounding property owners. Additional intercept surveys with market customers are also underway. A recommendation is expected to go to PDC Board, Planning Commission and City Council in March, 2006.

Q: What will happen to the area under the Burnside Bridge?

A:

Q: Will the current housing boom in the Pearl District be sufficient (and long-lasting enough) to fuel interest in for-sale residential units in Ankeny Square?

A: Many of the other questions raised during the meeting fall more in the purview of the BAE consultant team - i.e., the size of the building, loading and parking issues, upper floor uses, etc. The Public Market welcomes the continuing discussions of these and other issues as we progress.

Other

Q: What happens to feasibility project now that the 511 Building is in the mix?

A: The Public Market Board has determined that the Skidmore Fountain Building and its surrounding parking lot is the preferred and only site currently under consideration.

Q: How does the Saturday Market relate to the 511 Building option?

A:

Q: When will we stop asking the unanswerable competition question?

A: Public Market aggregates small, locally owned businesses in a public space with distinctly public goals that do not include making a profit for the landlord or external shareholders. The authenticity quotient is significantly higher in a Public Market, as is the personal relationship between buyer and seller. There are supermarkets that do an arguably better job than others in approximating the goals of a Public Market; they do not, however, replicate the inherent qualities of successful Public Markets.

Portland Public Market Feasibility Study Advisory Committee
August 23, 2005

Meeting Summary

Attending

Committee Members: Greg Cervetto, Tom Gilpatrick, Amelia Hard, Phil Kalberer, Deborah Kane, Marcus Simantel, Paul Verhoeven

Guests: Patsy Feeman, Portland Saturday Market Parametrix consultants; Charles Houtchens, Chair, Portland Saturday Market board; Ryan Mottan, MIG consultants

Portland Development Commission (PDC) staff: Lew Bowers, Amy Miller-Dowell, Ross Plambeck

City staff: Ron Paul

Consultants: Elaine Cogan and Suzanne Roberts, Cogan Owens Cogan

Welcome and Introductions

Elaine Cogan opened the meeting with an overview of the agenda. Committee members, guests and staff introduced themselves. She then asked for comments on the summary of the July 6 meeting. Tom Gilpatrick said that as he missed that meeting, the summary was very helpful.

Revised Mission and Goals of Public Market

The letter from the Public Market board in response to issues raised at the July 6 meeting is attached. The discussion at this meeting was in reference to that letter.

Summarized comments and questions from Committee members and guests are in italics. Summarized responses from Public Market representatives, staff and the consultants follow in regular print.

I read somewhere that the market is anticipated to operate on a 24/7 basis. Is that correct?

No, but our mission is to operate on a daily, year-round basis.

How does this differ?

It is bricks and mortar, daily, year-round market with indoor and outdoor facilities. It has a different scale of vendor participation (than Saturday or Farmers Markets).

Do you plan to have a mix between lease-holders and rented space on a weekly basis?

There will be permanent tenants plus day tables that are ad hoc. Long-term leases will be available.

The indoor portion of the market will be open daily and contain merchants of items such as fish or flowers that need indoor space and casing, or year-round products, such as herbs. On the other hand, products such as seasonal produce or prepared food require less space. By virtue of a porous building, we will have interaction with the surrounding area, visually creating a destination, but also offering a protected environment and an opportunity to add programs.

Please clarify what you mean by calling the venue a showcase and how that differs from food use.

Someone who has produced agricultural products for a long time will have a big area that will be specially showcased and should be interactive. The market will be a showcase of Oregon agricultural production. We don't know yet how it will work exactly.

What do the growers do now?

Wheat growers had a place to display their product in the past (Albers Mill), but this was not widely known, so it does not exist anymore. Wine, as another example, has trade associations but not a separate place. It would be ideal if they could have offices in our building. Most of them currently are in Salem, to be close to the State Legislature.

How to you plan to encourage healthy eating in the Public Market?

It would be ideal to have an area of the market devoted to demonstrations, hands-on cooking classes and producer presentations. We have had many discussions about making these opportunities available to all citizens, particularly low-income people. To make this happen, we need to conduct active outreach, for example, with free classes combined with reduced-price programs for food stamp recipients. Food stamps are available through a charge card that possibly could be used in the stalls, automatically indicating the price reduction and reimbursed to the seller through another means, such as a sponsorship program.

I like this idea because, working at a university, I've learned that few students cook for themselves.

Agreed. I teach cooking as a survival skill for a food bank. You have to punch through a wall of ignorance and resistance with aggressive outreach. If there is coordination between educators and producers, we can have synergy. These are part of the core values the Public Market board has had all along.

I agree with the concept but have financing concerns, particularly about subsidizing.

The Ecotrust Building is one of many good models. It rents space for nonprofits and multiple uses. We envision, for example, not only a cooking class, but also catering services, to provide opportunities for profit-making.

That could be done, maybe on the upper floors of the Skidmore Building.

Or in the basement, near the wine vendors.

We should ask the Public Market representatives for clarification when needed, but it seems inappropriate to suggest changes to their Mission Statement, Values and Goals.

This committee's job is to react, either by validating it or suggesting changes to which the board can come back with a response. We are not asking the committee to rewrite the document, but to point out anything does not seem appropriate or unrealistic for a public market. The board can then do what it wants with the input. PDC has requested input from this committee to clarify the Public Market's mission and goals for Phase 2 of the BAE study.

Given the anticipated public feel of the market, how do you discourage unhealthy eating? It seems you would be excluding a portion of potential vendors.

This would be a good question to ask the Farmers Market representatives. I believe that they only have vendors that do not use trans-fat ingredients. We would control nutrition in a similar way. In addition, we have a certain amount of market and peer pressure to self-select those who are appropriate.

The mission refers to providing entrepreneurial opportunities. What kinds of firms and people will be encouraged?

We will encourage locally-owned companies, as opposed to national franchises.

Does the document adequately address your educational goals?

Yes, encouraging healthy eating is a broad enough umbrella. Including low-income patrons is another aspect.

Ankeny/Burnside Study

Amy Miller-Dowell of PDC reported on the Ankeny/Burnside study. The MIG consultant team was chosen. The work plan calls for the first stakeholder meeting in mid September and completion of the overarching work by March, 2006. Next steps will include creating key projects that possibly will leverage private investment. Currently, the Saturday Market is looking for a permanent home. That will be under the umbrella of the Ankeny/Burnside study, as will redevelopment of the fire station into mixed-use housing. Reuse of the Skidmore Fountain Building is a priority. Money also is earmarked for public spaces, with the MAX station and Ankeny Square is being considered.

As PDC moves forward with the Ankeny/Burnside study, will other city bureaus start weighing in more?

Yes, we can expect more as we expand into other areas. PDC's role is to determine the market's feasibility and to provide technical support. The Bureau of Planning is involved, especially as these studies move forward.

Public Market Response to Questions from July 6 Meeting

Members had received beforehand the Public Market board's August 18 letter, The Historic Portland Public Market Foundation. Board representatives emphasized that the answers reflect its five years of history and the hope that this spirit is neither diminished nor lost as the discussion proceeds.

Ron Paul's Role

I am still unsure of who Ron represents, given that he is a City employee.

Ron explained that he is an employee of the City to work on this project, with an office in the Office of Sustainability. The City supports studying the Public Market concept in terms of its larger urban and economic development.

Ron will continue in his role as the steward for the \$80,000 USDA grant that is partially funding this study. He also plans to continue as chair of the Public Market board.

Amy said that PDC and others have concerns about this dual role. She asked Ron if he would continue if some perceive the BAE feasibility study is not being fair and unbiased.

Ron answered that he has had an arms length role in the day-to-day processes, including PDC managing the public involvement.

Ross Plambeck, PDC, referred to questions raised at the July 6 meeting about the propriety of having an advocate who is a City employee and also chair of the Public Market board. It continues to be an issue.

Ron answered the question well and will probably go overboard in trying to balance and explain his dual roles. I do not have a problem with it, but recommend that everything be documented.

I do not see a problem with it either. Many people will be involved in the decision. His role is to put the pieces together and it is a lot of work.

Amelia Hard referred the committee to page 4 of the board's letter, which says that City staff has historically been active in public-private partnerships.

They helped generate projects but did not have the dual role of serving on a board.

In other projects, elected officials have taken on that role; this situation is different.

I want PDC to answer the question. I am uncomfortable if anyone else in the City is not confident giving a definitive response. It leaves all of us vulnerable.

Amelia referred to Chip Lazenby's comment at the July 6 meeting, that if Ron is not paid by the Public Market board, it is a policy issue and there is no legal conflict.

I've gained clarity through this discussion. This will help us in responding to public concerns about the issue.

I agree. It has been described more clearly today and through the board's letter. This is a City, rather than a PDC, policy. However, it still needs to be answered somehow, especially as we move up to other issues like funding.

This is the first time I've heard the issue raised with such concern and appreciate the clarity we have heard today.

It may be helpful for Ron to draft a procedure that he will follow in proceeding with the project.

Does BAE has any concern about moving forward?

Ross said that, in a larger context, they are responsible for their product and want it to be defensible, so that if they determine the Public Market is feasible, other things do not undermine it. PDC also wants to produce a defensible document.

We do not want BAE to overcompensate by appearing too optimistic. It needs to be a fair report.

We selected BAE because we perceived that they have the ability to collect and evaluate data and determine the market's probability.

That is what they are doing, but they also are looking at factors they cannot control. They feel that, due to Ron's dual role, he may not be perceived by the public as neutral.

There is potential for great scrutiny on such projects. Is there funding available to backstop and have another firm write a report?

I don't know if that would be possible. We need a firm that can write a business plan.

I agree. The plan needs to provide a financial outcome--for example, how much space will cost, what the estimates are based on.

It may be helpful for BAE to provide an outline of its report for Phase 2, after reading the results of today's meeting.

After reviewing the Public Market's responses to the July 6 questions, BAE is still unsure about what to model in terms of what the Public Market wants to do. They could take their best guess based on other markets and assumptions of what this market will do, but the concern is that they would be modeling a business plan without specifics.

Do they want information that is descriptive or prescriptive?

They want to know precisely what the product mix and types of vendors would be—more than what is currently in the Public Market’s response. They want to study something that makes sense in Portland and then tell us if it will work.

The PGE Park project is a good example of a report written without knowledge of what the City wanted. It was a valid report but not congruent with City goals.

They are supposed to help us know what the mix is for the city. If we just give them a model, do we need them?

We did not hire BAE just to parrot back numbers attached to our vision. They have the expertise about market mix.

Shouldn’t we go to their original scope of work and compare it with what they are doing now?

Based on their expertise, they may make suggestions not in line with the Public Market’s mission.

That would be fine. We could then determine whether to rethink our mission.

There seems to be a disconnect in communication. BAE needs answers. I agree that they need to have a philosophy on which to base the plan.

BAE should tell us what the best mix is, based on Northwest preferences and other information.

They want more clarity on the Public Market’s concept of local vs. non-local, and indoor vs. outdoor vendors.

The Public Market has talked about these things but does not have official positions on them.

We can talk about any of our ideals at this point in good faith. We risk going public with certain goals that we find, after BAE’s report, we are unable to deliver.

The Public Market’s mission statement is not prescriptive. It is our ideal, but we won’t necessarily oppose anything that goes against it.

It is legitimate for BAE or PDC to ask you to define your goals. There are differences among public markets, so providing clarity on the board’s goals is helpful. BAE can give us its best plan based on similar missions.

Their role is to validate our assumptions.

Some of this discussion is premature. You cannot control the mix because it comes down to economics. You need your financial projections of feasibility. BAE should look at architectural blueprints and demographics for expansion potential.

The intent of BAE's work was to produce those results. They will do a hybrid of their own professional judgment based on their knowledge of the area. If you look at our (the Public Market's) letter, you will see that we have articulated our anticipated vendors.

Market Relationships

We are second guessing BAE. We need their scope and plans for proceeding. They feel we are on the right track, but need more questions answered--for example, the relationship that the Public Market expects among other area markets.

Perhaps a different or enhanced group (to this committee) should review their Phase 2 report, to help ensure accuracy.

Ron's latest explanation of his role should be the one with which we go forward with our work.

It would be helpful to have mission statements for the Portland Farmers and Saturday Markets.

I agree that clarity is needed.

Funneling communications through PDC has helped maintain impartiality.

Elaine has already talked to all three markets about their anticipated relationship to the Public Market.

We have agreed that the Public Market would sell prepared and to-go foods and have articulated the potential overlap there. We want to make sure this is understood. We do not yet know what our proximity to the other markets will be.

Location is another issue.

We have given BAE enough to conduct the study. They need to look not only at other markets but also local demographics.

Farmers markets throughout the area, not just Portland, need to be considered.

Space/Site

Has the building been evaluated as to the feasibility of condos?

We had not realized there could be a mix of housing until the BAE report. We are wondering where it gets covered.

It does not seem that the Public Market needs all the square footage.

BAE reported that there is an opportunity for new housing in the new market. Another potential revenue stream comes from renting the kitchen and meeting space for private events. We need to look into whether there is room for this.

Target Market

Our (Public Market's) response to the question about value added by the Public Market should include our educational goals. It also includes refrigerated displays and storage, plus the overall scale of the market, compared to the others.

You should also say what the Public Market is not, for example, crafts and franchises.

There is space upstairs for a restaurant. What hours would it operate?

There is an opportunity for separate entrances for later hours. The architect needs to understand these differences. Entrances and egresses need to be separate but not away from mainstream traffic. Philadelphia has a market that is a good example of this. Certain doorways should be locked when not in use to cut down on staffing costs.

Regarding your agricultural goals, this is the first time we have seen reference to co-ops and small farms. Can you please explain your thoughts about them?

Not all small farm operators are ready to fill a vendor spot so we envision they can form co-ops to provide for a booth. It is a great way to get started.

Can you provide examples of how this has been done in a public market context?

The Amish in Pennsylvania are one example. In addition, Astoria gill-netters sometimes pool their resources to support a full time operation.

Another way to differentiate the farmers and Public Market is that the former captures those sellers who can work all week and then come to market. The scale we refer to is either a co-op or others that are already producing enough to go to the next level. This difference in scale is key.

You should articulate your philosophy on how your products should not cannibalize local products. BAE needs to know this.

We can cover it, though I think it is implicit in our mission and values. Maybe we could say something like--wherever possible, the choice will be for products from the regional foodshed, and at times when we need to move beyond it, we will ensure no direct competition with a specific product. For example, selling non-regional lemons alongside regional salmon would not put the two products in competition with each other.

We (Public Market) are not ready to answer questions about competition. The marketing plan will further delineate how we differentiate this.

Regarding the local community, how can you have a diversity of vendors without a base?

Some rents will be based on a percentage of sales, to attract and support a broader range.

This year, Saturday Market switched to a flat fee system because the honor system caused many problems.

There are different methods that we will have to experiment with.

You need a failsafe system. A brick and mortar operation comes with risks. You should consider whether it is practical to have a fee-based system and police honesty.

To focus on what is missing in this document, I do not see reference to public transit.

Do you envision low-income participation to be subsidized?

It would be great to be able to fund it with our own revenues, but this probably is not feasible. Therefore, we are hoping for a large sponsor.

How do you anticipate configuring the products to attract low-income shoppers?

We hope to bring them in to get the same great products that they are usually denied. In addition, there would be ethnic vendors, such as taquerias. We want the Public Market to look like Portland. Pioneer Square, for example, accommodates a full range of residents.

The Farmers Market's system of using a card to get tokens has been successful.

Would BAE validate this? This is something we should tell them to look at.

Public Funding

The Public Market sees this project as having public goals that align with PDC's, such as waterfront urban renewal.

PDC's plans for use of the upper floors of the Skidmore Building will not subsidize the Public Market, although we have asked BAE to look at synergies among uses. The Public Market has looked at separate funding equations--carrying debt versus separate uses.

Ankeny Plaza Site

Part of the feasibility study will be an estimate of the capital gap. Then, decisions about what is needed, and how, will need to be made. Ultimately, the Public Market wants a debt-free facility.

Pioneer Square is owned by the City but managed by another group. This is the type of arrangement we envision, with a management contract to run it without ownership interest. Typically, we will manage just the part occupied by the market.

Are we asking BAE to look at the feasibility of the upper floors for the market? That would be the wrong path to take.

We are asking what the best use is, assuming the Public Market is there. We are not trying to justify the Public Market based on the other uses.

The Public Market hopes that it has a clear relationship with the Saturday Market in terms of working together and ensuring that all issues are on the table.

Where is the permanent location of Saturday Market going to be?

We want to stay close to our current location. In September, we plan to start looking at our goals and are open to suggestions from this committee.

A desired location is in Waterfront Park, though park representatives typically do not favor such uses.

It is important to think about a two-day use that does not affect the location on the other days. The Park Blocks may be an option. Parks, streets or parking lots are obvious ideas.

Questions that Still Need Answers

Regarding the best organizational structure, it would be good to look at the success rates of various models. Roles still need to be defined--enough to complete the business plan.

The Public Market definitely anticipates a synergy among the three markets, in terms of promoting each other and maintaining their uniqueness.

We need a feasibility concept for a market district.

Some of the space under the Burnside Bridge would likely be used by the Public Market for services such as delivery and garbage. We also will consider other uses that are active and dynamic. One local example is the Bistro Montage, which operates late at night under the Morrison Bridge, with a similar superstructure around it. There also are opportunities to coordinate with nearby street-level uses.

This is an important feature in the area.

Regarding the next question, homelessness is not the problem. Most of the people who occupy the area under the bridge are not homeless. It is important to make the area vital and vibrant.

BAE is not assuming the Public Market will resolve problems under the bridge, but only at how their use may contribute.

Clarification of the Public Market's Product Mix

Yes, the Public Market will define its products. We have already answered the question about competition with other markets. It would be dangerous to state that we will not compete. It is better to discuss which elements will compete.

There will be some competition and we have articulated it. If the Farmers Market sells the majority of fruit and vegetables, and their vendors compete with each other, we will look at selling produce when they are not open and types that they cannot accommodate. We are trying to capture those products that by virtue of scale and limitations, the other markets cannot offer.

There was some feeling before about the Public Market not having outdoor vendors during weekends to avoid competition with farmers markets.

We have discussed with the Farmers Market the option of running a seasonal market adjacent to the Public Market. They have chosen not to. There are others in the region who may be interested in a similar option. If we study the Public Market as a fulltime, indoor operation, the features are very different.

In addition, Farmers Market vendors need to sign up at beginning of the season and commit to the whole season. The Public Market's day stalls will appeal to very small vendors who prefer a more flexible arrangement. We estimate many farmers who are unable to obtain space in the Farmers Market will come to the Public Market.

Regarding the Saturday Market being an integral part of the Public Market, I asked this question when the 511 Building was an issue. If it is not, then the question is irrelevant.

Next Steps

PDC will ask BAE for clarity on their scope and next steps for business modeling and will route it to committee members. These will include Public Market funding, organizational structure and management. Once BAE begins the study, it will take six to eight weeks.

The committee will meet again to review the BAE second phase draft report.

Meeting adjourned.

**Portland Public Market Feasibility Study Advisory Committee
November 17, 2005**

Meeting Summary

Attending

Committee Members: Greg Cervetto, Amelia Hard, Jane Jarrett, Phil Kalberer, Deborah Kane, Chip Lazenby, Ron Paul, Marcus Simantel, Dianne Stefani-Ruff, Paul Verhoeven, Lynn Youngbar

Guests: Charles Houtchens, Rhea Weinhaus and Julia Wood, Portland Saturday Market Board; Sumner Sharpe, Portland Saturday Market Parametrix consultants;

Portland Development Commission (PDC) staff: Lew Bowers, Joanne Daunt, Amy Miller-Dowell, Ross Plambeck

City Staff : Joe Zehnder, Portland Bureau of Planning

Consultants: Elaine Cogan and Suzanne Roberts, Cogan Owens Cogan; Ron Golem and Janet Smith-Heimer, Bay Area Economics (BAE); Rick Gustafson, Shiels Oblatz Johnsen

Welcome and Introductions

Elaine Cogan opened meeting. After committee members and guests introduced themselves, Elaine reviewed the agenda, which included a summary list of issues the Committee asked BAE to cover in its report, as discussed in the August 23 meeting.

Ross Plambeck reviewed the Portland Public Market (PPM) feasibility study process to date, noting that the work plan has two phases—the first, to test the feasibility of the market, and the second to develop a business plan and financing strategy, the topic of today’s meeting.

Ron Golem then presented a PowerPoint overview of the Phase 2 report, noting that a diverse team of consultants, as well as an expert panel, contributed a broad base of knowledge to the report. He summarized the following key points about Phase 1 findings that drove the Phase 2 study:

- Based on research that included surveys of residents, employees, farmers and potential vendors, the Phase 1 study concludes that there is enough demand in the region to support the PPM concept.
- The findings show a strong demand from residents and workers and the potential to capture up to \$20 million per year in revenue.
- No fatal flaws were found in the Skidmore Fountain Building site, although resolving parking issues is critical.
- The PPM should focus on providing both fresh and prepared food.
- It will take time to cultivate the ideal tenant mix.
- Strong management of the market is a key to success.
- It will be important to ensure that customers connect to the market on a personal level, e.g. that the market is attractive and there is a range of food experiences.
- A “bustle” in this area is important to attracting a critical mass of customers.

In addition, the PPM Feasibility Advisory Committee indicated the following important characteristics:

- A target market.
- Relationships with other local markets.
- Non-competition with Saturday or Farmers Markets.
- Availability of and access to a range of products.
- Ways to encourage participation of small, low-income, and ethnic vendors.
- A showcase market for local growers.

The Committee also asked the BAE team's advice on the most appropriate vendor mix.

Ron then described the Refined Market Concept and its three themes: a showcase of sustainable agriculture and food policy initiatives; a place to gather, trade, interact, experience and foster small business; and a place to capture consumer interest in specialty food.

The Portland metropolitan area has these: a strong agriculture sector, climate for sustainable policy initiatives, emphasis on small businesses, demand for gathering places and livable city experiences, and support for specialty food retailers.

The team considered these ideas to recommend how to position the PPM as a unique and exciting place that provides the best of Portland in terms of shopping and as a destination, entertainment and educational experience. The market should be different from other venues in the city, attract a variety of ethnicities and income levels, have a unique image to tourists, and anchor the market district. BAE suggested a working title of a "green market."

The concept focuses on fresh and local food that would constitute 90% or more of the markets square footage and a limited complement of quality retailers offering "green" lifestyle products (less than 10% of square footage.) This conceptual vendor mix fosters competition and completes the shopping experience. The team proposes two options for the market: Option A--a multi-level market with added north market hall; and Option B--a single level market with added north and east market halls. For this option, acquisition of additional space is needed.

For either option, other issues include seismic standards; upper level uses; expansion capacity; parking, which will be informed in part by the Burnside-Ankeny Study; and feasibility of mixed use development on the Naito lot. Financing is expected to take at least two years, followed by design, with the market opening expected the first quarter of 2009.

Next, Ron described theoretical floorplans of each option. In Option A the upper level can provide a destination for activities such as eating and educational classes. In Option B, classes would take place in the basement, there is no room for a destination, and there is less area for vendor stalls.

Each option has advantages and disadvantages. Option A avoids acquisition of the Naito lot and allows for intensive use and opportunities for more development. It also presents design challenges and costs and requires an easement on the lot for loading. Option B is more typical of public markets and provides opportunities for complementary uses on the second level. It also includes the cost of acquiring the Naito lot, would impact other lot users, and may preclude denser mixed use elsewhere on the property.

Discussion followed. Summarized comments and questions from Committee members and guests are in italics. Summarized responses from staff and the consultants follow in regular print.

Is there less vendor space in Option B?

The entire first floor is used for vendors. To add another use would result in less vendor space. In addition, there is limited expansion space, other than across the street in other buildings.

In Option B, are restrooms located only on the second floor? If so, is that approved for the capacity of the room? It seems that outdoor vendors have more lenient regulations. In this structure, are we going through a process to determine such public welfare issues?

All vendor stalls need to have sinks and sanitary handling facilities. We decided not to engage safety code experts at this stage but will ask them to respond to specific details of the concept. Multnomah County is the jurisdiction in charge of public health matters.

If we have to expand public welfare facilities, this will deplete other space that we (PPM) have been counting on.

For the revenue and expenses portion of the report, we modeled the market concept with ten full-time equivalent employees plus reserves for major repairs. Vendor revenue is projected to be about \$200 per square foot, builds up yearly and then stabilizes at \$500 per square foot. The market loses money in its first year, but loses less each year until it breaks even at the third. Subsidy funding will be needed for the first year.

Modeling with lower cost vendors (lower cost, ethnic and bulk foods) decreases the level of sales and results in a larger loss up front.

The proportion of expenses to revenue seems wrong.

The estimated expenses seem low.

Yes, there will be additional expenses, such as property taxes for individual stalls. But the market will be a nonprofit entity and would not pay property or income taxes. [Follow up comment: this is an assumption that needs to be clarified because the vendors are for profit and may trigger property tax payments.]

There is a difference between operating the market and operating individual stalls.

When looking at revenue and cash flow streams, these are important issues.

Development cost is a combination of development, architecture, design and soft costs. The market will need start up expenses for staff. The cost from today to the opening of the market is projected to be \$13.5 million.

The consulting team looked into funding sources to offset these costs. A nonprofit capital campaign is doable. Congress can earmark federal funding. This approach has worked elsewhere. New market tax credits are a new tool to help stimulate some forms of new businesses. Together, these sources amount to about \$7.2 million.

The organizational strategy section of the report discusses risks such as demand and financing, which seem workable. The biggest risk that appears to face the PPM is a potential lack of business skills that are typical in nonprofit organizations. The report describes various strategies for addressing this risk, including an agreement with the City of Portland to serve as the development manager or to allow PDC to help create a new nonprofit entity. PPM would continue with fundraising and outreach. Several partnership opportunities also are outlined in the report.

The Phase 2 report provides a series of recommendations, including:

- Refine the concept to position the PPM as a unique retail concept that ties into Portland principles.
- There should be a mix of existing and new vendors.
- A market district needs to be developed, with the PPM as the catalyst.
- PDC has resources that should be used to help new vendors be successful; partnering opportunities with other organizations are listed in the report.
- Opportunities to attract visitors should balance with attracting regular, local customers.
- Development should be timed with PDC's housing initiatives.
- Provide for a diversity of customers.
- Attract other types of businesses.
- Decide on a management structure.
- The architecture, design and construction teams should complement the PPM's values for local and specialty food.

In this next discussion, committee members agreed to hear comments and questions first from the PPM Board. They are paraphrased below.

- *I am concerned about the concept of a "green market." The term is copyrighted and therefore cannot be used. Also, we want to reiterate that our concept of the PPM is to focus on food. This is the basis of the relationship we have established with the Saturday Market. We do not want to consider crafts and other nonfood sales. Our mission, that is also the PPM Board's goals statement, should be included in the report.*
- *We feel that the apparent need for green nonfood products in the winter can be served by value-added food products. In addition, we encourage the consulting team to return to the previously discussed concept of allowing regular vendors to sell to those qualified to buy low-priced items through food stamps and other programs, rather than looking only for low-cost food vendors.*
- *The report is very well written and full of good information. I want to underscore our surprise to the "green market" concept. It did not seem to be supported by the data gathered in Phase 1. At the end of Phase 1, the PPM was asked to provide detailed responses to specific questions. We feel that the green market concept does not take those responses into consideration. We have been very clear that we do not want to sell any kind of crafts.*
- *The consulting team should be aware that the PPM Inc. was formed for the purpose of being a nonprofit operating entity (non-501C3). In addition, there is a citizens advisory group that has met for six years and also a national advisory council. Separately, there are vendors that will be making a profit at the market. These are items to be clarified in the report.*
- *For years, the PPM has strived to form a unique Portland market and has begun the process to name the market after James Beard, a well-known chef from Portland. We have received a letter of permission to use his name from the James Beard Foundation. That letter also*

discusses a willingness to partner to ensure finance success and promotion of the market and its mission.

- *In a single-story market, a main restaurant could provide needed revenue. Through our research, we are aware of chefs who are interested in providing market bistros that could run longer hours and showcase the market's foods. The report's analysis of Option B should describe its full potential, including the restaurant concept.*
- *More space may be available in Option B if the loading dock were rotated so that it is under the Burnside Bridge, in a north/south direction. SW Ankeny would be open after hours for larger trucks. This is one of perhaps several methods to increase the square footage of this option.*

Next, other committee members expressed their comments and questions, as paraphrased below:

- *Everyone wants the market to be managed as efficiently as possible. Are there examples of markets elsewhere in which the entity raising funds is separate from the entity spending funds?*
- *Option B seems to have more functionality, though Option A probably is more helpful to Saturday Market because of its upper level access. Both need to be compatible with Saturday Market's function. In addition, the financing projections should be clearer, as indicated earlier in this meeting.*
- *The study was supposed to consider where Saturday Market could share the space. I want to see that. There is potential to build a covered portion that can hold the Saturday Market in the off-season. The short growing season means more space on the day tables during the holidays, when the Saturday Market really prizes indoor space.*
- *I still want to see what the PPM would bring to Portland that is not here now, without a public subsidy. To be vital and imaginative, the PPM needs to be clear about its position and how it relates to agriculture and the community. The latest concept seems to have lost the focus on agriculture.*
- *What relationships exist for developing the upper levels of the space? Do fees from the vendors cover the cost for the education facility? The costs used in the report seem understated.*

BAE: We anticipate the educational facility to be financed by grants and partner resources.

Are the financial projections based on food-only sales or do they include non-food items?

They assume 90% sales of food and 10% nonfood; however, the change would be negligible if we assumed 100% food sales.

- *If we do not meet our funding goals, what is the back-up plan to keep the market operating, and for how long? How many "green venues" can you have? What is the maximum number of stalls we are projecting? How many other local venues are selling the same items? I have concerns that all of these issues will be managed correctly.*
- *The projected start-up costs for four years seem very small if they end at developing and operating the market. I suggest considering a new nonprofit operating entity, such as community development corporations. PPM may find partners there and do not require another start-up organization.*

BAE responses:

The “green market” concept is not meant to indicate the name of the market. If it does not articulate the PPM’s goals, we do not have to use it.

The report does not intend to say that the PPM will sell craft items. [Note: crafts were listed in some versions of the draft report. BAE will ensure that it is removed.] The team also tried to avoid the idea that the PPM would compete with Saturday Market activities. The non-food items described in the report are not crafts. Instead, our intent was to describe the range of products that could be offered, particularly in the off-season, that would be complementary and consistent with the concept of sustainability.

I appreciate that clarification and would like the report also to be more clear about it. We want the emphasis on sustainability to focus on food products, agriculture and building.

From the agricultural side, we have intended for the market to be a venue for farmers to sell goods. We did not talk about the program side, such as sustainability. It is present but needs to be reinforced. The percentage of partnerships shows the emphasis on food.

The PPM Board’s concept for maintaining revenue through the winter is to provide items like wine, beer and cheese. Can you please explain why you went in a different way, e.g. the sale of nonfood items, and what your opinion is about a restaurant?

We were asked to look into the core that would make a public market successful, so this was our focus. We looked at others around the country and found that they sell fresh food and nonfood items. They have not felt it necessary to establish a restaurant to be successful. In fact, they avoid restaurants because they can be very capital intensive and are not always successful. Articulating restaurants as funding sources is not a good strategy. It is best to focus on what can make the market viable year around. Here, in Portland, there is a real opportunity for a market district, which would allow for a restaurant upstairs or nearby.

We also viewed the PPM as a catalyst of a market district. Putting your energy into the core helps everything else fall into place.

The Portland restaurant community has a unique relationship with growers. There is much demand for locally-owned restaurants in or near downtown. A national restaurant chain was not the right model for this study. Money is not really an issue.

We will discuss with PDC whether to include the restaurant as a component of the study. If there are restaurant owners and investors willing to provide capital, we should include them, but we want to maintain focus on the primary goal. We wanted to maximize the fresh food area and worked with PDC to ensure that investment ideas were emphasized.

The PPM’s relationship with the farmers markets is a great asset to the area and there are many opportunities for complementary uses. The Saturday Market generates a high level of high socioeconomic foot traffic, so the Saturday Market should be a part of the market district concept. We are not trying to overlap into their study.

We need to further discuss the anchor idea. We are in the middle of a large public outreach effort for the Saturday Market. They see themselves as an anchor for the area and PDC supports this in its study. your report should reflect this.

We strove to minimize impacts to the Saturday Market site and are aware of the opportunities for sharing of the space.

Did you also look at impacts to the farmers markets?

The farmers markets have been a challenge. There has been a separate dialogue that we did not participate in. This area's demand for fresh and local food is not fully maximized.

We have many farmers markets in the greater Portland area. All of them should be involved. The Oregon Farmer's Market Association is not listed as a potential partner.

The list of potential partners is not exclusive, but we can add them.

The space needs described in the study should include needs for winter uses such as a wine shop. It does not seem possible for both the PPM and Saturday Market to fit in the proposed site.

I have concerns about loading access, including backing into Naito Parkway. The report should address how these logistics can work together. Relocation of the Saturday Market would affect the PPM. The public wants the Saturday Market to remain where it is.

We have been clear about wanting to stay there and are just discussing the feasibility of the markets sharing the space. The need for using the east lot is very important for Option B. We have not yet discussed our opinions about Options A versus B.

We want to give you both options. It is your choice.

It is important that the Saturday Market is part of this process.

It is possible for the entire Saturday Market to relocate into the park. Splitting up the market is another option, precluded by the consultants' Option B.

The report should clearly address restaurants as a viable option to get through the winter. This seems to be a core issue around the business model.

It sounds like the PPM is forcing the Saturday Market out of its current space.

Remember that this is an iterative, not linear, process. The fact is that the PPM and the Saturday Market site are under study at the same time, but not because of each other. All issues will be incorporated as the process moves forward.

The site that the PPM is looking at is also one the Saturday Market considering. There is the possibility that we can share space, and it is also possible that the PPM is the one that moves. That option should be on the table as well.

Looking at the projections, I still wonder if we actually have enough variables, including producers, due to the short growing season, to support the PPM concept.

There are many growers waiting for an opportunity like this. Also, the growing season is getting longer. The longest Farmers Market is open for 38 weeks.

Are they all capable of selling at a vendor stall seven days a week?

Small retailers and vendors also buy from producers. We do not anticipate all the vendors to sell every day right away. There will be a phased start-up to build shoppers and buyers.

I question whether the cost per square foot is a good use of funds. It seems like a bad return on investment.

Our task was to focus on the Skidmore Fountain Building. Using public funds on a public market cannot be measured with return on the investment. There are examples of dual funding arrangements for public markets, including Pike Place in Seattle. Others are owned by cities while others are co-ops.

Are there cases where one organization grew out of another, rather than a “forced marriage?”

Ultimately, success is the result of the people involved, rather than the structure. An additional resource in Portland is the Metropolitan Exposition Recreation Commission (MERC), for management of the facility.

If the PPM Board’s purpose is support farmers, yet you are concerned about funding, have you thought of promoting farmers markets instead of creating a public market?

The farmers markets were with us early on to articulate their needs. We met regularly for four years and created a memorandum of understanding (MOU) expressing mutual support to work together. In early 2005, they opted out of that MOU, but the goals we discussed together remain our goals.

In closing, Ron Golem encouraged members to contact him with any additional questions or comments by November 22, explaining the need for BAE to finish the draft report in the next few weeks. Members agreed that another meeting may not necessary before release of the final draft but that comments on that document will be welcome.

Meeting adjourned.

**Portland Public Market Feasibility Study Advisory Committee
February 22, 2006**

Meeting Summary

Attending

Committee Members: Greg Cervetto, Tom Gilpatrick, Amelia Hard, Jane Jarrett, Deborah Kane, Chip Lazenby, Ron Paul, Marcus Simantel, Dianne Stefani-Ruff, Paul Verhoeven, Lynn Youngbar

Guests: Alissa Clark, Barb Haddad, Portland Saturday Market Board; Ellie Fiore, Portland Saturday Market Parametrix consultant; Carly Riter, Portland Business Alliance

Portland Development Commission (PDC) staff: Lew Bowers, Joanne Daunt, Amy Miller-Dowell, Ross Plambeck, Mark Siegel

City Staff : Nicholas Starin, Portland Bureau of Planning

Consultants: Elaine Cogan and Suzanne Roberts, Cogan Owens Cogan; Ron Golem, Bay Area Economics (BAE) and David O'Neil, Project for Public Spaces (via speaker phone),

Welcome and Introductions

To open the meeting, members and guests introduced themselves. Elaine Cogan reviewed the agenda of this final meeting of the Committee, indicating that the primary focus would be to reach closure on the BAE report and suggest policy measures to recommend to PDC as the agency moves forward on the Ankeny/Burnside Study.

Ross Plambeck reported that within the past week, the Saturday Market received a proposal from a private developer to buy the Skidmore Fountain Building. The offer is being reviewed by the Saturday Market, City and PDC as to the feasibility of assigning the HUD debt to another owner. Regardless of the outcome of these negotiations, this Portland Public Market feasibility study is transferable to other sites.

Lew Bowers added that PDC hopes that the assessment of the Skidmore Fountain Building is completed, followed by the Ankeny/Burnside study, which has a June/July timeline.

Amy Miller-Dowell added that PDC is currently testing alternative designs and cost estimates for the fire station site, with a recommendation to the Development Commission April 12.

Review of BAE Report--Additional Research and Revisions

Ron Golem summarized BAE's Phase 1 report and the revised final draft of Phase 2 report. It includes concepts raised at the last Committee meeting, including Option B1: two restaurants in a mezzanine. He agreed with Ross that results of this study can apply to nearby locations, depending on the vendors, operation, interest, mix and support. A few matters, such as architecture and development cost estimates, are specific to the Skidmore Fountain Building.

Discussion followed. Summarized comments and questions from Committee members and guests are in italics. Summarized responses from staff and the consultants follow in regular print.

My understanding is that the customer survey was based on a downtown location for the public market. Are the study's results elastic in regards to customers?

We did look at a close-in east bank location and found little change in demand. Most potential customers are within a 3-mile radius of downtown and the other sites that have been considered are close to each other in the Central City core; therefore, the demographics still have the same characteristics as the site we evaluated..

Ron then reviewed the floor plan and characteristics for Option B1. As PDC asked that the report expand on development options, BAE considered teaming with a turnkey developer, allowing the market manager to focus on operating the market.

The revised draft also discusses the potential of other sites for the public market. The fire station site is one possibility and there may be others. New construction would allow for a more flexible design. The report also addresses an exit strategy if the public market is not successful. Usually there are two ways to deal with such a situation--in this case, either to change management, or to allow PDC to restructure its involvement.

BAE also looked at the public market's feasibility as a venue for special events that could be held when the market is closed. The demonstration kitchen and classrooms can be rented for private classes. The BAE report estimates that as many as 30 events a year could be held at the market. For classes by third parties not affiliated with the market, customers would pay a fee in addition to the course charge. These events can bring in a potential yearly revenue of \$26,000. This is only for empty spaces. The Market may also create its own events, such as "taste of market" type of event where the vendors would participate.

BAE recommends encouraging vendors to provide a range of items and costs with the possibility to accept the Oregon Trail Card to attract food stamp shoppers. The report notes a possible challenge in vendor resistance, but more and more markets are accepting them as managers find ways to make the cards easier to use.

How do these estimates compare to other public markets?

Most break even. That is the goal. Few public markets make money.

Isn't the trend toward more card transactions, versus cash? The Saturday Market's sales doubled after customers were allowed to pay with cards.

We don't want to leave the impression that the Portland Public Market should be cash only.

To analyze the restaurant option, PDC staff interviewed retail brokers in the Portland area and several restaurateurs. The feedback is that a restaurant on the second floor is not as desirable as a ground floor location and that it would be unusual to expect the restaurateur to pay all the tenant improvement costs. Five of the six restaurateurs who were contacted say they would be

interested in being in or near the Portland Public Market, depending on lease terms and vendor types. Only two liked the mezzanine idea, saying it is not a typical concept and wondering how the mezzanine space would work. From their perspective, they could see foot traffic benefits, but had concerns about the space, many of which could be addressed. The question of whether they would expect their customers to buy from market vendors generated a range of answers.

BAE's analysis shows that revenue from the restaurant would not justify construction of just the shell, even if the restaurant is responsible for all the tenant improvements. A subsidy would be needed for users of the mezzanine.

Did you analyze what the rent would need to be to break even or make a profit?

Rent would need to be in the mid to upper \$30.00 a square foot per year, triple net, range.

There is a continuum. At one end, the restaurant is in charge of everything, and at the other end is a full allowance plus rent.

I agree. It's also about potential future operators. We acknowledge the risk is inherent.

Ron also summarized the additional research on new market tax credits. He explained that this source of funds is not recommended due to the risks involved because the credits require the debt to be repaid from operating revenues (of which there is not enough).

These work better with larger scale projects. We need to start out debt-free.

Ron then reviewed the sequence and priority of next steps needed to implement the public market concept. The first is to formalize the city's relationship with the market/operations manager. Development and fundraising strategies are important considerations.

Participating long distance via speaker phone, David O'Neil said how fortunate Portland is to have a willing community and political environment to allow for a public market. He reminded the Committee that the economic estimates are conservative and that running a public market has many unknowns. For example, the managers should not be so distracted by development and fundraising that they neglect merchandising. Another pitfall he has seen in other public markets is a false illusion of success and the lack of anticipated support by nearby employees. Some problems may be avoided by separating developer, operation and management roles.

Is there a difference between a private turnkey developer and a traditional public/private partnership?

We have seen private developers develop public markets and do a good job. I have not seen a hybrid. Large city markets need a host. For example, Maryland and Seattle markets have needed somebody to take away some of their burden.

Compared to other projects, how would you rank the Portland Public Market concept in terms of parking criteria?

It is important to have approximately 150 parking spaces. I understand that planning for this will be tied to the Ankeny/ Burnside strategy.

Please be careful about squeezing out space for the Saturday Market. Consider paid parking.

Wouldn't we lose a significant portion of our estimated support if we build the market in another area that has a smaller concentration of downtown workers?

Our universe of alternative locations is the downtown area, with a high concentration of these workers.

The restaurateurs you talked to are probably not equally popular with all people or highly accessible lunch destinations. How does that fit into this discussion?

The Portland Public Market has a real opportunity for a non-high end restaurant; maybe a diner that uses only local ingredients. Also, market vendors will include those that sell hot foods.

This Committee has had an ongoing discussion about the unique quality of the relationship between Portland high-end restaurants and the community. We have more opportunity and reason for at least one high-end establishment in the Portland Public Market. The likelihood of naming the market after James Beard increases it more.

The feasibility report concludes that a second floor is not a necessary core component and that having a restaurant nearby, on someone else's nickel, generates many of the same benefits in terms of increasing vendor sales.

Look at the Pike Market in Seattle. Income pays for most of the rent. There are restaurants both inside and nearby. I wouldn't get so hung up, on having one inside the market, but I like first floor much more than the mezzanine.

Group Discussion

Before discussion, Committee members were encouraged to review a letter by member Phil Kalberer, who could not attend the meeting. Elaine asked Committee members if they are sufficiently satisfied with the BAE feasibility report to recommend acceptance by the PDC.

Elaine then asked for Committee discussion of Phil's recommendation that we favor the market as a top priority for limited public funds. How do we feel about it as a user of public funds?

I have a hard time saying it is a priority for all public funds. We need to be clear that we are talking about only a specific type of development funds. I'd like to know what other issues are out there.

It is hard to imagine the public accepting assistance for a high-end restaurant. This would probably be the perception, even if it is inaccurate.

I think the Portland Public Market concept may be desirable but wouldn't work unless we have the demand for it. I want to defer this idea until we see other aspects of the market fall into place. There are so many operational difficulties to address.

If we are contemplating a mezzanine, even if its construction is delayed, it is not a retrofit we can do later. Our decision is either to favor the approximate location, with the understanding of maintaining synergies of all three markets (public, Saturday and Farmers); or to invest \$2 million for a shell and core of a mezzanine.

Do we agree that restaurants should be within the Portland Public Market?

There are examples of tourists in other cities buying goods in public markets only because they are already there to eat at the restaurant.

The whole Committee does not need to agree on this now; it is not a core issue. We need to look at recommendations that are predicated on the assumption that the project is worthwhile, for both public and private investment. Then we should look at how to form an entity to go forward. The feasibility study will serve us well as a foundation on which to make decisions. We should take the remaining time today to look at concrete steps to move forward, knowing the restaurant issue will come out of other discussions.

I don't disagree but one thing I take away from the study is that a restaurant in the mezzanine probably would not justify public investment.

Having a high-end restaurant named after James Beard would be a way to leverage funds from many in the food community nationwide.

I think this is a good use of public funds. Portland deserves for this spot to be revitalized. How much is a different question.

Is there a definite time by which you can not longer retrofit for a mezzanine?

Yes, that would be at schematic design, which would be two and a half years before opening.

I like the idea of a restaurant, but need to understand the unknowns.

Next, Elaine asked Committee members how much they want to commit to a specific site.

It is hard to know about other locations, when our data is based on one particular district. Market response is correlated to the attractiveness of a specific site so it is critical to success.

I agree it is important but we also should consider the catalytic impact a public market would have on Ankeny Square to leverage much development that would not occur otherwise. The Portland Public Market Board has had its sight set on Ankeny Square for five years.

For me, the primary justification for public funding is revitalizing the area and the overall economic benefit that would result.

I am surprised and concerned by how much it would cost to put it in the Skidmore Fountain Building. I am not sure if that is due to the nature of the building or the nature of a public market.

The estimate includes rehabilitating the building, which is not much different from that of constructing a new one; the high quality of a “glass pavilion” style structure and design that is typical of public markets; and inflation. It is more a factor of a public market than the building itself.

Could this cost be a fatal flaw?

Public markets are inherently expensive to build, but there are ways to be cost-effective.

I've had doubts about the market's ability to generate enough income to support itself as well as its economic benefit to the area. But this historic area does need and deserve an uplift. To revitalize it, someone has to step up and generate enough foot traffic, even if it's in an unconventional manner. I would love to have retail/restaurant uses across from the market to further assist with revitalization.

Do we want to say as a group that the market has catalytic benefits? From a public perspective, we can point to the Pearl District as an example of success of having many private entities operating on public land.

The tighter our recommendations are, the more likely they will fold into other things going on.

We have a narrow focus that the Portland Public Market is for the public good. Also, we generally agree on the area, if not the actual building. A broad focus is sometimes better for political acceptability.

I seek optimum focus. Two years from now, this will be even more in the public eye.

Another issue is the synergies between the Saturday Market and Portland Public Market. Phil's letter expresses some optimism that they can live together and suggests that there is no reason not to look at the big picture and include the Saturday Market in some way. He says the Committee's recommendation should say something about the Saturday Market continuing. It cannot be a catalyst for revitalization because it is not open year around, seven days a week, but it can blend nicely.

One way to ensure that the food focus is not deflected by public demand for other products is to have the Saturday Market close enough so people can get to it from the public market. It also makes sense for the two markets to work together.

The feasibility study discusses two fundamental building forms. The multi-story concept makes it much easier for the Saturday Market to remain. The single story concept requires at least partial separation. What does the Committee say about building types?

That is a key dilemma. The study shows that street level retail is more attractive. If the options can't accommodate the Saturday Market, I don't know how to resolve it. If we keep the Saturday Market here, we have to take the public market to multiple stories, which we hear is not a viable concept.

There are examples of food retailers in vertical format stores, e.g. Whole Foods, that are viable. I wouldn't characterize multiple stories as non viable, but they have additional risks.

We want to minimize risks, such as locating a restaurant on the second floor, even though we are committed to work with Saturday Market. That synergy is essential.

Can you quantify the synergy with a dollar amount or rough impact?

The executive summary of the feasibility study discusses the interest shoppers would have in both markets. In addition, I would argue that public market shoppers would be more regular. That is one key to the synergy.

The whole concept this is based on, a destination with no housing or neighborhood, has always seemed weak. Parking and transit issues make it more difficult. I am skeptical that the market would have many regular customers.

We should look at what else is going in. For example, the Pike Street Market offers both types of products. What about adapting to both?

We would have to infill lots to reach housing numbers, which would take more space away from the Saturday Market.

I hear a preference for Option B due to its lower risk, although you also value synergy.

I have reservations about it being too big, giving the Saturday Market less room.

We have heard that the optimum size is 40,000 square feet and we've distilled the public market concept to fit a much smaller space—shrinking it to bare essentials. We haven't discussed how we can rationalize the size of other markets.

This will happen in the Ankeny Square study.

Also, we are far from specific design right now. It seems that the east market building could be designed to have an overhang for some Saturday Market vendors. There are many ways to address it, so we should not throw out options at this point.

In regards to financing, the group reviewed Phil's recommendation that raising private seed money begin immediately.

That may not be feasible due to the current structure of the Skidmore Fountain Building and debt to HUD.

I would like this Committee to sign off on the next steps recommended in the feasibility study, specifically, identification of a market manager. I think the Portland Public Market Board would be a good choice and want to hear other members address this.

Remember that the Portland Public Market Board is composed of both an advocacy and an operations entity.

Hasn't there been a suggestion that the general manager have specific experience?

The Public Market Board would conduct a regional or national search. Our structure of both advocacy and fundraising makes us ready to engage in an executive search. We have begun recruiting to increase our capacity.

Is there a reason that BAE would not recommend the Portland Public Market Board?

We tried to lay out two options. You are talking about the Portland Public Market as a nonprofit, and it is a major step for that organization to grow into a market developer and operator role. This should be consideration of alternative structures. PDC may be able to bring in a developer partner that can help the Market operator focus on operations and thus be more likely to succeed.

Within that context, it would seem that a group that has been involved for more than five years would be a benefit.

I am thinking more about who makes up the team—the experience and capability of its individuals, backed up by consultants, fundraising, design, etc.

I am hearing that it is crucial to have skills to operate the market, regardless of who it is. The Portland Public Market Board may have to add to its team.

The decision about location still needs to be made.

PDC will pass this report to the Ankeny/Burnside Framework Team, which plans to submit a report to the Commission in June or July. They are a citizens group with some of same members as this Committee. We don't expect them to make any additional recommendations to the Portland Public Market plan; your report will be under their umbrella.

Committee members were asked to submit any additional comments to Ross by the end of the week. Members will receive the final Phase 1 and 2 reports.

In summary, the Committee agreed to the following:

General

- There is a market for a public market in Portland.
- The public market is an appropriate use of public funds if they consist of Tax Increment Financing earmarked for this development.
- Additional private fundraising efforts are needed.
- Subsidization of high end restaurants in the market is not likely to be accepted by the public.
- Although the BAE study concentrates on the Skidmore Fountain Building, its findings that a public market is feasible in Portland can be transferred to other sites.
- A skilled manager to administer the public market is essential.
- Ownership of the market should be discussed further.

Site-Specific

- Option B is the preferred floor plan at this time.
- Revitalization of the Ankeny/Burnside area is critical to the success of the public market in that area.
- The synergy with Saturday Market is a vital component.
- A restaurant located in or near the public market is desirable; it can generate additional foot traffic and contribute to the revitalization of the area.
- Adequate parking should be provided for the public market, but not at the expense of the Saturday Market.

Meeting adjourned.