



Final Report

**Central Portland Retail Research and
Analysis Study**

Prepared for

**City of Portland Bureau of Planning
Portland, Oregon**

Submitted by

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April 2009

ERA Project No. 17879

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Introduction

Economics Research Associates and Marketek, Inc. (The ERA Team) were retained by the City of Portland Bureau of Planning to conduct the Central Portland Retail Research and Analysis study. Central Portland is home to a variety of distinct districts and neighborhoods. Each of these districts has its own characteristics and identities. Some districts such as NW 23rd Avenue, the Downtown Core, and Lloyd Center are home to established retail concentrations that serve both the surrounding neighborhoods and draw people from around the region. Other areas such as the NW Lovejoy Street in the Pearl District and Lower E Burnside in the Central Eastside are emerging as vibrant neighborhood-oriented main streets. Still other districts like South Waterfront and the University District have yet to really develop significant retail concentrations, but likely will in the future as the city continues to grow and develop.

In this assignment, the ERA Team inspected Central Portland retail study areas, interviewed key stakeholders, reviewed demographic and economic trends and projections, conducted a SWOT analysis of the retail study areas, researched national downtown retail trends, analyzed future retail demand in each study area, and reviewed best practices in downtown retail in three comparable cities.

Following this introduction, this section presents an Executive Summary of ERA's analysis. Section II presents the study's methodology, the economic and demographic trends in the metropolitan region, and the context for retail development in Central Portland. In Section III ERA provides for each Central Portland study area data on historical retail trends, an analysis of strengths, weaknesses, and opportunities for future retail development, and retail market demand estimates. Section IV summarizes national downtown retail trends and explains their relevance to Central Portland. Section V analyzes the downtown retail development strategies utilized in Boston, Vancouver BC, and Seattle, and their applicability to Central Portland. The maps for each of the ten districts and the long-term retail demand estimates are presented in Appendix A and B respectively.

This report was prepared by the San Francisco office of ERA, with William "Bill" Lee serving as Principal-in-Charge and Chief Analyst. Sujata Srivastava served as Project Manager. Mary Bosch of Marketek, Inc., Tanya Chiranakhon, and Ernesto Vilchis assisted with research, analysis and report preparation. Tom Moriarity, ERA Principal based in Washington DC, served as advisor on tenanting and district issues.

I. Executive Summary

Study Objectives

This study seeks to understand the health of these varied retail districts, their potential for growth over the next 20 years, and how they relate to and complement each other in the context of a vibrant, diverse and evolving Central Portland. The results of the study will be used to inform the development of a new long-range plan for Central Portland. Rather than near term sales and tenancing concerns, the objective of this study is to provide economic guidance to long-term public policy and land use plans. The scope of this study was limited to analysis of ten specific study areas within Central Portland. The areas chosen were intended to capture existing major retail destinations, clearly emerging areas, and some (but not all) possible future retail areas. Some areas within Central Portland that have potential for future retail concentrations were not included in the study. Examples of these areas include SW 18th Avenue in Goose Hollow and Russell Street in Lower Albina. The omission of these areas and others like them from the study is a result of financial constraints and does not suggest they will not see future retail development. The knowledge gained from looking at other retail areas in Central Portland may be informative for these areas as well.

Key Issues and Recommendations

Based on the market analysis, stakeholder interviews, and the ERA Team's experience, the following have been identified as key issues and ERA team recommendations for long-term retail development in Central Portland.

1. **The requirement of active ground floor use of mixed-use buildings should be re-examined and better targeted.** The current policy that mandates ground floor active uses in Central Portland has worked well in creating a vibrant pedestrian oriented city center. However, the geographic area where this policy is applied needs to be examined more closely. For example, at the periphery of Central Portland in emerging neighborhoods like the South Waterfront or the North Pearl, this policy is likely to lead to the creation of too much ground floor active use space and retail commercial spaces at unsupportable locations and of the wrong size and configuration. Furthermore, some developers have expressed the concern that the requirement to add commercial space on the ground floor is driving up the cost of mixed-use buildings, and creating spaces that have no viable tenants. ERA recommends that the City of Portland consider an approach similar to that of Vancouver, British Columbia, which requires retail-commercial or service uses on the ground floor of street frontages

- along designated commercial corridors and prohibits those uses elsewhere. Buildings with retail oriented to interior circulation, such as malls, are not allowed. In areas where retail-commercial/services uses are prohibited, enhancement of pedestrian interest and comfort are achieved through other means such as special treatment of the streetscape. This recommendation is not targeted for all of Central Portland but rather at emerging residential neighborhoods at the periphery of Central Portland that may have limited regional market draw, like the South Waterfront and North Pearl.
- 2. Grocery stores as anchors.** Much of Central Portland is a regional destination for office workers, shoppers, and visitors from outside of Portland. As Central Portland expands geographically over the next 20 years, not all of its districts will be regional and visitor destinations. Some districts will be primarily residential neighborhoods. The sustainable retail in these districts will have tenant profiles similar to neighborhood centers, anchored by a grocery store, a drug store and including cleaners, coffee shops, bakeries, hair salons and locally owned restaurants. The highly competitive nature of grocery shopping is such that small specialty grocers are not likely to survive over time unless they are in exceptional locations proximate to a very high income or a particular ethnic clientele. For future residential neighborhoods at the periphery of Central Portland, having a grocery store anchor will be critical to long term retail sustainability. A new Safeway is opening at 13th and Lovejoy to serve the North Pearl, but the South Waterfront also needs a grocery store anchor that is able to serve a trade area beyond the immediate neighborhood. The critical mass needed to support a local grocery store depends upon the incomes of the local population and the size, number, quality and distance of grocery stores in surrounding communities. Assuming no leakage to existing grocery stores, a new critical mass of 5,000 higher income residents would be sufficient to support a new grocery store of 20,000 square feet. However, because of specific product preferences and established shopping patterns, no store can expect to capture near 100 percent of the local population grocery spending. Therefore, a realistic critical mass is closer to 8,000 or 10,000 new residents.
 - 3. Big box retail in the Central City.** Some policy makers in Portland are concerned that residents of Central Portland neighborhoods should be able to enjoy convenient access to the full range of retail offerings, including the offering of large floor plate wholesale style retailers or “big box” retailers. Big box retailers gain efficiency, which translate into better value for the consumer, through standardization and low employee to sales ratio. This standardization for retail efficiency includes floor plate size, aisle configuration, building

design, loading requirements, signage, façade treatment and consolidated ordering. These stores are also sized to serve a regional or subregional market rather than a community size market. Since shoppers at these stores tend to purchase large quantities of merchandise per trip, these stores do not lend themselves to shoppers who arrive on foot, by bicycles or via transit. Because Central Portland's strategy for long term success, which is based on small block sizes, pedestrian vitality, high proportion of local retailers and a unique sense of place, directly contradicts the business strategy of most big box retailers, ERA's recommendation is that Central Portland not compromise its long-term competitive advantage in order to attract the current generation of big box retailers. ERA recommends that the City of Portland retain its small block sizes, particularly in the Downtown Retail Core, in order to preserve its character and encourage street level retail. In some areas, such as the Central Eastside, the Lloyd District or possibly the redevelopment of the Conway property, big box retail may be a useful tool for catalyzing redevelopment in those areas without cannibalizing the existing smaller retailers. Over time as Central Portland becomes an increasingly more appealing market area for retailers, big box retailers will evolve urban store formats that are compatible with Portland's objectives.

- 4. The challenge of retaining independent retailers.** Local, independent retailers are the dominant form of retailing in many central cities. This poses a challenge to downtowns in an era when independent stores are struggling to survive in the face of stiff competition from national chains, internet sales, discount retailers and big-box stores. The emergence of these types of retailers has affected independent retailers across the full retail spectrum: bookstores, music parlors, grocers, hardware stores, and apparel. For example, it is estimated that 200 to 300 independent bookstores close per year. Statistics are similarly grim for music, grocery, apparel and hardware stores. The real strengths of successful small independent retail revolve around specialization, differentiation and finding profitable, defensible and sustainable niches. Downtown Portland, with a strong base of independent retailers and a consumer population that values home-grown businesses, has been able to preserve many of its valued independent businesses, such as Mercantile, Powell's Books, and others. However, in the short term, many independent retailers may not be able to stay in business due to the dramatic drop in consumer spending in the current recession. Unlike national chains, these businesses are not well-capitalized, and cannot easily obtain credit to ride out rough economic times. If independent retailers are to survive or to be part of a recovery plan, developers, business associations, and policy makers need to take a proactive

approach in supporting businesses in a slow economy. The strategies could include providing a pool of working capital loan funds, technical assistance to business owners, marketing efforts, and district management approaches.

5. **Panhandling and perceived safety.** Public inebriation and disorder, loitering, aggressive panhandling, and streetscape deterioration create uninviting environments for shoppers in downtown areas, including Central Portland. Seattle and Vancouver, BC have established programs to address these issues, and the following summarizes the strategies that could be applied to Central Portland:
 - a. **Wide coverage.** Central cities with multiple retail sub districts within downtown such as Vancouver, BC and Seattle, have discovered that programs to address public safety issues are most effective when deployed over a larger area. Programs that focus on particular retail corridors may be 'successful' in addressing the issues they seek to resolve only by shifting those issues to adjacent areas. Also, pooling resources from different areas allows programs to achieve economies of scale and avoid duplication of efforts.
 - b. **Targeted approach.** The Downtown Ambassadors in Vancouver, BC cover 90 blocks, yet their efforts to increase public safety focus on areas where crime tends to concentrate such as parking lots. Programs sometimes focus on the most egregious behavior such as chronic alcoholism and drug consumption.
 - c. **Below the surface.** Loitering, aggressive panhandling, and other behavior that is visible on the sidewalks is only the tip of the iceberg. A successful targeted approach may have to focus on areas where crime is not as visible to the general public yet more frequent such as alleys.
 - d. **Follow through.** The use of technology, such as portable computers, or a 311 call system in Vancouver, BC make it easier to report problems, but also allow monitoring of complaints to be sure that problems are properly addressed.
 - e. **Comprehensiveness.** Crime, loitering, panhandling, and drug consumption are multidimensional problems that need holistic solutions. Retailers in Seattle supported bans on alcoholic beverages, along with the creation of housing for chronic alcoholics where services could be provided to address the root causes of the problem.
6. **Retail district management.** Today, it is widely accepted that urban business district success is linked to strong organization and professional management. Successful implementation

of the central city retail analysis and strategy is in part dependent on an organized, proactive local business development team and organization. One well known model of downtown development, proven to be effective in over 1,800 communities across the U.S., is the National Trust for Historic Preservation's Main Street Approach. This downtown management strategy includes four principle elements deemed essential for the economic vitality of any commercial district: Organization, Promotion, Design and Economic Development. The model has been adapted to many urban business districts around the country several of which have incorporated a fifth element called Public Safety or Clean and Safe. It is noteworthy that in February 2008, the Oregon Main Street Program was reactivated within the Oregon Economic and Community Development Department. It provides assistance, training, technical services, and resources to communities interested in revitalizing and strengthening their downtown commercial districts. One of the business districts currently participating in the program is Portland's North/Northeast Business Association.

Central Portland Overview

Central Portland is widely regarded as a successful urban retail center, both for its own region and for the Pacific Northwest. Because of its pedestrian character, large number of local retailers and its ability to maintain comparison shopping, Central Portland is often used as an example of a successful American central city. Unlike many other downtowns in the U.S., Central Portland has been able to retain three major department store anchors (with Macy's recently moving into the old Meier & Frank building), and has retained Lloyd Center, a large regional shopping center. The Downtown Core continues to attract new upscale apparel stores like Betsey Johnson and Juicy Couture, as well as active-wear stores like Columbia Sportswear.

According to Costar, a national commercial property database, Central Portland had 15.5 million square feet of retail in 2008. Although increasing, the Central Portland vacancy rate of only 3.2 percent in 2008 was lower than the citywide rate of 4.3 percent. The direct average lease rate in Central Portland was \$21.36 triple net, significantly higher than the city's average rate of \$17.08.

The elected government of the Portland Metropolitan Region (Metro) has developed employment and population forecasts for the metropolitan area at five-year intervals through 2035. The forecasts are based on key assumptions about the gradual expansion of the Metro Urban Growth Boundary (UGB) over time, and the existing and future capacity of the land within the UGB. According to Metro's forecast, the City of Portland is projected to increase by approximately 90,000 residents



from 2010 to 2030. Nearly half (44 percent) of this population increase is projected to be housed in Central Portland. The Central City’s share of Portland’s population is projected to grow to almost 11 percent by 2030. With so much of Portland’s population growth projected to be within or near the Central City, the retail demand within the Central District is also projected to increase dramatically.

ERA projects that the net increase in demand for retail space in Central Portland in the 20 years from 2010 to 2030 will be approximately 8.3 million square feet or a better than 50 percent increase in retail space. As shown in Table I-1 below, 86 percent of this increase will be from new regional residents living close to Downtown Portland with many working in Downtown Portland and 14 percent will be from additional visitors to Portland.

**Table I-1
RETAIL DEMAND GROWTH 2010-2030 - CENTRAL PORTLAND TOTAL**

	Market Area ¹ Residents	Visitors to Portland	Total SF
Apparel Stores	398,097	147,774	545,871
Gen. Merchandise & Drug	945,426	193,954	1,139,379
Food Stores	1,309,257	81,131	1,390,387
Eating & Drinking Places	917,272	413,768	1,331,040
Furnishing & Appliances	474,710	62,692	537,402
Bldg Materials & Hardware	644,945	6,896	651,841
Personal & Business Services	651,425	55,162	706,587
Other Retail Stores	1,824,542	197,032	2,021,575
Total Retail Stores	7,165,672	1,158,410	8,324,082
Percentage Distribution	86.1%	13.9%	100.0%

¹ Within 15 minutes of Portland Downtown Retail Core
Source: Economics Research Associates

Long Term Outlook for Ten Central Portland Retail Areas

In addition to addressing Central Portland as a whole, this study focused on ten specific areas within Central Portland. Central Portland is home to many thriving neighborhood retail districts, some of which contain more leasable space than many lifestyle centers. These neighborhood retail districts,

with their mix of independent retailers, national chains and good quality restaurants, have helped to define the unique character of Central Portland.

The areas chosen were intended to capture existing major retail destinations, clearly emerging areas, and some possible future retail areas. They function as different pieces in an orchestra, with each serving a different function, and enabling the concert to sound far better than the sum of the individual instruments. The City Planning Department has the long-term responsibility of directing this concert. The maps identifying these areas are in **Appendix A**.

After conducting site visits, stakeholder interviews, and market analysis, ERA has formulated conclusions and recommendations for each of the study areas.

Area 1: Portland State University

Portland State University (PSU) has experienced significant growth with student enrollment expanding from 15,000 in 1998 to 27,000 today. Enrollment is projected to increase to 35,000 within the 2030 planning horizon of this study, and the percentage of PSU students living on campus is expected to double from 7.5 percent to 15 percent. Some of the near term student housing development will be along College Street.

Presently there is no retail concentration serving the campus. However, PSU is building a new mixed-use building at the heart of the campus in the Urban Plaza, a block bounded by SW Harrison Street, Fifth Avenue, SW Montgomery Street, and Sixth Avenue. This development will house a new student recreation center, academic space, city archives, and 20,000 square feet of ground floor retail space (including one large 10,000 square foot restaurant). This area is going to become PSU's pedestrian core. Although College Street was initially identified as the focus for future retail development, its walk-up market area is truncated by I-405 to the south and by the Park Blocks to the west. The heart of the PSU campus district will be the Urban Plaza block which enjoys streetcar service in both the north-south and east-west directions. The recreation center and a major restaurant will serve to anchor this retail district.

ERA recommends targeting new retail development within the vicinity of Fifth and Sixth and Harrison and Mill, as this is poised to become the central retail and entertainment focal point for the PSU area. Our market analysis indicates demand for approximately 40,000 square feet of new retail space from 2010 to 2030 if developed along College Street. However, this demand climbs to approximately



60,000 square feet if the development is shifted to the vicinity of the Urban Plaza. These demand estimates are in addition to the retail space currently under construction or planned by PSU.

Area 2: Downtown Retail Core

With more residential development anticipated in and around the downtown area, ERA estimates that there will be demand for approximately 1.1 million square feet of additional retail space in the downtown core from 2010 to 2030. Much of this new demand will be in the categories of specialty retail stores, eating and drinking places, general merchandise, and apparel. The current retail expansion is to the northwest of the existing core, and future expansion is likely to be east toward the waterfront once the area between the Retail Core and the Brewery blocks has been redeveloped. Downtown Portland's long term retail strength is its small and pedestrian friendly block size, which encourages street retailing. In the near term, this block size may constrain large floor plate retailers from locating in the core. However, in the longer term, as consumers increasingly are moving away from "greenfield" development and automobile-oriented lifestyles, new and sophisticated retailers will adopt urban formats that will work in downtown Portland.

The current economic climate suggests that there may be some high profile store closures in the near future. Many of the national retailers facing financial challenges are located in the Downtown Core. It is ERA's opinion that street-level retailers are in a better position to weather tough economic times than multi-story shopping centers like Pioneer Place. In good economic times, the upper levels of the multi-story centers can do fairly well. However, in a recession, retailers on the upper floors are not able to perform, and often these levels are converted to non-retail uses such as offices or services.

Area 3: South Pearl

Like the downtown core, the South Pearl is a strong regional destination. ERA estimates that the South Pearl has the capacity to add 240,000 square feet of new retail space from 2010 to 2030. This space will include over 65,000 square feet of bars and restaurants, more than 30,000 square feet of food stores (possibly another gourmet store to support new neighborhood residents, and to complement the existing Whole Foods), and 63,000 square feet of specialty retail. ERA believes that the South Pearl could continue to build on the area's strength targeting younger customers for trendy apparel and sportswear, gifts, arts, and other specialty goods. The destination will primarily draw Portland region residents, who make up 65 percent of the new demand, but will also continue to be an important visitor attraction (24 percent of demand). In the short term, ERA anticipates that the

Downtown Core and the South Pearl will become better connected, and may eventually be seamlessly joined into one large downtown retail district.

The future establishment of the Burnside-Couch one-way couplet including the streetcar is intended to facilitate pedestrian crossing of Burnside to the downtown core. However, careful planning is necessary to ensure the pedestrian retail environment is not degraded at the southern edge of the South Pearl. The characteristics that make Couch Street a strong retail street include slow traffic speeds, continuous retail frontage, on-street parking, access to transit, and good walkability. The new street should strive to maintain as many of these characteristics as possible. Assuming the couplet succeeds in linking the South Pearl to the rest of downtown, retail on Burnside could be enhanced at key intersections such as 10th, 11th and 12th. Opportunities exist to redevelop the low scale buildings on 10th and 11th and Everett. Vestiges of the former industrial base remain, such as the large Dynagraphics structure. More adaptive reuse of warehouse spaces will likely occur over time.

Area 4: North Pearl

It is estimated that by 2030, the Pearl will be home to at least 6,000 residential units and 200,000 square feet of retail. The Pearl is composed of a diverse residential market by age and marital status with singles, couples, the young and retirees. Although 35 percent of its housing units are affordable, the Pearl's retail and service base is oriented toward middle and upper income consumers. The business base is comprised largely of specialty retailers in small storefronts. The Pearl also has a high proportion of food and dining establishments, approximately 20 to 30 percent of total ground floor square footage, which serve as critical attractors and anchors for the study area. Business clusters include 30 art galleries, home furnishings stores and specialty clothing, active wear and specialty stores (jewelry and gift shops). ERA estimates that the total new supportable retail in the North Pearl from 2010 to 2030 is nearly 190,000 square feet. The strongest growth sectors for the North Pearl retailing include specialty shops (58,000 square feet), grocery and specialty food stores (44,000 square feet), and restaurants and cafes (38,000 square feet).

Retail and restaurants are widely dispersed throughout the study area, with no single major retail spine. Public investment was made in a 'boardwalk' along 10th Avenue. However, the street is not the central spine of the district and does not have contiguous retail frontage, interrupted by parks, service areas, and residential buildings. Lovejoy has proved to be the more successful retail street with triple net rents in the \$33 to \$37 per square foot range or \$44 per SF gross. NW 12th Avenue, which is located to be the central spine, is also an important retail street for this neighborhood.

Some neighborhood-serving retail has also concentrated along NW 11th and 13th Avenues. Now that the pattern has established itself, it is likely that retail will continue to be somewhat dispersed in the North Pearl. The areas closest to the 12th Avenue and Lovejoy Street node will probably achieve the highest rental rates. The streets east of 12th Avenue may orient themselves more to the service retail needs of the neighborhood, while the areas closer to I-405 may attract more regional retailers, due to the greater visibility and access from the freeway. Block sizes in this area are also sufficiently large for some medium-box retailers (like REI), which are attracted to this neighborhood because of its demographic characteristics and its regional access.

Area 5: NW 21st and 23rd Avenues

The business mix on NW 21st and 23rd Avenues is characterized by high-end merchandise. One of nine retailers is a national chain store and locally-owned businesses have a strong presence. The area has served as the first Portland location for several desirable national chain stores. The southern end is anchored by chain stores including Pottery Barn, Restoration Hardware, Williams-Sonoma Home, Urban Outfitters, and Cost Plus. At the north end, there are over a dozen stores housing independent apparel and accessory designers. This tightly woven cluster is unlike any elsewhere in the city. The customer base is estimated at 80 percent local and regional residents and 20 percent visitors from outside the region.

According to ERA's market analysis, NW 21st/23rd Avenue can support a total of 140,000 square feet of new retail from 2010 to 2030. This includes 45,000 square feet of restaurants, 34,000 square feet of specialty retail, 17,000 square feet of food stores, and 16,000 square feet of general merchandise. The study area does not have the physical capacity to accommodate this level of new development and its associated parking, so some of this future demand may spill onto the redevelopment of the Con-Way property on Raleigh Street. ERA believes that the NW 21st/23rd Avenue area will continue to build on its strength in dining, offering some of the best restaurants in the city. NW 23rd will continue to emphasize its distinctive shopping mix and NW 21st, with less density, tending to be more focused on serving local shoppers and diners. NW 21st & 23rd can continue to serve the prosperous West End neighborhoods by focusing on high quality, cutting edge merchants - both independents and national chains. The balance between independent and chain retailers can be preserved, as long as rental rates are fairly stable, and adequate parking can be provided.

Congested streets and limited parking keep some shoppers away from the charms of this area. An 87-space deck planned for Irving has finally been approved after years of community opposition, but much more parking is needed. In order to maintain this area's vitality and pedestrian character, ERA

believes that several additional smaller parking facilities are needed in addition to the one recently approved. A significant pool of parking, if developed on the Con-way property, could help the northern section of these streets. However, an overly ambitious retail development on that property could also sap some of the retail strengths of NW 21st and 23rd.

Area 6: Old Town/Chinatown

This area is known for history, culture and the arts. It boasts a few highly specialized shops and galleries by day and is attractive as an edgy entertainment destination by night, with many bars and clubs. Local residents are primarily of low to moderate income, and this is unlikely to change anytime soon with the neighborhood association advocating that future residential projects include 50 percent affordable housing. The night life and clubs, however, are particularly attractive to the region's university students and young professionals. New employers and college students active in this area will change the character of the daytime population.

Several new anchors are locating or have recently located in the study area, including Mercy Corps World Headquarters between First Avenue and Naito Parkway, the University of Oregon's Allied Arts School and the Oregon College of Oriental Medicine relocating from Gateway to Davis & 1st Avenue. Together 1,000 new jobs will locate within the study area in the next four years. Uwajimaya Asian Grocery & Gifts has proposed building a new store on NW Couch Street between Fourth and Fifth Avenues, including a high end restaurant and 140 mixed-income apartments on seven floors above. This well-known store, if built, would anchor future retail and restaurant development in this neighborhood which has a checkered history.

From 2010 to 2030, ERA estimates that Old Town/Chinatown's future retail demand totals 180,000 square feet. This includes 40,000 square feet in food stores, 40,000 square feet in eating and drinking places, and 55,000 square feet in specialty stores. The demand for additional food stores may be largely met by the proposed 28,000-square-foot Uwajimaya grocery store. Specialty retail stores may include art supply stores, galleries, ethnic goods, gifts, etc.

Area 7: Convention Center/ Rose Quarter

Largely city-owned, this 37 acre study area is about six city blocks in size. It features the Rose Garden Arena, home of the NBA Trail Blazers and a venue for large national attractions (20,000 seat capacity), and the Veterans' Memorial Coliseum (12,000 seat capacity), a 48 year old building owned by the city but operated (at a loss) by the Trail Blazers. The two buildings together host 300 events

annually. Anchoring the southern portion of the study area is the Oregon Convention Center (OCC), which hosts industry tradeshows and meetings in a 255,000 square foot facility.

PDC and StarTerra, LLC have been working together to redevelop PDC-owned Blocks 47 and 49, directly north of the Oregon Convention Center, in conjunction with adjacent property owned by StarTerra, LLC, into a major mixed-use development. The recent and severe economic downturn has made financing for that development more difficult to secure. Additionally, Weston Investment Company has proposed 210 residential condominiums contained in a 31-story tower for Block 45. The development will also include ground floor retail space. Finally, a headquarters convention hotel to provide high-quality lodging to convention visitors has been proposed for this vicinity; however, private interests to date have been unwilling to assume the financial risk for this project.

Access, grade changes, poor street connectivity and the pedestrian-unfriendly environment are significant development challenges to this area. Previous attempts to develop retail at the Rose Quarter have not been successful due to the highly event-oriented nature of the location. The Portland Trailblazers have recently proposed redeveloping the Rose Quarter into a year-round hub of event-centered activity, modeled after the Kansas City Power & Light District, a retail entertainment destination developed by Cordish. Future retail demand at the Rose Quarter will depend on the strategy pursued. If a similar concept is developed at this location, the retail development potential will be for restaurants and bars targeting event attendees.

Given the study area's location, existing uses, and topography, it will be difficult to transition to neighborhood or community scale retail without substantial public investment. The Cordish type of entertainment retail seems to be a good complement to the events-oriented nature of the Rose Quarter. Entertainment retail concepts of this nature need frequent reinvestment, as the experience must constantly be refreshed in order to attract repeat visitors. Therefore, if this strategy is pursued, it should be with partners experienced in entertainment retail.

Area 8: Lloyd District

The Lloyd District is dominated by the 50-acre Lloyd Center, a large middle-market regional shopping center, serving the value-oriented consumer base of Central Portland. The Ashforth Pacific Company owns roughly 20 blocks in the Lloyd District and is involved in a number of upcoming commercial office projects in the area. The southern portion of this study area has numerous infill or redevelopment opportunities with many low scale buildings and vacant lots. In addition to the Lloyd Center, there is a Safeway grocery store in the study area, and Broadway has a strong cluster of

independently owned shops and boutiques, that mainly serve the neighborhoods between 7th and 16th Avenues.

ERA's demand analysis for the Lloyd District study area considered growth in the regional resident population within a 15-minute drive of the area. ERA estimates that the area can support an additional 540,000 square feet of retail from 2010 to 2030. This would be made up of largely specialty retail, general merchandise, apparel, furnishings, and building materials stores, which would build on the Lloyd Center's current strengths as a traditional regional shopping center. Much of this demand may be met by Glimcher's proposal to expand the existing shopping center. In addition, there is potential to fill in the areas to the east of the mall with specialty retail and dining establishments serving the nearby residential neighborhoods.

There is also potential for big box stores to locate here, given the substantial retail market demand, good regional access, and availability of large developable parcels. Conventional big box tenants like Lowe's, Ikea, or Target may have an interest in locating in the Lloyd District, if political support exists. The large block sizes can accommodate these types of tenants without having to change their format significantly.

Area 9: Central Eastside

As a major employment center in the region, future retail development in Central East Portland will be driven by the area's employees as well as regional residents drawn to the specialty retail cluster in this area. By 2030, the study area can support the development of nearly 285,000 square feet of retail. About 100,000 square feet of this new retail demand will be for specialty retail (such as outdoor equipment), and 46,000 square feet will be for dining for regional residents and employees of the study area. There is also demand for food stores, furnishings and appliances, services, and retailers that support the construction industry by catering to contractors. The Central Eastside could accommodate certain types of medium-box retailers due to the availability of larger development parcels, good regional access, and central location within Portland. If these types of retailers could be located on the northern or western end of the study area, with better access to the freeway, the eclectic and unique character of the Burnside corridor could be maintained.

In order to attract high-quality retailers to the area, ERA recommends significant improvements to Stark and Grand such as: 1) building a streetcar stop at this intersection, 2) extending the sidewalks to facilitate pedestrian movement at this intersection, 3) acquiring the car wash property and redeveloping it into a small restaurant building with public parking, 4) encouraging the renovation of

the three older buildings using incentives like historic preservation tax credits, new markets tax credits, PDC rehabilitation programs, etc. 5) ensuring that the tenant and patron parking needs of older buildings can be met with small surface lots and possibly on-street parking in blocks not essential for traffic circulation, and 6) conducting pedestrian friendly street improvements for a few blocks related to the new streetcar stop. The planned Burnside / Couch one-way couplet may degrade the pedestrian scale environment along Burnside, which has attracted various new retailers in recent years. Good retail streets typically have slower traffic, street widths of between 36 to 42 feet, high density housing nearby, continuous retail frontage, and on-street parking. Mitigating strategies may include diagonal parking along perpendicular streets to support additional retail and restaurant development, plus sidewalk widening and street trees along selected blocks of Burnside.

Area 10: South Waterfront

The South Waterfront is a brand new community and employment center on the Willamette River. Over the next 20 to 30 years, Oregon Health Science University (OHSU) anticipates building a new campus on 20 acres at the base of the aerial tram which connects to OHSU's main campus. The new campus will employ several thousand people. A total of 20,000 square feet of retail is already on the ground with another 20,000 under construction. Residential build-out over the next 20 years was planned to be between 8,000 and 10,000 units. The residential development is targeting affluent households, which include second home owners, retirees, and young professionals. Absorption of units has slowed considerably with the onset of the recession.

Recently, Vestas, a large company that manufactures wind turbines, has announced its intention to build a new North American Headquarters in Portland. Their preferred location is the double block in South Waterfront between Macadam and Moody and Curry and Gaines. Vestas will eventually bring 1,200 jobs into this headquarters building.

Although the South Waterfront has good regional transportation access with the streetcar link to downtown and easy access to the interstates off Macadam, the local streets do not connect well to the surrounding neighborhoods. In addition, given the current recession, the ability of residential development to provide households to support neighborhood retail is very uncertain in the short term. Lack of visibility within the South Waterfront study area and limited signage is also very challenging for retailers. According to the master plan, about 250,000 square feet of street front retail, with no anchor stores, have been planned in the South Waterfront.



ERA's market analysis and the constraints identified above indicate that future residents of the South Waterfront, residents of the larger market area, and OHSU employees will generate demand for a total of 65,000 square feet of new retail from 2010 to 2030. This is far below the planned 250,000 square feet of retail for the area. The types of stores that can be supported include 19,000 square feet of food stores, 16,000 square feet of eating and drinking establishments, 9,000 square feet of general merchandise and drug stores, and 10,000 square feet of specialty retail. A grocery store is needed as an important anchor for this retail district. The ideal grocery store location is visible from the freeway, adjacent to Macadam Avenue. If located close to the intersection of Macadam Avenue and SW Gaines Street, it would also help to create a retail spine along Gaines Street, taking advantage of the linkage to the water and supporting the existing retail cluster.

II. Overview of Central Portland

In this section, ERA presents the existing conditions in Central Portland, including demographic trends, employment by industry, and trends in the retail market.

Economic and Demographic Overview

Regional employment by industry for the Portland metropolitan area is presented in **Table II-1**. As shown, the Portland economy holds almost 900,000 jobs currently. Major industries include trade, transportation and utilities, professional and business services, education and health services, manufacturing, and government. Total employment grew modestly from 2007 to the second quarter of 2008. With the onset of the recession, some industry sectors like construction, financial services, manufacturing, and retail experienced job losses from 2007 to 2008.

The estimated population of the four-county Portland-Vancouver metropolitan area, comprised of Multnomah, Clackamas, Washington and Clark Counties, totaled 1.9 million in 2005, as shown in **Table II-2**. The population of the city of Portland was approximately 534,000. Central Portland's share of the city's total population was less than 20,000 residents, or 3.7 percent. The four-county region was estimated to hold over one million jobs. About 42 percent of the region's jobs were located in the city of Portland. Central Portland had more than 138,000 jobs in 2005, accounting for more than 31 percent of the city's employment.

Oregon Metro Regional Government (Metro) has developed employment and population forecasts for the metropolitan area at five-year intervals from 2010 through 2035. The forecasts are based on key assumptions about the gradual expansion of the Metro Urban Growth Boundary (UGB) over time, and the capacity of the lands within the UGB for development and redevelopment. According to Metro's forecast, the City of Portland is projected to increase by approximately 90,000 residents from 2010 to 2030. Nearly half (44 percent) of this population increase is forecast to occur in Central Portland. The Central City's share of Portland's population is projected to grow to almost 11 percent by 2030.

Metro's employment projections forecast that Portland will add 130,000 jobs from 2010 to 2030. Jobs in the Central City are forecast to grow from 147,000 to 187,000, an increase of 40,000 jobs. The Central City is projected to capture about 31 percent of the new jobs in Portland.

Central Portland Retail

Central Portland is widely regarded as a successful urban retail destination, both for its own region and for the Pacific Northwest. Some of the factors that have contributed to this include:

- A diverse and relatively strong local economy, with a population base that is demographically attractive to many retailers.
- A robust tourist industry, driving hotel development and supporting retail and restaurants downtown.
- The city has established itself as a place with a high quality of life with its excellent transit system, reasonable housing prices relative to California and Washington, and environmental sensitivity.
- The establishment of an Urban Growth Boundary has encouraged infill, high density development within the city, fueling demand for retail services in the urban core.
- The state of Oregon does not collect sales tax, which lowers prices for consumers.
- Recent residential construction activity in Central Portland neighborhoods has helped to create demand for additional retail development.

These are some of the elements that have helped to make Central Portland an attractive shopping and dining destination for employees, residents, and visitors. Unlike many other downtowns in the U.S., Central Portland has been able to retain three major department store anchors (with Macy's recently moving into the old Meier & Frank building), and has retained Lloyd Center, a large regional mall. The Downtown Core continues to attract new upscale apparel stores like Betsey Johnson and Juicy Couture, as well as activewear stores like Columbia Sportswear.

According to Costar, a national commercial property database, Central Portland had 15.5 million square feet of retail in 2008. In the second quarter of 2008, the Central Portland vacancy rate of 3.2 percent was lower than the citywide rate of 4.3 percent. The direct average lease rate in Central Portland was \$21.36 triple net, significantly higher than the city's average rate of \$17.08 (see **Table II-3** and **Table II-4**).

However, the current severe national recession, national retail trends and the development of new retail districts throughout the region are posing challenges to Central Portland's continued retail success. Some of the issues and challenges facing Central Portland include:

- As the national retail market has declined in recent months, vacancies in Central Portland have increased, according to a fourth quarter 2008 vacancy survey conducted by Norris Beggs

Simpson. The vacant space includes nearly 49,000 square feet in Pioneer Place and 14,000 square feet in Sixth Avenue Center (the former location of the Kitchen Caboodle store, which recently closed).

- Emerging town centers and neighborhood centers with “village” retail are becoming competitive with Central Portland. Residents and employees no longer have to go to Central Portland to have an “urban” shopping or dining experience. The downtown core competes not only with successful suburban lifestyle centers like Bridgeport Village and Tanasbourne Center, but also with multiple urban commercial districts that have undergone a renaissance in the last decade. A decade ago just a few unique shopping districts existed outside of downtown Portland including NW 23rd, Hawthorne and Sellwood. Today, multiple neighborhood retail hubs provide Portland residents and visitors a wide choice of alternative shopping and dining opportunities. From Historic Mississippi and the Alberta Arts District to the eclectic Division/Clinton and Belmont business districts, there are 30 organized business associations outside of downtown.
- Opportunities to accommodate larger format stores in Central Portland are limited due to the 200 by 200 foot block sizes.
- Public nuisance problems create shopper discomfort in certain Central Portland neighborhoods, keeping some middle and upper income residents away.
- The new streetcar loop to the East Side opens new opportunities for large floor-plate retail development outside of Downtown Portland.
- National retail trends such as online shopping and the proliferation of “big box” specialty retail pose a challenge to Portland’s independent retailers.

ERA projects that the net increase in demand for retail space in Central Portland in the 20 years from 2010 to 2030 will be approximately 8.3 million square feet or a better than 50 percent increase in retail space. Of this total, 86 percent of this increase will be from new regional residents living close to Downtown Portland, with many working in Downtown Portland, and 14 percent will be from additional visitors to Portland.



Table II-1

Portland MSA Employment by Industry, 2004-2008

Industry	2004	2005	2006	2007	2008 Q2	2007-2008	
						% total	% change
All Industries	821,394	848,532	875,269	892,237	898,079	100%	0.7%
Natural Resources & Mining	14,028	13,856	13,843	13,912	13,480	2%	-3.2%
Construction	42,697	45,826	50,184	52,193	49,276	5%	-5.9%
Manufacturing	105,983	108,994	112,230	111,723	109,508	12%	-2.0%
Trade, Transportation. & Utilities	170,075	172,754	176,802	179,144	176,719	20%	-1.4%
Wholesale	50,365	51,173	52,357	52,907	52,149	6%	-1.5%
Retail	87,283	89,396	91,517	93,265	91,543	10%	-1.9%
Transportation, Warehousing & Utilities	32,427	32,185	32,928	32,972	33,026	4%	0.2%
Information	19,648	20,035	20,869	21,927	22,256	2%	1.5%
Financial Activities	54,058	54,662	55,869	55,389	53,839	6%	-2.9%
Professional & Business Services	108,537	114,654	119,636	121,166	121,972	14%	0.7%
Education & Health Services	95,997	99,082	102,004	105,529	109,617	12%	3.7%
Leisure & Hospitality	74,998	77,578	80,468	84,173	86,605	10%	2.8%
Other Services	31,689	31,765	32,812	33,622	33,749	4%	0.4%
All Government	103,432	109,044	110,244	113,108	120,558	13%	6.2%

Source: Oregon Employment Department



Table II-2

CITY OF PORTLAND SURROUNDING AREAS POPULATION, EMPLOYMENT & PER CAPITA INCOME
Central Portland Retail Study

Area	Population				Employment				Per Capita Income		
	2005	2010	2030	Ann Rate of Growth	2005	2010	2030	Ann Rate of Growth	2007	2012	% Increase
Central City Portland ¹	19,795	25,479	69,929	5.2%	138,077	146,672	186,743	1.2%	\$33,875	\$40,577	19.8%
City of Portland	533,950	554,334	643,954	0.8%	439,848	467,614	597,348	1.2%	\$30,229	\$37,370	23.6%
Multnomah County	680,899	708,756	832,054	0.8%	493,667	530,241	705,717	1.4%	\$29,741	\$36,602	23.1%
Clackamas County	369,509	416,342	671,045	2.4%	144,106	160,587	247,641	2.2%	\$33,419	\$41,193	23.3%
Washington County	495,994	529,233	686,006	1.3%	267,089	296,154	447,673	2.1%	\$32,332	\$39,383	21.8%
Clark County (WA)	369,509	416,342	671,045	2.4%	144,106	160,587	247,641	2.2%	\$28,092	\$34,136	21.5%
Four County Metro Area	1,915,911	2,075,764	2,860,150	1.6%	1,048,968	1,148,251	1,648,672	1.8%	\$30,896	\$37,829	22.4%

¹ Central City Portland per capita income figures are for 2008 and 2013

Source: ESRI Business Analyst, Oregon Metro Regional Government, ERA 2008



Table II-3

**Retail Space Trends
City of Portland**

Period	# Bldgs	Total RBA	Total Vacant SF	Total Vacant %	Occupied SF	Occupied %	Direct Net Absorption	Direct Average Rate
QTD	3,556	45,744,250	1,984,111	4.3%	43,760,139	95.7%	(110,021)	\$17.08/nnn
2008 2Q	3,514	45,542,942	1,849,212	4.1%	43,693,730	95.9%	215,199	\$17.53/nnn
2008 1Q	3,512	45,525,532	2,035,255	4.5%	43,490,277	95.5%	62,593	\$17.16/nnn
2007 4Q	3,507	45,469,860	2,012,169	4.4%	43,457,691	95.6%	231,400	\$16.86/nnn
2007 3Q	3,498	45,192,738	1,995,010	4.4%	43,197,728	95.6%	422,302	\$16.35/nnn
2007 2Q	3,495	44,876,338	2,148,138	4.8%	42,728,200	95.2%	169,723	\$16.11/nnn
2007 1Q	3,492	44,852,962	2,245,059	5.0%	42,607,903	95.0%	251,991	\$15.98/nnn
2006 4Q	3,479	44,672,358	2,310,673	5.2%	42,361,685	94.8%	90,773	\$15.91/nnn
2006 3Q	3,478	44,667,358	2,398,216	5.4%	42,269,142	94.6%	81,265	\$15.55/nnn
2006 2Q	3,473	44,628,823	2,410,581	5.4%	42,218,242	94.6%	59,536	\$16.04/nnn
2006 1Q	3,466	44,586,782	2,412,696	5.4%	42,174,086	94.6%	342,479	\$15.91/nnn
2005 4Q	3,462	44,540,054	2,795,310	6.3%	41,744,744	93.7%	77,246	\$15.90/nnn
2005 3Q	3,460	44,524,840	2,835,387	6.4%	41,689,453	93.6%	88,024	\$15.49/nnn
2005 2Q	3,455	44,465,223	2,869,481	6.5%	41,595,742	93.5%	312,566	\$16.01/nnn
2005 1Q	3,442	44,020,090	2,727,238	6.2%	41,292,852	93.8%	(76,685)	\$15.33/nnn
2004 4Q	3,430	43,855,594	2,479,192	5.7%	41,376,402	94.3%	199,523	\$15.78/nnn
2004 3Q	3,424	43,582,714	2,407,195	5.5%	41,175,519	94.5%	315,987	\$16.13/nnn
2004 2Q	3,419	43,442,432	2,587,100	6.0%	40,855,332	94.0%	66,315	\$15.26/nnn
2004 1Q	3,417	43,368,586	2,584,277	6.0%	40,784,309	94.0%	(127,873)	\$15.15/nnn
2003 4Q	3,406	43,236,832	2,322,558	5.4%	40,914,274	94.6%	297,021	\$14.41/nnn
2003 3Q	3,402	43,187,840	2,480,486	5.7%	40,707,354	94.3%	(24,057)	\$12.31/nnn
2003 2Q	3,398	43,120,874	2,394,738	5.6%	40,726,136	94.4%	(375,662)	\$13.15/nnn
2003 1Q	3,396	43,112,414	2,023,726	4.7%	41,088,688	95.3%	9,664	\$9.66/nnn

Source: CoStar 2008



Table II-4

Retail Space Trends
Central City Portland

Period	# Bldgs	Total RBA	Total Vacant SF	Total Vacant %	Occupied SF	Occupied %	Direct Net Absorption	Direct Average Rate
QTD	779	15,462,099	488,591	3.2%	14,973,508	96.8%	(5,044)	\$21.36/nnn
2008 2Q	779	15,462,099	477,198	3.1%	14,984,901	96.9%	88,287	\$21.90/nnn
2008 1Q	778	15,461,049	550,935	3.6%	14,910,114	96.4%	83,149	\$20.93/nnn
2007 4Q	775	15,407,920	592,995	3.8%	14,814,925	96.2%	33,451	\$19.43/nnn
2007 3Q	773	15,383,720	602,580	3.9%	14,781,140	96.1%	(12,379)	\$19.58/nnn
2007 2Q	772	15,363,720	577,616	3.8%	14,786,104	96.2%	96,717	\$19.33/nnn
2007 1Q	771	15,352,220	662,617	4.3%	14,689,603	95.7%	(38,749)	\$19.45/nnn
2006 4Q	771	15,352,220	611,404	4.0%	14,740,816	96.0%	35,108	\$19.49/nnn
2006 3Q	771	15,352,220	642,712	4.2%	14,709,508	95.8%	18,839	\$18.17/nnn
2006 2Q	771	15,352,220	650,451	4.2%	14,701,769	95.8%	33,498	\$18.74/nnn
2006 1Q	770	15,348,920	677,249	4.4%	14,671,671	95.6%	42,726	\$20.27/nnn
2005 4Q	770	15,348,920	719,975	4.7%	14,628,945	95.3%	15,731	\$20.58/nnn
2005 3Q	770	15,348,920	735,706	4.8%	14,613,214	95.2%	(32,745)	\$19.75/nnn
2005 2Q	770	15,348,920	702,961	4.6%	14,645,959	95.4%	(37,394)	\$19.71/nnn
2005 1Q	769	15,341,505	658,152	4.3%	14,683,353	95.7%	5,268	\$20.12/nnn
2004 4Q	766	15,269,289	591,204	3.9%	14,678,085	96.1%	4,373	\$19.64/nnn
2004 3Q	763	15,233,409	559,697	3.7%	14,673,712	96.3%	65,791	\$20.64/nnn
2004 2Q	762	15,218,409	610,488	4.0%	14,607,921	96.0%	27,895	\$19.85/nnn
2004 1Q	761	15,204,563	627,657	4.1%	14,576,906	95.9%	12,354	\$19.61/nnn
2003 4Q	760	15,194,563	629,051	4.1%	14,565,512	95.9%	24,447	\$20.24/nnn
2003 3Q	760	15,194,563	653,498	4.3%	14,541,065	95.7%	19,562	\$20.46/nnn
2003 2Q	759	15,146,463	624,960	4.1%	14,521,503	95.9%	(65,057)	\$19.86/nnn
2003 1Q	758	15,144,503	577,078	3.8%	14,567,425	96.2%	(7,177)	\$19.50/nnn

Source: CoStar 2008

III. Analysis of Ten Retail Areas

Study Methodology

The ERA Team assessed the condition of existing retail, vacancies, tenancing, and site opportunities for ten Central Portland areas. The Team prepared an analysis of the strengths and weaknesses for each area, identifying their competitive advantages and disadvantages for future retail development. The ERA team then estimated the long term (2010-2030) market demand for additional retail development in these study areas, based on the forecasts by Portland Metro and the strengths and weaknesses of each retail study area.

In order to facilitate the demand analysis, ERA classified each of the ten study areas. The classifications are as follows:

- Regional retail district – The Lloyd District and the Downtown Core are both shopping destinations for regional residents and employees. The Lloyd Center, due to its proximity to the Oregon Convention Center, has some visitor market demand as well. The Downtown Core is more heavily patronized by visitors to the Portland metropolitan area. The retail mix in these regionally serving districts includes general merchandise stores, apparel stores, specialty retail, restaurants, and entertainment uses. The Downtown Core is also the preferred location for high-end luxury retailers.
- Regional specialty retail and/or dining districts – Central Eastside, North Pearl, South Pearl, NW 21st and 23rd are all regional destinations for specialty retail and dining. The Central Eastside has begun to establish itself as a hub for home furnishings and outdoors equipment and apparel stores. The South Pearl is well known by regional residents for its dining and contains many specialty retail stores targeted to a younger, high-end demographic. The North Pearl is expected to attract a similar mix of retailers and restaurants, albeit probably catering to a slightly older demographic. NW 21st and 23rd Avenue District contains many of the city’s hot restaurants and specialty stores, and continues to attract residents from throughout the region.
- Regional cultural and arts districts – Old Town and Chinatown have begun to evolve into regional destinations for entertainment (bars and nightclubs in Old Town), and arts and culture (Chinatown). The architecture and history of these districts provide excellent opportunities to expand ethnic and cultural retail and entertainment businesses.

- Regional entertainment/events district – The Rose Quarter/Convention Center is primarily an events-driven district, with little existing retail businesses. The potential for conventional retail is limited until significant investments are made in the district to stimulate high density housing development and improve access to the Westside and surrounding neighborhoods.
- Neighborhood retail districts – Due to its location and some constraints related to access, ERA has classified the South Waterfront as a neighborhood retail district supported primarily by local residents and employees.
- University district - The Portland State University (PSU) study area is a neighborhood retail district and a university district, deriving retail demand from university students and staff, as well as local neighborhood residents.

These study areas work as an interconnected system of neighborhoods and streets, forming the fabric of Central Portland. Rather than competing with each other, for the most part, the retail areas cater to specific trade areas or market niches. ERA's estimate of supportable retail development potential in each study area is based on the following key assumptions:

- ERA used the population and employment projections developed by Portland Metro from 2010 to 2030 to estimate the number of local residents and workers that would support additional retail space.
- Based on the extremely low retail vacancy rates in Central Portland (below four percent), and the high quality of the existing retail mix, ERA assumed that retail supply and demand are currently in equilibrium. In other words, there is not a significant number of vacant storefronts requiring new tenants in Central Portland. New demand for retail spending would result in the need to develop additional retail space. Future retail development potential is based on increases in population, employment, visitation, and real income growth.
- Because Oregon does not collect retail sales tax, there is no available data on per capita retail sales in the Portland metropolitan area. Per capita taxable sales for Portland were estimated based an average of 2006 per capita taxable sales in King County, Washington and Sacramento County, California because we view Portland's retail attraction as the midpoint between these two counties. The 2006 per capita sales was then adjusted downward by approximately eight percent to reflect the current economic conditions which are expected to persist into 2010.

- Per capita income growth was adjusted for each study area based on both macroeconomic conditions, like recovery from the current recession, and microeconomic changes, such as the increase in average household income due to new higher quality housing development in areas like the North Pearl.
- Based on the retail district’s classification, ERA defined the key demand segments: 1) local neighborhood residents (within 1,500 feet of the study area center); 2) regional residents (within a 15-minute drive); 3) study area employees; 4) visitors to the metropolitan area. For the Portland State University study area, ERA also included the commuter student demand segment.
- In analyzing each district, light rail service was viewed as a substitute for automobile access and streetcar service was viewed as an extender of walk-up trade areas.
- Estimates of annual sales per square foot were based on typical sales achieved for retailers in each category in the Western region of the U.S.
- The aggregate retail demand growth from each market segment was calculated by multiplying the growth of the component (population, employment, commuter students and visitors to Portland) by the income adjusted per capita sales of that segment. We then estimated a study area capture rate for each retail store category of each demand segment. When the segments are combined, we have the estimated total study area sales for each retail category. In order to avoid double-counting residents who are also employees of a particular study area, ERA adjusted the capture rate of resident spending downwards in certain study areas (such as the Downtown Retail Core) where there is a high employment concentration.

The ERA Team assessed the condition of existing retail, vacancies, tenancing, and site opportunities for the ten Central Portland study areas. Maps of each study area are provided in **Appendix A**. The ERA Team then prepared an analysis of the strengths and weaknesses for each study area, identifying their competitive advantages and disadvantages for future retail development. Based on this analysis, the ERA team estimated the long term (2010-2030) market demand for additional retail development in Central Portland. The supporting calculations are presented in **Appendix B**.

Area 1: Portland State University

The Portland State University (PSU) study area is roughly defined as the 15-block area bounded by South Park Blocks to the west, SW Mill Street to the north, SW Fourth Street to the east, and SW Jackson Street to the south. The PSU study area has a range of building densities dominated by

block style mid-rise 1960s buildings along with several new and under-construction high rise residential buildings. Throughout the study area, there are a number of single story structures and surface parking lots prime for future higher density development. On the northern edge is a full block bounded by Fourth Street, Fifth Street, Mill Street and Market Street, with strong development potential.

Development Trends and Opportunities

Portland State University (PSU) is experiencing significant growth with student enrollment expanding from 15,000 in 1998 to 27,000 today. Enrollment is projected to increase to 35,000 in the near future. The percentage of PSU students living on campus is expected to double from 7.5 percent currently to 15 percent. Although it does not have many student residents currently, the university has a widespread and growing economic impact on the city. PSU is positioning itself to be a “global leader in sustainable development” and is nearing completion of a 20-year strategic plan with this focus.

There is no town center retail area in this study area. There is an existing retail node at the corner of SW Broadway Street and SW College Street, where there has been new residential construction in recent years. The building at this corner, which houses retail at the ground floor, commands the highest retail rents in the study area ranging from \$28 to \$29 per square foot. Rents at the new Urban Center and Recreation Center may exceed these rates. Retail rents at the Park Blocks are significantly lower at approximately \$18 to \$19 per square foot. Existing businesses cater to student needs and offer inexpensive dining, haircuts, coffee, sports bars, with a mix of chains and locally-owned businesses. Among the anchors are Baan-Thai Restaurant, Hot Lips Pizza, Thank-Long Bakery, Pizzicato, Seattle’s Best Coffee and Chipotle.

PSU is currently building a new mixed-use building at the heart of the campus in the Urban Plaza, a block bounded by SW Harrison Street, Fifth Avenue, SW Montgomery Street, and Sixth Avenue. It will house a student recreation center, institutional space, city archives, and 20,000 square feet of ground floor retail space (including one large 10,000 square foot restaurant). The building is due to be completed by fall 2009. PSU is planning to develop this area into a new pedestrian district. The university is also in preliminary planning for 150 units of workforce housing for faculty-staff. A major brew pub or sports bar, some smaller restaurants that stay open late into the evening and more housing, including student housing, will make this PSU district more active in the evenings.



Three residential towers totaling 537 units were recently renovated on SW Harrison between First Street and Third Street, strengthening the student housing base and “around the clock” activity in the area. Two residential towers are under construction, which will add another 574 units. These projects will contribute over 6,000 square feet of ground floor retail space. In addition, two market rate rental residential towers, the Cyan and the Ladd Tower, are currently under construction in the vicinity of PSU.

Historical Retail Trends

As shown in Table III-1 below, the retail space in the PSU study area has grown from 75,000 square feet in 2003 to nearly 105,000 currently, an addition of 30,000 square feet. The vacancy rate has generally remained fairly low over this period, although it has climbed to 9.6 percent in 2008, probably due to a major tenant leaving the market.

Table III-1

**Retail Space Trends
Area 1: Portland State University**

Period	# Bldgs	Total RBA	Total Vacant SF	Total Vacant %	Occupied SF	Occupied %	Direct Net Absorption	Direct Average Rate
QTD	18	104,622	10,000	9.6%	94,622	90.4%	0	-
2008 2Q	18	104,622	10,000	9.6%	94,622	90.4%	0	-
2008 1Q	18	104,622	10,000	9.6%	94,622	90.4%	0	-
2007 4Q	18	104,622	10,000	9.6%	94,622	90.4%	(9,000)	-
2007 3Q	18	104,622	1,000	1.0%	103,622	99.0%	0	-
2007 2Q	18	104,622	1,000	1.0%	103,622	99.0%	1,500	-
2007 1Q	18	104,622	2,500	2.4%	102,122	97.6%	(200)	-
2006 4Q	18	104,622	2,300	2.2%	102,322	97.8%	(200)	-
2006 3Q	18	104,622	2,100	2.0%	102,522	98.0%	2,300	-
2006 2Q	18	104,622	4,400	4.2%	100,222	95.8%	100	-
2006 1Q	18	104,622	4,500	4.3%	100,122	95.7%	100	-
2005 4Q	18	104,622	4,600	4.4%	100,022	95.6%	0	-
2005 3Q	18	104,622	4,600	4.4%	100,022	95.6%	0	-
2005 2Q	18	104,622	4,600	4.4%	100,022	95.6%	0	-
2005 1Q	18	104,622	4,600	4.4%	100,022	95.6%	6,476	-
2004 4Q	18	104,622	11,076	10.6%	93,546	89.4%	6,426	-
2004 3Q	17	89,520	2,400	2.7%	87,120	97.3%	15,100	-
2004 2Q	16	74,520	2,500	3.4%	72,020	96.6%	100	-
2004 1Q	16	74,520	2,600	3.5%	71,920	96.5%	0	-
2003 4Q	16	74,520	2,600	3.5%	71,920	96.5%	100	-
2003 3Q	16	74,520	2,700	3.6%	71,820	96.4%	100	-
2003 2Q	16	74,520	2,800	3.8%	71,720	96.2%	(600)	-
2003 1Q	16	74,520	2,200	3.0%	72,320	97.0%	0	-

Source: CoStar 2008

Strengths

- With every indication of ensuing growth in both student and staff population, the PSU study area will continue to be a source of urban vitality bringing growth to the employment base.
- New ground floor commercial space is attracting new, national retailers and consumer spending, and commanding high retail rents.
- PSU's vitality will be felt more broadly throughout the city since the area will soon have easy access to the other downtown commercial areas and neighborhoods with the completion of the Portland streetcar.
- The east-west streets are attractive for pedestrian-scale retail.

Challenges

- As new residential buildings are developed on Harrison Street, near the Park Blocks and west of the academic core, a dispersed pattern of retail space is emerging with no sense of a "town center."
- In some parts of the study area, the architecture and urban design does not encourage street level retail. For example, Hall Street between Fourth and Fifth Avenues is dominated by blocky parking garages, while sky bridges across Harrison at Fifth and Sixth Avenues create a somewhat dark space and lessen the street's retail appeal. The flow of street activity is frequently disrupted by both surface parking lots and parking garages. Heavily traveled north-south streets such as Fourth Avenue and Broadway are less conducive to retail development.
- Transportation barriers to the south (I-405) and to the west (Fourth Avenue) may limit retail development toward those areas. Although College Street has been identified as the focus for future retail development, the walk-up market area is cut off to the south by I-405 and from the west by the Park Blocks.

Opportunities for Retail Development

- With the combined population of students and staff stretching toward 40,000, significant opportunities exist for retail expansion over the next decade. Plans to increase student housing over the next 12 years to 5,200 units underscore the ripeness for development.
- Multiple low scale sites are poised for redevelopment, including ones at the intersection of Sixth Avenue and College Street.
- PSU is in the process of creating a retail node at Harrison, Montgomery, Sixth Avenue and Fifth Avenue.
- When light rail connections are added to the mix, ongoing investment is sure to be stimulated.
- The average PSU student is slightly older than at most college campuses. PSU believes that their target demographic for retail is consequently broader, within the age range of 22 to 45

years old. Some initial consumer research by the university indicates demand for retail uses such as mid market restaurants, a beer hall and music venues.

- The heart of the study area is moving toward the central plaza area where the streetcar goes through, soon to be anchored by the recreation center. This area between 5th and 6th and Harrison and Mill will likely develop as the central retail and entertainment focal point.

Retail Development Potential

The market demand segments analyzed for the Portland State University study area include: daytime employees, local residents, and commuter students. Based on our analysis, there is demand for approximately 40,000 square feet of additional retail space from 2010 to 2030 (Table III-2) assuming the development is targeted for College Street. If the target retail development is moved to build off of the new PSU student recreation center and retail complex, the demand increases to approximately 60,000 square feet. Local residents and commuter students support 45 and 40 percent of the demand, respectively, with employees making up 15 percent of the supportable demand. The new retail demand is estimated to be for eating and drinking establishments, specialty retail, general merchandise, and food stores. Over the next two decades, as it gains more population and student enrollment rises, the study area could support several new restaurants, one small food store, and multiple specialty shops targeting young singles. ERA believes that the most successful retail strategy would be to reinforce the new retail node that PSU is creating at Harrison, Montgomery, 6th Avenue and 5th Avenue. This node is central to the student, employee and resident markets, and enjoys north-south and east-west streetcar service.

Table III-2: PSU Retail Development Potential, 2010-2030

	Resident	Employee	Commuter Students	Total SF
Apparel Stores	980	262	725	1,967
Gen. Merchandise & Drug	2,849	769	2,369	5,986
Food Stores	3,452	554	1,756	5,761
Eating & Drinking Places	2,902	3,138	8,291	14,331
Furnishing & Appliances	273	20	15	309
Bldg Materials & Hardware	245	11	13	269
Personal & Business Services	1,631	541	1,462	3,634
Other Retail Stores	5,612	654	1,451	7,717
Total Retail Stores	17,944	5,948	16,082	39,974
Percentage Distribution	44.9%	14.9%	40.2%	100.0%

Note: Full retail development of each block on both sides of College Street provides 24,000 SF
 Source: Economics Research Associates

Area 2: Downtown Retail Core

The Downtown Retail Core (Downtown Core) is defined as the area bounded by SW Washington Street to the north, SW 2nd Avenue to the east, SW Main Street to the South, and I-405 to the west.

The study area draws from a diverse and balanced market base. As one indicator, downtown’s regional mall, Pioneer Place reports that 54 percent of its traffic is from regional residents, 23 percent from out of town visitors and 23 percent from downtown office workers. However, downtown lacks a concentrated residential base to provide more “24/7” activity.

The Downtown Core has the greatest concentration of high-end retail in Portland with Pioneer Place positioning itself as a ‘fashion retail destination.’ Anchors include Saks Fifth Avenue, Luis Vuitton and Tiffany & Co. Street level retail rents are highest along Broadway, which achieves per square foot rates of \$60, and features luxury brands and jewelry stores. Most of the retail in the core commands rents ranging from \$20 to \$35 per square foot.

Development Trends and Opportunities

Downtown has long pinned its success on the Pioneer Courthouse Square area with its major shopping anchors at Pioneer Place, Nordstrom and the new Macy's as a replacement for Meier and Frank. The Fifth and Sixth Avenue bus mall between Burnside and Main Streets, for many years perceived as a negative influence on image and retail attraction to the area, is being transformed. With the coming of light rail in 2009, the transit mall's bus traffic at peak hours will be reduced from 143 to 93. The city's "Block-by-Block" Storefront Improvement Program has had visible success in the transit mall with 55 projects completed within two blocks and new galleries and offices locating on the mall. Alder Street has also been strengthened in recent years, attracting new tenants such as the relocated Mercantile store and Daphne's Greek restaurant.

Downtown's retail base and 'energy' are expanding to the north and west of Pioneer Courthouse Square with two significant developments in the pipeline. The Park Avenue West 33-story mixed-use tower is transforming the Zell Block bordered by Ninth Avenue, Park, Morrison and Yamhill. It will have two floors of retail including a new flagship Nike store facing the new park/plaza under construction immediately to the south. This will be the first major project in recent history to build housing in the downtown retail core. Several new apartment buildings have sprung up in the west end of the core. Nearby between Alder and Washington Streets, Block 216, the largest development site downtown is a major mixed-use redevelopment opportunity in the downtown retail core.

The existing retail centers in the downtown core have been reinventing themselves in order to remain competitive. The redesigned Nordstrom now features high-end merchandise, and is one of the few stores in the country to offer in-store boutiques. The Galleria has recruited new tenants including Brooks Brothers, Made in Oregon, and the Western Culinary Institute, which add street level retail life. The Pioneer Place mall is currently experiencing vacancies on the top floors, indicating the weakness of the multi-level format. In other cities, where the multi-level format succeeded initially and then waned as street level competition increased, the upper levels have converted to services and office uses.

Increasingly the Downtown Core is expanding towards the northwest, in an area known as the West End. An evolving entertainment node is emerging at SW 10th and Stark, including the Ace Hotel, Living Room Theatre and several popular dining establishments including Clyde Commons and Kenny and Zukes. Other nearby developments include the 22-story mixed use 12th and Washington tower with ground floor retail, office, and apartments (opening in 2009). The long vacant upper floors of the

former historic Esquire Hotel (626 SW Park) are being renovated into loft style condominiums. The ground floor will have an expanded restaurant and meeting space. Harsch Investment Properties intends to build a 25- to 30-story tower at the Federal Reserve building at 915 SW Stark in the West End. The former Silverado Club at SW 12th & Stark is being redeveloped into a hotel and restaurant and improving active connections between the Pearl and downtown. Other potential projects under consideration include an office or hotel tower addition to Pioneer Place II, and the redevelopment of the 10th and Yamhill city parking garage into a mixed use project.

Significant developments toward the waterfront area include a 16-story Class A office tower at First and Main (under construction) and the Morrison Bridgehead project, a proposed mixed use center on four contiguous blocks at the base of the Morrison Bridge. There have also been proposals to develop a public food market at the base of the bridge.

Historical Retail Trends

Table III-3 provides a historic overview of retail trends in the Downtown Retail Core over the last five years. The core has not added much total leasable space, remaining at about 2.4 million square feet. Vacancy rates have increased slightly in the last 18 months as the economy softened to 7.7 percent currently. The direct average rate remains strong at \$23.48 per square foot.



Table III-3

**Retail Space Trends
Area 2: Downtown Core**

Period	# Bldgs	Total RBA	Total Vacant SF	Total Vacant %	Occupied SF	Occupied %	Direct Net Absorption	Direct Average Rate
QTD	73	2,396,368	183,965	7.7%	2,212,403	92.3%	(11,086)	\$23.48/nnn
2008 2Q	73	2,396,368	167,167	7.0%	2,229,201	93.0%	(3,381)	\$23.67/nnn
2008 1Q	73	2,396,368	163,786	6.8%	2,232,582	93.2%	(4,256)	\$21.42/nnn
2007 4Q	73	2,396,368	159,530	6.7%	2,236,838	93.3%	(14,511)	\$17.49/nnn
2007 3Q	73	2,396,368	145,019	6.1%	2,251,349	93.9%	(53,906)	\$17.61/nnn
2007 2Q	73	2,396,368	93,829	3.9%	2,302,539	96.1%	(3,914)	\$15.92/nnn
2007 1Q	73	2,396,368	87,199	3.6%	2,309,169	96.4%	(7,770)	\$14.61/nnn
2006 4Q	73	2,396,368	79,429	3.3%	2,316,939	96.7%	(2,716)	\$14.26/nnn
2006 3Q	73	2,396,368	76,713	3.2%	2,319,655	96.8%	2,804	\$17.40/nnn
2006 2Q	73	2,396,368	79,517	3.3%	2,316,851	96.7%	(5,436)	\$18.23/nnn
2006 1Q	73	2,396,368	74,081	3.1%	2,322,287	96.9%	(730)	\$17.50/nnn
2005 4Q	73	2,396,368	73,351	3.1%	2,323,017	96.9%	(4,415)	\$20.58/nnn
2005 3Q	73	2,396,368	68,936	2.9%	2,327,432	97.1%	8,624	\$23.40/nnn
2005 2Q	73	2,396,368	77,560	3.2%	2,318,808	96.8%	(491)	\$21.82/nnn
2005 1Q	73	2,396,368	77,069	3.2%	2,319,299	96.8%	800	\$21.82/nnn
2004 4Q	73	2,396,368	77,869	3.2%	2,318,499	96.8%	(16,445)	\$21.91/nnn
2004 3Q	73	2,396,368	61,424	2.6%	2,334,944	97.4%	17,383	\$24.51/nnn
2004 2Q	73	2,396,368	78,807	3.3%	2,317,561	96.7%	5,087	\$21.62/nnn
2004 1Q	72	2,382,522	70,048	2.9%	2,312,474	97.1%	(16,939)	\$25.40/nnn
2003 4Q	72	2,382,522	53,109	2.2%	2,329,413	97.8%	1,900	\$25.29/nnn
2003 3Q	72	2,382,522	55,009	2.3%	2,327,513	97.7%	300	\$32.59/nnn
2003 2Q	72	2,382,522	55,309	2.3%	2,327,213	97.7%	(600)	\$30.39/nnn
2003 1Q	72	2,382,522	57,690	2.4%	2,324,832	97.6%	(7,412)	\$24.14/nnn

Source: CoStar 2008

Strengths

- Portland’s small blocks (200’ x 200’) are conducive to easy pedestrian access and contribute to Portland’s unique character. This should not be compromised for current market demands for larger format stores.
- Presence of numerous residential development opportunities in the downtown core to help support retail.
- Downtown has the greatest concentration of employment in the region.
- Key business and government anchors are located in downtown from Standard Insurance to the County and Federal courthouses.
- Downtown serves as the region’s top visitor destination with 20 hotels and the city’s premier cultural destination with Portland Center for the Performing Arts and Arlene Schnitzer Concert Hall. The former Meier & Frank store was converted to a new high end 330-room Nines hotel above Macy’s.
- Nordstrom’s, Saks, and Macy’s department stores are vital anchors to the retail base.

- The downtown business mix is a blend of national chains and independent retailers.
- Major downtown employers report that retail and restaurant choices are very good and contribute to a positive business climate.
- Pioneer Courthouse Square is actively programmed with events adding a steady stream of activity and energy to downtown.
- The amount of parking is generally considered adequate by downtown stakeholders interviewed, though better promotion of parking availability is needed.

Challenges

- More vibrant uses are needed between the South Pearl and the core area to encourage cross-shopping and activity.
- Although the waterfront is actively programmed, Naito Parkway has few active ground floor uses with mainly office and hotel occupants and surface parking lots. The retail core is generally moving away from the river, where height limits may impede high density development.
- Once away from Pioneer Place and the department stores, the retail mix is a hodge podge of low end and high end lacking consistency from one block to the next and within blocks.
- Traffic congestion and the lack of more visible decentralized parking lots are disincentives for visitors.
- The upper floors of Pioneer Place have significant vacancies.
- Two urban renewal districts that covered parts of the downtown retail core sunset, making securing urban renewal funding for projects in the area more difficult.
- Discontinuity of retail on some key streets, and location of non-active uses (such as banks) on key corners.
- Downtown business leaders interviewed are very concerned about the growing homeless and panhandler populations and the repercussions for visitor traffic and business attraction.
- Connections are needed to the river front area, home to Portland's largest festivals and outdoor events.
- The successful development of retail on the West End will be largely dependent on the provision of convenient and safe parking.
- Independent retailers in the Downtown core, particularly in the West End, may not be able to pay the rents that are currently necessary to support the construction costs (including parking).
- The West End suffers from an image problem due to the presence of many social service providers in the area, as well as liquor stores and unattractive storefronts.

Opportunities for Retail Development

- Excellent opportunities exist for redevelopment of surface parking lots near the arts and cultural venues (for example, the 3rd and Taylor lot and 10th and Yamhill garage).
- Retail development is expanding to the west of the downtown core, close to residential neighborhoods. Ultimately, there will be contiguous retail subareas stretching from the South Pearl to the downtown core area.
- The addition of the MAX in Fall 09 may help enliven ground floor retail between 5th and 10th Avenues and Yamhill Street.
- The Morrison Bridgehead project will provide a critical link between the waterfront and the downtown retail core. In the planning stage, it is noted as a potential corporate headquarters site with major retail anchors.
- Some investment in a tenant improvement program may help to improve the image of the West End area.

Retail Development Potential

ERA analyzed demand from three market segments: regional residents within a 15 minute drive of the study area; Downtown Core employees, and Portland area visitors. ERA estimates that there will be demand for approximately 1.1 million square feet of additional retail space in the downtown core from 2010 to 2030. Much of this new demand will be in the categories of specialty retail stores, eating and drinking places, general merchandise, and apparel. The Downtown Core retail will be supported primarily by regional residents (60 percent), followed by employees (20 percent) and Portland visitors (20 percent). The current retail expansion is to the northwest of the existing core, and future expansion is likely to be east toward the waterfront. Downtown Portland's long term retail strength is its small and pedestrian friendly block size, which encourages street retailing. In the near term, this block size may constrain large floor plate retailers from locating in the core. However, in the longer term, as consumers increasingly are moving away from "greenfield" development and automobile-oriented lifestyles, new and sophisticated retailers will adopt more urban formats that will work in downtown Portland.

Table III-4: Downtown Core Retail Development Potential, 2010-2030

	Resident ¹ Within 15 min	Core Area Employees	Portland Visitors	Total SF
Apparel Stores	53,972	15,069	41,103	110,144
Gen. Merchandise & Drug	83,252	28,254	38,534	150,040
Food Stores	27,730	11,966	6,448	46,144
Eating & Drinking Places	56,866	113,017	82,206	252,090
Furnishing & Appliances	24,958	3,425	2,491	30,874
Bldg Materials & Hardware	7,519	904	55	8,478
Personal & Business Services	61,414	20,466	20,215	102,095
Other Retail Stores	359,845	32,021	31,317	423,183
Total Retail Stores	675,556	225,122	222,369	1,123,048
Percentage Distribution	60.2%	20.0%	19.8%	100.0%

¹ Excludes their impact as Core Area employees
Source: Economics Research Associates

Area 3: South Pearl

The South Pearl study area is roughly defined as the area bounded by I-405 to the west, NW Flanders Street to the north, NW 9th Avenue to the east, and West Burnside Street to the south. The study area’s focal point is the Brewery Blocks, the 1.7 million-square-foot neighborhood north of West Burnside. A concerted redevelopment program by Portland developer Gerding Edlen Development over the last eight years transformed the former Blitz Weinhard brewery into a popular retail and entertainment destination.

Development Trends and Opportunities

The Brewery Blocks project, located within the South Pearl study area, has won numerous awards. Perhaps most noteworthy is the honor received from the American Institute of Architects, a new award for sustainability that recognized the Brewery Blocks for its combined density, redevelopment and sustainability in function and building design.

Punctuating the residential development are two high-rise towers. The Henry is a 15-story condominium tower adjacent to the historic Portland Armory Building with ground floor retail; the Louisa is a 16-story mixed-use apartment tower located just north of Whole Foods also with ground-

level retail. On the study area's northern edge at 12th & Everett is The Casey, a 16-story tower with 61 luxury condos. At the northeast corner of that intersection is a future Gerding-Edlen development site.

Office anchors include several professional service firms such as Ernst & Young and Grubb & Ellis and multiple design firms (DiPaola Kemp Design and ZBD Architects). Higher education also has a strong representation, with the Portland Institute of Art and Willamette University Portland Center locating in this study area.

The South Pearl attracts upscale shoppers, the young and hip, affluent retirees and a wide range of visitors to the city. Although Powell's Books is considered 'adjacent' to the study area, the store's wide appeal to virtually every income group and demographic clearly has positive impact on the activity of the South Pearl.

Couch Street between 10th and 13th is widely viewed as one of the most successful retail streets in the city with several popular retail anchors. National chains dominate the retail mix with major anchors including Whole Foods, Sur La Table, P F Chang's, Anthropologie, Adidas, and Diesel. Local-based businesses include Henry's 12th Street Tavern, Finn Clothing and Swahili Imports. On the study area's west end, 13th Avenue functions as a loading/warehouse area.

The Brewery Blocks markets itself as 'in the Pearl' and the 'heart and soul' of the Pearl. Over the next decade, the South Pearl study area is likely to become viewed as an integral part of the downtown retail core.

Historical Retail Trends

As shown in **Table III-5**, the South Pearl has 800,000 square feet of retail space currently, with a very low vacancy rate of only three percent. Direct average rates are competitive with the Downtown Retail Core at \$24.44 per square foot.



Table III-5

**Retail Space Trends
Area 3: Brewery Blocks**

Period	# Bldgs	Total RBA	Total Vacant SF	Total Vacant %	Occupied SF	Occupied %	Direct Net Absorption	Direct Average Rate
QTD	46	808,183	25,715	3.2%	782,468	96.8%	(2,001)	\$24.44/nnn
2008 2Q	46	808,183	23,714	2.9%	784,469	97.1%	2,914	\$27.12/nnn
2008 1Q	46	808,183	26,628	3.3%	781,555	96.7%	(12,913)	\$26.87/nnn
2007 4Q	46	808,183	13,715	1.7%	794,468	98.3%	11,592	\$23.62/nnn
2007 3Q	45	804,317	21,441	2.7%	782,876	97.3%	6,900	\$24.62/nnn
2007 2Q	45	804,317	33,041	4.1%	771,276	95.9%	21,905	\$23.88/nnn
2007 1Q	45	804,317	54,946	6.8%	749,371	93.2%	(3,100)	\$23.74/nnn
2006 4Q	45	804,317	51,946	6.5%	752,371	93.5%	(7,841)	\$24.55/nnn
2006 3Q	45	804,317	39,305	4.9%	765,012	95.1%	31,857	\$24.55/nnn
2006 2Q	45	804,317	71,162	8.8%	733,155	91.2%	8,689	\$24.49/nnn
2006 1Q	45	804,317	79,851	9.9%	724,466	90.1%	(4,647)	\$24.80/nnn
2005 4Q	45	804,317	75,204	9.4%	729,113	90.6%	8,000	\$25.04/nnn
2005 3Q	45	804,317	83,204	10.3%	721,113	89.7%	(8,889)	\$23.38/nnn
2005 2Q	45	804,317	74,315	9.2%	730,002	90.8%	5,000	\$19.80/nnn
2005 1Q	45	804,317	79,315	9.9%	725,002	90.1%	27,777	\$21.52/nnn
2004 4Q	44	775,340	78,115	10.1%	697,225	89.9%	6,737	\$21.52/nnn
2004 3Q	43	762,503	72,015	9.4%	690,488	90.6%	600	\$25.39/nnn
2004 2Q	43	762,503	72,615	9.5%	689,888	90.5%	4,900	\$25.39/nnn
2004 1Q	43	762,503	77,515	10.2%	684,988	89.8%	3,197	\$28.09/nnn
2003 4Q	43	762,503	80,712	10.6%	681,791	89.4%	(900)	\$31.45/nnn
2003 3Q	43	762,503	79,812	10.5%	682,691	89.5%	(3,000)	-
2003 2Q	43	762,503	76,812	10.1%	685,691	89.9%	(8,840)	-
2003 1Q	43	762,503	77,972	10.2%	684,531	89.8%	(95)	-

Source: CoStar 2008

Strengths

- The study area is small and compact while offering sufficient retail critical mass along with a balanced mix of office, residential and entertainment uses to provide round the clock activity.
- Single ownership and control of most of the key properties of the Brewery Blocks facilitated the development strategy and allows for more effective management.
- Careful retail planning and tenancing strategy provided the foundation for the study area’s success. National retailer could have confidence in their co-tenancies.
- Private maintenance and security ensure a high quality environment.
- The Gerding Theatre at the Armory Building, housing Portland Center Stage is a key cultural anchor and the first-ever historic rehabilitation project awarded LEED platinum certification.
- The development provides 1,500 parking spaces, which was financed by PDC, to accommodate out of area visitors. The provision of parking was key to ensuring the study area’s success.

Challenges

- The future establishment of the Burnside-Couch one-way couplet including the streetcar is intended to facilitate pedestrian crossing of Burnside to the downtown core. Careful planning is necessary to ensure the pedestrian retail environment is not degraded at the southern edge of the South Pearl.
- The existing height limits on residential and commercial buildings may hamper the feasibility of developing new mixed-use buildings in this and other study areas in Central Portland.

Opportunities for Retail Development

- Assuming the couplet succeeds in linking the South Pearl to the rest of downtown, retail on Burnside could be enhanced at key intersections such as 10th, 11th and 12th.
- Opportunities exist to redevelop the low scale buildings on 10th and 11th and Everett. Vestiges of the former industrial base remain, such as the large Dynagraphics structure. More adaptive reuse of warehouse spaces will likely occur over time.

Retail Development Potential

Like the downtown core, the South Pearl is a strong regional destination. However, this study area does not have the employment density of the core. The South Pearl can rely on three major market segments to support additional retail development: regional residents; local residents of the South Pearl housing developments; and visitors. ERA estimates that the South Pearl has the capacity to add 240,000 square feet of new retail space from 2010 to 2030. This space will include over 65,000 square feet of bars and restaurants, more than 30,000 square feet of food stores (possibly another gourmet store to support new neighborhood residents, and to complement the existing Whole Foods), and 63,000 square feet of specialty retail. ERA believes that the South Pearl could continue to build on the study area's strength, targeting younger customers for trendy apparel and sportswear, gifts, arts, and other specialty goods. The destination will primarily draw Portland region residents, who make up 65 percent of the new demand, but will also continue to be an important visitor attraction (24 percent of demand).

Table III-6: South Pearl - Brewery Blocks Retail Development Potential, 2010-2030

	Resident ¹ Within 15 min	Local ² Residents	Portland Visitors	Total SF
Apparel Stores	10,235	1,208	7,389	18,832
Gen. Merchandise & Drug	9,723	3,825	3,879	17,427
Food Stores	20,197	9,269	1,623	31,089
Eating & Drinking Places	33,017	3,711	28,964	65,691
Furnishing & Appliances	10,652	1,048	1,254	12,953
Bldg Materials & Hardware	7,959	157	69	8,185
Personal & Business Services	13,869	2,586	5,303	21,758
Other Retail Stores	46,909	6,643	9,852	63,404
Total Retail Stores	152,561	28,446	58,331	239,338
Percentage Distribution	63.7%	11.9%	24.4%	100.0%

¹ Excludes those living within 1,500 ft

² Those living within 1,500 feet

Source: Economics Research Associates

Area 4: North Pearl

The North Pearl is defined as the area bounded by NW Irving Street to the south, NW 14th Avenue to the west, NW Marshall Street to the north, and NW 6th Avenue to the east.

Development Trends and Opportunities

Hoyt Street Properties (HSP) is the North Pearl's largest landowner and under an agreement with the City of Portland is developing 30 acres of the former Burlington Northern rail yards into an urban residential and retail neighborhood. To date, 1,900 units of housing and 76,000 square feet of retail have been constructed. At build-out in 8 to 10 years, HSP plans to develop 3,000 residential units and a total of 150,000 square feet of retail. HSP will build a third park in the North Pearl between NW Overton and Quimby Streets.

Other large developments under way include the Lovejoy Blocks with a 2-story, 40,000 square foot Safeway and 80,000 square feet of office; the MachineWorks project, a 66,000 square foot mixed use project with an L.A. Fitness and Ziba World Headquarters and a 70,000 square foot office building. One Waterfront Place, a 270,000 square foot office building is also proposed.

Redevelopment of two other large sites will stretch the Pearl's boundaries to the east and north. The first involves the 4.75-acre Centennial Mills site on the Willamette River, several historic buildings owned by PDC and planned for retail, office and housing by the Lab Holding, LLC development team. The second site is the 13-acre Post Office site. PDC is discussing acquisition of the distribution center that could accommodate up to 1.8 million square feet of potential commercial space.

The new Wyndham WorldMark building at NW Irving Street and NW 14th Avenue will continue to draw energy to the study area's west side along with The Edge Loft/REI development on Johnson Street between 14th and 15th Avenues. Still in the design stage, the 115-unit Wyndham WorldMark will be the company's first membership-based resort in an urban setting. The six-story hotel will be a half-block development between Irving and Johnson streets (the southern half of the block) and 14th and 15th Avenues. Irving Street on this block has been converted to a pedestrian zone.

It is estimated that by 2030, the Pearl will be home to at least 6,000 residential units and another 200,000 square feet of retail. The Pearl is composed of a diverse residential market by age and marital status with singles, couples, the young and retirees. Eager to attract more families and low-to-moderate income households into residential projects there, the city is requiring Hoyt Street Properties to devote 35 percent of its units to 'affordable' housing. Even with successful affordable housing projects such as Station Place, the Pearl's retail and service base is oriented toward middle and upper income consumers.

Within the Pearl proper, the business base is comprised largely of specialty retailers in small storefronts, with 88 retail condos currently. A few nationals such as Eddie Bauer, Design Within Reach and French Quarter Linens are also located there. The Pearl has a high proportion of food and dining establishments, approximately 20 to 30 percent of total ground floor square footage which serve as critical attractors and anchors for the study area.

Several business clusters have emerged in the Pearl including over 30 art galleries and service businesses, over 30 home furnishings stores and specialty clothing, active wear and specialty stores (jewelry and gift shops). Over time, a portion of the specialty shops will be replaced by local-serving convenience retail, services and restaurants.

Although investment was made in a 'boardwalk' along 10th Avenue, Lovejoy has proved to be the more popular retail street with triple net rents in the \$33 to \$37 per square foot range or \$44 per SF gross. NW 12th Avenue which serves as the central corridor is prime to be the retail spine of this neighborhood.



Historical Retail Trends

The retail inventory in the North Pearl increased slightly from 920,000 square feet in 2003 to nearly 980,000 square feet currently. The vacancy rate is very low at two percent, and the direct average rate is \$23.36 per square foot.

Table III-7

**Retail Space Trends
Area 4: North Pearl**

Period	# Bldgs	Total RBA	Total Vacant SF	Total Vacant %	Occupied SF	Occupied %	Direct Net Absorption	Direct Average Rate
QTD	20	978,060	19,392	2.0%	958,668	98.0%	(4,322)	\$23.36/nnn
2008 2Q	20	978,060	15,070	1.5%	962,990	98.5%	8,748	\$24.06/nnn
2008 1Q	20	978,060	23,818	2.4%	954,242	97.6%	100	\$24.06/nnn
2007 4Q	20	978,060	23,918	2.4%	954,142	97.6%	8,621	\$24.06/nnn
2007 3Q	19	958,060	12,539	1.3%	945,521	98.7%	1,716	\$24.72/nnn
2007 2Q	19	958,060	14,255	1.5%	943,805	98.5%	9,632	\$24.66/nnn
2007 1Q	19	958,060	23,887	2.5%	934,173	97.5%	(8,509)	\$24.66/nnn
2006 4Q	19	958,060	15,378	1.6%	942,682	98.4%	4,317	\$23.68/nnn
2006 3Q	19	958,060	19,695	2.1%	938,365	97.9%	1,980	\$22.73/nnn
2006 2Q	19	958,060	21,675	2.3%	936,385	97.7%	2,780	\$18.63/nnn
2006 1Q	19	958,060	24,455	2.6%	933,605	97.4%	(1,599)	\$18.63/nnn
2005 4Q	19	958,060	22,856	2.4%	935,204	97.6%	12,549	\$17.83/nnn
2005 3Q	19	958,060	35,405	3.7%	922,655	96.3%	300	\$18.77/nnn
2005 2Q	19	958,060	35,705	3.7%	922,355	96.3%	(8,872)	\$18.89/nnn
2005 1Q	19	958,060	26,833	2.8%	931,227	97.2%	1,100	\$12.00/nnn
2004 4Q	19	958,060	27,933	2.9%	930,127	97.1%	1,571	\$15.41/nnn
2004 3Q	19	958,060	29,504	3.1%	928,556	96.9%	(16,033)	\$15.74/nnn
2004 2Q	19	958,060	13,471	1.4%	944,589	98.6%	1,950	\$24.10/nnn
2004 1Q	19	958,060	15,421	1.6%	942,639	98.4%	47,345	\$15.13/nnn
2003 4Q	18	920,060	24,766	2.7%	895,294	97.3%	1,638	\$15.13/nnn
2003 3Q	18	920,060	26,404	2.9%	893,656	97.1%	400	\$15.47/nnn
2003 2Q	18	920,060	26,804	2.9%	893,256	97.1%	(800)	\$11.88/nnn
2003 1Q	18	920,060	26,004	2.8%	894,056	97.2%	(3,141)	-

Source: CoStar 2008

Strengths

- Several community/civic anchors attract visitors and residents, such as Jamison Park a popular draw for the neighborhood and beyond on any good weather day of the year.
- Eighty percent of the current ground floor tenants in the Pearl are local businesses, creating a unique, one-of-a-kind shopping destination.
- The Portland Streetcar runs from NW 23rd Avenue through the Pearl to PSU and the South Waterfront.

Challenges

- The study area's retail base lacks diversity with a prevalence of high end merchants and service providers.

- Despite significant investments, 10th Avenue has not solidified itself as a prime retail street because it is not central to neighborhood population, is mostly single loaded or retail on one side of street, and the street retail continuity is broken up by parks or blocks with no retail frontage.
- Like the South Pearl, the North Pearl is restricted to a height limit of 12 feet for commercial uses and 145 to 175 feet for residential uses, which may constrain feasibility for new development.

Opportunities for Retail Development

- The retail shops that focus on serving the greater North Pearl community should be centered at 12th Avenue and Lovejoy, a major east-west arterial street. The retailer oriented to serving the region should locate around REI because of superior I-405 access and exposure.
- Some have suggested that several sites on the western edge of the study area, between 14th and 15th Avenues with good I-405 highway exposure would be a prime location for middle-market box stores that are under represented in the central city, such as Target and Home Depot. This area has proven itself to be attractive to larger format retailers with the entry of REI.

Retail Development Potential

The Pearl has established itself as a regional draw and is also popular with tourists to the Portland area. ERA believes that future retail demand at North Pearl will be driven by neighborhood residents, regional residents, and visitors. ERA estimates that the total new supportable retail in the North Pearl from 2010 to 2030 is nearly 190,000 square feet. The majority of the spending is expected to come from Portland area residents, with local residents supporting 29 percent of the retail demand, and visitors contributing 17 percent of the spending. The strongest growth sectors for the North Pearl retailing include specialty shops (58,000 square feet), grocery and specialty food stores (44,000 square feet), and restaurants and cafes (38,000 square feet). When compared to the South Pearl, retail in the North Pearl will be more neighborhood-serving. Although the logical north-south commercial spine is NW 12th Avenue, it is not feasible to create a contiguous retail street because the storefronts are broken up by service areas and parks. Therefore, the pattern for retail in the Pearl is likely to continue to be somewhat dispersed throughout the area. Retail shops focused on serving the North Pearl neighborhood should be centered around 12th Avenue and Lovejoy. Retailers oriented to serving the greater region should locate closer to the freeway near REI, because of superior access and exposure.



Table III-8: North Pearl Retail Development Potential, 2010-2030

	Resident ¹ Within 15 min	Local ² Residents	Portland Visitors	Total SF
Apparel Stores	5,644	1,502	1,522	8,667
Gen. Merchandise & Drug	8,935	5,349	1,998	16,282
Food Stores	24,747	18,519	418	43,684
Eating & Drinking Places	17,338	7,569	12,785	37,692
Furnishing & Appliances	1,468	2,442	1,291	5,201
Bldg Materials & Hardware	0	365	71	436
Personal & Business Services	9,262	4,865	2,823	16,950
Other Retail Stores	34,487	12,904	10,147	57,538
Total Retail Stores	101,882	53,514	31,056	186,452
Percentage Distribution	54.6%	28.7%	16.7%	100.0%

¹ Excludes those living within 1,500 ft

² Those living within 1,500 feet

Source: Economics Research Associates

Area 5: NW 21st and NW 23rd Avenues

Located to the northwest of the downtown core, this study area is defined as the area bounded by NW 23rd Avenue to the west, Quimby Street to the north, NW 21st Avenue to the east, and Burnside Street to the south. The retail is largely confined to the two major arterials of 21st and 23rd Avenues.

Development Trends and Opportunities

The study area has long been distinguished by the way it integrates traditional residential homes, classic-style apartments and brand-new condominiums with a down-home mix of specialty shops and restaurants. NW 21st and 23rd is one of the city's most popular walking neighborhoods, with NW 23rd long staking claim as the best retail street in Portland. In the mix of the shops and homes at the northern end of the study area are Legacy Good Samaritan Hospital and the Linfield College-Portland Campus.

Just north of the study area on Raleigh Street is Con-way Enterprises, a freight transportation company which has an early stage master plan for redeveloping its parking lot-dominated headquarters property. The plan calls for several thousand housing units, possibly adding between



4,000 and 5,000 new residents to Northwest Portland's current population of 12,000. Con-way views its 15 acre, four block site as the bridge between the single-family homes off Northwest 23rd Avenue and the mid-rises in the Pearl .

The shopping areas consist of three key clusters serving both destination retail and the local neighborhood. Restaurants are the primary attraction on NW 21st Avenue, with others selectively located on NW 23rd Avenue. Apparel boutiques and home furnishings are especially appealing on NW 23rd Avenue, where (having secured a rare parking space), shoppers can walk eight solid blocks of double-loaded shopping and dining.

The business mix is characterized by high-end merchandise. One of nine is a national chain with the locally-owned businesses having a strong one-of-a-kind appeal. The study area has served as the first Portland location for several desirable nationals such as Urban Outfitters and the soon to locate, Free People women's apparel store. The southern end is anchored by several chains including Pottery Barn, Restoration Hardware, Williams-Sonoma Home, Urban Outfitters, and Cost Plus. At the north end, there are over a dozen stores housing Portland independent apparel and accessory designers. This tightly woven cluster is unlike any elsewhere in the city. The customer base is estimated at 80 percent local and regional residents and 20 percent visitors from outside the region.

Even with competition from the Pearl and many other destination restaurant scenes across the city, the 21st/23rd Street area offers high quality, unique dining experiences in restaurants such as 23 Hoyt, Papa Hayden's, Serrato, Lucy's Table and many more. The distinction between the two main streets will remain as is, with NW 23rd emphasizing its distinctive shopping mix and NW 21st, with less density, tending to be more focused on serving local shoppers and diners.

Historical Retail Trends

As shown in the table below, the NW 21st/23rd Avenues study area is largely built out in terms of retail space. Over the last five years, very little retail space has been added to the area. The vacancy rate has remained very low as a consequence at under three percent in the second quarter of 2008. The study area commands high rental rates of \$26.71 per square foot.



Table III-9

**Retail Space Trends
Area 5: NW 21st and 23rd Avenues**

Period	# Bldgs	Total RBA	Total Vacant SF	Total Vacant %	Occupied SF	Occupied %	Direct Net Absorption	Direct Average Rate
QTD	142	1,218,815	30,160	2.5%	1,188,655	97.5%	(3,653)	\$26.71/nnn
2008 2Q	142	1,218,815	26,507	2.2%	1,192,308	97.8%	746	\$26.95/nnn
2008 1Q	142	1,218,815	27,253	2.2%	1,191,562	97.8%	6,196	\$25.63/nnn
2007 4Q	142	1,218,815	37,249	3.1%	1,181,566	96.9%	(15,233)	\$26.36/nnn
2007 3Q	142	1,218,815	27,789	2.3%	1,191,026	97.7%	1,666	\$25.82/nnn
2007 2Q	142	1,218,815	25,682	2.1%	1,193,133	97.9%	9,952	\$26.02/nnn
2007 1Q	142	1,218,815	30,634	2.5%	1,188,181	97.5%	43,802	\$25.89/nnn
2006 4Q	142	1,218,815	72,436	5.9%	1,146,379	94.1%	10,978	\$26.31/nnn
2006 3Q	142	1,218,815	83,414	6.8%	1,135,401	93.2%	32,536	\$27.61/nnn
2006 2Q	142	1,218,815	118,350	9.7%	1,100,465	90.3%	(2,300)	\$29.14/nnn
2006 1Q	142	1,218,815	113,650	9.3%	1,105,165	90.7%	8,738	\$27.74/nnn
2005 4Q	142	1,218,815	122,388	10.0%	1,096,427	90.0%	36,772	\$26.43/nnn
2005 3Q	142	1,218,815	159,160	13.1%	1,059,655	86.9%	14,440	\$26.67/nnn
2005 2Q	141	1,202,815	157,600	13.1%	1,045,215	86.9%	(11,740)	\$26.67/nnn
2005 1Q	141	1,202,815	145,860	12.1%	1,056,955	87.9%	(63,382)	\$24.61/nnn
2004 4Q	141	1,202,815	82,478	6.9%	1,120,337	93.1%	10,500	\$32.00/nnn
2004 3Q	141	1,202,815	92,978	7.7%	1,109,837	92.3%	74,882	\$32.00/nnn
2004 2Q	141	1,202,815	167,860	14.0%	1,034,955	86.0%	(91,516)	-
2004 1Q	141	1,202,815	76,344	6.3%	1,126,471	93.7%	2,355	-
2003 4Q	141	1,202,815	78,699	6.5%	1,124,116	93.5%	8,990	\$22.00/nnn
2003 3Q	141	1,202,815	87,689	7.3%	1,115,126	92.7%	(1,455)	\$15.95/nnn
2003 2Q	141	1,202,815	86,234	7.2%	1,116,581	92.8%	(4,800)	\$19.31/nnn
2003 1Q	141	1,202,815	81,434	6.8%	1,121,381	93.2%	(3,100)	\$16.57/nnn

Source: CoStar 2008

Strengths

- The study area benefits from the fact it is largely under the ownership of a single family which actively manages and creatively merchandises the area.
- The vested interest of the owners is demonstrated by balancing long-established successes (e.g., top notch beauty boutiques in the locally-owned Blush Beauty Bar and Kiehl’s) with a continual effort to create a sense of newness and surprise which attracts the repeat shopper.
- NW 23rd stands alone among Portland neighborhood shopping areas in its concentration of stores and walkability.
- The area is compact and well-defined, with excellent access to both Highway 30 on the North and I-405 to the East. Burnside forms its southern boundary, and NW 23rd is the terminal point of the light rail system.
- The study area’s proximity to a strong residential concentration, including the affluent West Hills residents and the historic Nob Hill neighborhood provides an additional economic advantage.
- High density residential district surrounds NW 21st and 23rd Avenues on both sides.

- Off of the main streets, retail is prohibited through zoning in order to concentrate retail onto the avenues.

Challenges

- Competition from other quality retail areas such as the South Pearl and the North Pearl that offer better parking is challenging NW 21st & 23rd.
- The unique charm of the study area comes at the expense of congested streets and limited parking, keeping some shoppers away. An 87-space deck proposed on Irving has been met with opposition. If approved, the garage would help with the parking problem, but much more is needed.
- The lack of available vacant and redevelopment land together with the tight narrow streets physically constrains the area and will limit future retail absorption.
- Historic preservation zoning adds challenges for getting commercial projects through strict design review.
- The proposed Con-way development project could siphon off retail demand from nearby streets.
- As rental rates in the study area escalate, some NW 23rd apparel merchants have relocated to the West End.

Opportunities for Retail Development

- NW 21st & 23rd can continue to serve the prosperous west end neighborhoods by focusing on high quality, cutting edge merchants—both independents and chains.
- Active promotion is needed to distinguish it as an authentic Portland neighborhood with the greatest concentration of retail and fine dining in the city.

Retail Development Potential

This study area has strong patronage from regional residents and visitors, and also supports local area households. According to our analysis, these three market segments can support a total of 140,000 square feet of new retail from 2010 to 2030. This includes 45,000 square feet of restaurants, 34,000 square feet of specialty retail, 17,000 square feet of food stores, and 16,000 square feet of general merchandise.

The study area does not have many vacant or undeveloped sites, so some of this demand may be captured by the redevelopment plan for Con-Way enterprises on Raleigh Street. ERA believes that the NW 21st/23rd Avenue area will continue to build on its strength in dining, offering some of the best restaurants in the city. NW 23rd will continue to emphasize its distinctive shopping mix and NW 21st, with less density, tending to be more focused on serving local shoppers and diners. Because the

vast majority of the demand growth for retail will be coming from outside the local neighborhood, some new parking spaces may be required to support this area’s retailers. In order to maintain the study area’s pedestrian character, ERA believes that the best strategy is to provide parking in several smaller decentralized facilities. This could include the private development of four or five small parking lots accommodating 25 to 30 stalls, paid for by either a dominant property interest or through assessments against multiple beneficiaries. In addition, the city may consider designating selected streets for diagonal or perpendicular on street parking.

Table III-10: NW 21st and 23rd Ave Retail Development Potential, 2010-2030

	Resident¹ Within 15 min	Local² Residents	Portland Visitors	Total SF
Apparel Stores	5,764	233	1,522	7,519
Gen. Merchandise & Drug	4,563	1,578	9,989	16,130
Food Stores	12,638	3,825	836	17,299
Eating & Drinking Places	22,135	1,531	21,309	44,976
Furnishing & Appliances	2,499	648	1,291	4,439
Bldg Materials & Hardware	2,241	323	71	2,635
Personal & Business Services	7,626	1,042	4,009	12,677
Other Retail Stores	26,417	2,285	5,074	33,776
Total Retail Stores	83,884	11,466	44,101	139,450
Percentage Distribution	60.2%	8.2%	31.6%	100.0%

¹ Excludes those living within 1,500 ft
² Those living within 1,500 feet
Source: Economics Research Associates

Area 6: Old Town/Chinatown

The Old Town/Chinatown study area is located just northeast of the downtown core. The study area is roughly defined as the area bounded by NW 4th Avenue to the west, NW Everett Street to the north, NW Naito Parkway to the east, and SW Pine Street to the south.

Development Trends and Opportunities

Old Town/Chinatown is characterized by its ethnic and social diversity and concentration of historic buildings reflecting Portland’s maritime history. Traditionally the neighborhood has been a first home for many new immigrants to the city. Its current landscape ranges from important social

service providers and numerous popular entertainment clubs to one of Portland's more popular tourist attractions, the Classical Chinese Gardens.

The core study area is a six-block area with 3rd Street overlapping the Skidmore Historic District as well as the Historic Japantown New Chinatown. Two property owners dominate the area with Naito Co. having significant properties on 2nd Avenue and Concept Entertainment owning most of the bars and clubs.

The northern end of the study area has been energized by the designation of Davis and Flanders as Festival Streets, which can be closed down for special events such as the August Moon Festival. There is hope that this will spur some private investment.

In recent years many Asian households have moved to the southeast Portland area. In so doing, the vitality of the area has been compromised to some extent by the relocation of many restaurants and some shops to SE 82nd Avenue. Yet, a number of Chinese family associations are now ready to upgrade their buildings and sites surrounding the Chinese Garden are being considered for redevelopment.

Planning efforts have been underway in this study area to identify potential redevelopment opportunities. The North Chinatown Redevelopment Strategy was recently completed for four blocks at the north end of Chinatown. The Ankeny Burnside Development Framework was completed in 2006 for the Skidmore/Old Town Historic District.

The study area is known for history, culture and the arts. It boasts a few highly specialized shops and galleries by day and is attractive as an edgy entertainment destination at night, with many bars and clubs. Residents are primarily low to moderate income with minimal discretionary funds. This is unlikely to change anytime soon with the neighborhood association advocating that future residential projects include affordable housing at and below median household income. The night life and clubs, however, are particularly attractive to university students. New employers and college programs moving to the area will also help by diversifying the daytime population beyond the dominant social service clientele on the streets.

Historical Retail Trends

The table below indicates that there has been little new retail construction in Old Town/Chinatown. The inventory is slightly over one million square feet. The vacancy rate has remained low in the last



five years. The average direct lease rate is \$17.87 per square foot, significantly below the other Westside central city neighborhoods.

Table III-11

**Retail Space Trends
Area 6: Old Town/ Chinatown**

Period	# Bldgs	Total RBA	Total Vacant SF	Total Vacant %	Occupied SF	Occupied %	Direct Net Absorption	Direct Average Rate
QTD	43	1,072,183	45,005	4.2%	1,027,178	95.8%	(1,158)	\$17.87/nnn
2008 2Q	43	1,072,183	43,847	4.1%	1,028,336	95.9%	(3,666)	\$15.45/nnn
2008 1Q	43	1,072,183	40,181	3.7%	1,032,002	96.3%	11,000	\$12.79/nnn
2007 4Q	43	1,072,183	51,181	4.8%	1,021,002	95.2%	(3,439)	\$12.79/nnn
2007 3Q	43	1,072,183	47,742	4.5%	1,024,441	95.5%	(5,848)	\$12.79/nnn
2007 2Q	43	1,072,183	41,894	3.9%	1,030,289	96.1%	4,346	\$19.92/nnn
2007 1Q	43	1,072,183	46,240	4.3%	1,025,943	95.7%	14,692	\$18.00/nnn
2006 4Q	43	1,072,183	60,932	5.7%	1,011,251	94.3%	(200)	\$18.00/nnn
2006 3Q	43	1,072,183	60,732	5.7%	1,011,451	94.3%	(4,532)	\$18.00/nnn
2006 2Q	43	1,072,183	56,200	5.2%	1,015,983	94.8%	(400)	\$18.00/nnn
2006 1Q	43	1,072,183	55,800	5.2%	1,016,383	94.8%	300	\$17.76/nnn
2005 4Q	43	1,072,183	56,100	5.2%	1,016,083	94.8%	(2,100)	\$17.76/nnn
2005 3Q	43	1,072,183	54,000	5.0%	1,018,183	95.0%	2,500	\$17.76/nnn
2005 2Q	43	1,072,183	56,500	5.3%	1,015,683	94.7%	700	\$17.76/nnn
2005 1Q	43	1,072,183	57,200	5.3%	1,014,983	94.7%	(40,070)	\$17.76/nnn
2004 4Q	43	1,072,183	17,130	1.6%	1,055,053	98.4%	9,821	-
2004 3Q	43	1,072,183	26,951	2.5%	1,045,232	97.5%	(2,641)	-
2004 2Q	43	1,072,183	24,310	2.3%	1,047,873	97.7%	(9,010)	-
2004 1Q	43	1,072,183	15,300	1.4%	1,056,883	98.6%	(1,300)	-
2003 4Q	43	1,072,183	14,000	1.3%	1,058,183	98.7%	200	-
2003 3Q	43	1,072,183	14,200	1.3%	1,057,983	98.7%	600	-
2003 2Q	43	1,072,183	14,800	1.4%	1,057,383	98.6%	2,700	-
2003 1Q	43	1,072,183	17,500	1.6%	1,054,683	98.4%	(8,438)	-

Source: CoStar 2008

Strengths

- Old Town/Chinatown is the central city’s most ethnically and culturally diverse area and a magnet for locals and visitors alike.
- Several new anchors are locating or have recently located in the study area including Mercy Corps World Headquarters between 1st Avenue and Naito Parkway, the University of Oregon’s Allied Arts School and the Oregon College of Oriental Medicine relocating from Gateway to Davis & 1st Avenue. Together 1,000 new jobs will locate within the study area in the next four years.
- The Chinese Garden built with labor and materials imported from China and \$8 million in PDC investment provide an important cultural and visitor anchor for the area.
- Another important cultural and mercantile anchor, Portland Saturday Market is relocating adjacent to the waterfront where a \$13 million investment in Waterfront Park will help create a welcoming atmosphere.

- The study area is well served by light rail with a station located halfway between the downtown core and the Convention Center/Lloyd .
- The recently completed Old Town/Chinatown strategy considers the area’s prime location as offering the potential to become “a unique welcoming gateway into the central city.”
- Uwajimaya Asian Grocery & Gifts has proposed building a new store on NW Couch Street between Fourth and Fifth Avenues, including a high end restaurant and 140 mixed-income apartments on seven floors above. The addition of this well-known store, if built, would help to boost the quality of retailers locating in the area.

Challenges

- High concentration of social service agencies in the neighborhood poses a potential constraint on overall success of the area.
- Serving a diverse, complex market mix with neighborhood convenience retail and dining/entertainment destinations makes it difficult to market the area effectively.
- With waterfront urban renewal funds expiring in 2008, PDC is seeking to move the study area into the Riverfront URA.

Opportunities for Retail Development

- The proposed Uwajimaya store would be an important retail anchor serving area residents and visitors and likely stimulating development nearby.
- Expansion of the employment and housing base will contribute to the success of a round-the-clock neighborhood commercial.
- The study area is attracting cutting edge or highly specialized arts-oriented uses including the University of Oregon Allied Arts School, galleries, and live/work lofts for artists.
- A focus on international flavor in dining, entertainment and retail will continue to distinguish the Old Town/Chinatown study area.

Retail Development Potential

The market segments expected to support future retail demand in Chinatown include regional residents, local residents, and Portland visitors. From 2010 to 2030, ERA estimates that regional residents will support about 130,000 square feet of additional retail, local residents will generate demand for 16,000 square feet, and visitors will support 33,000 square feet. In total, Old Town/Chinatown’s future retail demand capacity totals 180,000 square feet during this period. This includes 40,000 square feet in food stores, 40,000 square feet in eating and drinking places, and 55,000 square feet in specialty stores. The demand for additional food stores may be largely met by

the proposed 28,000-square-foot Uwajimaya grocery store, if built. Specialty retail stores may include art supply stores, galleries, ethnic goods, gifts, etc.

Table III-12: Old Town/Chinatown Retail Development Potential, 2010-2030

	Resident ¹ Within 15 min	Local ² Residents	Portland Visitors	Total SF
Apparel Stores	3,710	199	739	4,648
Gen. Merchandise & Drug	13,215	1,893	1,940	17,047
Food Stores	30,500	6,553	4,057	41,110
Eating & Drinking Places	25,642	2,296	12,413	40,351
Furnishing & Appliances	1,448	259	1,254	2,961
Bldg Materials & Hardware	1,442	129	69	1,640
Personal & Business Services	11,846	1,437	3,032	16,316
Other Retail Stores	42,504	3,044	9,852	55,400
Total Retail Stores	130,308	15,811	33,355	179,473
Percentage Distribution	72.6%	8.8%	18.6%	100.0%

¹ Excludes those living within 1,500 ft

² Those living within 1,500 feet

Source: Economics Research Associates

Area 7: Convention Center/Rose Quarter

The Convention Center/Rose Quarter study area is located on the Eastside. The boundaries of the study area are North Wheeler Avenue to the north and east, NE Oregon Street to the south, and the Willamette River to the west.

Development Trends and Opportunities

Largely city-owned, this 37 acre study area is about 6 city blocks in size. It features the Rose Garden Arena, home of the NBA Trail Blazers and a venue for large national attractions (20,000 seat capacity), and the Veteran’s Memorial Coliseum (12,000 seat capacity), a 48 year old building owned by the city but operated (at a loss) by the Trail Blazers. The two buildings together host 300 events annually. Anchoring the southern portion of the study area is the Oregon Convention Center (OCC), which hosts industry tradeshow and meetings in a 255,000 square foot facility.

To the northeast of Broadway is the 225,000 square foot Portland Public School administrative building, of which Multnomah County government offices occupy 15 percent. Just to the north of this is the Portland Water Bureau campus as well as Legacy Emmanuel Hospital. Each of these 'campus' areas are destinations to themselves with challenging transportation connections.

Various plans for the Rose Quarter have been offered up in recent years, often tied to the ups and downs of the Blazers' fortunes. With its renewed success, the Blazers have proposed replacing the Coliseum with a medium-size facility that could couple with the Garden for major events, and also open up the area to the Willamette River to capture the city views. Central to this vision is making the Rose Quarter a year-round hub of activity, such the Cordish LA Live! and Kansas City concepts.

In 2006, the city produced a development vision for the Oregon Convention Center. The vision anticipates the creation of an entertainment destination with a new 600 room convention center hotel at MLK and Holladay. PDC has been working with StarTerra, LLC to redevelop PDC-owned Blocks 47 and 49, directly north of the Oregon Convention Center, in conjunction with adjacent property owned by StarTerra, LLC, into a 4-acre mixed-use development. The two-phase construction project would begin with a 19-story office tower with 450 parking stalls, a bike hub, and some ground floor retail. Phase II will probably include ground floor retail and entertainment uses, office, residential and a boutique hotel. Additionally, Weston Investment Company has proposed 210 residential condominiums contained in a 31-story point tower for Block 45. The development will also include active ground floor retail space.

The market is dominated by regional and national visitors. The area is empty when events are not taking place. Three restaurants existed there a decade ago with none remaining. Residential/mixed use redevelopment is planned to begin to create 24-hour activity. The goal remains to capture more event/visitor spending that is currently leaving the area for destinations largely across the river.

Strengths

- As the site for the lone major professional sports franchise between San Francisco and Seattle, the Rose Quarter attracts patrons from a wide geographic spectrum both to sporting events and to major entertainment events.
- The Portland Streetcar crosses the Broadway Bridge and turns east at Weidler, connecting the Rose Quarter to the downtown core.
- The city owns the land upon which the Rose Quarter sits, most of the surrounding acreage and owns the Coliseum outright.

Challenges

- Transportation access, a confusing street network, poor connectivity and the pedestrian-unfriendly environment are significant development challenges to the area.
- The Rose Quarter and Convention Center activities are not connected and there are no pedestrian linkages. Ideally, any external entertainment zone will 'bridge' these two huge event magnets. The study area is isolated from surrounding neighborhoods and the dominance of the Lloyd Center office towers.
- The study area is positioned on the diagonal to the main transportation arteries of Weidler and Broadway, adding to the confusion.
- Any entertainment investment will need to be reprogrammed in seven to ten years.
- The visitor market is not effectively targeted on the Eastside, as all the major destinations, including quality lodging, are located on the other side of the river.
- The event space is very internally focused and has limited ability for street-facing retail.
- The Coliseum is dated and needs replacement or redevelopment to fulfill its potential.
- The large parcels of land in the area are occupied with significant users in aging facilities, such as the land under the coliseum and the Portland school 's headquarters. These would be much more valuable to developers if the buildings were not there.
- Parking requirements are significantly higher in the Eastside than in the Downtown core, driving up the cost of development. However, the rents must remain competitive in order to attract retailers.

Opportunities for Retail Development

- Stronger marketing will be needed to bring visitors to the area.
- Successful retail will be driven by the sporting events and concerts taking place on the site.
- Re-orienting the Memorial Coliseum site with access to the river and city views is under discussion by the Trail Blazers.
- Local political leaders are also advocating for a new minor-league ballpark to be in the Rose Quarter, possibly at the location of the Coliseum.
- Adding a major entertainment attraction to produce year-round activity
- A high priority for any restaurant, bar, entertainment venue is visibility from the street. The Blazers would like a new entrance on Broadway.
- Entertainment/night life venues should capitalize on visitors to all of the public anchors in the study area and connect the arenas with the convention center. The city sought to develop a site off Wheeler that would accomplish this.

Retail Development Potential

Access, grade changes, a confusing street network, poor connectivity and the pedestrian-unfriendly environment are significant development challenges to this area. Previous attempts to develop retail at the Rose Quarter have not been successful due to the highly event-oriented nature of the location. The Portland Trail Blazers have recently proposed redeveloping the Rose Quarter into a year-round hub of event-centered activity, modeled after the Kansas City Power & Light District, a retail entertainment destination developed by Cordish. That project includes a convention center, sports arena, movie theater, offices, and hotels. The live entertainment and programming of public spaces are important elements of the success of this type of district. Its retail includes 14 restaurants and bars geared to visitors and event attendees. Future retail demand at the Rose Quarter will depend on the strategy pursued. If a similar concept is developed at this location, the retail development potential will be for restaurants and bars targeting event attendees.

Given the study area's location, existing uses, topography, it will be difficult to transition to neighborhood or community scale retail without substantial public investment. The Cordish type of entertainment retail seems to be a good complement to the events-oriented nature of the Rose Quarter. Entertainment retail concepts of this nature need frequent reinvestment, as the experience must constantly be refreshed in order to attract repeat visitors. Therefore, if this strategy is pursued, it should be with partners experienced in entertainment retail.

Area 8: Lloyd District

The Lloyd District is dominated by the Lloyd Center located on the Eastside of Central Portland, bounded by Halsey Street to the north, NE 16th Avenue to the east, Multnomah Street to the south, and NE 7th Avenue to the west.

Development Trends and Opportunities

The 50-acre Lloyd Center opened in 1960 as an open air development and was enclosed in 1990, adding a food court and theater complex. A second theater complex sits on the northwest corner of the mall property. In 2006, the mall underwent a \$7 million remodel. Lloyd Center is implementing plans to better connect with the Irvington and Sullivan's Gulch neighborhoods (north/northeast) and Holladay Park (south) with outdoor plazas and improved walkways.



The small commercial area to the North of the mall expanded steadily during the 1980s. The area continues to be a very desirable location for merchants. To the west of the mall, medical facilities were built, and hotels and office buildings were developed.

The Ashforth Pacific Company owns roughly 20 blocks in the Lloyd neighborhood and is involved in a number of upcoming projects in the area: Lloyd 500 -700 Tower, Lloyd Center Building, Oregon Square Complex and Liberty Centre (49% ownership by Ashforth Pacific and 51%, Kaiser).

In the area surrounding Lloyd Center particularly south toward I-84 and east there are numerous infill opportunities with many low scale buildings, lone residential structures and vacant lots. In recent years, mid-rise housing (senior, apartments and condos) has filled in the neighborhood immediately adjacent to the east.

Several outparcels to the north help anchor the east-west one-way couplet of Weidler and Broadway with neighborhood convenience stores and restaurants, such as Safeway and Newport Grill. Broadway has a strong cluster of independently owned shops and boutiques, mainly serving the neighborhood between 7th and 16th Avenues.

Lloyd Center fills an important role as the middle-market retail center, serving the value-oriented consumer base of the central city. It serves a seven-mile market area and one million customers a month. There are 31,000 employees within a one-mile radius of the mall. This 1.4 million square foot super regional mall includes six anchors (among them Nordstrom, Macys, Sears and Marshalls), 180 stores, an ice skating rink, eight-plex movie theater, four full service restaurants and a 900 seat food court. It is expanding vertically by adding a 30,000 square foot L.A. Fitness under the Dollar Tree.

Historical Retail Trends

Retail data for the Lloyd District largely represents the trends for the Lloyd Center mall, which contains most of the study area's retail space. The leasable space in the Lloyd District is over 1.4 million square feet, with only 8,000 square feet of vacant space. The direct average lease rate is reportedly \$35 per square foot.



Table III-13

**Retail Space Trends
Area 8: Lloyd Center**

Period	# Bldgs	Total RBA	Total Vacant SF	Total Vacant %	Occupied SF	Occupied %	Direct Net Absorption	Direct Average Rate
OTD	3	1,400,137	8,000	0.6%	1,392,137	99.4%	0	\$35.00/nnn
2008 2Q	3	1,400,137	8,000	0.6%	1,392,137	99.4%	0	\$35.00/nnn
2008 1Q	3	1,400,137	8,000	0.6%	1,392,137	99.4%	0	\$35.00/nnn
2007 4Q	3	1,400,137	8,000	0.6%	1,392,137	99.4%	0	-
2007 3Q	3	1,400,137	8,000	0.6%	1,392,137	99.4%	0	-
2007 2Q	3	1,400,137	8,000	0.6%	1,392,137	99.4%	0	-
2007 1Q	3	1,400,137	8,000	0.6%	1,392,137	99.4%	0	-
2006 4Q	3	1,400,137	8,000	0.6%	1,392,137	99.4%	0	-
2006 3Q	3	1,400,137	8,000	0.6%	1,392,137	99.4%	(8,000)	-
2006 2Q	3	1,400,137	0	0.0%	1,400,137	100.0%	0	-
2006 1Q	3	1,400,137	0	0.0%	1,400,137	100.0%	0	-
2005 4Q	3	1,400,137	0	0.0%	1,400,137	100.0%	0	-
2005 3Q	3	1,400,137	0	0.0%	1,400,137	100.0%	0	-
2005 2Q	3	1,400,137	0	0.0%	1,400,137	100.0%	0	-
2005 1Q	3	1,400,137	0	0.0%	1,400,137	100.0%	0	-
2004 4Q	3	1,400,137	0	0.0%	1,400,137	100.0%	0	-
2004 3Q	3	1,400,137	0	0.0%	1,400,137	100.0%	0	-
2004 2Q	3	1,400,137	0	0.0%	1,400,137	100.0%	0	-
2004 1Q	3	1,400,137	0	0.0%	1,400,137	100.0%	0	-
2003 4Q	3	1,400,137	0	0.0%	1,400,137	100.0%	0	-
2003 3Q	3	1,400,137	0	0.0%	1,400,137	100.0%	0	-
2003 2Q	3	1,400,137	0	0.0%	1,400,137	100.0%	0	-
2003 1Q	3	1,400,137	0	0.0%	1,400,137	100.0%	0	-

Source: CoStar 2008

Strengths

- The Lloyd District is the primary retail and office concentration on the eastside of the central city. The Lloyd office market reports strong occupancies of over 94 percent.
- The study area has easy access to I-5, I-84, the bus line, MAX and the Westside via Broadway, and will have the Portland Streetcar when the loop is constructed.
- It is in within easy walking distance to 20,000 Lloyd Center office jobs, hotels and residential neighborhood and major public facilities including the Oregon Convention Center and Rose Garden/Coliseum arenas.
- Rose Quarter/Convention Center development will be a positive influence on the Lloyd District.
- Lloyd Center is by all accounts a successful regional mall with historically strong occupancies and healthy sales of \$350 to \$400 per square foot.
- Ashforth Pacific is viewed as a quality developer and is a positive influence on the Lloyd District.
- There are a number of large parcels available for redevelopment projects in the study area.

Challenges

- The Eastside is not perceived as a destination for dining currently, even though many of the city's hottest restaurants are located on Eastside neighborhood streets.
- The Lloyd Center is uninviting from the exterior with limited street-oriented retail and dining activity.
- Development economics make it unlikely that the Lloyd Center will transform itself back to an open-air mall or a center that is more outward-facing. However, continuing to improve its streetscape and aesthetics will be important to overall market appeal.
- Crime in and around Holladay Park and the Lloyd Center/11th Avenue light rail station are a concern.
- The urban renewal area sunsets in 2013.

Opportunities for Retail Development

- Stronger marketing initiatives may help to attract shoppers and diners to the Eastside.
- To the south on Multnomah St. between 11th and 16th Avenues, Glimcher is planning a mixed-use project with up to 60,000 square feet of retail. This proposed development provides the chance to add more lifestyle-type retailers and attract a more diverse clientele.
- The study area's location in the central city and close proximity to downtown will encourage more high density housing and mixed use in the area surrounding the mall.
- Multiple mixed-use (office and residential) projects proposed nearby will contribute to strong and growing neighborhood demand for Lloyd Center.

Retail Development Potential

The Lloyd Center is a successful regional mall in Central Portland by industry standards, achieving per square foot sales of approximately \$350 to \$400. The mall is primarily supported by Portland area residents. ERA's demand analysis for the Lloyd District study area considered growth in the regional resident population within a 15-minute drive of the shopping center. ERA estimates that the area can support an additional 540,000 square feet of retail from 2010 to 2030. This would be made up of largely specialty retail, general merchandise, apparel, furnishings, and building materials stores, which would build on the Lloyd Center's current strengths as a traditional regional shopping center. Much of this demand may be met by Glimcher's proposal to expand the existing center. There is also potential for big box stores to locate here, given the substantial retail market demand, good regional access, and availability of large developable parcels in this study area. Conventional big box tenants like Lowe's, Ikea, or Target may have an interest in locating in the Lloyd District, if political



support exists. The large block sizes can accommodate these types of tenants without having to change their format significantly.



Table III-14: Lloyd District Retail Development Potential, 2010-2030

		<u>2010</u>	<u>2030</u>	Market Area Demand Growth by Residents				
Resident Population within 15 min. Drive		781,899	912,537					
Real Income Adjustment		1.000	1.105					
	<u>2010</u>	<u>Total Market Area Demand</u>		<u>Gain in</u>	<u>Annual</u>	<u>Gain in</u>	<u>Lloyd Ctr</u>	<u>Total</u>
	<u>Per Capita</u>			<u>Sales</u>	<u>Sales/SF</u>	<u>Sq Ft</u>	<u>Market Share</u>	<u>Sq Ft</u>
Apparel Stores	0.524	\$409,925	\$528,598	\$118,673	\$350	339,066	15.0%	50,860
Gen. Merchandise & Drug	1.423	1,112,590	1,434,684	322,094	400	805,235	17.5%	140,916
Food Stores	2.094	1,637,048	2,110,972	473,924	425	1,115,115	2.0%	22,302
Eating & Drinking Places	1.294	1,011,992	1,304,962	292,971	375	781,255	2.5%	19,531
Furnishing & Appliances	0.536	418,984	540,279	121,295	300	404,318	12.0%	48,518
Bldg Materials & Hardware	0.728	569,235	734,028	164,793	300	549,310	8.0%	43,945
Auto Dealers & Service Stations	2.397	1,874,306	2,416,916	542,610	NA	NA	NA	NA
Other Retail Stores	2.403	1,878,753	2,422,650	543,897	350	1,553,992	12.0%	186,479
Total Retail Stores	\$11.399	\$8,912,832	\$11,493,090	\$2,580,257		5,548,291	9.2%	512,552
Local Services @ 5% of Retail Store Total								25,628
Growth in Regional Resident Generated Retail and Restaurant Demand in Lloyd Center								538,179

Source: Economics Research Associates

Area 9: Central Eastside

The Central Eastside study area is bounded by SE Third Avenue, NE Couch Street, NE 10th Avenue, SE Grand Avenue, and SE Belmont Street. The commercial activity is mainly centered on E Burnside and on SE Grand Avenue.

Development Trends and Opportunities

The study area is made up of two or more distinct commercial nodes—one on Burnside between 7th and 10th Streets and the second at the intersection of Grand and Stark where three of the four corners have retained their historic buildings.

The Burnside-Couch Couplet and the Portland Streetcar are two major infrastructure projects that will shape the character and development of this area. Long term, the Burnside Bridgehead project, a multi-block site between 2nd and MLK on Burnside will develop and anchor the Burnside from the river toward the east.

The East Portland/Grand Avenue Historic study area extends from Ankeny to Salmon, approximately a 13-block area with Grand as the spine. Grand Avenue and Martin Luther King, Jr. Blvd. (MLK) are a north-south one-way couplet through the center of the East Side.

The city has designated the area west of MLK as an 'industrial sanctuary' focused on employment opportunities. Related city goals are to:

- Enhance the Central Eastside as a near-in job center featuring a diverse industrial base particularly for specialty manufacturing and distribution firms desiring convenient access to regional transportation networks and
- Support the area with compatible and appropriately located commercial activities.

The areas both east and west of the Grand/MLK corridor are industrial sanctuaries. The area to the west allows some flexibility with regard to office development, but neither of these areas allows housing development. Recent warehouse transformations include the redevelopments of the Olympic Mills Commerce Center and Rivereast Center. Nearby at the corner of SE Morrison and SE 8th, the historic Grand Central Bowl building is proposed for redevelopment with multiple retail, service and restaurant tenants, as well as a nightclub and bowling lanes. This anchor building, if completed, will contribute to the area's retail revitalization.

The East Burnside area has emerged as a hip nightlife destination serving a young demographic of under 30-somethings. Among the highest profile successful establishments there are: LePigeon (2008 Restaurant of the Year), The Farm Cafe, Doug Fir Lounge and Nightclub and Milagro Theatre.

The Central Eastside area includes two other business clusters. One is focused on home improvement and design with 50 businesses in 16 categories from appliances and fabric to tile and window coverings. The second emphasizes specialty recreation with multiple bike shops, fishing gear supply stores and athletic apparel. The home improvement cluster focuses on remodeling and design businesses but helps promote restaurants too since they often draw the consumer first. Although many businesses are located there for lower cost space, their target market is mid-to-upper income households and young creative professionals engaging in home improvement. These sectors attract shoppers from throughout the Portland region.

Historical Retail Trends

The Central Eastside contains about 660,000 square feet of retail space, which is almost fully occupied. The average lease rate is very low compared to other Central City study areas at \$7.50 per square foot.



Table III-15

**Retail Space Trends
Area 9: Central Eastside**

Period	# Bldgs	Total RBA	Total Vacant SF	Total Vacant %	Occupied SF	Occupied %	Direct Net Absorption	Direct Average Rate
QTD	57	655,852	1,020	0.2%	654,832	99.8%	0	\$7.50/nnn
2008 2Q	57	655,852	1,020	0.2%	654,832	99.8%	8,880	\$7.50/nnn
2008 1Q	57	655,852	9,900	1.5%	645,952	98.5%	500	\$7.50/nnn
2007 4Q	57	655,852	10,400	1.6%	645,452	98.4%	(1,900)	\$7.88/nnn
2007 3Q	57	655,852	8,500	1.3%	647,352	98.7%	6,470	\$9.51/nnn
2007 2Q	57	655,852	14,970	2.3%	640,882	97.7%	(1,218)	\$9.51/nnn
2007 1Q	57	655,852	13,752	2.1%	642,100	97.9%	8,311	\$9.51/nnn
2006 4Q	57	655,852	22,063	3.4%	633,789	96.6%	(1,264)	\$9.51/nnn
2006 3Q	57	655,852	20,799	3.2%	635,053	96.8%	(1,436)	\$12.30/nnn
2006 2Q	57	655,852	19,363	3.0%	636,489	97.0%	4,762	\$11.64/nnn
2006 1Q	57	655,852	24,125	3.7%	631,727	96.3%	(2,112)	\$12.20/nnn
2005 4Q	57	655,852	22,013	3.4%	633,839	96.6%	2,900	\$12.42/nnn
2005 3Q	57	655,852	24,913	3.8%	630,939	96.2%	(5,548)	\$12.42/nnn
2005 2Q	57	655,852	19,365	3.0%	636,487	97.0%	(1,400)	\$17.00/nnn
2005 1Q	57	655,852	17,965	2.7%	637,887	97.3%	2,712	\$17.00/nnn
2004 4Q	57	655,852	20,677	3.2%	635,175	96.8%	(6,914)	\$17.00/nnn
2004 3Q	57	655,852	13,763	2.1%	642,089	97.9%	1,659	\$17.00/nnn
2004 2Q	57	655,852	15,422	2.4%	640,430	97.6%	180	\$15.73/nnn
2004 1Q	57	655,852	15,602	2.4%	640,250	97.6%	151	\$15.73/nnn
2003 4Q	57	655,852	15,753	2.4%	640,099	97.6%	7,106	\$15.73/nnn
2003 3Q	57	655,852	22,859	3.5%	632,993	96.5%	563	\$14.10/nnn
2003 2Q	57	655,852	23,422	3.6%	632,430	96.4%	1,000	\$9.84/nnn
2003 1Q	57	655,852	24,422	3.7%	631,430	96.3%	(697)	\$9.54/nnn

Source: CoStar 2008

Strengths

- The Portland Streetcar Loop project will run on MLK and Grand Avenues and connect the Central Eastside to the Lloyd District, possibly spurring investment.
- The intersection of Grand and Stark has three good historic buildings: two furniture stores with vacant upper floors, and a popular local outdoor equipment store with housing above.
- The best retail nodes are Grand and Stark and Grand and Belmont, based upon their historic building fabric and the commercial clusters in the area.
- There are two emerging important business clusters, home improvement/design, and outdoor supplies/apparel that attract shoppers from throughout the region.

Challenges

- The entire study area is intensely auto-oriented.
- The local market area (bounded by I-84, 12th, Division and the Willamette River) is relatively small with only 1,700 residents.

- The industrial sanctuary designation for much of this study area does not permit housing development, hindering the amount of locally supported retail that can be developed in the Central Eastside.
- Good retail streets are characterized by slow car traffic, narrow streets, high density housing nearby, continuous retail frontage, and onstreet parking. By speeding up the flow of traffic and possibly increasing the width of the street, the planned Burnside/Couch one way couplet may degrade the pedestrian scale retail environment along Burnside. Urban design mitigation strategies from diagonal parking and sidewalk development to intensive greening will help support additional retail and restaurant development.
- Parking is noted by businesses as a significant problem in the study area.
- Some perceive that with downtown’s waterfront redevelopment, the transient population has moved from Old Town to the Eastside.
- The cost of renovation, parking for tenants, residents and retail/restaurants will be an issue discouraging renovation.
- Pressure to transform industrial-warehouse uses to retail and office uses is occurring.
- Tax revenue/URA income is down and non-URA resources are needed.

Opportunities for Retail Development

- The new trolley stop and the historic buildings present an opportunity for revitalization.
- Local niche, cottage manufacturing (apparel, home design) can be supported and expanded with the addition of a retail presence on the street. (EX: Pratt & Larsen)
- The Stark & Grand intersection offers potential to be revitalized as a mini downtown offering lunch time dining to the industrial employees and evening entertainment to Eastside residents.
- Burnside’s eclectic, small night time entertainment venues may serve as a catalyst for infill mixed-use development.
- Although the market area has a strong employment base, it is not well served by lunch restaurants and convenience retail and services.
- PDC is planning to reissue a request for proposals to redevelop the Burnside Bridgehead 4-acre site in the first quarter of 2009. PDC has prohibited big box retail development on that site, but the redevelopment of this site may be a catalyst for other types of investment in the area.
- Several surface lots are prime opportunities for redevelopment.

Retail Development Potential

As a major employment center in the region, future retail development in Central East Portland will be driven by the area’s employees as well as regional residents drawn to the specialty retail cluster

in this study area. By 2030, the study area can support the development of nearly 285,000 square feet of retail. About 100,000 square feet of this new retail demand will be for specialty retail (such as outdoor equipment), and 46,000 square feet will be for dining for regional residents and employees of the study area. There is also demand for food stores, furnishings and appliances, services, and general merchandise. The Central Eastside could accommodate certain types of medium-format tenants due to the availability of developable large parcels in the study area, good regional access, and central location within Portland. If these types of retailers could be located on the northern or western end of the study area, with better access to the freeway, this could be achieved without compromising the eclectic and unique character of the Burnside corridor.

In order to attract high-quality retailers to the area, it will be important to provide adequate parking, due to the limited available transit and lack of nearby residential uses. In addition, ERA recommends significant improvements to Stark and Grand such as: 1) building a streetcar stop at this intersection, 2) extending the sidewalks to facilitate pedestrian movement at this intersection, 3) acquiring the car wash property and redeveloping it into a small restaurant building with public parking, 4) encouraging the renovation of the three older buildings using incentives like historic preservation tax credits, new markets tax credits, PDC rehabilitation programs, etc. 5) ensuring that the tenant and patron parking needs of older buildings can be met with small surface lots and possibly on-street parking in blocks not essential for traffic circulation, and 6) conducting pedestrian friendly street improvements for a few blocks related to the new streetcar stop. The planned Burnside/Couch one-way couplet may degrade the pedestrian scale environment along Burnside, which has attracted various new retailers in recent years. Good retail streets typically have slower traffic, street widths of between 36 to 42 feet, high density housing nearby, continuous retail frontage, and onstreet parking. Mitigating strategies may include diagonal parking along perpendicular streets to support additional retail and restaurant development, plus sidewalk widening and street trees along selected blocks of Burnside.



Table III-16: Central Eastside Retail Development Potential, 2010-2030

	Market Area ¹		Total SF
	Residents	Employees	
Apparel Stores	5,212	968	6,179
Gen. Merchandise & Drug	20,628	1,936	22,564
Food Stores	39,993	1,708	41,701
Eating & Drinking Places	32,022	13,549	45,572
Furnishing & Appliances	27,118	264	27,382
Bldg Materials & Hardware	16,886	310	17,196
Personal & Business Services	23,740	2,164	25,904
Other Retail Stores	95,543	2,903	98,446
Total Retail Stores	261,143	23,802	284,944
Percentage Distribution	91.6%	8.4%	100.0%

¹ Residents within a 15-minute drive of Pine and Grand
Source: Economics Research Associates

Area 10: South Waterfront

The newly developed South Waterfront area is the area bounded by Moody Avenue to the west, SW Gibbs Street to the north, the Willamette River to the east, and SW Abernethy Street to the south.

Development Trends and Opportunities

The South Waterfront study area encompasses 38 acres of riverfront property adjacent to I-5 south of the downtown core and east of the main upper campus of Oregon Health and Science University (OHSU) on Marquam Hill. On this site OHSU has built a new lower campus with an aerial tram connection. The neighborhood intends to achieve high LEED marks on all of its high-rise residential and employment buildings. Bond Avenue is the area's transportation spine from Abernethy to Gibbs Streets.

Currently, the new OHSU south campus includes one completed building, the 400,000 SF Center for Health & Healing, which houses 937 employees, and an underground parking garage. Over the next 20 to 30 years, OHSU anticipates building a new campus on a 20-acre parcel one-quarter mile to the

north of the base of the aerial tram. The new campus will employ several thousand people. A total of 20,000 square feet of retail is already on the ground with another 20,000 under construction. The South Waterfront Master Plan calls for 250,000 square feet of retail at buildout.

The following residential towers are completed or under construction: Meriwether (245 units), John Ross (303 units), Atwater Place (214 units), The Alexan (292 units) and the Mirabella senior housing tower, (224 units). Two other projects under construction include 3720 and block 46. There is also one affordable housing project that has design approval but is currently on hold. Residential build-out over the next 20 years is anticipated to be between 8,000 and 10,000 units. The residential neighborhood market is composed of primarily affluent homeowners, with sales prices in the \$500 to \$800 per square foot range. Buyers include second home owners, retirees and to some extent, young professionals. Absorption of units has slowed considerably with the onset of the recession.

Recently, Vestas, a large wind turbine manufacturer, announced their intention to build a new North American Headquarters in Portland. Their preferred location is the double block in South Waterfront between Macadam and Moody and Curry and Gaines. Vestas will eventually bring 1,200 jobs into the study area.

Strengths

- The study area's employment focus is health care and higher education, two critical industries for central city Portland.
- The South Waterfront has good regional transportation access with the street car link to downtown and easy access to the interstates off Macadam. However, the streets do not connect well to the surrounding neighborhoods.
- Major riverfront improvements are planned with trail links to downtown will help with the area's connectivity. In addition, a new bridge to carry MAX Light Rail, Streetcar, buses, bicycles and pedestrians has been proposed to link this district to the east side of the Willamette near OMSI.
- The high rise condominiums offer unique panoramic riverfront and mountain views.

Challenges

- The residential project components entered the market at the onset of the recession, and have been selling only two or three units per month. Financial challenges at OHSU and an overbuilt condo market will delay future phases for several years.
- Given the economic climate, the timing and ability of residential development to provide the critical mass needed to support convenience retail is very uncertain.

- Lack of visibility within the South Waterfront study area and limited signage is also very challenging for retailers.

Opportunities for Retail Development

- Seniors and empty nester households will be a natural target market in part because of the close proximity to health services. Because of the neighborhood's commitment to green building, it also has strong appeal to those valuing sustainable living.
- About 250,000 square feet of street front retail are planned, with no anchor tenant identified. An anchor grocery store is key to retail success. A mid-size grocery store would serve a larger trade area than just the South Waterfront such as Riverplace and Macadam area residents.

Retail Development Potential

The South Waterfront is a brand new community and employment center on the Willamette River. Over the next 20 to 30 years, OHSU anticipates building a new campus on a 20-acre parcel at the base of the aerial tram connecting to the main campus. The new campus will employ several thousand people. A total of 20,000 square feet of retail is already on the ground with another 20,000 under construction. Residential build-out over the next 20 years is anticipated to be between 8,000 and 10,000 units. The residential neighborhood market is composed of primarily affluent homeowners, which include second home owners, retirees, and young professionals. Absorption of units has slowed considerably with the onset of the recession.

Recently, Vestas, a large company that manufactures wind turbines, has announced their intention to build a new North American Headquarters in Portland. Their preferred location is the double block in South Waterfront between Macadam and Moody and Curry and Gaines. Vestas will eventually bring 1,200 jobs into the study area.

Although the South Waterfront has good regional transportation access with the street car link to downtown and easy access to the interstates off Macadam, the local streets do not connect well to the surrounding neighborhoods. In addition, given the economic climate, the timing and ability of residential development to provide the critical mass needed to support convenience retail is very uncertain in the short term. Lack of visibility within the South Waterfront study area and limited signage is also very challenging for retailers. According to the master plan, about 250,000 square feet of street front retail have been planned in the South Waterfront at buildout. There is no anchor tenant identified. The current retail mix is primarily made up of restaurants and services.



ERA’s market analysis and the constraints identified above indicate that the demand for retail is not sufficient to support 250,000 square feet in the study area. Future residents of South Waterfront, residents of the larger market area, and OHSU employees will generate demand for a total of 65,000 square feet of new retail from 2010 to 2030. This is far below the planned 250,000 square feet of retail for the area. The types of stores that are supported include 19,000 square feet of food stores, 16,000 square feet of eating and drinking establishments, 9,000 square feet of general merchandise and drug stores, and 10,000 square feet of specialty retail. A grocery store could serve as an important anchor for the other retailers in this area. The ideal grocery store location is visible from the freeway, adjacent to Macadam Avenue. If located close to the intersection of Macadam Avenue and SW Gaines Street, it would also help to create a retail spine along Gaines Street, taking advantage of the linkage to the water and supporting the existing retail cluster near that node.

Table III-17: South Waterfront Retail Development Potential, 2010-2030

	Market Area ¹ Residents	OHSU Employees	Local ² Residents	Total SF
Apparel Stores	555	818	656	2,029
Gen. Merchandise & Drug	3,953	1,636	3,897	9,486
Food Stores	7,299	2,310	9,443	19,053
Eating & Drinking Places	1,278	11,781	2,835	15,895
Furnishing & Appliances	433	238	534	1,205
Bldg Materials & Hardware	431	262	797	1,491
Personal & Business Services	1,776	1,934	2,192	5,902
Other Retail Stores	3,814	2,291	3,760	9,865
Total Retail Stores	19,541	21,270	24,115	64,927
Percentage Distribution	30.1%	32.8%	37.1%	100.0%

¹ Bounded by I-405, Barbur, Boundary and the Willamette River

² Within 1,500 feet of MacAdams & Gaines

Source: Economics Research Associates

IV. American Downtown Retail Trends

Over the past 20 years there have been significant changes in how and where America shops which have affected downtown retailers. The following is a summary of the current trends in downtown retail across the country:

- Department stores continue to be important anchors for downtowns, generating foot traffic to support other downtown retailers. However, department stores are increasingly consolidating, making it challenging to attract and retain these stores in downtowns. Many department stores are now reformatting their retail offerings in order to better compete with big-box and specialty national chains.
- Independent retailers nationwide are suffering, particularly in the current recession. Independent retailers are not generally well-capitalized, and are therefore more vulnerable in difficult economic circumstances. Downtowns with large resident populations that choose to shop locally have the best chance of retaining independent retailer.
- The role of entertainment in driving downtown retail is strong and growing. Many cities are pursuing the potential for entertainment as anchor projects, particularly in the form of arts and cultural facilities, for their downtowns.
- In many cases, lifestyle centers in suburban locations have eroded some of the downtown's share of the regional retail spending. This is a reflection of the fact that many metropolitan areas have become multi-nodal, and the downtown is no longer the only hub of activity. While lifestyle centers seek to recreate the downtown shopping experience, Downtown already has the features that these places seek to recreate. Downtown's sense of place and character offers the leisure-time shopper an authentic alternative to the mall and new lifestyle centers. Downtown retail can benefit from this change in consumer preferences by reinforcing downtown attributes through promotion and branding. In the short term, the national credit crunch will hamper the development of new lifestyle centers and malls. In the longer term, it seems that the national trend towards more compact, urban living, with less dependence on the auto, will continue. This bodes well for downtowns like Central Portland that have excellent transit and bike access, a good pedestrian scale, and high resident and employee populations.
- Downtowns with high population density and income diversity provide a compelling reason for big-box stores to consider urban formats and in-fill locations. Some cities have explored ways to bring big-boxes into their downtowns without disrupting the existing business base or the urban character.

- In some cities, universities are becoming active in helping their host cities enhance the urban experience by transforming underutilized properties and boosting local business with a stronger downtown presence.

The changing role of the department store, the struggle of independent retailers, entry of big-box retailers into downtown areas, and the proliferation of lifestyle centers require developers, retailers, and policy makers to develop new strategies to ensure that downtown retail stays competitive. Additionally, the current economic slowdown poses new challenges to downtown retailers. A discussion of the current short-term retail outlook is presented below, followed by a more detailed discussion of the current national trends in retail.

Short-Term Retail Outlook

The current recession has had a profound impact on the nation's retailers, as consumer spending has dropped precipitously. Recent statistics indicate that same-store sales for October and November 2008 were very weak for all sectors, with almost every retailer reporting a decline from the previous year. Same-store sales for luxury retailer Neiman Marcus fell by 27.6 percent in October and 11.8 percent in November. Even discount retailers like Costco, Target, and Kohl's performed poorly. The only major retailer to experience a gain in same-store sales in November was Wal-Mart, which reported a 3.4 percent increase. These figures are particularly troubling given that the month of November includes "Black Friday," the day after Thanksgiving when many retailers make their first profits of the year.

In addition, the credit crunch has hurt many mall owners. Federated Department Stores (owner of Macy's), which recently bought May Department Stores, has implemented cost cutting measures in face of a debt of \$17 billion. Many stores are expected to close, and it is unlikely to open any new stores in the near future. Circuit City, Mervyn's, and Linens N Things are in liquidation and closing stores. The nation's second-largest mall owner General Growth Properties is in danger of bankruptcy with a debt of over \$27 billion due to its recent acquisitions.

There are few signs that the economy will improve in the near future. This means that retailers on the margin that were able to survive through the holiday season may still end up closing their doors by spring or summer of 2009. The sectors that are most vulnerable include specialty retailers, luxury stores, and apparel stores. In addition, it is unlikely that there will be much new retail construction in the next 18 months to two years.

While the short term outlook is negative, this study is intended to identify the long term potential for retail in Central Portland, from 2010 to 2030. In the long term, there are several factors that indicate a healthy future for retailers in Portland, including:

- Diverse and strong local economy – the sources of employment in Portland include a variety of industry sectors such as manufacturing, retail trade, health and education, and government.
- The urban growth boundary ensures future population growth will occur in Central Portland, rather than dispersing throughout the metropolitan area. The density of households in Central Portland will help to support future retail development.
- Portland is viewed as a safe and attractive visitor destination.
- Oregon has no sales tax.
- Portland’s focus on transit-oriented development and sustainability give it a significant advantage over other cities as energy costs continue to increase and urban lifestyles become more popular.

The Role of the Department Store

In the fall of 2005, Macy’s parent company, Federated Department Stores, acquired the May Department Stores to create a national network of nearly 1,000 stores and 30 billion in sales. This merger of the two largest department stores led to closure or rebranding of as many as 100 stores, primarily in areas where Federated and May outlets overlap. Closures included flagship stores such as Filene’s in downtown Boston. However, this highly publicized takeover serves as one instance in a broader trend over the past decade towards consolidation across the department store industry. Consolidation of department stores is the result of increased competition from specialty stores and large discount chains such as Target, Wal-Mart, The Gap, and Bed Bath & Beyond, which have cut into the market share of department stores. In 1987, conventional chain department stores share of all non-auto related retail sales was 6.5 percent; and it dropped to only 2.8 by 2004. The share is projected to decline further to 2.1 percent by 2010. In addition to competition from specialty retailers, the decline is also partly attributed to the polarization of consumer preferences into lower-priced, or specialty apparel found in stores such as Target or H&M, or high-end fashion such as Nordstrom and Saks Fifth Avenue.

This wave of mergers poses a challenge to downtowns all across North America and has forced people to rethink the role of the department store as a retail anchor. Urban and suburban communities that lost or are unable to attract department stores to anchor retail areas are turning to

national specialty stores and even big-box stores such as Wal-Mart.¹ In the City of Boston, the closure of the Filene's store in Downtown Crossings in 2007 led to the redevelopment of the site into a mixed use building with office and residential space. The multi-level format of downtown department stores typically poses a challenge for conversion as it is difficult to keep up the foot traffic on the upper floors. The retail space once occupied by Filene's will now be occupied by specialty national retailers and a discount Filene's Basement store. Office space and residential units will also be added to the new development.

Department stores are not likely to disappear from downtown districts, but there will be fewer of them, and they will be national. Those that remain will have to modify their retailing models to be able to compete with discount and specialty retailers. They will continue to serve as important anchors for many downtown districts.

The Future of Independent Retail

The importance of independent stores to central cities has been well documented. In a study of eleven American downtowns by Ithaca Downtown Partnership, local, independent retailers were found to be the dominant form of retailing in most downtowns.² Studies of Chicago and San Francisco likewise indicate that small independent retailers account for a significant portion of economic activity in those cities.³ This poses a challenge to downtowns in an era when independent stores are struggling to survive in the face of stiff competition from internet sales, discount retailers and big-box stores. The emergence of these types of retailers has affected independent retailers across the full retail spectrum: bookstores, music parlors, grocers, hardware stores, and apparel. For example, it is estimated that 200 to 300 independent bookstores close per year. Membership in the American Booksellers Association, an association of independent bookstores, has plummeted from 4,000 to 1,800 since the early 1990s.⁴ Statistics are similarly grim for record, grocery, apparel and hardware stores. Nine hundred independent stores closed between 2003 and 2007.⁵

¹ Chittum, Ryan. "In a Turnabout, Malls Get a Lift from Wal-Mart," *The Wall Street Journal*, November 22, 2006.

² Ferguson, Gary, "Characteristics of Successful Downtowns: Shared Attributes of Outstanding Small & Mid-sized Downtowns." Ithaca Downtown Partnership, September 2005.

"The San Francisco Retail Diversity Study", by Civic Economics also shows that independent retailers are responsible for a large portion of market share in different retail categories such as books, sporting goods, toys and gifts, and dining.

³ Civic Economics, "The San Francisco Retail Diversity Study" and "The Andersonville Study of Retail Economics."

⁴ Badwin, Don. "Independent Bookstores Fighting Chains, Internet to Stay Open." *USA Today*, October 9, 2008.

⁵ Williams, Alex. "The Graying of the Record Store." *The New York Times*, July 16, 2006.

The real strengths of successful small independent retail revolve around specialization, differentiation and finding profitable, defensible and sustainable niches. Downtown Portland, with a strong base of independent retailers and a consumer population that values home-grown businesses, has been able to preserve many of its valued independent businesses, such as Mercantile, Powell's Books, and others. However, in the short term, many independent retailers may not be able to stay in business due to the dramatic drop in consumer spending in the current recession. Unlike larger retailers, these businesses are not well-capitalized, and cannot easily obtain credit to ride out rough economic times. Even if the effect of the current economic slowdown is limited to a few independent retailers within downtown, failures by even a few businesses could have a ripple effect as vacant spaces degrade the vitality of whole districts. In Portland, where the retail sector has been relatively strong within most retail districts, the potential for urban decay is not as much of a risk as the loss of a business could represent opportunities for new entrants or for existing business to meet new demand in the medium to long run.

However, the dangers of losing independent retailers include not only the potential for urban decay in the short run but also the potential loss of identity of place. A common concern is that if independent retailers fail, national retail chains occupy the places left vacant. However, simply because spaces become available does not guarantee that they will be occupied by national retailers as the space needs of national retailers are different from the needs of independent retailers. In Portland, in particular, opportunities to accommodate larger format stores are limited. However, the attractiveness of the robust retail market may be sufficient to entice national retailers to adapt their store formats.

The independent retailers which are be able to survive the tremendous competition from internet sales, discount retailers and big-box stores, as well as the current economic woes, will be those businesses that have a large, loyal, and local consumer base, and a reasonable rent structure. If independent retailers are to survive or to be part of a recovery plan, developers, business associations, and policy makers need to take a proactive approach in supporting businesses in a slow economy. The University of Wisconsin has compiled strategies for helping downtown business during a recession.⁶ The strategies include providing a pool of working capital loan funds, technical assistance to business owners, marketing efforts, and district management approaches.

⁶ <http://www.uwex.edu/ces/cced/downtowns/lrb/index.cfm>

Big Box Stores in Downtowns

Big-box retailers are coming to downtowns all across North America. Target, Home Depot, Costco, Best Buy and other large-floor plan format stores are re-examining their strategies to include downtown areas. Market saturation and increased land costs in the suburbs, combined with underserved populations and increasing incomes in urban centers make downtowns the next natural frontier for big box stores. Companies are moving in not just to serve those who work there, but also the people who live there. Downtowns have the demographic composition to attract big-box retailers, and discount retailers are attracted by the large numbers of low-income residents. Electronics retailers and medium-range retailers are attracted by the growing numbers of high income, and young, retail-savvy consumers.

Big box store design has often consisted of placing massive, stand-alone structure lacking any connection to the street or the community. The traditional one-size-fits-all real estate philosophy of big-box stores poses significant challenges particularly for cities such as Portland, Boston, Vancouver, and Seattle, which emphasize neighborhood based, street-level retail. Big box retailers buying power also gives them an advantage over smaller businesses who often can't compete with them on pricing. This raises concerns, not only about aesthetic and real estate challenges, but also about labor practices and the impact on other local businesses. As a result, communities all across the United States have reacted by introducing moratoriums on big-box developments or ordinances that restrict the size of retail spaces, which de facto prevent big-box stores from locating there.⁷

Despite fears about big box retailers and the popularity of ordinances to prevent them from settling in communities, some cities have been successful at incorporating big-box retailers within or in proximity to downtown areas as part of economic development or revitalization strategies. In Section V of this report we present examples of how big-box stores are being incorporated into downtown environments. In general, big-box stores are coming to downtowns under the following conditions:

- Floor plans are being modified to fit mixed-use and pedestrian scale downtown environments.
- Locations for big box stores are often restricted to areas where street level retail may not be able to succeed.
- Developers of big box retail agree to mitigate potential negative impacts by providing financial support to small businesses or maintaining neighborhood character and affordability.

⁷ Ordinances vary from requiring additional approval processes for big-box stores, to banning only certain types of big-box retailers such as 'Supercenter' format stores that combine department store merchandise with a full

This trend is relatively new and its effect on existing downtown retailers has not been extensively evaluated.

Proliferation of Lifestyle Centers

Whereas in the 1970s and 1980s the main threat to downtown retail was in the form of suburban malls or open air strip centers, the lifestyle center has become the newest format to compete with downtowns. Leisure time/lifestyle centers are replacing the mall experience by attempting to create a sense of community, and positive and varied experiences. These niche retail centers focus on food, entertainment, music, books, home goods, and higher end retailing than traditional malls. Customers park outside of an attractive set of buildings and walk into a pedestrian friendly environment. These centers are particularly successful in affluent markets. In essence these lifestyle centers seek to recreate the downtown shopping experience with all the comforts of suburban retail “carefully insulated from the messiness of public life.”⁸

Lifestyle centers have only become common in recent years, and so the impact on central city downtowns is not yet fully understood. Downtowns of smaller towns, featuring “mom-and-pop” retailers and few nationals appear to be the most vulnerable. While lifestyle centers seek to replicate a downtown shopping experience, their impetus is not necessarily to compete with downtowns. Lifestyle centers are emerging as developers seek to reverse the fortunes of medium-sized malls which have been losing customers to megamalls and big-box retailers. “Lifestyle centers are becoming the ‘in’ malls, shopping centers that residents happily will drive by other malls to reach.”⁹ As a result, some of the old-enclosed malls across the country are being converted into or adding sections to create lifestyle centers. In Seattle for example, the region’s largest shopping mall, Bellevue Square, added street-front retail with a 110,000 square foot development anchored by Crate & Barrel. Alderwood Mall, just north of Seattle, was also transformed into a lifestyle center through expansion.

Although downtown policies encourage some of the elements that lifestyle centers incorporate, such as street-fronting retail, human scale, and mixed-use, the majority of current lifestyle centers concentrate in the suburbs rather than central cities.¹⁰ Lifestyle centers in downtown areas are more

supermarket, to across the board limits on sizes of business allowed. For a review of anti-big-box ordinances enacted across the country visit www.newrules.org.

⁸ Blum, Andrew. “The Mall Goes Undercover: It Now Looks Like a City Street,” *Slate*, April 6, 2005.

⁹ Soto Ouchi, Monica. “Alderwood Mall the Latest to Become ‘Lifestyle Center’”, *The Seattle Times*, November 03, 2004.

¹⁰ Santana Row in San Jose California is one of the few exceptions.

common in South and Central American cities, where the enclosed mall never took hold. In North America there are very few examples of lifestyle centers located in Downtown areas.

In many cases, lifestyle centers in suburban locations have eroded some of the downtown's share of the regional retail spending. This is a reflection of the fact that many metropolitan areas have become multi-nodal, and the downtown is no longer the only hub of activity.

In the short term, the national credit crunch will hamper the development of new lifestyle centers and malls. Lifestyle projects all over the country have been put on hold due to lack of access to credit, but also due to the fact that the types of retailers that typically go into a lifestyle center (e.g. higher end retail) are not looking to expand right now. Lifestyle centers have distinguished themselves from traditional malls not only by embracing new-urbanist designs but also by means of tenant mix which favors higher-end retailers. The current shift in consumer preferences toward value retail does not bode well for lifestyle centers.

In the longer term, it seems that the national trend towards more compact, urban living, with less dependence on the auto, will continue. This bodes well for downtowns like Central Portland that have excellent transit and bike access, a good pedestrian scale, and high resident and employee populations. However, once the economic recovery begins in earnest, lifestyle centers are also likely to attempt to meet consumer's changing preferences by attempting to be more authentic and dynamic (i.e. more similar to a downtown experience). Although lifestyle centers are a relatively new phenomenon they have begun to display a "sameness" similar to that of regional malls.¹¹ In a post recession environment, new lifestyle developments will break away from the current lifestyle mold and will seek to create more truly usable public spaces and a more unique shopping experience. In other words, competition will be even more intense for downtowns across North America.

Emergence of Food & Entertainment as Anchors

Downtowns have always been centers for dining and entertainment nevertheless there is a trend toward downtowns becoming even more of a hub for these types of establishments. The challenges faced by independent retailers are changing the face of Downtown. As clothing, bookstores, record store, and other traditional independent retailers close or relocate, the resulting vacant storefronts are being filled with restaurants, bars or other food & beverage oriented businesses able to pay higher rents. In an analysis of eleven cities nationwide, the Ithaca Downtown

¹¹ Klicher, Karl. "North America's New Town Center: Time to Take Some Angs Out and Put More Soul In" *Cornell Industry Perspectives*, No. 3, December 2008.

Partnership, found that while downtown retail appears to be shifting, the cities analyzed report growth in the area of restaurant and entertainment. Nearly all of the cities boast strong and growing restaurant sectors. Some of the Downtowns are regarded as restaurant destination clusters in their region.¹²

Dining and entertainment can benefit retailers in the area by creating additional foot traffic. For example, Washington Street in Boston's South End neighborhood has recently undergone a significant transformation from a blighted neighborhood to a thriving retail corridor consisting primarily of independent retailers. According to city staff, retail in the corridor benefits from proximity to Tremont Street which is a cultural hub with plenty of high-end eating places.

Entertainment anchor projects are also evident in successful downtowns retail strategies. The role of entertainment in driving downtown traffic is strong and growing. Movie theaters, performing arts centers, historic theaters, and brew pubs are the most frequently encountered entertainment venues. For example, in Charlottesville, NC, a pedestrian mall faced significant decay with high vacancies and little traffic until a private entrepreneur opened a six-screen movie theater ten years ago. The theaters have brought more foot traffic to downtown, which stimulated the launching of a number of new restaurants. The combination of new restaurants and the movie theaters was a major reason for the resurgence of downtown Charlottesville.¹³

Pedestrian traffic in Providence, Rhode Island is likewise driven by a variety of entertainment venues. Downtown Providence is home to the Trinity Repertory Theater, an off-Broadway regional theater. Joining Trinity are the Providence Civic Center, a Black Theater company, the historic Providence Theater, and the new facilities such as Dave & Busters entertainment center, first run cinemas, and IMAX theater in the Providence Place mall.

Vancouver's theater row, Granville Street, faced severe decline for many years before efforts by private developers and the city were able to turn it into a vibrant retail/entertainment corridor. The city responded by creating the Granville Street Theater Row Entertainment District and Liquor Policy in 1997 for the Downtown Granville South area. This policy sought to have existing liquor license seats relocate from the surrounding downtown residential areas to Granville Street. A private

¹² Ferguson, Gary, "Characteristics of Successful Downtowns: Shared Attributes of Outstanding Small & Mid-sized Downtowns." Ithaca Downtown Partnership, September 2005.

¹³ Ferguson, Gary, "Characteristics of Successful Downtowns: Shared Attributes of Outstanding Small & Mid-sized Downtowns." Ithaca Downtown Partnership, September 2005.

developer renovated the Commodore Ballroom, a historic landmark, into a venue for live concerts. Granville Street is now a thriving retail and entertainment corridor.

The shift toward restaurants and entertainment in downtowns is significant not only because these venues tend to fill the vacant spaces left by independent retailers, but because they are leading traffic generators for the businesses that remain in the area. These enterprises also tend to be independent and one of a kind. These venues are crucial to the bringing neighborhood and suburban residents back into the city. However, in many cases these strategies require government subsidies in the form of direct or indirect¹⁴ funding for construction of performing art centers, or rehabilitation of historic theaters or museums which can act as traffic generators.

University-Supported Retail

Universities can provide valuable synergies for downtowns. Besides hosting thousands of undergraduate and graduate students, they are also major employers. The role of a downtown university as an employer is a particularly important fact since often employees spend more money in downtowns than students.¹⁵ But the impact of higher education goes beyond students and staff. Campuses are repositories for museums, performance halls, sports venues and other attractions that regularly draw thousands of visitors.

Universities located in downtowns have always played an important role in the economic fabric of downtown life, but recently, faced with growth demands and limited spaces these universities are undertaking projects that are more intertwined with downtown life. The following provides examples of how Downtown universities are paying more attention to their environs and working with communities and cities.

- Pittsburgh, Pennsylvania - Point Park University in Pittsburgh recently unveiled a \$210 million Academic Village plan which includes the redevelopment of the Wood Street corridor. The project includes the transformation of underutilized spaces, street level retail, a park, and housing in mixed-use buildings. The project also calls for the relocation of Pittsburgh Playhouse from Oakland to downtown Pittsburgh. This will provide the university with a state-of-the-art production and teaching space and bring a new arts venue to Pittsburgh's cultural district. In keeping with the spirit of mixed-use, the new theater will include a 12-story, 400-bed residence

¹⁴ One of the most common subsidies is through the issuance of tax-exempt bonds to finance the construction or rehabilitation of such facilities.

hall.¹⁶ Duquesne University recently opened a \$35 million multipurpose recreational facility that incorporates retail space and a ballroom along Forbes Ave. The university collaborated with the City of Pittsburgh, the Uptown community, and private developers to ensure that the project would not only meet the university's needs, but would also help revitalize Pittsburgh's historic Uptown neighborhood. The project is located in an area mainly made up of old row houses and warehouses. Robert Morris University is undertaking a multi-million dollar renovation and expansion project at its downtown campus. The project is expected to be a "community-based building" the use of which is not limited to the university community, but instead integrates with the greater downtown community through user-friendly street-level spaces to attract people from outside the university.¹⁷

- Boston - Downtown Crossing is a shopping district in downtown Boston featuring large department stores as well as restaurants, music stores, souvenir sellers, general retail establishments, and many street vendors. Parts of the street have been converted to a pedestrian mall. Despite many positive attributes, such as historic architecture, central location, and large volumes of foot traffic, for the past two decades the area has been saddled with a reputation as an unkempt, unsafe shopping district lined with discount stores, fast-food restaurants, and vacant storefronts. The mayor has launched a program to revitalize the area. Universities are playing a big role in these efforts. They have already played a significant role in turning around an area just south of Downtown Crossings known as the Combat Zone.¹⁸ Emerson College, a key player in the revitalization of the Combat Zone, has recently completed an \$80 million renovation and addition to the Paramount Theater in Downtown Crossing that includes a 262-bed dormitory, two theaters, a restaurant, and class-related facilities.¹⁹ Suffolk University recently began work on its new Modern Theatre residence hall on Washington Street, setting the stage for restoration of the Landmark Modern Theatre facade and breathing additional life into the Downtown Crossing neighborhood. The building project will bring a new 184-seat theater to Downtown Crossing as it creates 197 student beds in suite-style housing.

¹⁵ Hachiya, Kim (2007). "UNL Opinions Aid Downtown Lincoln Survey," *Scarlet*, April 12, 2007. and Ferguson (2005).

¹⁶ <http://www.popcitymedia.com/developmentnews/ppu0507.aspx>

¹⁷ <http://www.popcitymedia.com/developmentnews/rmu0109.aspx>

¹⁸ In the mid-1990s, both institutions build student housing and office and classroom space in a run down portion of midtown that was overrun by crime and prostitution. This spurred significant investment in the area, which helped to a positive transformation of the neighborhood.

¹⁹ <http://www.cityofboston.gov/bra/press/PressDisplay.asp?pressID=266>

- Chapel Hill, North Carolina - The University of North Carolina is working with the City of Chapel Hill on an Art Quad project that would abut the downtown and will provide a steady supply of visitors to the central core of the town. The University already owns the city's largest and most prestigious hotel/conference center.
- Madison, Wisconsin - The University of Wisconsin chose to locate its large campus bookstore on the downtown transit mall. The bookstore provides a key anchor on the university end of the mall.

University enrollment is increasing nationwide forcing universities to expand. Urban universities faced with space constraints have to look at ways to expand while finding a way to integrate their operations more with the rest of the city. Downtown universities are embracing design concepts that help them achieve their goals while helping the host city by transforming underutilized properties and boosting local business with a stronger Downtown presence.

Conclusions

These trends present challenges and opportunities for the City of Portland. Developers, retailers, and policy makers need to develop new strategies to ensure that downtown retail stays competitive, particularly given the current economic climate. ERA recommends the following strategies:

- In the short term, rather than looking to further recruitment or to the eventual recovery, downtown associations and local economic development professionals must focus their energy developing strategies to help existing businesses withstand the current slump in sales. As retail continues to struggle nationwide there should be a focus on ensuring the success of existing businesses. While no retailer appears to be immune to the current economic slowdown, independent retailers are particularly vulnerable since they are often more dependent on the credit markets for day to day operations. Downtown retailers must adapt to the temporary shift in consumer's shopping patterns toward non-discretionary purchases and low-cost and value retailers.
- Monitor and support the performance of the department stores downtown. Portland has been able to retain three major department store anchors. This is an indication of a strong market; however, a wave of consolidations and the current struggles of department stores nationwide mean that the remaining stores will be under much closer scrutiny from their headquarters.

- Explore the potential for middle-market big-box stores that are currently underrepresented in the central city. Big-box retailers are becoming more flexible in developing store formats that are more downtown-friendly. If the City of Portland decides that the potential benefits of having this kind of retail in the central city outweigh the potential costs, there are locations that appear more appropriate for this kind of development such as the northern edge of the North Pearl district, the Central Eastside, and the Lloyd District.

- Use dining and entertainment as catalyst for nascent retail areas or areas where retail has thus far been absent such as the Central East Side and the Rose Garden Area. At the Rose Garden area any successful retail will be driven by the sporting events and concerts taking place on the site; however a major entertainment anchor or concept is important in order to generate the volume and repeat visitation required. In the Central East Side, Burnside's small night-time entertainment subdistrict may also serve as a catalyst for further development along the corridor.

- Work with PSU to ensure that any new projects by the university are more integrated with downtown life and that each new project is placed strategically to stimulate further investment. New housing, retail, and recreation/entertainment space should meet not only the needs of the university but also become central points of retail and entertainment for the larger community.

V. Best Practices in Downtown Retail

This section presents case studies on downtown areas with multiple retail sub districts and a strong residential base: Boston, Seattle, and Vancouver, BC. We also cover examples of other cities where innovative programs or strategies have emerged that strengthen or revitalize urban retail districts within their downtown areas. We focus on issues that will inform the City of Portland including:

- The trend towards “Big Box” retail development and how these cities are accommodating these types of store within their downtowns.
- Strategies to deal with issues of safety and shopper comfort.
- Downtown zoning and its effect on retail.
- Comprehensive strategies to revitalize struggling retailers.

Big-Box Stores in Downtowns

Wholesale style retailers like Target, Home Depot, Costco, Best Buy and other large-floor plate stores are re-examining their strategies to locate in downtown areas. In response to concerns by the community, some cities are enacting policies and ordinances to prevent this type of store from settling in some communities. However, other cities have been successful at incorporating big-box retailers within or in proximity to downtown areas as part of economic development or revitalization strategies. The City of Vancouver, BC provides some examples of how to successfully incorporate big-box retailers within the downtown:

- Granville Street in downtown Vancouver, BC is a commercial corridor that for many years consisted mainly of small independent stores. More recently, the street suffered significant urban decay. During the past five years, however, the street has undergone a radical transformation. This transformation is often attributed to a project by a local developer, Kerry D. Bonnis, who built a three story building with 96,000 square feet of retail space that houses two big-box retailers: Winners and Future Shop.²⁰ A traditional big box configuration to house these retailers would have been difficult given the city of Vancouver, BC’s stated retail policy which seeks to ensure that retail in the central area contributes primarily to street activity.²¹ In order to locate in downtown, Winners and Future Shop had to modify their standard store formats and go

²⁰ Winners is a discount retailer owned by the holding company that also owns TJ Maxx. Future Shop is an electronics retailer owned by Best Buy.

²¹ City of Vancouver. Central Area Plan: Goals and Land Use Policy. Adopted by City Council December 3, 1991.

vertical. Future Shop is located on the second floor of the building and Winners is on the third. The first level of the building is occupied by 13 street-fronting boutiques. This project's success in turn attracted other national retailers, and medium price retailers, which began occupying spaces that once housed marginal pizza parlors, smoke shops and pawnshops. Unfortunately, other more reputable small businesses have also been driven out of the area by high rents resulting from the increased demand for retail space.

- In November 2007, Costco opened a store on the edge of downtown Vancouver, BC. On some dimensions the store is not significantly different from the suburban format. The 134,000-square-foot store is only slightly smaller than Costco's average store size (144,000sf) and it's located on a busy thoroughfare. However, Costco made several modifications from its regular format in order to make the project possible. The store, for example, is part of a large mixed-use project which includes four residential towers with 900 units (a fifth tower with around 180 affordable units is planned for later). The store is in fact located on the first level of one of the residential towers. Rather than the usual surface parking structure, the store has approximately 700 parking spaces on two below-grade levels. Two more levels of parking on top of the store serve the residential towers. The store is not located in the heart of any neighborhood shopping area, but it is instead located near the football and hockey stadiums where the urban landscape (e. g. wide busy thoroughfares, and the stadium's surface parking lots) would not have been as conducive to independent street-level retail or pedestrian activity.
- Big-box stores have not only had to go multilevel, or intermix with other uses to enter the Vancouver, BC market, they have had to create smaller concepts as well. The Home Depot, for example has developed a flagship urban store in West Vancouver, BC. While not exactly in the heart of downtown, the store still faced space constraints as it sought to locate within a lifestyle center. At 70,000 square feet, the store is approximately half the size of their average store. The store is also multilevel, which is a radical departure from the traditional suburban format. The success of the West Vancouver, BC store prompted the Home Depot to open a second store in an emerging retail neighborhood southeast of downtown (see below). The Home Depot's downtown-format store has been so successful that the store is now considering even smaller floor-plan stores in the 40,000 square foot range to enter other downtown markets.
- Cambie Street, just south of False Creek has not historically been a thriving retail street. It is in fact a major thoroughfare which makes a neighborhood-type retail experience difficult. Additionally, the construction of a new subway line along the street has caused some of the long-time independently owned stores and retailers to close down. As construction of the

subway nears completions several mixed-use complexes have emerged. One section of the street has become a hub for big box stores including a Canadian Tire (similar to Pep Boys), a Save-On Foods, Home Depot, and Winners/Homesense (similar to Bed, Bath & Beyond), and a Whole Foods. These big-box stores incorporate urban format design elements, such as a smaller footprint, embrace of street activity, and mixed-use. The buildings that house these retailers combine office space and residential space into single mid-rise development.

The City of Boston provides another example of how big-box stores can be successfully incorporated within dense urban areas.

- The west side of the Fenway/Kenmore neighborhood was for many years an industrial wasteland, home to auto-related uses, heavy industrial uses and storage. The development of the Landmark Center is one of the main catalysts for the change in the area. Once a vacant derelict distribution center for Sears, Roebuck and Company, the Landmark Center became a vibrant shopping center for residents. Today it houses various big-box stores: Best Buy, Bed Bath & Beyond, REI, Staples, and other national retailers. In some ways these big-box stores do not differ significantly from their suburban counterparts. The center includes a 1,700 space parking garage, and the floor-plans do not differ significantly from the suburban formats. What makes these big-box stores different is that they are located within a mixed-use, historic building serving the needs of a working class neighborhood in central Boston. The site, which in addition to retail includes premium office space, has received numerous local and national preservation awards. Most importantly, the project has been a catalyst in the transformation of a neighborhood where retail struggled for many decades.

The City of Seattle offers the latest example of a successful attempt to bring big box retailers to central cities.

- On September 2008, a private developer and a coalition of more than 30 community organizations struck a deal to allow the development of a former Goodwill site on 10 acres in Little Saigon. There was significant opposition to the mixed-use project, but particularly about the 600,000 of square feet retail space that is expected to be anchored by a Target, and possibly Lowe's, and the impact that this would have on the character of the community and the existing businesses. In exchange for community support for the project the developer agreed to:
 - Allow the Seattle Housing Authority to build 200 units of affordable housing in the project.

- Contribute \$200,000 to deal with traffic impacts in the Little Saigon and Jackson Place neighborhoods, in addition to the improvements the city will require immediately around the project.
- Ensure that grocery and drugstores stay neutral if employees decide to unionize and apply the same standards to janitors, security officers and other employees of the development.
- Offer below-market rents on 5,000 square feet of space in the project to community nonprofits, equating to \$1 million worth of rent subsidies.
- Contribute \$200,000 for the design of a community center in Little Saigon and \$600,000 over 12 years to support the Little Saigon commercial district.

This project is significant not only because it allowed the community to push for a design that incorporated “new urbanism” principles (mixed-use, street level retail, etc.) but also to directly address the community’s concerns about the impacts of big box retailers on neighborhood character and existing businesses. The project, which is funded in part by Federal New Markets Tax Credit Program, is expected to be completed by 2012.

There are other examples where big-box retailers have entered downtown markets. Target, for example, is one of the companies that has most aggressively redefined the big-box mantra in order to enter urban markets. Target has opened urban format stores in New York City, Los Angeles, Chicago, Minneapolis, San Diego, and most recently in Washington DC. Home Depot, Best Buy, Costco, and even Wal-Mart are also interested in entering central city markets.

The stores that have entered downtown markets have incorporated “new urbanism” design elements to address design concerns of the community. They have also located near transit and extensively marketed home delivery service to allay concerns about traffic. A small independent hardware store still survives near the new Home Depot on Cambie Street in Vancouver, BC, and some small independent stores are doing relatively well near Winners and Future Shop on Granville Street. However, the trend is in such early stages that it is difficult to ascertain its impact on downtowns.

Lessons Learned

Despite pressures to resist big box stores, central cities may be forced to consider them as options, particularly if big box stores in nearby municipalities lead to sales leakage and regional congestion as downtown residents leave the city to shop in them. Therefore it is important to highlight lessons we can learn from places where big boxes have set up shop in downtowns:

- In order to ensure that big-box retailers create spaces that blend in and enhance the urban environment, cities must clearly articulate guidelines for retail development. The City of Vancouver, BC for example defines retail as a separate land use and assigns it a density that generally permits up to two levels of street-oriented use. For projects that do not meet the zoning requirements, the city requires impact studies for any proposal that adds zoned retail capacity or builds new retail developments of more than 100,000 square feet. In addition, it establishes clear criteria to assess proposals for retail that is not traditional street-fronting in order to ensure that retail contributes primarily to street activity and to the streets as the significant public spaces. Clear, concise guidelines have resulted in retailers modifying their traditional formats to incorporate more urban elements in their design, including: building to human scale; preserving historic spaces; incorporating mixed-use; and enhancing street cohesion by making parking structures less conspicuous, and enhancing continuity in street front retail.
- Clearly, not every area is a desirable place for a big box store. In general, big box stores have been allowed in heavy-traffic areas near sporting venues, which are not conducive to neighborhood-type retail. According to Boston planners there was not much opposition to the appearance of big-box retailers at the Landmark Center because there were few other opportunities in the area in terms of retail. Also, with department stores struggling and in some cases disappearing, big-box stores can often serve as an anchor for struggling retail corridors. That is the case in both Granville Street in Vancouver, BC, and the Fenway/Kenmore neighborhood in Boston.
- An outright ban on big-box stores may lead to missed opportunities for projects that can actually help the community revitalize without compromising community goals such as preventing urban decay or maintaining neighborhood character and affordability.

Addressing Shopper Safety and Comfort

Downtown retailers are frequently at a disadvantage relative to their suburban competition due to the common perceptions that many downtown areas are not safe. Public inebriation and disorder, loitering, aggressive panhandling, and streetscape deterioration creates an uninviting environment for shoppers. These are problems that are common to downtowns all over the world. In this section ERA provides examples of how the case study cities are addressing these concerns.

Vancouver, British Columbia

The Downtown Vancouver Businesses Association (DVBIA) runs an Ambassador's program designed to address panhandling, litter, illegal vending, and graffiti as well as monitoring the condition of streetscape deterioration. This program has been very successful due to:

- **Close collaboration with the police.** The Ambassadors, who are trained in crime prevention, cannot arrest people but share information with the police which leads to 50-60 arrests per month.
- **Coverage of large area, but focus on hotspots.** Although the DVBIA includes the downtown core, through services agreements with adjoining BIA's, the Ambassadors program covers almost 90 blocks of Vancouver, BC. Collaboration between BIAs not only creates economies of scale and prevents duplication but it also prevents duplication of effort. More importantly, extending coverage over a larger area avoids simply shifting undesirable behavior from one area to a neighboring area. Yet, despite being deployed over a large area, Ambassadors focus on problem areas, such as particular blocks or parking lots. As part of this targeted approach the DVBIA is also pushing for 'Dumpster-free Alleys' (more on this program below). The idea is to focus on areas where crime, although not as visible to the general public, is recurrent. The undesirable behavior that visitors to downtown see and complain about is correlated with the less conspicuous activities that these programs seek to curtail.
- **Use of Technology.** Ambassadors are equipped with hand-held computers that feed reports by the Ambassadors into a database which allows for easy tracking and proper follow-up of all the issues reported. This technology basically allows the DVBIA to monitor the health of the 90-block area at all times.

The City of Vancouver, BC will also introduce a 3-1-1 telephone service, which is a one-stop phone number to access all public services. Although it was not designed particularly to address the issues of downtown, it is hoped that the retail areas will benefit from this program. Despite the great efforts of the Downtown Ambassadors, often issues that affect the shopper's experience go unreported because they simply do not warrant a call to the 911 system or because people do not know who should be notified of the problem. The program will also ensure that requests for service are properly followed through. The new system will handle requests from retailers and shoppers and will handle their requests from initial intake through resolution. Citizens, whether reporting a pothole to be fixed, sidewalk obstructions, etc. will receive a tracking, or Service Request (SR) number, which guarantees the completion of the work request. This guarantee ensures that the work order

was logged, was sent to the right place, and will be acted upon within a set time frame. The program, costing C\$5.7 million, will be funded through a tax-increase.

Seattle

In response to appeals by residents, businesses, and organizations such as the Downtown Seattle Association, the City of Seattle has established two programs to deal with the adverse effects of chronic public inebriation and illegal activity associated with alcohol sales and consumption in various central area neighborhoods. The approach has been two-fold: to reduce the availability of alcohol and to provide supportive services to people with alcohol addiction.

- To reduce supply, the City of Seattle introduced Alcohol Impact Areas (AIA) where the sale of specific brands of high-alcohol content beverages is banned. 22 Seattle officials and community organizers were encouraged to establish AIAs after a similar program in Tacoma led to reports by citizens that problems associated with public inebriation had decreased after the establishment of the AIA in their community. The original AIA included only the area with the most prominent problems with public inebriation, Pioneer Square. However despite declines of incidents associated with public inebriation in the area there were complaints that the AIA simply pushed the problem onto adjacent areas such as Chinatown. In 2006, the city responded by extending the designation to most of Downtown, Belltown, the Central District, the International District, Capitol Hill, and the University District.
- In addition to broadening the AIA, the city also established 1811 Eastlake, which provides supportive housing for 75 formerly homeless men and women living with chronic alcohol addiction. Residents benefit from 24-hour, seven day a week supportive services.

The latest evaluation of the AIA program shows a positive impact on the problems associated with chronic public inebriation. The evaluation points out that the successful results are a combination of AIAs in concert with other community-level activities and services being provided such as housing and clinical services at 1811 Eastlake. Community members and groups have also seen a decrease in the observable problems of chronic public inebriates and are in favor of maintaining the AIA. Nevertheless there are concerns about the effectiveness of the AIAs. Since the program bans specific brands of alcohol, this allows beer manufacturers to circumvent the law by introducing the banned products under new names. There was an early attempt to ban products according to

²² This is different from Portland's Alcohol Impact Areas which were created to streamline the recommendation process and allow recommended denial or restrictions to address identified problems in designated areas.

formulas based on alcohol content and price, but the formulas got too complicated for implementation. There is a new effort to expand the list of banned products.

The City of Seattle is also seeking to improve public safety in the streets of the central area by focusing on areas away from the streets, such as parks and alleyways, where undesirable behavior concentrates. The city is trying out a couple of programs to address this, including:

- The “Dumpster-free Alley” program in the Pioneer Square area. The idea is that garbage bins in alleys serve as hiding places for shoplifters and robbers, for people consuming drugs, or are simply treated as toilet areas. This program eliminates dumpsters and replaces them with plastic bags, which are collected at the end of the day. The success of the program in Pioneer Square has prompted the city to expand it to other areas.
- Seattle is also deploying Park Rangers to urban parks throughout the city. The idea behind hiring the rangers was to reduce crime, not by chasing out unwanted visitors but rather by changing people’s perceptions. Rangers deal with minor park infractions, such as open-container and dog-off-leash laws, and they can write “park exclusions” that kick people out of the parks for a period of time. Rangers serve as a reminder to the general public that authorities are always nearby to address problems.

Lessons Learned

Public inebriation and disorder, loitering, aggressive panhandling, and streetscape deterioration create uninviting environments for shoppers in Downtown areas. Seattle and Vancouver, BC have established programs to address these issues. These programs have the following characteristics:

- **Wide coverage.** Central cities with multiple retail subdistricts within downtown such as Vancouver, BC, and Seattle, have discovered that programs to address public safety issues are most effective when deployed over a larger area. Programs that focus on particular retail corridors may be ‘successful’ in addressing the issues they seek to resolve only by shifting those issues to adjacent areas. Also, pooling resources from different areas allows programs to achieve economies of scale and avoid duplication of efforts.
- **Targeted approach.** The Downtown Ambassadors in Vancouver, BC cover 90 blocks, yet their efforts to increase public safety focus on areas where crime tends to concentrate such as parking lots. Programs sometimes focus on the most egregious behavior such as chronic alcoholism and drug consumption.

- **Below the surface.** Loitering, aggressive panhandling, and other behavior that is visible on the sidewalks is only the tip of the iceberg. A successful targeted approach may have to focus on areas where crime is not as visible to the general public yet more frequent such as alleys.
- **Follow through.** The use of technology, such as portable computers, or a 311 call system in Vancouver, BC make it easier to report issues, but also allow monitoring of complaints to be sure that issues are properly addressed.
- **Comprehensiveness.** Crime, loitering, panhandling, and drug consumption are multidimensional problems that need holistic solutions. Retailers in Seattle supported bans on alcoholic beverages, along with the creating of housing for chronic alcoholics where services could be provided to address the root causes of the problem.

Zoning for Retail

Seattle

On May 2006, a new zoning regulation went into effect for Downtown Seattle. The new zoning allows for the development of mixed use structures at relatively high densities and encourage, and in some areas mandate, street level uses. The new zoning is designed to accommodate and provide appropriate transitions between a broad mix of office, retail, residential, government, and industrial land uses. The new zoning applies not only to the central office core, but to an extended area around it.

The zoning requirements affect retail development by encouraging concentration in certain areas and better integration of new retail developments, as well as increasing flexibility to address specific urban design or development objectives. The zoning policies, for example, encourage specific urban design by mandating 'street-level use' on all lots abutting certain streets within downtown. In areas where street-level use is not required, it is encouraged by exempting it from the Floor Area Ratio (FAR) calculation. Parking requirements were also modified to reduce commuter trips Downtown by car. The zoning changes affecting retail are highlighted below:

- **Exempt floor area of major retail stores located in the retail core and periphery.** As the retail core continues to expand eastward, there is a potential for future major retail stores on the edge of the retail core. The new zoning establishes an exemption for space dedicated to a major retail store, or department store (20,000 to 200,000 square feet in size) from the FAR calculation, so that mixed-use projects could include a major retail store without a reduction in the amount of floor area allowed for other commercial uses that may help subsidize the retail operation. The

floor area exemption for major retail stores is limited to a particular area in the Downtown Retail Core (DRC) zone and immediately adjacent areas to recognize areas where the core has expanded, while limiting it to locations where the use will reinforce and not dilute shopping activity in the core.

- **Eliminate minimum parking requirements for non-residential uses throughout downtown, and prohibit principal use long-term parking garages.** In order to encourage public transportation as the primary mode of access to downtown, the city of Seattle eliminated the minimum requirement for short- and long-term parking for non-residential uses in the downtown commercial area.²³ At the same time, the city repealed the bonus for short-term parking in the retail core.²⁴ Furthermore under the new zoning, the current maximum limit on long-term parking (one space for each 1,000 square feet of non-residential use) applies to, both short- and long-term parking to reduce the amount of parking allowed to slightly below what it was before the changes. To further reduce commuter trips downtown by car, the city also prohibited principal use long-term parking garages within designated areas of downtown. However, short-term and residential principal use parking garages continued to be a conditional use in certain areas. To ensure that adequate short-term parking can continue to be provided as needed to accommodate downtown shopping activity, the criteria used by the Director to allow parking to exceed the maximum limit were amended to include consideration of short-term parking.
- **Increase above the base FAR in Downtown Mixed-Commercial Zones and Repeal of Bonuses for Street-Level uses and short-term parking.** The new zoning increases the FAR limits, particularly in areas that are served by public transit, including access to rail tunnel and monorail stations. The goal is partly to decrease the pressure for office development in peripheral areas where it is desirable to encourage more housing and accommodating more growth in the city's highest density area. At the same time the new laws repeal bonuses for street-level uses and short-term parking, since the FAR increases and the repeal of the parking requirements nullifies the need for these bonuses. The new zoning recognizes that these are desirable features that

²³ Prior to elimination of the minimum requirement, the City allowed minimum requirement waivers if non-residential projects provided car pool spaces, ridesharing, greater transit use, and other alternatives to parking for single occupant vehicles. Residential use in Downtown has not been subject to a parking requirement since 1985.

²⁴ The bonuses for short-term parking only applied to parking provided in excess of the amount of short term parking required in a project. With the elimination of the minimum requirement there is no excess amount to bonus. Also, in the late 1990s, the city invested \$73 million to create a six-level 1,200-space underground garage at Pacific Place in the retail core of downtown. This investment made the parking bonus less of a priority relative to other public benefits proposed to take its place such as providing incentives for green building.

provide a public benefit by continuing to allow floor area occupied by these uses to be exempt from FAR calculations.

Vancouver, British Columbia

Granville Street in downtown Vancouver, BC is a commercial corridor that for many years consisted mainly of small independent stores. Despite numerous efforts by the local authorities to revitalize the corridor, by the late 1990's it had suffered significant urban decay. More recently Granville Street has undergone a radical transformation.

The revitalization of Granville Street is part of a wider city-wide transformation that was spurred by the 1991 Central Area Plan, which was aimed at revitalizing Vancouver, BC's downtown core. This plan was based on a "Living First" strategy, and a reversal of the employment-housing imbalance in the core, which sought to increase the number of residents in downtown to revive business. The strategy was successful. Between 1991 and 2005, the number of people living in the downtown almost doubled from 47,000 to 85,000, resulting in the fastest-growing downtown population of any North American city.²⁵ While the emphasis of the plan was on housing, the plan was also very specific with respect to retail. The plan introduced various policies to encourage transit-oriented, street level retail. These policies, which enabled Granville Street to be revitalized while preserving its identity, are detailed below. The 1991 Central Area Plan specifically:

- Promoted a variety of retail by limiting retail concentration; requiring impact studies/market analysis for any proposals to add retail zoned capacity or to build retail developments of more than 100,000 square feet.
- Required retail to contribute primarily to street activity and to the streets as public spaces. As part of this strategy, retail was directed toward specific retail corridors, such as Granville Street. The new policies require retail-commercial or service uses on the ground floor of street frontages along designated commercial corridors and prohibit those uses elsewhere. Buildings with retail oriented to interior circulation, such as malls, were not allowed in the Granville Street area.
- Discouraged incompatible uses. The plan limited incompatible mixes and created most housing in areas identified primarily residential neighborhoods. In 1997, the City Council approved the Granville Street Entertainment. This policy encouraged the relocation of liquor licenses from residential areas to a three-block area in Granville Street.

²⁵ <http://cpd.org.au/article/vancouverism-%E2%80%94-ideas-australian-cities%3F>

- In areas where street level retail-commercial/services use was prohibited, the plan called for the enhancement of pedestrian interest and comfort through other means. For these areas, the city developed guidelines for the enhancement of the public realm with special treatment of the streetscape.
- Ensured that Granville continued to be accessible mainly by public transportation, parking structures not accessible to another use on site were not permitted in area outside the core retail area. There is currently a significant transportation project which will link the area with the Vancouver, BC airport and the greater Vancouver metro area via subway.

The goals and land use policy established by the 1991 Central Area Plan were essential for the revitalization of Granville Street, which had faced significant urban decay for many years. The plan was successful because it:

- Encouraged a variety of commercial areas within downtown while discouraging incompatible uses. It concentrated retail along various corridors throughout the city and relocated entertainment uses away from residential areas and into more traditional entertainment corridors.
- Mandated street level uses along commercial corridors and prohibited interior oriented retail. The plan also ensured that in areas where retail-commercial/services uses were prohibited enhancement of pedestrian interest and comfort were achieved through other means such as special treatment of the streetscape.
- Created a residential base to support retail and encouraged public transportation access for people coming from outside downtown.

Market forces attracted private developers to the area. However, these policies and guidelines ensured that this private investment fulfilled the vision of Vancouver, BC residents to create more attractive and thriving retail corridors.

Lessons Learned

Seattle and Vancouver, BC have taken distinct approaches to promoting street front retail in the central city. Seattle fosters street level retail by requiring street-level use throughout designated areas of downtown and encouraging it elsewhere. The new zoning, however, is flexible as it gives developers tools to create more functional retail spaces through the use of transfer of unused commercial development rights and within-block transfer of development rights. The city also

encourages public transportation as the primary mode to access downtown. To achieve this goal the city implemented increases in FAR near public transit, the elimination of minimum parking requirements, repeal of bonuses for short-term parking in the retail core, and prohibition of principal use long-term parking garages within designated areas of downtown. These policies are feasible because the new zoning encourages higher density within downtown and the creation of additional housing units to support a vibrant retail sector.

Vancouver, BC, on the other hand, has taken a more targeted approach to its retail strategy. Rather than encouraging street-level retail throughout the central city, Vancouver, BC's policy requires retail-commercial or service uses on the ground floor of street frontages along designated commercial corridors and prohibits those uses elsewhere. Buildings with retail oriented to interior circulation, such as malls, are not allowed in areas like Granville Street. In areas where retail-commercial/services uses are prohibited, enhancement of pedestrian interest and comfort are achieved through other means such as special treatment of the streetscape. Vancouver, BC also requires impact studies and market analysis for any proposals to add retail zoned capacity or to build retail developments of more than 100,000 square feet, thereby protecting smaller and independent retailers. Rather than providing parking in the central city, Vancouver, BC has encouraged residential development in its downtown, and encouraged public transportation access for people coming from outside downtown.



General & Limiting Conditions

Every reasonable effort has been made to ensure that the data contained in this report are accurate as of the date of this study; however, factors exist that are outside the control of Economics Research Associates and that may affect the estimates and/or projections noted herein. This study is based on estimates, assumptions and other information developed by Economics Research Associates from its independent research effort, general knowledge of the industry, and information provided by and consultations with the client and the client's representatives. No responsibility is assumed for inaccuracies in reporting by the client, the client's agent and representatives, or any other data source used in preparing or presenting this study.

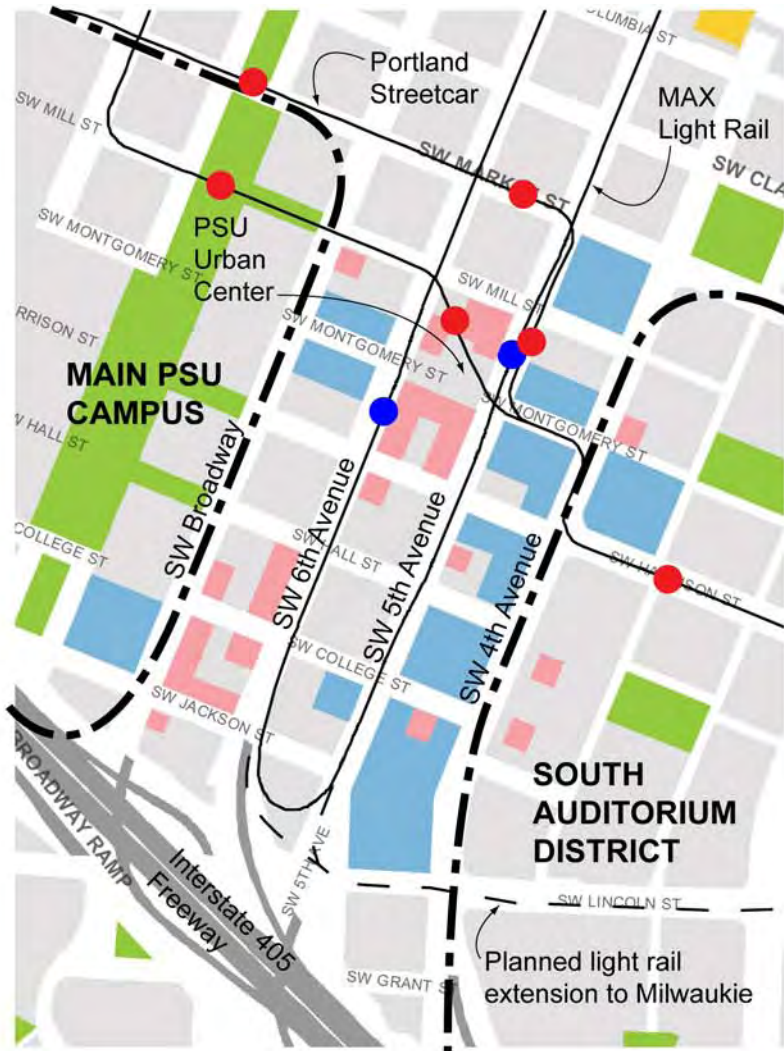
This report is based on information that was current as of November 2008 and Economics Research Associates has not undertaken any update of its research effort since such date.

Because future events and circumstances, many of which are not known as of the date of this study, may affect the estimates contained therein, no warranty or representation is made by Economics Research Associates that any of the projected values or results contained in this study will actually be achieved.

Possession of this study does not carry with it the right of publication thereof or to use the name of "Economics Research Associates" in any manner without first obtaining the prior written consent of Economics Research Associates. No abstracting, excerpting or summarization of this study may be made without first obtaining the prior written consent of Economics Research Associates. This report is not to be used in conjunction with any public or private offering of securities, debt, equity, or other similar purpose where it may be relied upon to any degree by any person other than the client, nor is any third party entitled to rely upon this report, without first obtaining the prior written consent of Economics Research Associates. This study may not be used for purposes other than that for which it is prepared or for which prior written consent has first been obtained from Economics Research Associates.

This study is qualified in its entirety by, and should be considered in light of, these limitations, conditions and considerations.

APPENDIX A
Subdistrict Area Maps



AREA # 1 PORTLAND STATE UNIVERSITY

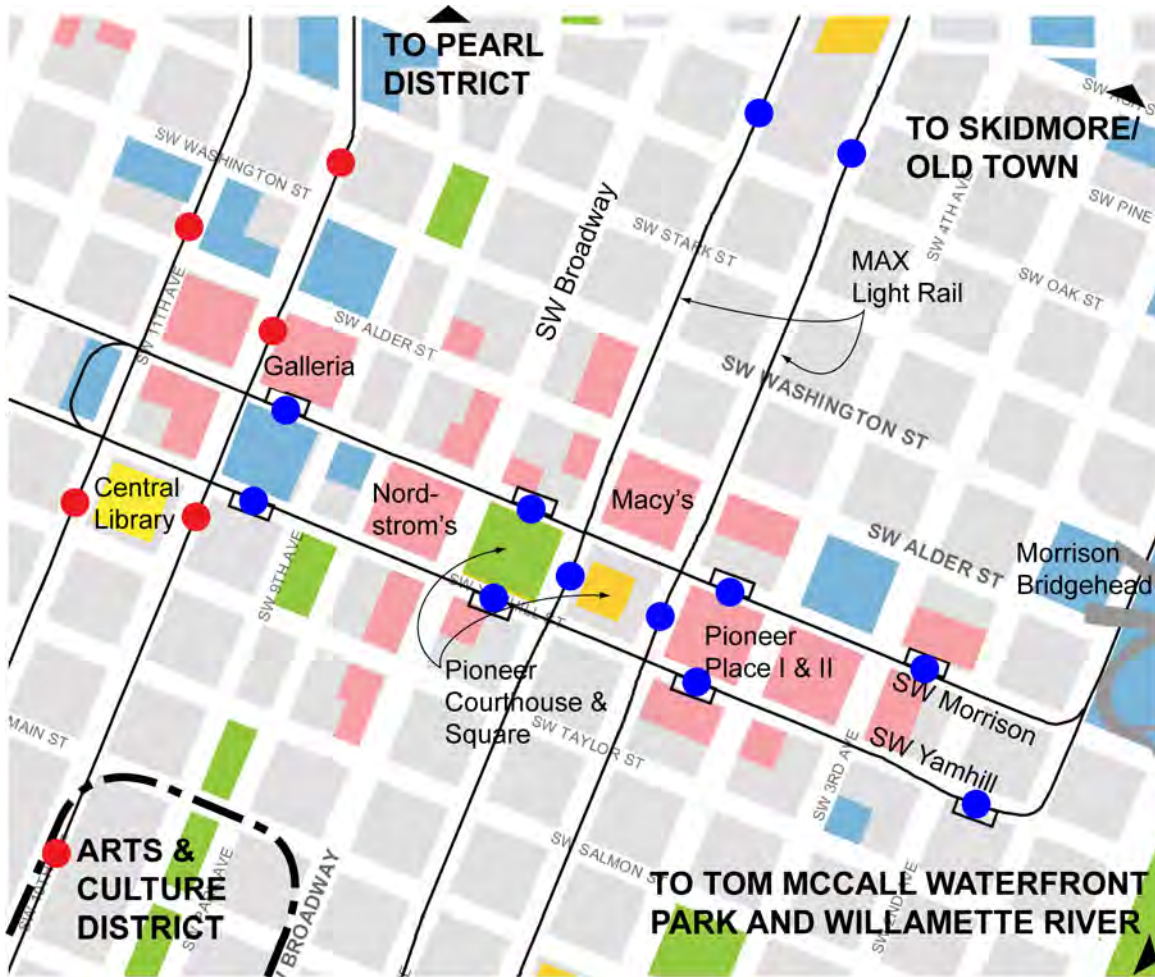


City of Portland Bureau of
Planning and Sustainability
Sam Adams, Mayor | Susan Anderson, Director

LEGEND

- Retail
- Selected Development Site
- Attractors
- Open Space
- Light Rail Transit Line
- Streetcar Line

This map was created by City of Portland Bureau of Planning & Sustainability staff in consultation with ERA. The information on the map is selective and intended to help explain retail conditions and opportunities in specific areas within Central Portland. The information on existing retail locations and development opportunities is intentionally incomplete, as the study looked in detail only at specific areas. Care was taken in creating this map, but the City of Portland and ERA cannot accept any responsibility for error, omissions, or accuracy.



LEGEND

- Retail
- Selected Development Site
- Attractors
- Open Space
- Light Rail Transit Line
- Streetcar Line



AREA # 2 RETAIL CORE



City of Portland Bureau of
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LEGEND

- Retail
- Selected Development Site
- Attractors
- Open Space
- Light Rail Transit Line
- Streetcar Line



AREA # 3 BREWERY BLOCKS



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Planning and Sustainability
Sam Adams, Mayor | Susan Anderson, Director

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LEGEND

- Retail
- Selected Development Site
- Attractors
- Open Space
- Light Rail Transit Line
- Streetcar Line



AREA # 4 NORTH PEARL DISTRICT



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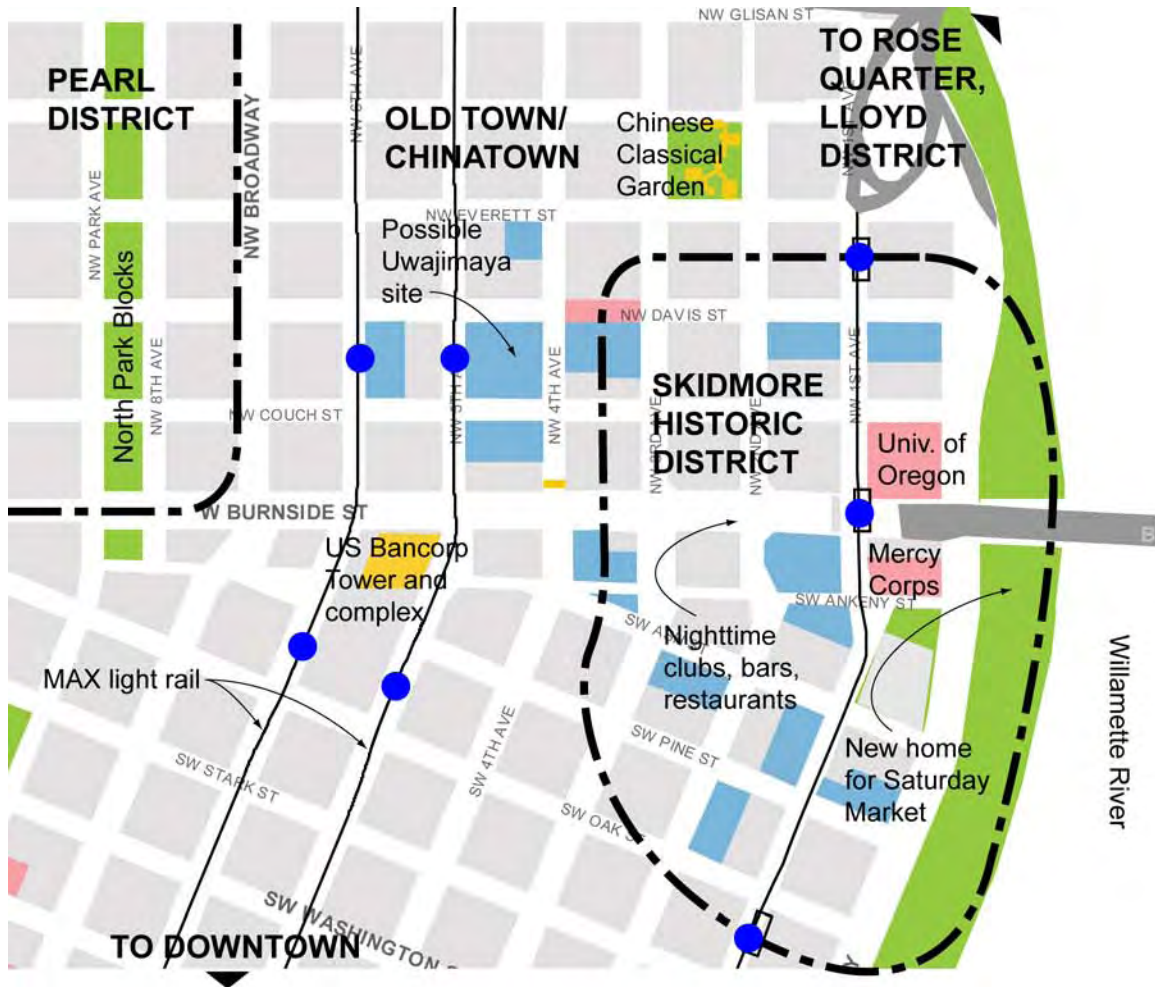
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**AREA # 5
NORTHWEST 21ST &
23RD AVENUES**

 City of Portland Bureau of
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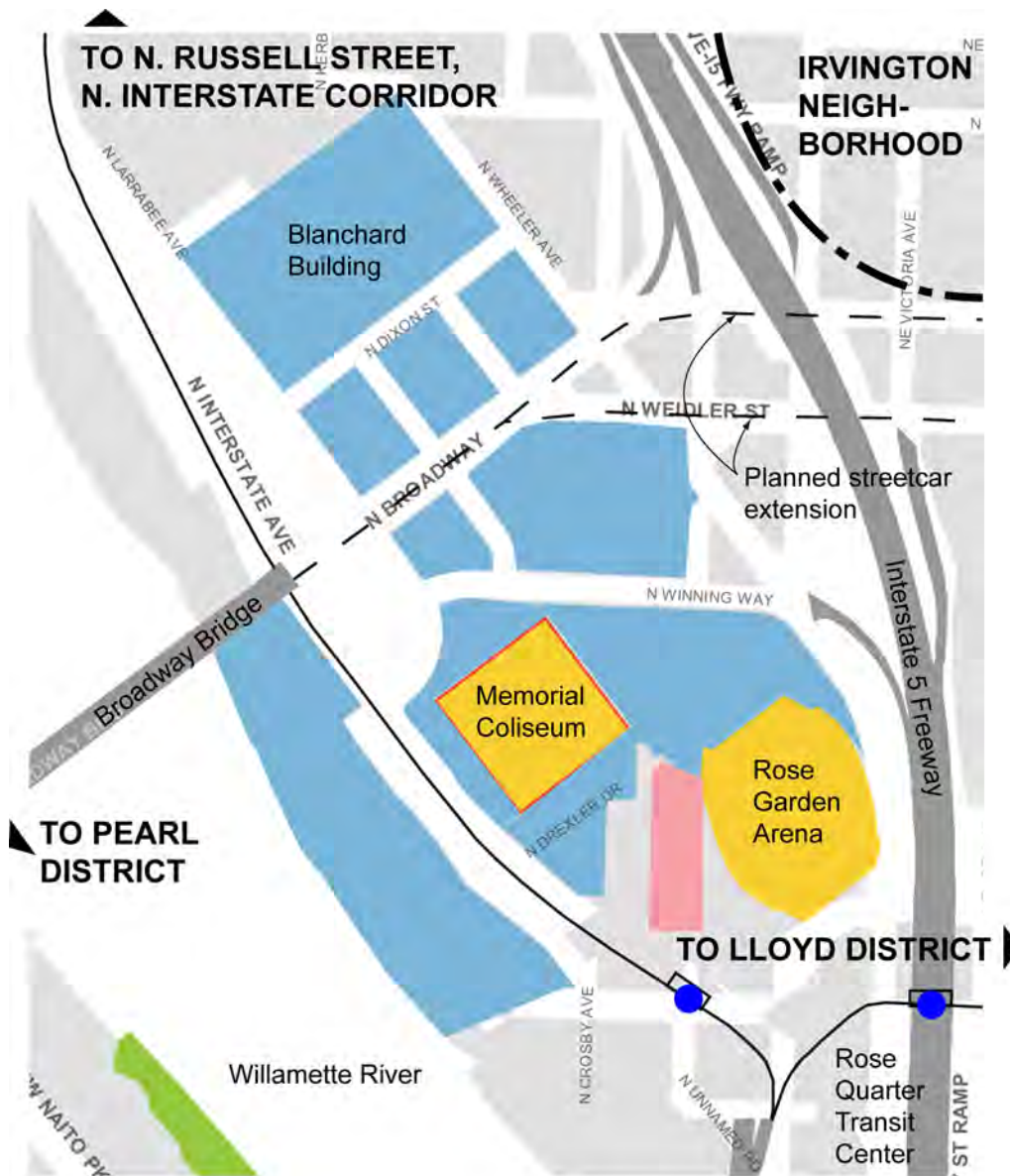
**AREA # 6
SKIDMORE OLD TOWN**

LEGEND

- Retail
- Selected Development Site
- Attractors
- Open Space
- Light Rail Transit Line
- Streetcar Line

 City of Portland Bureau of Planning and Sustainability
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LEGEND

- Retail
- Selected Development Site
- Attractors
- Open Space
- Light Rail Transit Line
- Streetcar Line



AREA # 7 ROSE QUARTER



City of Portland Bureau of
Planning and Sustainability
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AREA # 8
LLOYD DISTRICT

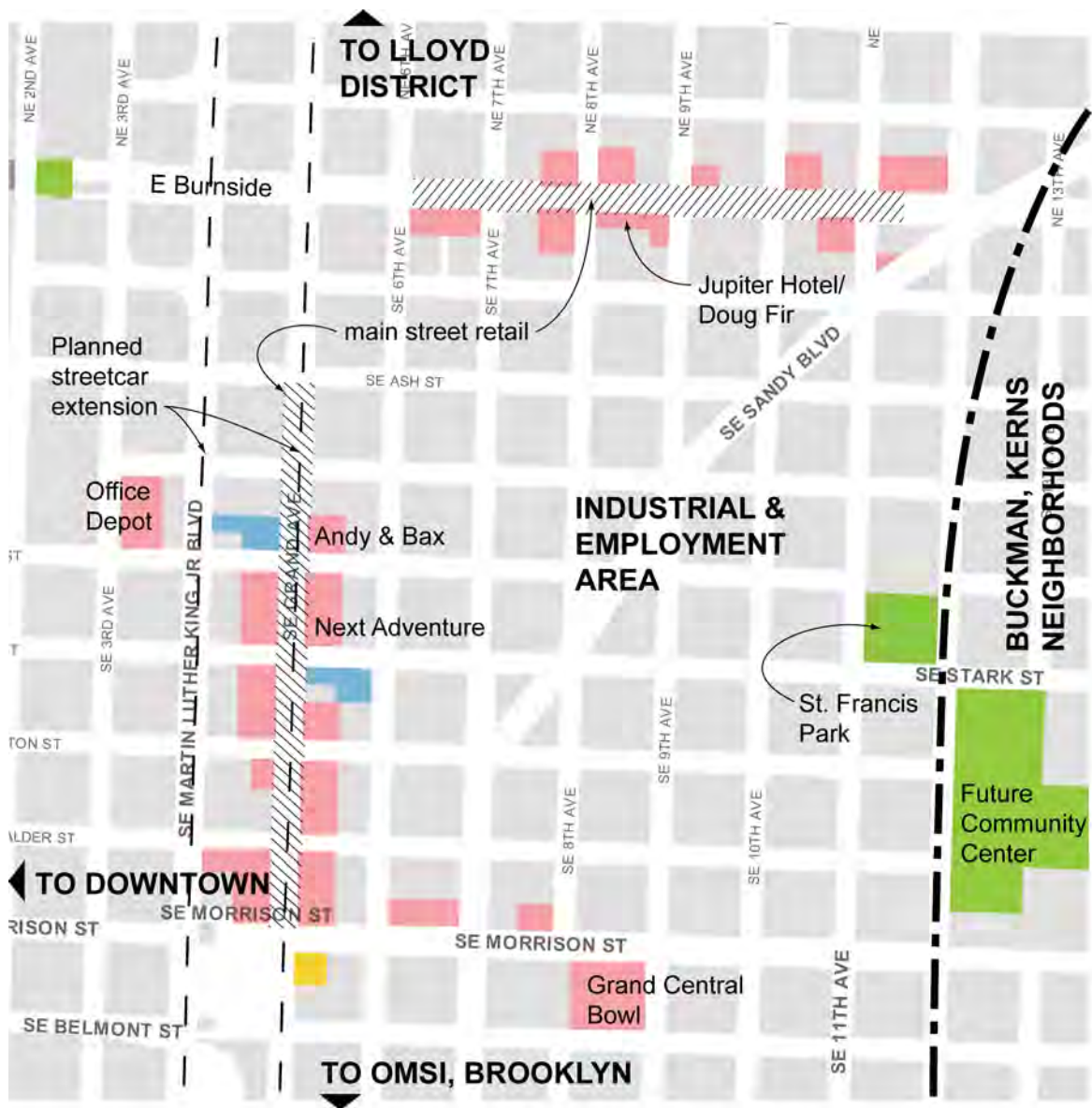


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LEGEND

- Retail
- Selected Development Site
- Attractors
- Open Space
- Light Rail Transit Line
- Streetcar Line

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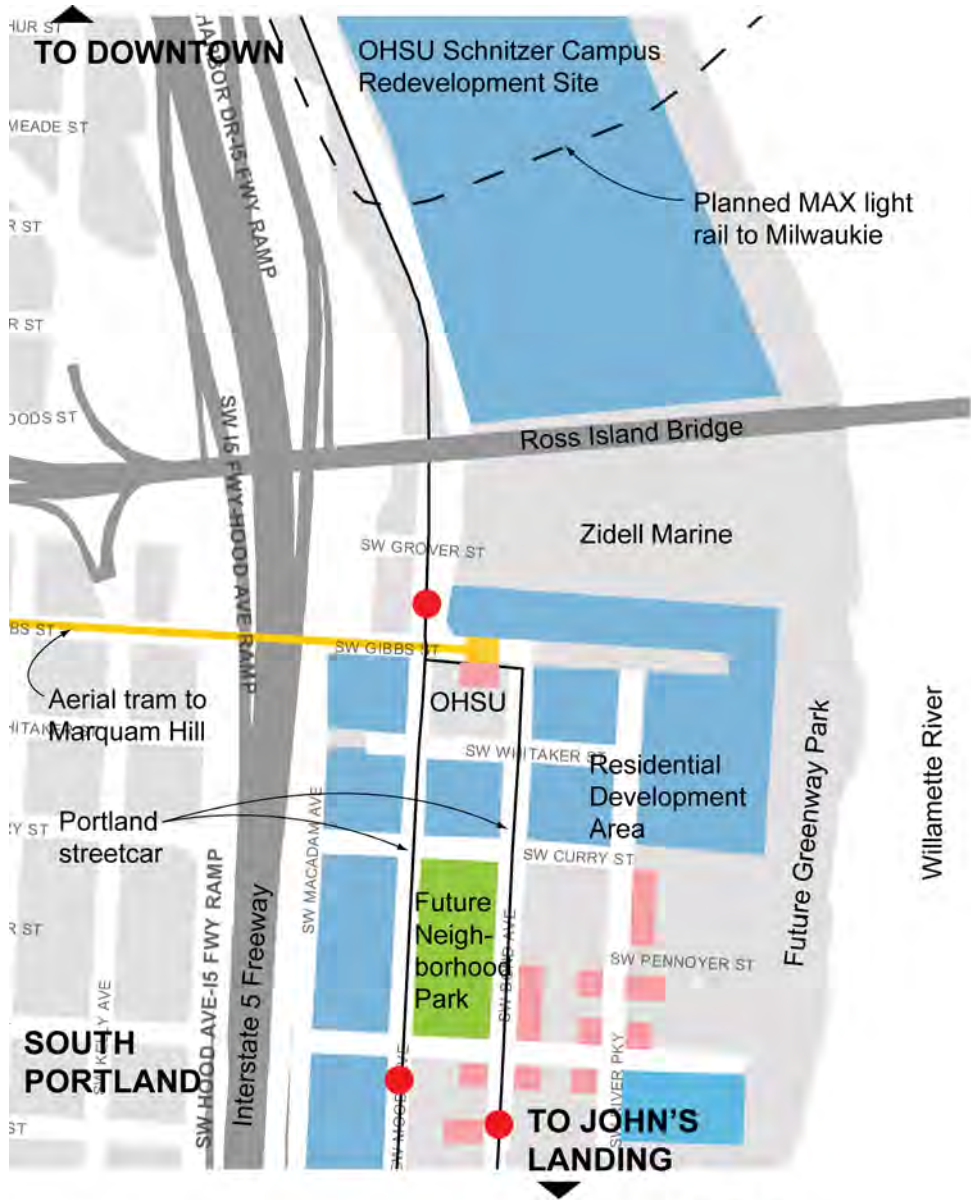
LEGEND

- Retail
- Selected Development Site
- Attractors
- Open Space
- Light Rail Transit Line
- Streetcar Line

AREA # 9 CENTRAL EASTSIDE INDUSTRIAL DISTRICT

 City of Portland Bureau of
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LEGEND

- Retail
- Selected Development Site
- Attractors
- Open Space
- Light Rail Transit Line
- Streetcar Line

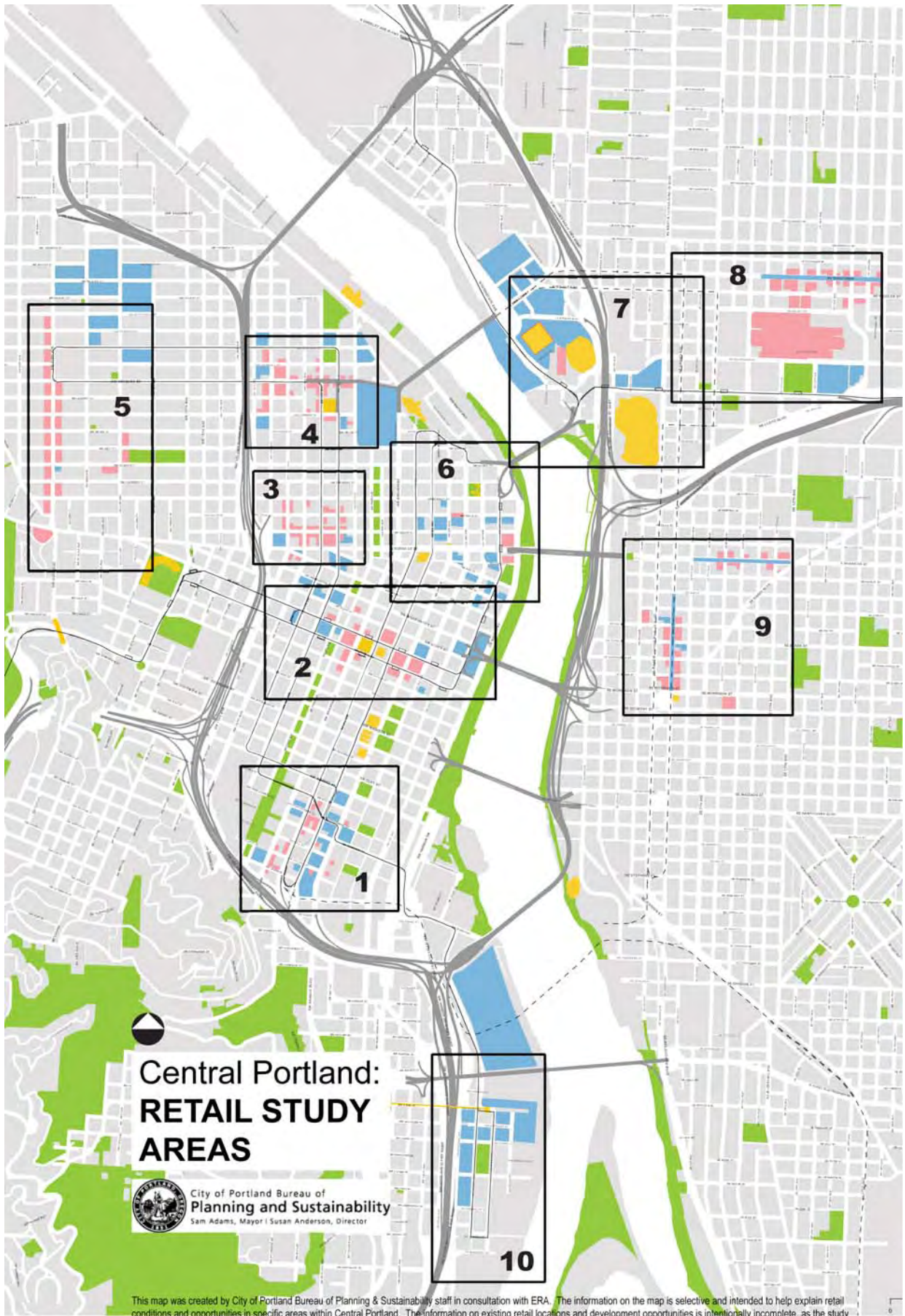


AREA # 10 SOUTH WATERFRONT



City of Portland Bureau of
Planning and Sustainability
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**Central Portland:
RETAIL STUDY
AREAS**

City of Portland Bureau of
Planning and Sustainability
Sam Adams, Mayor | Susan Anderson, Director

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APPENDIX B
Retail Market Demand Estimates

Table 1
ESTIMATE OF PORTLAND METRO AREA PER CAPITA RETAIL SPENDING, 2010

<u>Retail Sector</u>	<u>King County</u>		<u>Sacramento County</u>		<u>Portland Metro Area Estimate</u>		
	<u>Total Sales</u>	<u>Per Capita</u>	<u>Total Sales</u>	<u>Per Capita</u>	<u>Total Sales</u>	<u>Per Capita</u>	<u>Per Capita</u>
	<u>(\$1,000s)</u>	<u>Sales (2006)</u>	<u>(\$1,000s)</u>	<u>Sales (2006)</u>	<u>(\$1,000s)</u>	<u>Sales (2006)</u>	<u>Sales (2010)</u>
Apparel and Shoes	\$1,468,967	\$804	\$652,320	\$464	\$1,134,700	\$634	\$524
General Merchandise/Drug	3,426,096	\$1,876	2,528,460	\$1,799	3,238,154	1,810	\$1,423
Food Stores	2,934,152	\$1,606	2,762,259	\$1,965	3,147,396	1,759	\$2,094
Eating and Drinking Places	3,453,480	\$1,891	1,687,711	\$1,201	2,724,253	1,522	\$1,294
Home Furnishings/Appliances	2,474,498	\$1,355	653,574	\$465	1,603,584	896	\$536
Building Materials/Farm Equip.	1,516,259	\$830	1,726,802	\$1,228	1,814,148	1,014	\$728
Automotive/Gas Stations	4,003,672	\$2,192	4,325,066	\$3,077	4,643,197	2,595	\$2,397
Misc. and Specialty Retail	4,105,462	\$2,247	2,293,467	\$1,632	4,511,836	2,521	\$2,403
Total	\$23,382,588	\$12,800	\$16,629,659	\$11,830	\$22,817,268	\$12,751	\$11,399
Population		1,826,732		1,405,694			

Note: Does not include e-commerce, mail order, and other non-retail store sales.
Source: Washington Department of Revenue; California Board of Equalization; ERA.

AREA 1 - PORTLAND STATE UNIVERSITY
Concentration on SW College between Broadway and SW Fourth

Table 2
AREA 1 - SW COLLEGE STREET RESIDENT DEMAND GROWTH WITHIN 1,500 FEET
(Dollars are in Thousands)

		<u>2010</u>	<u>2030</u>	Market Area Demand Growth by Residents				
Resident Population within 1,500 Feet		1,096	3,898					
Real Income Adjustment to Account for Students		0.850	0.958					
	2010	Total Market Area Demand		Gain in	Annual	Gain in	College St	
	Per Capita			Sales	Sales/SF	Sq Ft	Market Share	Sq Ft
Apparel Stores	0.524	\$488	\$1,958	\$1,469	\$300	4,898	20.0%	980
Gen. Merchandise & Drug	1.423	1,326	5,314	3,988	350	11,395	25.0%	2,849
Food Stores	2.094	1,950	7,819	5,868	425	13,807	25.0%	3,452
Eating & Drinking Places	1.294	1,206	4,833	3,628	375	9,674	30.0%	2,902
Furnishing & Appliances	0.536	499	2,001	1,502	275	5,461	5.0%	273
Bldg Materials & Hardware	0.728	678	2,719	2,040	250	8,162	3.0%	245
Auto Dealers & Service Stations	2.397	2,233	8,952	6,719	NA	NA	NA	NA
Other Retail Stores	2.403	2,238	8,973	6,735	300	22,449	25.0%	5,612
Total Retail Stores	\$11.399	\$10,619	\$42,568	\$31,949		75,846	21.5%	16,312
Local Services @ 10% of Retail Store Total								1,631
Growth in Resident Generated Retail and Restaurant Demand Along SW College								17,944

Source: Economics Research Associates

Table 2
AREA 1 - SW COLLEGE STREET RESIDENT DEMAND GROWTH WITHIN 1,500 FEET
(Dollars are in Thousands)

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Local Services @ 10% of Retail Store Total								1,631
Growth in Resident Generated Retail and Restaurant Demand Along SW College								17,944

Source: Economics Research Associates

Table 3
AREA 1 - SW COLLEGE STREET EMPLOYEE DEMAND GROWTH WITHIN 1,500 FEET
(Dollars are in Thousands)

		<u>2010</u>	<u>2030</u>	Market Area Demand Growth by Employees				
Employees within 1,500 Feet		5,248	6,617					
Real Income Adjustment to Account for Students		0.950	1.092					
	2010	Total Market Area Demand		Gain in	Annual	Gain in	College St	
	Per Capita			Sales	Sales/SF	Sq Ft	Market Share	Sq Ft
Apparel Stores	0.175	\$872	\$1,265	\$392	\$300	1,308	20.0%	262
Gen. Merchandise & Drug	0.400	1,994	2,891	897	350	2,562	30.0%	769
Food Stores	0.300	1,496	2,168	673	425	1,582	35.0%	554
Eating & Drinking Places	1.500	7,478	10,841	3,363	375	8,967	35.0%	3,138
Furnishing & Appliances	0.050	249	361	112	275	408	5.0%	20
Bldg Materials & Hardware	0.040	199	289	90	250	359	3.0%	11
Auto Dealers & Service Stations	NA	NA	NA	NA	NA	NA	NA	NA
Other Retail Stores	0.350	1,745	2,530	785	300	2,615	25.0%	654
Total Retail Stores	\$2.815	\$14,034	\$20,345	\$6,310		17,800	30.4%	5,407
Local Services @ 10% of Retail Store Total								541
Growth in Employment Generated Retail and Restaurant Demand Along SW College								5,948

Source: Economics Research Associates

Table 4
AREA 1 - SW COLLEGE STREET PSU COMMUTER STUDENT DEMAND GROWTH
(Dollars are in Thousands)

		<u>2010</u>	<u>2030</u>	Demand Growth by psu Commuter Students				
Employees within 1,500 Feet		24,450	29,750					
Real Income Adjustment to Account for Students		0.850	0.977					
	2010	Total Market Area Demand		Gain in	Annual	Gain in	College St	
	Per Capita			Sales	Sales/SF	Sq Ft	Market Share	Sq Ft
Apparel Stores	0.175	\$3,637	\$5,088	\$1,451	\$300	4,836	15.0%	725
Gen. Merchandise & Drug	0.400	8,313	11,629	3,316	350	9,475	25.0%	2,369
Food Stores	0.300	6,235	8,722	2,487	425	5,852	30.0%	1,756
Eating & Drinking Places	1.500	31,174	43,610	12,436	375	33,163	25.0%	8,291
Furnishing & Appliances	0.050	1,039	1,454	415	275	1,507	1.0%	15
Bldg Materials & Hardware	0.040	831	1,163	332	250	1,327	1.0%	13
Auto Dealers & Service Stations	NA	NA	NA	NA	NA	NA	NA	NA
Other Retail Stores	0.350	7,274	10,176	2,902	300	9,673	15.0%	1,451
Total Retail Stores	\$2.815	\$58,503	\$81,842	\$23,339		65,834	22.2%	14,620
Local Services @ 10% of Retail Store Total								1,462
Growth in Commuter Students Generated Retail and Restaurant Demand Along SW College								16,082

Source: Economics Research Associates

Table 5
AREA 1 - SUMMARY OF SW COLLEGE STREET RETAIL DEMAND GROWTH 2010-2030

	Resident	Employee	Commuter Students	Total SF
Apparel Stores	980	262	725	1,967
Gen. Merchandise & Drug	2,849	769	2,369	5,986
Food Stores	3,452	554	1,756	5,761
Eating & Drinking Places	2,902	3,138	8,291	14,331
Furnishing & Appliances	273	20	15	309
Bldg Materials & Hardware	245	11	13	269
Personal & Business Services	1,631	541	1,462	3,634
Other Retail Stores	5,612	654	1,451	7,717
Total Retail Stores	17,944	5,948	16,082	39,974
Percentage Distribution	44.9%	14.9%	40.2%	100.0%

Note: Full retail development of each block on both sides of College Street provides 24,000 SF
Source: Economics Research Associates

AREA 2 - DOWNTOWN CORE
Bounded by 12th, 2nd, Salmon & Washington

Table 6
AREA 2 - POPULATION WITHIN 15 MINUTES DRIVE OF DOWNTOWN CORE
(Dollars are in Thousands)

		<u>2010</u>	<u>2030</u>	Market Area Demand Growth by Residents				
Resident Population within 15 min. Drive		851,289	1,011,007					
Real Income Adjustment		1.030	1.138					
	2010	Total Market Area Demand		Gain in	Annual	Gain in	Core Area	
	Per Capita			Sales	Sales/SF	Sq Ft	Market Share	Sq Ft
Apparel Stores	0.524	\$459,693	\$603,207	\$143,514	\$350	410,040	15.0%	61,506
Gen. Merchandise & Drug	1.423	1,247,667	1,637,183	389,515	400	973,789	10.0%	97,379
Food Stores	2.094	1,835,798	2,408,925	573,127	425	1,348,534	2.5%	33,713
Eating & Drinking Places	1.294	1,134,855	1,489,152	354,296	375	944,790	12.0%	113,375
Furnishing & Appliances	0.536	469,851	616,537	146,685	275	533,401	5.0%	26,670
Bldg Materials & Hardware	0.728	638,344	837,632	199,288	250	797,152	1.0%	7,972
Auto Dealers & Service Stations	2.397	2,101,862	2,758,052	656,191	NA	NA	NA	NA
Other Retail Stores	2.403	2,106,848	2,764,596	657,747	350	1,879,279	20.0%	375,856
Total Retail Stores	\$11.399	\$9,994,920	\$13,115,284	\$3,120,364		6,886,984	10.4%	716,470
Local Services @ 10% of Retail Store Total								71,647
Growth in Resident Generated Retail and Restaurant Demand in Downtown Core								788,117

Source: Economics Research Associates

Table 7
AREA 2 - DOWNTOWN CORE EMPLOYEE GENERATED DEMAND GROWTH
(Dollars are in Thousands)

		<u>2010</u>	<u>2030</u>	Market Area Demand Growth by Employees				
Downtown Core Employment		87,492	108,012					
Real Income Adjustment		1.100	1.240					
	2010	Total Market Area Demand		Gain in	Annual	Gain in	Core Area	
	Per Capita			Sales	Sales/SF	Sq Ft	Market Share	Sq Ft
Apparel Stores	0.175	\$16,842	\$23,435	\$6,593	\$350	18,836	80.0%	15,069
Gen. Merchandise & Drug	0.400	38,496	53,565	15,069	400	37,672	75.0%	28,254
Food Stores	0.300	28,872	40,174	11,302	425	26,592	45.0%	11,966
Eating & Drinking Places	1.500	144,362	200,870	56,508	375	150,689	75.0%	113,017
Furnishing & Appliances	0.050	4,812	6,696	1,884	275	6,850	50.0%	3,425
Bldg Materials & Hardware	0.040	3,850	5,357	1,507	250	6,028	15.0%	904
Auto Dealers & Service Stations	NA	NA	NA	NA	NA	NA	NA	NA
Other Retail Stores	0.350	33,684	46,870	13,185	350	37,672	85.0%	32,021
Total Retail Stores	\$2.815	\$270,919	\$376,966	\$106,047		284,339	72.0%	204,657
Local Services @ 10% of Retail Store Total								20,466
Growth in Employment Generated Retail and Restaurant Demand in Downtown Core								225,122

Source: Economics Research Associates

Table 8
AREA 2 - VISITOR GENERATED DEMAND GROWTH IN CORE AREA
(Dollars are in Thousands)

		<u>2005</u>	<u>2030</u>	Demand Growth by Visitors to Portland				
Visitor Days to Portland		10,151,942	15,085,251					
Real Income Adjustment		1.000	1.127					
	2010	Total Market Area Demand		Gain in	Annual	Gain in	Core Area	
	Per Visitor Day			Sales	Sales/SF	Sq Ft	Market Share	Sq Ft
Apparel Stores	\$0.006	\$60,912	\$102,015	\$41,103	\$350	117,438	35.0%	41,103
Gen. Merchandise & Drug	0.009	91,367	153,022	61,655	400	154,137	25.0%	38,534
Food Stores	0.004	40,608	68,010	27,402	425	64,476	10.0%	6,448
Eating & Drinking Places	0.018	182,735	306,045	123,310	375	328,826	25.0%	82,206
Furnishing & Appliances	0.002	20,304	34,005	13,701	275	49,822	5.0%	2,491
Bldg Materials & Hardware	0.000	2,030	3,400	1,370	250	5,480	1.0%	55
Auto Dealers & Service Stations	NA	NA	NA	NA	NA	NA	NA	NA
Other Retail Stores	0.008	81,216	136,020	54,804	350	156,584	20.0%	31,317
Total Retail Stores	\$0.047	\$479,172	\$802,517	\$323,345		876,762	23.1%	202,154
Local Services @ 10% of Retail Store Total								20,215
Growth in Visitor Generated Retail and Restaurant Demand in Core Area								222,369

Source: Economics Research Associates

Table 9
AREA 2 - SUMMARY OF CORE AREA RETAIL DEMAND GROWTH 2010-2030

	Resident¹ Within 15 min	Core Area Employees	Portland Visitors	Total SF
Apparel Stores	53,972	15,069	41,103	110,144
Gen. Merchandise & Drug	83,252	28,254	38,534	150,040
Food Stores	27,730	11,966	6,448	46,144
Eating & Drinking Places	56,866	113,017	82,206	252,090
Furnishing & Appliances	24,958	3,425	2,491	30,874
Bldg Materials & Hardware	7,519	904	55	8,478
Personal & Business Services	61,414	20,466	20,215	102,095
Other Retail Stores	359,845	32,021	31,317	423,183
Total Retail Stores	675,556	225,122	222,369	1,123,048
Percentage Distribution	60.2%	20.0%	19.8%	100.0%

¹ Excludes their impact as Core Area employees

Source: Economics Research Associates

AREA 3 - BREWERY BLOCKS
Bounded by 13th, 9th, Burnside & Everett

Table 10
AREA 3 - POPULATION WITHIN 15 MINUTES DRIVE OF BREWERY BLOCKS LESS LOCAL RESIDENTS
(Dollars are in Thousands)

		<u>2010</u>	<u>2030</u>	Market Area Demand Growth by Residents				
Resident Population within 15 min. Drive		851,328	1,010,671					
Real Income Adjustment		1.030	1.138					
	2010	Total Market Area Demand		Gain in	Annual	Gain in	Brewery Blocks	
	Per Capita			Sales	Sales/SF	Sq Ft	Market Share	Sq Ft
Apparel Stores	0.524	\$459,714	\$603,007	\$143,292	\$350	409,407	2.5%	10,235
Gen. Merchandise & Drug	1.423	1,247,724	1,636,638	388,914	400	972,285	1.0%	9,723
Food Stores	2.094	1,835,882	2,408,125	572,242	425	1,346,453	1.5%	20,197
Eating & Drinking Places	1.294	1,134,907	1,488,657	353,749	375	943,331	3.5%	33,017
Furnishing & Appliances	0.536	469,873	616,332	146,459	275	532,578	2.0%	10,652
Bldg Materials & Hardware	0.728	638,374	837,354	198,980	250	795,921	1.0%	7,959
Auto Dealers & Service Stations	2.397	2,101,958	2,757,136	655,178	NA	NA	NA	NA
Other Retail Stores	2.403	2,106,945	2,763,677	656,732	350	1,876,378	2.5%	46,909
Total Retail Stores	\$11.399	\$9,995,378	\$13,110,925	\$3,115,547		6,876,353	2.0%	138,692
Local Services @ 10% of Retail Store Total								13,869
Growth in Regional Resident Generated Retail and Restaurant Demand in Brewery Blocks								152,561

Source: Economics Research Associates

Table 11
AREA 3 - POPULATION WITH 1500 FEET OF BREWERY BLOCKS
(Dollars are in Thousands)

		<u>2010</u>	<u>2030</u>	Market Area Demand Growth by Local Residents				
Residents within 1,500 feet of Brewery Blocks		1,411	5,588					
Real Income Adjustment		1.100	1.240					
	2010	Total Market Area Demand		Gain in	Annual	Gain in	Core Area	
	Per Capita			Sales	Sales/SF	Sq Ft	Market Share	Sq Ft
Apparel Stores	0.524	\$814	\$3,632	\$2,818	\$350	8,053	15.0%	1,208
Gen. Merchandise & Drug	1.423	2,209	9,858	7,650	400	19,124	20.0%	3,825
Food Stores	2.094	3,250	14,505	11,255	425	26,483	35.0%	9,269
Eating & Drinking Places	1.294	2,009	8,967	6,958	375	18,554	20.0%	3,711
Furnishing & Appliances	0.536	832	3,712	2,881	275	10,475	10.0%	1,048
Bldg Materials & Hardware	0.728	1,130	5,044	3,914	250	15,655	1.0%	157
Auto Dealers & Service Stations	2.397	3,721	16,607	12,887	NA	NA	NA	NA
Other Retail Stores	2.403	3,729	16,647	12,917	350	36,907	18.0%	6,643
Total Retail Stores	\$11.399	\$17,692	\$78,972	\$61,280		135,251	19.1%	25,860
Local Services @ 10% of Retail Store Total								2,586
Growth in Local Resident Generated Retail and Restaurant Demand in Brewery Blocks								28,446

Source: Economics Research Associates

Table 12
AREA 3 - VISITOR GENERATED DEMAND GROWTH IN BREWERY BLOCKS
(Dollars are in Thousands)

		<u>2005</u>	<u>2030</u>	Demand Growth by Visitors to Portland				
Visitor Days to Portland		10,151,942	16,655,336					
Real Income Adjustment		1.000	1.127					
	2010	Total Market Area Demand		Gain in	Annual	Gain in	Core Area	
	Per Visitor Day			Sales	Sales/SF	Sq Ft	Market Share	Sq Ft
Apparel Stores	\$0.006	\$60,912	\$112,633	\$51,721	\$350	147,774	5.0%	7,389
Gen. Merchandise & Drug	0.009	91,367	168,949	77,581	400	193,954	2.0%	3,879
Food Stores	0.004	40,608	75,088	34,481	425	81,131	2.0%	1,623
Eating & Drinking Places	0.018	182,735	337,898	155,163	375	413,768	7.0%	28,964
Furnishing & Appliances	0.002	20,304	37,544	17,240	275	62,692	2.0%	1,254
Bldg Materials & Hardware	0.000	2,030	3,754	1,724	250	6,896	1.0%	69
Auto Dealers & Service Stations	NA	NA	NA	NA	NA	NA	NA	NA
Other Retail Stores	0.008	81,216	150,177	68,961	350	197,032	5.0%	9,852
Total Retail Stores	\$0.047	\$479,172	\$886,043	\$406,872		1,103,247	4.8%	53,029
Local Services @ 10% of Retail Store Total								5,303
Growth in Visitor Generated Retail and Restaurant Demand in Brewery Blocks								58,331

Source: Economics Research Associates

Table 13
AREA 3 - SUMMARY OF BREWERY BLOCKS RETAIL DEMAND GROWTH 2010-2030

	Resident¹ Within 15 min	Local² Residents	Portland Visitors	Total SF
Apparel Stores	10,235	1,208	7,389	18,832
Gen. Merchandise & Drug	9,723	3,825	3,879	17,427
Food Stores	20,197	9,269	1,623	31,089
Eating & Drinking Places	33,017	3,711	28,964	65,691
Furnishing & Appliances	10,652	1,048	1,254	12,953
Bldg Materials & Hardware	7,959	157	69	8,185
Personal & Business Services	13,869	2,586	5,303	21,758
Other Retail Stores	46,909	6,643	9,852	63,404
Total Retail Stores	152,561	28,446	58,331	239,338
Percentage Distribution	63.7%	11.9%	24.4%	100.0%

¹ Excludes those living within 1,500 ft

² Those living within 1,500 feet

Source: Economics Research Associates

AREA 4 - NORTH PEARL

Bounded by 14th, 9th, Irving & Marshall

Table 14
AREA 4 - POPULATION WITHIN 15 MINUTES DRIVE OF NORTH PEARL LESS LOCAL RESIDENTS
(Dollars are in Thousands)

		<u>2010</u>	<u>2030</u>	Market Area Demand Growth by Residents				
Resident Population within 15 min. Drive		804,415	950,919					
Real Income Adjustment		1.020	1.127					
	2010	Total Market Area Demand		Gain in	Annual	Gain in	North Pearl	
	Per Capita			Sales	Sales/SF	Sq Ft	Market Share	Sq Ft
Apparel Stores	0.524	\$430,164	\$561,848	\$131,684	\$350	376,240	1.5%	5,644
Gen. Merchandise & Drug	1.423	1,167,521	1,524,928	357,407	400	893,517	1.0%	8,935
Food Stores	2.094	1,717,873	2,243,756	525,883	425	1,237,372	2.0%	24,747
Eating & Drinking Places	1.294	1,061,956	1,387,047	325,091	375	866,909	2.0%	17,338
Furnishing & Appliances	0.536	439,670	574,264	134,594	275	489,432	0.3%	1,468
Bldg Materials & Hardware	0.728	597,339	780,200	182,860	250	731,441	0.0%	0
Auto Dealers & Service Stations	2.397	1,966,845	2,568,945	602,100	NA	NA	NA	NA
Other Retail Stores	2.403	1,971,512	2,575,040	603,528	350	1,724,366	2.0%	34,487
Total Retail Stores	\$11.399	\$9,352,881	\$12,216,028	\$2,863,147		6,319,277	1.5%	92,620
Local Services @ 10% of Retail Store Total								9,262
Growth in Regional Resident Generated Retail and Restaurant Demand in North Pearl District								101,882

Source: Economics Research Associates

Table 15
AREA 4 - POPULATION WITHIN 1500 FEET OF 12TH & LOVEJOY
(Dollars are in Thousands)

		<u>2010</u>	<u>2030</u>	Market Area Demand Growth by Local Residents				
Residents within 1,500 feet of 12th & Lovejoy		1,588	11,516					
Real Income Adjustment		1.100	1.240					
	2010	Total Market Area Demand		Gain in	Annual	Gain in	North Pearl	
	Per Capita			Sales	Sales/SF	Sq Ft	Market Share	Sq Ft
Apparel Stores	0.524	\$916	\$7,485	\$6,569	\$350	18,770	8.0%	1,502
Gen. Merchandise & Drug	1.423	2,486	20,316	17,830	400	44,576	12.0%	5,349
Food Stores	2.094	3,657	29,893	26,235	425	61,730	30.0%	18,519
Eating & Drinking Places	1.294	2,261	18,479	16,218	375	43,249	17.5%	7,569
Furnishing & Appliances	0.536	936	7,651	6,715	275	24,417	10.0%	2,442
Bldg Materials & Hardware	0.728	1,272	10,394	9,123	250	36,490	1.0%	365
Auto Dealers & Service Stations	2.397	4,187	34,225	30,038	NA	NA	NA	NA
Other Retail Stores	2.403	4,197	34,306	30,109	350	86,026	15.0%	12,904
Total Retail Stores	\$11.399	\$19,912	\$162,749	\$142,838		315,258	15.4%	48,649
Local Services @ 10% of Retail Store Total								4,865
Growth in Local Resident Generated Retail and Restaurant Demand in North Pearl								53,514

Source: Economics Research Associates

Table 16
AREA 4 - VISITOR GENERATED DEMAND GROWTH IN NORTH PEARL
(Dollars are in Thousands)

		<u>2010</u>	<u>2030</u>	Demand Growth by Visitors to Portland				
Visitor Days to Portland		10,151,942	16,655,336					
Real Income Adjustment		1.030	1.161					
	2010	Total Market Area Demand		Gain in	Annual	Gain in	North Peral	
	Per Visitor Day			Sales	Sales/SF	Sq Ft	Market Share	Sq Ft
Apparel Stores	\$0.006	\$62,739	\$116,012	\$53,273	\$350	152,207	1.0%	1,522
Gen. Merchandise & Drug	0.009	94,108	174,017	79,909	400	199,772	1.0%	1,998
Food Stores	0.004	41,826	77,341	35,515	425	83,565	0.5%	418
Eating & Drinking Places	0.018	188,217	348,035	159,818	375	426,181	3.0%	12,785
Furnishing & Appliances	0.002	20,913	38,671	17,758	275	64,573	2.0%	1,291
Bldg Materials & Hardware	0.000	2,091	3,867	1,776	250	7,103	1.0%	71
Auto Dealers & Service Stations	NA	NA	NA	NA	NA	NA	NA	NA
Other Retail Stores	0.008	83,652	154,682	71,030	350	202,943	5.0%	10,147
Total Retail Stores	\$0.047	\$493,547	\$912,625	\$419,078		1,136,345	2.5%	28,233
Local Services @ 10% of Retail Store Total								2,823
Growth in Visitor Generated Retail and Restaurant Demand in North Pearl								31,056

Source: Economics Research Associates

Table 17
AREA 4 - SUMMARY OF NORTH PEARL RETAIL DEMAND GROWTH 2010-2030

	Resident¹ Within 15 min	Local² Residents	Portland Visitors	Total SF
Apparel Stores	5,644	1,502	1,522	8,667
Gen. Merchandise & Drug	8,935	5,349	1,998	16,282
Food Stores	24,747	18,519	418	43,684
Eating & Drinking Places	17,338	7,569	12,785	37,692
Furnishing & Appliances	1,468	2,442	1,291	5,201
Bldg Materials & Hardware	0	365	71	436
Personal & Business Services	9,262	4,865	2,823	16,950
Other Retail Stores	34,487	12,904	10,147	57,538
Total Retail Stores	101,882	53,514	31,056	186,452
Percentage Distribution	54.6%	28.7%	16.7%	100.0%

¹ Excludes those living within 1,500 ft

² Those living within 1,500 feet

Source: Economics Research Associates

AREA 5 - NORTHWEST 21ST & 23RD

Table 18

AREA 5 - POPULATION WITHIN 15 MINUTES DRIVE OF NW 21ST & 23RD LESS LOCAL RESIDENTS

(Dollars are in Thousands)

		<u>2010</u>	<u>2030</u>	Market Area Demand Growth by Residents				
Resident Population within 15 min. Drive		757,842	911,314					
Real Income Adjustment		1.030	1.138					
	2010	Total Market Area Demand		Gain in	Annual	Gain in	NW 21 & 23	
	Per Capita			Sales	Sales/SF	Sq Ft	Market Share	Sq Ft
Apparel Stores	0.524	\$409,232	\$543,726	\$134,494	\$350	384,269	1.5%	5,764
Gen. Merchandise & Drug	1.423	1,110,709	1,475,744	365,034	400	912,586	0.5%	4,563
Food Stores	2.094	1,634,281	2,171,387	537,106	425	1,263,779	1.0%	12,638
Eating & Drinking Places	1.294	1,010,281	1,342,310	332,029	375	885,410	2.5%	22,135
Furnishing & Appliances	0.536	418,275	555,742	137,466	275	499,877	0.5%	2,499
Bldg Materials & Hardware	0.728	568,273	755,035	186,763	250	747,051	0.3%	2,241
Auto Dealers & Service Stations	2.397	1,871,138	2,486,088	614,949	NA	NA	NA	NA
Other Retail Stores	2.403	1,875,577	2,491,986	616,408	350	1,761,166	1.5%	26,417
Total Retail Stores	\$11.399	\$8,897,768	\$11,822,018	\$2,924,250		6,454,139	1.2%	76,258
Local Services @ 10% of Retail Store Total								7,626
Growth in Regional Resident Generated Retail and Restaurant Demand in NW 21st & 23rd District								83,884

Source: Economics Research Associates

Table 19
AREA 5 - POPULATION WITHIN 1500 FEET OF NW 21ST & 23RD
(Dollars are in Thousands)

		<u>2005</u>	<u>2030</u>	Market Area Demand Growth by Local Residents				
Residents within 1,500 feet		5,164	6,371					
Real Income Adjustment		1.100	1.240					
	2008	Total Market Area Demand		Gain in	Annual	Gain in	NW 21 & 23	
	Per Capita			Sales	Sales/SF	Sq Ft	Market Share	Sq Ft
Apparel Stores	0.524	\$2,978	\$4,141	\$1,163	\$350	3,323	7.0%	233
Gen. Merchandise & Drug	1.423	8,083	11,239	3,157	400	7,892	20.0%	1,578
Food Stores	2.094	11,893	16,537	4,645	425	10,929	35.0%	3,825
Eating & Drinking Places	1.294	7,352	10,223	2,871	375	7,657	20.0%	1,531
Furnishing & Appliances	0.536	3,044	4,233	1,189	275	4,323	15.0%	648
Bldg Materials & Hardware	0.728	4,135	5,750	1,615	250	6,460	5.0%	323
Auto Dealers & Service Stations	2.397	13,616	18,934	5,318	NA	NA	NA	NA
Other Retail Stores	2.403	13,649	18,979	5,331	350	15,230	15.0%	2,285
Total Retail Stores	\$11.399	\$64,749	\$90,037	\$25,288		55,814	18.7%	10,423
Local Services @ 10% of Retail Store Total								1,042
Growth in Local Resident Generated Retail and Restaurant Demand in NW 21st & 23rd								11,466

Source: Economics Research Associates

Table 20
AREA 5 - VISITOR GENERATED DEMAND GROWTH IN NW 21ST & 23RD
(Dollars are in Thousands)

	<u>2010</u>		<u>2030</u>		Demand Growth by Visitors to Portland			
	2008 Per Visitor Day	Total Market Area Demand	Gain in Sales	Annual Sales/SF	Gain in Sq Ft	NW 21 & 23 Market Share	Sq Ft	
Visitor Days to Portland		10,151,942						
Real Income Adjustment		1.030						
Apparel Stores	\$0.006	\$62,739	\$116,012	\$53,273	\$350	152,207	1.0%	1,522
Gen. Merchandise & Drug	0.009	94,108	174,017	79,909	400	199,772	5.0%	9,989
Food Stores	0.004	41,826	77,341	35,515	425	83,565	1.0%	836
Eating & Drinking Places	0.018	188,217	348,035	159,818	375	426,181	5.0%	21,309
Furnishing & Appliances	0.002	20,913	38,671	17,758	275	64,573	2.0%	1,291
Bldg Materials & Hardware	0.000	2,091	3,867	1,776	250	7,103	1.0%	71
Auto Dealers & Service Stations	NA	NA	NA	NA	NA	NA	NA	NA
Other Retail Stores	0.008	83,652	154,682	71,030	350	202,943	2.5%	5,074
Total Retail Stores	\$0.047	\$493,547	\$912,625	\$419,078		1,136,345	3.5%	40,091
Local Services @ 10% of Retail Store Total								4,009
Growth in Visitor Generated Retail and Restaurant Demand in NW 21st & 23rd								44,101

Source: Economics Research Associates

Table 21
AREA 5 - SUMMARY OF NW 21ST & 23RD RETAIL DEMAND GROWTH 2010-2030

	Resident¹ Within 15 min	Local² Residents	Portland Visitors	Total SF
Apparel Stores	5,764	233	1,522	7,519
Gen. Merchandise & Drug	4,563	1,578	9,989	16,130
Food Stores	12,638	3,825	836	17,299
Eating & Drinking Places	22,135	1,531	21,309	44,976
Furnishing & Appliances	2,499	648	1,291	4,439
Bldg Materials & Hardware	2,241	323	71	2,635
Personal & Business Services	7,626	1,042	4,009	12,677
Other Retail Stores	26,417	2,285	5,074	33,776
Total Retail Stores	83,884	11,466	44,101	139,450
Percentage Distribution	60.2%	8.2%	31.6%	100.0%

¹ Excludes those living within 1,500 ft

² Those living within 1,500 feet

Source: Economics Research Associates

AREA 6 - OLD TOWN / CHINATOWN

Bounded by Naito Parkway, NW 4th Ave, Everett and Ash/Pine

Table 22

AREA 6 - POPULATION WITHIN 15 MINUTES DRIVE OF OLD TOWN-CHINATOWN LESS LOCAL RESIDENTS

(Dollars are in Thousands)

		<u>2010</u>	<u>2030</u>	Market Area Demand Growth by Residents				
Resident Population within 15 min. Drive		799,097	942,979					
Real Income Adjustment		1.020	1.127					
	2010	Total Market Area Demand		Gain in	Annual	Gain in	Chinatown	
	Per Capita			Sales	Sales/SF	Sq Ft	Market Share	Sq Ft
Apparel Stores	0.524	\$427,320	\$557,157	\$129,836	\$350	370,961	1.0%	3,710
Gen. Merchandise & Drug	1.423	1,159,803	1,512,195	352,393	400	880,981	1.5%	13,215
Food Stores	2.094	1,706,516	2,225,021	518,505	425	1,220,012	2.5%	30,500
Eating & Drinking Places	1.294	1,054,936	1,375,466	320,530	375	854,746	3.0%	25,642
Furnishing & Appliances	0.536	436,763	569,469	132,705	275	482,565	0.3%	1,448
Bldg Materials & Hardware	0.728	593,390	773,685	180,295	250	721,179	0.2%	1,442
Auto Dealers & Service Stations	2.397	1,953,843	2,547,495	593,652	NA	NA	NA	NA
Other Retail Stores	2.403	1,958,478	2,553,539	595,061	350	1,700,174	2.5%	42,504
Total Retail Stores	\$11.399	\$9,291,049	\$12,114,026	\$2,822,977		6,230,618	1.9%	118,461
Local Services @ 10% of Retail Store Total								11,846
Growth in Regional Resident Generated Retail and Restaurant Demand in Old Town / Chinatown District								130,308

Source: Economics Research Associates

Table 23
AREA 6 - POPULATION WITHIN 1,500 FEET OF OLD TOWN-CHINATOWN LESS LOCAL RESIDENTS
(Dollars are in Thousands)

		<u>2010</u>	<u>2030</u>	Market Area Demand Growth by Local Residents				
Residents within 1,500 feet		1,942	5,792					
Real Income Adjustment		0.940	1.081					
	2010	Total Market Area Demand		Gain in	Annual	Gain in	Chinatown	
	Per Capita			Sales	Sales/SF	Sq Ft	Market Share	Sq Ft
Apparel Stores	0.524	\$957	\$3,282	\$2,325	\$350	6,642	3.0%	199
Gen. Merchandise & Drug	1.423	2,598	8,907	6,309	400	15,774	12.0%	1,893
Food Stores	2.094	3,822	13,106	9,284	425	21,844	30.0%	6,553
Eating & Drinking Places	1.294	2,363	8,102	5,739	375	15,304	15.0%	2,296
Furnishing & Appliances	0.536	978	3,354	2,376	275	8,640	3.0%	259
Bldg Materials & Hardware	0.728	1,329	4,557	3,228	250	12,912	1.0%	129
Auto Dealers & Service Stations	2.397	4,376	15,005	10,629	NA	NA	NA	NA
Other Retail Stores	2.403	4,386	15,041	10,654	350	30,441	10.0%	3,044
Total Retail Stores	\$11.399	\$20,809	\$71,353	\$50,544		111,557	12.9%	14,373
Local Services @ 10% of Retail Store Total								1,437
Growth in Local Resident Generated Retail and Restaurant Demand in Old Town / Chinatown								15,811

Source: Economics Research Associates

Table 24
AREA 6 - VISITOR GENERATED DEMAND GROWTH IN OLD TOWN / CHINATOWN
(Dollars are in Thousands)

	<u>2010</u>		<u>2030</u>		Demand Growth by Visitors to Portland			
	2010 Per Visitor Day	Total Market Area Demand	Gain in Sales	Annual Sales/SF	Gain in Sq Ft	Core Area Market Share	Sq Ft	
Visitor Days to Portland		10,151,942						
Real Income Adjustment		1.000						
Apparel Stores	\$0.006	\$60,912	\$112,633	\$51,721	\$350	147,774	0.5%	739
Gen. Merchandise & Drug	0.009	91,367	168,949	77,581	400	193,954	1.0%	1,940
Food Stores	0.004	40,608	75,088	34,481	425	81,131	5.0%	4,057
Eating & Drinking Places	0.018	182,735	337,898	155,163	375	413,768	3.0%	12,413
Furnishing & Appliances	0.002	20,304	37,544	17,240	275	62,692	2.0%	1,254
Bldg Materials & Hardware	0.000	2,030	3,754	1,724	250	6,896	1.0%	69
Auto Dealers & Service Stations	NA	NA	NA	NA	NA	NA	NA	NA
Other Retail Stores	0.008	81,216	150,177	68,961	350	197,032	5.0%	9,852
Total Retail Stores	\$0.047	\$479,172	\$886,043	\$406,872		1,103,247	2.7%	30,322
Local Services @ 10% of Retail Store Total								3,032
Growth in Visitor Generated Retail and Restaurant Demand in Old Town / Chinatown								33,355

Source: Economics Research Associates

Table 25

AREA 6 - SUMMARY OF OLD TOWN / CHINATOWN RETAIL DEMAND GROWTH 2010-2030

	Resident ¹ Within 15 min	Local ² Residents	Portland Visitors	Total SF
Apparel Stores	3,710	199	739	4,648
Gen. Merchandise & Drug	13,215	1,893	1,940	17,047
Food Stores	30,500	6,553	4,057	41,110
Eating & Drinking Places	25,642	2,296	12,413	40,351
Furnishing & Appliances	1,448	259	1,254	2,961
Bldg Materials & Hardware	1,442	129	69	1,640
Personal & Business Services	11,846	1,437	3,032	16,316
Other Retail Stores	42,504	3,044	9,852	55,400
Total Retail Stores	130,308	15,811	33,355	179,473
Percentage Distribution	72.6%	8.8%	18.6%	100.0%

¹ Excludes those living within 1,500 ft

² Those living within 1,500 feet

Source: Economics Research Associates

AREA 8 - LLOYD CENTER

Table 26
AREA 8 - DEMAND FROM POPULATION GROWTH WITHIN 15 MINUTES DRIVE OF LLOYD CENTER
(Dollars are in Thousands)

		<u>2010</u>	<u>2030</u>	Market Area Demand Growth by Residents				
Resident Population within 15 min. Drive		781,899	912,537					
Real Income Adjustment		1.000	1.105					
	2010	Total Market Area Demand		Gain in	Annual	Gain in	Lloyd Ctr	Total
	Per Capita			Sales	Sales/SF	Sq Ft	Market Share	Sq Ft
Apparel Stores	0.524	\$409,925	\$528,598	\$118,673	\$350	339,066	15.0%	50,860
Gen. Merchandise & Drug	1.423	1,112,590	1,434,684	322,094	400	805,235	17.5%	140,916
Food Stores	2.094	1,637,048	2,110,972	473,924	425	1,115,115	2.0%	22,302
Eating & Drinking Places	1.294	1,011,992	1,304,962	292,971	375	781,255	2.5%	19,531
Furnishing & Appliances	0.536	418,984	540,279	121,295	300	404,318	12.0%	48,518
Bldg Materials & Hardware	0.728	569,235	734,028	164,793	300	549,310	8.0%	43,945
Auto Dealers & Service Stations	2.397	1,874,306	2,416,916	542,610	NA	NA	NA	NA
Other Retail Stores	2.403	1,878,753	2,422,650	543,897	350	1,553,992	12.0%	186,479
Total Retail Stores	\$11.399	\$8,912,832	\$11,493,090	\$2,580,257		5,548,291	9.2%	512,552
Local Services @ 5% of Retail Store Total								25,628
Growth in Regional Resident Generated Retail and Restaurant Demand in Lloyd Center								538,179

Source: Economics Research Associates

AREA 9 - CENTRAL EAST PORTLAND
Focus on Pine and Grand

Table 27
AREA 9 - POPULATION WITHIN MARKET AREA - 15-minute drive of Pine and Grand
(Dollars are in Thousands)

		<u>2010</u>	<u>2030</u>	Market Area Demand Growth by Regional Residents			
Residents within Market Area		783,008	813,636				
Real Income Adjustment		1.000	1.105				
	<u>2010</u>	<u>Total Market Area Demand</u>		<u>Gain in</u>	<u>Annual</u>	<u>Gain in</u>	<u>Central Eastside</u>
	<u>Per Capita</u>			<u>Sales</u>	<u>Sales/SF</u>	<u>Sq Ft</u>	<u>Market Share</u>
Apparel Stores	0.524	\$410,507	\$471,309	\$60,802	\$350	173,721	3.0%
Gen. Merchandise & Drug	1.423	1,114,168	1,279,193	165,025	400	412,563	5.0%
Food Stores	2.094	1,639,370	1,882,185	242,815	425	571,331	7.0%
Eating & Drinking Places	1.294	1,013,427	1,163,531	150,104	375	400,277	8.0%
Furnishing & Appliances	0.536	419,578	481,724	62,146	275	225,985	12.0%
Bldg Materials & Hardware	0.728	570,042	654,474	84,432	250	337,728	5.0%
Auto Dealers & Service Stations	2.397	1,876,965	2,154,971	278,007	NA	NA	NA
Other Retail Stores	2.403	1,881,418	2,160,084	278,666	350	796,190	12.0%
Total Retail Stores	\$11.399	\$8,925,474	\$10,247,471	\$1,321,998		2,917,793	8.1%

Local Services @ 10% of Retail Store Total

Growth in Regional Resident Generated Retail and Restaurant Demand

Source: Economics Research Associates

Table 28
AREA 9 - CENTRAL EASTSIDE EMPLOYEE GENERATED DEMAND GROWTH
(Dollars are in Thousands)

		<u>2010</u>	<u>2030</u>	Market Area Demand Growth by Employees				
Employees within Market Area ¹		5,696	14,092					
Real Income Adjustment		0.950	1.071					
	<u>2010</u>	<u>Total Market Area Demand</u>		<u>Gain in</u>	<u>Annual</u>	<u>Gain in</u>	<u>Central Eastside</u>	
	<u>Per Capita</u>			<u>Sales</u>	<u>Sales/SF</u>	<u>Sq Ft</u>	<u>Market Share</u>	<u>Sq Ft</u>
Apparel Stores	0.175	\$947	\$2,641	\$1,694	\$350	4,839	20.0%	968
Gen. Merchandise & Drug	0.400	2,164	6,036	3,871	400	9,678	20.0%	1,936
Food Stores	0.300	1,623	4,527	2,903	425	6,832	25.0%	1,708
Eating & Drinking Places	1.500	8,116	22,633	14,517	375	38,712	35.0%	13,549
Furnishing & Appliances	0.050	271	754	484	275	1,760	15.0%	264
Bldg Materials & Hardware	0.040	216	604	387	250	1,548	20.0%	310
Auto Dealers & Service Stations	NA	NA	NA	NA	NA	NA	NA	NA
Other Retail Stores	0.350	1,894	5,281	3,387	350	9,678	30.0%	2,903
Total Retail Stores	\$2.815	\$15,231	\$42,475	\$27,244		73,048	29.6%	21,638
Local Services @ 10% of Retail Store Total								2,164
Growth in Employment Generated Retail and Restaurant Demand in Central East Portland								23,802

¹ Considers that local employees are not well served

Source: Economics Research Associates

Table 29

AREA 9 - SUMMARY OF PINE AND GRAND RETAIL DEMAND GROWTH 2010-2030

	Market Area ¹		Total SF
	Residents	Employees	
Apparel Stores	5,212	968	6,179
Gen. Merchandise & Drug	20,628	1,936	22,564
Food Stores	39,993	1,708	41,701
Eating & Drinking Places	32,022	13,549	45,572
Furnishing & Appliances	27,118	264	27,382
Bldg Materials & Hardware	16,886	310	17,196
Personal & Business Services	23,740	2,164	25,904
Other Retail Stores	95,543	2,903	98,446
Total Retail Stores	261,143	23,802	284,944
Percentage Distribution	91.6%	8.4%	100.0%

¹ Residents within a 15-minute drive of Pine and Grand

Source: Economics Research Associates

AREA 10 - SOUTH WATERFRONT

Table 30
AREA 10 - POPULATION WITHIN MARKET AREA - I-405, BARBUR, BOUNDARY & WILLIAMETTE RIVER
(Dollars are in Thousands)

		<u>2010</u>	<u>2030</u>	Market Area Demand Growth by Local Residents				
Market Area Population less Locals Residents		3,633	8,939					
Real Income Adjustment		1.150	1.296					
	2010	Total Market Area Demand		Gain in	Annual	Gain in	S. Waterfront	
	Per Capita			Sales	Sales/SF	Sq Ft	Market Share	Sq Ft
Apparel Stores	0.524	\$2,190	\$6,074	\$3,884	\$350	11,097	5.0%	555
Gen. Merchandise & Drug	1.423	5,945	16,487	10,542	400	26,354	15.0%	3,953
Food Stores	2.094	8,747	24,258	15,511	425	36,496	20.0%	7,299
Eating & Drinking Places	1.294	5,407	14,996	9,588	375	25,569	5.0%	1,278
Furnishing & Appliances	0.536	2,239	6,209	3,970	275	14,436	3.0%	433
Bldg Materials & Hardware	0.728	3,042	8,435	5,393	250	21,574	2.0%	431
Auto Dealers & Service Stations	2.397	10,015	27,774	17,759	NA	NA	NA	NA
Other Retail Stores	2.403	10,039	27,840	17,801	350	50,860	7.5%	3,814
Total Retail Stores	\$11.399	\$47,624	\$132,072	\$84,448		186,386	9.5%	17,765
Local Services @ 10% of Retail Store Total								1,776
Growth in Local Resident Generated Retail and Restaurant Demand in South Waterfront								19,541

Source: Economics Research Associates

Table 31
AREA 10 - OHSU EMPLOYEE GENERATED DEMAND GROWTH
(Dollars are in Thousands)

		<u>2010</u>	<u>2030</u>	Market Area Demand Growth by Employees				
Employees within Market Area		1,000	7,000					
Real Income Adjustment		0.950	1.071					
	<u>2010</u>	<u>Total Market Area Demand</u>		<u>Gain in</u>	<u>Annual</u>	<u>Gain in</u>	<u>Core Area</u>	
	<u>Per Capita</u>			<u>Sales</u>	<u>Sales/SF</u>	<u>Sq Ft</u>	<u>Market Share</u>	<u>Sq Ft</u>
Apparel Stores	0.175	\$166	\$1,312	\$1,145	\$350	3,273	25.0%	818
Gen. Merchandise & Drug	0.400	380	2,998	2,618	400	6,545	25.0%	1,636
Food Stores	0.300	285	2,249	1,964	425	4,620	50.0%	2,310
Eating & Drinking Places	1.500	1,425	11,243	9,818	375	26,181	45.0%	11,781
Furnishing & Appliances	0.050	48	375	327	275	1,190	20.0%	238
Bldg Materials & Hardware	0.040	38	300	262	250	1,047	25.0%	262
Auto Dealers & Service Stations	NA	NA	NA	NA	NA	NA	NA	NA
Other Retail Stores	0.350	333	2,623	2,291	350	6,545	35.0%	2,291
Total Retail Stores	\$2.815	\$2,674	\$21,099	\$18,425		49,401	39.1%	19,336
Local Services @ 10% of Retail Store Total								1,934
Growth in Employment Generated Retail and Restaurant Demand in South Waterfront								21,270

Source: Economics Research Associates

Table 32
AREA 10 - POPULATION WITHIN 1500 FEET OF MACADAM & GAINES
(Dollars are in Thousands)

		<u>2010</u>	<u>2030</u>	Market Area Demand Growth by Local Residents				
Local Residents		200	4,403					
Real Income Adjustment		1.150	1.296					
	2010	Total Market Area Demand		Gain in	Annual	Gain in	S. Waterfront	
	Per Capita			Sales	Sales/SF	Sq Ft	Market Share	Sq Ft
Apparel Stores	0.524	\$121	\$2,992	\$2,871	\$350	8,204	8.0%	656
Gen. Merchandise & Drug	1.423	327	8,121	7,793	400	19,483	20.0%	3,897
Food Stores	2.094	482	11,949	11,467	425	26,981	35.0%	9,443
Eating & Drinking Places	1.294	298	7,386	7,089	375	18,903	15.0%	2,835
Furnishing & Appliances	0.536	123	3,058	2,935	275	10,672	5.0%	534
Bldg Materials & Hardware	0.728	167	4,155	3,987	250	15,949	5.0%	797
Auto Dealers & Service Stations	2.397	551	13,680	13,129	NA	NA	NA	NA
Other Retail Stores	2.403	553	13,713	13,160	350	37,600	10.0%	3,760
Total Retail Stores	\$11.399	\$2,622	\$65,054	\$62,432		137,794	15.9%	21,923
Local Services @ 10% of Retail Store Total								2,192
Growth in Local Resident Generated Retail and Restaurant Demand in South Waterfront								24,115

Source: Economics Research Associates

Table 33
AREA 10 - SUMMARY OF SOUTH WATERFRONT RETAIL DEMAND GROWTH 2010-2030

	Market Area ¹ Residents	OHSU Employees	Local ² Residents	Total SF
Apparel Stores	555	818	656	2,029
Gen. Merchandise & Drug	3,953	1,636	3,897	9,486
Food Stores	7,299	2,310	9,443	19,053
Eating & Drinking Places	1,278	11,781	2,835	15,895
Furnishing & Appliances	433	238	534	1,205
Bldg Materials & Hardware	431	262	797	1,491
Personal & Business Services	1,776	1,934	2,192	5,902
Other Retail Stores	3,814	2,291	3,760	9,865
Total Retail Stores	19,541	21,270	24,115	64,927
Percentage Distribution	30.1%	32.8%	37.1%	100.0%

¹ Bounded by I-405, Barbur, Boundary and the Willamette River

² Within 1,500 feet of MacAdams & Gaines

Source: Economics Research Associates

CONTROL TOTALS

Table 34

TOTAL DEMAND FROM POPULATION GROWTH WITHIN 15 MINUTES DRIVE OF RETAIL CORE

(Dollars are in Thousands)

		<u>2010</u>	<u>2030</u>	Market Area Demand Growth by Residents		
Resident Population within 15 min. Drive		851,289	1,011,007			
Real Income Adjustment		1.000	1.105			
	<u>2010</u>	<u>Total Market Area Demand</u>		<u>Gain in</u>	<u>Annual</u>	<u>Gain in</u>
	<u>Per Capita</u>			<u>Sales</u>	<u>Sales/SF</u>	<u>Sq Ft</u>
Apparel Stores	0.524	\$446,304	\$585,638	\$139,334	\$350	398,097
Gen. Merchandise & Drug	1.423	1,211,327	1,589,498	378,170	400	945,426
Food Stores	2.094	1,782,328	2,338,762	556,434	425	1,309,257
Eating & Drinking Places	1.294	1,101,801	1,445,778	343,977	375	917,272
Furnishing & Appliances	0.536	456,166	598,579	142,413	300	474,710
Bldg Materials & Hardware	0.728	619,752	813,235	193,483	300	644,945
Auto Dealers & Service Stations	2.397	2,040,642	2,677,721	637,078	NA	NA
Other Retail Stores	2.403	2,045,484	2,684,074	638,590	350	1,824,542
Total Retail Stores	\$11.399	\$9,703,806	\$12,733,285	\$3,029,480		6,514,248
Local Services @ 10% of Retail Store Total						651,425
Growth in Regional Resident Generated Retail and Restaurant Demand						7,165,672

Source: Economics Research Associates

Table 35
VISITOR GENERATED DEMAND GROWTH IN PORTLAND
(Dollars are in Thousands)

		<u>2010</u>	<u>2030</u>	Demand Growth by Visitors to Portland		
Visitor Days to Portland		10,151,942	16,655,336			
Real Income Adjustment		1.000	1.127			
	2010	Total Market Area Demand		Gain in	Annual	Gain in
	Per Visitor Day			Sales	Sales/SF	Sq Ft
Apparel Stores	\$0.006	\$60,912	\$112,633	\$51,721	\$350	147,774
Gen. Merchandise & Drug	0.009	91,367	168,949	77,581	400	193,954
Food Stores	0.004	40,608	75,088	34,481	425	81,131
Eating & Drinking Places	0.018	182,735	337,898	155,163	375	413,768
Furnishing & Appliances	0.002	20,304	37,544	17,240	275	62,692
Bldg Materials & Hardware	0.000	2,030	3,754	1,724	250	6,896
Auto Dealers & Service Stations	NA	NA	NA	NA	NA	NA
Other Retail Stores	0.008	81,216	150,177	68,961	350	197,032
Total Retail Stores	\$0.047	\$479,172	\$886,043	\$406,872		1,103,247
Local Services @ 5% of Retail Store Total						55,162
Growth in Visitor Generated Retail and Restaurant Demand in Portland						1,158,410

Source: Economics Research Associates

Table 36
RETAIL DEMAND GROWTH 2010-2030 - CENTRAL PORTLAND TOTAL

	Market Area ¹ Residents	Visitors to Portland	Total SF
Apparel Stores	398,097	147,774	545,871
Gen. Merchandise & Drug	945,426	193,954	1,139,379
Food Stores	1,309,257	81,131	1,390,387
Eating & Drinking Places	917,272	413,768	1,331,040
Furnishing & Appliances	474,710	62,692	537,402
Bldg Materials & Hardware	644,945	6,896	651,841
Personal & Business Services	651,425	55,162	706,587
Other Retail Stores	1,824,542	197,032	2,021,575
Total Retail Stores	7,165,672	1,158,410	8,324,082
Percentage Distribution	86.1%	13.9%	100.0%

¹ Within 15 minutes of Portland Downtown Retail Core
Source: Economics Research Associates

Table 37
CENTRAL PORTLAND SHARE OF DEMAND GROWTH 2010-2030

	Projected Potential (SF)	Percentage
1 Portland State University	59,960	0.7%
2 Downtown Core	1,123,048	13.5%
3 South Pearl / Brewery Blocks	239,338	2.9%
4 North Pearl	186,452	2.2%
5 NW 21st & 23rd	139,450	1.7%
6 Old Town / Chinatown	179,473	2.2%
7 Rose Quarter	25,000	0.3%
8 Lloyd Center District	538,179	6.5%
9 Central Eastside	284,944	3.4%
10 South Waterfront	64,927	0.8%
Total Ten Central Areas	2,840,771	34.1%
Demand Growth - Residents¹ & Visitors	8,324,082	100.0%

¹ Within 15 minutes of Portland Downtown Retail Core

Source: Economics Research Associates

APPENDIX C
Stakeholders Interviewed

STAKEHOLDERS CONTACTED

<u>Contact</u>	<u>Organization</u>
<i>Field Visit</i>	
Mark Gregory	PSU
Allyson Reed	Downtown Retail Advocate
Jon Kellogg	CRA broker
Sue Miller	Hoyt St. Properties
Stacey Korn	NW 23rd Ave business owner
J Isaac	Trailblazers
Craig Schwitzer	Urbanworks
Ashley Hiekelback	Urbanworks
<i>ERA Interviews</i>	
Richard Singer	Property Owner
Chris Kopka	Downtown Development Portland Business Alliance
Michael O'Connell	Schlesinger Co.
Dick Levy	Broker, OCC Urban Renewal Advisory Cmte
Brian Newman	OHSU Campus Planning & Development Director
Mark Edlen	Gerding Edlen
Greg Baldwin	ZGF Architects
<i>Marketek Interviews</i>	
Wanda Rosenberger	Lloyd Center Mall
Bob Buchanan	Pioneer Place
Cliff Engel	Central Eastside
Tad Savinar	Local artist, urban designer, property owner
Robert Hastings	Trimet
Michael Winslow	VP Standard Insurance
Jim Pate	Harsch Properties
Matt Felton	Felton Properties

APPENDIX D

PRESENTATION MARCH 20, 2009

Central Portland Retail Study

Prepared by: ERA | AECOM
and Marketek, Inc.

March 20, 2009

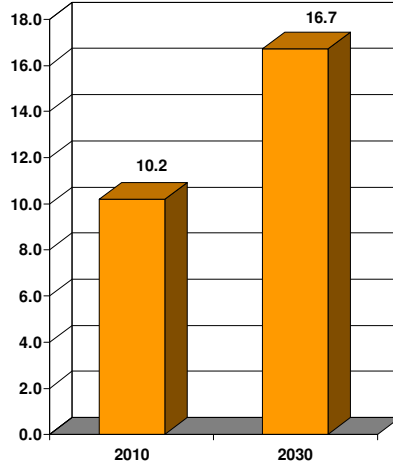
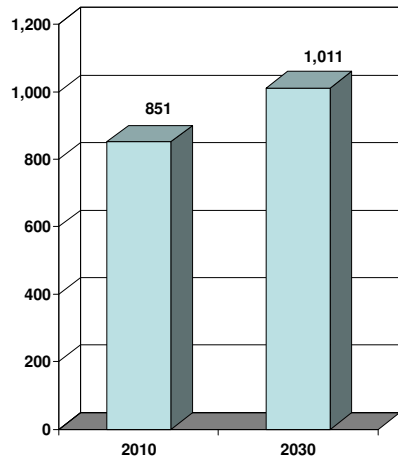
ERA | AECOM
Economic Research Associates

Study Objective: Inform Long Range Planning for Central Portland

- Central Portland Demand Growth
- Analysis of Ten Retail Areas
- Nation Retail Trends & Downtowns
- Best Practices – Seattle, Boston & Vancouver BC
- Key Findings & Recommendations

ERA | AECOM
Economic Research Associates

Population Growth in Central Portland Neighborhoods & Visitor Days Growth in Portland

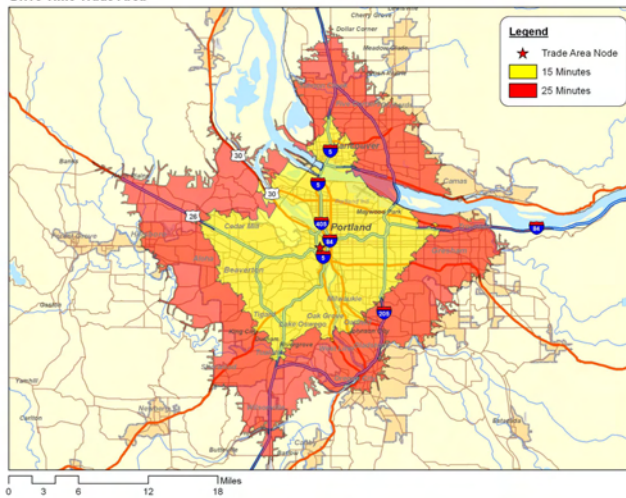


Population in Thousands

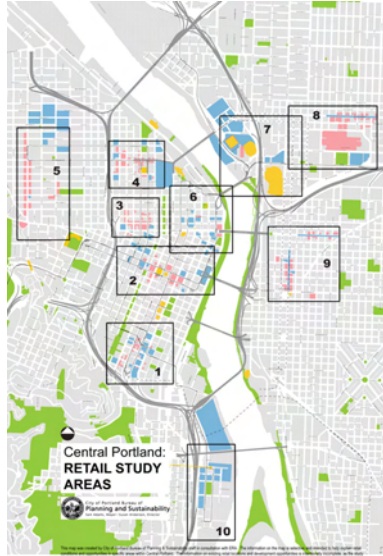
Visitor Days in Millions

Central Portland Neighborhoods within 15 minutes of Retail Core

Study Area 2: Primary Retail Core
Drive Time Trade Area



Central Portland Retail Study Areas



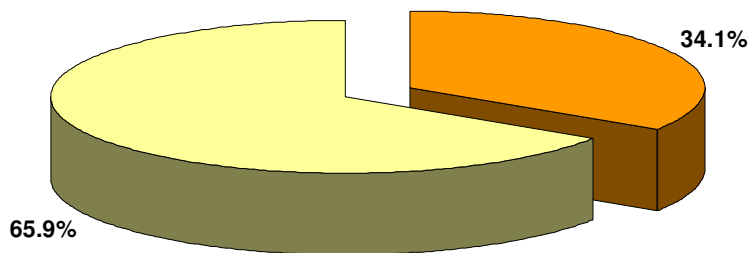
1. PSU
2. Central Core
3. South Pearl / Brewery Blocks
4. North Pearl
5. NW 21st & 23rd
6. Old Town / Chinatown
7. Rose Quarter
8. Lloyd District
9. Central Eastside
10. South Waterfront

Central Portland Retail Study – ERA | AECOM with Marketek, Inc.

ERA | AECOM

Study Areas Market Potential Relative to Overall Demand Growth

Total 2010-30 Demand = 8.3 million SF



■ Ten Study Areas

■ Elsewhere

Central Portland Retail Study – ERA | AECOM with Marketek, Inc.

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Study Areas Market Potential Relative to Overall Demand Growth

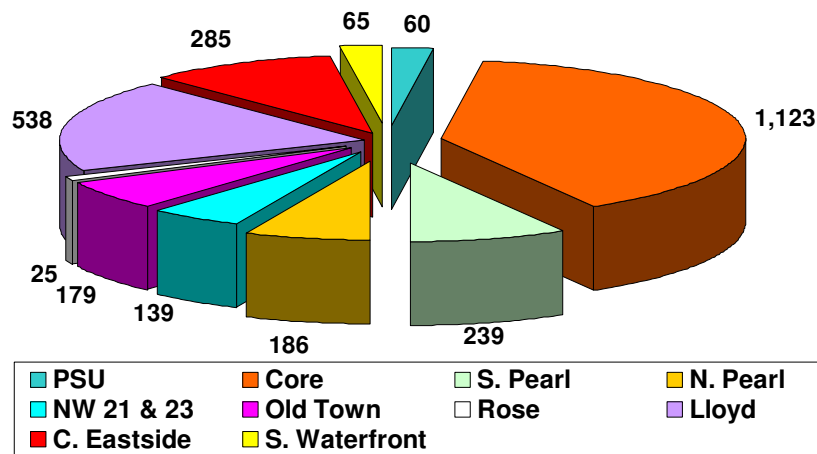
	Projected Potential (SF)	Percentage
1 Portland State University	59,960	0.7%
2 Downtown Core	1,123,048	13.5%
3 South Pearl / Brewery Blocks	239,338	2.9%
4 North Pearl	186,452	2.2%
5 NW 21st & 23rd	139,450	1.7%
6 Old Town / Chinatown	179,473	2.2%
7 Rose Quarter	25,000	0.3%
8 Lloyd Center District	538,179	6.5%
9 Central Eastside	284,944	3.4%
10 South Waterfront	64,927	0.8%
Total Ten Central Areas	2,840,771	34.1%
Demand Growth - Residents¹ & Visitors	8,324,082	100.0%

Central Portland Retail Study – ERA | AECOM with Marketek, Inc.

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Distribution of Study Areas Market Potential

Total 2010-30 Potential = 2,840 thousands of SF



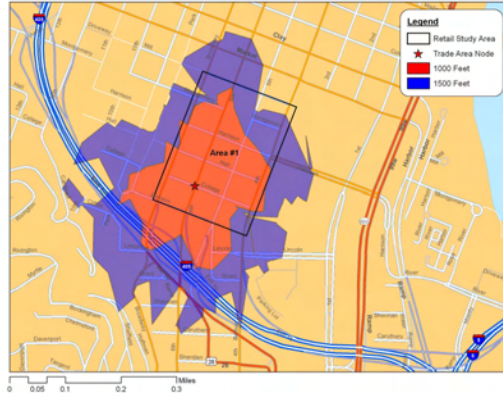
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Study Area 1: Portland State University



Study Area 1: Portland State University Retail Area
Walking Distance Trade Area



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Study Area 1: Portland State University

Strengths

- Enrollment growing
- Student housing construction
- Private housing construction
- PSU building new complex
 - Recreation Center
 - 20,000 SF retail
 - Includes 10,000 SF restaurant
 - N-S & E-W streetcar service

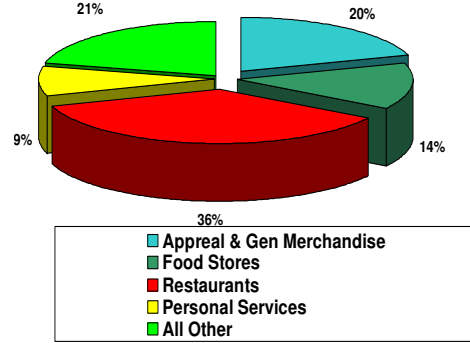
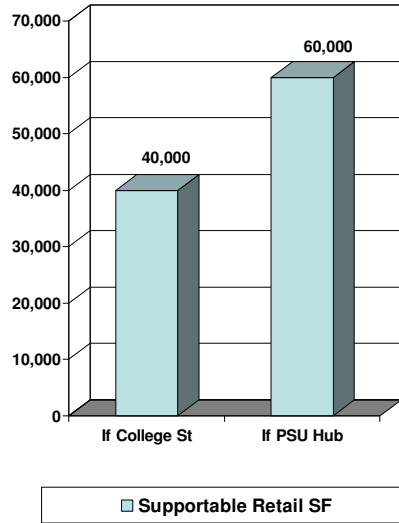
Challenges

- Student expenditures tend to be low
- Commuter students spend near their residence
- College St has limited walk up trade area

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Study Area 1: Portland State University Supportable Additional Retail by 2030



Central Portland Retail Study – ERA | AECOM with Marketek, Inc.

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Study Area 1: Portland State University

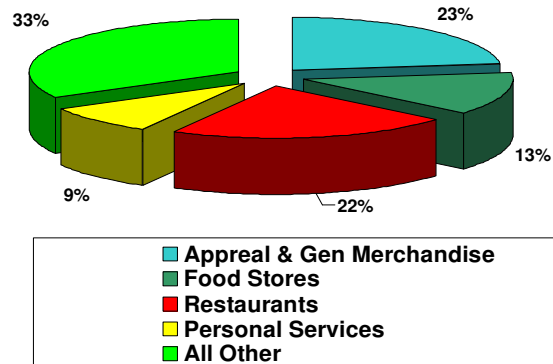


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Distribution of Downtown Core Market Potential

Total 2010-30 Demand = 1.1 million SF



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Study Area 2: Downtown Core

Strengths

- Small block size
- Residential development
- Employment concentration
- Regional visitor destination
- Department store anchors
- Blend of national & local retailers
- Great transit service
- Pioneer Courthouse Square programming

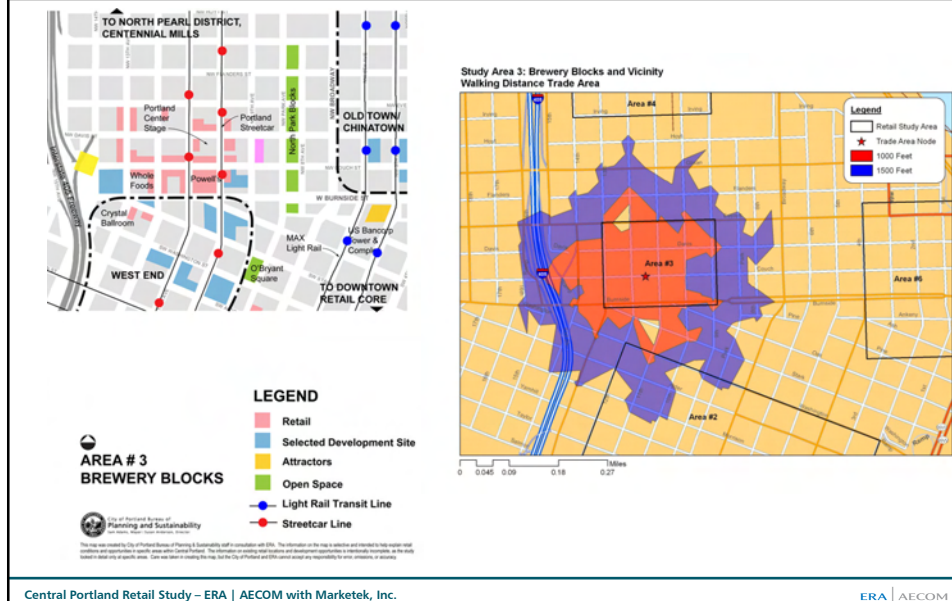
Challenges

- Significant vacancies – Pioneer Place Mall
- Urban renewal areas have partial coverage
- Homeless & panhandler population
- Downtown employment not growing significantly

Central Portland Retail Study – ERA | AECOM with Marketek, Inc.

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Study Area 3: South Pearl / Brewery Blocks



Study Area 3: South Pearl / Brewery Blocks

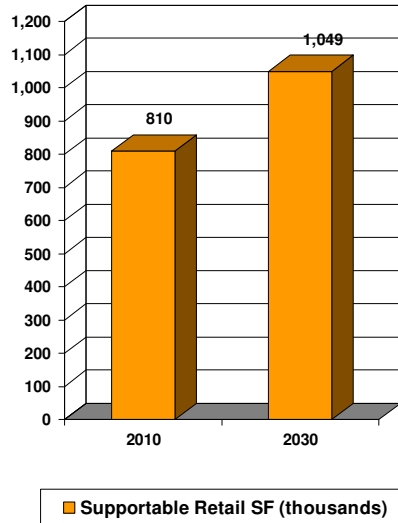
Strengths

- Single ownership facilitated development and management
- 1,500 parking spaces funded by PDC
- Gerding Theatre – Portland Center Stage is anchor
- Mixed use district with around the clock activity
- High income residential
- Careful retail tenanting strategy
- Will merge into Downtown Core

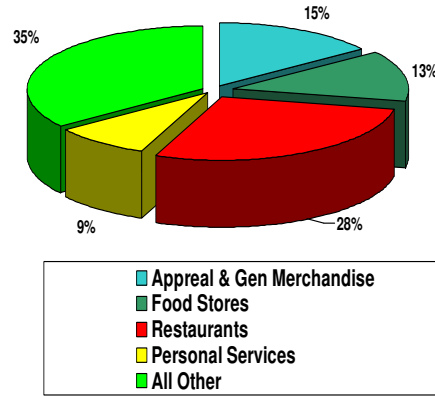
Challenges

- Burnside – Couch couplet needs to be done well for pedestrian movement
- Success leading to congestion will breed new competition from nearby areas

Study Area 3: South Pearl Supportable Additional Retail by 2030



Total 2010-30 Demand = 239,000 SF



Study Area 4: North Pearl

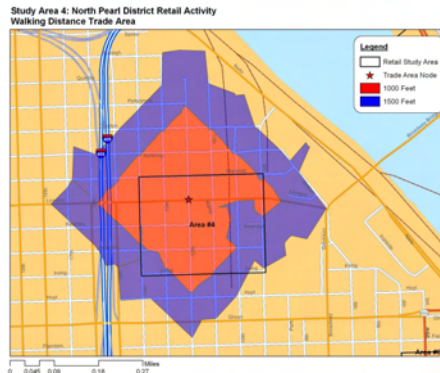


- LEGEND**
- Retail
 - Selected Development Site
 - Attractors
 - Open Space
 - Light Rail Transit Line
 - Streetcar Line

**AREA # 4
NORTH PEARL
DISTRICT**

City of Portland Bureau of Planning and Sustainability

This map was prepared by City of Portland Bureau of Planning and Sustainability staff in consultation with EPA. The information on this map is believed to be accurate and intended for informational purposes only. It is not intended to be used for legal or other purposes. The City of Portland and its employees and agents accept no responsibility for errors or omissions, or for any consequences arising from the use of the information on this map.



Study Area 4: North Pearl

Strengths

- Enjoys streetcar service linking to NW 23rd & PSU
- Jamison Park and other community amenities
- High concentration of local businesses
- Western edge enjoys visibility and access from regional population due to I-405

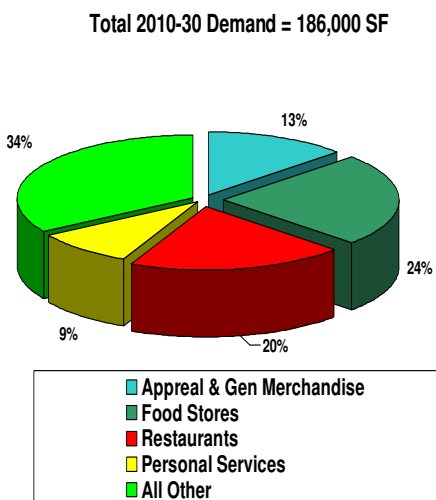
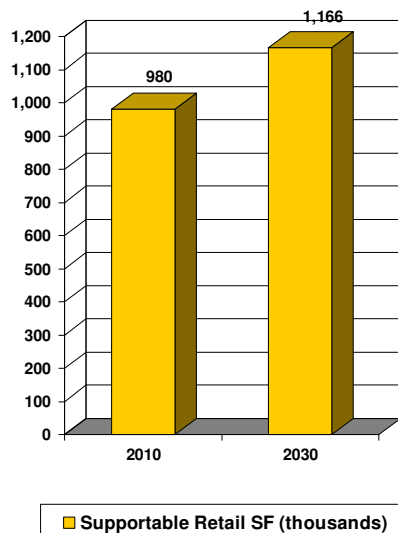
Challenges

- Ground floor active uses will not work for the entire neighborhood
- Needs hierarchy of retail streets
- Too many high end specialty shops
- Will become more community serving over time

Central Portland Retail Study – ERA | AECOM with Marketek, Inc.

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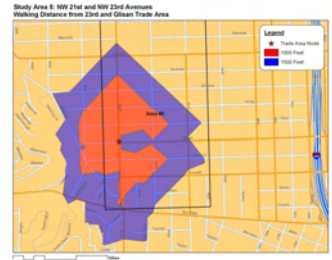
Study Area 4: North Pearl Supportable Additional Retail by 2030



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Study Area 5: NW 21st & 23rd



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Study Area 5: NW 21st & 23rd

Strengths

- Just down from the most affluent neighborhoods in Portland
- Benefits from single ownership for development and management
- Classic walkable retail streets
- High density residential nearby
- High concentration of local businesses
- Initial regional restaurant destination

Challenges

- Emerging competition from South Pearl, North Pearl and other districts
- Suffers from congestion and lack of sufficient parking
- No land for expansion and community will likely resist expansion
- Historic preservation zoning adds time and cost
- Con-way redevelopment could add parking support or siphon tenants and sales

Central Portland Retail Study – ERA | AECOM with Marketek, Inc.

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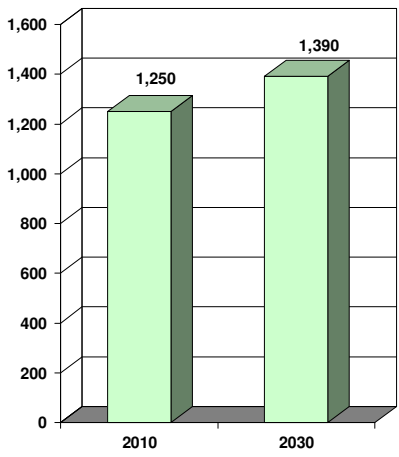
Study Area 5: NW 21st & 23rd



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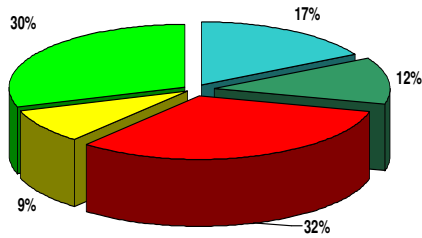
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Study Area 5: NW 21st & 23rd Supportable Additional Retail by 2030



Supportable Retail SF (thousands)

Total 2010-30 Demand = 139,000 SF

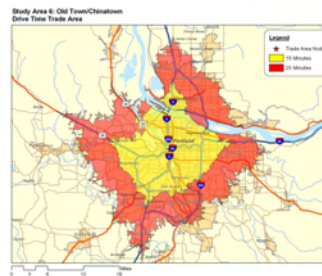
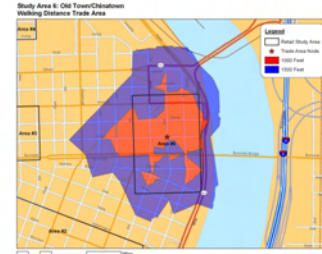


- Apparel & Gen Merchandise
- Food Stores
- Restaurants
- Personal Services
- All Other

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Study Area 6: Old Town Chinatown



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Study Area 6: Old Town / Chinatown

Strengths

- Wonderful stock of historic building
- Near the Willamette River and Waterfront Park
- New anchors being developed
- Good LRT service
- Beautiful authentic Chinese Garden nearby
- Portland Saturday Market
- Uwajimaya would be regional attraction for Asian population
- Cutting edge small shops and galleries

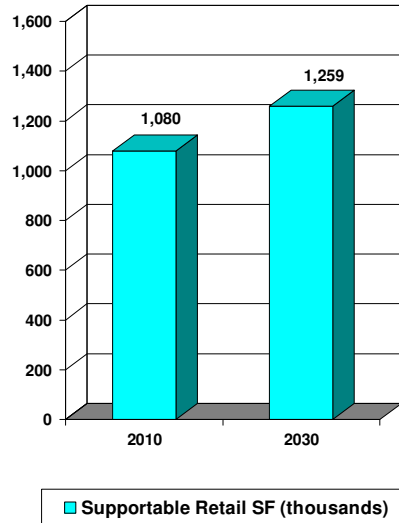
Challenges

- Historically the “skid row” and Chinatown of Portland
- Concentration of social service agencies
- Loitering by indigent population
- Perceived to be uncomfortable or unsafe at night
- Asian population now largely dispersed into the suburbs

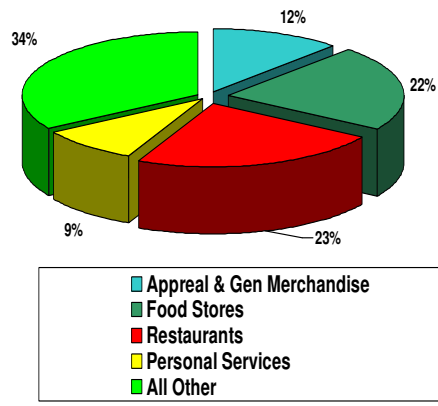
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Study Area 6: Old Town / Chinatown Supportable Additional Retail by 2030

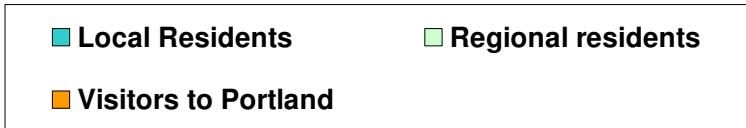
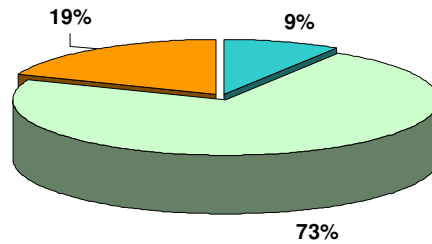


Total 2010-30 Demand = 179,000 SF



Study Area 6: Old Town / Chinatown Supportable Additional Retail by 2030

Total 2010-30 Demand = 179,000 SF



Study Area 7: Rose Quarter / Convention Center



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Study Area 7: Rose Quarter / Convention Center

Strengths

- Attracts patrons from a wide area to sporting and entertainment events
- City owns most of the property
- Well served by light rail
- Potential for views of the Willamette River and Downtown Portland

Challenges

- Peaking characteristics of event attendance detracts from other daily uses
- Retail not viable when no events exist
- Topography and poor street access makes the area costly to knit back into city fabric
- Entertainment programming needs periodic updating

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Study Area 8: Lloyd District



**AREA # 8
LLOYD DISTRICT**

City of Portland Bureau of
Planning and Sustainability
1100 NE Oregon Street, Portland, OR 97232

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Study Area 8: Lloyd District

Strengths

- Primary regional retail & office concentration on the Eastside
- Good freeway and transit access
- Central to the regional population
- Large land parcels available for development or redevelopment
- Ashforth Pacific viewed as quality developer
- Near high income neighborhood

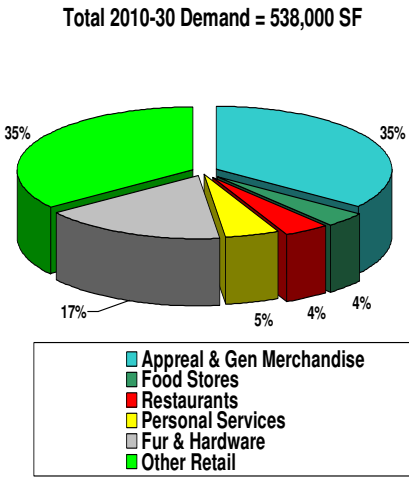
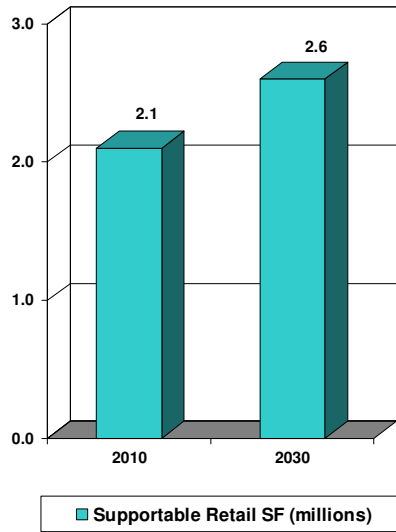
Challenges

- Fortress nature of mall and parking structures not inviting to pedestrians
- Safety concern around Holladay Park and LRT station
- Urban Renewal Area sunsets in 2013
- A retail district that offers value but lacks “cool” factor
- Needs investment to remain competitive over time

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Study Area 8: Lloyd District Supportable Additional Retail by 2030



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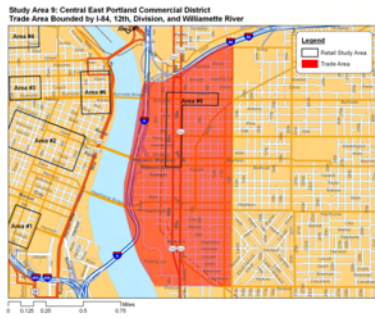
Study Area 9: Central Eastside



AREA #9
CENTRAL EASTSIDE
INDUSTRIAL DISTRICT

City of Portland Bureau of
Planning and Sustainability

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Study Area 9: Central Eastside

Strengths

- Will be served by new streetcar loop linked back to the Westside
- Historic buildings of interest at Grand & Stark and Grand & Belmont
- Larger blocks and wider streets more suitable for larger floor plate retail formats
- Emerging home improvements & design and outdoor supplies & apparel retail clusters

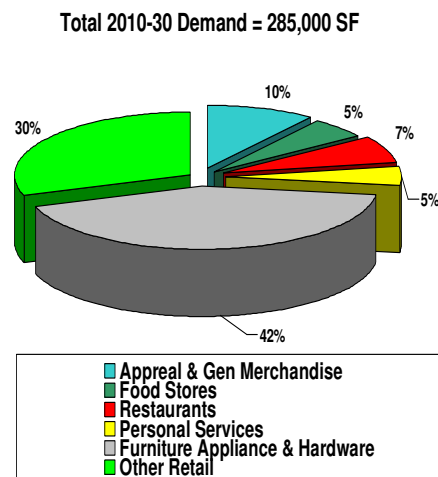
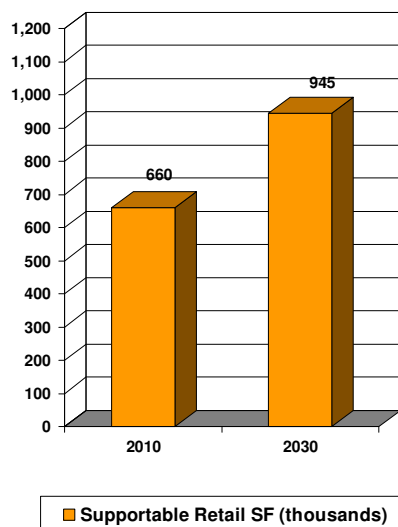
Challenges

- Primarily an employment district (industrial sanctuary designation) with few local residents to support retail
- Few services and restaurants for local employees
- Few streets in the district lend themselves to become pedestrian oriented retail streets
- Businesses cite parking as a challenge

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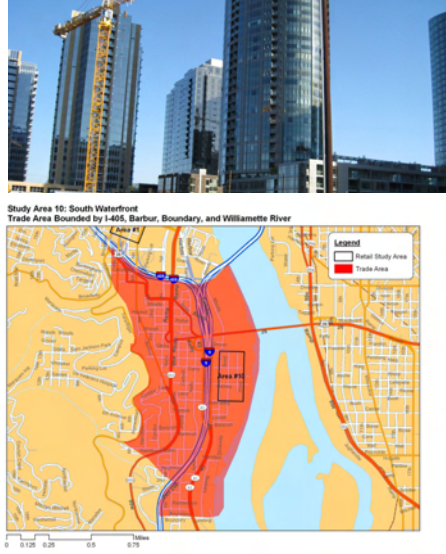
Study Area 9: Supportable Additional Retail by 2030



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Study Area 10: South Waterfront

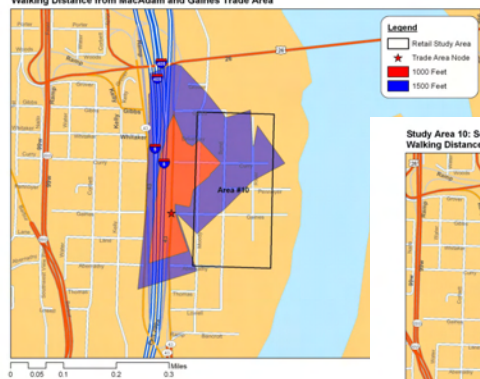


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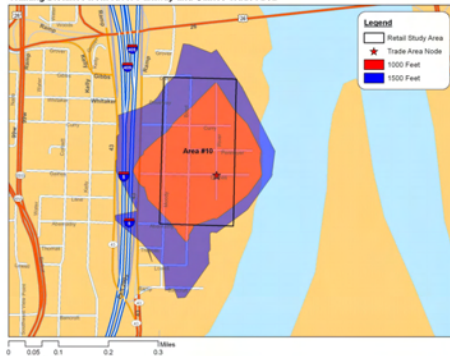
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Study Area 10: South Waterfront

Study Area 10: South Waterfront
Walking Distance from MacAdam and Gaines Trade Area



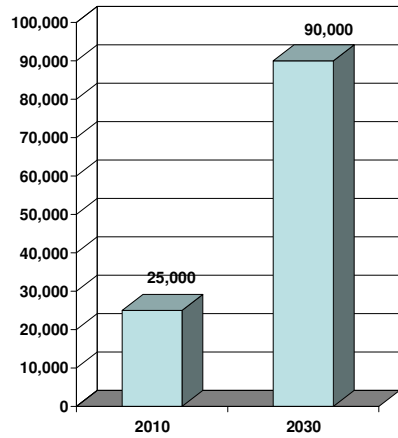
Study Area 10: South Waterfront
Walking Distance from River Parkway and Gaines Trade Area



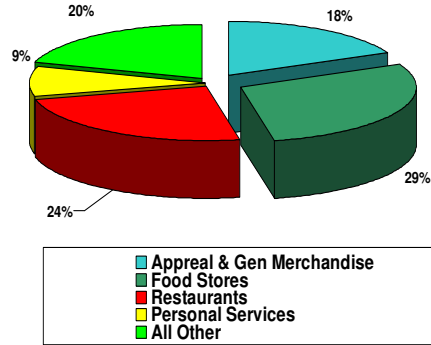
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Study Area 10: South Waterfront Additional Retail Supportable by 2030



Supportable Retail SF



Study Area 10: South Waterfront

Strengths

- New high rise and high income neighborhood planned for 8,000+ units
- Adjacent to OHSU waterfront campus
- Linked to upper OHSU campus by aerial tram
- Linked to Downtown Portland by streetcar and riverfront trail
- North American headquarters of Vestas – European wind turbine manufacturer coming

Challenges

- Residential sales and construction halted by current credit crisis
- Project planned for 250,000 SF of anchorless retail – market analysis indicates 65,000 SF anchored by grocery store
- A mid size grocery store anchor would need to serve beyond the local neighborhood

National Retail Trends & Downtowns



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National Retail Trends & Downtowns

- **Neat Term Outlook**
 - Consumers only buying essentials
 - No credit to bridge tough period
 - Many retailers will go dark
- **Department Stores**
 - Fewer due to industry consolidation
 - Still important but not source of future growth
- **Independent Retailers**
 - Needs proactive support
 - Loan pool, tech assistance, marketing & district management

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National Retail Trends & Downtowns

- **Big Box in Downtown**
 - Appropriate for less pedestrian portions of downtown
 - Box retailers developing urban formats
 - Potential to cannibalize sales from existing downtown stores
- **Lifestyle Centers**
 - Designed to compete with downtowns
 - Typically lacks authentic sense of place
 - May become the next generation of malls with the "sameness" that lead to boredom

National Retail Trends & Downtowns

- **Food & Entertainment as Anchors**
 - Common strategy for many downtown
 - Restaurants can cater to employees during the weekday and residents & visitors during evenings and weekends
 - Emergence of cultural districts
- **University Supported Retail**
 - Students add vitality to a downtown
 - Typically have limited purchasing power
 - Primarily supports bars and inexpensive restaurants
 - Can be nuisance if overly concentrated

Recommendations for Central Portland



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Recommendations for Central Portland: Downtown Core, Old Town, North and South Pearl

- **Build on Downtown Portland's Competitive Advantage – Small Block Sizes and Active Pedestrian Streets**
 - Limit future retail development to street level or one level above
 - Prohibit inward oriented superblocks or vertical malls
 - Require "big box" retailers to develop urban format stores that enhance Downtown Portland's long-term competitive advantage

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Recommendations for Central Portland: North Pearl and South Waterfront

- **Improve Geographic Focus of Active Ground Floor Requirement for Mixed Use Buildings**
 - Not effective policy for primarily residential neighborhoods at the periphery of Central Portland
 - Produces too much active ground floor space that cannot support the cost of construction
 - Scatters and weakens retail districts with intervening vacant or non-retail spaces
 - Need designated retail and non-retail streets for those neighborhoods or a hierarchy of retail streets (e.g. Vancouver BC)
 - 12th Street has the best location to serve as retail spine for North Pearl

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Recommendations for Central Portland: NW 21st and 23rd

- **Use the Redevelopment of the Conway Property to Protect the Future of NW 21st & 23rd**
 - Include a reservoir of parking that can benefit 21st and 23rd
 - Include high density residential to support local retail
 - Plan a retail complex that complements rather than competes directly with NW 21st and 23rd for sales and tenants

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Recommendations for Central Portland: South Waterfront

- **Create a Site for a Grocery Store Anchor**
 - Walk-up site for the local neighborhood and lower OHSU campus
 - Visible and convenient for drive by traffic on Macadam
 - Serves as one anchor for single retail street
 - Second anchor could be riverfront commercial or public use

Recommendations for Central Portland: Central Eastside

- **Encourage Auto Dependent Retail to Cluster in this District**
 - Construction support outlets – paint, lumber, glass, granite, marble, kitchen appliances, lighting, plumbing equipment, etc.
 - Medium box retailers
 - Large sporting goods stores
- **Create a Mini Downtown to Serve Local Employees (e.g. Stark & Grand)**
 - Locate at new streetcar stop
 - Provide some public parking – on street diagonal or small surface lots
 - Provide incentives for renovation of historic buildings
 - Tenants likely to include restaurants, coffee shops, bank and services