



ASSESSING THE FLEXIBILITY OF COMMERCIAL  
LAND USE IN EUGENE, OREGON

# PLANNING FOR E-COMMERCE

Paige Portwood

University of Oregon 2018  
Department of Planning,  
Public Policy and Management



# Table of Contents

<b>Table of Contents</b> .....	<b>1</b>
<b>Abstract</b> .....	<b>3</b>
<b>Acknowledgements</b> .....	<b>3</b>
<b>Executive Summary</b> .....	<b>4</b>
<b>Overview</b> .....	<b>4</b>
<b>Key Findings</b> .....	<b>4</b>
<b>Recommendations</b> .....	<b>7</b>
<b>Chapter 1: Introduction</b> .....	<b>8</b>
<b>1.1 Purpose</b> .....	<b>8</b>
<b>1.2 Research Scope</b> .....	<b>9</b>
<b>1.3 Research Limitations</b> .....	<b>10</b>
<b>Chapter 2: The Past, Present &amp; Future of Retail</b> .....	<b>11</b>
<b>2.1 Historical Overview</b> .....	<b>11</b>
<b>2.2 Significance of E-Commerce Today and in the Future</b> .....	<b>12</b>
<b>In Summary</b> .....	<b>14</b>
<b>Chapter 3: Eugene’s Retail &amp; Commercial Uses</b> .....	<b>15</b>
<b>3.1 Local Retail Industry</b> .....	<b>15</b>
<b>3.2 Commercial Land Use Designations</b> .....	<b>19</b>
<b>3.3 Commercial Real-Estate Vacancies</b> .....	<b>21</b>
<b>In Summary</b> .....	<b>22</b>
<b>Chapter 4: Methodology</b> .....	<b>23</b>
<b>4.1 Method Selection</b> .....	<b>23</b>
<b>4.2 Interviews</b> .....	<b>23</b>
<b>4.3 Development Code Analysis</b> .....	<b>24</b>
<b>Chapter 5: Perceptions of E-Commerce and Future Retail Demands</b> .....	<b>26</b>
<b>5.1 Perceptions of E-Commerce Impact on Retail and Land Use</b> .....	<b>26</b>
<b>5.2 Planning for Successful Storefronts</b> .....	<b>32</b>
<b>In Summary</b> .....	<b>36</b>
<b>Chapter 6: A Flexible Framework</b> .....	<b>37</b>
<b>6.1 Significance of a Flexible Code</b> .....	<b>37</b>

6.2	Alternative Uses.....	37
6.3	Site design .....	39
6.4	Other Applicable Code.....	40
	In Summary .....	40
<b>Chapter 7: Recommendations .....</b>		<b>42</b>
7.1	For All Sectors .....	42
7.2	For the Public Sector .....	42
7.3	For the Private Sector and Non-Governmental Organizations .....	45
<b>Conclusion.....</b>		<b>47</b>
	Future Research .....	49
<b>Appendices.....</b>		<b>50</b>
Appendix A	Distribution of Commercial Vacancies in Eugene .....	50
Appendix B	Eugene Development Code .....	51
Appendix D	Current Barriers to Successful Barriers .....	52
Appendix C	Interview Questions .....	53
<b>References.....</b>		<b>54</b>

# Abstract

E-commerce has emerged as one of the most popular retail channels of this generation. E-commerce, also referred to as shopping online, provides customers with a simple, convenient and accessible way to purchase products from all over the world. In response to the growing success of e-commerce and the potential it has for the future, market analysts, the Media, and even retailers are starting to question the resiliency and relevance of storefronts. Journalists have pegged the recent reoccurrence of store closings as the “retail apocalypse” (Taylor). However, though e-commerce has integrated into the retail market at such a rapid pace (a growth rate of 17% within the last year), municipalities have yet to critically examine its impact on land use and economic development planning. Furthermore, there is little research on how cities should work with or around e-commerce to maintain successful local retail stores. Furthermore, although there is significant amount of research describing what e-commerce is, how it works, as well as its marketable significance and impact on businesses nation-wide, there is little research about how e-commerce has increasingly impacted specific municipalities through city planning.

This study aims to bridge these gaps in research by presenting findings from interviews with development professionals of both the public and private sectors in Eugene, Oregon. The interviews intend to reveal the shared perceptions that e-commerce has on the community’s storefront retail. This study also explores the regulatory barriers which may aid or hinder the success of stores in the future. Finally, based on the recommendations by interviewees coupled with concepts presented from outside research, this report outlines potential recommendations that retailers, developers and planners may consider when constructing new or redeveloped commercial spaces now and into the future.

# Acknowledgements

I would like to give a special thanks to Professor Rebecca Lewis, PhD and Professor Bob Parker, AICP. Both have been great and thoughtful mentors throughout my master’s program, and also for this project.

Also, I would like to thank the Urbanism Next team- Marc, Becky, Amanda and Nico for providing guidance, resources and a blogging platform to consistently share findings about my research topic

If you are interested in e-commerce and would like to stay up-to-date with current events about how it continues to impact cities, please visit the Urbanism Next blog:  
[www.urbanismnext.uoregon.edu](http://www.urbanismnext.uoregon.edu)

# Executive Summary

## Overview

This study examines the impacts of e-commerce on in-store retail in a mid-sized city by looking at the case of Eugene, Oregon. E-commerce is defined as the act of buying and selling goods online. Over the past few decades, e-commerce has driven the retail industry towards a new stage of technological reliance. Shopping online has an unmatched success of any other non-store retail channel; by the end of the 2016-2017 fiscal year, e-commerce was recorded to be over a 450-million-dollar industry (US Census).

To fill the gaps of existing literature, this study dissects the national trends of e-commerce such as store vacancies and closings of e-commerce to discover the extent to which it is impacting commercial land use on a local scale. Furthermore, it includes interviews with employees from both private and public-sectors to gain insight into the current and future commercial land use trends in Eugene. Participants are also asked how they believe e-commerce is influencing local retailers. Additionally, this study includes a code analysis of the Eugene Development Code which measures the flexibility of the code and identifies regulatory barriers which may or may not support the future needs of land uses among an e-commerce competitive market.

The following research questions guide this study:

- A. What are the perceptions of development professionals regarding the impacts of e-commerce on storefronts?
  - a. How might the design and purpose of retail or commercial spaces need to change due to the growth of e-commerce retailing?
- B. What are opportunities and barriers that Eugene might face as it tries to prepare for the potential demands of future retail?
- C. How does the Eugene Development Code pose regulatory barriers to support land use recommendations in response to e-commerce?

## Key Findings

### Perceptions of E-Commerce

After interviewing fourteen private, public and non-governmental employees, the following common opinions about the impact of e-commerce emerged in the analysis:

- E-commerce is impacting storefronts in some capacity but does not appear to be a primary concern among the majority of participants.
  - Interviewees recognized that e-commerce had an impact due to the number of retailers that incorporate an online component to their business models, however it is not hindering the success of storefronts dramatically.

- Participants perceive Eugene's vacancy rate as low, and therefore does not think the City is over planning or building too many spaces for commercial use.
- The impact of e-commerce is not felt consistently among retailers; therefore, its perception does not seem significant across the board. There are some stores and commerce centers in the City that are building new locations or adding retail space due to popularity and demand.
- E-commerce isn't perceived to become the dominant retail channel because there will always be a societal need for in store retail.
  - Whether you need the last-minute outfit for an event, or basic school supplies for your kids, there are some products you will inevitably need to go to the store to buy.
  - There are some things such as personal customer service, inquiring for an expert's opinion and most importantly socialization which online shopping does not offer.
  - It is practically impossible for participants of the study to imagine city design and planning without amenities such as retail or food and beverage sectors because they are currently such critical public activity generators.
  - People still want to "feel and touch" items. They want the reassurance of knowing exactly what they are buying. Additionally, there are still items that are more convenient to buy in-store than online.
- Despite the need for storefronts, e-commerce will impact national retailers the most, which is likely to create issues both for the economy and land use. Niche stores are perceived to be the most "protected."
  - The larger big-box stores are perceived to be threatened the most because their products can be replicated by retailers abroad and/or the national retailers have their products available online and in stores, therefore the public might have less incentive to go to the physical store.
  - National retailers take less risk and are more calculated about their location; therefore, continue to build the same typology that was more popular in the past, not necessarily for the future (i.e. large footprints, car-centric).
  - National retailers are more vulnerable because they are typically in larger big-box buildings, which is not in demand by other types of businesses.
  - Niche stores are seen as "protected" from being competition to e-commerce because they often carry products that are unique to that particular retailer, and thus the customer will likely not find the item anywhere else.
- E-commerce will increase the need for non-traditional developments such as
  - Flex space which can be used and shared by multiple types of commercial uses.
  - Smaller sized retail businesses, and not the larger big-box stores.
  - Creativity and risk of the design for commercial spaces; those with semi-public space will likely have the most success among customers.

- Industrial and warehousing space that are allowed in properties of commercial uses. Light industrial uses could be designed and implemented in physical store sites to accommodate their needs of distribution on the same site.
- E-commerce in Eugene should be encouraged and supported as a mechanism for reaching a broader clientele and supporting the makers' movement.
  - Multiple participants knew of people who make a living off online sales through personal hobbies, small businesses, or other outlets.
  - There are examples of businesses that are now successful storefronts but started online. Without the online exposure, they might not have had the resources and support to expand

### **Planning for Successful Future Storefronts**

The participants also offered the following demands of retail which are likely to become more desirable due to e-commerce:

- Diversity of retail owners, products, alternative uses for commercial spaces
- Accessibility of multimodal transportation networks
- Niche Products
- Atmosphere
- Retail Anchors

Based on the outlined list of demands, above, participants also provided examples of opportunities and barriers which aid the success of future retail in Eugene:

#### Opportunities

- Successful private areas of storefronts: Oakway Center and 5<sup>th</sup> Street Market
- The potential of Downtown's "A" location<sup>1</sup>
- Affordable space compared to regional competitors
- Popularity of restaurants and bars to attract the public, while maintaining activity and appeal
- The City's concentration on recruiting and enhancing higher skilled industries, as well as encouraging the traded sector to bring external revenues to contribute to the local economy
- Multiple property and business owners who are integrating progressive concepts of retail, office, flex, and mixed-use spaces

---

<sup>1</sup> Participants described "A" Locations as convenient, compact. Location typology is often used to easily differentiate between alternative geographic regions. B or C locations are "chopped up;" which West 11<sup>th</sup> was offered as an example.

## Barriers

- There are other concerns of retail that are currently taking precedence among professionals:
  - Enhancing the atmosphere to all residents around the Downtown
  - Creating greater economic prosperity of individual and household incomes to support retail and subsequent amenities
  - Dispensaries are hitting the real-estate industry quickly and hard, there is a recent concern that they will over consume the retail spaces
- The lack of housing around centers of commerce.
- The limited number of smaller footprint retail space.
- Financial limitations to develop creative spaces and renovations of big-box stores.

## **Regulatory barriers posed by the Development Code**

- The code is perceived as fairly flexible by both private and public-sector professionals
- Attributes that support these opinions include:
  - First floor residential spaces in mixed use buildings that reside in C-1 and C-2
  - Special permitting for temporary retail space (pop ups)
  - Industrial/manufacturing (under stipulations) in all commercial zones
  - Allowance of information tech services and e-commerce in C-2 and C-3
  - Proper setbacks which allow space for frontage

## **Recommendations**

- For the All Sectors
  - Increase housing around commercial areas
- For the Public Sector
  - Expand and/or cluster E-2 Mix Use employment
  - Create code flexibility for temporary retail spaces
  - Encourage and modify the West Eugene Enterprise Zone
- For the Private Sector
  - Take more risks on interesting retail space by integrating more flex spaces, and small footprints
  - Initiate an organization, program or nonprofit that facilitates networking among commercial property owners to establish a plan which guides a common vision for the types of commercial uses in neighborhoods



# Chapter I: Introduction

Technological advancements can be powerful influencers on a city's priorities, plans, as well as on its design and infrastructure. Within the last few decades, modern society has pushed municipalities to place regulations on smartphones, drones, and now for one of the most revolutionary innovations, Autonomous Vehicles (AVs). However, among these is another form of modernization which receives less attention in both policy and research, e-commerce. E-commerce is considered a retail channel through which individuals and retailers can buy or sell products online. Although e-commerce is a recent innovation and did not truly reach success until the dawn of the new millennium, it has proven its value as one of the most pivotal non-store channels in the history of retail.

Shopping online has experienced unprecedented success because it offers distinct features that storefronts and other retail channels do not such as:

- Unlimited access to items that are “available” 24 hours, 7 days a week;
- Instant gratification of buying a desired item;
- Access to customer reviews and product descriptions;
- Complete consumer interactive control (Poel & Leunis, 1999)

With the amenities that e-commerce provides to consumers as well as retailers, it is no surprise that it has experienced an unmatched rate of growth and established its significance in the retail industry. The number of individuals who now shop online is at an all-time high, and continues to grow (Bates, 2016). Today it is recorded that approximately “64% of households in America or 80 million individuals” have Amazon Prime accounts (Hyken, 2017). Market retail analysts and economists agree, with the control of e-commerce on today's retail sphere, retailers that lack an online retail component, broadly known as omnichanneling, are most likely to see declining sales and have a higher likelihood of closing altogether (Rigby, 2011)

According to the latest statistics, online sales make up 9% of all retail sales. Though this may seem modest, it showed an exponential growth rate of 17% from 2016 to 2017. In comparison, the retail industry as an entirety only grew at a 5.7% rate within the same time period (US Department of Commerce & US Census Bureau).

Based on the pace of integration and adoption of e-commerce, coupled with expected future advancements, it is not farfetched to believe this technology will continue to enhance features, convenience, and accessibility of use. As retail and online retailing transforms over the next generation, communities should begin developing commercial spaces accordingly.

## 1.1 Purpose

The following study aims to initiate conversation and awareness of the potential consequences that e-commerce could have on cities. It attempts to bridge the gap in the literature to assess how national trends of shopping online affects local economies and retailers. Through interviews with planning and commercial real estate professionals alongside a code analysis, this research determines implications and draws conclusions about the needs of future retail with

which Eugene and cities of similar stature can consider how to plan for long-term resiliency of a more advanced, progressive digital age.

## 1.2 Research Scope

This report seeks to understand the impact of e-commerce on storefronts in Eugene, Oregon. It assesses the opinions of development professionals and informed private, public and nongovernmental organization employees to answer the following research questions:

- A. What are the perceptions of development professionals regarding the impacts of e-commerce on storefronts?
  - a. How might the design and purpose of retail or commercial spaces need to change due to the growth of e-commerce retailing?
- B. What are opportunities and barriers that Eugene might face as it tries to prepare for the potential demands of future retail?
- C. How does the Eugene Development Code pose regulatory barriers to support land use recommendations in response to e-commerce?

## Terminology

I have indicated frequently used terms from this study and include their definitions as context to how they are referred to in this analysis.

- *Retail* is defined under the NAICS sectors of ‘Retail Trade’, businesses which falls under NAICS codes 44-45. Each are listed in Figure 1.1 below.

**Figure 1.1: Definition of Retail by Type of Business Establishment**

NAICS	44-45 Retail Trade
441	Motor Vehicle and Parts Dealers
442	Furniture and Home Furnishings Stores
443	Electronics and Appliance Stores
444	Building Material and Garden Equipment and Supplies Dealers
445	Food and Beverage Stores
446	Health and Personal Care Stores
447	Gasoline Stations
448	Clothing and Clothing Accessories Stores
451	Sporting Goods, Hobby, Musical Instrument, and Book Stores
452	General Merchandise Stores
453	Miscellaneous Store Retailers
454	Non-Store Retailers

- E-Commerce is the act of buying and selling goods online.
- Retail Channel is the platform and/or business strategy which retailers choose to sell their products to customers (storefront, online, independent consultant, etc.)
- Non-Store Retail is a retail channel that does not require a physical space to buy and sell goods.

### **I.3 Research Limitations**

The study presents the following limitations:

- The findings and recommendations from this study are based on only a handful of development professionals in the Eugene area. Therefore, it should be recognized that the conclusions made in this report do not showcase a comprehensive opinion of all public or private sector employees.
- The commercial real-estate vacancy data is derived from LoopNet, an online database where property owners and commercial brokers list available properties. However, this data was found in April 2018. The figures indicated in Chapter 3 are merely an estimation from a single point-in-time count and may vary accordingly.

# Chapter 2: The Past, Present & Future of Retail

Shopping online, what is commonly referred to as “e-commerce,” has become one of the most widespread and competitive retail channels within the last few decades. To fully grasp the impacts and trends of the US market economy, the following chapter discusses previous shifts experienced by retail over time and justifies e-commerce as a significant retail channel for the future.

## 2.1 Historical Overview

The history of retail is complex due to its dependency on fluctuating local and national economies. It is a commonly accepted trend that as the economy becomes successful and stable, people typically have greater spending capacity to purchase luxury items, specifically in the retail industry. However, when the opposite is true, the retail sector suffers the consequences. Alternatively, retail is also influenced by geography, human behavior, technology, competition, and many more variables (Gehrt, Ingram, & Howe, 1991). The numerous influences of the retail industry define the sector as an ongoing “transformative process.” Therefore, investors, business marketers and economist recognize dominant retail channels, or those that are “on top” for a period of time, will likely shift to a new and/or alternative channel in the future. This argument is proven by the historical patterns of retail over time, which showcases a constant shift of leading retail channels and is explained further in the following paragraphs.

A dominant retail channel, in a conventional sense, became widespread in the US during the 18<sup>th</sup> century through what was known as general stores. During this era, as well as in the decades following, retail hubs were often situated along main street corridors and were thought to be a vital aspect of a community, secondary to business centers (Hahn, 2000; McArthur, Weaven, & Dant, 2015). Most all retailers were locally owned and locally or regionally sourced. This paradigm began to transition with the influx of suburbanization during the 1940s and 1950s (Hahn, 2000). Consequently, as people began to live farther away from the city center and an increase of suburban developments occurred, the fate of retail moved in a similar direction.

The centralized and close proximity of retail stores that were once popular, lost their attraction and department stores shifted to become the dominant channel to retail (Arnold, 2000; Hahn, 2000). After the boom in popularity of department stores, the country experienced other major retail shifts toward even larger, corporate footprint stores like chain stores, discount department stores. Most recently superstores became the new retail channel partly due to when the notable retail giant, Wal-Mart opened in 1962. After the 60s, supercenters stayed fairly dominant with successful stores like K-mart and Target (Kelley School of Business; McArthur, Weaven, & Dant, 2015). By 1998, there was a record high number of 43,000 US suburban shopping centers and the agglomeration of department stores became the new norm (Soriano and Williamson, 1999).

## Non-store retail

Amazon was revolutionary at forever-changing the mechanics of the retail market both economically and socially. However, the principle of online shopping is not necessarily a new concept. E-commerce is considered a “non-store retail” which is simply defined as the buying and selling of goods or services outside a traditional store location. In fact, e-commerce is only one non-store retail channel among a multitude, such as mail order catalogs, television shopping, party-selling, and even the classic door-to-door vending (Gehrt, Ingram, & Howe, 1991). These types of non-store retailers have simultaneously developed alongside storefronts for decades. A similar shift towards the dominance of non-store retail emerged when Sears distributed its first merchandise catalog in 1888 (Sears Archives). It initiated the option of convenience for retailing, and propelled mail marketing and mail merchandise as a legitimate retail channel.

Despite these other non-store channels, e-commerce set itself apart from the rest, showcasing figures and impacts that are unprecedented. For example, the effects of the catalog were not as rapid, perpetual or stable as the impacts e-commerce have been and are predicted to be. According to the U.S. Bureau of Labor Statistics, non-store retail has risen exponentially since 1995, the year that Amazon was launched; the average number of employees working for non-store retail has seen a 23% percent change from August 1995 to August 2017 (U.S. Bureau of Labor Statistics).

**Figure 2.1: Change in Non-store retailers in the US (1995-2017)**

Employment, Hours, and Earnings from the Current Employment Statistics survey (National)



Source: U.S. Bureau of Labor Statistics

## 2.2 Significance of E-Commerce Today and in the Future

E-commerce has defied the norms of needing to visit a conventional store by providing the convenience of shopping in the comforts of your own home. Despite the widespread use of e-commerce, many people are still skeptical of its significance in US cities, partly due to the frequent shifts of dominant retail channels which is depicted by history, but also due to the social attachment and enjoyment of going to a store (Dennis). With that said, it can be assumed that many cities are not prepared for the transition towards the e-commerce market. I argue, it is important for municipalities to become aware of and resilient to the consequences retailers may incur if e-commerce does in fact expand and continues to increase in the number of users, efficiency, cost competitiveness, and convenience. Cities must be prepared for the land

reallocations for commercial uses as well as the economic impacts of a decreased number of local business retailers and sales.

## **Land Use**

As a dominant channel emerges in the form of a non-store retailer, the need for land use allocation, or lack thereof, will inevitably be influenced. If the consumer relies more heavily on non-store channels like e-commerce, then the demand for storefronts in-store retailers will decrease. In response to this phenomenon, cities will need to properly adapt to the loss of revenue in property taxes, local sales tax, and buildings or spaces that become desolate and inactive (Anderson, Chaterjee, Lakshmanan, 2003).

In many cases, a city's ideal design is concentrated on the idea of activating public space. As e-commerce gains popularity to be the main channel to buy and sell goods, large commercial and retail land uses formally big-box department stores, supermarkets, and even malls could continue to close leaving their stores vacant (Taylor).

In addition, "convenience- location" will be one of the most important components to a successful store in the future, and thus implicate land use (Niemeier, S. and Hannemann-Strenger, L.) Because e-commerce offers a convenient method of purchase and delivery, consumers will be less motivated to make the effort to buy items in-store. This presents the argument that even if e-commerce does not drive store closings altogether, they will likely impact the location of storefronts to more convenient areas in town. This would still leave those previous spaces unused and heighten the competition for space in primary activity hubs.

Land use will also be affected by e-commerce through delivery services, and thus raising the demands for more industrial space and areas for freight and shipping accessibility. In consequence, the delivery of goods associated with e-commerce will demand more distribution centers and additional delivery hubs for warehousing and shipping centers (Petterson, 2016). Further, cities will inevitably have to prioritize the locations of these spaces to ensure ease of mobility for larger vehicles or trains. Research shows the two main transportation facets of which cities are to be wary of: the space for more freight on the roads and the logistics or routes for delivery promptness and frequency. With more trips generated by shipping, transportation planning may also be affected. Not only will there be more cars, trucks, or shipping vehicles on the roads, but also more air cargo.

## **Economic Development**

E-commerce is not only affecting big business retail corporations, but brick and mortar stores as well. A major concern among literature is that small or rural communities with solely brick and mortar stores are actually being affected the most. According to studies, where there is less retail diversity, the greater the likelihood that individuals who live in those towns will shop online. Therefore, because there are fewer retailers in small and rural communities, rural consumers enjoy having endless access to just about any product online. In 2007, it was found that although rural areas accounted for about 17% of the country's population, nearly half of all eBay purchases from that year came from rural residents (Parker & Weber, 2013).

This trend causes issues because local business owners make up a large enough percentage of the total population in rural communities. As stores close, and as non-store retail employment numbers rise, this will not only affect business owners, but also their employees. If local stores continue to go out of business, unemployment rates will be significantly higher in that community, relative to the entire population total. For large department stores like JC Penney's this could be life-changing for hundreds of people in the local area who would be jobless.

## **In Summary**

In summary, technology has the capability to change the operations and demands of cities; e-commerce is just one innovation within the last few decades to have this influence on society. And although retail is often studied in literature, there are major gaps which have not explored the future of retail and how cities need to adapt to demands that are currently or will incur in the next decade. Retail and non-store retail have proven over time that there is not only one channel which is considered forever dominant. Instead, retailing showcases a variety of shifts seen through types of spaces and preferences demanded by customers and businesses alike. Based on the trends and projections e-commerce is becoming yet another push for a new era in retail. For consumers though it may seem insignificant to shop online rather than in person, e-commerce if not watched and competed with carefully has the potential to change land use as well economic development priorities and needs.

# Chapter 3: Eugene’s Retail & Commercial Uses

The following chapter introduces the study area of Eugene, Oregon with background information to familiarize readers with the City and characteristics of its retail industry. This chapter includes a brief profile of Eugene which includes pertinent demographic and economic traits. It provides insight into the retail industry specifically, while also defining the five Commercial Land Use Zones in Eugene which create the regulatory framework for retail spaces throughout the City.

## 3.1 Local Retail Industry

Eugene is located in Oregon’s Willamette Valley Region, near the western border of the state. As the County Seat of Lane County, it has a most recent population of approximately 161,000 people (US Census).

Eugene’s median household income is \$44,859 and for all occupations combined, employed residents make an average hourly wage of \$22.22 (US Census; US BLS). The retail sector, in particular, shows an average hourly wage of around \$15.25. Table 3.1 below demonstrates

how these figures compare nationally. According to the Bureau of Labor Statistics, the average hourly wage for all occupations as well as in the sales occupational group in Eugene is “statistically significant compared to the national average of all areas.”

Figure 3.X Eugene, Oregon



Source: Lane County of Governments

Table 3.1 Median Household Income & Hourly Wage

	United States	Eugene
Median Income	\$55,322.00	\$44,859.00
Aver. Wage for all occupations	\$24.34	\$22.22
Aver. Wage for Sales	\$19.56	\$17.94
Retail	--	\$15.25

Source: US Census; US Bureau of Labor Statistics

Additionally, the retail industry is actually among the highest occupations which employs Eugene’s residents (14%).<sup>2</sup> ‘Sales and Related Occupations’ which encompasses retail services defined by the Bureau of Labor Statistics, is calculated to have a location quotient of 1.10, further, retail employment within this occupation group in particular shows even higher location quotients, as high as 1.46. Location quotients greater than 1.0 indicate that an area has

<sup>2</sup> This compares nationally to 11.5% and 12% in Oregon.



proportionately more workers than the larger comparison area employed in a specific industry sector.

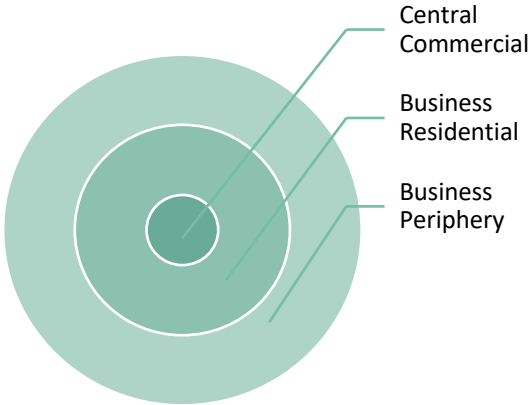
Not only does the US Census validate that high percentages of Eugene’s population work in retail, but a recent study congruently shows that despite a loss of jobs overall for all occupations between 2004 and 2012, the retail industry (NAICS codes 44-45) not only maintained its significance in local employment, but actually experienced growth of about 2.5% during that period.

**Table 3.2 Change of Employment by Sector**

Industry	2004	2012	Employment Change
Retail	11,001	11,275	274
Other Sectors	71,646	70,457	-1,189
Total	82,647	81,732	-915

Source: Karr, P. (2018); QCEW.

Retail in Eugene also demonstrates key patterns and trends based on its employment density. Figure 3.3 showcases that retail employment of NAICS 44 within the Business Central Commercial area (Downtown Eugene) from 2004-2012 had a -16% percent change. Therefore, despite the expected appeal of retail space in the Downtown, these types of retailers have nevertheless declined in employment numbers. If retail is stable and even growing city-wide, we can suspect that retail employment is being generated elsewhere in the city. This was in fact proven, and is indicated in Table 3.3 as well, through a growth employment density of 5% in the Business Periphery.



**Table 3.3 Retail Employment Density**

	NAICS 44			NAICS 45		
	2004	2012	Percent Change	2004	2012	Percent Change
Business Central Commercial	48.27	40.42	-16%	18.56	23.78	28%
Business Periphery	9.85	10.34	5%	10.33	10.27	-1%
Businesses Residential	15.18	15.18	-17%	6.05	8.03	33%

Source: Karr, Peter (2018); QCEW.

These figures also indicate that the NAICS 45 businesses are outpacing those of the 44 business groups in both the Central Commercial and Business Residential Areas. It is worth noting that non-store retail is considered within the NAICS 45 code, which is displayed in Figure 3.4. Further analysis would need to be conducted, however, to definitively determine if non-store retail plays a significant role in these positive percent changes.

### Figure 3.4 Sectors by NAICS Code

#### NAICS 44

Motor Vehicle and Parts Dealers  
Furniture and Home Furnishings Stores  
Electronics and Appliance Stores  
Building Material and Garden Equipment and Supplies Dealers  
Food and Beverage Stores  
Health and Personal Care Stores  
Gasoline Stations  
Clothing and Clothing Accessories Stores

#### NAICS 45

Sporting Goods, Hobby, Musical Instrument, and Book Stores  
General Merchandise Stores  
Miscellaneous Store Retailers  
Non-Store Retailers

### Local Retail Nodes

There are four prominent areas of retail that are located in Eugene which are frequently discussed throughout the study. An overview of key attributes and background information about each node is given below.

#### Downtown



Source: Running Heads

Eugene's Downtown is located just south of the Willamette River. It is said to have not gained widespread popularity until the University of Oregon was established in the late 1870s. Most notably, it can be recognized by a main cross-intersection of Willamette and Broadway Avenue, rather than a Main Street. This is partially due to the initial design of the city, but also due to The Baker Building, also known as the Smeede Hotel (1884) which was the central space for public gathering and socializing (DNA Eugene).

Today, the Downtown has an interesting atmosphere with notable activity hubs such as the McDonald Theater, a weekly Saturday Market as well as City initiated programs like Sunday Streets, Summer Art Walk and more (Downtown Eugene Inc.).

## Valley River Center

Valley River Center had a grand opening in 1969. It is located in northern Eugene along the Delta Highway, just north of the Willamette River. Valley River encompasses of over 600,000 square footage of leasable space. At the time that it opened, it was the largest enclosed shopping mall within Oregon. Its most notable anchor is Eugene's Regal Cinema, but is comprised of national retailers such as Macy's, JCPenney's, as well as H&M (Mall Hall of Fame).

Valley River has other amenities which incentivizes community use such as a children's indoor play area and organized mall walking program called "Step into Fitness" (Valley River Center).



Source: Mall Hall of Fame

## 5<sup>th</sup> Street Market



Source: 5<sup>th</sup> Street Market

The 5<sup>th</sup> Street Market is a unique shopping center offered in Eugene. It resides just north of the Downtown which allows it to be very accessible by biking or walking. Additionally, because of its proximity to major roads and Interstate 5, coupled with the availability of parking, it also appeals to vehicular traffic, as well.

It is designed similarly to a plaza layout and often has music playing throughout the common areas. The retail component of 5<sup>th</sup> Street Market surrounds a pleasant and open courtyard. Its shops are relatively small

ranging from around 500 square feet to 1000 square feet (5<sup>th</sup> Street Market). This center offers a combination of retail, food and beverage, as well as a hotel just to the west of the shopping area.

Oakway Center was built in 1966 by the McKay family. Since its construction, it has had tenants such as an Albertson's, Tiffany Drugstore, and a local Department Store.

In efforts to adapt to a new type of retail development, Oakway underwent an extensive renovation from 1998 to 2002 which demolished or remodeled over 70% of the original buildings (Oakway Center About).



Source: Mall Hall of Fame

Now Oakway includes a courtyard with outdoor concerts, restaurants, and retailers like Trader Joe's, Bed, Bath and Beyond, Old Navy, and Pottery Barn. It also has smaller retailers and businesses such as locally owned salons, clothing boutiques, and a jeweler.

### **3.2 Commercial Land Use Designations**

Retail is primarily confined within the Commercial Land Use Designations in Eugene. The Eugene Development Code includes five Commercial Zones which are analyzed in the study:

C-1: Neighborhood Commercial Zone is for the day-to day needs of a neighborhood. You might see the corner Dari-Mart, hair salon, or very small market in these areas. This zone requires commercial spaces to have the aesthetic of residential styles through attributes of additional landscaping and buffers compared to other commercial zones. It is designed for lots that are 5 acres or less.

C-2: Community Commercial Zone supports populations greater than a neighborhood. The C-2 zone is the largest commercial zone in area, therefore many of the larger retail hubs such as Valley River, Oakway Mall, and stores along West 11<sup>th</sup> fall within this zone. Community Commercial is allows for developments on 5 acres to 40 acres.

C-3: Major Commercial Zone is the least described zone in the Code, however, its primary function is to provide commercial uses for the metro area as well as for the county. The C-3 zone comprises a vast majority of the Downtown area and also land just east of the Downtown.

GO: General Office Zone allows compatible uses of specifically offices and residential spaces on the same or adjacent properties. This zone also allows retail in some cases.

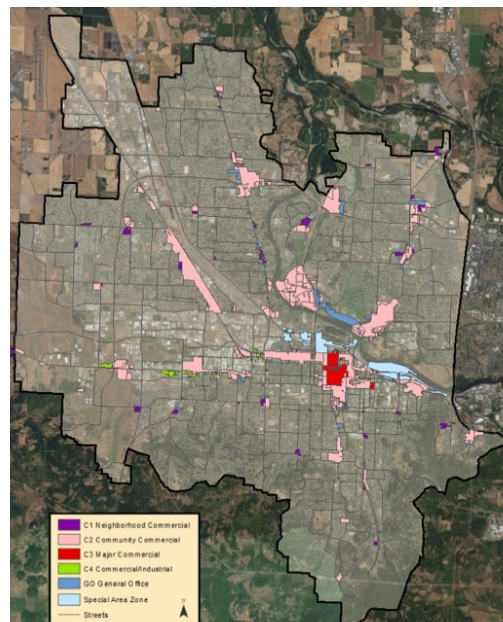
E-2: Mixed Use Employment Zone<sup>3</sup> is a relatively new zone in Eugene and is designed for light-medium industrial uses while also accommodating offices and commercial uses when a business has the need for transportation access. An example location is the well-known outdoor recreational retailer, Back Country Gear located on 2nd Ave. The Code also specifically indicates street infrastructure in this zone should support pedestrian/bike and transit modes.

## Spatial Trends of Commercial Uses

Commercial Zones set the framework for the location of a majority of retail trade businesses. Before assessing the greater details of the Development Code, it is important to be familiar with key distribution and spatial trends that are illustrated in the Zoning Map (refer to Appendix A for supplemental maps).

- C-2 Community Commercial (illustrated in Pink) comprises of the most commercial lands (81%). It showcases allocations along major roads and highways such as the Hwy 99, Delta Hwy, Coburg Rd., and Willamette St.
- C-1 Neighborhood Commercial (purple) makes up 7% of all commercial land area and displays a scattered distribution around the City. This is likely intentional to meet the daily needs of a variety of residents and neighborhoods.
- C-3 Major Commercial (Red) is concentrated over the Downtown area of Eugene and is the primary zone which displays a clear representation of clustering. It comprises the least amount of land cover of all commercial zones (5%).

**Figure 3.5 Commercial Use Land Designations**



Source: Portwood, P.

- GO General Office (Indigo) showcases clustering along the north side of the Willamette River while also connecting two C-2 areas. The GO zone covers approximately 7% of commercial land area.
- In general, it appears there is more land allocated to commercial zones in the mid to northern region of the City.

<sup>3</sup> The E-2 Mixed Use Employment Zone was added to the Development Code after the available data was created. Thus, the statistics for vacancies and total area are not calculated in this study.

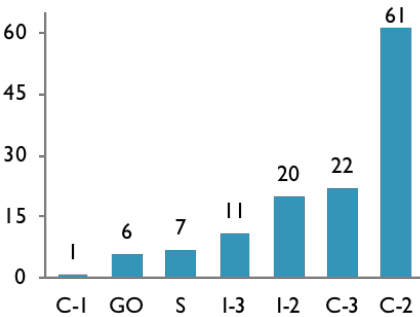
### 3.3 Commercial Real-Estate Vacancies

For additional support to my analysis, I collected data on the count and distribution of commercial real-estate vacancies in Eugene. I derived this data from a report provided by LoopNet, a national commercial real-estate property listing company (similar to Zillow). Information on commercial vacancies is useful to this study because it gives a preliminary indication of areas that might be underutilizing their full “zoning” potential. This is most prominently seen in zones which have higher rates of vacancies compared to others.

Of course, the intention of this report is not to conclude that vacancies have correlation to the success or failure of retail in Eugene, but rather gives basic insight into where spaces may or may not be desired and can also present areas in the city where there are higher numbers of vacancies, geographically, and in which zone.

Based on the data, I found that according to the raw figures, C-2 Community Commercial has a vast majority of vacancies compared to other commercial zones and industrial zones (61).

**Figure 3.6 Estimated Commercial & Industrial Vacancies by Zone**



Source: LoopNet (2018); Portwood, P.

However, just by glancing at Figure 3.5, it is obvious that C-2 also covers a majority of the commercial land in comparison. Therefore, to normalize the counts, I estimated the vacancies per the total area of the zone. For this calculation, indicated in Table 3.7, C-2 has a lower vacancy per square mile rate than GO General Office and significantly lower than the vacancies per square mile in the C-3 zone.

**Table 3.7 Estimated Commercial Vacancies by Zone (per Square Mile)**

Zone	Total Area sq. miles	Vacancies per sq. mile
C-1	0.220	5
C-2	2.698	22.61
GO	0.247	24.25
C-3	0.173	127.27

Source: Portwood, P.

Overall, the number of vacancies revealed two key elements which is used to reach more conclusive findings:

- 1) The Downtown has a higher concentration of vacancies per square mile, and thus showcases an “underutilization” of its retail space. This trend may be felt more significantly compared to vacancies in C-2 and other zones due to the close proximity of vacancies in the Downtown area.
- 2) C-2 is the commercial zone which has a higher number of vacancies than other zones in general (and is also the zone which allows larger footprint stores). But taking into account the coverage of C-2 zone, its vacancy count is not that significant in respect to its land area.

After separating the all pertinent listings (153) from LoopNet by retail, office, and industrial the data revealed the number of retail property listings had a higher percentage of vacancies than those that were office or industrial properties (42%). However, some properties include more than one unit space for each property. Therefore, when calculating the individual units which are available for lease, office space actually demonstrates higher rates for lease (47%).

**Table 3.8 Building and Space Vacancies by Property Type**

Property Type	Number of Properties	Percent Vacant <sup>4</sup>	Spaces available	Percent Spaces Vacant
Retail	65	42%	82	35%
Office	57	37%	109	47%
Industrial	31	20%	41	18%
<b>Total</b>	<b>153</b>		<b>232</b>	

Source: LoopNet, Portwood, P.

### In Summary

This chapter provided an overview of basic characteristics of Eugene’s retail industry through assessing its employment rates and patterns over time. It also included key information about major retail hubs which serve a significant number of Eugene residents. Additionally, it reviewed the definitions of each commercial land use zone, while offering key observations of their distribution and trends. Lastly, this chapter revealed commercial properties that are listed for lease or for sale, which provided insight on how many vacancies there are per zone, where higher concentrations of vacancies are located, and what property typology currently has the majority of spaces vacant. Through this analysis, I discovered that retail use has the highest percentage of all properties that are currently for lease. Coupled with the literature, this finding further provides local significance for this study by discovering strategies that developers, brokers, and planners can instate to maintain a stable vacancy rate for storefronts.

---

<sup>4</sup> This does not indicate the vacancy rate for Eugene, merely the percentage of retail, office, and industrial spaces which are for lease and/or vacant as of April 2018.

# Chapter 4: Methodology

This study is a mixed-method approach to answer the following three research questions about the commercial land use in Eugene, Oregon:

- A. What are the perceptions of development professionals regarding the impacts of e-commerce on storefronts?
  - a. How might the design and purpose of retail or commercial spaces need to change due to the growth of e-commerce retailing?
- B. What are opportunities and barriers that Eugene might face as it tries to prepare for the potential demands of future retail?
- C. How does the Eugene Development Code pose regulatory barriers to support land use recommendations in response to e-commerce?

## 4.1 Method Selection

Eugene, Oregon was selected as the primary case for this due to the convenience of conducting personal interviews with participants as well as already having a fundamental understanding of the City's retail hubs. Both of these factors enabled the study to be narrower and focused on a single municipality in order to fully achieve a localized study and fill the gap in literature which does not often focus on how e-commerce is affecting municipalities, particularly mid-sized cities.

Not until after my interviews did I realize that Eugene is also currently making significant strides to expand the local economy by attracting technology sector professionals and increasing the capacity of the traded sector<sup>5</sup> (Regional Prosperity Economic Development Plan). Both of these objectives which guide the City's economic plan, further establish Eugene as an appropriate geographical study area. Because as Eugene's future forms into a significant trading distribution hub for the region alongside comprising of a technologically advanced populous, Eugene will need to consider the future shifts in resident demands for land use, design, and amenities that it offers.

## 4.2 Interviews

This report includes a primary data collection of interviews which revealed the perspective of development professionals regarding e-commerce in the area. Interviews strictly sought the opinions of development professionals instead of other fields and/or the general public because

---

<sup>5</sup> The traded sector is defined as industries in which member firms sell their goods or services into markets for which national or international competition exists (Oregonlaws.org)



these professionals have expertise and exposure to Eugene’s existing commercial land use, economic development, and/or a general understanding of retail spaces.

### **Participants included:**

#### Public Sector (6)

- 4 City Planning or Economic Development Employees
- 1 Regional Representative
- 1 Public Official

#### Private Sector (6)

- 1 Developer
- 2 Commercial Real-Estate Brokers
- 1 Property Owner Representative
- 2 Architects

#### Other (2)

- 2 Non-Governmental Organization (NGO) Employees

### **Interview Process**

I initially contacted interviewees through a general online Google search of ‘local developers’, ‘commercial real estate brokers’, ‘planners’ and ‘architects’. The recruitment process also included a snowball method in which participants recommended additional potential professionals to contact. Participants were emailed or called to inquire about a time for an interview. Each interview was anonymous, and answers are a reflection of the individuals’ perspective, and were not given on behalf of their employers. Interviews lasted from 30 minutes to an hour. Responses were recorded through a voice recorder or notetaking depending on the participant’s preference.

### **Interview Analysis**

Following the interviews, I transcribed the conversations and coded them into themes based on reoccurring topics, ideas or recommendations. Additional analysis divided the responses of public and private participants to compare and contrast their perspectives of the impact of e-commerce. The interviews also exposed a distinction between opportunities and barriers to accommodate the demands of future retail that is also discussed in the analysis.

## **4.3 Development Code Analysis**

The second method used in this study is a code analysis of the City of Eugene’s Development Code, focusing on commercial zones and a mixed-use employment zone. The code analysis seeks to examine the flexibility of the Eugene Development Code to address any barriers which prevents the private sector from building progressive developments to meet the post-modern demands of retail spaces. This method assesses existing codes, policies, and ordinances for commercial zone developments. I evaluate the code’s flexibility by identifying barriers that may hinder progressive and resilient designs and attributes of developments for

future retail. The measurement tools to evaluate Eugene’s “flexibility” are based on supplemental articles and research as well as recommendations from interview participants. A few examples of criteria that were measured for flexibility are alternative uses like housing types that are or are not permitted, parking requirements, site design requirements and accessibility or connectivity.

# Chapter 5: Perceptions of E-Commerce and Future Retail Demands

The following chapter synthesizes interviews from fourteen development professionals who work in the Eugene Metro Area. After coding the interviews, multiple themes quickly emerged which describe potential impacts that online sales may have on storefronts in Eugene. In addition to general perceptions about e-commerce, broader concepts of opportunities and barriers of post-modern retail also emerged therefore are extrapolated from the data and explained further below.

## 5.1 Perceptions of E-Commerce Impact on Retail and Land Use

**E-commerce is impacting storefronts in some capacity, but it does not appear to be a primary concern among the majority of participants.**

My hypothesis anticipated that the impacts of e-commerce would be perceived as having a significant effect on retail in Eugene. However, this claim was proven to be only partially conclusive.

Participants agreed that online sales are having an impact on in-store revenues because as one participant stated, “How could it not?” In this generation, it is practically impossible to find someone who hasn’t shopped online at one point or another.

*“Retailers have to have some kind of e-commerce presence. I don't see a whole lot of successful retail that doesn't at least have some way of interacting with people online.”*

Of the 14 participants, all indicated they had purchased items online, and often do so when they don’t have the time to go to the store or when it is unlikely to find an item locally. Some participants recalled specific times where they deliberately sought to find and purchase an item in-store, but inevitably had to buy it online because the item was unavailable at all the stores they visited.

*“Having a few conversations with downtown retailers, it sounds like it's increasingly difficult to make it in the retail world...it does seem like the competition for online materials is ever increas[ing]...”*

Not only does e-commerce make it convenient and more feasible for the individual to find products to purchase externally rather than locally, other impacts which are discussed in more detail later in this chapter were also mentioned, such as: the declining demand of national retailers and big-box stores, demand for niche stores, the need for more industrial/warehousing land and space also smaller retail footprints, as well as the heightened importance of the aesthetic and design of storefronts.

However, despite these impacts of e-commerce discussed by interviewees, there is still a greater confidence in the opposing view that online shopping is not significant enough to distinguish it as a primary threat to the longevity of storefronts. As it is currently, a majority of the participants mentioned Eugene as having a fairly low commercial real-estate vacancy rate compared to other cities in the region and nationwide. This perception of a low vacancy rate subsequently revealed that participants do not think the City is currently over planning or developing retail space. Therefore, a majority of participants believe the land designated for commercial use, as well as the number of new developments being constructed for retail space will remain balanced and thus the City will continue to avoid high vacancies and maintain success amidst the e-commerce era.

Another shared opinion was that e-commerce is not widely seen as a major threat to retail because its impact cannot be equally applied across all types of retail businesses. Accordingly, the impacts of e-commerce are diluted because it is not seen as a major threat to the retail industry as an entirety. For example, one participant has worked closely with a locally owned home improvement store. The business owner was curious about the number of customers its storefront was attracting over the years and decided to start counting cars in the parking lot. The owner reported that his car counts within the last few years have not declined; and to further demonstrate the stability of the business, they are expanding their store by opening a new location in a nearby city.

Others also demonstrate little concern of e-commerce impacts and competition:

Eugene’s 5<sup>th</sup> Street Market just announced its expansion through a large renovation and addition of retail developments.

The City is also adding retail capacity to a strip of vacant land along the riverfront which will comprise of storefronts, housing and other public space and amenities.

Note: With major new retail developments to come, these added spaces could, in fact, influence different findings of the perceptions of vacancies in the future.

**E-Commerce isn’t perceived to become the dominant retail channel because there will always be a societal need for in-store retail.**

All fourteen participants share the opinion that the store is in fact not dead. There are a multitude of situations that participants stated which proved the ongoing need for the traditional storefront such as: needing an item at the last minute, or when you can’t wait two hours, much less two days for something to arrive. One parent offered a story of needing costume materials for their kid’s school activity the next day, which they were able to conveniently purchase locally the night before. Had the only option been to purchase online, the supplies would have not have been delivered in time to be worn the next day.

“They come here to meet other people, and be social, and be out. The dress store we have here, it's aesthetically more appealing, and I think it offers something unique that maybe you can't find online.”

Another frequently mentioned argument for the storefront is the need for socialization and the desire for individuals to get out of the house and enjoy the amenities of the city. Even if people are drawn to the convenience of shopping online, commercial uses for restaurants and bars are great spaces to attract the public to areas of commerce, which then encourages people typically enjoy walking around to different places for leisure.

Alternatively, cities are dependent on retail uses to encourage street visibility and maintain public activity. It was difficult for the participants to fathom what to do with vacancies of storefronts if they were no longer desired by customers, especially in the downtown. This relatively unexplored topic by development professionals in the interviews demonstrates the potential areas for research to establish future strategies. As time unfolds, if e-commerce becomes an even more dominant retail channel, it will inevitably push Eugene and other cities to further extend their plans to include more innovative, progressive, new, and creative spaces other than retail and/or restaurants. These new ways of activating space in the future will not only maintain their resiliency against e-commerce, but also ensure areas of commerce remain destinations for people to convene.

Additionally, stores are seen by a majority of individuals as amenities that will always be desired and make a first impression of a city. People who live or move to a city typically look for the places of commerce to gauge the local activity, and prosperity. One participant who recruits business to the area shared the perspective that types of industries that Eugene is aiming to attract want the “urban setting.” In short, they described retail as being one of the indicators of this type of environment, as well as the activity of restaurants and bars.

Finally, the storefront is perceived to be the preferred channel even into the future for all of the traditional reasons like wanting to try on clothes, or “touch and feel” the product. A participant shared the time when one of their acquaintances was purchasing a dining room table and chairs. They were so impressed with the price, they did not consider the dimensions and so when their shipment arrived, it was a miniature version of what they intended to buy. Others mention more simplified stories of the same situation such as clothing, gifts, or shoes- where they do not receive exactly what they expected via e-commerce retail. The interviews also revealed that sometimes you just cannot replace in-person customer service and expertise.

“There's always going to be a need for a store that you can walk into, and a sales person who you can talk to, who can help you make a decision... an expert.”

**Despite the need for storefronts, e-commerce is predicted to have the greatest impact on national retailers. Niche storefronts are perceived to be the most “protected.”**

National retailers are perceived to be the most at-risk of closing partly due to e-commerce because their products can be easily replicated and sold at a cheaper price online and/or their products are also available on their own website which can be conveniently delivered. The second offers the perception that the public would have less incentive to go to the physical store, and just purchase their items online. Specifically, there is speculation that stores that carry daily necessity items are threatened by e-commerce the most. Participants voiced the convenience of not having to go to the store to get cotton balls, toilet paper, or cleaning supplies and how much time that saves in the day.

Additionally, a handful of participants offered the perspective that national retailers are less likely to take risk on their location type, parking standards, square footage, or drive thru pharmacy type developments. They are looking for specific traffic drive-by numbers and average of the household incomes before they will locate in specific cities or neighborhoods. In the new age of retail, these more traditional styles are not perceived as resilient against an e-commerce society and new consumer demands.

National retailers are more vulnerable also just because of their mere size. If and/or when bigger box stores go out of business, these spaces are harder to fill and are typically on the market longer, as one commercial broker stated. Participants understood that this impact could have greater issues in the future on land use and the local economy if e-commerce persists as a dominant retail channel for the reasons that are described in Chapter 2.

Niche stores are perceived as protected, in contrast to big-box stores because they often carry products that are unique to a particular retailer, and thus the customer is likely to visit and even purchase something because they could not find a product otherwise. The perception is that people are more attracted to these types of storefronts because originality is becoming more appealing as products become widely available, and more “generic.” This aligns with the argument that customers will always be attracted to storefronts, however, the products sold at stores will increasingly have an impact on its success.

### **E-Commerce will increase the need for non-traditional development**

Relating to the opinion that niche stores are protected more so than national retailers, participants also mentioned boutique-style stores will likely need to be accommodated as such, therefore more developments and designs will need to be constructed or redeveloped to fit the demands of small or creative businesses and entrepreneurs. Specifically, participants mentioned the increased need for flex space which is a space that could be utilized for a multitude of uses in the same property, particularly shared spaces between offices and commercial use, but also commercial and industrial mixed uses.

In addition to flex spaces, interviewees advocated for developing more areas of commerce which are perceived as destinations and positive experiences for the public. It will be even

more important to have an ‘anchor’ which is supplemental to retail in order to further entice people to the area. Additionally, from an architect’s perspective, e-commerce is pushing the design of buildings to be better about extending the aesthetic of a semi- public atmosphere. This idea is typically seen in coffee shops, where people bring their laptops to work and/or they sit with a friend or colleague as if in the comforts of their home. The private sector is particularly aware these are the spaces that a majority of the customer base and retailers are looking for. Retailers which are “niche” businesses are especially demanding these environments. According to the private sector participants, particularly brokers and architects, their retail clients want the street appeal of constantly having customers in the windows or walking along the streets.

A majority of participants also highlighted that they are already seeing a demand for smaller retail space, as small as around 500 square feet. They suspect that e-commerce will continue to drive retailers to demand these size properties. Not only does it minimize the operation costs for utilities, general supplies, and rent, but also requires less overhead, less employees, as well as fewer merchandise to fill the store.

*“There's going to be competition in the market that produces new innovative retail establishments like Amazon Go”*

E-commerce is influencing not only the retail uses, but the need for office space as well. This is because as more smaller companies are incorporated via an online presence, their work will influence them to want an atypical, smaller workspace in an area such as downtown or another primary activity hub. As one participant stated,

*“In terms of people with online jobs that they're looking for different kinds of office space so it's no longer really about the formal conference room and fancy entry and they're not necessarily trying to put on a show.”*

These types of developments would likely include developments like shared office space, with an annex, communal conference rooms, or break room space can be used by various business owners and/or employees.

Furthermore, Eugene is perceived to need more warehousing space as it is, however participants have the impression that even more properties will need to be allocated for industrial space to accommodate the shipping and delivery services that e-commerce requires to operate. Responses agreed that more spaces, which could be developed under the E-2 Mixed Employment, are needed to mix commercial and industrial space within the same property.

## **E-Commerce as a mechanism for reaching a broader clientele and supporting the maker's movement**

E-commerce was not only seen as a potential threat, but also a benefit to retail as well. One participant stated, *"E-commerce is an opportunity for us to grow our own businesses. We have really creative people here doing cool stuff!"*

Another participant offered a personal story, where they stated that coincidentally their spouse sold unique parts for vintage cars online and did so as a career. She stated that without the exposure that online retailing provides to her spouse's business, there would not be the clientele to be able to support one income of their household.

Lastly, another interviewee shared a news story from a recent Eugene Chamber of Commerce article which featured a UO Graduate student who decided to stay in Eugene after graduating and started her own successful Etsy store seven years ago. She still maintains her business out of her home. Her main products include unique and fun calendars, prints, and other graphic design products.

These optimistic perceptions of e-commerce ironically pose a potential solution to increase incomes and therefore inadvertently helping locals be able to spend more into the local economy and retailers. Additionally, e-commerce has the ability to give a platform to creatives and small businesses to start out, who might eventually want a storefront in the future. So, although online retailers may take away customers, in another sense, it could also be providing the means for locals to buy more products from storefronts in Eugene.

### **From a retailer's perspective:**

Saucefly, a local food specialty store and Katie Brown, an independent fashion label are new retailers along Willamette St. Both businesses are housed in stores under 500 square foot. While they have a physical space now, they paved the success of their business through their online sales. Representatives of the businesses have indicated that their storefront is the perfect size for their operations. Not only does the size of their store fit their needs, but also the convenient, downtown location.

### **Discussion of Perceptions of E-Commerce**

Participants mentioned two primary reasons for why they choose to shop online rather than purchasing items at a local store: availability of items and convenience of buying products. Both of these findings were identified as conclusions in the literatures as well. This study arguably expands upon the literature by determining that many individuals, who not only live in rural areas but in a mid-sized city like Eugene, also turn to online shopping because their local stores also do not have items that they are looking for.

The idea that the storefront will always be a necessity for residents is also identified as a widely believed concept in literature, although it is not necessarily a conclusion that is unanimous among all research. In contrast to the reason of always needing a store for the last-minute item, just recently, Amazon recently launched a 1-hour delivery service to customers in



the Seattle area (PrimeNow). If this concept were to expand beyond Seattle, storefronts may indeed feel more competition for the more convenient locations in the near future.

Participants also mentioned national retailers are more at risk than niche stores. While the literature does not exactly support this finding, the media has been highlighting stories of a growing number of larger footprint stores are going out of business. If this trend continues to progress, there are a limited number of options of what to do with these larger buildings, which was discussed in a majority of the interviews. The suburban retail developments which national retailers are more often located, are harder to fill might face issues of becoming unwanted areas of blight. Not being able to fill these buildings would ultimately implicate land use and eventually, perhaps lead to the need to rezone current zoning designations. Additionally, many larger national retailers employ a significant number of residents. Specifically, based on the significant percentage of residents who are employed by the retail industry in Eugene (which is greater than cities nationally), this could consequent in a larger number of people who are unemployed. These consequences which were raised and of concern by participants was also found in the literature.

This research provides new findings which was not explored nor found as widely acknowledged impact in the literature which was the general consensus of currently having a limited number of nontraditional developments and primarily small footprint spaces for retailers in locations where small businesses can afford to operate and maintain. Furthermore, this demand for small space is constantly rising from past years and will continue to rise in the future, especially if e-commerce becomes more popular.

Lastly, the positive perception of e-commerce among development professionals was unexpected. However, this finding of businesses and individuals prospering from e-commerce does present a narrower perspective of focusing on economic gain, while neglecting the potential issues that may occur in deactivation of land use and the use of physical space.

## **5.2 Planning for Successful Storefronts**

### **Future Retail Demands**

A majority of the participants agreed that e-commerce has played a role in the recent shifts seen in the retail market both nationally and locally. E-commerce has pushed in-store retailers to serve new demands of customers accordingly. To answer how the designs and purpose of retail is changing in general, many of the interviewees voiced their expert opinions of customer expectations for future retail spaces, property design, and general urban form for commercial areas.

The following list provides key attributes of retail that are or will likely be vital for cities, developers, and retailers to incorporate into their store façade in order to meet the expectations of customers, and furthermore to maintain relevancy if or when retailers are faced with having to truly compete with e-commerce.

- Accessibility
  - Need for Parking (Current)
  - Need for Walkability
  - Proximity to Housing
  - Convenience to other stores
- Diversity of:
  - National, regional and local retailers
  - Products
  - Alternative uses
- Smaller retail footprints
- Niche products
- Atmosphere
- Retail Anchors<sup>6</sup>

## “The Nature of Retail Will Have to Change.”

### Opportunities and Assets

In alignment with these demands for successful retail, below is a list of opportunities that participants perceive Eugene’s retail industry to currently have or could have in the upcoming future. The following assets also further support the participants’ perception that storefronts will continue in the next generation.

- The ongoing success of Oakway Center and 5<sup>th</sup> Street Market due to their adaptability and risks to meet the changing demands of customers. Additionally, these areas of commerce demonstrate almost all of the key attributes for future successful retail which are listed above.

Oakway Center in particular has national retailers such as Trader Joe’s and Bed, Bath and Beyond, while offering local retailers such as boutiques and salons with smaller square footages. This center also offers restaurants for people to conveniently walk to before or after shopping. In the latest renovation, Oakway has incorporated a parking structure and a hotel, which is said to be attributed to their success.

Where 5<sup>th</sup> Street Market may lack diversity of national retailers, they offer a diversity of products. They have niche stores such as a local toy shop, gift shop and yarn store. Furthermore, it includes a nice Provisions Market which carries food inventory such as jams, meats, and kitchenware. All retailers reside in small footprint stores within close proximity. They also activate space with restaurants and open seating.

- The downtown area offers an A location with available properties which have the desired smaller footprint size.

---

<sup>6</sup> Anchors are stores that initially attract customers to a shopping center. It is the idea that people will eventually walk to a neighboring retailer and continue shopping for other items.

- Eugene’s retail space is fairly affordable compared to regional competitors such as Portland, San Francisco, and Seattle.
- Restaurants and bars are successful in Eugene and have become an integral use for commercial zones across the City. Especially in the downtown, eateries are known as the most predominate and widely popular businesses. Restaurants provide individuals with a basic necessity of food, while also creating a comfortable public space to enjoy.
- The City and non-governmental organizations have partnered together to prioritize the increase of income per capita through recruiting and incentivizing more opportunities for the technology industry, the food and beverage and traded sectors.

Within the last few years, local Eugene leaders have spearheaded a local effort to establish partnerships between the City, County and Region to form an economic development advisory board. The advisory board established goals to enhance the income levels of residents and looked at potential and promising industries which would guide the region to do so. The committee determined a few sectors to focus efforts on in order to raise skilled jobs and therefore create higher incomes. The industries that are being targeted are the technology, the traded sector, food and beverage, as well as advanced manufacturing.

Retail is currently one of the top industries of employment for the city. However, retail is also considered a sector which employees lower waged jobs and lower skilled populous. These alternative sectors will help grow the income levels, local economy and even increase the success of retail businesses because residents will have the incomes to afford to consume more goods and services.

Participants believe that the shift to focus on these emerging new industries will not detract from the retail industry, but rather utilize retail for an even greater purpose which attracts locals, visitors and potential residents alike. After all, *“Activity and vibrant communities are what these types of industries and new professionals are interested in.”*

- Some Eugene property owners, developers, businesses and architects have already started to transform the commercial styles from traditional to progressive. CodeChops on Broadway in the Downtown area serves a collaborative office space for small overhead businesses and entrepreneurs. And a recent new retail and office building houses small retailers and is the new home to a local architecture firm.



CodeChop on Broadway  
Photo Retrieved from CodeChop via Google.



New retail and office building on Willamette St.  
Photo by: Paige Portwood

## Barriers to Overcome

In addition to the opportunities that support stores in Eugene, there are also barriers that emerged from the interviews. The list below indicates areas where future retail may have to overcome obstacles to maintain the traditional storefront appeal for consumers, business owners, investors and developers.

- Alongside e-commerce, Eugene faces other threats which development professionals are simultaneously grappling with such as:
  - The perception of safety and atmosphere of shopping areas, primarily in the Downtown. Three participants explicitly described how difficult it can be to lease available spaces to potential tenants in this area; *“Eugene’s downtown has some characters”* as someone stated.
  - In addition, a majority of participants mentioned the threat to retail isn’t necessarily the competition among retail channel options, but rather the economic stability of individuals and household, which is demonstrated by the relatively low median incomes and percentage of people employed residents with low-wages.
  - Finally, participants are also concerned about the impacts of the quick integration of dispensaries which has an effect on both commercial spaces but also industrial space too.

---

*“I think it comes back to the reason that retail in Eugene has struggled—we don’t have the money here to support it purely on our own.”*

---

- There is a lack of housing around centers of commerce to activate the spaces more frequently, particularly in the C-2 Community Commercial Zone. Overcoming this barrier could spark greater ownership of public areas surrounding both the housing and the areas of commercial use. This could reduce unwanted activity and maintain activity in areas before and after stores or offices close.
- There is a demand for smaller footprints that is not being met. New developments are not being built and/or available space is not being retrofitted to fill this need.
- The financial restraints to renovate big-box store vacancies is often a big task to tackle and can quite limiting to the private sector.

## **In Summary**

This chapter discussed the general perceptions that participants had about the impacts of e-commerce. There was a consensus that although e-commerce has impacted retail in some capacity, it is not a significant factor in the current success or failure of storefronts. A major reason which seemed to support this finding was the growing retail developments that are being constructed throughout the city. Additionally, I discovered that storefronts will always be amenities desired by the public and needed by cities. Among many other reasons, areas of commerce are spaces where people can interact socially with friends and their community. E-commerce also does not have the ability to replace certain aspects of in-store amenities like personal assistance, or accessibility for last minute errands. Participants mentioned other major impacts such as having a greater significance of national retailers and big-box stores, rather than niche stores. Furthermore, e-commerce is perceived to influence the greater need of non-traditional developments, particularly for small footprints and industrial spaces. Lastly, e-commerce was perceived to have positive impacts for the local economy through giving local retailers and businesses the platform to expand their businesses externally, while bringing in local revenue.

This chapter also projected the key attributes that retail should incorporate and/or retain for the future. These attributes that were developed by the interviewees were then related to Eugene's retail industry to assess the resiliency of storefronts in the future by discussing its opportunities and barriers.

# Chapter 6: A Flexible Framework

The purpose of this section is to assess the flexibility of the Code to allow for the predicted needs of a shifting retail market. This code analysis includes five land use designations of the Eugene Development Code, refer to Chapter 3 for definitions:

- *C-1 Neighborhood Commercial Zone*
- *C-2 Community Commercial Zone*
- *C-3 Major Commercial Zone*
- *GO General Office Zone*
- *E-2 Mixed Use Employment Zone*

## 6.1 Significance of a Flexible Code

Professionals from all sectors indicated that the Development Code allows for a relatively broad interpretation for commercial developments, otherwise referred to as “flexible” for the intents and purpose of this study. This finding demonstrates that the Code minimizes the obstacles for developers and architects to design and build commercial spaces, so they may construct within their vision and plans.

In the analysis below, I attempt to assess the Development Code through a new lens that anticipates developments which will have to compete with the popularity and amenities of e-commerce. Through this analysis I discover features of the Commercial Zones which prepare or create barriers for developers to build retail developments for future demands.

Participants offered the following recommendations to inform future developments of how to build attractive, resilient spaces for the future:

## 6.2 Alternative Uses

Alternative uses which are permitted in Commercial Zones create the purpose, atmosphere and design style that the City wishes to create in that particular area. Through the interviews, many participants revealed alternative uses other than retail, which are perceived as solutions to fill vacancies of storefronts and/or better attract individuals to areas of commerce in years to come.

### Housing

Housing density was indicated as a primary factor to successfully activate commercial spaces among respondents. The recommendation to increase housing in areas of commerce to generate activity, coupled with the dilemma of commercial real-estate vacancies motivated my research to look into the feasibility of housing that is allowed in commercial zones. I particularly assessed the allowance of ground floor residential uses in mixed use buildings. The second assessment assumes Eugene’s housing would need to become significantly greater than the demand for physical stores.

My analysis found flexibility of housing and ground floor residential for mixed use buildings especially in C-1, C-2, and C-3 zones (refer to Appendix B for more details).

The idea behind Amazon Corner, a new development located on the corner of Hilyard Street and 32<sup>nd</sup> Avenue was to incorporate first floor housing.

The design takes the busy corner and utilizes it to concentrate areas of activity through patio seating, a restaurant and commercial uses.

Then, as the building moves further away from the street corner, the design incorporates first floor housing. Housing on the first floor, if designed right, offers many benefits such as a personal entry and exit, a patio and easy access to the street.



Source: Rowell and Brokaw

## Temporary Retail (Pop Ups)

Temporary Retail, also known as Pop-Ups are little shops without long-term leasing tenants. This could apply to both the physical space of the store which could be removed, such as a POD or the storefront is in a permanent location, but the products and tenants change frequently, such as on a month to month basis.

Temporary retail is typically seen in larger cities; to name a few, Cleveland, Los Angeles, and Atlanta. In these larger areas property owners have become more open to shorter term leases to address the high rates of commercial vacancies (Steimer). However, due to the perception of low vacancies found in this study, the purpose of allowing temporary space in Eugene could better serve the need of the rising demand for diversity of retail and products, as well as the desire for a greater number of smaller footprints by retailers.

Temporary retail space was determined not flexible due to the obstacles that are in place such as special permits for all of the commercial zones and taking into consideration the time and cost to go through the process.

## **Industrial/Manufacturing Use**

Infrastructure for industrial and manufacturing is currently of high demand in Eugene and shows trends of increasing even further in the future. As a solution to mitigate having to turn distributors and potential property owners and/or tenants away to other cities, I measured the feasibility of the code to allow industrial and manufacturing uses in commercial areas. The results showcase relatively flexible requirements.

C-1 showcases the most flexibility to allow industrial/manufacturing uses in a commercial zone, where C-2 and C-3 offer stricter conditions for allowance. For all commercial zones that allow industrial/manufacturing, the stipulations include no external air emissions, all industrial activity has to be enclosed, it is limited to apparel and food and beverage, and parking is restricted to 5,000 square feet.

## **Information Technology Services & E-Commerce**

In relation to the topic of the research, I discovered that the code specifies the permission of e-commerce activity. It appears to be integrated in to the code to establish boundaries for shipping and delivery. This attribute of the code is allowed in C-2 and C-3. It is also allowed in General Office; however, the business and its operations must not require a shipping truck.

## **Restaurant and Beverage**

Professionals indicated that restaurant and beverage businesses as the showcase the most success of uses in commercial zones, particularly in the Downtown area of Eugene. Restaurants naturally provide these welcoming, semi-public spaces that are recognized to have greater importance in the future. As one participant stated to reinforce the dependability of these spaces, *“Everyone has to eat.”*

Therefore, in congruence with this finding, I researched the zones which allow restaurants and beverage businesses in the zones and to what degree they are permitted to be in a certain zone.

Restaurants are permitted in the C-2 and C-3 zones. They are also permitted in the C-1 zone, under 5,000 square feet and in GO as long as they take up 10% or less of the square footage for the entire property.

## **6.3 Site design**

I assessed site design attributes of each zone because these codes often regulate the atmosphere that businesses create. Per the conversations with participants, site design demands such as accessibility, parking, size of retail footprints, as well as the general appeal to pedestrians will all be increasingly important as time progresses (Chapter 5).

Accordingly, I looked at related regulations within the Code to assess how it encourages or discourages these types of designs. I found that the Code also demonstrates flexibility through



this criterion. However, perhaps for this regulation, it would be more beneficial for the Code to be more direct and/or stricter for developers in order for them to consider designing progressive retail spaces. For example, placing more limits on the square footage of buildings, the number of parking spaces and increasing the amount of flex space.

## **6.4 Other Applicable Code**

Supplemental attributes of the Code were also included in the analysis to explore if there were other barriers or opportunities that the Code offered in commercial uses which pertained to the future needs of retail.

I found that the City of Eugene was also adaptable and aware of potential underutilized land within the C-2. This is showcased through their incentives for new developments on sites in West Eugene (zoned C-2). In addition, it is noteworthy to mention that C-3 has a transit-oriented overlay. This is relevant because it hopes to encourage the use of transit for the area, and therefore plan for amenities, such as retail that surround the transit hub, so people are encouraged to use it due to its proximity to other uses.

Additionally, the E-2 zone which incorporates both commercial and industrial uses does have a regulation that only allows 50% of the total property building to be allocated for commercial use.

The code also includes specific regulation on Large Commercial Developments as well as Shopping Centers.

### **In Summary**

To summarize my findings of the code analysis, below in Table 6.1, I compiled all the findings to compare the code attributes based on each commercial zone. The checkmarks indicate that the use is permitted. The dashes indicate that it was not indicated as a permitted use in the Code. Boxes with “S” or “SDS”, otherwise called Special Use Limitations or Special Development Standards, indicate uses are not permitted outright and require additional stipulations for approval.

**Figure 6.1 Code Analysis Table**

	C1	C2	C3	GO	E2
<b>Alternative Uses</b>					
Housing	Mixed Use: 80% Commercial street frontage	Mixed Use; 60% Commercial street frontage	Subject to SDS--No Row Housing	Subject to SDS	--
Temporary Retail (Pop Ups)	S	S	S	S	
Industrial/Manufacturing Permitted	✓	Stricter Conditions are applied	Stricter Conditions are applied	--	--
Information Tech Services & E-commerce	--	✓	✓	Only if it excludes a shipping truck	--
Restaurants/Beverage Permitted	Under 5,000 sq. ft.	✓	✓	10% of floor area (only buildings with housing or offices)	--
Uses NOT Permitted	Light/Heavy Industrial	Light/Heavy Industrial	Light/Heavy Industrial	Light/Heavy Industrial	Housing
<b>Site Design</b>					
Setbacks	Min. 10ft. Max. of 15ft.	Max. of 15 ft.	Max. of 15 ft.	Min. 10ft. Max. of 15ft.	--
Square Footage Maximum	--	--	--	--	30,000 sq. ft.
Parking Regulation	--	--	Max of 20 surface parking spots	--	--
Accessibility Regulation	New developments along collector or arterial	--	--	--	Frontage on an arterial
<b>Other</b>					
		New developments on vacant sites	Transit-oriented overlay		Commercial use up to 50% of sq. ft.

Source: Eugene Development Code Sections 9.2100-9.2540

# Chapter 7: Recommendations

The following section provides recommendations that were frequently advised by half or more of participants. The recommendations are separated by sector to distinguish which agencies would likely need to take a leading role to implement these recommendations.

## 7.1 For All Sectors

### **Create housing around areas of retail, particularly in the downtown.**

The proximity of housing and retail is crucial for both the retailer and residents. Not only does it provide instant convenience of in-store retail, but also it generates activity among commercial spaces throughout the entire day and not just from 8am to 5pm.

The Downtown was frequently mentioned as an area which has the capacity in code policy and public approval to increase housing density. The responses did not only consider developing housing in the Downtown, however. Ideas of using surface parking in all commercial zones, especially areas surrounding large footprint stores was discussed on multiple occasions.

Currently, the City is taking on measures to bridge the gap between commercial and residential uses in Eugene. Through the newly drafted Envision Eugene Comprehensive Plan, the current focus of urban designers and planners is to bring commercial uses into neighborhoods, what is known as “neighborhood planning.” The purpose of this strategy is to create more options for small scale shopping, food and beverage uses, and even grocery stores within closer proximity to residential areas.

In addition to bringing commercial use to residential space, this recommendation urges all sectors to notice potential developable lands for housing near areas of commercial areas; specifically, utilizing surface parking lots as potential areas of growth for housing, which typically cover more land in the C-2 Community Commercial zone.

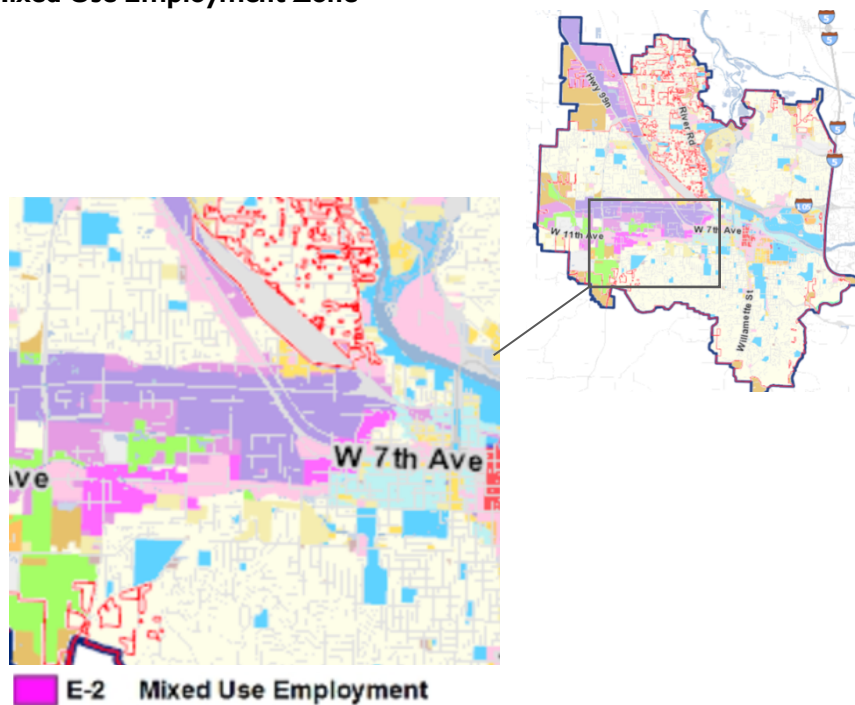
## 7.2 For the Public Sector

### **Continue to market the E-2 zone areas in West Eugene to businesses; as the City needs to allocate more parcels for this use, formulate higher intensity of zone clustering.**

The zone which demonstrates the most potential to respond to the demands of future retail is the E-2 zone. The Mixed Employment Zone invites physical retailers to simultaneously thrive in an e-commerce society because it allows a storefront, which is limited in size by the code, while also allowing industrial space which can be utilized for delivery and shipping operations for businesses, particularly for traded sectors. Although I did not have the data to depict the land cover of E-2 in this analysis, the City of Eugene has an updated zoning map depicted in Figure 7.1, indicated in bright pink.

According to the figure below, the E-2 zone is concentrated on the west side of Eugene. This area of town will likely fill these zones accordingly in the future, however, the City should continue to fill vacant and/or underutilized parcels with the E-2 zone around it to spur clustering. Industry clustering is a well-developed theory in literature and was supported by practitioners in the interviews. E-2 is the key to building more single, shared, and flex spaces for entrepreneurs and small businesses. This area has the potential to be a creative space of a variety of businesses and offer another district of retailers, which might have a greater presence online.

**Figure 7.1 E-2 Mixed Use Employment Zone**



**In areas of blight, create more flexibility in the code for temporary retail (pop up shops).**

The City could establish a temporary retailing program which invites businesses that Eugene does not have into vacant commercial spaces in the Downtown or other areas in the city. Temporary retail, in this sense does not necessarily encompass the implementation of temporary physical space but also temporary products that are for sale.

**“Any use other than vacancy, is a good use.”**

The City recently launched a pilot project which rented two PODS and filled them with retailers along Olive St. The City recognizes that while it is a good concept, the feasibility of financing this type of space is difficult and could likely not be replicated by the private sector. Primarily because the Code is relatively restrictive for temporary retail. Perhaps instead of using city funds to rent PODS, in the future, the City could consider a partnership with property owners with existing vacant commercial spaces and retrofit them for local retailers.

This would not only provide rent for a few months to property owners, but it would also stage the space to its full potential and could attract new tenants to lease the space and generate activity that would not otherwise be in the store or the area.

Additionally, other cities which Eugene competes with regionally are incorporating flexible code to accommodate temporary retail. With other cities offering comparatively inexpensive opportunities for retail and visibility of new concepts for city amenities, it might be beneficial for Eugene to also incorporate more flexibility in their plan for Pop-Ups as well.

**Encourage and create more incentives or opportunity to retrofit underutilized C-2 tax lots.**

The City currently has a program, the West Eugene Enterprise Zone which provides tax exemptions to businesses that locate in West Eugene and are large enough to significantly increase employment opportunities to Eugene residents. This finance policy not only provides incentive for businesses to bring jobs to the Eugene area but also to locate in a ‘B or C location’, deemed by participants of the interviews.

Accordingly, this incentive is a primary area of interest for this study because the West Eugene area is where a significant amount of the C-2 Community Commercial zone is located, and therefore where larger footprint stores are concentrated.

The West Eugene Enterprise Zone is an appropriate policy for the purposes of current commercial use in the area, however I recommend some changes that would make it even more competitive and enticing for the future.

The City requires businesses to meet three criteria to qualify for the exemption: the type of business firm, a threshold of number of people the business will employ, and the type of construction plans being done to the properties itself. This recommendation encourages the revision of the type of business firms that are allowed to benefit from the exemption, as well as the properties that qualify.

**Business Firms:**

**Eligible:**

Manufacturers, processors, distributors, warehouses, maintenance facilities, headquarters, call centers

**Ineligible:**

Retail, construction, financial and other explicitly ineligible

**Qualifying Properties**

**Eligible:**

A new building, modification/addition to a building, or new machinery or equipment

**Ineligible:**

Land, existing buildings, existing machinery and equipment, and minor personal property items.

In the future, the City of Eugene may want to invest in an exemption that is offered to retail space as well as warehouses and manufacturers. As is discovered in this study, many businesses have both a manufacturing component as well as needing a retail component. Perhaps this incentive would encourage business such as this to locate in West Eugene. Not only would some retail activate the space, but it would also open more options of industries that would be interested in filling vacancies.

The West Eugene Enterprise Zone assists businesses when they make modifications to buildings on West Eugene, however the private sector participants never mentioned this option offered by the city. Thus, the perception was that tearing down a building or building a new development in an entirely different land parcel would be cheaper. Perhaps the city could further advertise and/or communicate with commercial brokers, property owners of other successful businesses, and the Chamber about the program. Furthermore, could do research as to why this incentive may or may not be as appealing to developers as it is intended.

Another edit for the future would be to consider allow incentives for existing buildings. Although it may sound farfetched to offer incentives just for a transferal of leasing, it might mitigate the length of vacancies for larger big-box stores which affect brokers, property owners and the activation of space for the area.

### **7.3 For the Private Sector and Non-Governmental Organizations**

**Take bigger risks now and take the time to intentionally provide a “pitch” to investors to incentivize the investment towards more creative, modern styled storefronts.**

The developers and brokers who were interviewed in this studied revealed that they are often restricted to build projects that “pencil out,” meaning that lenders are looking for the most reliable way to gain back their investments. Currently, the best way to make developments pencil out is to stick to the design and construction of traditional building types and structures. However, through the retail opportunities section, discussed in Chapter 5, it is proven that the new, more creative developments are showcasing greater success through filling spaces quicker, generating customer activity, and creating a more positive perception by professionals than those that are traditional developments. Perhaps developers need to conduct more quantitative research which proves this and push lenders to move towards more progressive and needed developments which are outlined in this study.

Developers need to start taking risks now, to stay in line and even ahead of what the demands of retailers in the future. Many of these demands are being met by other cities regionally but have the potential to be even more influential in the Eugene area now because it is less common. One participant offered the perspective that Eugene developments are about 10 years behind the curve. The private sector will likely have to change this and adapt quicker in order to meet the needs of a shifting economy base, through the attraction of new industries, and also just because of the demands of residents and businesses are changing rapidly in light of technology.

A feasible idea that developers and architects could consider, it to build more flex space developments which could be filled by a space of multiple retailers. The design could be flexible with adjustable walls for different size stores. Furthermore, the investment could be in the form of a cooperative model.

**Establish a program within the Chamber and/or new nonprofit agency that facilitates networking opportunities and also to develop comprehensive plans and goals for types of uses in differing neighborhoods**

Commonly seen through a Business Improvement District, neighborhoods should establish a network of property owners and tenants which have the opportunity to meet with each other to develop common goals and plans for the future commercial atmosphere of the neighborhood.

Perhaps a lofty recommendation, this association would encourage, guide and support commercial centers. It would establish rapport among property owners to communicate to one another about general topics such as patterns and trends of businesses. Additionally, it could help develop a united plan for what they hope to create with current and future spaces.

Although the City generally outlines what and where types of businesses are located, I found that a lot of the decisions ultimately fall between the property owner and the potential tenant. This recommendation would make further strides in consistency and collaboration among areas of commerce. Additionally, this might incentivize networks of types of businesses which includes variety of retail and restaurants, or semi-public shared spaces among two property owners.

# Conclusion

In conclusion, this study assessed the role that e-commerce has had on land use and the local economy in Eugene, Oregon. My research included interviews with development professionals to inquire about their perspective of e-commerce and its impacts on the local community. Furthermore, I conducted a code analysis of the Development Code to assess its flexibility to future demands of retail. This study encompassed the following findings and conclusions:

## Perceptions

The interviews revealed that participants believe e-commerce is impacting storefronts in some capacity, but it does not appear to be a primary concern among the majority of participants. They also mention there will always be a need for the storefront to meet the diverse needs of customers such as last-minute purchases, the desire for personal assistance, and the reassurance of knowing exactly what the customer is purchasing.

However, despite their belief that Eugene and its residents will perpetually need storefronts, they believe e-commerce will still have a greater impact on national retailers. This impact is perceived to create issues both to the economy due to the number of residents that national retailers employ and also in land use because big-box retailers are among the largest developments and are some of the most difficult spaces to fill. Retrospectively, development professionals perceive the customer demand for storefronts will be in niche stores, and thus these types of businesses will be “protected” from being competitors to e-commerce.

Additionally, this study found that e-commerce will increase the need for non-traditional developments such as: flex space, smaller retail footprints, risks taken in designs and investments from the private sector, and mixed uses for commercial and industrial spaces. E-commerce in Eugene is also actually seen as a positive advancement to the City because it is perceived as a mechanism for reaching a broader clientele and support to the makers’ movement.

## Key Demands for Future Retail

Alongside the perspectives about the general impacts of e-commerce on retail, participants also offered important demands for commercial areas which will help support the storefront in years to come, such as:

- Diversity of retail owners, products, alternative uses
- Accessibility for multimodal transportation networks
- Niche Products
- Atmosphere
- Retail Anchors

## Opportunities for Successful Retail in the Future

In relation to the key demands for successful future retail, participants mentioned opportunities in the City which meet the all or some of the criteria and are therefore seen as



more resilient or promising for the longevity of the store. These opportunities are perceived as attributes of commercial uses which will create incentive for the maintain the use of storefronts among customers. Opportunities that were mentioned:

- Successful private areas of storefronts: Oakway Center and 5<sup>Th</sup> Street Market
- The potential of Downtown’s “A” location
- Affordable space compared to regional competitors
- Popularity of restaurants and bars to attract the public, while maintaining activity and appeal
- The City’s concentration on recruiting and enhancing higher skilled industries, as well as encouraging the traded sector to bring external revenues to contribute to the local economy
- There are already multiple property and business owners who are integrating progressive concepts of retail, office, flex, and mixed-use spaces. They provide influence and awareness of future direction of retail.

### Barriers Eugene Retail Will Need to Overcome

Respondents also stated barriers which need to be addressed in the coming future to mitigate the risk of declining storefronts and lack of appeal for activation and use of areas of commerce, such as:

- Other concerns that are currently taking precedence by professionals:
  - The lack of housing around centers of commerce.
  - The limited number of smaller footprint retail space.
  - Financial limitations to develop creative spaces and renovations of big-box stores.
- The lack of housing that surrounds commercial areas
- The lack of small footprint commercial real-estate properties
- The financial limitations to aid retrofitting big-box retailers

### **Flexibility of the Development Code**

Participants perceive the code as flexible. To support this finding, I conducted a code analysis to determine to the extent to which the code is flexible. The following key attributes of the analysis are described below:

- Alternative Uses
  - First floor residential in mixed use buildings that reside in C-1 and C-2
  - Special Permitting for temporary retail space (pop ups)
  - Industrial/Manufacturing (under stipulations) in all commercial zones
  - Allowance of information Tech Services and e-commerce in C-2 and C-3
  - Restaurant and Beverage Sectors permitted outright in C-2 and C-3
- Site Design
  - Proper setbacks which allow space for frontage
  - Square footage maximums only exist for C-2 Community Commercial
  - Parking Maximums only designated to the C-3 Major Commercial

- Accessibility is more detailed for C-1 and E-2, where new developments for both have to face towards arterials.

## **Recommendations**

- For the All Sectors
  - Increase Housing around commercial areas
- For the Public Sector
  - Expand and/or cluster E-2 Mix Use employment
  - Create code flexibility for temporary retail spaces
  - Encourage and modify the West Eugene Enterprise Zone
- For the Private Sector
  - Take more risks on interesting retail space by integrating more flex spaces and small footprint spaces
  - Develop something similar to a Commercial Property Owners Association to network and establish a common vision through collaboration for the types of uses that are in a neighborhood.

## **Future Research**

This study merely scratched the surface of what could be uncovered about the impact of online shopping to storefronts. In the future, this study could expand its research by distinguishing the vacancies by property types to assess the spatial distribution of retail and office spaces separately. Perhaps this would further reveal differences in the concentration of retail spaces versus offices. Additionally, the vacancies could also be separated by the square footage of the available properties. This data would be useful by showcasing higher or lower percentages of vacancies based on size and further support the claim made by interviewees that size matters. It would perhaps indicate a greater number of large footprints which are vacant, in which case would demonstrate smaller footprints are more desired.

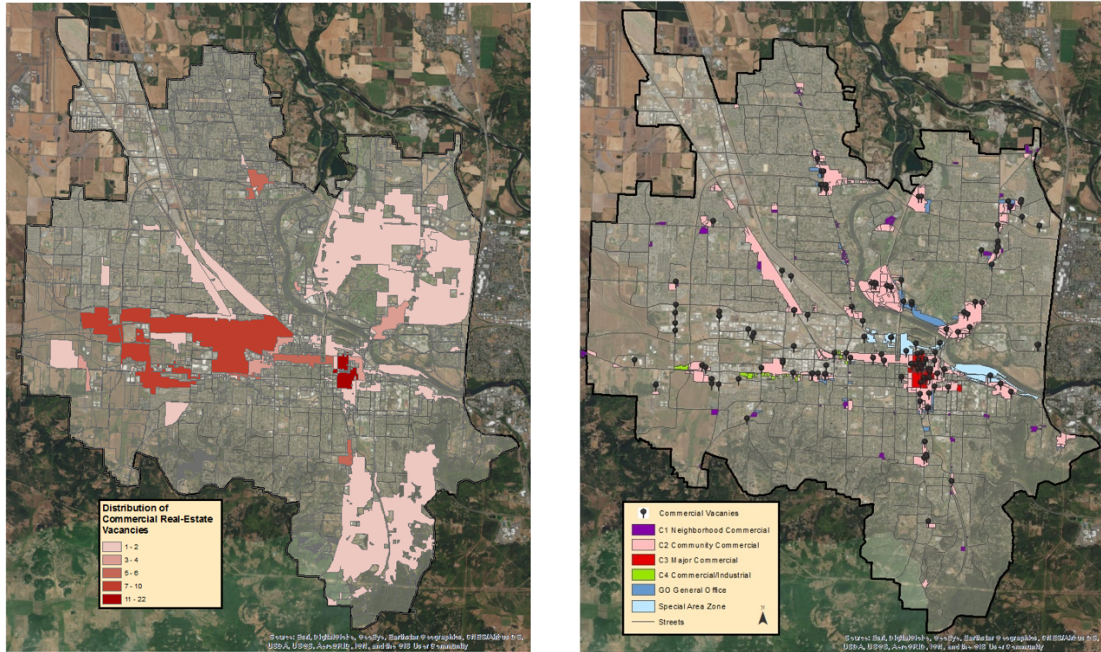
This study found the reliance of design and developments for commercial spaces to not only be driven by regulations set by the Development Code, but also the financial limitations set by investors, lenders, and stakeholders. To provide greater understanding of how to truly redefine retail space for the future, this study could add interviews with financial experts and/or lenders to gain insight into their perspective of financing to retail developments now and what it could look like in the future. The addition of these interviews would also provide recommendations on how to implement a more adaptable investment policy to follow suit with the other recommendations provided in this study.

Alternatively, this study would further its legitimacy if a subsequent study replicated it in other mid-sized cities. The findings could then be compared to assess the similarities and differences of perspectives from development professionals and code in other communities in the US.

# Appendices

## Appendix A Distribution of Commercial Vacancies in Eugene

Figure 3.X Locations of Commercial Vacancies in Eugene



## Appendix B Eugene Development Code

**Table 9.2160 Residential in Commercial Zone Land Uses**

Residential	C1	C2	C3	GO
<b>Dwellings</b>				
One-Family Dwelling	P(6)	P(6)	P(7)	
Rowhouse (One-Family on Own Lot Attached to Adjacent Residence on Separate Lot with Garage or Carport Access to the Rear of the Lot)	S(6)	S		P
Duplex (Two-Family Attached on Same Lot)	P(6)	P(6)	P(7)	P
Tri-plex (Three-Family Attached on Same Lot) (See EC 9.5500)	S(6)	S	S	S
Four-plex (Four-Family Attached on Same Lot) (See EC 9.5500)	S(6)	S	S	S
Multiple Family (3 or More Dwellings on Same Lot) (See EC 9.5500)	S(6)	S	S	S

**Table 9.2161 Commercial Uses Requirements in Mixed-Use Residential Developments**

	C-1	C-2
<b>Commercial Uses Requirements in Mixed-Use Residential Developments</b>		
<b>Minimum Percent of Building Street Frontage in Commercial Use.</b> Building street frontage shall be measured along the length of the building at the ground level within the maximum front yard setback. As used herein, "commercial" includes any non-residential use occupying a space at least 15 feet deep from the street facade of the building, excluding parking areas and garages.	80%	60%
<b>Minimum Percent of Ground Floor Area in Commercial Use.</b>	80%	20%

- (7) **Residential Use Limitation in C-3.** Within the Downtown Plan Area as shown on Map 9.2161(6) Downtown Plan Map, a structure may include one- and two-family dwellings if 80 percent of the ground floor of the structure is used for commercial or non-residential purposes.

## **Appendix D      Current Barriers to Successful Barriers**

Participants voiced the opportunities and barriers that are projected to be significant in the future which are outlined in Chapter 5. However, participants also mentioned a few barriers in particular that are significant to the success of retail currently. These barriers are more generalized and did not necessarily relate to e-commerce impacts. However, I identify them as important information and findings to consider, nonetheless.

### **Barriers**

- The lack of diversity of most commercial areas; sizes, types of stores, lack of housing around the areas of commercial land
- The current atmosphere for traditional retail and offices (i.e. design, walkability, aesthetic) has a lack of appeal
- The difficulties of recruiting businesses downtown; the perception of accessibility, safety, atmosphere
- Financing temporary retail spaces & retrofitting commercial for industrial

## Appendix C Interview Questions

1. In what capacity do you work with retail businesses?
  - a. Are you confined to dealing with businesses downtown, or other districts/neighborhoods in Eugene?
2. How would you describe the retail and commercial development sector in Eugene?
3. Are there space constraints for certain types of businesses to locate in Eugene?
  - a. If so, which types of businesses?
4. What is your general impression of the impacts of e-commerce on commercial and retail industry in Eugene?
5. What types of businesses have different types of needs that you know have experienced being restricted by the Development Code, currently?
6. Based on your knowledge of the needs of future developments, do you foresee anything that could be adjusted in the code to accommodate e-commerce development? (i.e. distribution centers, housing)
7. Are there any aspects that you foresee would need to be adapted to accommodate e-commerce (either agreements of public or private sector) i.e. ease agreements, financing process, recruitment?
8. What do you predict the designs of sites of retail space will look like in the future if e-commerce becomes the primary retail format? (Generally, or can be site-specific)
9. If the national trends of e-commerce continue to grow, how might this impact your profession in general?
10. What are your predictions for the trends of e-commerce as the consumer's preference in the future?
11. Do you think that e-commerce become the most prevalent retail format in the future? Why or why not?
12. Is there anything else that you would like to discuss regarding e-commerce and land use in Eugene?
13. Do you have in mind someone else I should talk to that would be knowledgeable about this topic?

## References

- 5<sup>th</sup> Street Market. (2018). About Us. Retrieved from <https://www.5stmarket.com/>
- Anderson, W., Chatterjee, L., & Lakshmanan, T., 2003. E-Commerce, Transportation and Economic Geography. *Growth and Change*, 34 (4), 415-432.
- Arnold, S. (2000). Market impacts of large format retailers. *Journal of Retailing and Consumer Services*, 7.
- Bates, B. (2016). E-Commerce's impact on Big-Box Retailers. *Honors Theses*, 8.
- Carlson, G., & Larco, N. (2017). Re-Imagining Retail. Sustainable Cities Initiative. *Urbanism Next*. Retrieved September 2017.
- Dennis, S. (2018). Physical Retail is Not Dead: Boring Retail Is. Retrieved May 2018.
- Development Code. *City of Eugene*. Retrieved May 2018.
- DNA Eugene (2018). History of Downtown Eugene. Retrieved June 2018.
- Downtown Eugene Inc. (2018). News. Retrieved from <http://www.downtowneugene.com/about/>
- Envision Eugene. *City of Eugene*. Retrieved May 2018.
- Gehrt, K. C., Ingram, T., and Howe, V., 1991. Non-Store Versus Store Retailing A Situationally Based Market Structure Assessment. John Wiley & Sons, Inc. and *Direct Marketing Educational Foundation, Inc. Vol 5, No. 2, pp. 44-53.*
- Hahn, B. (2000). Power Centres: A new retail format in the United States of America. *Journal of Retailing and Consumer Services*, 7 pp. 223-231.
- Hyken, S. (2017). Sixty-Four Percent of U.S. Households Have Amazon Prime. *Forbes Magazine*. Retrieved from <https://www.forbes.com/sites/shephyken/2017/06/17/sixty-four-percent-of-u-s-households-have-amazon-prime/>
- Karr, P. (2018). *Employment and Density in Oregon*. University of Oregon, Oregon.
- Kelley School of Business. (2018). Retail Timeline. Retrieved from <https://kelley.iu.edu/CERR/timeline/page14866.html>
- Mall Hall of Fame, (n.d.). *American Shopping Centers 1946-2018*. Retrieved June 2018.
- McArthur, E., Weaven, S., and Dant, R. (2015). The Evolution of Retailing: A Meta Review of the Literature. *Journal of Macro Marketing 2016*, Vol. 36 No.3 pp. 272-286.
- Niemeier, S. and Hannemann-Strenger, L. (2013). *Reshaping Retail: Why Technology Is Transforming the Industry and How to Win in the New Consumer Driven World*. John Wiley & Sons, Incorporated.
- Oakway Center (2018). About Us. Retrieved from <http://www.oakwaycenter.com/about-us/>
- Parker, B., & Weber, R. (2013). Second-Hand Spaces: Restructuring Retail Geographies in an Era of E-Commerce. *Urban Geography*, 34:8, 1096-1118.
- Pettersson, F., Winslott-Hiselius, L., & Koglin T. (2016). Exploring the Nexus Between Ecommerce and Urban Land Use Planning: E-Commerce Impacts on Mobility and Location Strategies. *World Conference on Transport Research*.

- Poel, D., Leunis J. (1999). Consumer Acceptance of the Internet as a Channel of Distribution. *Journal of Business Research* 45, 249–256. Retrieved November 2017.
- PrimeNow (2018) Amazon. Retrieved from <https://primenow.amazon.com/onboard>
- Regional Prosperity Economic Development Plan. *City of Eugene*. Retrieved May 2018.
- Rigby, D. (2011). The Future of Shopping. *Harvard Business Review*. Retrieved from <https://hbr.org/2011/12/the-future-of-shopping>
- Sears Archives. (n.d.). Retrieved from <http://searsarchives.com/>
- Soriano, V.V., Williamson, B. (1999). The Shopping Center Industry In 1998. *ICSC Research Quarterly* 6, No. 1, pp. 20-23.
- Steimer, S. (2017). The Magic of Pop-Up Shop Marketing. *American Marketing Association*. Retrieved from <https://www.ama.org/publications/MarketingNews/Pages/magic-of-pop-up-shop-marketing.aspx>
- Taylor, K. (2018). These Haunting Photos of the Retail Apocalypse Reveal a New Normal in America. *Business Insider*. Retrieved from <http://www.businessinsider.com/the-american-retail-apocalypse-in-photos-2017-3>.
- U.S. Bureau of Labor Statistics. (n.d.). Non-Store Retail Employment Figures. Retrieved from <https://www.bls.gov/iag/tgs/iag454.htm#workforce>
- US Department of Commerce, & US Census Bureau. (n.d.). Quarterly Share of E-Commerce Sales of Total U.S. Retail Sales from 1st Quarter 2010 to 1st Quarter 2018. In *Statista - The Statistics Portal*. Retrieved from <https://www.statista.com/statistics/272391/us-retail-e-commerce-sales-forecast/>
- Valley River Center. (2018). *About Us*. Retrieved from <http://www.valleyrivercenter.com/About>
- Zentes, J., Morschett, D., & Schramm-Klein, H. (2016). Store Location: Trading Area Analysis and Site Selection. *Strategic Retail Management*, 3, 229-252.