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Findings and Recommendations

Research and Recommendations in Support of the Downtown
Portland Retail Vision

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SUMMARY

This Findings and Recommendations report is the second of a two-part series in support of Mayor Sam Adams' Downtown Retail Vision Task Force, a committee of 30 downtown leaders charged with developing a future vision for Downtown Portland retail. The first report presents case studies of successful signature retail districts in Pasadena, Seattle, Vancouver, B.D., Chicago and Boston. This Findings and Recommendations report takes the findings from the case studies and examines them side-by-side to extract the success factors that are present to varying degrees in each city. It then analyzes the extent to which these success factors are currently practiced in Downtown Portland.

As is shown in the case studies report as well as in this document, the physical geography of the signature retail districts, the location of anchor tenants, and the overall configuration of these signature areas are quite different from each other. Nonetheless, the locations have success factors common to each example. To draw conclusions based only on the physical configuration of these successful signature retail areas would be a very incomplete basis for decision making. Other factors beyond the physical include markets, tenant mix, organizational and managerial structures, supporting development, and other related factors, all of which contribute to the success of each district, and therefore, are portable and relevant to Downtown Portland's retail environment.

This document also includes a summary of national retail trends and best practices. This includes a summary of changes in retailing practices, the emerging importance of entertainment as part of retailing, the introduction of price sensitive products, the integration of big boxes with downtown retail, and other practices that are relevant to the future evolution of retail in Downtown Portland. One such trend is "Clicks and Bricks," which represents the rapidly changing impact that digital communication is having on the retailing industry and on social networking.

From this research and analysis, the report concludes with several alternative configurations for signature retail in Downtown Portland. These are shown both diagrammatically and in text form, discussing the strengths and weaknesses of downtown retail today as well as how alternative solutions can both strengthen downtown retail and its relationship to the districts and sub-districts that are connected in one way or another to the heart of the city.

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Retail Trends and Best Practices

- Introduction
- Short- and Long-Term Trends
- New Retail Emphasizes Experience
- Customers
- Discount Retail

INTRODUCTION

This section of the Findings and Recommendations report describes national retail trends and best practices. In addition to the case studies research, it looks at some of the paradigm shifts in retailing. It is important to note that retail is the most rapidly changing land use. It changes its form, its configuration, its market focus, presentation, and other aspects such that retail can become outdated very quickly. In a retailing district, tenants regularly change, as do the products offered. It is the nature of the business and should be anticipated.

One of the biggest threats to downtown retail districts is the number and success of lifestyle centers. In the past, a new regional mall represented a similar threat to downtown retailing. Typically located in suburban environments or near freeway locations, lifestyle centers capture many of the aspects of historic regional malls, but do so perhaps more successfully and at less cost.

Lifestyle centers are outdoor shopping environments. They do not have energy-draining, heated and cooled indoor enclosures. They provide an array of entertainment and fashion choices. They are frequently adjacent to or connected to big box centers so that combined market penetration is both deep and wide – appealing to fashion, food and luxury goods customers as well as cost conscious shoppers. The principles of lifestyle centers are very much portable to downtown and to a successful signature retail environment.

Introducing stores and products sought by the cost conscious customer is playing an increasing role in downtowns. The case studies cities are incorporating such stores in or adjacent to their signature retail streets and districts. Big box retailers, formerly large in scale and of a “category killer” size, have retooled and now provide small, urban stores that can fit comfortably into a downtown and serve downtown customers with merchandise at attractive prices. In Downtown Portland, Office Depot, Ross Dress For Less, and several other large-format retailers are operating successfully either close to or directly in the core.



SHORT- AND LONG-TERM TRENDS

Short-term Outlook - National



- Consumers pulled back on purchases in 2008, and are expected to cut back on spending in 2009, and perhaps beyond.
- Nearly all retailers will suffer. Specialty, luxury, and apparel will be hardest hit, but even discounters such as Costco and Target have suffered.
- Store closures:
 - Circuit City, Office Depot, others
 - Watch for closures in Q2 and Q3 2009
- Large department stores in financial trouble:
 - Federated (Macy's): \$17B debt
- Real estate in trouble, too:
 - General Growth (Pioneer Place): \$27B debt, possible bankruptcy

Long-term Outlook - Portland



- In general, positive
- Diverse, growing economy
- UGB concentrates retail growth
- Attractive destination for visitors
- Higher gas costs and popularity of urban lifestyles will continue to strengthen Downtown Portland
- No sales tax gives Portland a competitive edge over cities with a sales tax



Nationwide Downtown Trends

- Local retailers are currently in trouble, but best positioned for success in areas with a large or dense local population.
- Compact, urban living is on the rise.
- Department stores are:
 - Consolidating, and thus more difficult to attract, and
 - Still very important downtown anchors.
- The role of entertainment, art, and culture in downtown retail is strong and growing.
- Universities becoming more important anchors for cities and acting as developers of retail in their own right.
- High population densities in downtowns will lure national retailers and big box stores; cities will evaluate the costs and benefits of adding these large-format retailers to downtown and signature retail districts.
- Bricks *and* clicks: Online and in-person sales combine rather than compete for success.
- Many retailers test smaller formats – from Neiman Marcus to Wal-Mart.

Sources: Urban Land Institute, National Federation and LCG

NEW RETAIL EMPHASIZES EXPERIENCE

If lifestyle centers are the new competition for downtown, what can we learn from them?

- The introduction and reinforcement of experience in addition to shopping choice
- Carefully planned continuity, merchandising mix formula, and positioning of anchors
- Entertaining “street scene” (even if the street is artificial)
- A high degree of cleanliness, security, and public safety, particularly for families with children
- Consistent operating hours (similar to a regional mall)
- A very strong marketing program
- Single overarching management that both creates and maintains the place
- Lifestyle centers seek to replicate the downtown experience – authenticity, quality urban realm, mixed use environment
- Nationwide in 2006, 144 new or renovated lifestyle centers were built while zero shopping malls were built.
- Last year, Bridgeport Village was achieving \$850 per square foot in sales as opposed to \$540 per square foot for Pioneer Place and \$415 per square foot for Lloyd Center.



Urban Theater

- Retail is the urban theater of the downtown experience.
- Continuity, visibility and placement are all essential as the shopper is drawn along the street.
- The role of dining and entertainment as anchors is increasing.
- The public realm must synergize, not detract, from the retail experience: public plazas, streetscape elements such as lights, street trees, benches, sidewalks, even trash receptacles and newspaper boxes.
- Cleanliness and safety are essential.

◀ Macy's flagship store at Union Square, San Francisco; Transparent façade responds to urban realm and makes store more inviting

CUSTOMERS

National demographics favor urban retail

Baby Boomers (47 – 61)

- In 2006, Baby Boomers comprised 26 percent of the national population. Each year, as more Baby Boomers retire, many will downsize and urbanize. This demographic group seeks out gourmet, high-end, and high quality purchases.
- Retail: Whole Foods, wine tasting, art galleries.

Generation X (27 – 42)

- In 2006, Generation Xers comprised 21 percent of the national population. This demographic group seeks unique, urban, authentic, and edgy experiences.
- Retailers: Local coffee shop, Urban Outfitters, Anthropologie

Generation Y (8 - 26)

- In 2006, Generation Yers comprised 28 percent of the national population. This demographic group seeks out interactive shopping experiences and high-tech products and practices socially and environmentally conscious spending.
- Retailers: Apple Store, Sony Store, Hollister

Unlike suburban shopping malls, downtowns serve a broader range of customers that keep the street active 18 hours a day

- **Visitors:** For anchor stores, 40 to 60 percent of sales go to visitors.
- **Residents:** Both local and regional residents. Baby boomers and Gen Xers are the dominant demographics for downtown living.
- **Employees:** Lunchtime shopping, after work.



DISCOUNT RETAIL

However, discount shopping is here to stay, even in downtowns

- Discount shopping dominates retail market share:
 - 77 percent of retail sales in America occur at discount prices.
 - 40 percent of retail sales are in major discount stores and growing in the current economy.
- Big boxes are adapting their stores to urban formats: Best Buy, Home Depot, Target, and even Wal-Mart.
- As suburban markets saturate, big boxes seek to expand into growing urban markets – *but with urban form.*
 - Target: Nationwide 40+ urban format stores in downtowns and lifestyle centers, average store is 125,000 square feet, two levels.
 - Best Buy: Stores are 40 percent smaller than suburban formats.
 - Wal-Mart: One tenth the size of a traditional Wal-Mart.

Although not appropriate for the retail core, such a store as an edge anchor would help keep more customers downtown



▲ Home Depot - Manhattan

2

Success Factors

- Methodology
- Definitions
- Case Study Success Factors

METHODOLOGY

The research of case studies identified a long list of “success factors” that supported each city’s retail success. Not every success factor was present in each city, but patterns were evident. For consistency and clarity, the definition of each success factor is described here.

The success factors are grouped into categories for organizational purposes, but there is considerable overlap and interrelationship between many of them. As opportunities for retail strengthening in Portland are explored and strategies are evaluated, these are the definitions of each factor that will be used.

Following the success factor definitions is a series of tables and graphs showing the degree to which each success factor is present in each case study city as found in the analysis. For each factor, conditions in downtown Portland were also evaluated (estimated) in order to compare the extent to which Portland has these conditions for success. The graphs at the right of each table translate these individual findings into averages that integrate findings for the five case study studies. Factors with a higher ‘present’ average indicate those that are present in most or all of the case studies – indicating, in turn, that Portland should strongly consider replicating these factors and conditions in order to further implement a successful downtown retail district.

DEFINITIONS

Physical

High traffic capacity. Streets accommodate a significant traffic volume, either in a one-way or two-way configuration, with at least two travel lanes. Two-way traffic is preferred.

Strong anchors. Important retail anchors exist and are strategically located throughout the district to maximize their impact.

On-street parking. On-street parking is available on the main thoroughfare throughout the district.

Public gathering space. A public plaza or park for large events and gatherings is located within or directly adjacent to the district.

Access and visibility. The retail district is conveniently located within the region, is highly visible, and is easily accessed from nearby freeways and neighborhoods.

Multimodal access. The district is easily accessible by autos yet is also well-served by transit.

Continuity. There are few or no retail gaps in the district.

Compactness of district. The district is compact and walkable.

Range of retail space options. Buildings throughout the district provide a range of space configurations, including varying floorplate sizes, multilevel buildings, and modern and historic space.

Quality pedestrian environment. Streetscapes are inviting to pedestrians, with wide sidewalks, ample wayfinding signage, street furniture, and other amenities.

Proximity to landmark destinations and cultural institutions. The signature retail district is close to supporting destinations such as museums, galleries, theaters, etc.

Regulatory standards. Special zoning and/or design standards apply to the signature retail area, specifically to reinforce the retail character of the area.

Clear relationship to other downtown districts. There are clear linkages to adjacent supporting districts such as office districts, cultural districts, civic centers, residential neighborhoods, and university districts.



DEFINITIONS

Market

Mix of price points. The mix of retailers covers multiple price points, including luxury, mid-market, and price-sensitive brands.

Mix of local and national anchors. Key national retailers are present, but are complemented with high quality local and regional retailers, particularly in fashion.

Diverse customer base. The customer base is balanced by residents, workers, and tourists and is not overly dependent on any one sector.

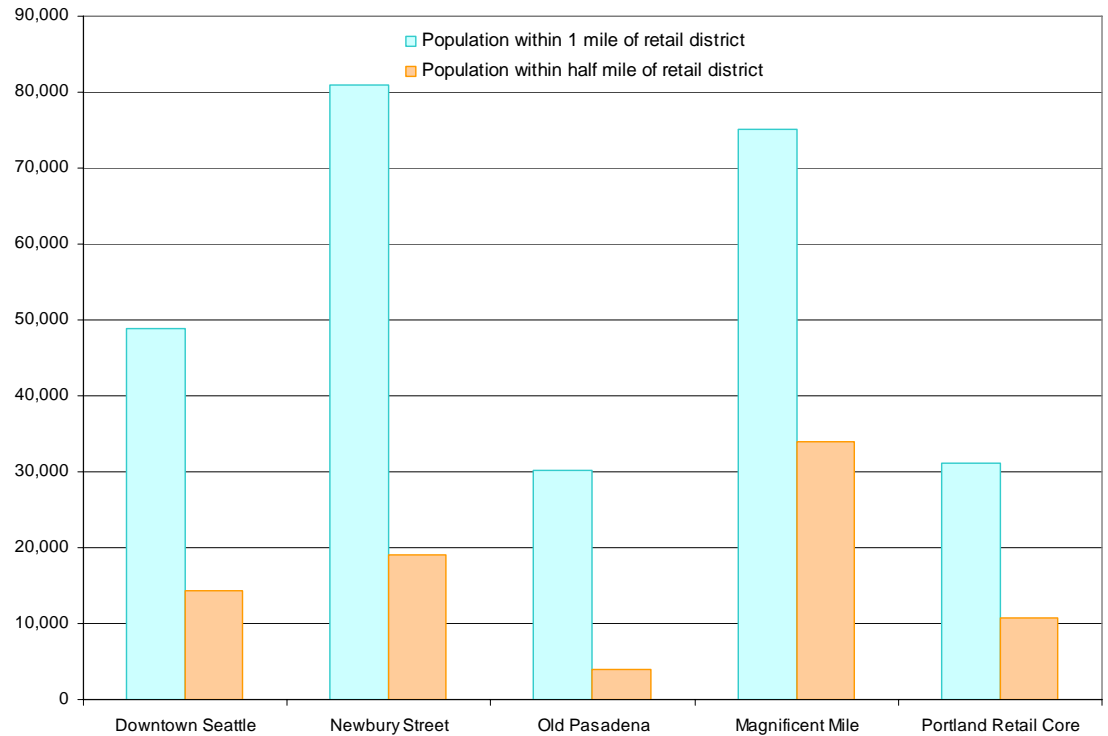
Distinctive brand or identity. The area has a unique name, brand, or recognized identity that distinguishes it from adjacent districts and other shopping districts in the city.

Key national retailers. Popular “must have” national retailers are located in the district. This may include large format department stores or small to medium format specialty or apparel stores. These retailers include (but are not limited to): Zara, H&M, Banana Republic, American Apparel, Apple Store, Crate & Barrel, Kate Spade, J. Crew, Restoration Hardware, Urban Outfitters, Williams-Sonoma, BCBG, Saks, Tiffany’s, Nordstrom, and Macy’s.

Strong residential base. The district is surrounded by a critical mass of housing, both to provide a base of shoppers, but also to help fill in the gaps and define the geography of the signature retail district. A district is considered to have a strong residential base if the population is greater than 40,000 within a one mile radius of the center of the district.

FIGURE 1

Close-in Residential Populations¹



¹Robson Street is not included in the graph because a Canadian data source that provides population data similar to that published by the U.S. Census was not available at the time this figure was produced. However, it should be noted that downtown Vancouver, wherein Robson Street is located, is well known for its large, high-density residential areas.

Source: ESRI Business Analyst and Leland Consulting Group

DEFINITIONS

Political and Financial

Public and private champions. Strong leaders exist both in the public and private sectors.

Pioneering local developer. Either currently or historically, a local developer played a catalyst role in stimulating or strengthening the signature retail district.

Catalyst development projects. There are or were one or more “big ideas” that kicked off the signature retail district or sustained its success.

Organizational and Management

Single management entity. There is a single management entity or organization that oversees all aspects of the downtown or that unifies the various service providers.

Advocacy and involvement beyond business interests. The downtown organization is about more than just retail or business – it addresses culture, safety, housing, and other issues that are important to downtown’s success.

Ambassador program. There is a program that puts ambassadors on the streets to provide assistance to shoppers and tourists. In some cases, the ambassadors may also play a role in providing security.

Comprehensive approach to public safety. The downtown’s approach to public safety goes beyond policing to address social service issues that underlie many nuisance crimes.

Well-programmed major events. Significant events are programmed that draw visitors to the downtown throughout the year.

Parking management. Parking, whether public, private, or on-street, is managed in a coordinated way through programs such as signage, validation, and marketing. In some cases, programs to encourage alternative transportation (public transit, biking, car pools, etc.) are in place.

Marketing. A comprehensive marketing program exists to advertise the district.

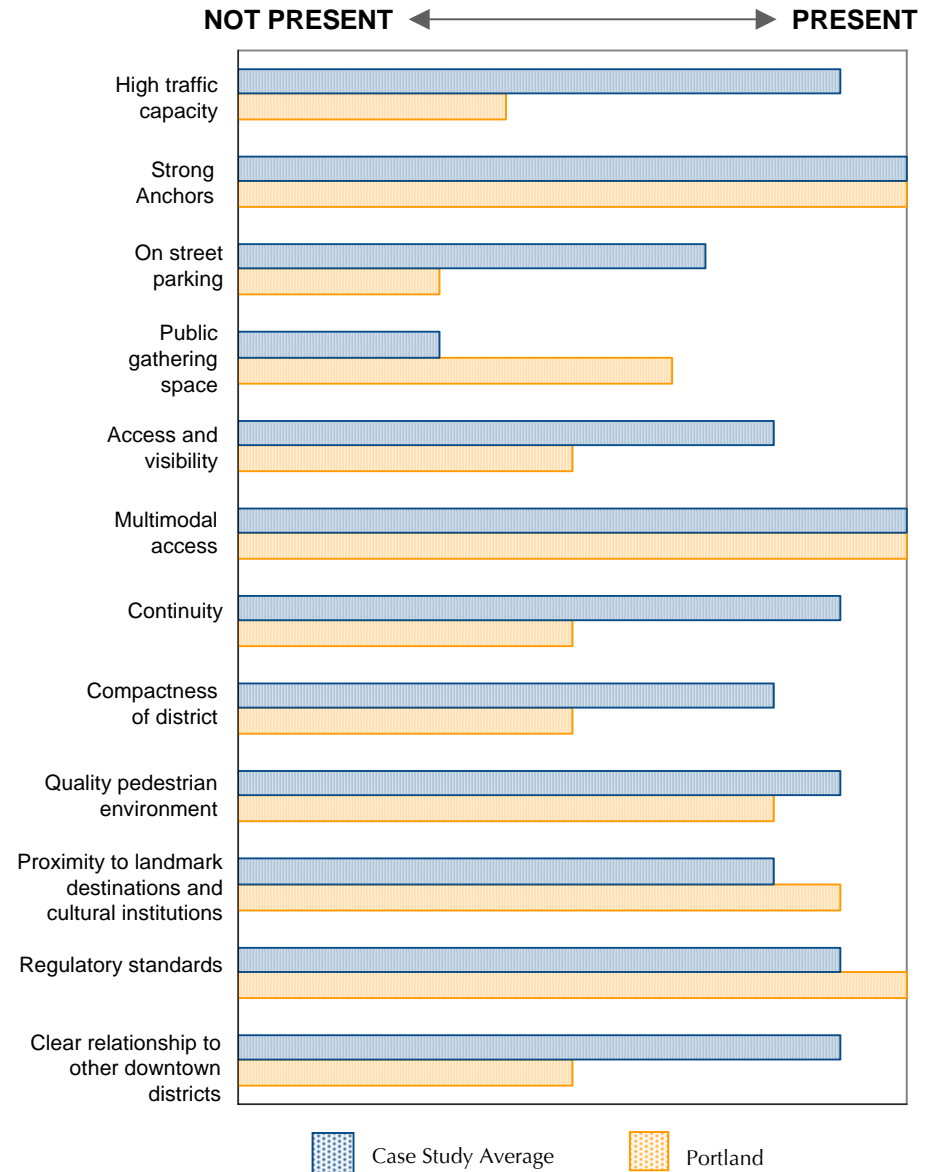
Streetscape cleaning and beautification programs. A program exists to provide streetscape cleaning and beautification above and beyond the base level of service provided by the city.

CASE STUDY SUCCESS FACTORS

Physical

Old Pasadena	Downtown Seattle	Robson Street	Magnificent Mile	Newbury Street	Portland Retail Core
--------------	------------------	---------------	------------------	----------------	----------------------

High traffic capacity	x	x	x	x	t	t
Strong anchors	x	x	x	x	x	x
On street parking	x	t	x	p	x	t
Public gathering space	p	x	p	t	p	x
Access and visibility	x	t	t	x	x	t
Multimodal access	x	x	x	x	x	x
Continuity	x	x	x	x	t	t
Compactness of district	x	x	x	t	t	t
Quality pedestrian environment	x	t	x	x	x	x
Proximity to landmark destinations and cultural institutions	t	x	x	t	x	x
Regulatory standards	x	x	t	x	x	x
Clear relationship to other downtown districts	x	t	x	x	x	t



CASE STUDY SUCCESS FACTORS

Market

Old Pasadena	Downtown Seattle	Robson Street	Magnificent Mile	Newbury Street	Portland Retail Core
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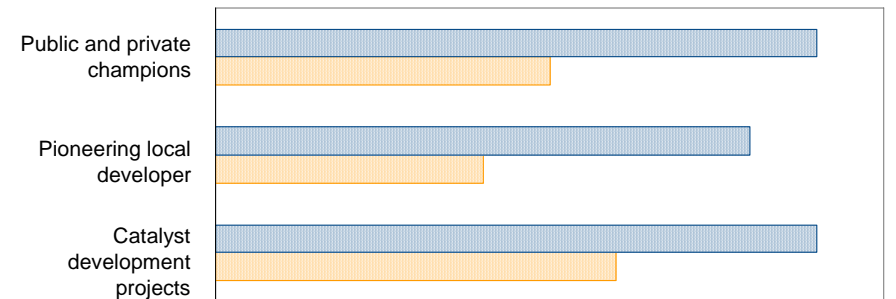
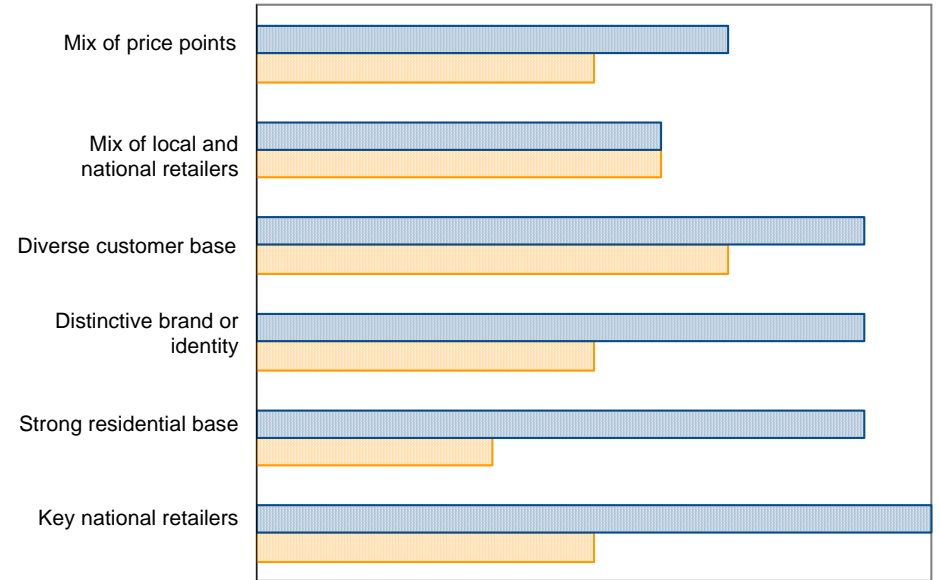
Mix of price points	t	x	x	t	t	x
Mix of local and national retailers	x	t	t	t	t	x
Diverse customer base	x	x	x	x	t	x
Distinctive brand or identity	x	t	x	x	x	t
Strong residential base	t	x	x	x	x	t
Key national retailers	x	x	x	x	x	t

Political and Financial

Old Pasadena	Downtown Seattle	Robson Street	Magnificent Mile	Newbury Street	Portland Retail Core
--------------	------------------	---------------	------------------	----------------	----------------------

Public and private champions	x	x	x	x	t	t
Pioneering local developer	t	x	x	x	t	t
Catalyst development projects	x	x	t	x	t	t

NOT PRESENT ← → PRESENT



Case Study Average (blue dotted bar) Portland (orange dotted bar)

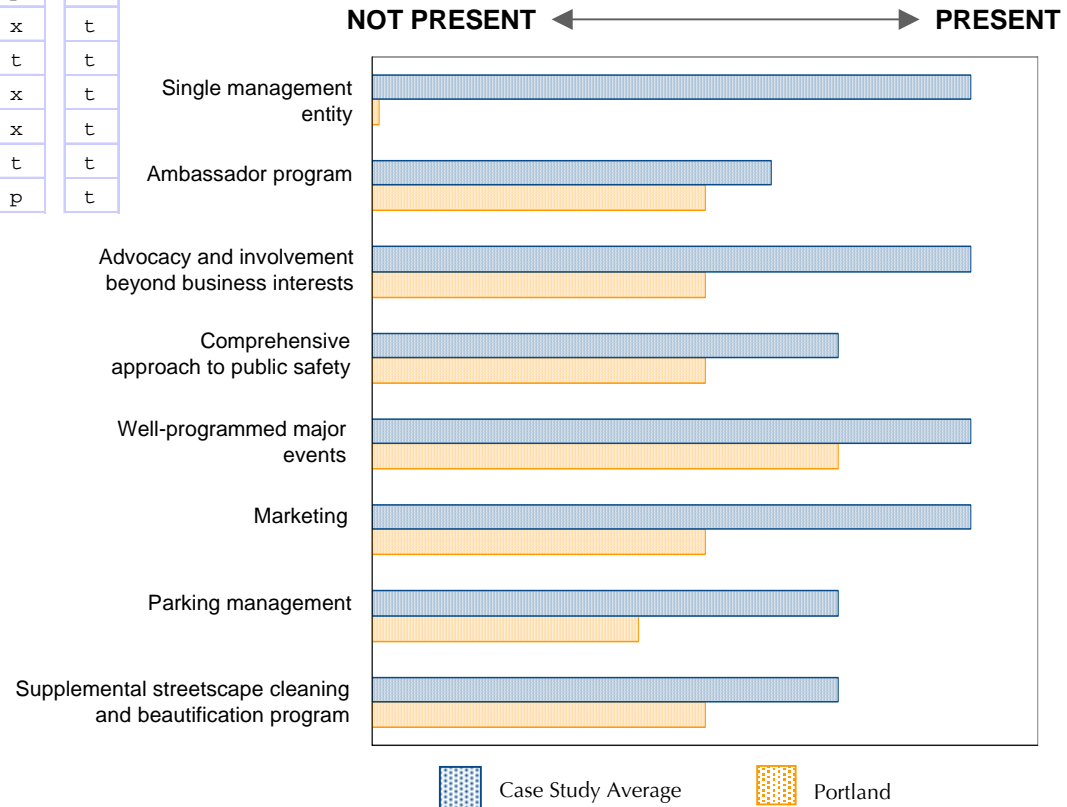


CASE STUDY SUCCESS FACTORS

Organizational and Management

Old Pasadena	Downtown Seattle	Robson Street	Magnificent Mile	Newbury Street	Portland Retail Core
--------------	------------------	---------------	------------------	----------------	----------------------

Single management entity	x	x	x	x	t	p
Ambassador program	x	x	x	p	p	t
Advocacy and involvement beyond business interests	t	x	x	x	x	t
Comprehensive approach to public safety	t	x	x	t	t	t
Well-programmed major events	x	x	t	x	x	t
Marketing	x	t	x	x	x	t
Parking management	x	x	t	t	t	t
Supplemental streetscape cleaning and beautification program	x	x	x	t	p	t



3

Premises and Observations

- Intent
- A Healthy Heart
- Premises and Observations

INTENT

The intent of this portion of the Findings and Recommendations report is to put forward some premises and observations. Premises and observations are statements, assumptions, and ideas about the downtown and about the retail core. They are based on the case studies research, on a working knowledge of Downtown Portland and its history, on our experience serving as strategic and development advisors to more than 80 downtowns, and on existing policy and goals as stated in previous planning documents. They are presented for the purpose of stimulating discussion between Mayor Adams and the Downtown Retail Vision Task Force. The premises and observations also set the stage for recommendations in the form of a signature retail solution for Portland’s core area.

As context, and fundamental to recommended strategy(s), there is recognition that the existing retail core, bounded by SW Salmon Street, SW Washington Street, SW 2nd Avenue and SW 12th Avenue, represents the primary concentration of major retailing in the Central City, including national, regional and local tenants. Other connected and nearby districts have been a part of the downtown and the Central City for decades, but no formal strategy or policy is in place to connect those other districts with the retail core.

The table at right describes the key guiding principles from recent planning documents, including the 2002 Retail Strategy, the 2007 Retail Strategy Update, and the 2008 Retail Findings prepared by Leland Consulting Group. These guiding principles encompass ongoing priorities of downtown stakeholders. For each principle, a priority recommended action for implementation is first identified.

Summary of Guiding Principles

	2008 LCG Guiding Principles	2002 Guiding Principles	2002 Strategy Conclusions Guiding 2007 Update
1	Encourage New Retail Growth	Protect and Enhance the Existing Core	The Retail Core is a first tier retail center with a natural market share of higher end, destination retail set apart from mid-market convenience and discount shopping areas. All development of complementary markets and recruitment efforts should focus o
2	Enhance and Link Subareas	Create Distinctiveness in Downtown Subareas	Create distinctiveness in Downtown subareas and linkage between them in order to create variety.
3	Strengthen Retail Streets	Strengthen Retail Streets that Serve as Connectors	Strengthen retail streets that serve as connectors in order to promote retail continuity, create pedestrian friendly streets that encourage retail activity, and co-tenancy opportunities to create visual linkages among storefronts.”
4	Recruit and Retain a Healthy Retail Mix	Continue Aggressive Marketing and Recruitment	Continue aggressive marketing, retention, and recruitment to keep Downtown Portland on the forefront of retailers’ and customers’ consciousness.
5	Encourage Supportive Development	Expand the Size of the Local Market	Expand the size of the adjacent residential market. A strong Retail Core needs a large, proximate, balanced housing stock.
6	Promote the Downtown Retail Core as a Unique Shopping Destination	Continue Aggressive Marketing and Recruitment	Maintain Downtown Portland as a distinct destination retail center for the region. Without it, the positive effects for other retail, office and residential development are difficult to achieve.
7	Enhance Public Space and Customer Convenience	Exploit Existing Amenities and Invest in New Amenities and Programs	N/A



A HEALTHY HEART

Cities across the country have realized that strong and healthy downtown retail is frontline economic development for many reasons.

- Downtown is the heart of the city and strong cities have strong hearts. It is the economic driver of employment for the city and the region.
- A strong downtown also strengthens city neighborhoods.
- The public realm and retail are the two most visible elements of downtown that visually communicate its health.
- A healthy downtown is a powerful statement of community pride and identity. A strong downtown image is a powerful recruitment tool for prospective businesses and residents.
- A strong downtown supports Portland's businesses by boosting the region's tourist and visitor industry.

Managing the downtown should be thought of as an ongoing, competitive business – it is never 'done.' Other cities are competing for residents, businesses, and tourists. To stay competitive, a number of problems and issues need to be addressed in order to sustain Downtown Portland's health.

PREMISES AND OBSERVATIONS

The premises and observations are intended to illuminate issues and provide the Task Force with an array of considerations as it examines alternative signature retail street(s) and district strategies and configurations. In discussions, the Task Force can adopt, reject, modify, or add to these premises and observations as tools in decision making. This is a recognized and reliable approach to strategic decision making. Premises and observations are presented as follows:

1 Signature Retail Streets and Districts Can Have Quite Different Physical Configurations So Long as Key Principles are Followed

The case studies clearly demonstrate that physical configurations (geography) can be quite different, one city from another. Each of the case study signature retail streets and districts display a respect for certain operating principles having to do with markets, management and organization, political factors and physical conditions. See the section on Case Study Success Factors for more detail on this critical observation.

2 Growing and Maintaining a Successful Downtown is a Highly Competitive Business

Building, maintaining, sustaining, and adding to a downtown is a highly competitive business.

Managing a downtown is neither an event nor a project, it is an ongoing business and should thus operate much like a successful ongoing business—requiring planning, leadership, management, reliable capital resources, development, operations, marketing, human resources, risk management, and other facets of a multi-million dollar enterprise. The competition is fierce and is local, regional and national—competition that seeks to draw away capital, customers, and success.

3 Great Downtown Retail Districts Need Great Leadership

Businesses rely on one final decision-maker at the head of the company; running the business of signature retail in the downtown retail core is no different. Multi-million dollar enterprises look to one individual or entity (CEO, COO, senior management team or board) for guidance and final decisions. Long-term success is achieved when all efforts toward creating a strong retail core are guided by a single, decision-making leadership structure with continual infusion of information in order to make informed decisions. The case study cities have a strong single entity for management of signature retail and downtown.

PREMISES AND OBSERVATIONS

4 *Traffic Accessibility is Very Important to Success*

The successful signature streets have both high traffic capacity and on-street parking as well as two-way traffic. Portland's successful transit system provides access through public transportation, but also limits capacity for traffic flow and on-street parking. Portland's downtown one-way streets reduce visual exposure to key retailers. Most downtowns are returning to two-way streets and ideally with good traffic capacity.

5 *Make it Happen*

A unified vision and retail strategy will guide the implementation. Creating a vision for downtown is the only the first step. Creating an implementation strategy is equally important to ensure the vision becomes reality. A holistic strategy addresses current and ongoing needs and how to get them accomplished. Issues such as recruitment and retention, tenant mix (national and independent), marketing, safety, parking, and others should all be components within the strategy. Housing, office, government, recreation, culture, entertainment and other active land uses should be integral to decision-making about next steps in retail investment.

6 *A Distinctive Brand*

A distinctive brand is valuable in strengthening identity and building market share. Brands are sometimes considered to be a logo or a sound bite – an inadequate effort. Downtown Portland lacks a distinctive brand. The signature streets and districts represented in the case studies are well branded and recognized nationally and in some cases, internationally. Branding should be approached carefully and the branding strategy developed with broad leadership consensus. What does Portland want to say to the world about what it is and what it wants to become? The same question applies to Portland's downtown and signature retail.

7 *“The Future Ain't What It Used to Be ”*

A strong retail core environment is defined such that it can accommodate change while remaining strong. The current economic downturn will change the face of retailing, thus requiring more flexibility to accommodate change within the retail core. Yogi Berra's quip is timely. The United States is in a recession that has had a negative impact on the global economy. Some experts claim that we are experiencing a financial crisis deeper in magnitude than any in the past fifty years. Even as resources are being assembled to affect remedies, final results cannot be known at this time. Therefore, planning for the future in a vision context for the downtown core and its relationship to surrounding districts also cannot be known at a detailed economic level. Suffice it to say that most experts in the planning, real estate and development fields anticipate that the future will be different. Retail is being particularly hard hit by this crisis. Some, perhaps a significant number of retailers, will not survive. Thus the need for a strong, but equally flexible retail core to accommodate on-going change. The street (public realm) is the “stage,” the stores are the “sets” in the play.

PREMISES AND OBSERVATIONS

8 *Take Care of the Heart*

The retail core is the heart of the City and affects the success of the entire City. The retail core and the signature retail street(s) and district are the most visible, the most visited, the most memorable geography of the region—and perhaps the state. It is the draw, the lights, the entertainment, the urban theater, a place of excitement, an invitation to residents and visitors. The vitality and health of Portland’s heart (retail core) directly affects the success of the districts and sub-districts that it touches and influences. One factor for the Pearl District’s rapid success has been its connection to the heart. The same case can be made for other close-in districts such as Portland State University, the South Waterfront, RiverPlace, the office sub-districts, the Cultural District and adjacent neighborhoods that have so successfully redeveloped. Plans on the drawing boards – Conway, South Waterfront, Lincoln School, University District and others – will continue to have a dependency upon the strength and influence of success of the core.

9 *Build From a Solid Foundation*

The retail core has existing, established infrastructure assets; the signature retail street(s) will evolve from the current structure. Intense investment along SW Morrison Street, portions of Broadway and Yamhill Street and the transit mall form the centerpiece of Portland’s successful core retail district. National department stores, local and regional retailers, both on these and adjacent streets represent significant fixed investment. We thus should start from where we are – strengthening the principal core retail streets, in-filling, providing continuity in th, adding attraction and magic, building from where we find the retail core today.

10 *The Core is Shifting*

The retail core is shifting to the west. Recent and planned investments between SW Broadway and SW 10th Avenue are both adding to the core and shifting the center of (retail) gravity to the west. Recent projects in the west end, connecting the retail core to the Pearl District are beginning to evolve. Some projects are under construction and more are planned. Without a strategy, retail is likely to pull further from the river. The financial challenges facing General Growth Properties, owner of Pioneer Place, could further contribute to the shift, depending upon remedies to stem the loss of key national tenants in Pioneer Place.

11 *Protect Key Assets*

Public investment in place in the core should be protected. As an immediate example, Pioneer Place is a key anchor to downtown retail and to the core. Its health and sustainability has a significant impact on the rest of the core retail district. Portland has a substantial capital and strategic investment in this property. As such, it should not be allowed to lose its key national anchor tenants. Because of General Growth Properties’ financial condition, Pioneer Place is in danger. Keeping the mall tenanted and healthy should be a top priority. The most effective method would be to find a new and capable owner and manager that will continue to anchor the east end of the retail core.

12 *Stronger Residential Base*

The case study cities have a strong residential base. Portland has a strong residential base in its urban condominiums, apartments and nearby neighborhoods. However, there is not significant housing immediately adjacent to the retail core. The east and west ends of the retail core could be developed with intense housing, making the walk-in population much stronger – for jobs, for shopping, for entertainment and for culture. Incentives in the form of higher floor area ratios should be considered.

PREMISES AND OBSERVATIONS

13 Strengthen Links

A strong downtown is a series of unique districts that are linked for better continuity and strength. All downtowns are comprised of many districts, commonly dominated or at least characterized by one or several uses, activities, and personalities. Successful downtowns respect and strengthen both the distinct character of each district by reinforcing linkages to the heart of the downtown and to each other. These districts should connect to the heart. What links these districts and activities to each other is the public realm—streets, sidewalks, plazas, and public buildings. Street level retail may be a connecting and vital link, as can an urban park or a transit line. Portland’s close-in districts include the Pearl District, Brewery Blocks, West End, University District (Portland State University), Cultural District, Old Town, Yamhill Historic District, and the Government District.

14 Scale Retail Concentrations and Create Retail ‘Branches’

Determine and implement how the retail core connects with other districts and sub-districts. A signature retail street can suggest there is only one major retail concentration. Yet other retail is needed and appropriate in and adjacent to the core. Not all retail can or should be on an “A” street. “B” and even “C” streets are also needed.

15 Retail Can be an “End” or a “Means to an End”

The signature retail street(s) of anchors and independents is an “end;” the retail as an amenity in mixed-use buildings and other districts is a ‘means to an end.’ Strong and successful retail stores, dining and entertainment are an ‘end objective’ in the retail core. In other districts, retail serves a function; important yes, but more a means to an end. Consider that in a mixed-use mid-rise or high-rise building, the retail component (typically one story on the ground floor) is a very minor part of the total capital investment. Yet the role that retail plays is essential as it provides goods, services and an inviting experience at the street level – the public realm. The retail, through its color, lights, character, offerings, ambiance, becomes an attractor and creates interest in the marketplace to stimulate the desire to live or work ‘upstairs.’ The line between architecture and marketing is invisible. Linking the core to other districts can be achieved with retail tentacles to facilitate retail as a means to an end by creating desirable places, street level interest, activity and attraction and strengthening the public realm platform that supports mid-rise and high-rise office and housing.

16 Determine Pulse Points for Capital Concentration

Pulse points describe those key locations where public and private capital will be concentrated. Pulse points are locations intended to produce PlaceMaking, achieve public policy, stimulate nearby investment and attract private capital. Examples of pulse points include Pioneer Square, Pioneer Place, Brewery Blocks and other concentrations of capital. A pulse point might be the termination of a district, a connection between districts, key intersections along a corridor, a cluster of activity around a public plaza – a place where the “ripple effect” of this concentrated investment can spread to other nearby blocks and properties. Pulse points and catalytic sites are linked. Some catalytic sites exist today, such as vacant blocks, parking lots, underutilized buildings, and similar locations that are ripe for redevelopment. Some catalytic sites may have to be assembled and made ready for development.

PREMISES AND OBSERVATIONS

17 *Accurately Size the Balance Sheet*

Capital investment in the retail core benefits the greater downtown and beyond, thus the entire City balance sheet should be considered when investing in the core. Investment in the retail core and its links to the other districts and sub-districts is not a site-specific investment. Consider that the retail core's balance sheet encompasses the entire downtown, including its adjacent and nearby districts and to some extent the entire region as downtown is the primary and consistent attractor for visitors and the region-wide audience. Retail core investment strengthens tourism and visitor expenditures, fills hotel rooms, sells goods, and supports restaurants, theaters, and cultural facilities. It also helps create jobs, increases tax revenues and more. Investments in the core must be considered much more broad-based and holistically. Investment through public-private financing for a given project should realistically stimulate additional investment. As a rule of thumb, the public-private capital structure is \$1 of public investment for every \$4 to \$5 of private investment.

18 *Retail is Part of a Family of Uses*

Downtown retail, while typically the most visible of uses in a downtown, is part of a complex and integrated family of uses and activities. Office space, urban housing, institutional and cultural facilities, public buildings and open space, theaters, hotels, and restaurants all can, when thoughtfully planned and carried out, make the Place.

19 *Capture Increment Quickly*

The sooner the new urban renewal district is formed, the greater the chance that increment from current projects will be captured; it is likely no new additional projects will take place for several years. A new urban renewal district is essential if downtown is to recover from the effects of the current financial crisis and to grow successfully. Tax increment revenues generated by projects that are currently underway will give the new district instant bonding capacity and will provide a necessary funding source for early actions in the district, including planning, marketing, operations, and other investments.

20 *Do Not Over Retail the Downtown*

Downtown can be easily over-retailed through regulatory requirements, weakening key retail streets and the retail core. Retail is a very demanding land use, particularly in a downtown environment. It requires access, visibility, connection to other successful retail, and an attractive public realm (street), nearby parking, nearby public transit, a safe environment and other fundamental attributes. Retail customers have a great deal of choice. Thus, for a downtown retail district to be successful, people must feel compelled to come there. People want to feel comfortable, be entertained, have shopping choices, feel safe, and more. It is a common mistake to over-retail a downtown by requiring (by code) that retail occupy the ground floor of all or most buildings; frequently in locations where the fundamental rules of retailing cannot be met. Retail should be required where it is strategically needed and wanted – not everywhere. Allow for market flexibility as density in the downtown increases. Disregarding these principles will dilute the retailing strength of the core and the critical sub-district retail concentrations and key linking streets. Downtown Portland is under-retailed (in a healthy economy) and new retail should be introduced where it is needed and wanted. Retail development should be avoided in some portions of the downtown by policy.

PREMISES AND OBSERVATIONS

21 Remember Safety—Real and Perceived

Safety and the perception of safety is a critical issue for retailers. Discussions of downtown successes, challenges, and revitalization inevitably move to the subject of public safety, both real and imagined. Most, if not all local studies reviewed by Leland Consulting Group cite public safety as a deterrent to one degree or another to shopping and working downtown. Safety, or a lack thereof, has a particularly high impact on retailing. Discussions with the major national anchors in the downtown suggest that up to 40 to 60 percent of sales come from visitors (tourists). A plus on the one hand, but certainly a negative on the other—why are not more of the region’s citizens shopping in the downtown? There are certainly no quick answers resulting from this current engagement that deal with the social, economic and public safety issues of homelessness, street people, drug activity, person-to-person and property crime. However, for Downtown Portland to grow, be successful over time and achieve a brand for Portland requires that this issue be dealt with. With the impact of the recession, the challenges of homelessness, unemployment, and street people can be expected to increase significantly.

4

Alternatives

- Signature Retail
- Alternative Solutions

SIGNATURE RETAIL

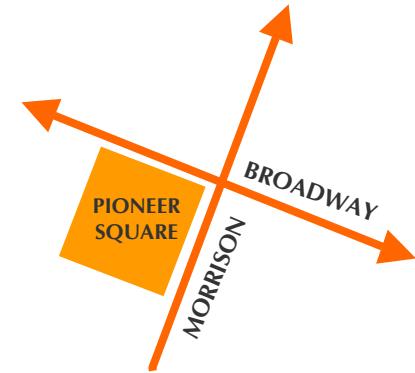
This section of the report describes alternative solutions for establishing and enhancing Portland's Downtown Signature Retail concentration. As charged by Mayor Adams to identify "Portland's future equivalent of Chicago's Magnificent Mile" – *Big Ideas* are necessary and appropriate. Rarely will a community rally around fixing, repairing, or band-aiding problems. People and communities want something special, meaningful, and rewarding – big ideas that bring about needed and meaningful change. Given the premise that the retail core is one of the most visible and memorable districts in Portland and that districts are interconnected and interdependent, the retail core both needs and deserves a bold, exciting, and highly attractive signature retail presence. The signature retail street(s) and district reinforce these city-building principles.

The case studies report and the previous two sections of this report examined the success factors from signature retail streets and districts in the case study cities. Those factors were then averaged and consolidated to show the level of significance, factor-by-factor across the five case studies. From that, the weighted success factors were examined in relation to conditions (as analyzed by Leland Consulting Group) in Downtown Portland. Finally, a series of observations and premises were drawn as ideas and tools to apply in exploring alternatives.

ALTERNATIVE SOLUTIONS

The alternatives are organized around a common 'Armature.' The armature, or skeleton, is the street system to be elevated to signature and signature-supporting status. The street (public realm) is, as expressed previously, the 'stage' upon and next to which are established the 'sets' in the construct of 'urban theater.' Retail is, in large measure, a form of theater with images, an array of facades, lighting, exhibits, color, activity, entertainment and more.

The fundamental signature retail armature involves two streets – SW Morrison Street, the location of existing major retail anchors, and SW Broadway, a street with elements of strong retail and an opportunity to return Portland's historic premier street to some, if not all, of its former glory. Other streets support this signature concept. Alternatives have to do with how the armature is executed – or by analogy, how the tree is decorated and the size of the tree. The primary signature retail concept is to bring both signature streets up to premier status at the same time. They intersect at Pioneer Square, which is for many, the symbolic heart and gathering place of the city.



Return Broadway to its Former Glory

SW Broadway, once the signature street in Downtown Portland, has lost that status – with the exception of one primary block between SW Yamhill and SW Taylor and, of course, the presence of Nordstrom between SW Morrison and SW Yamhill.

Broadway should, as a recommendation, be returned to its earlier significance and be celebrated as a signature retail street. Consider converting Broadway to two-way traffic. Challenging, yes, but most signature retail districts have two-way streets and significant carrying capacity. Can it accommodate a planted median? Can the bike lanes be shifted to adjacent streets? Will two-way traffic work with only one lane in each direction and still allow parking? Or, will parking have to be removed for part of a boulevard? These are just a few of the questions if the Task Force believes the recommendation is a *Big Idea* with merit.

ALTERNATIVE SOLUTIONS

Retail Signature - A Shared Alliance

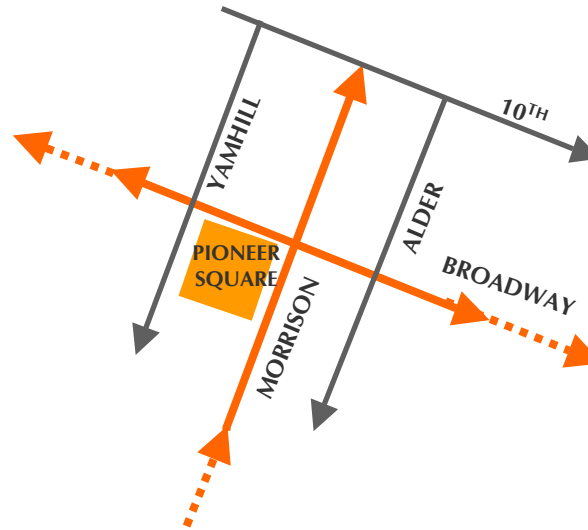
As stated, the recommendation is that two major (A) streets share the signature role converging at Pioneer Square. Morrison's signature status is recommended to extend from SW 3rd to SW 10th. Broadway's signature status would run from SW Washington to SW Taylor.

Supporting Streets

Supporting streets (B streets) play an important role in the Signature Retail District:

- Yamhill Street – SW 3rd to SW 10th
- Alder Street – SW 4th to SW 10th (possibly SW Park)
- 10th Avenue – SW Yamhill to SW Burnside
- Morrison Street – SW 3rd to SW Naito Parkway
- Broadway – SW Washington to Burnside
- Broadway – SW Taylor to SW Jefferson

Supporting retail streets have hierarchies and the appropriate levels of retailing on each needs further discussion and study. Bringing more price-sensitive stores and products into and adjacent to the signature streets is important to broaden the market reach of the overall retail core. Appropriately scaled and designed urban versions of "big boxes," traditionally located in power centers and near freeways, can be an important part of Portland's retail core and can help attract new spending dollars and reduce leakage to suburban locations.



Retail Branches

Two retail 'branches' to the 'tree' are recommended. Perhaps a better term could be found, however, 'branches' illustrate the connective capacity of the signature retail concentration to nearby districts and sub-districts.

The first is to form a retail branch along SW 10th from SW Morrison to W Burnside. All five blocks along SW 10th should be retailed. Retail at the ground level will provide an attractive and inviting street level environment that encourages very high-density housing and likely some office uses along the 10th Avenue length and establish an intense population base immediately adjacent to the retail core.

The retail along 10th Avenue could be considered "retail light" with restaurants, galleries, services, and related storefronts that support livability upstairs. Retail of 100,000 square feet (five blocks, 2,000 lineal feet of storefront, 50 feet of store depth) will be sufficient to establish this environment with retail as a "means to an end." Connecting the core to Powell's, a major local and tourist attraction, along this branch is an important strategy and helps to establish a major pulse point where the West End connects to the Pearl District.

Another important retail branch is the connection between the signature retail and W Burnside along SW Broadway. Whereas part of the signature retail should be concentrated on SW Broadway between SW Washington and SW Taylor, the rest of SW Broadway is also very important, both as a connector of districts and an entry into the core, particularly if SW Broadway is converted to two-way traffic. Similarly, the connection on the south from SW Taylor to Portland State University also deserves an enhanced status.

ALTERNATIVE SOLUTIONS

B Streets and Affordable Fashion and Products

SW Yamhill and SW Alder, considered in this analysis as B streets, can play a significant role in the signature retailing strategy. The retail core is undersupplied with affordable product offerings. People living in and near downtown are forced to shop elsewhere when it comes to price-sensitive purchases. Affordable fashion retailers such as H&M, Zara, and Target can and would complement the high-end fashion offering represented by Nordstrom, Saks Fifth Avenue, Brooks Brothers, Mario's, St. John, Jessica McClintock, and Jerri Rice.

Mixed-Use Pulses and Connecting the Waterfront

Another important B street connector is SW Morrison from SW 3rd Avenue to the riverfront. Nordstrom's Rack and other retailers are aligned along this section of SW Morrison. However, the SW 3rd Avenue to waterfront connection should not have the same status as the signature portion of SW Morrison (from SW 3rd to SW 10th). East of SW 3rd is a mixed-use opportunity zone, particularly as it gets closer to the river and the Morrison bridgehead. A similar mixed-use concentration is suggested at the west end of SW Morrison (between SW 10th and SW 12th), tying into the SW 10th Street retail branch.

Repair Continuity

The average shopper will walk approximately 1,200 feet (quarter mile) in a retail environment providing that there is continuity – interesting stores that pull the customer along. The signature retail streets (SW Broadway and SW Morrison) have serious gaps in continuity:

- Weak retail on SW Morrison between SW Broadway and SW 6th across from Pioneer Square;
- No retail on the south side of SW Yamhill between SW Broadway and SW 6th;
- Spotty retail on both sides of SW Broadway between SW Morrison and SW Washington;
- Weak retail on SW Alder between SW Broadway and SW 5th (with the exception of Macy's);
- Banks and service businesses occupying critical corners; and
- Other weak or spotty retail on the B streets supporting the signature streets.

The Pioneer Courthouse, located immediately east of Pioneer Square, is a beautiful historic building. However, the Courthouse is a barrier to retailing. Its limited use (courts) contributes little or nothing to the signature district. A *Big Idea* to consider is to purchase this building from the Federal Government and activate it with cultural uses, retail, restaurants, and other attractions.

Banks on key retail corners is a universal issue in most downtowns. The reason – banks have historically moved into downtowns and retail districts before major retailers. It is not necessary to remove the banks so long as retail continuity can be provided. If “retail liner space” can be cut into a portion of the bank's space and made accessible from the street, the bank could remain and the signature street can get its retail continuity. In some cases it may be appropriate for the city or an agency to lease key ground level space and re-tenant that space with the most desired tenants.



ALTERNATIVE SOLUTIONS

Intensified Housing – Reinforcing the Signature District

The retail core needs more housing in close proximity – a key success factor in the case study cities. Consider increasing the FAR (floor area ratio) on both sides of SW 10th Avenue up to the I-405 Freeway. Many existing FAR allowances are approximately 9:1, with some bonus provisions for housing to bring the FAR to 11:1. A standard 40,000 square foot downtown block could develop 360,000 square feet of building (40,000 x 9) plus a bonus of 80,000 square feet (40,000 x 2), for a total of 440,000 square feet. With a 20,000 square foot footprint on the upper floors (the footprint of the first two floors would likely go street-to-street), a 20-story tower could result.

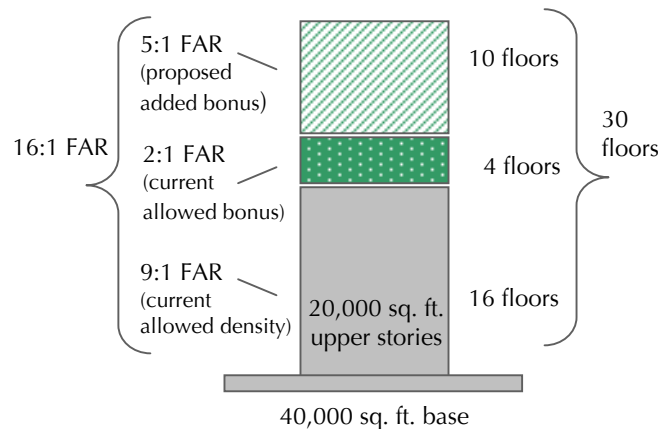
If, as example, the FAR was raised an additional 5:1, making a 16:1 total FAR, the tower might achieve 30 or more stories (see figure 2 at right). Consider the possibility that a portion of the additional 5:1 FAR might not be an outright allowance, but rather, an opportunity or option to purchase capacity at say, \$20,000 to \$25,000 per unit. Using the above example, an additional 5:1 FAR could generate as much as \$3.75 million (150 additional units, or 10 floors at 15 units per floor, x \$20,000) that could go into a revolving fund to assist in financing affordable and workforce housing.

As just described, likely benefits that would result from allowing developers to build at higher densities in the downtown core and selected nearby districts and sub-districts include:

- Increased population base in the core;
- A new tool to finance affordable housing;
- Increased retail customer base; and
- A bigger investment increases the financial feasibility of tearing down existing buildings and redeveloping a site.

One of the challenges to removing buildings in the West End for redevelopment is the economics of demolition. With a significant increase in the FAR, even with an affordable housing ‘fee’, site assembly and demolition become more achievable. A similar solution (intensified housing) should be considered for the east end of the signature retail in the mixed-use district near the waterfront (along Morrison and nearby east-west streets and close to the Yamhill Historic District). Again, intensifying population on both the east and west ends of the retail core assure long-term support for the heart of the city.

FIGURE 2
Illustration of Potential Impacts of Increased Density Bonus



Side note: The existing FAR heights were not established through any rigorous process. They have been a part of the code for several decades, long before the significant changes that have occurred in Downtown Portland and long before the significant changes in America’s household sizes and attraction to urban housing. Downtown is landlocked by the river, the hills and the Pearl District. Vertical development is a persuasive argument for providing long-term growth potential.

ALTERNATIVE SOLUTIONS

Clicks and Bricks

Clicks & Bricks refers to the convergence of the physical and virtual realms in retail and urban destinations. Evidence is growing that retailing has already changed as a result of new and emerging electronic and digital communications. Web 2.0, Pull-based Marketing Technologies, Geo-location, WAN networks, Mash-Ups, portals, and millions of little mobile device applications will alter the face and operation of retail over time.

Having smaller stores (less square footage) is one possible outcome of this shift as just-in-time delivery is enhanced, and full-scale product construction (build it or sample it electronically in the store, including apparel) with delivery tomorrow will require less stocking and store support space. Electronic wayfinding in the signature district will lead shoppers directly to desired products. Media walls in the core can communicate events and opportunities, and much, much more. Real time communications with other portals around the world offer great entertainment opportunity – consider a major portal at Pioneer Square. Media walls can also add to the vitality of the signature district.

Linkages

Linking districts and sub-districts is an essential part of the strategy:

- Retailing SW 10th connects the core with the West End and the Pearl District.
- Retailing SW 10th reinforces intensified housing next to the core.
- Elevating SW Broadway to signature status connects to Old Town and Cultural District.
- Elevating SW Broadway to signature status connects to Portland State University.
- Elevating SW Morrison to signature street connects to the waterfront.
- Other districts are connected less by retail and more by transit, parks, streets.

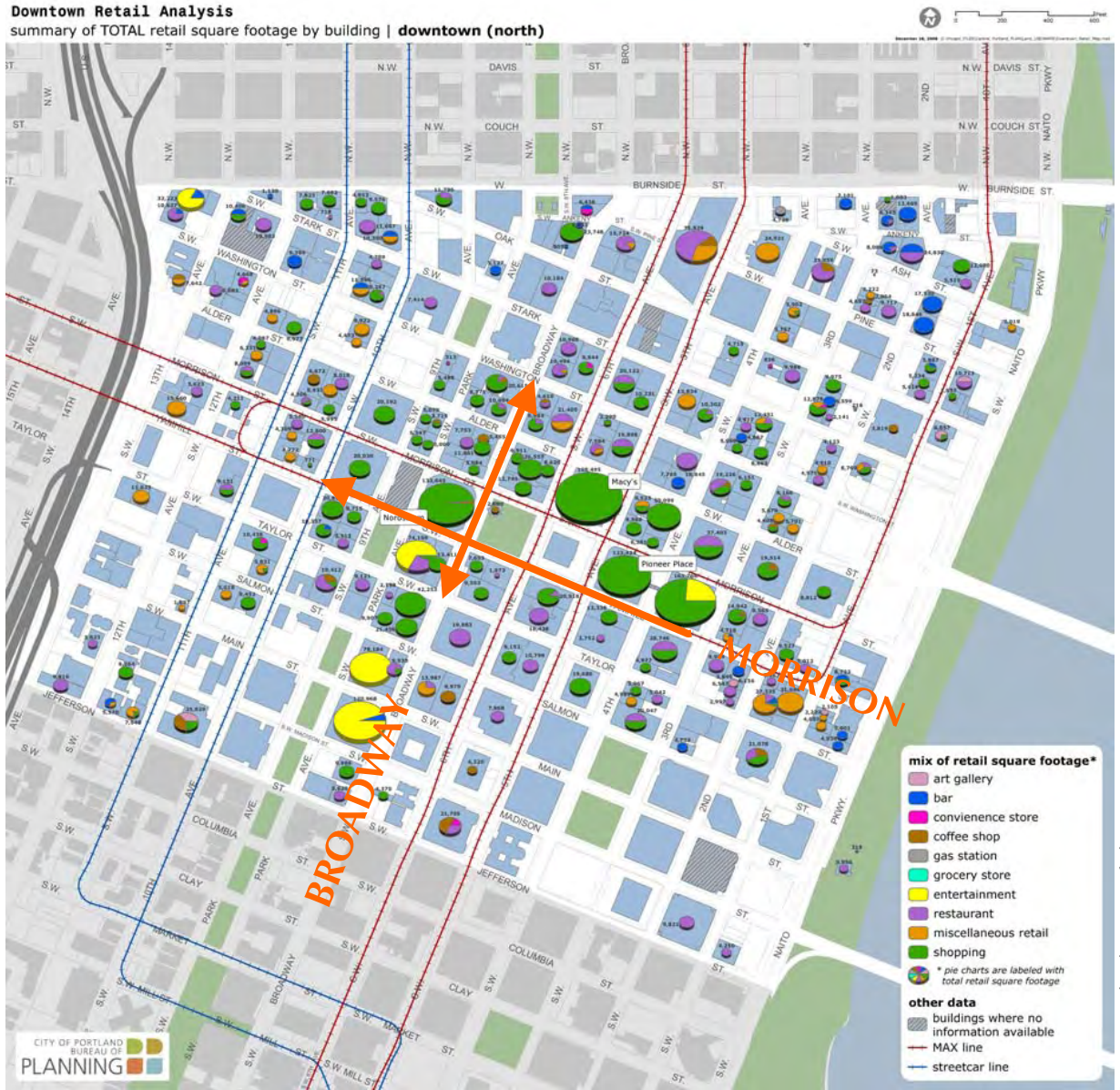
Gateways

Another *Big Idea* is establishing physical gateways at the entries to the four signature retail streets: SW Broadway at SW Washington, SW Broadway at SW Taylor, SW Morrison at SW 10th and SW Morrison at Naito Parkway. Design competitions could provide inspiring physical statements of arrival to Portland's signature retail district and streets. San Diego's Gaslight District has such gateways. Each might be different.

ALTERNATIVE SOLUTIONS

Existing Conditions

The map at right indicates existing retail concentrations in Downtown Portland. Each pie chart is color-coded for the type of retail or service space, ignoring upper floor uses such as office, hotel, and housing. Two significant conditions are clearly evident: 1) the retail concentration along Morrison and Yamhill; and 2) the retail entertainment concentration along Broadway.



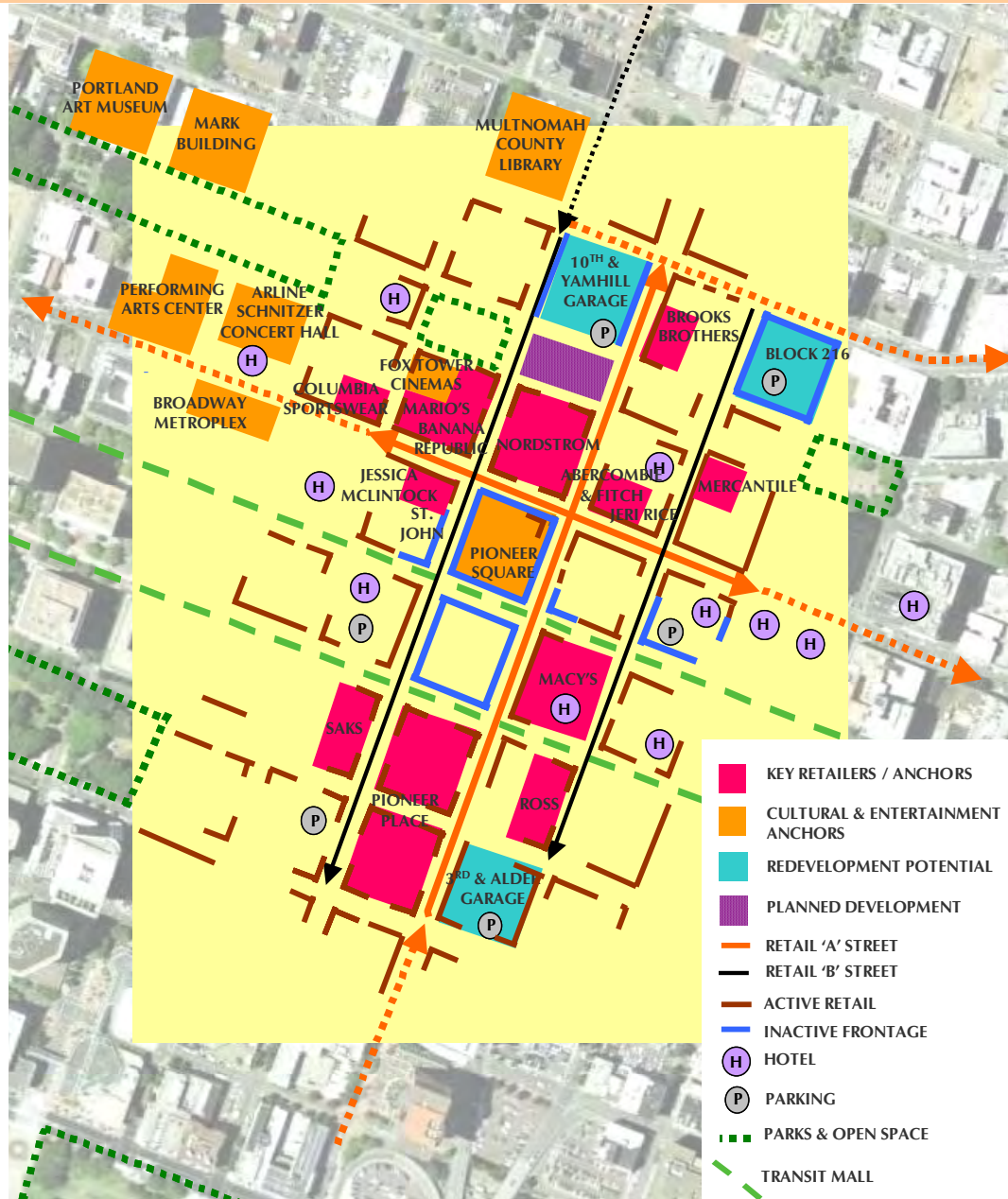
Source: Portland Bureau of Planning

ALTERNATIVE SOLUTIONS

Preferred Alternative

The map at right illustrates the preferred alternative solution for Portland's downtown retail core. In addition to showing recommended A and B retail streets, the map identifies existing physical conditions in the core, including retail and cultural and entertainment anchors, blocks with redevelopment potential, planned development, blocks with active retail frontage and inactive frontage, hotels and parking garages, parks and open space, and the location of the transit mall, which is currently undergoing improvements and slated to reopen in Spring 2009.

For the purpose of comparing the recommended alternative for Portland's retail core and signature streets to the case study retail districts, maps of the case study districts are provided in Appendix A.

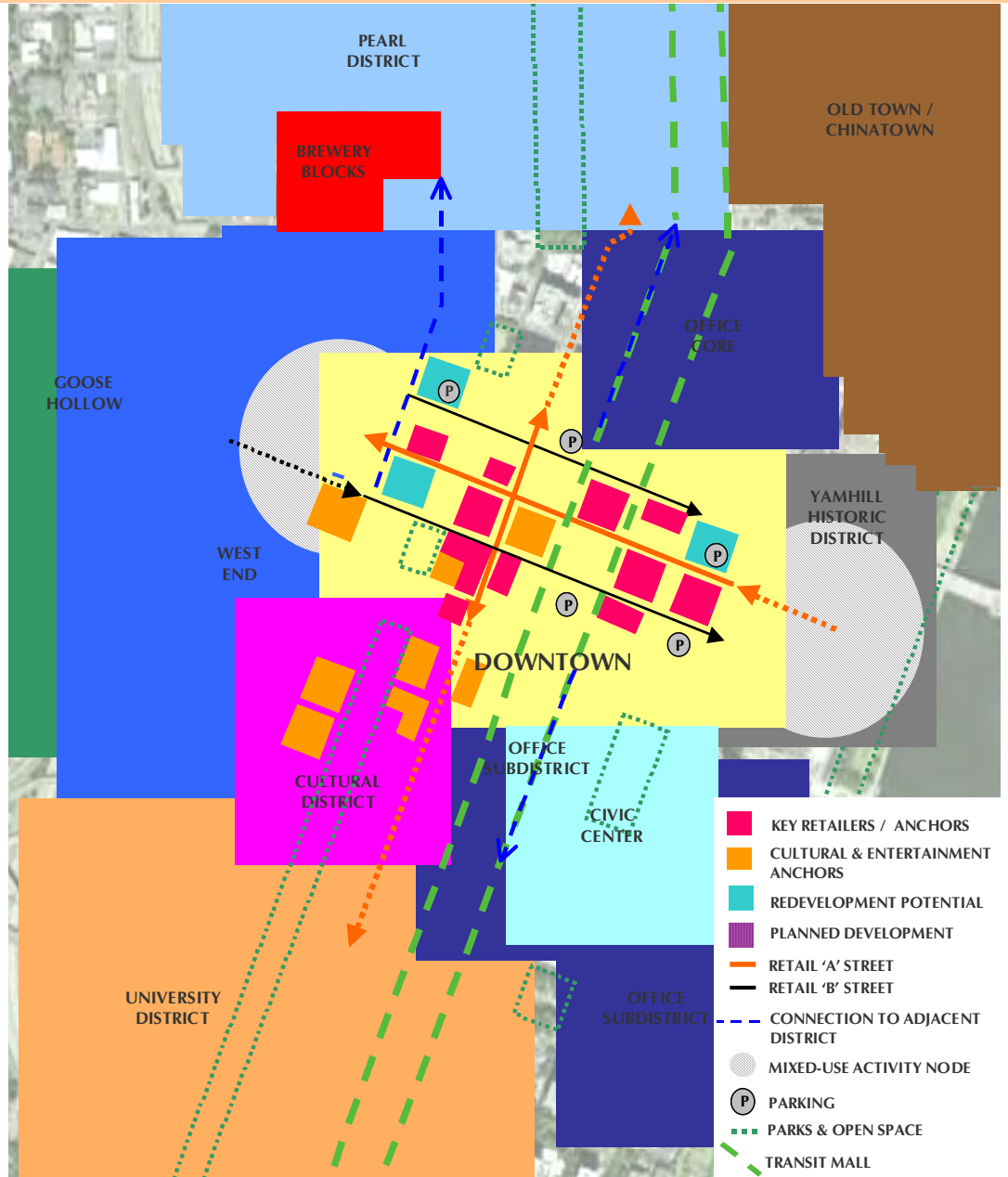


Source: Leland Consulting Group and Google Maps

ALTERNATIVE SOLUTIONS

Connections to Other Districts

The map at right shows Portland's downtown retail core in relation to other adjacent and nearby districts and sub-districts. The map illustrates current and needed linkages between the downtown core and other districts and sub-districts. Linkages can take the form of retail 'branches,' park blocks, transit lines and dominant streets.



Source: Ieland Consulting Group and Google Maps

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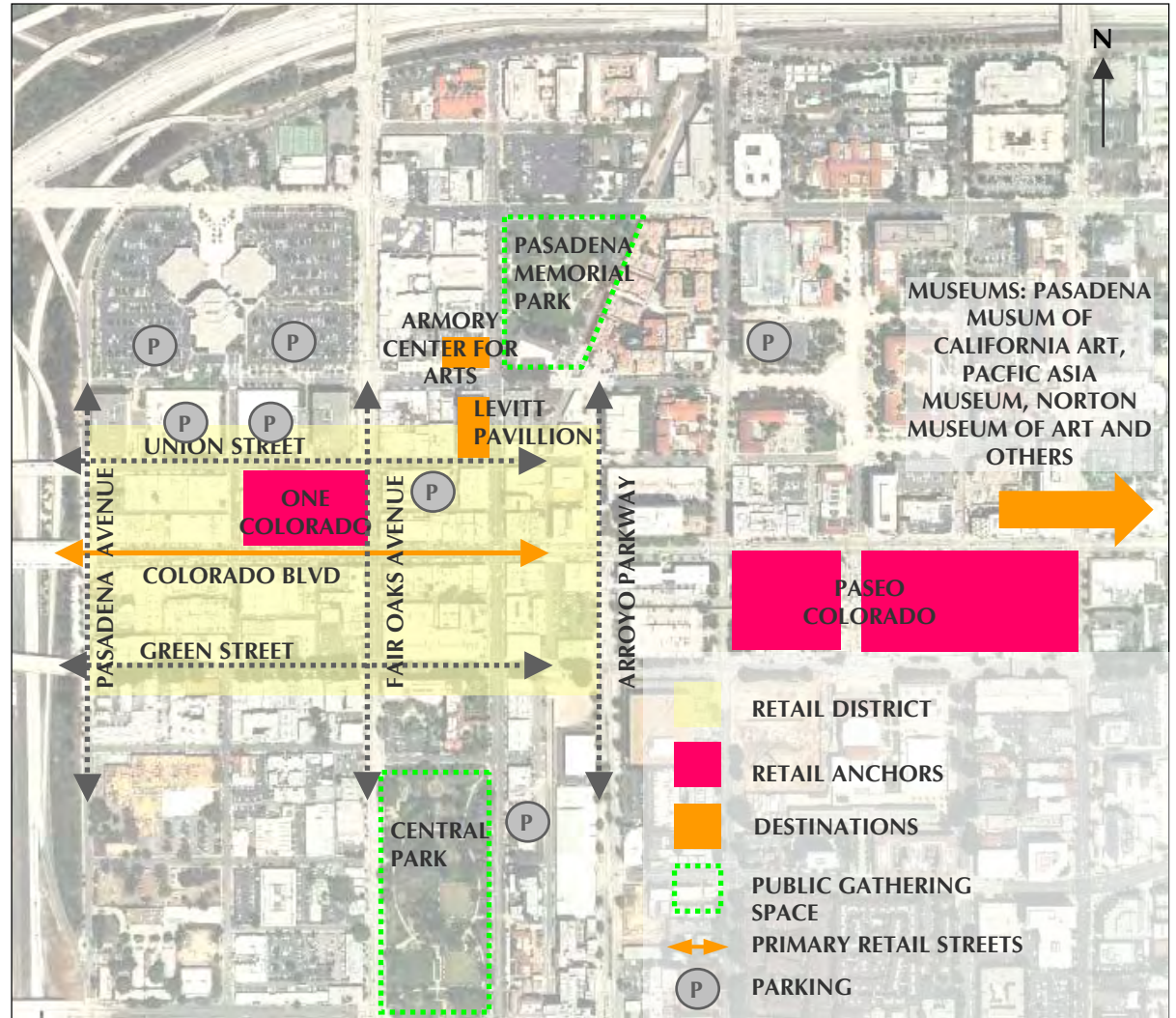
FINDINGS AND RECOMMENDATIONS IN SUPPORT OF THE DOWNTOWN PORTLAND RETAIL VISION

Appendix

- Case Study Maps

CASE STUDY MAPS

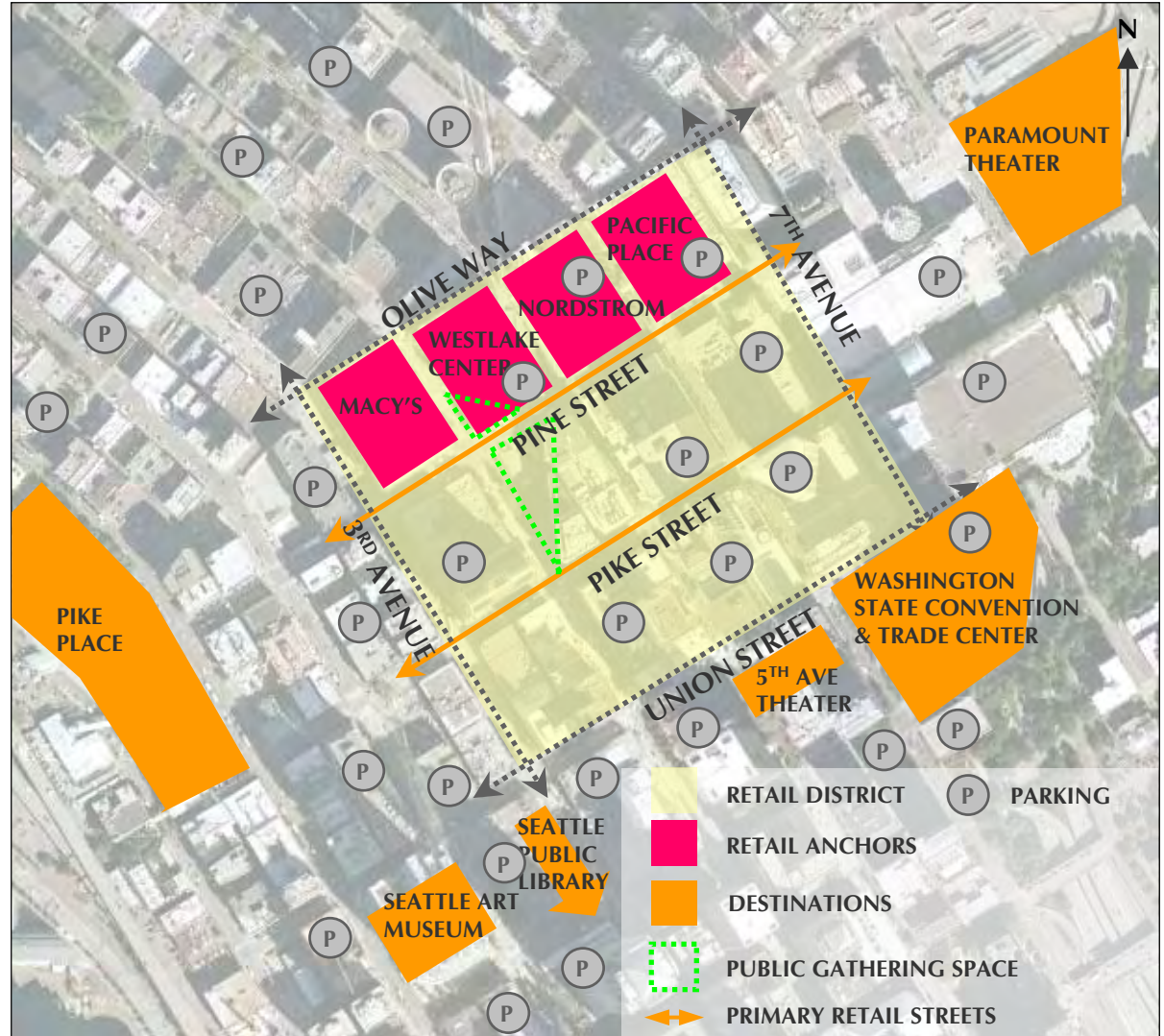
Old Pasadena



Source: Leland Consulting Group and Google Maps

CASE STUDY MAPS

Downtown Seattle



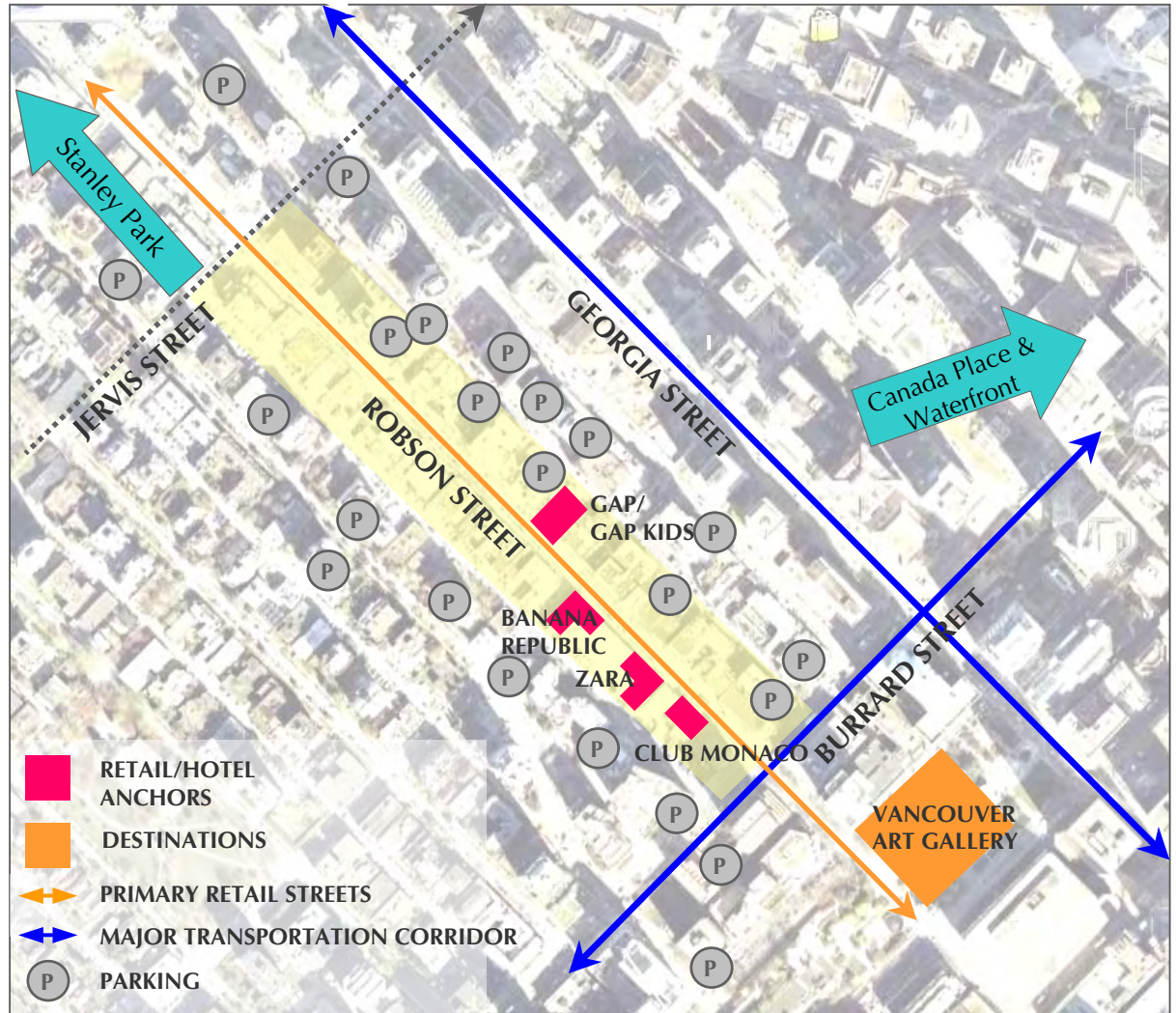
Source: Leland Consulting Group and Google Maps

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FINDINGS AND RECOMMENDATIONS IN SUPPORT OF THE DOWNTOWN PORTLAND RETAIL VISION

CASE STUDY MAPS

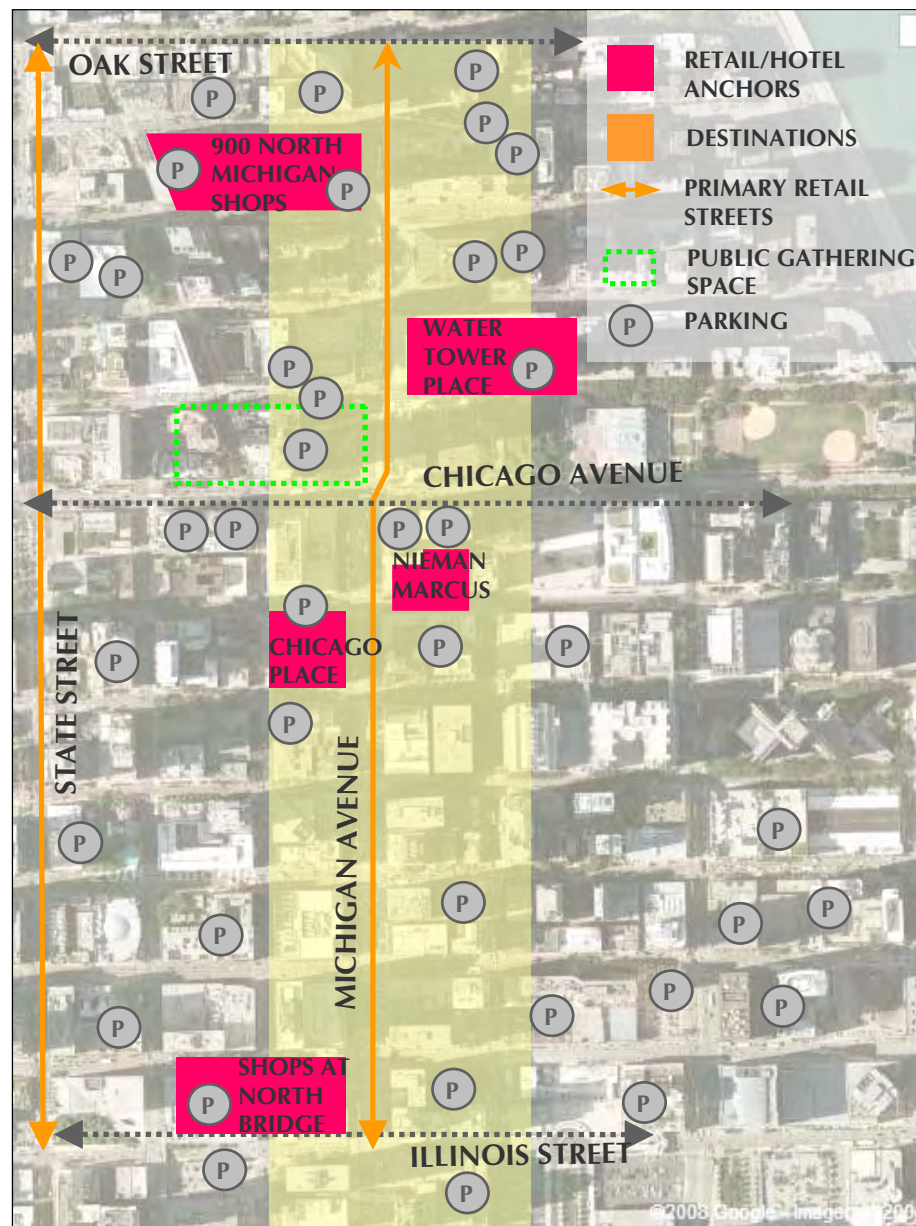
Robson Street



Source: Leland Consulting Group and Google Earth

CASE STUDY MAPS

Magnificent Mile



Source: Ieland Consulting Group and Google Maps

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FINDINGS AND RECOMMENDATIONS IN SUPPORT OF THE DOWNTOWN PORTLAND RETAIL VISION



CASE STUDY MAPS

Newbury Street



Source: Leland Consulting Group and Google Earth



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