

Section I

PORTLAND DOWNTOWN RETAIL STRATEGY

EXECUTIVE SUMMARY

INTRODUCTION

The Portland Development Commission (PDC), in partnership with the Association for Portland Progress (APP), commissioned this study to identify those elements that will support the goals of the retail core as a regional retail center, establish new opportunities for future retail success, and integrate with overall existing and future downtown development plans.

THE RETAIL FRAMEWORK

Downtown Portland remains the principal retail destination for urban specialty shopping, and the most likely location of choice for upscale and higher price point goods. Redevelopment of urban housing has enhanced the availability of disposable income downtown, and mass transit has linked downtown to other areas of the city. While there are concerns about Meier & Frank and Nordstrom's current facilities and unmet opportunities to recruit and retain small, locally owned retailers in downtown Portland, the general condition of the retail context is far stronger than most other American cities.

The greater downtown area encompasses several distinct retail districts overlapping and connecting with the retail core's concentration of department stores around Pioneer Courthouse Square. Each of these districts represents a unique retail experience with complementary clustering of specialty offerings. This plan encourages the strengthening of such specialty districts as enhancements to the destination identity of the retail core. A hierarchy is recommended in order to focus and strengthen the primary shopping experience derived from creating a critical mass of retail around the anchors while acknowledging the uniqueness of the connecting districts. The hierarchy of retail encourages concentration of the first-in-the market and one of a kind flagship stores for both national and local brands in the core. The adjacent districts' uniqueness provides a framework for complementary retail and neighborhood services as well as a spillover of the flagship or traditional anchor stores as market support grows. The type of retail, restaurants and entertainment venues will be defined by their unique locations and market support. Creating a streetscape with a continuity of vibrant experiences will provide the connection of the greater downtown to the retail core.

OUTREACH TO THE PUBLIC

The consultant team facilitated five discussion group meetings and coordinated one open house session to secure public input for this assignment. In addition to providing feedback to the consultant team, these sessions provided information to members of Portland's downtown community. A total of 26 members of the downtown community participated in three separate discussion groups between mid January and mid February. At each meeting, we described the goals of the project, the Retail Steering Committee's role and the expected project timeframe. A list of challenges and assets developed by the Retail Strategy Steering Committee was distributed to the participants, and a summary of the resulting discussion was feed back to the Committee and consultant team.

In early February we conducted an open house in Pioneer Place II, and more than 50 community members attended. The project team reviewed the assignment progress to date. Maps of downtown Portland illustrating active retail edges, land uses, transportation framework and location of curbside parking were presented. The other project information available at the Open House included:

- Steering Committee Summaries
- A Project Overview Fact Sheet
- A one-page Retail Strategy Framework highlights summary
- A one-page Trade Area Market Analysis highlights summary
- General information about PDC
- General information about APP

In early March we facilitated two additional discussion sessions at the Portland Building. The 28 participants consisted of downtown residents, retailers, and representatives of cultural institution. At these sessions the discussions focused on the preliminary recommendations of concepts and strategies. A summary of the responses to each set of recommendations was provided back to the consultant team, and key points have been incorporated into this report.

MARKET ANALYSIS CONCLUSIONS

Before moving to examine Downtown Portland's future retail opportunities, an understanding of current conditions is essential. For purposes of establishing a baseline for analysis, we have defined the downtown to include the area bounded by Burnside to the north, I-405 to the west and south and the Willamette River to the east. This downtown currently has 1.9 million square feet of retail space. The three department stores, Nordstrom, Meier & Frank and Saks Fifth Avenue, total 464,000 square feet; and the balance of Pioneer Place contains 305,000

square feet. The other stores and restaurants total just under one million square feet, and approximately 140,000 square feet of vacant space represent the balance.

Considering the current national and local recession and the expected upturn by the end of 2002, ERA projects that Downtown Portland will likely increase its total retail volume from \$550 million in 2001 to \$600 or \$610 million in 2005. This approximately ten percent increase of \$50 to \$60 million (in constant 2001 dollars) indicates that existing downtown retailers will have the opportunity to improve performance and landlords will be able to reduce vacancies over the next three to four years. It also indicates that given the current uncertainties in the national retail market place, a major new downtown retail project is not justified by market growth in the short-term future.

Over the longer-term, demand growth will continue. ERA's forecast is that Downtown Portland has the potential for approximately \$200 million in additional retail sales growth from 2005 to 2015. To realize this level of volume increase, new retail development in the 600,000 to 650,000 square foot size range will be required. Since the current inventory of retail space in the downtown is 1.9 million square feet, an additional 600,000 to 625,000 square feet developed over the next 14 years represents an increase of one-third. The projected rate of increase averages out to be 2.1 percent per year.

At 40,000 square feet of land area per block, this longer-term demand growth will cover over 15 blocks of downtown if developed at a single level. Even if we assume that the average new retail development will be 1.5 levels, ten or eleven blocks are needed for retail expansion. Because of the considerable long-term property requirements, it will not be realistic or advisable to channel this future retail expansion in a single direction from the current core. The single direction policy places landowners of selected blocks in near monopoly positions and impedes new retail development by driving up land cost.

Considering the high cost of downtown land (\$100 to \$200 per square foot), few if any one or two level retail buildings will be financially feasible. Most of the new downtown retail space will be constructed at the lower levels of mixed-use projects with office, residential or hotel uses on the upper levels. Multi-level retail projects, similar to Pioneer Place I and II, could also be financially feasible. However, a series of these multi-level retail projects will tend to diminish street level pedestrian activity. That street level pedestrian activity is one of Downtown Portland's defining characteristics.

The downtown retail market is largely an adult market, in contrast to a family market with children or teenagers. Two-thirds of the current market consists of households with an average size below two, visitors to the metro area and central business district employees. Stores and cultural and entertainment venues that cater to young adults and older empty nesters would have the best chance for success. Due to their faster growth, the market segments of growing relative importance are represented by residents of the downtown and Pearl District, visitors to Portland and to a lesser degree suburbanites.

If it is the Portland community's objective to rejuvenate the downtown Meier & Frank Department Store, we would recommend deferring introducing another department store until that has been accomplished. The projected demand growth is not sufficient to accommodate both the revitalization of Meier & Frank and the success of a new full line department store within the next five to seven years.

SUMMARY OF RETAIL OPPORTUNITIES & CONSTRAINTS

Opportunities

The following development opportunities were identified by the consultant team:

- The state of retailing nationwide, reflecting the slowdown in both national and regional economies, indicates that most national chains are in a period of contraction – whether through bankruptcy, mergers and acquisitions, or reductions in the new site expansion plans. This is likely to be favorable for independent and regional retailers who normally might be passed over in favor of a more credit-worthy national retailer.
- Housing will create demand for additional shops and services to serve these residents. Since the retail core is proximate to the West End Crossroads area, service businesses, home-oriented products, residential serving big box retail, and food facilities would create a new retail dynamic at the west end of the Retail Core.
- Although near term, three to five-year demand shows no potential for further department store or larger fashion specialty unit expansion, in the longer term, the team believes that Portland could absorb one or two additional department or larger fashion specialty units. However, immediate focus should be on maintaining the current representation of these units.
- Downtown benefits from having a number of fashion's leading vendors including Saks Fifth Avenue, St. John, Jessica McClintock and local merchants Mercantile and Mario's. Since it is a trend among fashion retailer to co-locate with similar and complementary brands and uses, there is an opportunity to attract a number of new "destination" retailers to the retail core, thus forming a critical mass in the "retail flagship" category.
- Portland has been recognized as a center for regional cuisine and as a community that acknowledges and supports its restaurants. It is anticipated that Portland will become a priority market for the best restaurant concepts from other parts of the country that seek to expand into national markets.
- The availability of potential development sites creates the ability to design spaces that can accommodate those larger format stores that could not find space in existing downtown buildings. This may include multi-level formats with the right ratio of ground floor to

lower and/or upper level space or ground floor spaces with ceilings high enough to accommodate tenant storage.

- The availability of potential development sites creates the opportunity to attract a variety of entertainment concepts, some of which are large format and others that are multi-functional and multi-level.
- APP has been quite successful in branding downtown Portland with its “I’d Rather Be Downtown, Portland” campaign. The demonstrated success of this campaign and additional efforts by APP, POVA and others is likely to be a significant positive factor in any tenant’s evaluation of the downtown Portland retail market.

Constraints

- Current market conditions will likely slow down interest from national fashion retailers seeking flagship locations, especially those that have yet to locate in Seattle, Los Angeles and/or San Francisco (typically some of the “must be in” cities in any national retail rollout).
- Opportunities to accommodate large format stores within the existing downtown building stock is limited due to the 200 by 200 foot block size. Uncertainty as to when (or if) new developments that would be able to house these tenants will be coming on line may be a constraint in recruitment.
- Individual ownership of buildings can be seen as a barrier to accomplishing both the “greater good” and critical massing of use groups that is needed to create a destination retail block or area.
- Portland could be considered a remote city for multi-store tenants located in several markets that are served by regional distribution centers (usually in northern California or Denver). Until they have a significant concentration of stores between their distribution center and Portland, some retailers may be reluctant move into the Portland market.
- While downtown Portland continues to be - far and away - the largest employment center in the region, it has not experienced the rate of job growth that other areas of the region enjoyed during the last decade. Professional services, finance, insurance, and government offices supplement the substantial retail employment base to comprise the bulk of the downtown workforce. Central city workers comprise a significant component of the consumer base for downtown’s retail offerings. As important as implementation of the downtown Portland Retail Strategy is for maintaining the important retail sector, it is equally as important that a collaborative strategy be developed and implemented focusing on the retention of existing companies as well as seeking to grow the base. By some estimates, at least 30 percent of the sales enjoyed by downtown retailers are generated from downtown employers. Accepting that estimate further reinforces the nexus between

successful retailing and a sustained and growing downtown workforce. APP, PDC, and the City should all be attentive to the fact that the downtown workforce must grow for downtown retail to expand and be successful.

- The current income base of downtown residents is not as strong as other cities with successful downtown retail areas such as San Francisco, Seattle, Boston, Chicago and Denver. This may prove to be an obstacle in attracting some fashion tenants. However, the consultant team believes that having a downtown residential component will be very attractive to many mid-priced, local and regional tenants that serve a wide audience including tourists, residents and office workers.

GUIDING PRINCIPLES

The ERA Team's recommended strategy to support downtown retail development in Portland has been based on a number of guiding principles. We used a combination of experience with hundreds of retail assignments and detailed local investigation to arrive at these guiding principles:

Protect and Enhance the Existing Retail Core

The focus of the Downtown Portland Retail Strategy is the 17 square block area bounded by SW Alder Street on the north, SW 9th Avenue and the Midtown Park Blocks on the west, SW Taylor Street on the south, and SW 3rd Avenue on the east. This area is commonly referred to as the core of the much larger downtown retail area.

Meier & Frank and Nordstrom provide two important retail anchors for the downtown retail core, attracting a variety of shoppers to the area including area residents and office workers, day-trip visitors and overnight visitors and conventioners. Pioneer Place Mall brings a rich mix of national specialty stores to downtown Portland. These anchors are located within a reasonable walking distance to form an effective Retail Core. Other upscale specialty retailers have been attracted downtown by Saks and the department store anchors and the level of shopper traffic they generate. We believe that the open spaces and retail destinations around them combine into an urban concentration that is regarded as the symbolic heart of downtown. The historic, civic and symbolic nature of this particular area, supported by a concentration of destination and specialty retail uses, suggests to us that the existing Retail Core should enjoy top priority for new fashion and specialty retail development. However, such statements should not be interpreted to discourage or exclude in any way, the development of market-based and market driven retail offerings in other parts of downtown outside of the retail core. Unless the Core Area is sustained as a strong central draw, the positive effects for other retail, office and residential development downtown will be far more difficult to achieve.

Expand the Size of the Local Market

As retail competition increases over time in the Portland region, the local market will take on increasing importance. While there should be a place for housing in all price levels, market-rate housing and upper-income residents will have a much greater effect on not only the amount but more importantly the quality of retail space supportable. A strong downtown Retail Core needs a much larger stock of market rate and luxury housing nearby.

Create Distinctiveness in Downtown Subareas

The area that encompasses all of downtown Portland includes over 100 square blocks, and stretches over a large area. Retail consumers typically will not walk more than about 1,200 to 1,500 feet, even in an interesting, fully activated shopping area. In Portland, this typical walking distance translates into a maximum of five to six city blocks. Because of this ‘behavioral distance’, it is logical to consider greater downtown Portland as a series of different subareas, defined by average walking distances, the level of contiguous retail activity at street level, concentrations and clusters of retail uses, the proximity of parking and transportation access, and the presence of complementary uses. The creation of a distinctive identity for each subarea and attractive linkages between them is what will draw customers to return again and again to experience the variety of downtown Portland.

Strengthen Retail Streets that Serve as Connectors

Effective retail streets that serve as connectors between the different subareas of downtown unite the downtown and strengthen its overall market appeal to regional residents as well as visitors. Effective retail streets are defined by storefront characteristics, retail continuity, streets designed for visual linkage and pedestrian friendliness, recognition of transit usage patterns, on-street parking, automobile access and urban amenities (i.e. public art, fountains, etc.). Great retail streets tend to have widths that are in scale with the height of adjacent buildings, and they typically have storefronts on both sides of the street. In Downtown Portland, the streets that offer transit service would enjoy greater retail success if automobile traffic and parking were also permitted. This point is most vividly illustrated by the contrast between the portions of Yamhill Street where automobile circulation and parking are permitted and the portion between First and Third Streets where auto traffic and parking are not permitted. The bus Transit Mall is another example of an effective pedestrian and transit district, which severely limits automobile traffic and parking, where retail has not been very successful.

Exploit Existing Amenities and Invest in New Amenities and Programs

Downtown’s market appeal, as defined by the distance traveled to reach downtown, the frequency of visitation, the income of those visiting, and the duration of stay once downtown, will all be influenced by the presence of amenities. Investments that allow more strategic exploitation of existing amenities (i.e. better linkages to the Willamette Riverfront) and in new amenities (i.e. ice rink) or programs will increase the

number of people living, working and visiting downtown. Those individuals will spend a larger number of dollars in local stores and restaurants.

Continue Aggressive Marketing and Recruitment

The downturn in the national and regional economy suggests that many national retail tenants will be more reluctant to expand into new areas, such as Portland, in the very near term future. Ironically, the retrenchment by many national retailers provides opportunities for local and regional retailers who recognize Downtown Portland as a destination for specialty shopping and unique stores. However, aggressive marketing and recruitment are of critical importance now in order to place Downtown Portland onto the forefront of the retailers' consciousness when the economy rebounds. Continuing annual efforts such as the successful Downtown Branding program ("I'd Rather Be Downtown") will be critical in sustaining the role of downtown as offering the best selection of both national and local retailers in the region.

TOP PRIORITY RECOMMENDATIONS

In this Executive Summary, the consultant team wanted to highlight its seven top priority recommendations that flowed from the overall evaluation. These are presented in priority of their importance in enhancing the future retail vitality of downtown Portland.

1. PROTECT AND STRENGTHEN THE RETAIL CORE

The Retail Core includes approximately 17 square blocks around Pioneer Courthouse and Pioneer Courthouse Square. The area is bounded on the south by SW Taylor Street, on the east by SW 3rd Avenue, on the north by SW Alder Street and on the west by SW 9th Avenue. We believe that the central retail strategy in Downtown Portland should be to protect the best of what has already been achieved in previous downtown development programs and to capitalize upon the opportunities for further improvement.

One of the Retail Core's distinguishing features, in addition to being the symbolic heart of Portland, is that it is the central focus of pedestrian activity in downtown. The anchor uses in this Core include the Meier & Frank and Nordstrom Department Stores as well as Pioneer Place I and II/Saks Fifth Avenue and the Tiffany & Co. Whether affiliated with national chains or locally owned businesses, the smaller retailers and restaurant operators view the Retail Core's concentration of anchors as critical to downtown Portland's position as a retail destination.

Challenges

- The key challenge facing the Retail Core is that the largest anchor department store, Meier & Frank, is located in a building that is functionally obsolete. Too much of this 665,000 square foot building is devoted to vertical circulation, further reducing an already small

floor plate size. The retail floor to ceiling heights are also too low for contemporary retailing, and the building does not meet current seismic standards.

- Although enjoying a strong location facing Pioneer Courthouse Square, the Nordstrom Department Store has a dated physical plant with only 174,000 square feet. When the local and national economies rebound, this department store may also wish to expand and modernize.
- In a number of key sites, non-retail uses such as banks, service businesses and parking garages are located in what would otherwise be considered prime retail locations. Street level financial institutions that face Pioneer Courthouse Square disrupt the flow of retail storefronts and dilute critical mass necessary to provide a strong shopping experience. Large bank lobbies do not reinforce retail continuity at the street level. The Courthouse itself, occupying an entire block that is central to the Retail Core, limits the vitality of the district because it does not have active edges.
- Over the past decade, the Central City has experienced no increase in net new jobs. Job development in the Central City is vital to the building of an economic base for retail sales in the downtown.

Key Recommendations

- While Nordstrom is not actively pursuing expansion, Meier & Frank has indicated a strong interest in remaining in downtown Portland at its current location. No doubt major renovation, including upgrading the structure to current seismic standards, will be costly. Meier & Frank is considering selling the excess space in the upper floors of the renovated building to a developer for conversion into office space or another alternate use. The proceeds from that sale will contribute to the overall renovation cost. However, some participation by the City of Portland through the Portland Development Commission will likely be necessary for Meier & Frank to undertake this major renovation project. We strongly recommend that the City and PDC facilitate Meier & Frank remaining in Downtown and suspect that the renovation of the existing building will prove to be the cost-effective solution.
- The team recommends that the City of Portland, possibly through its Central City Plan update process, recognizes these 17 blocks around Pioneer Courthouse Square as Downtown Portland's Retail Core and adopts policies that reinforce this concept but allows the Core to expand organically in all directions. One such policy would be to amend the zoning ordinance to mandate ground floor retail uses on key retail streets. However, because the length of current leases may prevent the actual turnover of non-retail uses at critical retail locations for many years, we recommend the use of financial and/or other incentives that would accelerate such turn over.

- When Nordstrom does decide to expand, we recommend that the expansion be located as close to Pioneer Courthouse Square as possible (i.e. along Broadway) rather than away from this Square.
- The availability and convenience of short-term parking is important to Retail Core vitality. The maintenance of the short-term parking program offered by the Smart Park garages, the addition of on-street parking and well located garages (underground if feasible) integrated with new development are all important.

2. PROTECT AND STRENGTHEN LOCAL RETAILERS

Portland has been recognized as a center for regional cuisine and as a community that acknowledges and supports its locally based restaurants. In addition, the region’s support for local and regional specialty retailers has resulted in an unusually large number of successful local retail businesses, many of which have a major store downtown.

Challenges

- In many cities that have a limited retail market like Portland, overly aggressive new development, either in the suburbs or in the downtown itself, has resulted the loss of local retailers. This is due to the fact that developers of major retail projects need a large proportion of national “credit worthy” tenants in order to secure financing. The resulting abundance of national chain stores, located in large new retail centers that have strong market attraction power, siphon sales from local retailers outside the shopping centers. Over time these local retailers disappear because the new retail developments, often supported by public financial incentives, were oversized relative to the pace of market growth.
- The community’s ambivalence towards the Midtown Park blocks – whether they should be developed as new buildings integrated with historic structures or as green space amenities for new high rise and other development – has created much uncertainty for landlords and tenants located within those blocks. That uncertainty discourages landlord reinvestment in those buildings and forces longstanding tenants, which have form a cluster of mutually supporting shops, to consider relocation. Consequently, a clear public decision needs to be reached soon concerning the Midtown Park Blocks.
- In the event of displacement due to increasing rents or building demolition, local retailers are sometimes faced with a combination of costs that are simply not sustainable. These would include the cost of the move itself, the uncertainty of the new locations, the typically higher rents at the new location and the sometimes very high cost of tenant improvements.

Key Recommendations

- The ERA team recommends that the Portland Development Commission (PDC) adopt a policy of supporting new development projects that would add no more than 400,000 square feet (net) of additional retail space. At this scale, developers would still have the ability to create projects with enough critical mass to seek outside financing, but the policy would also encourage new retail projects that are more in scale with Portland. This policy does not preclude the development of retail projects that contain more than 400,000 square feet of new retail space; it simply states that developers who want to build large malls will not be able to do so with public financial assistance anywhere in Portland. This cap on public financial assistance for large malls would result in projects that are less threatening to local stores, particularly in close-in/downtown locations where large development parcels are not as readily available and private land assembly is difficult.
- The City should conduct a detailed West End housing feasibility study to determine what amenities are needed for higher density housing and mixed use development and where such amenities would best be located. This analysis will help determine if and how many of the Midtown Park blocks should be acquired as open space amenity to accelerate higher income housing development.
- A financial program to assist local retailers, faced with displacement, with relocation and tenant improvements is recommended. If a group of local stores is faced with relocations, a carefully developed relocation strategy, which recognizes the characteristics of subareas, the synergy amongst different retailers and the specific needs of the individual retailer, will be of critical importance.

3. CREATE A SAFE AND COMFORTABLE DOWNTOWN SHOPPING ENVIRONMENT

Like downtowns across the country, Portland suffers from the perception of lack of safety in the downtown. The mixture of people and activities that make downtowns exciting can also be intimidating to some shoppers. Illegal activities should not be tolerated.

Challenges

- Based upon information collected in previous interviews, workshops, and meetings, it is evident that many consumers and retail operators believe that the general environment of downtown needs improvement. With particular emphasis on more effective ways to deal with panhandlers, homeless persons, runaways, and other people attracted to Portland's climate, cultural context, and lifestyle. These groups were cited by many consumers and commuters as a constraint to attracting shoppers and other retailers downtown. They spoke particularly of feeling uncomfortable on the Transit Mall and other public gathering areas downtown during off-peak hours. Because new shopping centers are able to provide a controlled environment, this problem is more pronounced for the local retailers located outside of shopping centers.

Key Recommendations

- The consultant team recommends that APP and the City review and implement one or more ordinances that will allow management of public nuisance behaviors. Many other cities (including Seattle; Tacoma; Tumwater; New York City; Covington, KY; and others) have implemented regulatory controls that define and provide the legal basis to manage aggressive behaviors that obstruct pedestrian flow and create the perceptions of lack of safety in public spaces and sidewalks.
- Additional amenities, such as ice skating rink and effective signage can contribute as a safer environment.

4. ADD MARKET RATE HOUSING

The retail vitality in many central cities across the country has faded because the middle and upper income household that once provided the necessary market support have moved to suburban locations where new shopping malls are plentiful. Portland is the national leader in countering this trend with its 2040 Growth Management Plan, which limits sprawl and contains new residential development.

Challenges

- As close-in districts develop a substantial stock of middle and upper income housing (i.e. the West End, Pearl District or the Lloyd District), they will also create their own retail complexes (i.e. Brewery Blocks) to service those residents. The downtown's future success depends upon its ability to withstand increasing retail competition from close-in neighborhoods.
- The public nuisance problems and the perceived lack of safety in certain downtown subareas could be mitigated if more middle or upper income population were present, especially during the evening hours.

Key Recommendations

- One of the lynch pins to the future success of the Retail Core is the strengthening of the local resident market. This is best accomplished by adding local population with substantial purchasing power via the development of market rate housing in the West End, Yamhill Districts and other areas of the downtown core. To recognize this objective, we recommend that the City formally adopt a goal of constructing 2,500 market rate housing units in the downtown core by 2010. Investment in incentives and public amenities may be required for the City to reach this goal. This goal should apply for the area bounded by

Burnside on the north, I-405 on the west and south and the Willamette River on the east, because the Pearl District has already developed sufficient market momentum to warrant much additional public investment.

- Since the Galleria sits at such a critical location for redevelopment of the West End, the PDC should encourage its renovation or redevelopment. Depending upon the economics of renovation versus redevelopment and the strength of the West End housing market versus the pace of office market recovery, the new project is likely to have either office or housing over retail on the lower floor(s). Since parking will be an important consideration for the new Galleria project, the owner of the Galleria may wish to participate in a larger overall development project in order to enjoy the benefits of an efficient parking solution. Redevelopment of the Galleria and vicinity will help pave the way for additional market rate housing development within the West End. Housing in the West End will benefit from both MAX and Street Car service.

5. IMPROVE THE LINKAGE BETWEEN THE RETAIL CORE AND THE WATERFRONT

The Yamhill Waterfront subarea contains about nine square blocks located between Naito Parkway and SW 3rd Avenue. This Waterfront area is part of a designated historic district listed on the National Register of Historic Places, and includes a cluster of smaller historic buildings that impart a good pedestrian scale and traditional character to the area. Primary potential retail locations in this area are along SW Morrison and SW Yamhill Streets, which also include east and westbound rail lines for MAX. These streets provide the key linkages back into the retail core. A second potential primary retail street in this area is Naito Parkway, due to the character of the historic buildings there and the views to the river.

The development concept identified by the consultant team for this district is as a dining and entertainment area, with some impulse-oriented specialty stores and including live theater should the historic buildings lend themselves to such reuse.

Upper floors of the historic buildings offer opportunities for redevelopment as office spaces, smaller hotels or bed-n-breakfast lodging and housing. Because of the potential conflict between noisy entertainment venues and housing, the housing in this district should be located carefully and will most likely appeal to a younger market.

Challenges

- While the MAX lines running through the area offer transit access, the right of way and turning radius at the SW 1st Avenue intersections have resulted in restricted automobile access and pedestrian-only blocks that interrupt traffic flow between the Retail Core and the Waterfront. Without vehicular access and with the amount of time between MAX trains, these blocks can feel inactive and less attractive to retailers, despite the appealing charm of numerous historic buildings and river views.

- Although there is a limited assortment of retail, food and entertainment offerings in the Yamhill Waterfront area today, the consultant team believes that there is not the critical mass of these venues necessary to create an easily identifiable entertainment district. The character of the historic buildings, the scale of the streets and the proximity to the river can be used to do create that definition.
- The current linkage between the Retail Core and Riverfront Park is not strong enough to encourage consumers to walk the distance. Additionally, inconsistent or non-retail storefront uses do not invite shoppers to stroll to the riverfront from other parts of downtown. The Morrison Street and Yamhill Street connections could benefit from some type of visual terminus at the waterfront to show how close that area is to the Retail Core (a distance of only three blocks).
- To develop as a restaurant/entertainment cluster, the area needs more parking, especially short term parking – on-street ‘teaser’ spaces, on nearby surface lots (which we have assumed are placeholders for future development), in structured parking (underground if feasible) to be incorporated into new development projects, and along Naito Parkway.
- Front Avenue/Naito Parkway lacks the degree of distinctive character that a prominent urban waterfront drive should have.

Key Recommendations

- As an extension of the retail shopping streets in the Retail Core, ground floor retail should be required along both Yamhill and Morrison Streets in a selected area to be identified. In addition, we recommend that the linkage to Waterfront Park be reinforced with urban design elements like a continuous canopy of street trees and/or the introduction of ornamental street lighting in character with the historic context.
- The alignment of the MAX line running on Yamhill Street creates two pedestrian and transit only blocks that allow no through traffic. Subject to detailed technical studies of feasibility, we recommend that a new alignment be engineered to allow one way automobile traffic through these blocks and on-street parking at selected locations. These improvements will not only upgrade the retail environment along these two blocks but will also improve the retail context along the adjoining blocks. The central objective here is to allow for better traffic circulation and more on-street parking in this portion of the downtown.
- The Yamhill Waterfront area offers several opportunities for new architectural and/or sculptural elements that will form a visual terminus from the Retail Core (specifically the two locations at Waterfront Park at the ends of Morrison and Yamhill Streets), as well as a major gateway opportunity at the head of the Morrison Bridge. While we have not determined what these elements should be, the team does recommend that these locations be planned and set aside for major cultural or artistic statements.

- Naito Parkway connects several downtown districts along the waterfront. The team believes that the Parkway (and the Yamhill Waterfront) would be greatly enhanced by a series of urban design improvements including: provision for selected on-street parking outside of the current roadway boundaries and encouragement for parcels overlooking Waterfront Park and the Willamette River to have active uses at the street edge. Of course, the planning for these improvements should be coordinated with the current planning efforts at Riverfront Park and the Yamhill District.
- In order to truly realize the mixed-use nature of the Yamhill Waterfront District, zoning bonuses for floor area ratio and height must be made available to encourage the type of mixed-use development envisioned and desired. However, much of the charm of this area is derived from the scale and architecture of the historic buildings. Intensive redevelopment that destroys that scale and charm will not serve this district in the long run.

6. UPGRADE THE RETAIL CONTEXT ALONG THE TRANSIT MALL

Much of the current Transit Mall configuration, bus stop waiting areas, street furniture and sidewalk width layouts date back to the original construction of the Mall. These improvements are showing their age. The retail uses along the Transit Mall tend to be office serving, convenience retail and limited food service. The quality of the merchandising and presentation is visually less appealing than in other areas of the Retail Core.

The current physical condition of the Transit Mall is the by-product of a larger issue – the pending proposal to add a north-south Light Rail line through downtown Portland on the Transit Mall. The Light Rail would be designed to function in tandem with the bus service, which will remain. While there is general dissatisfaction with the deteriorated condition of the Transit Mall, until a decision is made about addition of the north-south Light Rail line, the City is reluctant to expend significant funds on Transit Mall modifications. The concern is that the improvements may need to be ripped up to install the Light Rail, when (and if) it is funded for construction. The most practical development concept for the Transit Mall while this issue is unresolved will be an interim one, making selective improvements, keeping the existing bus routes, allowing space for possible addition of Light Rail in the future, and seeking ways to make capital investments in the Mall that will improve the retail environment.

Challenges

- The deferred Light Rail decision about whether, how, and when to include a Light Rail line on the Transit Mall has reinforced inaction, deterioration and deferred maintenance. While the underlying reasoning for delaying investment is sound, we also believe that some interim changes must be made in the design and appearance of the Transit Mall if private investment is to be leveraged for retail enhancements. Stakeholder comments

indicate that the Transit Mall is viewed as a negative influence in downtown Portland by a large number of people due to the lack of maintenance, weak lighting and the presence of aggressive panhandlers and street people.

- Street access for automobiles is inconsistent along the Transit Mall, creating confusion and limited traffic volumes (or vacant streets) between buses. Some blocks are open for vehicular traffic, while others are not. During off peak hours, this lack of activity on the street contributes to a sense of discomfort for many on the mall. More activity would reinforce a sense of safety.

Key Recommendations

- The consultant team recommends that Fifth and Sixth Avenues of the Transit Mall be opened to automobile traffic in order to provide more convenient auto access through downtown and to provide more “eyes on the street” between bus arrivals. On-street parking between existing mature trees should be added to the non-bus loading side of Fifth and Sixth to encourage access to local shops by automobile. By reconfiguring the pedestrian areas to accommodate the recommended changes, the bus lanes and loading areas can all be maintained. . Since actual funding and construction of the north-south Light Rail on the Transit Mall is likely a decade or more away, the improvements recommended (i.e. of moving curbs and reducing sidewalks on one side of the Mall) are not capital intensive and could be viewed as interim improvements until the Light Rail finally arrives. However, uncertainty about the future of light rail (or streetcar) along the Transit Mall and the timing for an addition has discouraged landlords and tenant investment or commitment. A go/no decision about a light rail/streetcar addition to the Transit Mall should be made very soon. If a decision is made to add light rail or streetcars, such additions must occur sooner than 10+ years hence if Fifth and Sixth Avenues are to become consistently active streets again.
- Zoning modifications may be needed to require activating uses (retail stores and shops, service and convenience retail, restaurants and cafes, and other consumer-oriented businesses) in the buildings along this portion of the Transit Mall.
- While there may be interior merchandising requirements that have resulted in closing of display windows and entrances to Meier & Frank along the Transit Mall on SW Fifth and Sixth, the result on the Mall is not pedestrian-friendly and works counter to the character of open retail streets. It should be a priority for PDC as well as Meier & Frank to provide visual and physical accessibility to the department store from the Transit Mall as part of any future store design.

7. UPGRADE BROADWAY AS IMPORTANT RETAIL AVENUE

Broadway Avenue describes a seven-block long portion of Broadway between SW Stark on the north and SW Salmon on the south. It was once Portland’s premier retail street and was

sometimes called the ‘Boulevard of Lights’. From a market standpoint, Broadway functions as Portland’s ‘avenue of hotels’. The hotel cluster along the Broadway Avenue represents the opportunity to capture retail and restaurant expenditures from a significant segment of the downtown visitor market. Broadway also includes several notable specialty retailers, including Nordstrom, St. John, Columbia Sportswear’s flagship store, Abercrombie & Fitch, and Banana Republic, among others. The team’s development concept for Broadway is to reinforce the Avenue’s role as an upscale retail shopping street with small specialty stores along both sides of the street, and to reinforce and market Broadway’s assortment of restaurants and cafes as a dining district to downtown and regional residents, and especially to downtown hotel guests. The performing arts venues in the Cultural District will be important demand generators for the restaurants and cafes along Broadway.

Challenges

- There is no clear identity for Broadway today, despite its tradition as one of Portland’s major shopping streets.
- Despite the apparent cluster of restaurants, the consultant team considered the district to be underserved in food service offerings.
- While the consultant team understands that the one-way street is designed to move traffic through downtown, we also believe that Broadway’s one-way southbound flow encourages automobiles to travel faster than a pedestrian-oriented shopping district can handle comfortably.
- The Hilton Hotel’s Broadway frontage does not successfully address the street, nor does it incorporate contiguous retail use along Broadway.
- There are existing hotels operating from both sides of Broadway without the benefit of designated drop-off or loading zones. This results in awkward traffic situations and traffic impediments.

Key Recommendations

- The identity for this portion of Broadway should introduce a “Bright Lights” district to unify and provide a distinctive quality for the area. Buildings along Broadway in this zone should have a coordinated building façade lighting program, professionally designed and installed so that the district is a light beacon year-round at night. The Broadway intersection at Yamhill and Morrison Streets should incorporate special lighting elements to identify these as significant intersections linking to Pioneer Courthouse Square. The light elements should also be installed at the Salmon and Washington intersections to transition the ‘bright lights’ district to the adjoining Cultural District and the Burnside crossover to the Pearl District.

- The team also recommends that all of the street trees should be illuminated along Broadway from Salmon to Washington at a minimum, and preferably all the way from Stark to Main Streets. Consistent with special lighting treatments in the Retail Core, special lighting should be added along Broadway on a seasonal basis.
- Unified streetscape elements are also recommended for this district, and could include new brick sidewalk paving, ornamental street furniture (benches, tree grates and fencing, Portland Fountains, etc.), as well as canopy street trees, if physically possible. The streetscape elements should be planned for the same expanse as the lighting scheme described above.
- The feasibility of re-introducing two way traffic on Broadway, potentially with parallel parking along the street edge in some blocks, should be analyzed.
- Once a greater critical mass of restaurants and cafes is clustered on and near Broadway, marketing materials should be prepared and distributed to the hotels cultural venues in the area.

8. RECRUIT SELECTED RETAILERS AND MARKET DOWNTOWN

Our strategy for Portland is based in part on the downtown’s ability to capture demand in under served or missed market categories such as dining expenditures from convention center visitors staying in central city hotels, cultural district visitors who want better food and beverage offerings close to the performance venues, or residents who cannot buy groceries, hardware and lumber and other retail commodities downtown because these concepts have not yet re-adapted to urban contexts and locations. Maintaining downtown Portland’s competitive position will also depend, in part, on the area’s continued efforts to attract the leading new retailers, restaurateurs and entertainment facilities.

The other factor affecting the retail merchandising strategy is to continue to monitor and respond to evolving markets. In forming a merchandising strategy, there are differences in approach and timing opportunities for different store types and categories. Defined directions and specially tailored efforts will need to be applied to different retail types. The short-term prospects for Downtown Portland are described in Section V and summarized below.

Key Recommendations

- Over the longer term, the ERA team believes that Portland could absorb one or two additional department stores or larger fashion specialty units. The team recommends that APP and PDC continue to monitor contacts with department store operators and large fashion specialty stores, both locally and through industry-related connections such as the International Council of Shopping Centers Annual meetings and Leasing Meetings. The cultivation of long-term relationships is essential to the recruitment of the most desirable national and international retailers.

- APP, local brokers and property owners (and others) should continue efforts to recruit specialty stores. In targeting specific retailers, the team recommends that priority be given to retail operators who plan to offer only one unit in the Portland market, rather than seeking chains that want to saturate the market with units all over the city.
- The consultant team believes that many local retailers have potential to grow beyond their current locations or store sizes, and that they can be considered potential downtown tenants if not already located there. As with national specialty stores, the recruitment goal should be to seek out independent stores that will operate either a single unit or a flagship store in downtown Portland.
- Downtown also benefits from a number of the country's leading fashion and branded product retailers, including Nordstrom, Saks, St. John, Jessica McClintock, and the high-end/bridge fashion brands carried by Mercantile and Mario's. This base creates the potential to seek other designer and branded specialty stores, whether for street locations or to round out the specialty/fashion mix at Pioneer Place. A goal of recruiting six to eight new designer and branded product stores is recommended over the next three to five years.
- A marketing program featuring (or creating the sense of) a restaurant/dining district, centered along Broadway (for proximity to downtown hotels), in the Retail Core, in the Yamhill Waterfront area, in the Cultural District, and over time in the West End Crossroads is strongly recommended. Each area's offerings should be featured in one or more brochures with maps and distributed to local hotels, in visitor information facilities and on appropriate web-site links about Portland. The solution will lie in targeted recruitment for the designated areas and a structured manner in which to collectively market all of them.
- There should also be consideration of 'hot' food concepts from other regions that will eventually identify Portland as a potential expansion site as they grow across the country. Experience in other cities shows that these operators will consider downtown locations along with suburban sites, but they need to be sold in advance, and have access to enough accurate and defensible data to justify why their single location should be downtown. Because of the sales volumes that certain of these operators can achieve, they can require larger spaces of up to 12,000 square feet, and should be on the prospect list when larger locations become available.
- In anticipation of future recruitment prospects from the big box category, the consultant team recommends that APP annually conduct a detailed inventory of downtown buildings to identify locations in which single large spaces exist, or in which adjoining spaces could be consolidated to create a larger floor plate. Assuming that one or more appropriate locations can be found, the big box category – especially in the West End - can be considered a strong merchandise prospect for the three to five year implementation period.

- The team’s assessment is that every local resident serving retail category is underrepresented in downtown Portland, with the exception of drug stores. The expanded Safeway now under construction and the new Whole Foods Gourmet Grocery in the Pearl District will cover most downtown resident grocery shopping needs, but there will still be the potential to supplement their offerings with specialty markets, ethnic markets, health food and organic food stores and other categories. Each of these can be included in the recruitment program undertaken in the next three to five years.
- Over the longer term, the team also identified the need for a home improvement store, probably to be located in the West End Crossroads area or the Pearl District or another location that could also provide easy highway access. The other option would be to seek a location for a general discount store such as Target for a downtown location. Target is currently experimenting with a multi-level urban store concept, and would be both a service to downtown residents and workers, as well as a good complement to the current downtown retail mix.
- The team believes that more nightlife activities (clubs, galleries, liquor and coffee bars, etc.) would activate parts of the downtown core as they have in other central areas like Old Town/Chinatown. The market opportunity exists in downtown Portland to create a major entertainment facility serving the 21 to 35 year old market segment, assuming an appropriate site can be identified. These club complexes can occupy up to 60,000 to 80,000 square feet of space, and typically require build-out incentives to become feasible. The alternative will be to continue to add smaller clubs and entertainment venues, but with the note that a critical mass of clubs proximate to each other will be necessary to attract the number of patrons that the larger format entertainment complexes can generate. A cluster of live theaters would also function as an effective entertainment district anchor.
- APP can play a major role in serving as the ‘marketing developer’ for downtown Portland’s retail properties, both as a central resource to collect and maintain data, and as a central bank of general information about the Portland market (and downtown in particular) that can provide a “sell” oriented overview of the city. The consultant team endorses APP’s past and current efforts and strongly recommends that they be funded and expanded.
- In targeting mailers, ads and distribution of marketing packages and brochures, it should be noted that the national retail community is relatively small and close-knit. While targeting the hottest national retail concepts, the longer-term goal for Portland’s marketing strategy should be to establish an industry-wide profile for the downtown area, as retail operators do often compare opinions with each other.

COMMITTEE’S PRIORITY RECOMMENDATIONS

After reviewing and discussing the consultant team’s recommendations, the Downtown Retail Steering Committee members selected its recommendations. These are outlined on the following matrix, titled as Summary of Retail Strategy Recommendations, and include the initial assignment of responsibility, as well as general cost estimates and start dates. A comprehensive set of recommended retail strategies that flow from the overall assignment is presented in Section V of this report. The discussion of opportunities and constraints, which provide the framework for the recommendations, is in Section IV.