



# Downtown Hillsboro Retail Market Analysis May 2017

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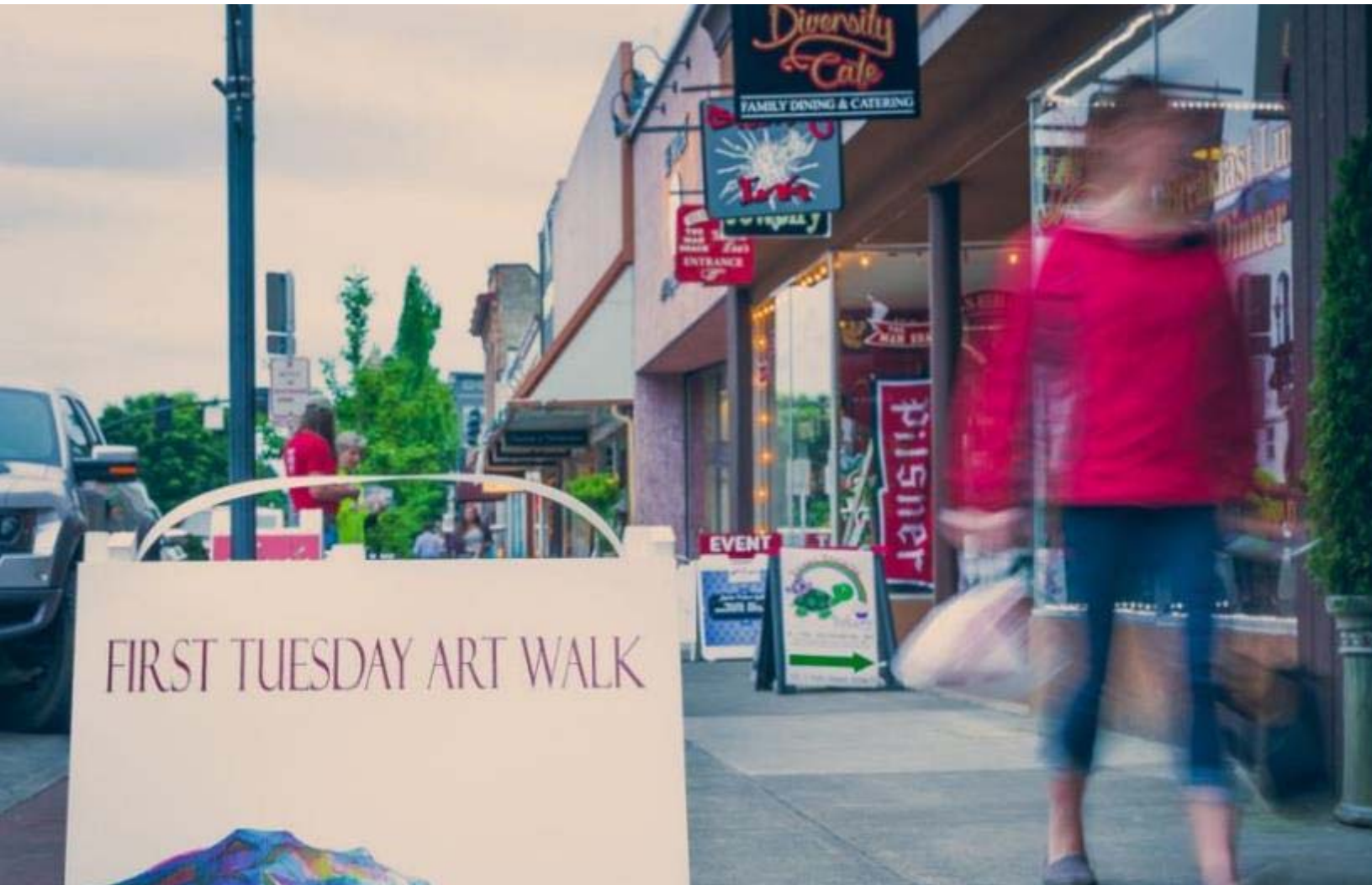
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# Introduction



This report shares Marketek – Chabin Concepts team’s findings of the Downtown Hillsboro Retail Market Analysis conducted during the January through May 2017 time frame. The analysis seeks to further Downtown Hillsboro’s vision to be an economically vibrant retail destination and commercial district. The project included an assessment of Downtown Hillsboro’s current position in the retail marketplace, research of the preferences of shoppers and employees Downtown, and identification of next steps to strengthen retail and potential opportunities for new development. An overview of goals and methodology follows.

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## ANALYSIS GOALS

- Create an accurate and realistic picture of the Downtown area’s retail potential within the region, including the location and character of the existing commercial supply; consumer preferences, needs and buying patterns; and opportunities and challenges for growth and development.
- Understand the gaps in the retail marketplace and the potential for increased development.
- Clearly understand the needs and preferences of Downtown Hillsboro’s key target markets, including community residents, area employees, local university students, and potential visitors.
- Provide user-friendly market facts for promoting target business opportunities.
- Provide actionable recommendations and next steps to strengthen and diversify retail.

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## METHODOLOGY

The retail market analysis considers a five-year time frame, which is a conservative but practical period for development. With Hillsboro’s rapidly expanding residential and employment base, the retail market should be re-examined at least every five years. Research conducted is both primary and secondary, and includes:

- Multiple site visits including over 25 in-store visits and selected business/property owner interviews.
- Focus groups, in depth interviews, and four community surveys.
- Review and summary of past projects and plans.
- Statistical analysis.
- Workshop/working sessions with Downtown and Hillsboro Downtown Partnership (HDP) stakeholders.

This report is organized into six principal sections or chapters:

1. Downtown Hillsboro Target Markets
2. Commercial Assessment
3. Retail Supply & Demand Analysis
4. Opinion Research
5. Target Business Mix
6. From Research to Results







# Target Markets



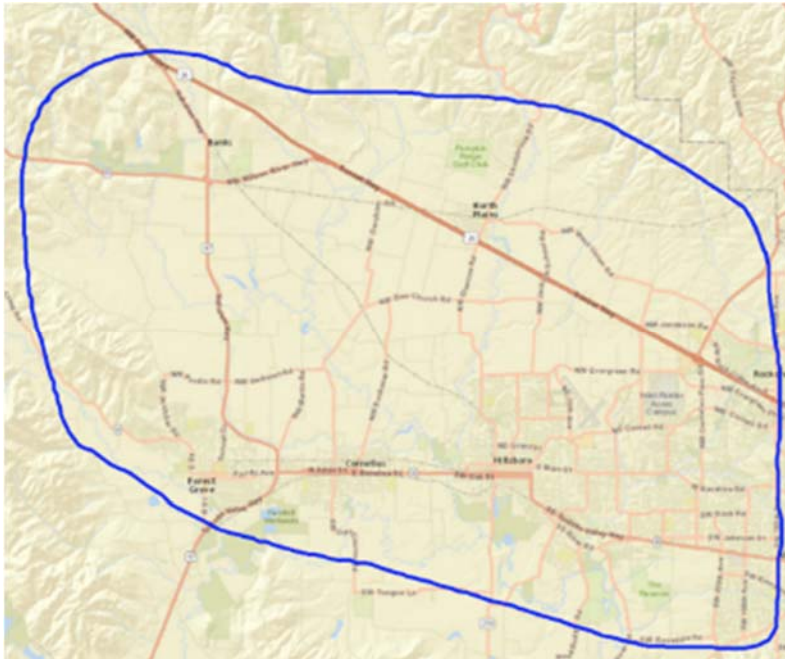
Downtown Hillsboro’s primary consumer target markets for retail, restaurant, services, and entertainment include local residents, area employees, Pacific University students, and visitors. This section characterizes the size and features of each market with an in-depth look at the local resident market, which will provide Downtown Hillsboro with the greatest opportunity for a dependable source of year-round sales.

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## RESIDENTS

Based on patronage of existing businesses, Downtown Hillsboro’s location within the region, its competitive assets, the location of competitive supply, geographic and man-made boundaries and drive-time estimates, Marketek delineated a custom-drawn retail market area from which the majority of resident shoppers are likely to emanate.

FIGURE 1 GREATER HILLSBORO RETAIL MARKET AREA



The Greater Hillsboro Retail Market Area focuses on the 97124 zip code but also takes in the small towns of Banks, Cornelius, Forest Grove and North Plains whose residents turn to Hillsboro for comparison goods and entertainment. The area consists of 191,461 persons in 67,583 households. Over the next five years, the projected average annual rate is 1.46%, marginally higher than the population growth rate in the county (1.37%) and significantly higher than that of the state (0.92%).

With this growth rate, the Greater Hillsboro Retail Market Area is projected to add 14,431 persons and over 5,000 households by 2021. This fast rate of growth is keeping with growth anticipated in the county and

state, but is higher than the statewide rate of 0.87%, reflecting the solid employment base in Hillsboro and the affordable housing prices compared with the metro region. See Figure 2 for a summary of demographic trends. In many ways, Hillsboro is a new town with 80% of residents locating there in the last five years, as reported by the City.

Other important demographic trends include:

- Median household incomes in both Washington County (\$67,221) and the retail market area (\$62,354) are above the Oregon state median (\$52,196), reflecting the higher wage employers in the area.
- Median age in the market area is relatively young (34.1 years) when compared with the statewide average (39.4 years).
- In terms of race and ethnicity, Washington County and the Downtown Hillsboro market area are more diverse than Oregon. White persons make up the majority of the market area population

(71.8%), followed by persons of other races (11.3%) and persons that are Asian alone (8.5%). Persons of Hispanic origin constitute almost a quarter of market area population, which is significantly higher than the statewide average of 13%.

FIGURE 2 DEMOGRAPHIC SNAPSHOT, 2016

Demographic Indicator	Washington County	Greater Hillsboro Retail Market Area	State of Oregon
Population			
2010	529,710	176,626	3,831,074
2016	569,215	191,461	4,029,968
2021 (forecast)	609,175	205,892	4,218,101
Avg. Ann. % Change ('16 - '21)	1.37%	1.46%	0.92%
Households			
2016	214,088	67,583	1,590,047
2021 (forecast)	228,248	72,599	1,660,616
Avg. Ann. % Change ('16 - '21)	1.29%	1.44%	0.87%
Average Household Size	2.63	2.79	2.48
Median Household Income	\$67,221	\$62,354	\$52,196
Median Age (Years)	36.3	34.1	39.4

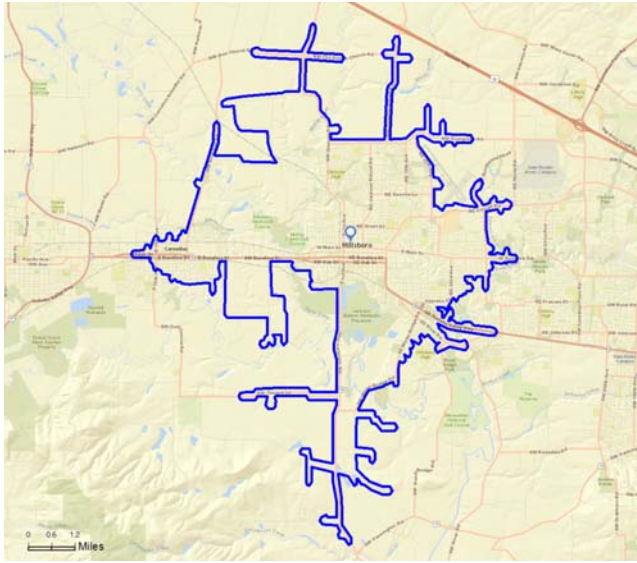
Source: ESRI Business Information Solutions

Appendix A provides a more detailed demographic characterization of retail market area residents including a summary of the retail market area’s top ten largest Community Tapestry segments. Tapestry data (developed by ESRI Business Information Solutions) categorizes neighborhoods throughout the nation into 65 consumer groups (or market segments) based on a variety of demographic and socioeconomic characteristics and other determinants of consumer behavior. Dominant market segments in the Downtown Hillsboro area include a mix of married couples with families living in lower-density suburban neighborhoods, affluent, family-oriented residents that commute to professional job centers, and young, educated professionals more likely to live in higher-density rental housing.

## AREA EMPLOYEES

Employees working in or near Downtown Hillsboro are an important captive market for retail, service, and entertainment businesses. Research conducted by the Building Owners and Managers Association of America estimates that office workers spend between 10% and 15% of their expendable income in and near their places of work. Top spending categories include restaurants, entertainment, cards, books and gifts and personal care items.

FIGURE 3 10-MIN CONVENIENCE TRADE AREA



A ten-minute convenience market area was created to better understand the employment base in close driving time to Downtown and to estimate demand for convenience goods. There are an estimated 1,944 businesses, 23,767 employees and 58,351 residents within a ten-minute drive of Downtown (Figure 3). The largest share of workers is in the service industry (5,570 persons or 53.7%). More specifically, 20% work in healthcare services and 14.8% in educational services. Nearly a quarter (23.4%) of employees work in the retail trade industry.

Other area employees include:

- Pacific University, Tuality Healthcare, and government employees form a stable base of retail customers.
- 50,000 people commute to Hillsboro daily; 38,500 are employed in the tech sector/North Industrial.
- The biggest employers include Pacific University (3,700 students, 200 employees), Tuality Healthcare (900 employees), Washington County employees (1,400) and the City of Hillsboro employees (180).

FIGURE 4 TOP BUSINESS AND EMPLOYER CATEGORIES IN CONVENIENCE TRADE AREA, 2016

Industry	Businesses		Employment	
	#	% share	#	% share
Agriculture & Mining	41	2.1%	282	1.2%
Construction	160	8.2%	1,202	5.1%
Manufacturing	50	2.6%	2,111	8.9%
Transportation	39	2.0%	303	1.3%
Communication	19	1.0%	84	0.4%
Utilities	4	0.2%	106	0.4%
Wholesale Trade	53	2.7%	625	2.6%
Retail Trade	424	21.8%	4,998	21.0%
Finance/Insurance/Real Estate	193	9.9%	652	2.7%
Services	748	38.5%	8,082	34.0%
Government	119	6.1%	5,228	22.0%
<b>Total</b>	<b>1,944</b>	<b>100.0%</b>	<b>23,767</b>	<b>100.0%</b>

Source: ESRI Business Information Solutions

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## VISITORS

FIGURE 5 DOWNTOWN HILLSBORO ATTRACTIONS

Shute Park/Library	30,000/month	Downtown Hillsboro’s visitor market also holds significant potential for its business base. Visitors include travelers for business, pleasure, university and medical center visitors and persons in town for special events. Arts and entertainment venues Downtown are a significant draw while regularly scheduled events, such as the Tuesday Night Market, and high-quality urban amenities, such as Shute Park and the Civic Center, also generate sizeable foot traffic. Figure 5 shows visitor counts for major visitor attractions in Downtown Hillsboro, indicating the variety of activities in the area.
Civic Center	100s/day	
Tuesday Night Market (summers)	6,000 - 8,000/week	
Walters Cultural Arts Center	15,000/year	
Bag & Baggage Theater	15,000/year	
Hart Theater	3,000/year	

*Source: Marketek, Inc. and City of Hillsboro*

Other out of area visitors to Downtown include:

- Business and selected metro visitors are customers especially for restaurants.
- Art and Entertainment venues draw about 20% of attendees from beyond the immediate Hillsboro area.
- 2,000 students attend Pacific University from a wide geography.
- Of Hillsboro hotel stays, 80-85% are corporate guests from out of town. Hillsboro added 900-1,000 rooms in the last two years, and several new hotels are planned though none of the new projects will be Downtown. This market in particular offers strong potential for Downtown.



# Commercial Assessment





The consulting team provided a high-level assessment of Downtown Hillsboro’s key assets and challenges. Within the twelve concentrated blocks of Downtown there are 78 ground floor businesses, several hundred employees and approximately 200 apartments including 4<sup>th</sup> Main and nearby Washington Street Station and City Center Apartments. The commercial core includes 20 restaurants, 2 apparel stores, 13 general merchandise stores, 12 arts and cultural institutions, 20 health and wellness stores, 15 services, and the Washington County Museum. Downtown includes an estimated 539,097 square feet of ground floor commercial space with a current vacancy rate of 7.78%.

A variable that must not be overlooked in the district’s success with implementation of a revitalization strategy is the strong collaboration that exists among key stakeholders within the Hillsboro Downtown Partnership. The strong and active role that the City of Hillsboro plays, especially in addressing infrastructure, physical image and property improvements is also a critical success factor.

This assessment portrays a composite picture of Downtown Hillsboro’s commercial area from two key perspectives:

1. What customers want from a shopping experience; and
2. Business climate and marketing factors that affect business decision-makers seeking a profitable location.

FIGURE 6 DOWNTOWN HILLSBORO SNAPSHOT

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**Geography/Description**

The Downtown core is comprised of 12 concentrated blocks centered around Main Street bounded by S 1st Avenue to the west, S 5th Ave to the east, NE Lincoln St to the North and Baseline Street and the MAX light rail line to the south.

**Significant Establishments/Anchors**

Civics: Civic Center, Washington County Museum, Court House, Washington County Public Services Building

Arts Uses: The Venetian Theater, Walters Cultural Arts Center, Bag & Baggage Theater Company, HART Theatre, Sequoia Gallery & Studios

Institutions: Pacific University, Tuality Community Hospital

**Market Position**

Entertainment & Specialty Shopping district/civic center

**Target Markets**

Primary: Residents of Hillsboro and nearby communities. Employees at large surrounding employers

Secondary: Visitors

### **Key Issues/Challenges**

- Downtown Hillsboro is perceived to have challenging access with traffic and poor transitions from surrounding residential neighborhoods and adjacent commercial areas.
- The larger market area has a high existing concentration of retail uses.
- There are many destinations in Downtown but few clusters or hubs so retail energy is low.
- Non-contributing blocks, large parking lots, and buildings with blank facades or professional use detract from the overall pedestrian experience and retail energy.
- Downtown has an older building stock with a number of properties needing a refresh.
- Customers perceive parking as challenging and inconsistent store hours as frustrating.
- The mix of businesses Downtown is not actively managed and a centralized point of contact and/or organization in charge of business development is lacking.
- Concern that Downtown is losing its foothold as development energy continues to support growth at Orenco Station, Streets of Tanasbourne, and now South Hillsboro. There are approximately 25 shopping centers within 3.5 miles of Downtown.

### **Opportunities/Assets**

- Transit line providing access to area employers and Downtown Portland.
- Significant new public and private investment including \$14 million in private money and \$7.5 million in transformative public investments including a loan to Bag & Baggage Theatre to purchase a building for performances and the purchase of Hank's site.
- Existing diverse business base with entertainment anchors; arts and cultural uses; strong, diverse restaurant mix; and businesses located within businesses.
- Selected business opportunities identified for Downtown – bakery, restaurant niches, casual apparel, and home accessories. (During the market study process, the Decadent Creations Bakery opened Downtown on 3<sup>rd</sup> Avenue.)
- Strong existing identity as a district with historic character with signs of new entrepreneur energy. Thirteen businesses opened in 2016 and of these eight were owned by those under 40.
- Entertainment and arts anchors that present a growing night life with close to half of current businesses offering dining, shopping, and entertainment until 6 pm or later.
- Key vacancies and opportunity sites will increase density and strengthen existing district as well as present an opportunity to cluster uses.

## PORTRAIT OF DOWNTOWN HILLSBORO'S EXISTING RETAIL MARKET



Historic Character



Challenging Parking



Civic Center Anchor



Auto-oriented Destination Retail



People-oriented, Welcoming Space



Large Untapped Employee Market



MAX Light Rail Line



New Entrepreneur Energy



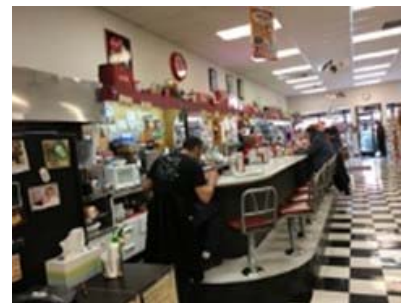
New Public & Private Investments



Destination Businesses



Arts Hub



Hidden Gems

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## STRENGTHS



Strong Restaurant Mix



Entrepreneur Energy



Evening Anchors

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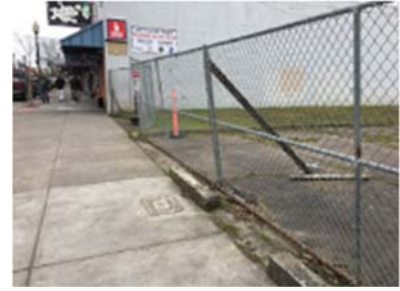
## OPPORTUNITIES



Customers Crave Unique Character



Cross Promotion of Food Cluster



Opportunity Sites to Increase Density

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## CHALLENGES



Non-Contributing Blocks



Poor Access/One-way Streets



Many Destinations – Few Hubs

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## DOWNTOWN HILLSBORO TOP SELLING POINTS FOR RETAIL

- Downtown Hillsboro exists within **one of Oregon's fastest growing cities** and the tech industry hub of the Portland region – excellent population and job growth and above average incomes are inherently attractive to retailers.
- Your consumer base is **proud to shop locally**. At the heart of reasons consumers say they shop in Downtown Hillsboro, people say they are very proud to support local businesses.
- Several large **civic, general business and entertainment anchors are generating foot traffic** throughout the day and into the evening. Among these are City/County employers, Pacific University, Tuality Health Care and three multi-purpose theatres.
- Over **90% of Downtown businesses are independently owned and operated**, contributing to strong support expressed by residents for the local small business base.
- An **organized, funded district management and marketing program** provided by the Hillsboro Downtown Partnership contributes to a common vision and stability.
- Existing business base is a **strong mix of new and legacy businesses**, both actively reinvesting and expanding. In 2016, 13 new businesses opened and eight expanded for a total addition of 47 employees to the Downtown employment base. Completed 2016 improvements in Downtown buildings totaled approximately \$298,000.
- A **diversified and growing daytime market** in the immediate Downtown area. Within the Downtown Urban Renewal District (a 1.8 square mile area) are an estimated 13,500 employees and 925 businesses representing every economic sector.
- **Public and private investment**. In the last five years, \$2.5 million in urban renewal investment stimulated approximately \$15 million in private development. Significant other public/commercial investment is planned or underway through 2020 as identified in the Downtown Urban Renewal Plan and 5-Year Vision referenced in Appendix B.
- **Recent and planned residential construction**. The 4th Main building added 71 apartments and about 170 residents in the heart of Downtown Hillsboro since 2014; other Downtown area housing projects are under active exploration.
- Evening **foot traffic is steadily rising** with 37 street level businesses (or 48% of total) open after 6 PM and a large share of Pacific University's students attending evening classes as well generating more activity. In addition, special events (Tuesday Night Market, Farm to Table, First Tuesday Art Walk) generate good size crowds in Downtown.
- A new generation of **business owners are young, energetic, and pro-active**. Of the 13 new businesses that opened in 2016, at least half of the business owners are estimated to be under the age of 40. And, they are engaged: 75% of applicants for HDP Board positions are in the 25-35-year age group.
- Owners say **Downtown is business-friendly**, with a supportive local government and incentives including a Storefront Improvement Grant Program and Design Assistance.
- Nearly 50% of the 46 Downtown business owner survey respondents report that **business is moderately or rapidly growing** (March 2017).

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## DOWNTOWN HILLSBORO TOP CHALLENGES FOR RETAIL

- Downtown Hillsboro is **not well known as a dining/shopping destination**. This is in part due to 80% of Hillsboro residents locating in the community within the last five years, limited shopping and notoriety outside of western Washington County.
- Downtown's district **doesn't have a unified market appeal and position**, driven by a diverse customer and business mix (demographic and lifestyle appeal). As one customer noted: *"If you try to be everything for everyone it's not going to work."*
- Located on the western edge of Hillsboro and **away from the concentrated retail energy** of Tanasbourne and Orenco, Downtown must work hard to promote a unique identity and attract shoppers.
- Downtown is **out of reach for a lot of the tech workforce for regular lunch time visits** – e.g., about a 13-minute drive from Intel to Downtown and over a half an hour in travel/parking time.
- Downtown is **competing with new Hillsboro retail** closer to residential and employment concentrations.
- Downtown **lacks visual appeal** with shoppers and business owners frequently commenting that the area is short on intrigue and is 'confusing' to outsiders with dated, tired properties next to more modern. One specific is the reflective glass featured in numerous Downtown properties, which is off-putting and deterring to shoppers.
- Several **undeveloped or underutilized properties** exist but property owner redevelopment interest appears limited.
- Shoppers and businesses alike repeatedly noted that **parking is a barrier**. Whether the recent parking study bears this out, it is a strong perception.
- Retail vacancy rates are extremely low throughout Hillsboro and Downtown – increasing the **challenge to influence the business mix**.
- **Inconsistent business management practices** challenge Downtown Hillsboro like many older shopper districts. Examples include: the absence of uniform store hours, lack of complementary signage, limited cross promotion and the need for a business location strategy.

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## DOWNTOWN HILLSBORO TOP OPPORTUNITIES

- HDP and the City of Hillsboro have laid a **solid foundation through urban renewal and the economic improvement district** to support active and targeted Downtown business development.
- The Retail Market Study provides **clear market-based direction and focus to guide the next steps** in business expansion/attraction and will leverage the energy, commitment and *smarts* of Main Street volunteers in the process.
- **Multiple business clusters exist** that could be aggressively promoted for customer attraction. For example, the twenty Downtown eating and drinking establishments can be promoted to all facets of the marketplace.
- Downtown has **the potential be a more significant visitor destination** with more extensive cross promotion campaigns and by differentiating itself by building on its 'one of a kind' business mix

and character, e.g., Hillsboro is home to over a dozen very good-to-great quality hotels hosting 80% business and many recreation travelers who are often in search of something different. Cross-promotion with Downtown is largely missing. A Downtown Dining rack card and menus should be prominently featured in all hotels.

- Seventeen total vacancies at a vacancy rate of 7.78% (41,932 SF) in the core Downtown area **provide the chance to influence** the business mix. (May 2017)
- Longer-term, redevelopment of key properties with additional residential and retail will continue to **fuel Downtown’s economic momentum**.
- Creatively **promoting existing business** to Downtown’s many target markets is a pressing opportunity.

Successful business districts of any size have a healthy business climate and a proactive marketing program with key amenities and characteristics that attract both customers and business prospects. These features are particularly critical for Downtown Hillsboro seeking to compete for retail dollars being spent in other Hillsboro shopping and dining districts. Figure 7 below provides an overview of competitive factors, many of which Downtown Hillsboro is actively working to improve.

FIGURE 7 BUSINESS DISTRICT ATTRACTORS

ACCESS & LINKAGES	FACTORS AFFECTING RETAIL LOCATION
<ul style="list-style-type: none"> <li>• Good visibility</li> <li>• Walkability – pedestrian friendly</li> <li>• Transportation/transit access</li> <li>• Good signage</li> <li>• Parking availability</li> </ul>	<ul style="list-style-type: none"> <li>• Compatible land use patterns</li> <li>• Property values (realistic)</li> <li>• Rent levels (realistic)</li> <li>• Organized promotions/significant foot traffic</li> <li>• Effective Downtown management</li> <li>• Business compatibility</li> </ul>
USERS & ACTIVITIES	IMAGE (clean, safe, green, attractive, etc.)
<ul style="list-style-type: none"> <li>• Overall active use – daytime and evening ‘street life’</li> <li>• Destination attraction(s) in close proximity</li> <li>• Mix of stores/services – active business clusters</li> <li>• Frequency of events</li> <li>• Limited vacancies</li> <li>• Local entrepreneurship</li> <li>• Quality goods and services</li> <li>• Stable/improving real estate values</li> </ul>	<ul style="list-style-type: none"> <li>• Welcoming physical appearance – friendly, green, attractive streetscape</li> <li>• Safe</li> <li>• Clean, well maintained</li> <li>• Benches, garbage cans, bike racks</li> <li>• Unique atmosphere</li> <li>• Sense of pride and ownership</li> </ul>







# Retail Supply & Demand Analysis



This chapter provides an overview of retail industry trends in general and regarding the Hillsboro marketplace and of retail supply and demand in the defined trade area and Downtown Hillsboro.

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## RETAIL TRENDS

- As a whole, disruption is the new normal for brick and mortar retailers who must continuously adapt to technology innovations. In the case of the online retailer, e-commerce has steadily grown and is quickly demanding more and more of market share. Estimates indicate that up to 20% of total US sales will be attributed to e-commerce by 2019.
- To compete with the ever-changing retail landscape, retailers are increasingly adapting and innovating the customer experience.
- Economic fundamentals for consumer spending remain steady in 2017, with the U.S. labor market strengthening, adding an average 181,000 jobs per month over the last 18 months.
- Disposable income was up 3.4% in the last year and average hourly wages are also increasing. Housing prices have crossed their pre-2008 peaks and key equity indices hit all-time highs at the end of 2016. These growth trends will likely translate into an increase in consumer spending.
- The 2016 election, however, has created some level of uncertainty about the economy and consumer spending in 2017. In particular, the proposed restrictions on trade could raise prices for imported goods, reducing consumer spending power, and lead to job cuts in export sectors.
- Retail concepts that are in **expansion mode** include:
  - Fresh fast/Casual dining
  - Local arts
  - Lifestyle and wellness retail
- Retail concepts that are in **contraction mode** include:
  - Fast food
  - Dollar stores
  - Commodity retail

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## PORTLAND METRO AREA RETAIL TRENDS

- In Portland metro absorption, rental rates and construction are up, making it a top retail market in the Pacific Northwest in the last year.
- The Portland metro area is driving statewide employment growth. For the last 6 years Portland has been adding jobs at a 2-3% annual rate, which outpaces the typical large metro by about 0.5 - 1 percentage points.
- In the Sunset Corridor/Hillsboro Submarket at the end of 2016, there was a Total Vacancy Rate of about 3.1%, among the lowest of Portland Retail Submarkets. The Average Annual Asking

Rate in the Sunset Corridor/Hillsboro Submarket was at \$18.45/SF. Metro Portland has a low average retail vacancy rate of 3.9% with the average asking price of \$18.16/SF.

- Large companies are increasingly looking for regional headquarters and locations. Hillsboro is among a set competing for that business, with Redmond, Prineville, and others. Vibrant Downtowns are a key decision factor for these companies who are often recruiting young professionals attracted to urban amenities and lifestyle.
- Local commercial brokers confirm that consumers and small businesses alike are looking for a downtown destination, a quainter feel, and when they find it, economics will follow. “If you build it they will come.” Downtown Vancouver, Washington was cited as an example.

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## HILLSBORO RETAIL SUPPLY

Hillsboro’s retail supply reflects its pull from the greater market area and its location near Portland. Hillsboro has a range of shopping formats from lifestyle shopping centers, several anchor-based developments, a growing Downtown base of independent businesses, and a good share of strip commercial centers. There are approximately 25 shopping centers within 3.5 miles of Downtown. As of January 2017, Kidder Matthews/Co Star retail research indicates that the larger Hillsboro commercial market has about 9.6M SF of retail space inventory with a 4.1% vacancy rate.

Outside of Downtown, Hillsboro’s retail base is concentrated in three primary shopping centers with high occupancies:

- **The Streets of Tanasbourne** – Opened in 2004, the \$55M/368K SF center is an open-air complex designed to mimic older shopping districts, with about 55 stores. Includes more traditional department stores with upscale restaurants and pubs. There is one vacant 60,000 SF pad. Developer: Continental Real Estate
- **Orenco Station** – A mixed-use development anchored by a New Seasons, and a number of smaller locally owned businesses and specialty shops and a popular Farmers Market. Orenco Station spans to the north and south of Cornell Road with many newer restaurants such as Salam, La Provence, and Aava Roasteria. Developer: PacTrust was the developer of the north side of Cornell for Orenco Station and various other developers developed the south side
- **Highway 8 Corridor** – Sunset Esplanade is a 256,000 SF strip mall located along Tualatin Valley Highway (Hwy 8) that is remodeling. It includes large anchor tenants Target, Safeway, Jo-Ann Fabrics, Rite Aid, Petco and Ross Dress for Less. The development has four smaller retail pads that are currently vacant and represent roughly 10,000 SF of leasable space. Developer: RED Development

FIGURE 8 STREETS OF TANASBOURNE



FIGURE 9 ORENCO STATION



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## DOWNTOWN HILLSBORO – EXISTING RETAIL SUPPLY

The Downtown core is comprised of 12 concentrated blocks centered around Main Street bounded by S 1<sup>st</sup> Avenue to the west, SE 5<sup>th</sup> Ave to the east, NE Lincoln St to the North and Baseline Street and the MAX light rail line to the south. Downtown Hillsboro currently has 78 ground floor businesses that are dominated by restaurants (20). The balance includes: 2 apparel stores, 13 general merchandise stores, 12 arts and culture type businesses or destinations, 20 health and wellness stores and 15 services. Most businesses are clustered along Main Street between SE 2<sup>nd</sup> Ave and SE 4<sup>th</sup> Ave. Auto-oriented retail exists along SE Washington Street south of Main Street.

Attractors in Downtown include a diverse restaurant base, specialty shops and art galleries and performance venues and several salons. Over 90% of businesses are locally owned and operated contributing to a strong sense of support for local businesses. In the last five years there has been \$2.5 million in urban renewal investment Downtown, stimulating an additional \$15 million in private development. This investment is indicative of the active reinvestment and expansion of businesses Downtown. In 2016, thirteen new businesses opened, at least half of which had business owners under the age of forty. There is a strong mix of new and legacy businesses and highly engaged young entrepreneurs leading to growth Downtown.

There are several live music, arts, and theater venues that have a regional draw including Bag and Baggage Productions and the Walters Cultural Arts Center. Downtown is starting to make a name for itself as a cultural and entertainment destination. Evening foot traffic has been growing with 37 businesses now open after 6 PM. Special events Downtown like the Farmers Market, Tuesday Night Market, Farm to Table and Art Walk generate foot traffic and are growing in attendance.

Commercial brokers describe Downtown Hillsboro as “not easily accessible” given that the district is buried in traffic and transitions are very abrupt (e.g. Pawn Shop, Grocery Outlet, McDonalds, right outside the main street area). They also note that much of the retail business already Downtown is not conducive to attracting and *keeping* consumers Downtown; there are few spots that promote endured foot traffic. Additionally, focus groups and community surveys indicate that even though there are a large number of employees in the larger market area, they are unwilling to drive Downtown for their lunch or after work given the commute time, issues with parking, and business hours.

Downtown’s vacant storefronts represent both a challenge and an opportunity. See Figure 10 for a table of the 15+ vacant properties. They range from a small number of ‘retail-ready’ spaces (two on Main Street

and two on 3<sup>rd</sup> Avenue) to several properties that need refreshing or significant upgrading to attract quality tenants.

FIGURE 10 CURRENT VACANCIES IN DOWNTOWN HILLSBORO

Address	Property Type	Property Size	Space Available	Rent/SF/Yr.
<b>FOR LEASE</b>				
173 NE 3rd Ave	Retail	Can be broken into 248 SF or as large as 1,940 SF		1.50 SF/mo.
211 E. Main Street	Retail	1,400 SF	800 SF	2,000/mo.
125 SE 3rd	Retail	2,400 SF	2,400 SF	2,100/mo.
133 SE 3rd	Retail	900 SF	900 SF	1,300/mo.
256 SE 2nd	Retail	2,532 SF	2,532 SF	13.00/SF
527 SE Baseline		1,084 SF	1,084 SF	1,450/mo.
535 SE Washington St	Office	2nd Floor, ram 3, 10, & 13		500/mo.
126 NE 2nd	Retail/Storefront	2,844 SF	2,844 SF	3,080/mo.
238 SE Washington	Retail/Storefront	3,072 SF	1,200 or 3,072 SF	16/SF
111 SE 3rd Ave		1,465 SF	380 SF	600/mo.
400 E Main Street	Freestanding	5,000 SF	3,034 SF	19/SF
163 SE 2nd Ave		600 SF	600 SF	850/mo.
315 E Main St	11 office spaces, varying sizes, some furnished			400-800/mo.
<b>FOR SALE</b>				
253 E Main Street	Storefront	15,473 SF	15,473 SF	1.5M
446 SE Washington		2,430 SF	2,430 SF	3.39K

Source: Hillsboro Downtown Partnership Website

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## ANTICIPATED ADDITIONS TO RETAIL SUPPLY

A summary of planned and proposed retail development in the Downtown Hillsboro competitive area is provided below.

- One catalytic redevelopment is Decadent Creations moving to the historic Donaldson House that will act as the retail portion of the bakery. Right next door, is the Collective Kitchen (owned by the same property owner as Decadent Creations) and this property incorporates the commercial kitchen for Decadent Creations, D’Anue Wine Tasting Room, and other culinary/creative businesses.
- Within the larger market area there is a sizeable amount of retail development planned around employment centers and the light rail line located near Orenco Station and The Streets of Tanasbourne, bolstering existing retail and pulling energy from Downtown.
- The South Hillsboro Plan (>1,400 acres) located roughly 5 miles southeast of Downtown will add significantly to the City’s residential supply with 8,000 new households and significant retail. While the neighborhood will be developed over 20 years, the first phase of construction for Reeds Crossing began in 2016. Most commercial uses are anticipated to be concentrated along the new southward expansion of the Cornelius Pass Road arterial, clustered in the Town and Village Centers, and along new east-west streets that connect SW 209<sup>th</sup> and SW 229<sup>th</sup> Avenues. This new retail will further pull development energy away from Downtown.

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## HILLSBORO RETAIL DEMAND

The market demand analysis estimates potential new retail space that can be supported in the Greater Hillsboro Retail Market Area (market area) now and over the next five years. As Downtown Hillsboro is an entertainment, shopping and service destination within this market, it will capture a portion of this trade area’s sales.

Demand is derived from two sources. The first, “existing demand” is demand for retail goods by current market area households that is currently being met outside of the market area. Existing demand is found by comparing retail supply (i.e., actual retail sales) with retail demand (i.e., the expected amount spent by market area residents based on consumer expenditure patterns). When demand outweighs supply, a leakage occurs, indicating that consumers are spending outside of the market area for retail goods or services. While consumers will always do a certain amount of shopping away from home, this comparison provides a reasonable indication of the availability of goods in the local market. The second source of demand is “future demand” or demand based on projected household growth and spending patterns in the market area through 2021.

See Figure 11 for the existing retail supply and demand balance for the Shoppers Goods and Restaurants derived from the Greater Hillsboro Retail Market Area and for Convenience Goods derived from convenience trade area demand, e.g. within a ten-minute drive of the Downtown.

FIGURE 11 EXISTING RETAIL BALANCE, GREATER HILLSBORO RETAIL MARKET AREA, 2016

Store Type	Demand/ Spending Potential	Supply/ Retail Sales	Leakage (or Surplus)	Target Sales (\$/SF) *	Potential Supportable Space (SF)
<b>Greater Hillsboro Retail Market Area</b>					
<b>Shoppers Goods</b>					
Apparel	\$118,365,500	\$92,429,105	\$25,936,395	\$209	124,098
Home Furnishings	\$76,518,747	\$40,798,571	\$35,720,176	\$140	255,144
Electronics & Appliances	\$133,328,979	\$254,990,445	(\$121,661,466)		
Home Improvement & Gardening	\$147,641,964	\$171,401,214	(\$23,759,250)		
Sporting Goods, Hobbies, Books & Music	\$85,448,524	\$96,684,774	(\$11,236,250)		
General Merchandise	\$486,279,297	\$515,420,850	(\$29,141,553)		
Miscellaneous Specialty Retail (florist, office supplies, gift stores, etc.)	\$134,048,331	\$77,179,832	\$56,868,499	\$216	263,280
<b>Restaurants</b>	\$272,040,135	\$250,634,290	\$21,405,845	\$263	81,391
<b>Convenience Retail Market Area</b>					
<b>Convenience Goods</b>					
Food & Beverage Stores	\$118,625,217	\$133,088,681	(\$14,463,464)		
Health & Personal Care	\$37,148,674	\$57,017,756	(\$19,869,082)		
<b>Total Leakage</b>			<b>\$139,930,915</b>		
<b>Estimated Supportable SF</b>					<b>723,913</b>

\* Target sales are based on the Urban Land Institute, "Dollars and Cents of Shopping Centers."

Sources: ESRI BIS, Marketek, Inc.

The existing retail supply and demand balance for the Downtown Hillsboro retail market area shows sales leakage (demand exceeding supply) in four categories totaling \$139.9 million. They are: \$56.8M – miscellaneous specialty retail, \$35.7M – home furnishings; \$25.9M – apparel; and \$21.4M restaurants. See Appendix C for the category definitions. Translating sales leakage to store space based on sales per square foot standards of the Urban Land Institute shows *potential* demand for an additional 723,913 square feet of store space in the Greater Hillsboro Retail Market Area.

Several retail categories show supply in excess of potential local demand, reflecting the large number of retail options in the Greater Hillsboro Retail Market Area shopping districts. Within the convenience market area, however, there is no leakage in food and beverage (\$14.5M) or health and personal care (\$20M).



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## FUTURE RETAIL DEMAND POTENTIAL

As households, population and spending growth occurs within the market area so too does demand for retail goods and services. Hillsboro's rapid growth is a significant selling point for retail and service providers.

- The City of Hillsboro's population itself is small but fast growing. With a population just under 100,000, 80% of residents have moved there in the last decade or less. And more are coming. According to projections by the City, this is estimated to increase to 156,398 by 2045, which represents a 57% increase over 30 years.
- Currently Hillsboro is Oregon's fifth largest city. While the City issued building permits between 2000 and 2014 for 11,100 new dwelling units, based on its recent housing needs analysis, the City is planning for an additional 15,000-20,000 housing units in a range of densities. These units are distributed throughout the Market Area but concentrated around major employers and existing retail development at Orenco Station, Streets of Tanasbourne, and AmberGlen. This is reflective of the City's goals to locate housing to reduce commute times.
- There are some limited higher density residential projects planned for Downtown building off the energy of other projects recently constructed including the Tokola Apartments at 4th and Main. Projects including Oak Street Village, 4th Avenue Apartments, Alder Commons, and Timber Oak Duplexes will add roughly 80 residents in the Downtown core, which will continue to build a case for convenience goods such as grocers in the Downtown.
- It is important to note the impact again of the South Hillsboro Plan on the future growth of residents in Hillsboro. Currently the City projects 7,712 new housing units will be developed as part of the Plan which will translate into 20,000 new residents. This residential and mixed-use expansion represents the most significant development the City has planned in the next 20 years and will meet approximately 60% of the total Hillsboro area demand for new housing.

Figure 12 summarizes potential supportable new retail space in the Greater Hillsboro Retail Market Area among five broad merchandise categories: shoppers' goods, convenience goods, restaurants, entertainment and personal services. Please refer to Appendix C for the types of goods and services within these categories. The incremental increase in potential retail sales from 2016 to 2021 is converted to square feet and totals 276,496 SF across all categories.

FIGURE 12 FUTURE POTENTIAL RETAIL, GREATER HILLSBORO RETAIL MARKET AREA, 2016 – 2021

Merchandise or Service Category	Per Household Expenditure <sup>1</sup>	Target Sales (\$/SF) <sup>2</sup>	2016 Retail Potential		2021 Retail Potential	
			Sales (in mill \$) <sup>3</sup>	Space (SF)	Sales (in mill \$)	Space (SF)
<b>Greater Hillsboro Retail Market Area</b>						
Apparel	\$2,010	\$209	\$138.4	662,155	\$148.5	710,502
Home Furnishings	\$1,035	\$199	\$71.3	358,321	\$76.5	384,484
Home Improvement	\$1,033	\$140	\$71.1	507,946	\$76.3	545,034
Electronics	\$573	\$199	\$39.5	198,310	\$42.3	212,790
Miscellaneous/Specialty	\$1,399	\$216	\$96.4	446,133	\$103.4	478,708
<b>Shoppers Goods</b>			<b>\$416.6</b>	<b>2,172,866</b>	<b>\$447.1</b>	<b>2,331,518</b>
<b>Restaurants</b>	\$3,480	\$263	<b>\$239.6</b>	<b>911,103</b>	<b>\$257.1</b>	<b>977,627</b>
<b>Entertainment</b>	\$503	\$90	<b>\$34.6</b>	<b>384,973</b>	<b>\$37.2</b>	<b>413,081</b>
<b>Convenience Retail Market Area</b>						
Grocery	\$5,779	\$390	\$108.4	278,046	\$114.2	292,746
Health/Personal Care	\$935	\$365	\$17.5	48,059	\$18.5	50,600
<b>Convenience Goods</b>			<b>\$126.0</b>	<b>326,105</b>	<b>\$132.6</b>	<b>343,346</b>
<b>Personal Services</b>	\$909	\$151	<b>\$17.1</b>	<b>112,935</b>	<b>\$18.0</b>	<b>118,906</b>
<b>Total</b>			<b>\$833.9</b>	<b>3,907,982</b>	<b>\$891.9</b>	<b>4,184,478</b>
<b>Five Year Net Gain</b>					<b>\$58.0</b>	<b>276,496</b>

1. Household spending estimated by ESRI using Bureau of Labor Statistics' Consumer Expenditure Survey.
2. Target sales are based on the Urban Land Institute's "Dollars and Cents of Shopping Centers."
3. Retail sales potential found by multiplying spending per household by total market area households for that year.

Sources: ESRI BIS; Urban Land Institute; Marketek, Inc.

Figure 13 provides a summary snapshot of the supportable retail space in the Greater Hillsboro Retail Market Area over the next five years by broad merchandise category: Shoppers Goods, Convenience Goods, Restaurants, Entertainment and Personal Services. Taken together, existing and future demand in the Market Area totals over one million square feet of retail space through 2021 – a significant opportunity for Hillsboro overall and Downtown in particular.

FIGURE 13 SUMMARY OF RETAIL EXPENDITURE POTENTIAL, GREATER HILLSBORO RETAIL MARKET AREA, 2016 – 2021

Merchandise/ Service Category	2016 Existing Unmet Demand (SF)	2017-2022 Market Area Demand (SF)	Total Potential New Retail Space (SF)
<b>Shoppers Goods</b>	642,522	158,652	801,174
<b>Convenience Goods</b>	-0-	17,241	17,241
<b>Restaurants</b>	81,391	66,524	147,915
<b>Entertainment</b>	NA	28,108	28,108
<b>Personal Services</b>	NA	5,971	5,971
<b>Total</b>			<b>1,000,409</b>

Source: ESRI; Urban Land Institute; Marketek, Inc.

Note: Sales Leakage figures are unavailable for Entertainment +Personal Services

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The share of retail space that Downtown Hillsboro can capture is integrally linked to a wide range of factors from business development outreach, the availability of quality space to increased retail supply and Downtown’s ongoing revitalization and promotion efforts. Conservatively, Downtown should fill the ground floor vacancies of 42,000 square feet, or 4.2% of space demand. Truly, Downtown should aspire to capture a much greater share of the potential. In turn, this will require expanding the supply of retail space either through adding square footage or converting existing office/service square footage to retail. What’s certainly true is that a passive approach to absorbing the retail opportunity identified through this market analysis will not lead to the desired results of a stronger retail base. To help translate the market opportunity to businesses occupying space Downtown, Appendix C exhibits the median sizes of several types of businesses that are appropriate for Downtown.





# Opinion Research



To understand the wants and needs of the Downtown Hillsboro target market, Marketek organized and conducted 8 focus groups and 4 online community surveys, reaching a variety of Downtown Hillsboro population segments. Marketek asked participants about the current retail and services Downtown and sought to identify needs. Findings from these outreach efforts are provided in this section. There was a total of 729 surveys completed, 8 focus groups, and 25 in-store visits.

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## COMMUNITY SURVEYS

Marketek conducted 4 online-based community surveys targeting Downtown Hillsboro segments: Shoppers and Residents, Employees, Business Owners, and Latino Customers (though this only received 11 responses). In total, the 4 surveys received over 729 responses. Based on the surveys the top retail and service needs identified included:

- A bakery
- Apparel and clothing stores
- Breakfast and brunch options
- Copy center/pack and mail
- All things natural and healthy

These findings were very similar across both consumer and employee responses.

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## COMMUNITY SURVEY HIGHLIGHTS

- Do most shopping in Tanasbourne and Internet (nearly half say they do most non-grocery shopping online!). Beaverton and Sunset Esplanade were also popular write-in answers.
- When asked about the major advantages of shopping in Downtown Hillsboro, 80.0% say supporting local businesses, and 69.0% say convenient location. Of note, easy to find parking (10.7%), fair prices (9.3%), and selection of goods (2.9%) were the least selected answers.
- When asked about the major disadvantages of shopping Downtown Hillsboro, respondents named poor selection of goods (68.8%), limited hours (59.5%) and lack of parking (42.4%) as their top reasons.
- Downtown Hillsboro shoppers say expanding hours and improving selections are key actions merchants can take to improve their stores.
- 20.4% of respondents answered they already live Downtown, and another 26.5% indicated they would consider moving if there were high quality new or renovated units.
- Single family detached homes were the most desirable housing Downtown (55.6%) followed by Mixed-Use (37.6%).
- Easily the most wanted retail across all categories was Groceries, with almost 87% of all respondents indicating that one is missing.
- Top household goods missing were Kitchen and Tabletop (50.9%) and Garden Supplies (48.6%).

- Women’s Casual clothing (73.1%) and Male Casual (50.8%) were top missing apparel, following by children and infants apparel (42.2%).
- Book stores were named the top missing specialty item (48.3%) in Downtown Hillsboro, with almost a 20% lead over the following in the 30-31% range: Pet Supplies, Consignment/Used, Crafts/Handmade Items and Art and Craft Supplies.
- Copy Center and Pack and Mail was named top general service missing at 61.7%, the next closest category was a Day Care at 29.0%.
- Another large-scale trend indicated by consumers was more of a selection around homeopathic/naturopathic services (52.0%), and nearly half of all accompanying comments were “massage or acupuncture.”
- For desired restaurants and cuisines, baked goods (68.0%) and a breakfast or brunch spot (56.4%) were the most popular responses. Respondents were able to select as many as they wish.
- Respondents say they want a movie theatre (56.0%) and many commented outdoor recreation or gathering spaces were also desired, including parks with Frisbee golf, yoga, bocce court, or outdoor movies.
- Consumers say the top times to shop are weekdays during the day and evenings, then weekends, with Sunday morning and afternoon being the most inconvenient times to shop.

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## EMPLOYEE SURVEY HIGHLIGHTS

- Most often repeated activities during the average workweek In Downtown Hillsboro include taking a walk, going to the park, dining out, and banking.
- 53.5% of employee respondents have an hour or more for lunch. 73.2% of respondents said they typically spend between \$5 and \$10 on lunch when they go out.
- In terms of missing cuisine or restaurants responses were very similar to consumers. Employees most want a Bakery (59.0%), followed by Healthy/Natural (46.5%) and Breakfast or Brunch spot (42.9%).
- Apparel (57.1%) and Books (41.3%) were also most desired missing specialty/merchandise.
- Copy Center and Pack and Mail (60.1%) and Day Care (48.6%) were top missing services.
- Employees, similar to residents, complained about hours, parking, and selection of retail options Downtown.

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## BUSINESS OWNER SURVEY HIGHLIGHTS

- 32.6% of Business Owner respondents were in the Retail Sector, followed by Restaurants (19.6%) and Finance/Insurance/Real Estate or Personal Services (13.0%, each).
- There was a fairly good mix of established and newer business respondents. Impressively, 41.3% of respondents had been operating their business for 10 years or more. 13% of respondent businesses were less than one-year old.



- 40.9% of business respondents say they are “holding their own” while 43.2% of respondents say business is moderately growing.
- 38.6% say they have no plans to change/expand/reduce operation but those with plans to expand stand at about 27.3% and 20.5% are unsure.
- Plans for investments or improvements in the next one to two years include new/additional employees (53.3%), new/expanded marketing (53.3%), new products/services (46.7%) and physical improvements (46.7%)
- An impressive 89% of owners have invested in/improved their business in the last two years.
- Recent investments or improvements among respondent businesses include expanded marketing (64.4%), and expanded products or services (60.0%).
- An overwhelming majority (80.4%) of respondents say that foot traffic is the most critical factor for their success. Next most popular responses were public access (47.8) and complementary businesses (45.7%).
- When asked about major issues or obstacles facing their business, nearly 70% cited lack of parking and 63.0% say that customer traffic is not enough or it is shrinking. 37.0% noted property improvements (façade, etc.) are obstacles.
- 53.7% say they would be interested in property/façade improvement information or assistance.
- 76.7% of respondents say they are interested in participating in a cooperative business marketing effort to attract customers to Downtown Hillsboro.
- 85.4% of owners say marketing and advertising programs are important to their growth and would drive foot traffic.
- Owners say “Hillsboro is a great town to live, work, and visit. Let’s all work together to keep it that way as we meet the needs of the future.”

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## IN-DEPTH INTERVIEWS & FOCUS GROUPS

To understand the wants and needs of the Downtown Hillsboro retail business community, the City of Hillsboro and the Hillsboro Downtown Partnership (HDP) organized and hosted eight focus groups in multiple Downtown locations. The groups were organized as: Real Estate Brokers, Business Owners, Property Owners, Tourism/Visitor Industry, Community Leaders, Youth, Downtown Residents and Downtown Regulars. Sixty people participated in the focus groups. A summary of themes appears below.

- Business owners are younger, and freshening up Downtown; 75% of applicants for the HDP Board positions are in the 25-45 age group.
- Downtown is safe, though there is a perception problem with parents.
- Generally, businesses are customer focused and relationship driven.
- Historic Downtown could be a real destination and provides a recognizable and marketable identity for Hillsboro.
- First Tuesday Art Walk and the Tuesday Night Market are successful in encouraging foot traffic.
- Sales are rising.

- Freshening up! Recently younger, newer residents/business owners are becoming pro-active in Downtown (ex. Manaia Cafe, Insomnia Coffee Co., Pizzario).
- Art and cultural assets are significant both in and near Downtown including: the Walter Cultural Arts Center, Bag & Baggage Productions, Hart Theatre, Venetian Theatre, First Tuesday Art Walk, Sequoia Gallery & Studios, Washington County Museum, and close by Downtown, the Rice Northwest Museum of Rocks and Minerals. People feel comfortable with the Arts District frame.
- Hillsboro is a family-focused town which may make it harder to create a night time buzz in Downtown. Good work-life balance.
- Sales and foot traffic are on the rise while Pacific University, Tuality Hospital, and government employees provide a stable base.
- Access is an issue with traffic along Tualatin Valley Highway leading in to town and one-way streets Downtown. There is also a perception issue about a lack of/limited parking even though all parking is free but time-limited and there's long-term parking at the parking garage at 1<sup>st</sup> Avenue and Washington Street.
- Downtown is not as bike friendly as it could be and lacks lanes and racks.
- Majority of new energy is re-development not new construction, even though there are several vacant opportunity sites. Existing buildings prove challenging with costly renovations for restaurant kitchens, ADA accessibility issues, and second floor residential upgrades.
- Existing popular businesses need support with other establishments to add foot traffic and create a consistent shopping experience that not only attracts people to the area but keeps them there.
- Young people like to gather Downtown at Insomnia, Starbucks, and Bagley Park. They prefer Orenco Station however because there's always something going on. A key attraction like a movie theater is missing Downtown.
- Downtown lacks a social media presence to market events and businesses.



## Target Business Mix



## EXISTING BUSINESS BASE/INVENTORY

Downtown Hillsboro’s business mix is conveyed in Figure 14 below. As summarized in the Retail Supply section, Downtown’s retail focus is predominately restaurants (20) and arts and entertainment anchors with a smaller number of merchandise stores. Health and wellness services (20) are another key business cluster downtown. The preponderance of professional service and office occupants Downtown appearing in orange on the map is most evident and is a key challenge to developing a retail/shopping hub.

There are approximately 539,097 square feet of ground floor space within the district, 7.8% (42K square feet) of which is estimated vacant.

FIGURE 14 EXISTING GROUND FLOOR BUSINESS MIX DOWNTOWN



## TARGET BUSINESS MIX & OPPORTUNITIES

A successful business district in virtually any size community requires a balance and mix of uses that includes retail shopping, professional, financial and government services, entertainment, restaurants and personal services. The results of the statistical market analysis indicate that Downtown has ample opportunity to grow its retail base and fill niches and voids in the local marketplace.

The top interests/needs identified from the community outreach are:

- Bakery
- Apparel and clothing
- Breakfast/brunch
- Copy center/pack & mail
- All things healthy and natural – spa, massage, herbs, healing, acupuncture, healthy foods, grocery and/or co-operative

Additionally, Downtown stands to benefit from the ongoing trend of growth in historic downtowns. Nationwide, historic downtowns and neighborhoods are recognized and celebrated as the center of unique, specialty, one-of-a-kind merchandise and entrepreneurs. While often anchored with large national retailers, the most successful downtown streets are lined with a preponderance of independent, creative retailers. The key retail themes noted by many downtown professionals that Hillsboro could leverage for an increased market share include:

- Lifestyle and wellness retail
- Community gathering places
- Retailers that celebrate local heritage
- Stores that entertain
- Stores that celebrate local arts
- Stores that educate
- Stores with a global perspective
- Gifts and indulgences
- Destination retail
- Neighborhood-serving retailers

Based on the existing supply, business outreach, market analysis results, and the consultant's experience with facilitating retail development in communities and business districts nationwide, a list of Downtown Hillsboro target business/merchandise opportunities was developed (see Figure 15).

FIGURE 15 TARGET OPPORTUNITIES

Target Business/Merchandise Opportunities		
<b>Merchandise</b>	<ul style="list-style-type: none"> <li>• Grocery</li> <li>• Specialty/Healthy Grocery (Green Zebra, Market of Choice)</li> <li>• Bookstore</li> <li>• Quality consignment (children, high fashion apparel, other)</li> </ul>	<ul style="list-style-type: none"> <li>• Apparel and accessories (especially women's)</li> <li>• Hardware store</li> </ul>
<b>Restaurants/Food</b>	<ul style="list-style-type: none"> <li>• Healthy foods</li> <li>• Specialty bakery</li> <li>• Urban-type brunch options</li> <li>• Breakfast</li> <li>• Food co-op</li> <li>• Elephants Deli-type</li> <li>• Wine shop</li> <li>• Gourmet (olive oil, cheese)</li> <li>• Gelato/specialty ice cream</li> </ul>	<ul style="list-style-type: none"> <li>• Brewpub or Cidery</li> <li>• Latino Businesses from the M&amp;M Marketplace</li> <li>• Indoor food Market (like Pine Street Market in Portland) with multiple food vendors</li> <li>• Food trucks/carts</li> <li>• Higher-end Farm-to-Table restaurant</li> </ul>
<b>Entertainment</b>	<ul style="list-style-type: none"> <li>• Movie theater</li> <li>• Rock Museum Pop up</li> <li>• Arcade</li> </ul>	<ul style="list-style-type: none"> <li>• Art Makerspace</li> <li>• Naked Winery Tasting Room</li> </ul>
<b>Personal care/ Professional Services</b>	<ul style="list-style-type: none"> <li>• Wellness focused venues and goods (yoga, barre, vitamin)</li> <li>• Eye care/frames</li> <li>• Asula Wellness Center</li> </ul>	<ul style="list-style-type: none"> <li>• Day spa</li> <li>• Photography studio</li> <li>• I-work, shared-work space</li> </ul>

## SAMPLE PROSPECT LIST

During the course of this work, the project/consulting team identified a number of local, Portland area retail businesses that might be a fit for Downtown Hillsboro and/or are representative of the types of small business that would be a good fit. They are shared below to encourage the development of a larger prospect pipeline to help spur the work of the HDP Business Development Committee.

FIGURE 16 TARGET OPPORTUNITIES

Clothing Stores	Planning Openings 2017	Locations Considered	SF
Fabletics	12	California & Portland	Average 2,200
L.L. Bean	100 by 2020	Pacific Northwest	
Evereve	10	Oregon	2,500 to 3,000
<b>Restaurants, Casual</b>			
Atwater's	4	West coast	2,000 to 3,000
Dotty's Deli		Oregon	1,600-3,500
Spicy Pickle	64	Oregon & Washington	1,400-1,800
Billy Goat Tavern	4	West Coast	1,500-3,000
Costa Vida	10	Oregon & Washington	3,000-5,000
John's Incredible Pizza	2	Oregon, Washington, California	45,000 to 50,000
<b>Restaurants, w/Liquor</b>			
Azteca Mexican	20	West Coast	2,500-3,500
Buffalo Wings & Rings	10	West Coast	4,500-5,000
Elephant Bar Restaurant	2	West Coast	6,000-8,000
Original Roadhouse Grill	2	Oregon, California	6,000-7,000
Tender Greens	2	West Coast	3,000-3,500

Source: ChainLinks Retail Advisors, National Retailer & Restaurant Expansions, Spring 2016

### Local Examples and Inspiration

**Breakfast & Brunch:** Commissary, Community Plate, Sweeedeedee, Milk Glass Market, Daily Café, Latte Da Coffeehouse, Besaws, Tasty n Alder and Wine Bar

**Women's Apparel & Specialty:** Radish Underground, Sloan, WildFang, Mink, YAS (yoga, spin, juice, apparel), Paloma, Mabel & Zora, Mercantile Portland

**Watering Hole:** 10 Barrel, Rogue, Coopers Hall, Old Ivy, Warehouse 23

## BUSINESS LOCATION GUIDELINES

A critical goal for Downtown Hillsboro and any shopping center destination is to increase the number of retail businesses and maintain ground floor space in the core for retail businesses. Clustering, a management tool used extensively by shopping centers, involves strategically locating businesses within a downtown business district or sub-districts to take advantage of relationships between nearby businesses, increase foot traffic and generate more sales.

To implement a clustering strategy, it is important to understand existing businesses or other anchors, to know where quality building vacancies exist and to identify and actively target businesses to suitable locations. During Workshop 2 and 3, the HDP Business Development Committee discussed focusing first on the following three retail/dining blocks: Main Street from 2nd to 4th Avenues and 3rd Avenue from SW Washington to NW Lincoln. A concentrated and successful grouping of shopping and dining businesses in this area will help catalyze active uses in the adjacent blocks as time goes on.



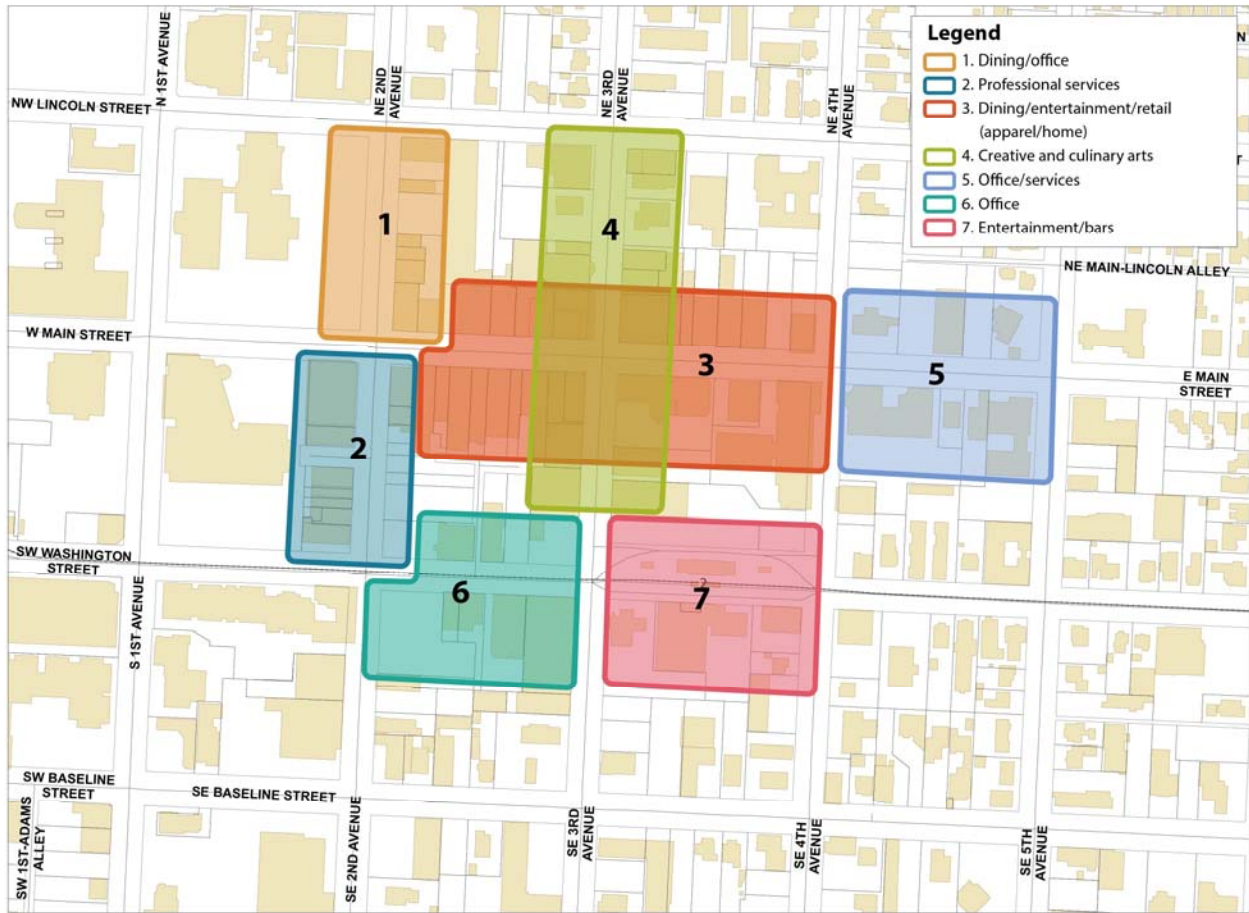
Clustering strategies include locating businesses near compatible businesses, complementary businesses, competitive businesses or traffic generators. In a relatively small downtown district such as Hillsboro, following the general clustering tenets below provides good guidance.

- Retail should be concentrated in two or more blocks at a *minimum* 'double-loaded' on both sides of the street to encourage optimum pedestrian circulation.
- Professional service/office uses ideally should be located in upper stories and on secondary streets out of the retail core.
- Hair and personal care services can be scattered throughout the district.
- Restaurants can be located as entertainment anchors throughout the district with sensitivity to avoiding conflicts with neighboring businesses that may serve a different market segment.
- Convenience businesses like grocery and drugstores are ideally located close to concentrations of housing. They typically need large parking lots and are best situated on the edge a downtown.

Taking these guidelines, a step further, the Downtown Business Development team promotion may need to focus its work on smaller sub-districts rather than downtown as a whole.

The cluster map that follows provides a short-term framework for organizing downtown business development efforts recognizing that over time property rehabilitation and new commercial development will influence the business vision and mix through new/changing anchors, urban form and pedestrian/auto orientations.

FIGURE 17 DOWNTOWN HILLSBORO BUSINESS CLUSTERS





# From Research to Results



To provide focus, to encourage momentum and to help demonstrate quick results, Marketek identified 12 action steps to get started on during the next 6 months:

<p><b>Customer Attraction</b></p>	<ol style="list-style-type: none"> <li>1. Capture more sales by targeting nearby customers</li> <li>2. Promote Downtown as Hillsboro’s entertainment district</li> <li>3. Actively promote existing businesses</li> </ol>
<p><b>Business Vitality</b></p>	<ol style="list-style-type: none"> <li>4. Help existing businesses succeed</li> <li>5. Host a restaurant boot camp</li> <li>6. Organize a business expansion &amp; assistance team</li> </ol>
<p><b>Package the Product</b></p>	<ol style="list-style-type: none"> <li>7. Promote and commit to follow the business clustering guidelines</li> <li>8. Host property owner/realtor/developer event(s)</li> <li>9. Focus on top three retail-ready vacancies</li> </ol>
<p><b>Business Attraction</b></p>	<ol style="list-style-type: none"> <li>10. Organize and implement a sales campaign(s)</li> <li>11. Cultivate a 3<sup>rd</sup> party business development referral network</li> </ol>
<p><b>Organizing for Success</b></p>	<ol style="list-style-type: none"> <li>12. Support/training the HDP Business Development = boots on the ground</li> </ol>

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## TOP RECOMMENDATIONS

At the heart of Downtown Hillsboro’s retail success is its ability to offer residents, area employees and visitors a diverse and unique range of products and services that is easy to access and an inviting shopping experience – a safe, quality environment for pedestrians and vehicles alike. This guiding principle reinforces a key initiative of the Hillsboro 2035 Community Plan and the Downtown Framework Plan which is to develop a vibrant, mixed-use downtown as a unique (regional) attraction.

As Downtown Hillsboro works to strengthen and grow its retail base, keep in mind the integral connection to community and economic development and the need to expand the size and scope of the consumer market. The critical link between market size and retail development cannot be overstated. Developing a strong mix of retail and service establishments requires continued growth in Downtown Hillsboro’s household/residential base, employment base, visitors and traffic to the area.

As an illustration, strengthening the residential base in and immediately surrounding Downtown Hillsboro will serve as an important catalyst for retail expansion. Residents of new housing will look to Downtown for day-to-day goods and services (like grocery) as well as for entertainment and specialty items. Supporting and boosting the number of employees in the area also has the potential to encourage retail development by offering a built-in consumer market. This fundamental holds true for neighborhoods adjacent to Downtown Hillsboro and the community as a whole. It also applies to the importance of encouraging and expanding the visitor market, which also has strong growth potential.

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## TAKING ACTION

In support of the community vision and the results of the market analysis, recommendations for action focus on the key elements listed below. To provide focus, to encourage momentum and to help demonstrate quick results, 12 action steps were identified emphasizing work to be undertaken in the next six months – between July 1 and December 31, 2017. After that time, the retail development priorities can be reassessed and refreshed. During the June 5, 2017 workshop on Putting the Market Analysis to Work, the HDP Business Development Committee prioritized five key tactics for immediate action within numbers 2 through 5 below and delegated Customer Attraction activities to the Promotion Committee. The 12 steps fall into the following workflows:

1. Customer Attraction
2. Business Vitality
3. Package the Real Estate Product
4. Business Attraction
5. Organizing for Success

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## CUSTOMER ATTRACTION

The most inviting, well-maintained and smartly tenanted shopping districts must continuously work hard to promote the image and promise that they offer to the shoppers they seek to serve and to remind them of the diversity of goods and services offered. The Downtown Hillsboro retail community as a whole can benefit from joint marketing to local shoppers and visitors, and creating an effective unified promotion strategy to forge a positive image and engaging atmosphere.

1. The entire Downtown Hillsboro retail community can capture more sales by **attracting existing nearby target customers, most notably the tech workforce, hospital and university**, making shopping easy and convenient with accessible parking and consistent store hours and earning their shopping loyalty to Downtown Hillsboro.

- Ex: Organizing restaurant/dining promotions for the tech workforce will need to emphasize quick, quality food and may begin with promoting downtown restaurants that deliver or delivery via UberEATS. Special events like a Taste of Downtown Hillsboro will help draw the broader community to downtown’s chief retail asset – its concentration of dining. The Chamber of Commerce expressed desire for a restaurant rack card (‘EAT Downtown’) to put in hotel rooms.
- Ex: Retail Happy Hour or other special events focused monthly on the nearby workforce.
- Ex: Opportunities to increase foot traffic and exposure to downtown businesses can also be as simple as developing Walking Maps – 1, 2, 3-mile walks that traverse downtown and support other community goals around Health and Wellness.
- Ex: Marketing to Hillsboro’s significant employment base goes beyond direct customer marketing and should include promotion of the numerous business meeting spaces as alternative locations for off-site gatherings.
- Ex: Extended Store Hours Campaign – begin this process with restaurants and entertainment businesses actively promoting late night hours Thursday through Saturday, for example. Gradually move toward established hours that Downtown Hillsboro is ‘open’ and promote.

2. **Marketing Downtown as Hillsboro’s Entertainment District** is a theme that encompasses downtown’s chief assets – restaurants, arts venues, evening entertainment/recreation – and will have strong appeal to the tech workforce, residents and the greater Downtown Hillsboro market area.

Among the taglines or marketing messages identified during the retail market analysis were:

- *Unplug at the End of the Line*
- *Come Alive at the End of the Line in Hillsboro’s Entertainment District*
- *Downtown Hillsboro is your place to Unplug*
- *Downtown Hillsboro takes you Out of the Box*
- *Downtown – Your destination for hip eateries, stylish stores and creative energy*

*“Retail success demands Downtown Hillsboro create a ‘buzz’ as a destination district – with offerings and a cool vibe that don’t exist anywhere else.”*

– Hillsboro CBRE Retail Broker

3. As part of the ‘keeping business local’ movement, **actively and visibly promote existing downtown businesses**. Organize a campaign of local small business owner stories with the theme of ‘I am Downtown Hillsboro’ or ‘I believe in Downtown Hillsboro.’ Share their personal commitment to the local community, local economy and Downtown’s success. This is, after all, a key distinguishing feature of downtown business districts. This promotional campaign can happen over a defined time frame and feature dozens of business owners using social and print media. Make it a customer

traffic-generating initiative with business specials featured during the same week that the story hits the airwaves.

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## BUSINESS VITALITY

Helping Downtown Hillsboro’s existing business base succeed will be the underpinning of successful retail development. Business survey respondents specifically asked for help with marketing and promotion. Related factors are: merchandising, finance, systems improvements, tenant and façade improvements, business location/expansion and staying on top of marketplace trends and opportunities. Recommended next steps follow.

- 4. Assist existing businesses through small group retail workshops and one-on-one sessions to promote the opportunities** identified from the Retail Market Analysis through the media and in networking meetings. Share the “Top 10 Retail Market Analysis Findings for Downtown Hillsboro” with existing businesses and encourage them to expand and diversify their merchandise mix to capture opportunities identified.
- 5. Host a Restaurant/Culinary Arts Boot Camp** during a slow restaurant week in the post-summer vacation/pre-holiday season. Make it a one week educational/networking event that aims to bolster the management and marketing success of downtown restauranteurs. Bring in outside speakers and hold restaurant workshops focused on key issues food vendors typically struggle with.
- 6. Organize a business outreach/assistance program** where a Downtown ‘Business Expansions Assistance Team’ is in regular contact with business owners and helps identify and respond to critical issues in a timely manner. Develop a regular schedule of business visits and follow-up. Track and report the results through the HDP Business Development Committee.

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## PACKAGE THE PRODUCT

Quality business tenants need attractive, appropriately sized commercial properties in the right location for attracting customers. Specialty shops generally seek small square footages – usually 500 SF to 2,000 SF – whereas national retailers often need several thousand square feet. (See Appendix C). It is important for the HDP Business Development Committee to become thoroughly knowledgeable about and actively promote the commercial real estate Downtown Hillsboro has to offer. A key component of that work is matching retail opportunities to retail-oriented and ready properties.

- 7. Promote and follow the Business Clustering Guidelines and clustering concept plan (see Figure 17)** throughout the property and business development process. Keep this information visible and top of mind in every business location opportunity. Cross match vacant properties to specific store types and tenants, creating site-specific business location targets and contributing to a critical mass of interesting retail in the core area.
- 8. Engage Downtown property owners and Hillsboro real estate brokers** in an event to share the results of the retail market study, to promote the market-based vision for Downtown and to talk about their critical role in Downtown’s success. The event may be augmented with one-on-one, small groups to special presentations. The HDP works hard to stay connected to these key stakeholders, but it’s time now to move that outreach to a higher level with regular information sessions, engaging interested parties in committee work and marketing and regularly sharing key facts and information about the ‘state of the Downtown Hillsboro real estate market’ with them to keep the plan top of mind.



- 9. Focus on the top three retail-ready vacancies** to match space available and location with the best business fit. This effort builds on the property inventory, business mapping and property visits/assessments that occurred through the retail market study work. This also leverages the business clustering tactics and ‘block by block’ thinking that is needed to truly strengthen the core retail ‘hub’ area that will in turn spur development and success in the nearby blocks (or on the spokes of the wheel hub.) Among the top vacancies identified were: 3<sup>rd</sup> and Lincoln redevelopment, 125 SE 3<sup>rd</sup> Avenue, 133 SE 3<sup>rd</sup> Avenue and 211 E. Main Street. Create detailed property profiles, target business list and marketing info sheets for up to 5 sites.

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## BUSINESS ATTRACTION

- 10. Organize and begin implementing at least one sales campaign.** Beginning steps are outlined below. See Appendix E for Downtown Marketing Templates, Business Case approach, Marketing Postcard and Campaign Framework to guide the work under Business Attraction.
- EX: Utilize and adapt the Downtown Hillsboro Market Factsheet and target market templates developed as part of the retail market analysis.
  - EX: Identify, package and actively promote property improvement/development incentives or assistance. Through urban renewal, the City of Hillsboro offers many of the typical tools that follow. Yet, many downtown business owners remain unaware of them or view City regulations as impediments to their success. Work to turn those perceptions around with a highly pro-business marketing tool that can be used with existing or prospective businesses. Examples include: streamlined, fast-track permitting; reduced or deferred development impact fees; reduced loan rates; façade grants; signage grants; land donations/buy-downs; development analysis grants.
  - For one business target, building from the ‘suspect’ and preliminary prospect list, create a target list and begin populating the pipeline for outreach, sales calls, and follow up.
- 11. Actively cultivate a third-party referral network** to promote Downtown Hillsboro business opportunities and properties. This will include realtors, community leaders, developers, business resource providers and others that you want to ‘stay in front of’ with timely information. This two-way information sharing will encourage referrals of business prospects, property investors, developers, etc. and a partnership approach to downtown prospecting. Work from a schedule of regular electronic/social media posts on business/real estate topics to stay top of mind with this audience.

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## ORGANIZING FOR SUCCESS

Successful downtown business development programs for small and large cities alike have the following key organizational elements in common:

- A clear delivery system – property owner team, Business Expansion and Assistance Team (B.E.A.T.) ambassador group, business prospecting team.
- An active and visible public-private partnership, aka ‘Retail Sales Team’ where goals, responsibilities and resources available are shared through a unified vision and game plan. Among the stakeholders involved are the City, established businesses (brokers, lenders, and

other leaders), entrepreneurs, creative marketers, business assistance providers and major employers. For the HDP this is, in essence, the Business Development Committee.

- The capacity to follow-through on work plans. The most creative marketing and sales efforts will not succeed without continuous follow-through and systematic adjustment to the market and business targets, which are in constant motion. Keep up with a business development tracking system (ex: Maestro) as it is an essential element for success.

**12. Expand, organize and support the HDP Business Development Committee** to focus and undertake Downtown retail marketing implementation. The Committee has all the key stakeholders at the table, members who are committed, connected and passionate about Downtown Hillsboro’s success and have the drive and energy to move down the task list. Based on the interests and skills of candidates for implementing action steps, determine the key roles and responsibilities and how progress will be reported and shared on a monthly basis (see sample guide below). However, it is strongly encouraged that the Business Development Committee organize subgroups as noted above re: the ‘delivery system.’ The sub-groups will serve as boots on the ground with the Committee chair and the HDP staff serving to connect all the findings and ensure that the results are tracked and promoted.

### **SAMPLE ACTION PLAN – DOWNTOWN HILLSBORO**

<b>Sample Implementation &amp; Reporting Guide</b>					
<i>Action</i>	<i>Tasks</i>	<i>Lead Person/Team Members</i>	<i>Target Start Date</i>	<i>Target Completion Date</i>	<i>Status</i>
PACKAGE THE PRODUCT – PROPERTY DEVELOPMENT					
Inventory vacancies/available sites					
Contact property owners/brokers					
Property profiles					
Match property to business target					
Redevelopment site plans					
BUSINESS ATTRACTION					
Develop collateral					
Conduct targeted outreach					
Prospect follow-up					
Promotion and media outreach/results					



# Appendices



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## APPENDICES

- A. Supplemental Target Market Data for Downtown Hillsboro Greater Market Area
- B. Downtown Hillsboro Key Documents – Review of Past Project and Planning Initiatives
- C. Merchandise Categories and Square Footage Specifications
- D. Opinion Research Data
- E. Marketing Campaign Framework



## Appendix A. Supplemental Target Market Data for Greater Hillsboro Retail Market Area

Demographic Indicator	Washington County	Greater Hillsboro Retail Market Area	State of Oregon
Population			
2010	529,710	176,626	3,831,074
2016	569,215	191,461	4,029,968
2021 (forecast)	609,175	205,892	4,218,101
Avg. Annual % Change ('16-'21)	1.37%	1.46%	0.92%
Households			
2016	214,088	67,583	1,590,047
2021 (forecast)	228,248	72,599	1,660,616
Avg. Annual % Change ('16-'21)	1.29%	1.44%	0.87%
Average Household Size	2.63	2.79	2.48
Median Household Income	\$67,221	\$62,354	\$52,196
Median Age (Years)	36.3	34.1	39.4
Race			
Percent White Alone	73.6%	71.8%	81.7%
Percent Black Alone	2.1%	2.0%	1.9%
Percent Native American Alone	0.8%	1.0%	1.4%
Percent Asian/Pacific Islander Alone	10.7%	8.9%	4.8%
Percent Some Other Race Alone	8.0%	11.3%	5.9%
Percent Two or More Races	4.8%	4.9%	4.3%
Ethnicity			
Hispanic Origin (any race)	16.8%	23.7%	13.0%
Educational Attainment			
No High School Degree	9.0%	13.2%	8.9%
High School Degree	13.3%	19.1%	18.7%
Associate Degree	9.7%	9.2%	8.8%
Four Year Degree or More	40.4%	30.8%	30.0%

Source: ESRI Business Information Solutions





## Appendix B. Key Documents – Review of Past Project & Planning Initiatives

NAME	DATE	PURPOSE	KEY FINDINGS
Hillsboro 2035 Community Plan	August 2016	Exercise to identify key trends and conditions, conduct a comprehensive community engagement process, and worked with thousands of community members and stakeholders to turn people’s ideas into implemental actions. Modeled after Hillsboro’s 2020 Vision and Action Plan	<ul style="list-style-type: none"> <li>• 5 key focus areas for Hillsboro 2035: Health, Wellness and Safety; Education and Community Involvement; Economy and Infrastructure; Livability and Recreation; and Environmental Sustainability</li> <li>• Outputs included: goal statement, community initiatives (above), actions for each initiative, and community partners</li> </ul>
Hillsboro Downtown Partnership Strategic Plan	2016	Outline strategic plan and actions to support a vibrant Downtown	<p>3 Years Goals (also included outputs, key partners, and timeline)</p> <ul style="list-style-type: none"> <li>• Create more reasons for people to come Downtown and create a destination environment</li> <li>• Develop a sustainable organization</li> <li>• Enhance Downtown aesthetics and visual appeal</li> <li>• Enhance multimodal accessibility of Downtown</li> <li>• Promote value and awareness of Downtown through marketing</li> </ul>
Urban Land Institute (ULI) NW Technical Assistance Panel Recommendations, City of Hillsboro Downtown Redevelopment	2015	Key Recommendations for Downtown Development	<ul style="list-style-type: none"> <li>• Identify catalyst sites for development</li> <li>• Actively pursue issuance of bonds, tax exemption and other financial tools</li> <li>• Change code to allow for a variety of ways of providing structured parking including freestanding parking garages</li> <li>• Support redevelopment of Hank’s site</li> <li>• Study feasibility of Downtown hotel</li> <li>• Develop parking management program</li> <li>• Establish recruiting program for businesses and restaurants</li> </ul>
Downtown Building and Revitalization Recommendations – Civilis	2011	Provide civic identity findings from workshop (2011) and revitalization recommendations, actions and case studies	<ul style="list-style-type: none"> <li>• Identified super conflict in workshop for identity: old timer vs. whippersnapper</li> </ul> <p>Recommendations:</p> <ul style="list-style-type: none"> <li>• Tell an exciting story with your buildings</li> <li>• Ramp up the street dialog</li> <li>• Make walkability king</li> <li>• Bring on the activity</li> <li>• Improve brandings, marketing and PR</li> </ul>

NAME	DATE	PURPOSE	KEY FINDINGS
Downtown Hillsboro Urban Renewal Plan	May 2010	Provide the framework necessary to establish and carry out urban renewal projects in the Downtown Hillsboro area, including guiding goals and objectives for implementation, following the 2009 Downtown Framework Plan	<p>Goals</p> <ul style="list-style-type: none"> <li>• Public participation</li> <li>• Revitalization of Downtown commercial district</li> <li>• Creating and retaining jobs</li> <li>• Infrastructure and multi-modal accessibility</li> <li>• Stable and sustainable residential neighborhoods</li> <li>• Parks, trails, and community recreation facilities</li> <li>• Unique identity</li> <li>• Use environmentally sustainable practices</li> <li>• Balance of urban renewal expenditures</li> </ul> <p>Projects</p> <ul style="list-style-type: none"> <li>• Incentives to property or business owners for redeveloping, developing, improving or rehabilitating commercial, industrial, and mixed-use properties and structures.</li> <li>• Development of new or improving existing public transportation facilities.</li> <li>• Cultural and community improvements to advance the civic life of the Area.</li> <li>• Improvements for business development and workforce training facilities closely related to the needs of Area residents and to enhance existing businesses</li> <li>• Street, streetscape, and gateway improvements to improve access and circulation and to enhance safety for multi-modal travel.</li> <li>• Preserving and upgrading the existing housing stock and developing a range of new housing.</li> <li>• Parks, trails, and recreation facilities to meet the need of residents and visitors.</li> <li>• Incentives to increase the quality and environmental sustainability of improvements.</li> </ul>
Downtown 5 Year Vision	2012	Visual representation of 5-year vision	<ul style="list-style-type: none"> <li>• New Development – Wells Fargo and 2<sup>nd</sup> and Washington sites as mixed-use projects</li> <li>• Restaurants – 6 or 7 new restaurants along Main Street</li> <li>• Businesses – 15 or 20 new businesses, no big chains, using City Storefront Grants</li> <li>• Markets – Saturday and Tuesday Markets thrive and grow</li> <li>• Two Way Streets – and busier streets</li> <li>• Baseline-Oak – beautified, pedestrian and parking friendly</li> </ul>

NAME	DATE	PURPOSE	KEY FINDINGS
Downtown Framework Plan	2009	Framework planning based on input from citizens	<ul style="list-style-type: none"> <li>• Health and Education – Pacific University nearing completion of Phase III building, planning Phase IV</li> <li>• New Park – in SW neighborhood</li> <li>• Neighborhoods – attracts young couples, Intel employees, restores vintage homes</li> <li>• Jackson Bottom Trail – new trail to link Downtown with Jackson Bottom</li> <li>• Washington County Museum – thriving and Downtown in Civic Center</li> </ul> <p>Goals Outlined</p> <ul style="list-style-type: none"> <li>• Downtown Core is Vibrant, Active, Sustainable and Accessible</li> <li>• Development in Downtown Neighborhoods is Compatible</li> <li>• Pedestrian, Bicycle and Transit Travel is Safe and Well-Connected</li> <li>• Major Streets are More Inviting with Enhanced Streetscapes and Safe Pedestrian/Bike Crossings</li> <li>• Sustain and Enhance Downtown’s Economic, Environmental, Cultural and Historic Diversity</li> </ul>



## Appendix C. Merchandise Categories and Square Footage Specifications

MERCHANDISE/SERVICE CATEGORY	TYPES OF GOODS/SERVICES
Apparel	Women's Apparel, Men's Apparel, Children's, Footwear, Watches & Jewelry
Home Furnishings	Furniture, Floor Coverings, Major and Small Appliances, Household Textiles, Floor Coverings, Housewares, Dinnerware
Home Improvement	Maintenance and Remodeling Materials, Lawn & Garden
Electronics	Computer Hardware, Software, & Accessories, TVs, DVD Players and DVDs, Video Game Hardware & Software, Audio Equipment, Video Equipment, Phones & Accessories
Misc. Specialty Retail	Pet Care, Books & Periodicals, Sporting Equipment, Toys & Hobbies, Luggage, Eyeglasses
Groceries	Food at Home, Nonalcoholic Beverages at Home, Alcoholic Beverages, Smoking Products
Restaurants	Food Away From Home, Alcoholic Beverages
Entertainment	Admission to Movie/Theater/Opera/Ballet, Recreational Lessons, Participation in Clubs
Personal Services	Shoe Repair, Laundry & Dry Cleaning, Alterations, Clothing Rental & Storage, Watch & Jewelry Repair, Child Care

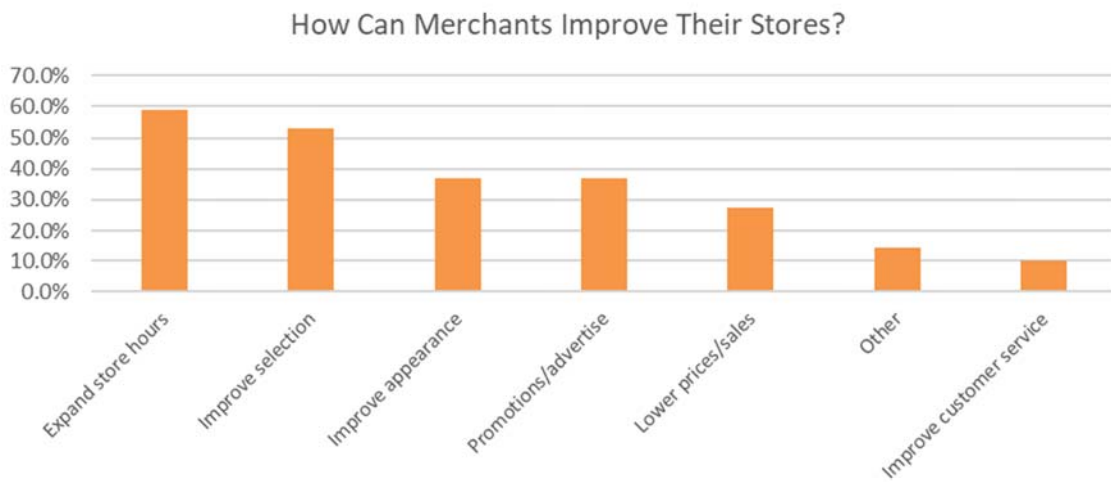
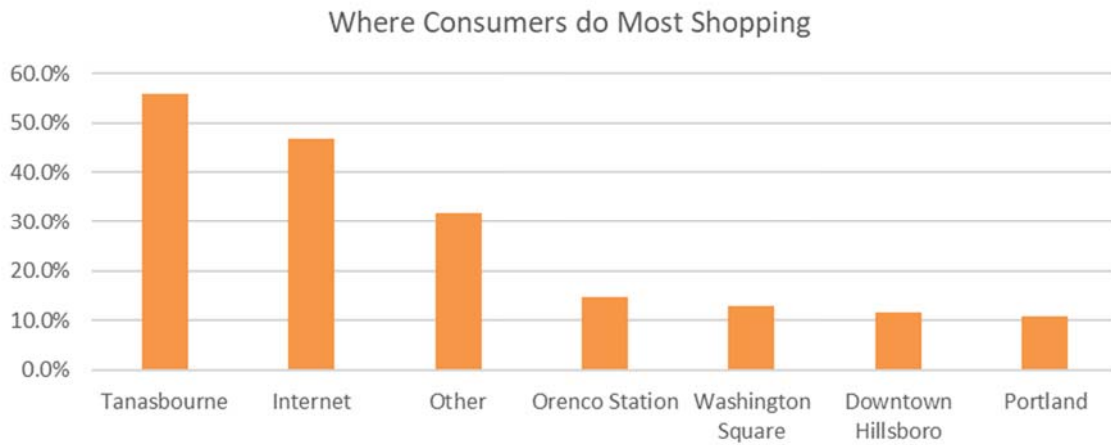
*Source: ESRI BIS, Marketek, Inc.*

**TYPICAL SIZE OF SELECTED BUSINESSES (SQURE FEET)**

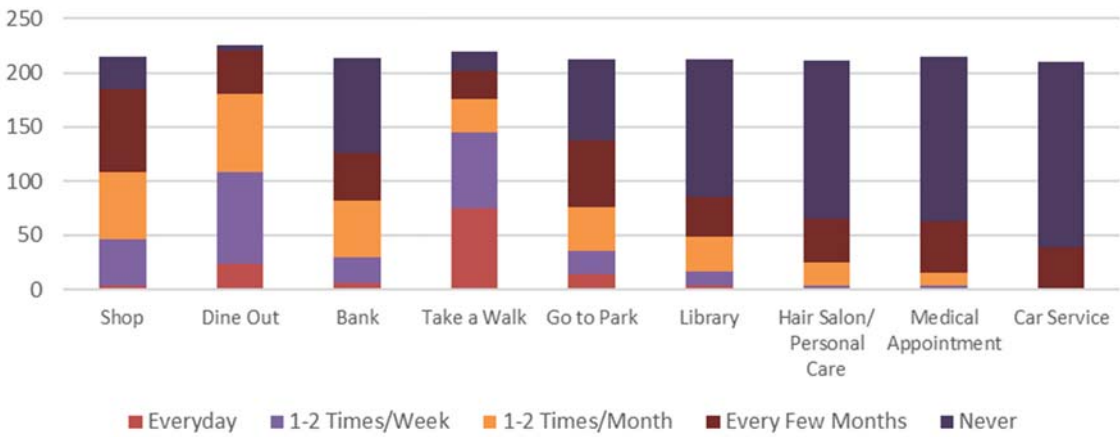
Merchandise or Service Category/Business	Median	National	Local Chain	Independent
Specialty Retail				
Appliances	5,956	6,292	5,911	~
Art Gallery	1,802	~	1,802	1,907
Beauty Supplies	1,807	1,634	2,450	1,829
Bike Shop	3,440	~	~	2,596
Bookstore	10,093	23,000	9,990	2,740
Cameras	2,000	2,000	~	~
Children's Wear	3,913	4,879	3,054	2,105
Family Shoe Store	4,000	4,113	5,100	2,460
Family Wear	8,000	8,500	3,474	5,132
Gift/Cards	4,200	4,900	3,780	1,653
Hardware	13,200	13,900	~	~
Home Accessories	7,595	10,215	5,365	2,462
Jewelry	1,500	1,610	1,968	1,200
Luggage	2,500	2,499	~	~
Men's Clothing Store	3,500	4,319	3,065	2,750
Pet Supplies	7,995	17,600	3,201	3,200
Record/Tapes	4,464	6,178	~	2,017
Sporting Goods	8,465	22,000	4,980	2,995
Toys	7,855	12,000	~	3,344
Women's Ready to Wear	4,400	4,503	3,960	2,145
Convenience				
Drugstore/Pharmacy	10,920	10,860	16,668	4,977
Supermarket	50,420	49,071	51,495	23,300
Bakery	1,990	4,000	~	1,700
Gourmet Grocery	18,000	~	~	~
Wine/Liquor	3,440	~	6,237	2,920
Personal Services				
Day Spa	2,875	~	2,563	3,060
Women's Hair Salon	1,400	1,450	1,250	1,361
Nail Salon	1,200	~	1,200	1,200
Health Club	10,249	9,548	5,508	10,249
Mail/Packaging/Photocopying	1,278	1,240	~	1,236
Tailor/Alteration	950	~	900	1,035
Video Rental	6,000	6,333	4,240	4,733
Drycleaners	1,800	~	1,800	1,649
Day Care	4,000	~	~	3,901
Laundry	2,114	~	2,150	1,955
Restaurants				
Restaurant with Liquor	5,204	6,669	5,600	3,362
Restaurant without Liquor	3,581	6,500	3,025	2,625
Bar/Cocktail Lounge	3,821	~	~	3,821
Ice Cream Parlor	1,137	1,144	1,137	1,116
Coffee/Tea	1,578	1,650	1,624	1,400
Entertainment – Cinema	35,022	37,161	35,022	21,250

*Source: Urban Land Institute, "Dollars and Cents of Shopping Centers"*

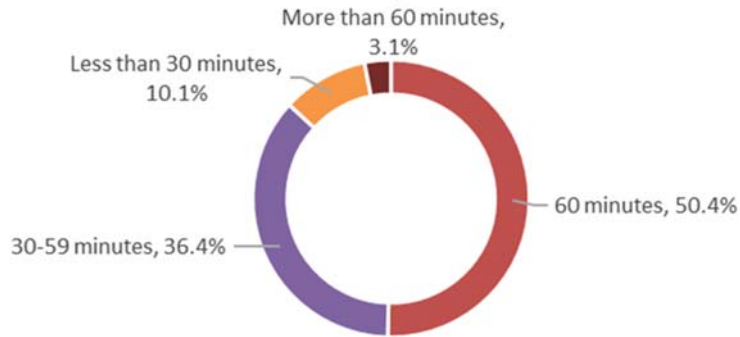
## Appendix D. Opinion Research Data – An Excerpt of Results



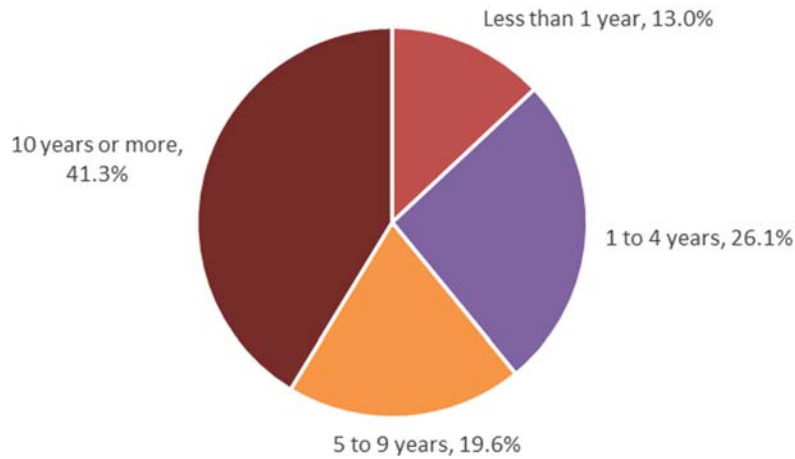
During the average workweek, how often do you do the following?



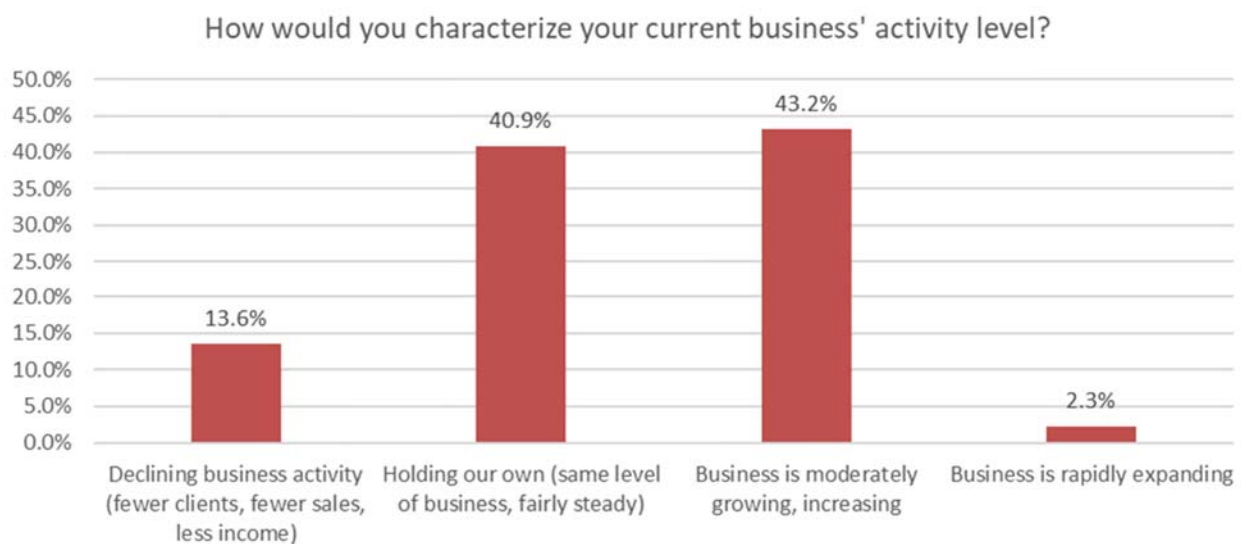
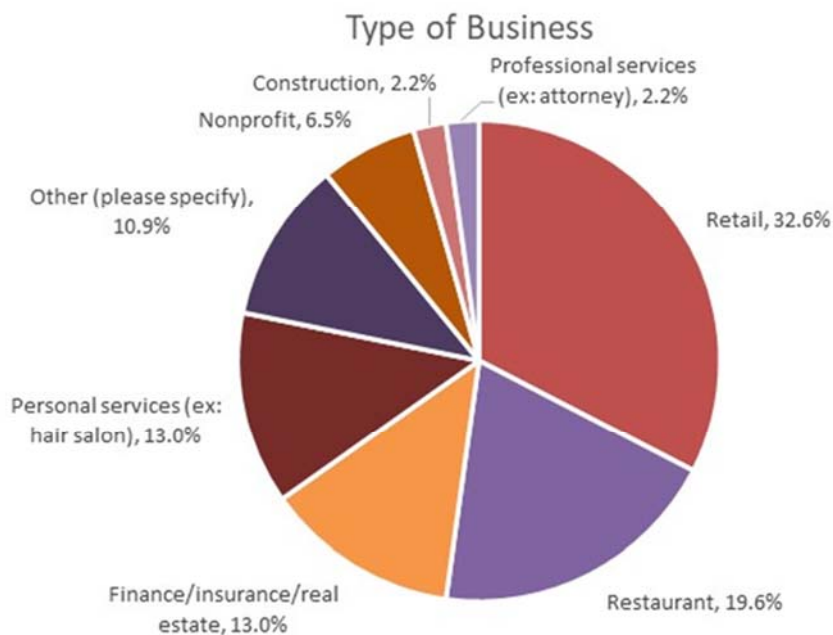
How much time do you have for lunch?



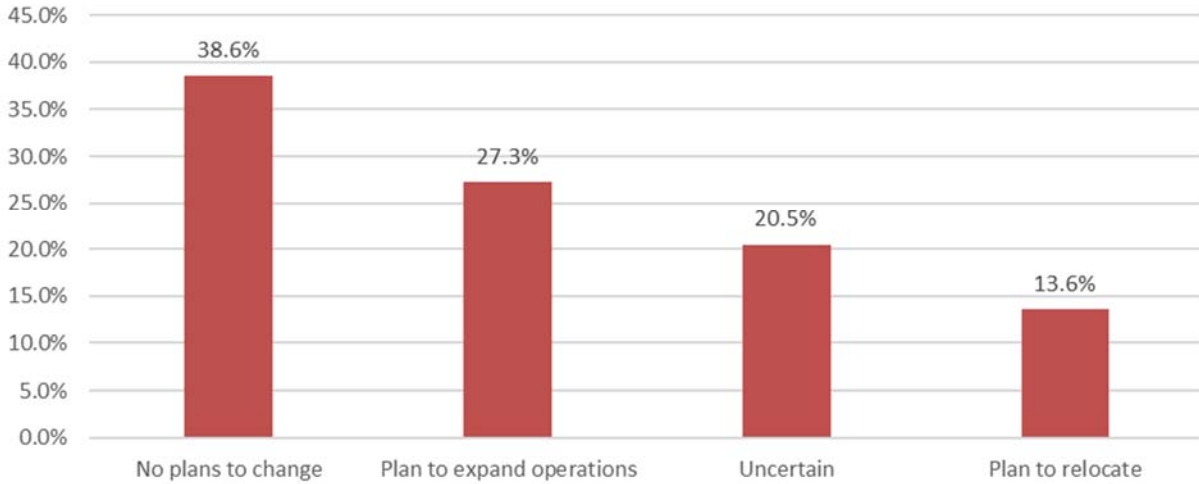
How long have you been operating your business in Downtown Hillsboro?



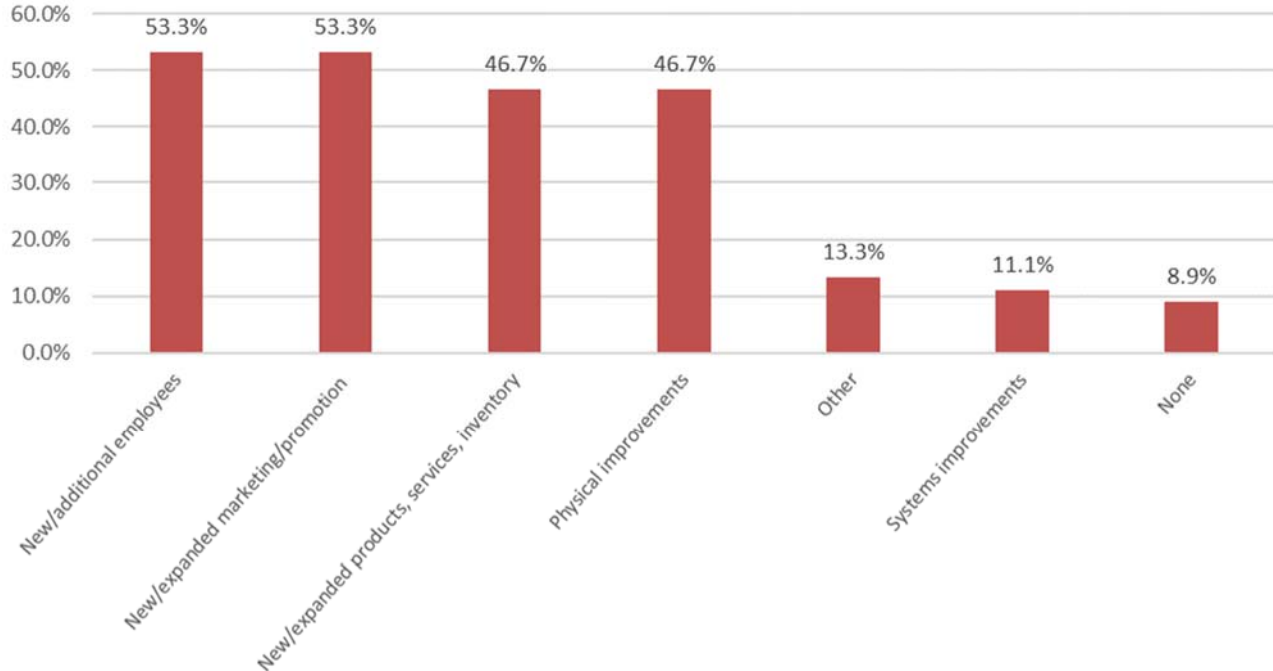




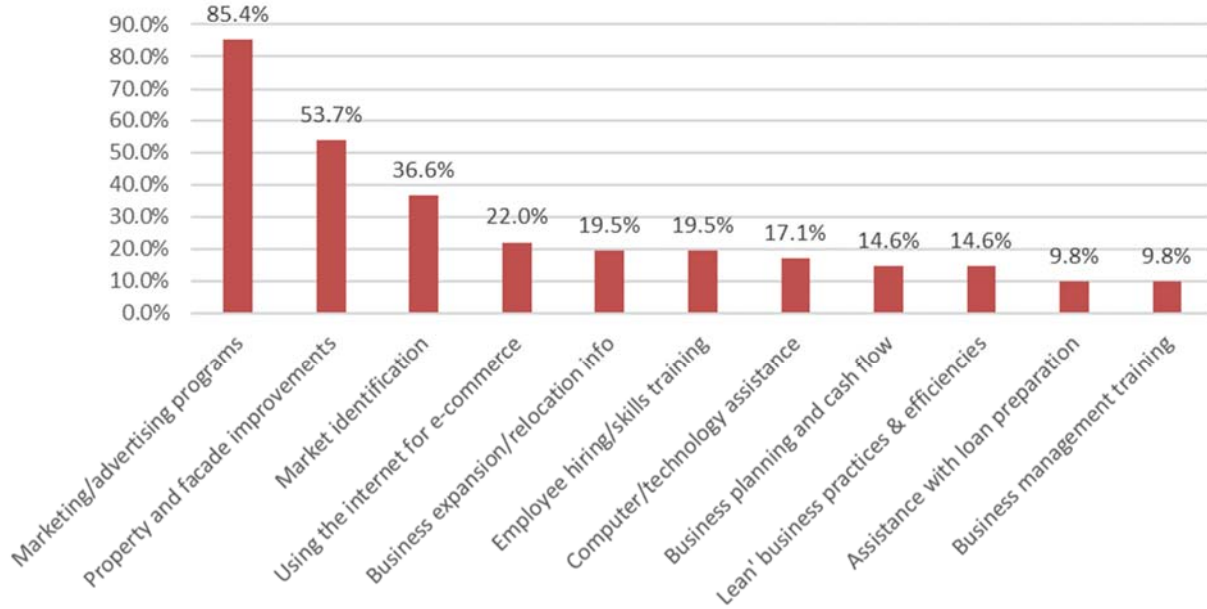
Business Plans for the Next 1–2 Years



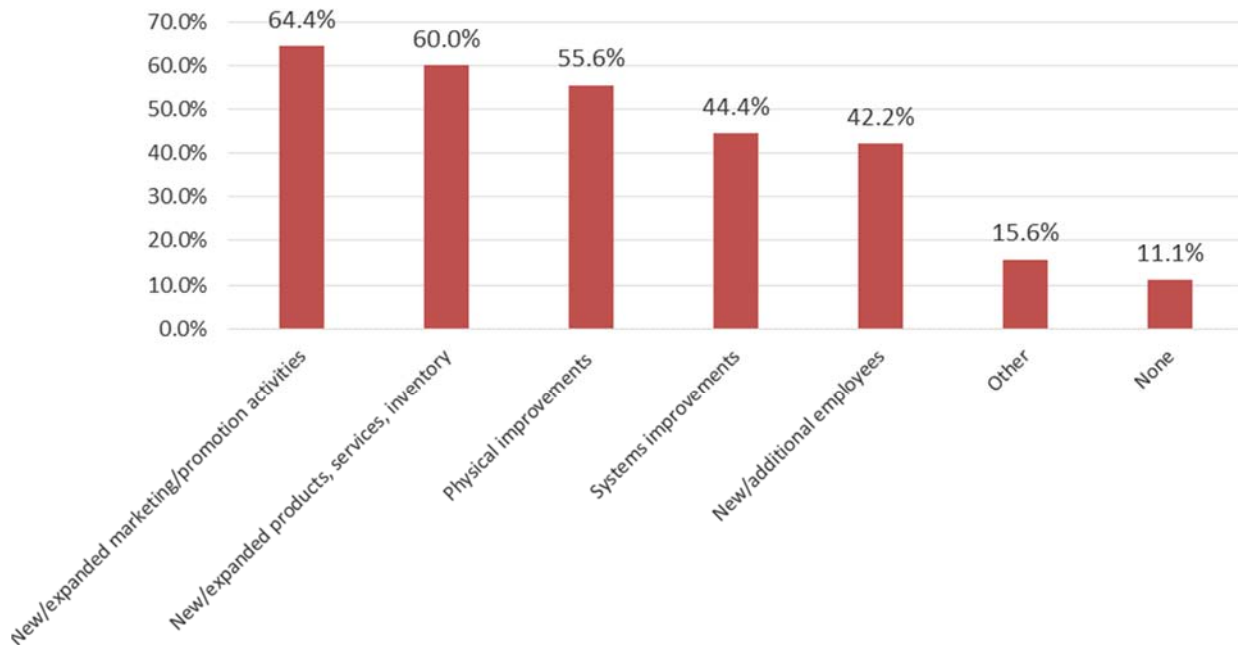
Investment or Improvement Plans for the Next 1–2 Years



To keep your business healthy and competitive, which of the following types of information or assistance are important to your company's growth?



What type of investments or improvements have you made in your business in the last 2 years?





# Appendix E. Marketing Campaign Framework

Note: Marketing templates are provided separately

## Guide to Creating an Effective Business Case

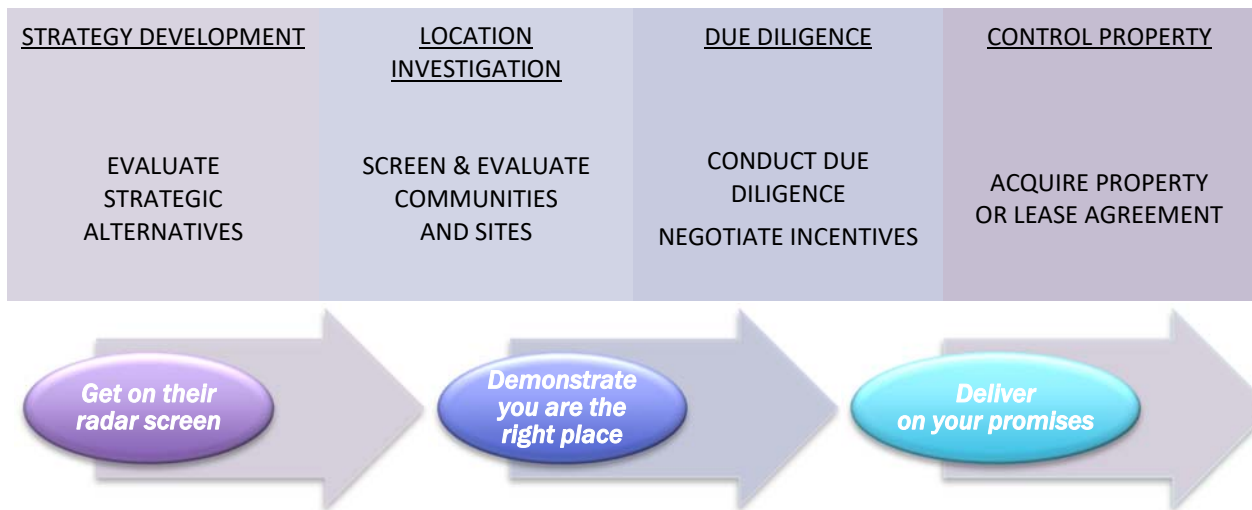
A well-written Business Case is a powerful way to differentiate your community from other communities or regions. Promote your assets and value as a business location using a fact-based, straight-forward presentation of your key messages and the compelling evidence that supports them.

Most regions and communities promote their community’s features and programs. These are important, but a Business Case communicates the community assets that contribute to making businesses successful. It offers a clear, compelling case for why a business should consider your region for their new location.

Economic development marketing is typically focused on those businesses, or their representatives, who make facility location decisions for new locations or expansions for medium to large corporations. The location decision process is often more about elimination than a search for the right location – location options are abundant and often one is as “right for the business” as the next. Some economic development organizations are readier than others, which can make the difference in a final decision. The marketing challenge is to get on the radar screen before the company is even thinking about a new or expansion location and stay in the mix all the way through to final negotiations, as highlighted in the graphic below.

Whether dealing with a corporate location consultant or an owner-operator, these are the steps that are involved in the location decision process. The extent of each step depends on the complexity of the project, time and the decision-maker.

*Answer the question: “Why should my company locate in your community instead of any other place?”*



Start building your compelling business case by researching and collecting industry intelligence. You want to thoroughly understand the needs of the specific industry and what drives their business decisions (e.g. market share, profits, controlling costs, etc.). Then demonstrate how your area can meet the needs, challenges and objectives of businesses in that industry.

**STEP 1**  
**Industry Intelligence**

Gain an understanding of specific industry sector needs and trends through research. Some sources for specific industry information are:

- First Research ([www.firstresearch.com](http://www.firstresearch.com)) synthesizes hundreds of sources into an easy to digest format
- Industry, journals, tradeshows, and conferences

- Interview local businesses within the industry
- Network with site consultants, brokers, developers and industry consultants
- News articles

**STEP 2**  
**Unique**  
**Assets**

With clear understanding of the industry near- and long-term needs, define your unique assets. What is distinctive, rare, and will specifically differentiate your community from others that are also recruiting this industry sector. For example:

- Innovation and research resources (universities, research centers, patent resources, tech transfer).
- Partnerships, collaborations and industry associations that would be of value to your target businesses. Not just those located in your community but those that are located in the region or state.
- Special industry-specific programs (for training, hiring, R&D, etc.).
- Local, regional, state programs that support the industry.

**STEP 3**  
**Location**  
**Factors**

Communicate relevant location factors important to the target industry.

- Peers: list of existing employers in this industry, including possible vendors or customers.
- Access: illustrate location and market access advantages; distance to relevant markets and suppliers.
- Labor Shed: illustrate the availability of specific skill sets that support the industry; entry level and experienced wages; industry-specific training programs; commute patterns; productivity measurements; union activity.
- Real Estate: business parks, vacant buildings, spec buildings, land ready for development; status of infrastructure at each; specialty facilities that would be attractive to this industry.
- Resources: access to suppliers, raw materials, financing, etc.
- Business Climate: factors that make it easier to do business in your community e.g., regulatory, permitting time and cost, development process.
- Cost: customized analysis for this industry's typical operation (wages, benefits taxes, real estate, utility costs, etc.).
- Incentives: industry-specific programs provide a simple overview and criteria, potential benefits, and savings.

**STEP 4**  
**Feature**  
**Companies**

Gather information on industry leaders in your area, including:

- What they manufacture, their innovations, patents.
- Website URL.
- Get a quote from a business owner or manager.

**STEP 5**  
**Fast Facts**

Summarize the key differentiation proof points. Re-state what sets your community apart from all the others.

**STEP 6**  
**Value**  
**Proposition**

Based on the outcomes of your research, craft your Value Proposition.

- Articulate the thesis of why this industry will be successful in your community.
- Review the Business Case facts and resources; ensure they support the value proposition.

**STEP 7**  
**Continue to**  
**Build the**

A business case should evolve over time, just as the industry sector grows and changes. Continue to build and refresh the information, photos, quotes

- Update facts, figures, demographics, and industry trends.

### **Business Case**

- Engage partners and local businesses to ensure new programs, services, announcements, and discoveries are included.
- Use findings from relevant and timely reports and reference the source.
- Create news releases from the updates and local evolution of the industry, e.g. business expansions, business that is highlighted in a news or industry journal article, new products and services. This will continue to support that the area is a leader in this industry and this is where success is happening.
- Develop one or two case studies on local firms within the industry sector.
- Post new information to website.

## **Marketing with a Business Case**

### **Brochure**

- Use quality photos along with current data and quotes or testimonials from local businesses.
- Emphasize the market overview, value proposition, unique assets, fast facts and feature companies.

### **One Page**

- A one- or two-page (front/back) sheet can be an attractive and easy to read insert to a brochure or as a direct mail piece.

### **Webpage(s)**

- Create a webpage for each industry sector.
- Provide a more comprehensive business case than the brochure.
- Spotlight your community's history with the industry, market overview, value proposition, unique assets, fast facts.
- Feature local companies with photos, quotes, testimonials, case studies.
- Link to data points, maps, state and regional resources, reports, etc.





# Guide to Creating an Engaging Case Study

## Company Information

Company Name:

Contact:

City:

Phone:

Website:

Email:

## Business Description (1 or 2 paragraphs)

What does the company do? How long have they been in business? How wide is their market? Anything unique or interesting about them (their product or service, how they make the product, how fast the company has grown, key turning point in the business, unlikely owners overcoming obstacle, changes to meet new demands or competition, etc.)?

## Solution (1 to 5 paragraphs)

What were the local factors that contributed to their success? What did you do that made their life easier? When did they receive assistance from you? What specific services did you provide? How did those services address their needs? How did the company happen to come to you for assistance? Is there anything interesting about the process you went through with the company; any dead ends or obstacles you had to overcome?

## Results (1 or 2 paragraphs)

How is the business doing today? Can improvements be quantified (e.g., 10 new employees, sales up 50%, error-rate reduced, first-round funding achieved, picked up new market/client, a new partnership with college or university and what it provides the company). Quote about their satisfaction with the service? What impact did it have on the business? Are you continuing to work with them?

## Photos / Graphics

Digital photo or photos of the company's product or people; not a "grip 'n grin" or logo (min. 1156x1725 pix resolution, JPG, PNG, or TIF formats). Note: it does not work to convert a low-resolution (i.e. website photo) into a high-resolution image.

## Tips

- ✓ Use quotes from the business.
- ✓ Use an active voice.
- ✓ Tell personal, engaging stories.
- ✓ Write about the business, not the service provider.
- ✓ Show how the business benefited from a service that was provided.
- ✓ Focus on ordinary, not extraordinary examples.
- ✓ Minimize the use of acronyms.

### **Stay Away From...**

- ✘ Number of jobs created – although job growth can be used as evidence of success over time (this is for a business audience, not ED).
- ✘ Listing the many government agencies that had some small role in locating the company (this is more about the business, less about the site location process).
- ✘ Generalities and unnecessary verbiage e.g., Wasted words: "Widget Inc. found success when they moved to Smallville."
- ✘ Better: "When Widget Inc. moved to Smallville, they reduced their overhead by 10% and doubled their capacity."
- ✘ "Grip & Grin" photos (handshakes with local officials). Instead show management or customers with product

## Case Study Template Example (fictitious company)

<b>Business</b>	Worldwide Widgets, Inc.
<b>Business Description (1-2 paragraphs)</b>	<p>Worldwide Widget, Inc. started in the backyard of Don Jones, when he realized everyone had budgets, but widgets could do the same job in half the time. “We put everything into the company. I maxed out my credit card and then I maxed out my wife’s credit card. We were on the brink of closing when Microzoloft called with an order of 10,000 widgets,” says Jones. Since that rocky start in 1977, Worldwide Widget has purchased a 25,000 SF manufacturing facility in a Central City industrial park and grown to 50 employees.</p>
<b>Challenge (1-2 paragraphs)</b>	<p>Worldwide Widgets was born in Central City USA and wanted to stay there. But an unfinished industrial park almost forced them out. Inadequate water capacity restricted fire protection; unpaved roads damaged materials and merchandise being transported in and out of the facility; and it was difficult training employees in the specialized art of building a widget.</p>
<b>Solution (1-5 paragraphs)</b>	<p>With the help of the Central City USA, the County EDC and Central City College, Worldwide Widgets overcame those obstacles with \$800,000 in infrastructure improvements and customized training.</p> <p>Recognizing Worldwide Widget’s impact on the local economy, Central City and the County EDC structured an application for state and federal funds for infrastructure improvements at the park. The \$800,000 project improved access and roads at the facility.</p> <p>During one meeting, Jones made an off-hand remark about the difficulty training so many new employees because widgets require a unique skill set. According to Jones, “It’s like milking a cow in outer space.”</p> <p>County EDC referred Jones to Central College’s Contract Education. Within two months, they designed a custom in-house training program. The two-day course reviewed widget manufacturing and maintenance procedures with 20 employees. Follow-up sessions are scheduled every 6 months. “The cost was far less than if we brought in an outside consultant, and it was matched specifically to our needs,” says Jones.</p>
<b>Results (1-2 paragraphs)</b>	<ul style="list-style-type: none"><li>• Worldwide Widgets stayed in Central City and hired six more employees in 2016.</li><li>• Their widgets are used in eight countries.</li><li>• They were featured in Fortune magazine in 2015.</li><li>• They expect to expand at their present location by 2023.</li><li>• “We have been approached by at least five other states who want us to move our operations, and some of their offers are pretty enticing when you look at the California business climate. But the level of attention we got locally makes Central City the only place we want to be,” says Jones.</li></ul>



**New Site**

2013 Planned Opening

**Primary Business**

Judicial services

“Testimonial quote here  
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*Firstname Las name**Company Name*

## Tulare County Superior Court

**Situation**

The Superior Court of California, County of Tulare serves the south county communities out of two inadequate court facilities, one in Porterville. The facilities are functionally deficient, overcrowded, and insecure. Operating two separate court facilities is relatively inefficient. The current facilities are incapable of meeting the current demand for services from a recent and projected high population growth.

**Solution**

Although there was strong community support, including the desire by the judges for project to stay in downtown, finding a large enough site in downtown was challenging. Porterville Fair Board was receptive to moving fairgrounds (with City's financial assistance) which provided a site sufficient for the project to move forward. After three years of property negotiations which included verifying property lines multiple times, acquisition of an irrigation ditch that traversed the property, and securing multiple appraisals, the City and the State were able to close the deal. During negotiations, mitigation measures for loss of public open space (municipal ball field) were agreed upon.

**Results**

The new 90,000 square foot Superior Court complex will be a catalyst for renewal in the City of Porterville's downtown area. When completed, the project is expected to bring an additional 125 new jobs to downtown and spur additional retail and commercial development in and around the downtown.





## HIGHLIGHTS

**OWNER** Jane Doe

**YEARS IN BUSINESS** 8

**NUMBER OF EMPLOYEES** 6

**LIKES DOING BUSINESS IN LINCOLN BECAUSE...** "I know my customers by name and they appreciate the service."

## NAME OF COMPANY

*Summary sentence highlighting the hook or key takeaway; e.g. "From taco truck to taqueria in 3 locations"*

### Challenge

This is an example of a traditional case study. An alternate approach would be a "Success Story" profiling a successful business in more of a feature story manner. Case studies are more effective for illustrating business friendliness (i.e., how the City or agency stepped in to help a business solve a problem). Success stories are effective for capturing the flavor and attitudes of the business community in broader terms; the business can endorse the city by discussing why they like operating here without focusing on a specific problem or challenge that they overcame.

### Solution

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### Results

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## Name of Company

### Challenge

This is an example of a traditional case study, featuring a Challenge, Solution, and Results. Use the challenge area to provide background on the company. Use only what is relevant to the story. This might include new to area or long local history, what's interesting about their product or how they got into business, one location or many. Then describe what they needed (their challenge). Was it new or persistent.

An alternate approach to the challenge-solution-results approach would be a "Success Story" profiling a successful business in more of a feature story manner. Case studies are more effective for illustrating business friendliness (i.e., how the City or agency stepped in to help a business solve a problem). Success stories are effective for capturing the flavor and attitudes of the business community in broader terms; the business can endorse the city by discussing why they like operating here without focusing on a specific problem or challenge that they overcame. Stick with one or the other (case studies or success stories) to be consistent.

### Solution

The solution briefly summarizes what steps solved the problem presented in the challenge, who was responsible for the solution. Include details if relevant — e.g., a timeline of events, monetary amounts, property size, incentive description, type of training, etc. if time was a critical matter. You may use bullet points for brevity.

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- Acipit praesed te vulputem inci
- te dolore exero odolortie ming etum quamet

### Results

Succinctly describe the outcome in concrete terms — e.g., number of employees hired, building completed in xx months, average volume of product shipped, % increase in company revenues. Your audience is more interested in business benefits than job creation. You may use bullets for brevity. A quote from the satisfied business is also useful.

- Dolorem vullam, vercinut iustrud tie ver amet vullaorper sim dionsequatum quat iuscipit volendre eugait, sequat.
- Acipit praesed te vulputem inci
- te dolore exero odolortie ming etum quamet



*Summary sentence highlighting the hook or key takeaway; e.g. "From taco truck to taqueria in 3 locations"*

#### SNAPSHOT

Founded: 2007

Location: NameofCity

Employees: 14

Claim to Fame: [what they are most known for in a few words.]

#### SOUND BITE

"Insert a quote or testimonial from the company spokesperson."

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