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DOWNTOWN PORTLAND

OUTLOOK 2000

• AUGUST 1990 •

TRENDS AND ISSUES IMPACTING DOWNTOWN PORTLAND BY 2000

Achieving Association for Portland Progress' (APP) goals requires an understanding of the complex factors that influence downtown. This report contains important trends and issues identified in APP's "OUTLOOK" of June 1990, as well as trends, issues and concerns raised by APP members and others when asked to comment on regional issues that will relate to downtown Portland by 2000.

This report is the second in a series that will enable APP to monitor, report on and influence downtown trends, and represents the second phase of a strategic planning process scheduled to be completed this fall.

ASSOCIATION FOR PORTLAND PROGRESS

MISSION STATEMENT

The Association for Portland Progress is a private, non-profit membership organization dedicated to the beneficial growth and development of the central business district of Portland, through policy development, advocacy and program management functions conducted on behalf of businesses in the central business district, and in cooperation with public and other private sector partners.

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STRATEGIC PLANNING PROCESS

This report completes the second phase of APP's five–year strategic planning process. The goal of this process is to provide APP with direction in preparing operation and implementation plans for downtown's next Economic Improvement District and other programs and activities. Steps in the process include:

Phase I — Downtown Outlook 1990 — June 1990
A preliminary analysis of emerging issues for downtown Portland.

Phase II — Downtown Outlook 2000 — August 1990
Interviews with APP members and others on trends that may impact downtown Portland by 2000.

Phase III — Trend/Issue Focus Groups — August 1990
Trends to be mitigated and reinforced.

Phase IV — Possible Projects — August 1990
Interviews with APP members and others on projects to enable APP to influence downtown trends.

Phase V — Plan Development — September 1990
Facilitated sessions with APP staff members on specific directions, plans, and necessary actions.

Phase VI — Plan Review & Approval — October 1990

Phase VII — Plan Distribution — November 1990

Phase VIII — Operating/Implementation Plans

ASSOCIATION FOR PORTLAND PROGRESS, 520 SW SIXTH AVENUE, SUITE 1015, PORTLAND, OREGON 97204, (503) 224-8684

Global Trends

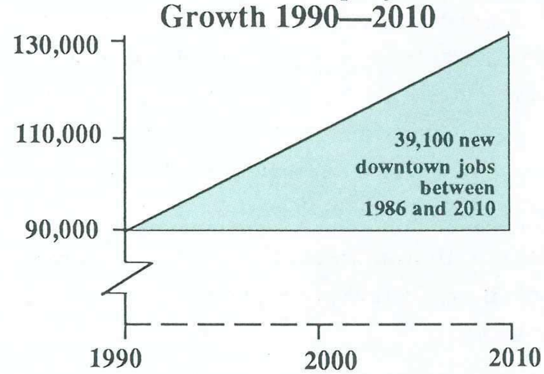
Both downtown and the region will experience dramatic growth by 2000. This growth must be managed.

Population forecasts show that the area will gain more than 500,000 new residents over the next 20 years. According to METRO, the metropolitan area can expect a population of 1,569,050 by 2000, an increase of about 10 percent for the decade.

Migration into the state and region will accelerate. One national moving company reports more people moving to Oregon than to any other state.

Currently, about 90,000 people work downtown. Various studies suggest that downtown may see from 15,000 to 27,500 additional workers this decade. The Central City Plan projects the employee base downtown to increase to 114,097 by 2000.

Downtown Employment Growth 1990—2010



Various studies suggest that downtown may see from 15,000 27,500 additional workers this decade. The Central City Plan projects 114,097 downtown employees by 2000; METRO predicts 39,100 new jobs between 1986 and 2010.

Source: METRO and Central City Plan

METRO's regional forecast shows that downtown absorbed 41.9 percent of the region's employment growth from 1980 to 1987, but METRO predicts that this figure will shrink to 10.7 percent by 1995. As noted in APP's strategic marketing plan, "...downtown will grow by between 1,200 and 1,450 workers each year until 2010." Another forecast predicts high growth in office, retail, housing, and lodging downtown, resulting in 39,100 new jobs between 1986 and 2010. In both scenarios, the majority of growth will come from office employment, with a significant increase in retail employment.

Another estimate projects that 20,000 jobs will be added in downtown by 2000. This number is backed out from square footage added per year for ten years. If 20 percent of these workers drive to work, it would require 4,000 new parking spaces, enough to fill seven parking garages. Currently 50 percent of downtown workers drive to work.

The Urban Growth Boundary is at risk, and must be strengthened.

Currently, maintenance of the Urban Growth Boundary is mixed to poor. Its future is uncertain. Some believe that this issue may have more impact on downtown Portland than any of the other issues.

The Urban Growth Boundary is useful as a tool for transportation planning (not "chasing growth" as in other cities). It will continue to be useful, if it is maintained. If, on the other hand, the Urban Growth Boundary is breached, suburban flight will occur and downtown will eventually die. The current trend is not to do infill development, but to build out near the edge of the boundary. As a result, the Portland area is experiencing an increasing loss of centrality.

Poor regional cooperation will continue to stifle efforts to solve downtown and regional problems. Cooperation must be improved.

Downtown bears the brunt of regional issues (i.e., air quality, homelessness, housing) because jurisdictions and organizations are not working together to solve problems, or in some cases acknowledging responsibility for sharing the problem.

Private-public partnerships for security, maintenance, and marketing (i.e., spreading the APP model to other business districts) is not expected to catch on beyond downtown.

Substantial development will occur north of downtown by 2000. This development must be managed.

Acreage roughly equal to one–half of downtown's existing size, located adjacent to downtown on the north, is currently owned by PDC, the railroads, and the Port of Portland. This land will be developed in the next decade, and this development will have a profound impact on the Central Business District.

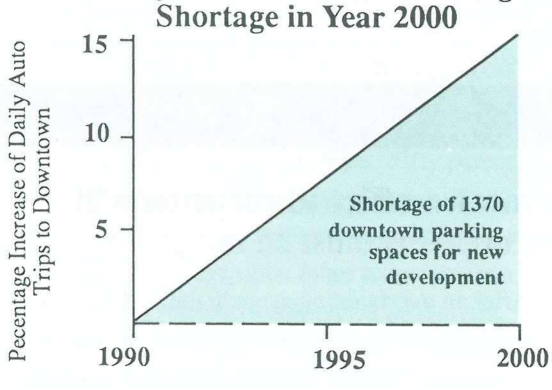
PARKING

Downtown carries the environmental load for the region's air quality problems. New regional standards must be developed.

While downtown has not had an air quality violation since 1985, ultimately thecity core will meet the capacity of the arterials and the airshed.

Furthermore, downtown currently carries the environmental weight for the entire region, because the existing Parking and Circulation Policy regulates only downtown development, and the Department of Environmental Quality (DEQ) hasn't set standards for the suburbs. If this geographically restricted view of air quality (and connected circulation and parking issues) continues, the resulting actions could push development out of downtown. As development is pushed out of downtown more vehicle trips will occur and regional air quality will deteriorate.

Projected Downtown Parking Shortage in Year 2000



Year 2000 auto trips cited from Central City Plan. Graph assumes a 35% transit ridership. This deficit does not include increased parking necessary to existing class B & C buildings.

Source: Barney & Worth

Parking supply is currently adequate, but a shortage will exist by 2000. New parking must be added.

Today, downtown has 43,914 parking spaces, including garage, surface lot, and street parking. Portland maintains approximately the same number of spaces as downtown Seattle, but downtown Portland's employee base is about half that of Seattle.

Currently, several downtown office and housing projects are under construction or in the planning stages. While new buildings often displace surface parking lots, city policy dictates that these new structures provide new parking for tenants. Nevertheless, replacement of surface lots leaves tenants of nearby B and C class buildings without parking. Potentially, this may create serious problems for leasing agents trying to sell downtown office space.

Downtown retail and office users will maintain and increase pressure for more parking. Additionally, parking will continue to be perceived as a problem, regardless of reality.

Short term vs. long term parking needs will continue to be at odds. This conflict must be managed.

One view says that parking policy focuses on the short term while the need is for a long-term strategy to retain and attract office workers (80% of Nordstrom's shoppers work downtown).

Another view accommodates retail parking needs by converting long-term parking to short-term.

TRANSPORTATION

Portland has, and will continue to have a quality transportation system. The system should be maintained and reinforced.

Portland is known for its quality road system, as well as its transit system. Survey results showed that more than 70 percent of Tri Met's riders rate the system's job performance as "good" or "excellent."

The region's dramatic growth will increase access constraints on downtown. Development patterns should be controlled, and access should be improved.

Assuming offsets can meet air quality standards and parking is added, access and circulation become the issues. Accessibility as density increases will become more important, and ultimately Portland may meet the capacity of arterials as well as the airshed. Projections estimate that 70 percent of all new transportation demands will come from downtown.

Some believe that the region will grow like Seattle–congested, out of control–and that downtown will suffer from this. The perception of the region will then deteriorate.

Planners believe that reducing the number of trips per household must become a publicly held goal. They also believe that downtown will accept this goal by 2000, but the rest of the region will not. Employers may also need to do business differently (staggered hours, etc.), which may eventually have ripple effects such as new definition of "peak" for transit.

Others believe that suburban development will shift traffic patterns, and improve congestion, which will be bad for the downtown office and retail industry. Certainly, additional highway construction stimulates suburban development, which detracts from downtown.

Transit capacity and ridership must increase.

Functional and efficient transit, to and within downtown, is crucial for maintaining Portland's competitive edge over the suburbs. It is assumed that 70% of all new employees will take transit to downtown. Fifty percent of all downtown workers use public transit to get to work, as do 26 percent of downtown shoppers. In a recent rider survey, Tri-Met found that downtown is the usual destination for more than 65 percent of its riders.

Downtown transit ridership currently averages 76,000 trips per day. Central City plan projections indicate that by 2000 transit trips to the downtown will nearly double to 142,000 trips per day.

One observer notes that peak hour transit ridership has increased relative to auto commuting, making it easier to drive downtown today than it was 15 years ago. Access to downtown by transit versus parking will be a growing issue. Many think that since transit use is critical to downtown development, Tri-Met's ability to shuffle and/or increase capacity will be a limiting factor. Employers are increasing their use of transit as an employee benefit, but there may be a limit to the percentage of trips that transit can capture (Is the existing 50 percent of commuters 90 percent of what we can get?).

Light rail funding has an uncertain future; it must be funded.

With the defeat of Ballot Measure 1 in May, regional transit faces an uncertain future. In order to accommodate downtown's economic and physical growth, the city must improve bus and rail service to downtown.

EDUCATION

Portland State University's role in higher education and Portland must change.

Portland State University (PSU) should become a major urban center for metropolitan and statewide education. It should provide world class research, teaching, and service activities focused on the needs of the community. PSU should play a lead role in coordinating a consortium of educational institutions that cooperate and interact to create an educational environment which effectively supports Portland's future.

OFFICE SPACE

Downtown office absorption will level off. This must be mitigated.

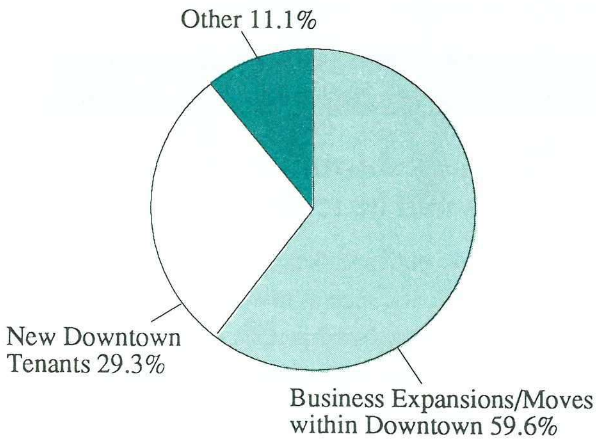
After an overbuilding stage in the early 1980s, the downtown office market has stabilized and the Class A vacancy rate has dropped from 13 percent one year ago to 10.5 percent today. The downtown absorption rate should level off at 200,000 square feet this year.

Most new office tenants will come from expansion, rather than from new business. New businesses must be recruited.

Nearly one-third of vacated office space is due to urban flight. In 1989, more than 32 percent of downtown vacancies resulted from tenants moving to the suburbs. Only three years ago, that figure was just 7.4 percent.

Downtown has a good absorption rate but, 59.6 percent of this growth came from business expansion or businesses moving from within downtown. Only 29.3 percent of new leases came from new tenants.

Sources of New Downtown Office Leases in 1989



In the projected growth economy, suburban employment will continue to grow faster than downtown employment. This must be mitigated.

In 1950, downtown had 90 percent of class A office space. It now has 66 percent. Fifty percent of class A development is out of downtown. This competition from outlying commercial centers will increase. Suburbs are often more attractive than downtown for national corporate headquarters. Suburban locations draw "back office" operations (work force access becomes a key factor). High tech and biotech corporate headquarters are not natural for downtown niches.

It is possible that this downtown office market "problem" may be due to who's active and who's not. It appears that downtown has been built by locals and that they are now inactive; suburban offices have been built by out–of–towners and they are now active.

Office development will follow residential patterns. This may favor suburban office development, and if so, should be mitigated.

Office space continues to grow faster in suburbs than downtown. This may be a response to residential patterns. Some think that residential patterns dominate development, as does transportation; they think that parking is a lesser factor.

Development surrounding downtown will increase.

Development is increasing in downtown-adjacent areas (Northwest Triangle, North Macadam, Lloyd Center). It is too soon to tell the impact of this development.

Slow growth in the work force, increased productivity, and people working at home may mean less demand for office space. It is too soon to tell the impact of this trend.

Slow growth in work force, increased productivity, and people working at home may mean less demand for office space. Working at home via computers will increase.

A change in the mix of downtown tenants is projected this decade. Portland appears to be following the national trend of increased government services and loss of traditional tenants (e.g., banks are currently moving back office workers to suburban locations).

Retail

Downtown retail will continue to grow, and should be reinforced.

Downtown retail continues to improve. Evening business will continue to grow. With additional retailers locating downtown, downtown will continue to attract retailers that are not drawn to regional centers.

It is too soon to tell how the speed of development in downtown-adjacent areas (Northwest Triangle, North Macadam, Lloyd Center) will impact downtown retail.

Aging baby boomers and other demographic shifts will dramatically impact retail trade, and downtown retail must respond.

Downtown's retailers enter the decade faced with the challenges of attracting suburban shoppers to downtown, adjusting to the evolving tastes of an aging consumer population and providing goods and services to a growing number of residents and employees.

As these consumers age, they are becoming more cautious with their spending, says a recent article in Shopping Center World magazine. "By most accounts the upcoming generation of 30-year-olds are far more conservative in their spending habits than were their immediate predecessors....It is expected that Boomers and Busters alike will spend less frivolously and, when possible, opt for quality and prestige rather than price."

Existing shopping centers will be refocusing their leasing strategies and merchandising keyed to demographics.

Changing retail patterns and shopper demographics will produce more specialty shopping (e.g., N.W. 23rd Ave.) and more mass merchandising (e.g., outlet malls).

Portland enjoys a strong retail climate; downtown has a small but growing segment, which should be reinforced.

Although the Portland area is 41st in population nationally, it is 23rd in per capita retail sales. This, coupled with no sales tax, fuels a strong retail climate.

The percentage of regional retail sales that downtown captures has doubled in the last ten years.

In 1986, the Portland area absorbed 217,479 square feet of retail space. By 1989, spurred by a robust economy and a target audience riding the crest of economic growth, that number reached 1,000,000 square feet. Between 1986 and 1990 downtown absorbed 590,000 square feet or 14 percent of the region's new retail space. The current retail vacancy rate for downtown is 13.1 percent. This compares with a 7.3 percent rate for the metropolitan area.

New regional malls will be built; others will be repositioned in the marketplace. The impact of this on downtown retail should be mitigated.

Experts agree that one to two new regional shopping centers will be constructed in the Portland region. The Winmar/Tri–Met mall in Gresham is likely to be the first of these.

Existing malls will be rehabilitated and/or repositioned to respond to shifts in consumer demographics and buying patterns (i.e., Lloyd Center).

CRIME PREVENTION

Serious crimes downtown are declining. This should be reinforced.

According to police statistics, reports of most serious crimes downtown, such as homicide, rape, and robbery, have decreased by 52 percent since 1985. In 1985, 601 serious crimes were reported, compared to 287 reports in 1989.

Less serious crimes downtown are increasing. This should be mitigated.

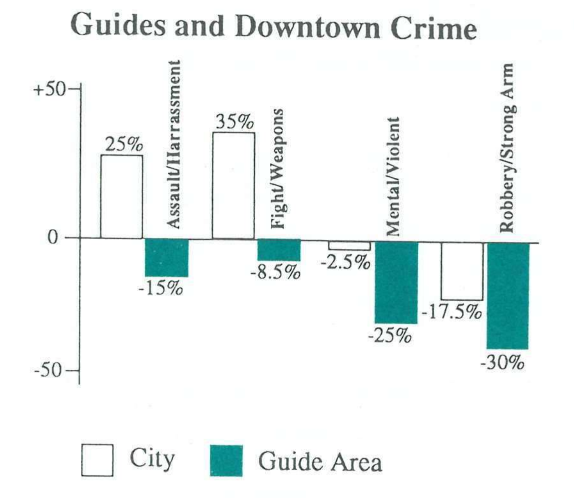
During the same time, however, there was an increase in the number of less serious crimes. Larceny reports (including car prowls) rose fivefold from 676 in 1985 to 3,619 in 1989. In addition, reports of drug activity, prostitution, vandalism, and other activities classified as less serious by law enforcement agencies increased significantly during this period, rising from 8,900 reports to over 13,000, a 32 percent increase.

The resource–short criminal justice system will increase demand for more APP Guide–type programs. This should be mitigated.

The need to make downtown more "user friendly" will bump into priorities of the user versus those of the resource-short criminal justice system. This will increase demand for more privately financed Guide-type programs.

Crime will incease due to growth. This should be mitigated.

As the daily downtown population increases, crime will increase. Furthermore, crime related to the mentally ill on the streets without resources will increase.



Law enforcement officials believe that there will be more special events, with less government involvement in them. This will increase crime.

Drug abuse and related crime will increase. The illegal alien population will increase, and expand problems of homelessness and crime.

The future of law enforcement and community policing is in doubt. Community policing must be implemented.

With community policing, experts expect an increase in citizen input and awareness regarding criminal activity in downtown, but some of these experts question whether community policing will really be implemented.

The Citizens Crime Commission may develop a master plan for the criminal justice system.

Perceptions of crime will continue, and should be mitigated.

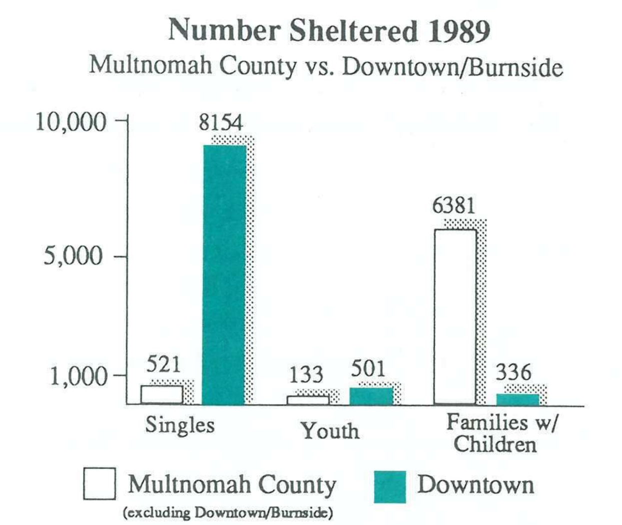
Downtown retailers will continue and increase pressure for efforts to remove the perception that downtown is filled with "nasty" people.

Social Services

Downtown is currently filling social service needs for the entire region, and this will continue. New regional solutions for social services must be implemented.

On a yearly basis, downtown shelters 9,363 persons representing 56% of all homeless people sheltered in Multnomah County.

There is a growing awareness of the need to decentralize social services. Pressure will increase for regional strategies to disperse the care system (keep Gresham's homeless in Gresham). Pressure will increase for dispersed affordable housing. Homeless families move downtown because outlying shelters are only open in the winter and affordable housing doesn't exist in many neighborhoods.



Source: Burnside Projects Inc. 6/90

We must break the suburbs' self-fulfilling view on social problems. A suburb provides no public social services; those in need go into downtown; and the suburb says, "no homeless here, why do we need programs?" Furthermore, a partnership with the State must be developed to deal with Oregonians' problems where they are, before these people migrate to Portland. This will need a lot of work.

One reason that so many low-income units are located in Old Town is the concentration of social service agencies there. It is expected that many of these services will be spread throughout the city in the next decade, and low-income housing will follow this trend.

There is increasing support for social service programs. This should be reinforced.

The next decade will see more positive actions toward people needing social services.

The business community and other sectors (churches) are more involved in building social services partnerships and demanding State help. With more people knowing others receiving mental health assistance, the public is becoming more supportive of public efforts. Consequently, non-State funds are more plentiful for mental health programs.

Experts believe, however, that Federal and State government will continue to be inactive, forcing social services problems to the City.

Problems of homelessness and drugs will continue, and should be mitigated.

Problems for the "hidden" homeless (those not accounted for in any plans) will increase. New development will increasingly eliminate their hiding places.

Drug abuse will increase.

People on the streets, especially those who want to be on the streets, will increase. Downtown will receive the majority of this expanded population.

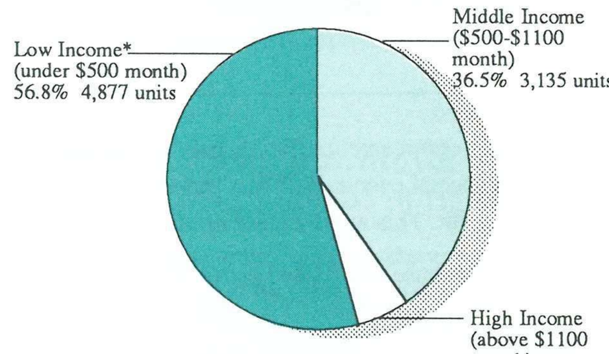
HOUSING

Portland will continue to have one of the strongest downtown housing bases on the West Coast. This should be reinforced.

According to the Portland Development Commission, 65 percent of downtown residents also work downtown and another 15 percent work close to downtown.

Since 1980, downtown has gained more than 1,200 new middle- and upper-income dwellings. A Portland Development Commission study shows the downtown occupancy rate at 97 percent for apartments with monthly rents of $500 or more.

Downtown Portland Housing Units



8,587 Total Housing Units

*Includes 2,156 single room occupancy units (SROs)

Source: APP 6/90

To date, Portland's downtown has 8,587 housing units. Of these, 4,877 (56.8 percent) are low income (under $500 per month) units, including 2,156 single room occupancy units (SROs). Middle ($500-$1,100 per month, 3,135 units) and high (more than $1,100 per month, 575 units) income apartments and condominiums account for 42.5 percent of the total.

Construction of new middle– and upper–income housing units will continue. This should be reinforced.

The Central City Plan, which the City Council adopted in 1988, calls for development of 5,000 housing units in the Central City by 2010.

Downtown retailers will maintain and increase pressure for more downtown housing. Downtown will increasingly be the high density living area in the region.

Controversy will increase on the location of new moderate– to lower–income housing units (region vs downtown). A regional solution must be implemented.

There is currently a need for very low income housing (below $250 a month). The region lacks enough low income housing, so people migrate to the core area. This will increase pressure for dispersed affordable housing.

The residents of suburbs will begin to understand that they have to be involved in low income housing projects. Low income housing will be constructed in the rest of the region by Community Development Corporations and private developers. Low income housing will become a bigger issue, resulting in more efforts.

Qualitiy of Life

Downtown will lead the region in environmental awareness. This should be reinforced.

Environment and livability will continue to grow as factors in development discussions. No-growth sentiment will increase. Growth issues will be hotter in the rest of the region than in the city. The region lags behind downtown in addressing these issues (it seems the situation has to break before it gets noticed).

Quality of life will continue to improve in downtown, and decline in most of the rest of the region. Downtown will become an "oasis" as the rest of the region's transportation congestion grows.

There will be a renaissance in downtown and inner city neighborhoods, and migration from the suburbs into those neighborhoods will increase.

Downtown will continue to lead the region as the focus of Portland's quality of life. This should be reinforced.

Downtown is the center of Portland's cultural life. In addition to 10 museums, downtown Portland is home to nearly 50 galleries and many works of outdoor art. Downtown also plays host to the Portland Performing Arts Center, the Civic Auditorium, Civic Theater, and numerous other theaters. Downtown Portland has 17 parks, from Tom McCall Waterfront Park to the North and South Park Blocks to Mill Ends Park, the world's smallest.

Each year, more than one million people attend various events downtown, ranging from operas and concerts to Artquake and the Rose Festival.

Downtown, rather than the river, mountains and lakes, is the most significant part of the good life. Downtown cleanliness is great.

Downtown will become more of a "destination" in and of itself. This should be reinforced.

As in San Francisco or New Orleans, "Portland" will come to mean downtown Portland, and will be thought of as a visitor attraction in itself. The potential for this is great, but it needs a lot of attention.

Arts and cultural amenities (most of which are downtown) will face severe financial constraints. This should be mitigated.

In the future, downtown will have to work hard to maintain its range of cultural opportunities. Arts budgets increased dramatically in the 1980s. The Oregon Symphony's budget, for instance, rose from $2 million in 1980 to $7.4 million in 1990. At the Oregon Art Institute, which includes the Art Museum, the budget rose from a 1980 level of $2.4 million to $5.4 million in 1990.

Credits

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ODDA President & Executive Direcotr

Interviews, James Marshall, Ph.D.
Strategic Planning Consultant

Robert H. Huntington
APP Chairman of the Board

Ruth E. Scott
APP President and CEO

Interviewees:

Greg Baldwin
Zimmer, Gunsul, Frasca

Don Clark
Housing Auth. of Portland

Jean DeMaster
Burnside Projects

Pat Done
Pioneer Place

Steve Dotterrer
PDOT

June Dunn
Mental Health Ser.

Greg Goodman
City Center Parking

Michael Harrison
Bureau of Planning

Ron Higbee
Tri–Met

Ron Jackson
PDC

David Kish
Bureau of Gen. Services

Chris Kopca
PDC

Brian McCarl
Pacific Development

Bill Naito
Norcrest China

Corine Nussmeier
Norris, Beggs, Simpson

Rod O'Hiser
Bureau of Planning

Bob Post
Tri–Met

Tom Potter
Police Bureau

Gary Schrader
Police Bureau

Bill Scott
Pacific Development

Bob Stacey
Bureau of Planning

Dan Steffey
Mayor's Office

Phil Todd
EID Services

Felicia Trader
Bureau of Transportation

Cheryl Twete
PDC

Robin White
BOMA

Debbie Wood
Central City Concern

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Robert H. Huntington
APP Chairman of the Board

Ruth E. Scott
APP President and CEO

Focus Groups

APP Officers:

Bob Huntington
Stoel Rives Boley Jones & Grey

Ron Gould
Deloitte & Touche

Pat Prendergast
Prendergast & Assoc.

APP Members (8/9/90):

Bob Ames
First Interstate Bank

George Azumano
Azumano Travel

Rich Botteri
Weiss Jensen Ellis & Botteri

Serge D'Rovencourt
Portland Hilton

Roger Edgington
Portland State University

Bill Findlay
MONY

Ed Jensen
U.S. Bancorp

Phil Kalberer
Kalberer Hotel Supply

Sol Menashe
Blue Cross & Blue Shield

Bob Moench
Pacific Power & Light

John Pihas
Pihas Schmidt Wester-dahl

Judith Rameley
Portland State University

John Russell
Russell Development

Maggie White
Downtowner

APP Members (8/9/90):

Paul Fruin
The Rouse Company

Tammy Hickel
Nordstrom

Wayne Hilliard
Lane Powell Spears Lubersky

Bob Huntington
Stoel Rives Boley Jones & Grey

John Jenkins
Marriott

Bob Turner
Morgan Park

Jack Saltzman
Oregon Pacific Inv. Dev.

Karen Whitman
Whitman Advertising

EID Advisory Comm.:

Doug Goodman,
EID Chairman
City Center Parking

Earl Blumenauer
City Commissioner

Eva Freedman
Zell Bros.

Ron Gould
Deloitte & Touche

Mike Lindberg
City Commissioner

Mick Schafbuch
KOIN–TV

Fred Stickel
Oregonian

North District Advisory Committee

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Portland Cutlery

Jim Warberg
J. Warberg Jewelers

Karen Manning
Art Quake

Elizabeth Wolf
Oregonian

Bill Heestand
Heestand & Assoc.

ASSOCIATION FOR
PORTLAND PROGRESS

520 SW SIXTH AVENUE, SUITE 1015
PORTLAND, OREGON 97204
(503) 224-8684

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OUTLOOK 2000

• AUGUST 1990 •

EXECUTIVE SUMMARY

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Global Trends

- Both downtown and the region will experience dramatic growth by 2000. This growth must be managed.
- The Urban Growth Boundary is at risk, and must be strengthened.
- Poor regional cooperation will continue to stifle efforts to solve downtown and regional problems. Cooperation must be improved.
- Substantial development will occur north of downtown by 2000. This development must be managed.

Parking

- Downtown carries the environmental load for the region's air quality problems. New regional standards must be developed.
- Parking supply is currently adequate, but a shortage will exist by 2000. New parking must be added.
- Short term vs. long term parking needs will continue to be at odds. This conflict must be managed.

Transportation

- Portland has, and will continue to have a quality transportation system. The system should be maintained and reinforced.
- The region's dramatic growth will increase access constraints on downtown. Development patterns should be controlled, and access should be improved.
- Transit capacity and ridership must increase.
- Light rail funding has an uncertain future; it must be funded.

Education

- Portland State University's role in higher education and Portland must change.

Office Space

- Downtown office absorption will level off. This must be mitigated.
- Most new office tenants will come from expansion, rather than from new business. New businesses must be recruited.
- In the projected growth economy, suburban employment will continue to grow faster than downtown employment. This must be mitigated.
- Office development will follow residential patterns. This may favor suburban office development, and if so, should be mitigated.
- Development surrounding downtown will increase.
- Slow growth in the work force, increased productivity, and people working at home may mean less demand for office space. It is too soon to tell the impact of this trend.

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Retail

- Downtown retail will continue to grow, and should be reinforced.
- Aging baby boomers and other demographic shifts will dramatically impact retail trade, and downtown retail must respond.
- Portland enjoys a strong retail climate; downtown has a small but growing segment, which should be reinforced.
- New regional malls will be built; others will be repositioned in the marketplace. The impact of this on downtown retail should be mitigated.

Crime Prevention

- Serious crimes downtown are declining. This should be reinforced.
- Less serious crimes downtown are increasing. This should be mitigated.
- The resource-short criminal justice system will increase demand for more APP Guide-type programs. This should be mitigated.
- Crime will increase due to growth. This should be mitigated.
- The future of law enforcement and community policing is in doubt. Community policing must be implemented.
- Perceptions of crime will continue, and should be mitigated.

Social Services

- Downtown is currently filling social service needs for the entire region, and this will continue. New regional solutions for social services must be implemented.
- There is increasing support for social service programs. This should be reinforced.
- Problems of homelessness and drugs will continue, and should be mitigated.

Housing

- Portland will continue to have one of the strongest downtown housing bases on the West Coast. This should be reinforced.
- Construction of new middle- and upper-income housing units will continue. This should be reinforced.
- Controversy will increase on the location of new moderate- to lower-income housing units (region vs. downtown). A regional solution must be implemented.

Quality of Life

- Downtown will lead the region in environmental awareness. This should be reinforced.
- Downtown will continue to lead the region as the focus of Portland's quality of life. This should be reinforced.
- Downtown will become more of a "destination" in and of itself. This should be reinforced.
- Arts and cultural amenities (most of which are downtown) will face severe financial constraints. This should be mitigated.