

NE Martin Luther King Jr. Blvd Development Study

Prepared for

Portland Development Commission

by

ECONorthwest

99 W. Tenth, Suite 400
Eugene, OR 97401
(541) 687-0051

March 2006

Acknowledgements

The consultant team wrote this report for the Portland Development Commission. The Portland Development Commission would like to thank the MLK Advisory Committee and City staff for their contributions.

CONSULTANT TEAM

- Lorelei Juntunen, ECONorthwest
- Terry Moore, ECONorthwest
- Becky Steckler, ECONorthwest
- Jerry Johnson, Johnson Gardner

ADVISORY COMMITTEE

- John Balfe
- Sam Brooks
- Laila Cully
- Chad Debnam
- Greg Gruszczyński
- Daina Hamer
- Amy Koski
- Dan Layden
- Richard Levy
- Jennifer Marsicek
- Jason Mershon
- Richard Probasco
- Mike Warwick
- Edwina Wasson

CITY OF PORTLAND STAFF

- Ehren Buchanan, Portland Development Commission
- Karl Dinkelspiel, Portland Development Commission
- Byron Estes, Portland Development Commission
- Jonathan Graves, Portland Development Commission
- Joleen Jensen-Classen, Portland Development Commission

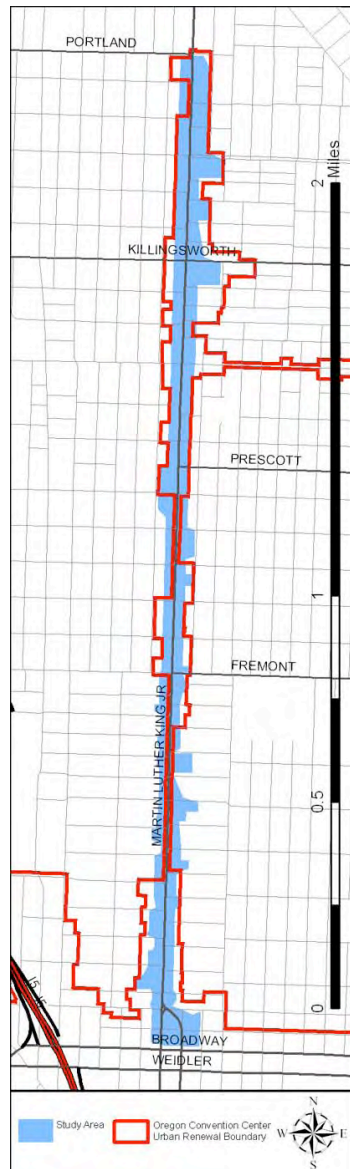
- Kevin Johnson, Portland Development Commission
- Pam Johnson, Portland Development Commission
- Bernie Kerosky, Portland Development Commission
- Michael McElwee, Portland Development Commission
- Olivia Rebanal, Portland Development Commission
- Estee Segal, Portland Development Commission
- Allyson Spencer, Portland Development Commission
- Fred Wearn, Portland Development Commission
- Debbie Bischoff, Bureau of Planning
- Joe Zehnder, Bureau of Planning
- Dan Layden, Portland Department of Transportation

Table of Contents

	Page
ACKNOWLEDGEMENTS	i
SUMMARY	v
CHAPTER 1 INTRODUCTION.....	1-1
BACKGROUND AND PURPOSE.....	1-1
ECONOMIC DEVELOPMENT POLICY TRADEOFFS.....	1-2
METHODS AND LIMITATIONS	1-3
ORGANIZATION OF THIS REPORT	1-4
CHAPTER 2 FACTORS THAT INFLUENCE DEVELOPMENT ON MLK BLVD.	2-1
OVERVIEW OF THE STUDY AREA.....	2-1
FACTORS THAT INFLUENCE FUTURE DEVELOPMENT	2-2
CHAPTER 3 RECOMMENDATIONS.....	3-1
A FRAMEWORK FOR CHANGE	3-1
WHAT SHOULD BE DONE TO ENCOURAGE CHANGE ON MLK BLVD.	3-2
APPENDIX A POLICY CONTEXT	A-1
APPENDIX B COMPARATIVE ADVANTAGE OF MLK BLVD.	B-1
APPENDIX C OVERVIEW OF MARKET TRENDS.....	C-1
APPENDIX D SUMMARY OF INTERVIEWS AND FOCUS GROUPS	D-1

Summary

Figure 1. NE Martin Luther King, Jr. Boulevard Development Study area, Portland, 2006



Source: RLIS, 2006.

BACKGROUND AND PURPOSE

The NE Martin Luther King Jr. Boulevard (MLK Blvd.) area has been the focus of many revitalization efforts by City agencies and neighborhood organizations over the past 10 to 20 years. These efforts have resulted in improved conditions along MLK Blvd. and in the surrounding neighborhoods, however, there still remain vacant and underutilized properties on MLK Blvd. that have not developed or redeveloped. The MLK Advisory Committee and others interested in MLK Blvd. wish to focus resources on activities that have the highest likelihood of resulting in the desired development. In October 2005, the Portland Development Commission (PDC) hired ECONorthwest to take a fresh look at the neighborhood potential for redevelopment

Broadly, the purpose of this study is to:

- Describe the comparative advantage of the study area and define the opportunities and barriers to development.
- Describe a set of recommendations that key stakeholders (primarily the City and neighborhood property and business owners) could take to encourage development on MLK Blvd. It is expected that PDC and City of Portland staff will work with private sector partners to determine the methodology and scope for taking action to implement these recommendations.

METHODS

To complete the research in this report, ECO took the following steps:

- Reviewed existing data and previous studies.
- Conducted a site visit.
- Conducted developer interviews.
- Conducted property owner focus groups.
- Interviewed business association.
- Worked with the MLK Advisory Committee to brainstorm opportunities and constraints and provide feedback on recommendations.
- Worked with PDC and other City of Portland staff to develop recommendations to increase development opportunities and remove barriers.

OPPORTUNITIES AND BARRIERS

There are numerous factors that influence development on MLK Blvd. This study describes the comparative advantage of MLK Blvd. in the context of the opportunities and barriers of physical infrastructure, market, policy, and fiscal factors. The opportunities and barriers key findings in the report are based on a review of policy documents that guide development on MLK Blvd. (Appendix A), a review of key market and neighborhood studies (Appendix B), an overview of market trends (Appendix C), and interviews with property and business owners, developers, and the N/NE Business Association.

RECOMMENDATIONS

The recommendations address specific issues identified during the opportunities and barriers evaluation; they are designed to take advantage of opportunities for development, and to overcome barriers. The recommendations are divided into two categories based on the type of organization that would take the lead role in implementing the actions. The first set of actions is for public sector entities (the City of Portland, TriMet, and the Portland Development Commission). The second set is for private sector entities (property and business owners, developers, and non-profit organizations).

FOR PUBLIC SECTOR ENTITIES

- Action #1: Continue implementation of the Albina Community Plan and current zoning that supports nodes of commercial development with high-density residential between
- Action #2: Develop parking management plan for MLK Blvd.
- Action #3: Continue to look for opportunities to improve the pedestrian environment
- Action #4: Focus on improving the image and safety of MLK Blvd.
- Action #5: Strengthen the identity of MLK Blvd. through signage and gateways
- Action #6: Encourage housing on MLK Blvd.
- Action #7: Refine the strategy for the use of limited URA resources
- Action #8: Provide property and developer assistance for permit processing for new development on MLK Blvd.
- Action #9: Provide rent or lease assistance to business owners

FOR PRIVATE SECTOR ENTITIES

- Action #10: Strengthen coordination between public programs and existing business associations
- Action #11: Foster creative services businesses
- Action #12: Continue to look for opportunities to target education and job training for businesses located along MLK Blvd.
- Action #13: Create and promote events that celebrate and market MLK Blvd.

This report assesses the potential for development and redevelopment in the NE Martin Luther King Jr. Boulevard Corridor (MLK Blvd.). MLK Blvd. is located about two miles north and east, and across the river from Portland's downtown business core.

This report presents an overview of the opportunities and constraints to development in the Corridor and recommends steps that the City of Portland, the Portland Development Commission (PDC), property and business owners, and non-profit organizations can take to encourage development along MLK Blvd.

This chapter has four sections:

- **Background and purpose** describes why the Portland Development Commission hired ECONorthwest to study MLK Blvd.
- **Economic development policy tradeoffs** describes the framework used to conduct the evaluation.
- **Methods and limitations** describes the steps taken to complete the study.
- **Organization of this report** provides an outline of the report.

BACKGROUND AND PURPOSE

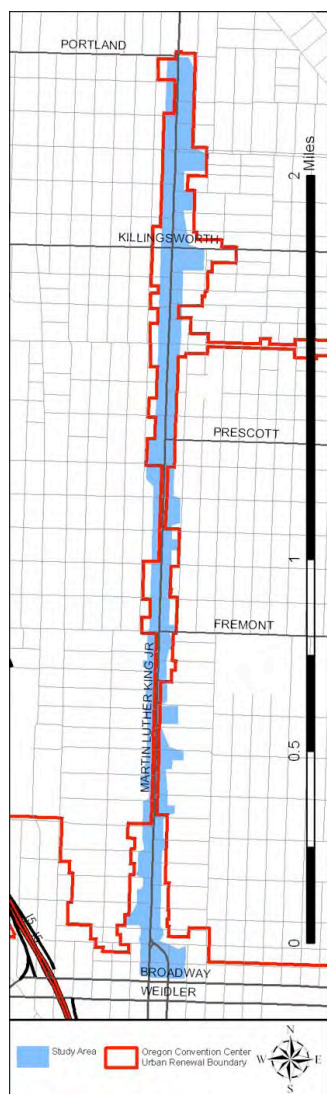
The MLK Blvd. area (the study area for this study is shown in Figure 1-1) has been the focus of many revitalization efforts by City agencies and neighborhood organizations over the past ten years. These efforts have resulted in improved conditions along MLK Blvd. and in the surrounding neighborhoods. Recent studies¹ have done a good job of quantifying the conditions along MLK Blvd. and identifying some of the challenges to revitalization. However, these efforts have not fully answered the question of why numerous parcels along MLK Blvd. (such as many of the properties between NE Fremont and NE Alberta) have failed to develop or redevelop. PDC and its advisory committees that help guide redevelopment funding want a better understanding of why redevelopment is not occurring at a faster pace.

Despite the recommendations for improvements contained in previous studies, change has occurred more slowly than MLK Advisory Committee members desire. This study takes a fresh look at the neighborhood potential for redevelopment and reinterprets existing data in the context of the perceptions of property and business owners, and developers, in a way that makes sense for decision making.

Broadly, the purpose of this study is to:

¹ NE MLK Jr. Boulevard Revitalization Report, Portland Development Commission, September 2004.

Figure 1-1. NE Martin Luther King, Jr. Boulevard Development Study area, Portland, 2006



Source: RLIS, 2006.

- Describe the comparative advantage of the study area and define the opportunities and barriers to development.
- Describe a set of recommendations that key stakeholders (primarily the City and neighborhood property and business owners) could take to encourage development on MLK Blvd. It is expected that Portland Development Staff (PDC) and City of Portland staff will work with private sector partners to will determine the methodology and scope for taking action to implement these recommendations.

ECONOMIC DEVELOPMENT POLICY TRADEOFFS²

A simple evaluation of the Albina Community Plan's goals and objectives shows that tradeoffs must be considered when working toward community economic development. It would not be possible to implement all of the Albina Community Plan's goals and objectives simultaneously; the community must prioritize those objectives that are most cost effective.

The Albina Community Plan has ten broad categories of goals (see Appendix A for additional information about the Albina Community Plan goals):

- Land use
- Transportation
- Business growth and development
- Jobs and employment
- Housing
- Education
- Public safety
- Family services
- Community image and character
- Environmental values

Many of these categories of goals are related to direct local wealth creation of property and business owners and neighborhood residents, such as business growth and development and jobs and employment. Some of the categories are indirectly related to local wealth creation, such as community image and character and environmental values. In general, the goals and objectives are supportive of each other. Given the limited

² This section is summarized in part from previous work ECONorthwest has done for PDC on economic development issues and from the Portland Avenue Economic Evaluation for the City of Tacoma, by ECONorthwest, July 2005.

resources to conduct activities to implement these goals, however, PDC and other stakeholders have had to consider the tradeoffs of different activities and prioritize investments.

This report recognizes the goal of improving local wealth creation for those who live and conduct business within the MLK Blvd. study area, but it is written within the same relatively complex public policy context that must balance multiple broad goals and objectives. The report recognizes that:

- Most economic development policies will be beneficial for some businesses and households, and not beneficial to others.
- Economic development policy must pursue and balance multiple objectives and interests, many of which conflict with each other.
- While technical evaluation can describe the likely types of effects of individual policies, it has difficulty prescribing an optimal set of policies on purely technical grounds. Development of a final set of policies to address economic development is almost always arrived at through a political discussion of objectives, priorities, tradeoffs, and opportunities.

METHODS AND LIMITATIONS

To complete the research in this report, ECO took the following steps:

- **Reviewed existing data and previous studies.** The project team reviewed and summarized previous reports about the MLK Blvd. area (the key findings are summarized in Appendix A Policy and Appendix B Comparative advantage of MLK Blvd.). The data and conclusions in these reports provide the foundation for the analysis in this report.
- **Conducted site visits.** The project team visited the MLK Blvd. neighborhood to evaluate its built infrastructure, and met with City and PDC representatives to learn about policies that have impacted new development in the area.
- **Conducted developer interviews.** The project team interviewed eight developers, most of whom had developed or considered developing projects on MLK Blvd. The purpose of the interviews was to better understand the opportunities and barriers to development and brainstorm actions that stakeholders (both public and private) can take to improve development opportunities.
- **Conducted property owner focus groups.** The purpose of focus groups was to understand the nature of the neighborhood's human infrastructure and to gain insight into what MLK Blvd. property owners think are the opportunities and barriers, as well as what they envision for the Boulevard's future.
- **Interviewed business association.** ECO staff discussed the opportunities and constraints of businesses in the study area and the surrounding neighborhood, and the role of the business association in promoting economic development.

- **Worked with the MLK Advisory Committee** to brainstorm opportunities and constraints and provide feedback on recommendations.
- **Developed recommendations to increase development opportunities and remove barriers.** Based on previous studies, site visits, and interviews, the project team developed recommendations for public and private stakeholders to take advantage of opportunities and overcome barriers to development.

As is usual in these assessments, the research methodology described above has limitations.

- ECO and Johnson Gardner compiled only limited new data for this analysis (other than the interviews and focus groups). Changes that have occurred since 2004 are not captured in the technical analysis of this report. The interviews and focus group discussions lead us to conclude that demand for commercial space is increasing in the study area.
- Our evaluation focuses on the MLK Blvd. neighborhood. While it considers, at a broad level, competitive effects from nearby neighborhoods (such as Alberta, Mississippi Avenue, NE Sandy Boulevard, etc.) with similar redevelopment needs, the budget and scope for this project did not allow for a full evaluation of the impacts of competition from nearby commercial areas for development on MLK Blvd.
- Our evaluation is primarily economic, not political. We are not well informed about the history of planning in the area and the agreements (formal or informal) that may have been struck with property owners or neighborhood groups. We do know from other experience that redevelopment adjacent to established residential neighborhoods is a painful process for those neighborhoods, despite the market forces that propel such redevelopment or the interests of the larger area in seeing such redevelopment.

ORGANIZATION OF THIS REPORT

This report has two additional chapters and four appendices that contain supporting information.

- **Chapter 2: Factors that influence development** describes the opportunities and barriers of physical, market, policy, and fiscal factors that influence future development along MLK Blvd.
- **Chapter 3: Recommendations** lists the next steps for public policy decision makers and neighborhood property owners and developers.
- **Appendix A: Policy** describes the public policy goals applicable to the MLK Blvd. (for example, goals applicable to the MLK Blvd. from the Convention Center Urban Renewal Area Plan and the Albina Community Action Plan).
- **Appendix B: Comparative advantage of MLK Blvd.** describes ECO's findings for key factors that affect the environment for development and business activity along MLK Blvd.

- **Appendix C: Market trend assessment (Johnson-Gardner)** is a brief assessment of recent regional and neighborhood market trends and draws conclusions about the likely impact of these trends on redevelopment along MLK Blvd.
- **Appendix D: Developer interviews and property/business owner** summarizes the key findings from the property/business owner focus groups and developer interviews. This appendix informs the analysis of opportunities and constraints for development on MLK Blvd.

Factors that Influence Development on MLK Blvd

This chapter provides a brief overview of the study area and summarizes the physical, market, policy, and fiscal opportunities and barriers for development along NE MLK Jr. Boulevard (MLK Blvd.) that influence development. The opportunities and barriers identified in this chapter are based on the results of analyses of policies, market trends, and focus group and interview results. The complete results are presented in Appendix A: Policies, Appendix B: Comparative advantage of NE MLK Jr. Boulevard, Appendix C: General overview of market trends by Johnson-Gardner, and Appendix D: Developer interviews and property/business owner focus groups.

This chapter has two sections:

- **Overview of the study area** provides a general description of the study area within the larger context of the City of Portland.
- **Factors that influence future development** outlines influences on study area development, including location, market conditions, policy, and fiscal resources.

OVERVIEW OF THE STUDY AREA

The study area (shown in Figure 1-1) is bounded by NE Broadway to the south and NE Portland Avenue to the north, is primarily a commercial corridor. High-density residential development is concentrated primarily in the southern end of MLK Blvd; zoning allows additional high-density residential development in other locations (zoned either high-density residential or mixed-use).

Table 2-1 compares demographic conditions and shifts in areas adjacent to the MLK Blvd. area and the City of Portland between 1990 and 2000.

Table 2-1. Population, income, home value, and education level in the Corridor and City of Portland, 1990–2000

	MLK Boulevard			City of Portland		
	1990	2000	% Change	1990	2000	% Change
Population	29,875	32,891	10%	493,262	538,244	9%
African American pop (% of total pop)	45%	36%	-13%	6%	7%	13%
Per Capita income	9,535	18,300	92%	14,369	23,188	61%
Median Household Income	18,707	33,184	77%	28,227	44,848	59%
Median Home Value	42,148	148,126	251%	64,155	173,290	170%
Education (Adults wBachelor)	2,096	4,513	115%	54,285	79,020	46%

Source: PDC, NE MLK Jr. Blvd. Revitalization Report, September 2004, Appendix A.

Note: Includes data from Census tracts 37.01, 36.01, 37.02, 33.01, 33.02, 34.01, 34.02, 22.01, 23.01, 24.01, 22.01, 23.02, and 24.02.

Table 2-1 shows that the MLK Blvd. study area had about the same rate of population growth as Portland, but had higher rates of growth in per capita income, median household income, median home value, and number of adults

with at least a bachelor's degree. This shift reflects the influx of residents with relatively higher levels of education and income that bought homes in the study area between 1990 and 2000, driving up home values. In 1990, almost half of the population in the neighborhoods surrounding MLK Blvd. was African American. Between 1990 and 2000, the African American share of the study area's population fell by 13% during the period when the City as a whole was gaining African American residents.

While each of the income and education measures increased at a higher rate in the study area than in the City of Portland as a whole, in 2000 their levels still lagged behind those in City. For example, median household income in the MLK Blvd. area is about 35% less than in Portland.

According to many of the people interviewed for this study, lower incomes in the study area create a perception that the neighborhood cannot support major retail. While it is true that per capita and household incomes in the MLK Blvd. area are generally lower than the Portland average, incomes of study area residents are increasing, and buying power per acre is high because of the study area's relatively high population density. In addition, employers and passing traffic bring in additional buying power to support retail businesses on MLK Blvd.

FACTORS THAT INFLUENCE DEVELOPMENT

This section describes the opportunities and barriers that influence development for physical infrastructure, market, policy, and fiscal factors. These opportunities and barriers are a summary of the key findings from the policy review (Appendix A), review of key market and neighborhood studies (Appendix B), an overview of market trends (Appendix C), and interviews with property and business owners, developers, and the N/NE Business Association.

PHYSICAL INFRASTRUCTURE

OPPORTUNITIES

- **Location within Portland and the Metropolitan region.** Almost all of the developers that ECO interviewed stated that the greatest strength of the MLK Blvd. area is its proximity to four major employment areas: Portland City Center to the southwest, the Lloyd District to the south and southeast, Central Eastside to the south, and Swan Island Industrial area to the west.
- **Access to transportation facilities.** MLK Blvd. has good access to major transportation facilities. The southern end of MLK Blvd. is within approximately 1/2 mile of on- and off-ramps for I-5 north and south, and I-84 going east. The MAX light rail line servicing N Interstate is approximately one mile to the west of MLK Blvd, and bus transportation along MLK Blvd. is frequent. The northern end of the study area is approximately 15 minutes from the Portland International Airport (PDX).

- **Streetscape.** Improvements made to the streetscape along MLK Blvd. in the 1980s (including construction of wide medians, planting of street trees and other improvements) and 1990s (narrowing of the medians in most locations to allow on-street parking) have improved the pedestrian environment by creating refuge islands for pedestrians crossing MLK Blvd. Street trees provide shade for pedestrians and a buffer for residential uses. While the streetscape is good for pedestrians, it limits left-turn access and is perceived as a barrier for some retail uses (see barriers below).

BARRIERS

- **Median.** The median was cited as a barrier to development, primarily by developers or property owners of retail businesses that require heavy auto access. The medians pose a barrier for those businesses that desire left-turn access to their sites. Property and business owners with commercial uses that do not require heavy access said that they liked the medians and that the benefits of the medians for their employees was higher than the costs of inconvenience for their customers.
- **Traffic.** Interviewees and focus group participants cited the high speed and volume of traffic on MLK BLVD. as a barrier to pedestrians, which in turn implies a barrier for residential and retail uses. Three characteristics of traffic that impact land use that we are concerned about in this study are: (1) volume, (2) speed, and (3) noise. Residential uses typically experience a spectrum of tolerance for volume, speed, and noise: single-family home residents have a low tolerance for high volumes, speed, and noise; high-density residential has a higher tolerance. That said, even high-density residential uses must be buffered from the traffic by street trees, setbacks, or high quality construction that blocks out the noise if they are going to successfully locate on a busy arterial like MLK Blvd.

MLK Blvd. has about 20,000 to 30,000 vehicles per day on its streets (the most recent counts were in 1999 and 2000). This is slightly higher than SE Hawthorne with about 20,000 vehicles per day (between SE 32nd (2000) and SE 39th (2004)) and E Burnside with about 14,500 vehicles per day at NE 39th (2004) and 18,000 vehicles per day at NE 28th Avenue (2000).

Proprietors of most neighborhood-scale retail uses prefer to locate on streets with high volumes but low speeds. This condition allows drivers to look around and see the shopping opportunities and make impulse stops. The optimal conditions for retail also require visible parking, either on the street or in parking lots. Retail uses are generally less tolerant of locating on streets with high-volume, fast-moving traffic like MLK Blvd. because the noise of the traffic makes it uncomfortable for customers to walk from shop to shop.

Office and commercial uses are likely to be more tolerant of high volumes and high speeds of traffic, depending on how often customers visit their businesses and their employees leave their buildings. The volume and speed of traffic on MLK is not seen as a barrier for office and some other kinds of commercial uses.

- **Number of blighted buildings and sites.** Several developers and property owners said that the number of blighted or vacant buildings and sites reinforces the perception that MLK Blvd. is not redeveloping. The general perception is that the blighted buildings and sites create an undesirable environment for both retail and residential uses, and that developing them would result in a perception that the entire Corridor is improving.
- **Lot size and ownership.** It is much easier to redevelop large lots under single ownership than small lots owned by a variety of parties. Small lots make configuration of buildings and parking challenging and multiple ownership makes it difficult to consolidate small lots into large lots. MLK Blvd. has many small lots with different owners. Many of the lots are small because the blocks are shallow and many abut single-family residential uses. It is often difficult or impossible to include off-street parking on interior lots.

MARKET

OPPORTUNITIES

- **Economic and development trends.** The Portland metropolitan area is coming out of an economic recession that started in 2001, during which the Portland region experienced higher rates of unemployment than the rest of Oregon, Washington, and the nation. Even with relatively high unemployment rates, population in the region grew 3% on an average annual basis¹, especially among the college-educated 25 to 35 year olds.² The combination of an improving economy, an increasing number of potential first-time homebuyers, and low interest rates has resulted in a market that is very favorable for home sales. The neighborhoods around MLK Blvd. are no exception to this regional rule.
- **Retail and services market.** MLK Blvd.'s central location and increasingly affluent trade area are improving market conditions for retail goods and services. The close-in Eastside subregion had a favorable overall retail vacancy rate of 5.9% at the end of 2005. While retail concentrations in the Lloyd District and specialty retail along NE Alberta and N Mississippi provide competition for retail sites on MLK Blvd., nonetheless, commercial activity on MLK Blvd. has shown recent signs of vitality, and the underlying strength of the area as a commercial location is becoming increasingly recognized.
- **Neighborhood-serving office market.** Current office space on MLK Blvd. is generally classified as Class C (low quality space and limited amenities). While the market for higher-quality office uses has not been tested, a level of support could be expected.

¹ U.S. Census, 2000.

² *The Young and the Restless: How Portland competes for talent*, 2004, by Joe Cortright and Carol Colette.

- **Affordability of neighborhood housing.** Median home values in the MLK Blvd. neighborhood, while increasing, are still below average for the rest of Portland. The upward trend of home values benefit existing homeowners, but could be causing displacement of low and moderate income residents, especially when rental houses are sold.
- **Proximity to major employment areas.** The proximity of MLK Blvd. to major employment areas makes it an attractive location for workers and employers that want a close-in location. Transportation access to these employment areas by both auto and public transit is important to workers.
- **Decrease in crime.** Between 1991 and 2003, violent crime in the MLK Blvd. neighborhood decreased by 6% at the same time that the City of Portland experienced a 34% increase. This data corroborates the impression by many people and business owners living and working in the neighborhood that crime has decreased over the last decade.
- **Urban renewal.** The presence of the urban renewal designation and the resulting activities (clearance of blighted areas and development of projects) was cited as one of the primary reasons that past development has occurred. Some urban renewal funds are committed to developments on properties that PDC owns. There are additional funds available that promote development, including the Development Opportunity Study program, Storefront Improvement Program, and business loans.

BARRIERS

- **Retail sales leakage.** Retail and commercial competition from the Lloyd District, NE Alberta, N Mississippi, and other locations have resulted in significant leakage of potential retail sales out of the MLK Blvd area. As the surrounding neighborhoods become more affluent, it will increase the viability of retail and other commercial uses on MLK Blvd., turning this existing barrier to an opportunity.
- **Lack of amenities for high-density residential residents.** The success of high-density residential depends in part upon the amenities available to residents. Low-income residents will be attracted to low cost housing, especially if that housing has a central location, neighborhood amenities (such as grocery stores, banks, restaurants, coffee shops, parks, etc.), and good public transit. These traits become more important as high-density residential units become more expensive and are marketed to higher-income residents. Medium- to high-income residents are less likely to live in high-density housing if it does not include high quality neighborhood amenities. The lack of a concentration of neighborhood amenities coupled with high traffic volumes and speed has made medium- to high-income, high-density housing along MLK Blvd. challenging. Single-family housing trends in the surrounding neighborhood are increasing the market for neighborhood commercial amenities, which may improve the market for medium- to high-income high-density residential uses over time.

- **Commercial rents don't support new construction.** Current commercial rents on MLK Blvd. are below what would be considered necessary to support new construction. This may reflect the existing quality of space.
- **Low land values don't support structured parking.** Developers and property owners that want to develop high densities (as allowed by zoning along MLK Blvd.) must have enough parking to support that development. Land values in the MLK Blvd. area, however, are not sufficiently expensive to justify the expense of structured parking. A rule of thumb is that structured parking is more cost effective than surface parking when land values are about \$65 or more per square foot (see Appendix C for more details). Land values in downtown Portland are approximately \$100 to \$200 per square foot, and about \$100 per square foot in the Lloyd District. Johnson Gardner does not have information regarding current land values in the study area, but would expect that it is below the threshold value of \$65 per square foot.

Thus, high-density development requires large surface parking lots and, in the absence of sufficient parking, it does not occur.

- **Lot size and ownership.** As mentioned as a barrier under physical infrastructure factors, the large number of small lots with different owners makes it difficult to develop on MLK Blvd. The smaller lot sizes and lack of available parcels may limit development opportunities for medium- to large-format retailers.
- **Perception of crime.** According to developers and property owners, potential investors, customers, and others still perceive MLK Blvd. and the surrounding neighborhood as areas with high crime rates. Developers stated that this is one reason that the area's potential for redevelopment has not been realized, given its excellent location within the Portland Metropolitan region. Property owners said that their customers are often surprised at the changes that have occurred along the Corridor and that their view of MLK Blvd. derives from the crime rate and blight prevalent in the 1980s.
- **Lack of MLK Blvd. promotions.** One of the most commonly mentioned barriers to development is the perception that MLK Blvd hasn't changed much since the 1980s. One strategy that other areas have used successfully is neighborhood or street events that draw customers and exposes them to recent changes. There is a lack of promotional events that would celebrate the neighborhood and advertise that MLK Blvd is changing in a positive direction.
- **Potential for commercial displacement.** Shifting development patterns may result in the displacement of commercial businesses. A more marketable commercial district is likely to be associated with higher achievable lease rates, providing pressure on existing tenants.

Helping tenants compete for available space can mitigate displacement pressures. No program exists now that Johnson-Gardner or ECONorthwest is aware of. A mechanism to qualify businesses eligible for assistance would need to be established, including ongoing monitoring.

POLICY AND FINANCE

OPPORTUNITIES

- **Implementation of existing plans (such as the Albina Community Plan and the MLK Commercial Development Strategy) represents opportunities for redevelopment.** Demographic information (see Appendix B) shows that the MLK Commercial Development Strategy is accomplishing many of the goals of the Albina Community Plan: employment and population increased between 1990 and 2000; more jobs and businesses are located along MLK Blvd., providing jobs for area residents; and new housing projects along MLK Blvd. have increased housing density. The implication is that the Albina Community Goals are well aligned with the market. Most of the housing projects on MLK Blvd., however, have been focused on low-income and senior housing; there has been almost no new market rate housing in the Corridor for the past ten years. There may be an unmet demand for market-rate housing.
- **Zoning is not a barrier to development.** PDC commissioned a study in 1998 (MLK Zoning Analysis by Barney & Worth) that determined that rezoning land from commercial to high-density residential was not a barrier to development along MLK Blvd. While one focus group participant believed that zoning was a significant barrier, the property owners in the focus groups that were actively developing their properties, as well as developers we interviewed, did not believe that rezoning high-density residential land back to commercial would result in immediate development. They noted that there are many sites on MLK Blvd. that are zoned commercial that have redevelopment potential that are not being developed.

Work that ECO has done for Metro on Corridors supports the theory that retail and some commercial uses are strongest when it is clustered in nodes at major intersections with good auto and transit access. High-density housing, office uses, and institutional uses are appropriate for the areas between the major intersections, as these uses do not require as much access as retail, and it helps create a market for retail activities in the nodes.

- **Urban renewal area designation.** Most developers and property owners agreed that PDC activities have resulted in the removal of blighted buildings and promoted investment and redevelopment along MLK Blvd. Several developers said that PDC's willingness to pay more for property along MLK Blvd has increased expectations of property values above what can be justified by the value of new construction or attainable rents (without subsidies). According to PDC, they have little or no funds left to purchase additional properties, so property values should more closely align with market conditions over time.

Many of the developers and property owners interviewed for this project mentioned that Development Opportunity Studies (DOS), the Storefront Improvement Program, and business loans are particularly effective and

successful. Funding is available, though not unlimited, for businesses on MLK Blvd.

- **Increasing importance of economic development programs.** As the urban renewal area matures and fewer funds are available for capital projects, economic development activities will become an increasingly important tool for encouraging thriving businesses along MLK Blvd.

BARRIERS

- **Expiration of the Oregon Convention Center URA.** The Oregon Convention Center URA expires in 2013. According to PDC staff, the majority of funds have been earmarked for specific properties, projects, and programs. It is unlikely, though not impossible, that urban renewal funds could be reallocated for significantly new or large projects or programs along MLK Blvd. However, it will be important to continue to pursue and implement successful projects.
- **Limited PDC economic development programs.** A preliminary review of economic development programs and funding available to MLK Blvd. shows that there are not enough funds to satisfy the potential demand.
- **Loss of African American population may indicate the Albina Community Plan goals for diversity are not being achieved.** The implementation of development goals may be resulting in a loss of African American residents, which is a lost opportunity to achieve the Albina Community Plan goals to encourage an ethnically diverse population and serve the needs of that population. Census data shows that the share of the African American population in MLK Blvd neighborhoods fell by 13% at a time when the City of Portland as a whole was gaining African American residents.

Recommendations

Creating change is not easy. It requires money, certainly, but it also requires dedicated attention from people—as individuals and as members of public and private organizations—who have a desire to see improvement within a given area. This chapter describes how those people might be mobilized to create change. It focuses on what the City and the Portland Development Commission (PDC) can do to make changes either directly (e.g., capital improvements) or indirectly (e.g., by assisting the efforts of local groups, businesses, and property owners with money and staff). It also describes what the private sector (developers, property owners, and non-profit organizations) can do. This chapter has two interrelated sections:

- **A framework for change** describes the steps that public and private entities should take together to improve NE Martin Luther King Jr. Boulevard (MLK Blvd.). The section focuses on changing the pattern of relationships among the various stakeholders to increase cooperation that will result in realized economic development opportunities.
- **What should be done to encourage change on MLK Blvd?** suggests activities for the City of Portland, PDC, developers, property and business owners, and non-profit organizations interested in improving MLK Blvd.

The actions described here are not meant to be followed step-by-step, nor are they assumed to be complete; arriving at such specific and thorough recommendations would require a more lengthy strategic planning process that is beyond the scope of this project. Rather, the actions here provide a good place to start making changes on MLK Blvd. It is expected that Portland Development Commission (PDC) staff and City of Portland staff will work with private sector partners to determine the methodology and scope for taking action to implement these recommendations.

A FRAMEWORK FOR CHANGE

Ultimately, ECO feels that the MLK Blvd. area will continue to redevelop: market trends are positive and the feedback from developers and property owners indicates that new projects are likely to occur. Public action and incentives can shape that redevelopment, and assure that it occurs in ways that will be beneficial to the community and the City. That said, development is primarily a private sector activity, and the private sector will ultimately invest in and assume the risk of any new development on MLK Blvd.

Developing and maintaining an effective arrangement for public/private cooperation is a crucial first step in the successful redevelopment of MLK Blvd. The public and private sectors each control part of what is needed to successfully redevelop the area—the private sector controls the investment capital while the City controls the regulations and incentives that guide development and owns some key properties for redevelopment—but neither is capable of achieving the vision described in the Albina Community Plan and other planning documents

alone. Redevelopment in the study area is much more likely to be successful if the private and public sectors cooperate.

Many of the programs and projects implemented by PDC are designed to integrate public and private activities to encourage economic development on MLK Blvd. Some of the recommendations in the next section describe activities that are already occurring. Our point is not to make a recommendation to do the things that are already being done. Instead, it is to highlight that these activities are critical to build upon the successful redevelopment activities occurring on MLK Blvd. Public and private partners should not take these activities, and the results of these activities, for granted. These programs should be continued and strengthened.

One way to think about the pattern of interactions among the people who live, work, and invest in the study area is as *human infrastructure*. While there are many organizations and individuals working to improve conditions in the study area from both sectors, the pattern of their interactions is based on the habits of each of them independently. Left alone, the human infrastructure does not move purposefully toward the implementation of a shared vision, but rather continues in a pattern that is driven by the goals and missions of each individual or organization. This organization of human infrastructure has not reached its full potential on MLK Blvd., and, without intervention, will not do so in the future. ECO observed that the public sector has made great progress to implement the physical aspects of the Albina Community Plan and the Oregon Convention Center Urban Renewal Area goals for MLK Blvd. Now is the time to build and strengthen the relationships between the people who implement programs for businesses and residents on and around MLK Blvd.

The next section describes how those institutional arrangements might be organized and institutionalized, and what the human infrastructure might accomplish. Its focus is on the connection between the public and private sectors with influence in the MLK Blvd. study area.

WHAT SHOULD BE DONE TO ENCOURAGE CHANGE ON MLK BLVD?

PUBLIC-PRIVATE INTERFACE

Chapter 2 of this report shows some of the opportunities and constraints for development on MLK Blvd. Though the study area has many positive redevelopment attributes, this study has also identified challenges to redevelopment that must be overcome.

Figure 3-1 shows a general timeline that *briefly* summarizes the likely development opportunities for MLK Blvd. The timeline is simultaneously an action plan: it shows a logical order for City actions in the area. The upper half of the figure lists actions that should be taken by the public sector (the City of Portland and the Portland Development Commission); the lower half lists actions for the private sector (business and property owners and non-profit organizations).

Activities that both the public and the private sector should do are at the very bottom of the diagram. Figure 3-1 describes what should be done in the short term (this year) and the medium term (roughly, within the next five years).

Figure 3-1. Timeline for a Development Strategy on NE MLK Jr. Boulevard, Portland, 2006

WHO DOES IT		WHAT THEY DO				
		----- Sooner -----			----- Later -----	
PUBLIC SECTOR	City of Portland	Continue implementation of Albina Community Plan	Work with TriMet to improve transit for residents and employees	Develop streamlined permit process	Create parking management plan	Focus on transportation improvements that slow traffic and increase pedestrian safety
	Portland Development Commission	Continue successful programs: DOS, Storefront, Business Loans	Focus investments on commercial nodes, strategic sites or programs	Partner with business and property owners to access non-TIF funds	Increase economic development activities	
PRIVATE SECTOR	Developers, Property & Business Owners	Create speakers bureau for current property/business owners to talk to prospective owners about MLK	Decide whether to strengthen existing association to promote businesses and celebrate MLK	Team with PCC and other workforce training centers to target training for neighborhood residents and employees	Create events that celebrate MLK	Encourage redevelopment of most blighted properties
	Non-profits		Work with business partners on MLK to address potential conflicts before they arise	Survey businesses and develop classes that train residents for jobs with MLK employers	Create events that celebrate MLK	
ALL		Develop a marketing program for MLK * Theme * Materials * Network (speakers bureau) Prioritize projects that build wealth among neighborhood residents, (business ownership, home ownership)				

Source: ECONorthwest, 2006.

The rest of this chapter takes the broad recommendations from Figure 3-1 and provides detailed actions for implementing the action plan. Each action describes the key issues addressed, ideas for implementation, coordinating organization, internal partners, external partners, level of immediate capability, and estimated timeline. For each action, the action plan also identifies the goals from the Albina Community Plan the action addresses.

The action plan is divided into two categories based on the type of organization that will be taking the actions. The first set of actions is for public sector entities (the City of Portland, TriMet, and the Portland Development Commission). The second set is for private sector entities (property and business owners, developers, and non-profit organizations).

These actions were developed based on suggestions by developers, property owners, advisory committee members, the local business association, and PDC and City of Portland staff.

FOR PUBLIC SECTOR ENTITIES

ACTION #1: CONTINUE IMPLEMENTATION OF ALBINA COMMUNITY PLAN AND CURRENT ZONING THAT SUPPORTS NODES OF COMMERCIAL DEVELOPMENT WITH HIGH-DENSITY RESIDENTIAL BETWEEN

MLK Advisory Committee members and some property owners questioned whether the high-density zoning on some sections of MLK Blvd is a barrier to redevelopment. The general suspicion is that if the properties were rezoned to commercial they would develop. ECO's experience based upon past work¹ was corroborated by property owners that have completed several projects on MLK and other locations that did not believe that rezoning alone would result in the redevelopment of the properties currently zoned high density residential.

Previous studies² of long commercial corridors in the Portland region and across the country have found that these areas have more commercial zoning than the surrounding market area can support. Signs of disinvestment, including blighted buildings and sites, high vacancy, and lack of investment, exist currently among MLK Blvd's commercial properties. Concentrating commercial development at intersections and replacing some of the commercial development in the in-between areas with residential uses (though office and institutional uses may also be appropriate) provides a better-utilized corridor.

Ideas for implementation are:

- Continue implementing the existing zoning code.
- Provide incentives or programmatic support for the development of affordable and market-rate high-density residential units in appropriate locations. (See Action 6 that discusses housing in detail).
- Work with neighborhood groups and developers when new development proposals are submitted to assure that any high-density housing has limited impact on the existing residents of the neighborhood. Special attention should be focused on parking and late night noise issues (as appropriate).

¹ Metro Corridors Project, completed by the ECONorthwest consulting team for Metro, June 2005.

² Ibid. Note that the Metro Corridors Project report included a literature review of the evaluation of corridors across the country. The key findings of many of the studies reviewed are similar to the findings summarized in this recommendation.

Coordinating Organization:	Portland Bureau of Development Services
Internal Partners:	Bureau of Planning, and other city bureaus, Portland Development Commission
External Partners:	Developers, property and business owners
Level of Immediate Capability:	High
Estimated Timeline:	On-going
Albina Community Plan Goals Addressed:	Land use, Policy D: Economic Development, Obj. 3. Recognize and reinforce concentrations of commercial and employment businesses within the district and encourage the formation of a clear identity for these areas.

ACTION #2: DEVELOP PARKING MANAGEMENT PLAN FOR MLK BLVD.

Parking is crucial to support new development and redevelopment in the MLK Blvd. area. A variety of factors will require an innovative parking strategy for MLK Blvd. as new development occurs: (1) desired densities are higher than existing densities, (2) lots on the Blvd. are small and shallow, complicating efforts to provide on-site parking, (3) on-street parking is limited, and there is the potential for conflicts with residents as customers of businesses park in residential areas, and (4) remaining wide medians are a barrier to on-street parking in some sections of MLK Blvd. and, (5) rents are inadequate to support structured parking in the short- and maybe the medium-term.

Ideas for implementation are:

- Explore funding options for a parking study through: (1) Portland Department of Transportation, (2) PDC, (3) Transportation Growth Management Program (Oregon Department of Transportation and the Department of Conservation and Development), or (4) local business and property owners. The study could review and update existing inventories (both on- and off-street parking)³, and, given expected development and densities, identify and prioritize options to encourage adequate parking as the area grows.
- Conduct outreach to property and business owners to gauge their desire for improved management of parking on MLK Blvd.
- Work with the N/NE Business Association and property owners to develop a shared-access off-street parking plan for businesses that have different time demands for parking.

³ The Portland Department of Transportation (Dan Layden) has a copy of the MLK Blvd. Side-Street Parking Study, an inventory of side-street parking off of MLK, completed in 1997.

- PDOT could conduct an assessment of on-street parking patterns and develop appropriate regulations (such as signage restricting the amount of on-street parking time) to accommodate the needs of businesses.

Coordinating Organization:	Portland Department of Transportation
Internal Partners:	Portland Development Commission
External Partners:	Non-profit organizations, property and business owners, neighborhood residents
Level of Immediate Capability:	Medium
Estimated Timeline:	Short-term
Albina Community Plan Goals Addressed:	Transportation, Obj 11. Provide opportunities for off-street parking in commercial centers and nodes along MLK Blvd.

ACTION #3: CONTINUE TO LOOK FOR OPPORTUNITIES TO IMPROVE THE PEDESTRIAN ENVIRONMENT

While many positive changes have been made to the pedestrian environment along MLK Blvd (such as the installation of the median, planting trees, installation of attractive street lighting, etc.), there are still short segments of the street where pedestrians are vulnerable to vehicles, or, they feel they are vulnerable to criminals.

The speed and volume of traffic along MLK Blvd. was mentioned often by developers and property owners. MLK Blvd. has higher traffic counts than close in E Burnside and SE Hawthorne. Of the two, SE Hawthorne's environment is more pedestrian friendly due in part to the slower speeds of traffic. Slowing traffic may improve the pedestrian environment, but it would also have the negative impact of increasing congestion.

Improving areas that still need upgrades will improve the viability of existing and new residential and retail development along MLK and could also result in the increased use of transit, because riders will be more comfortable waiting for buses.

Ideas for implementation are:

- Change signal timing to slow vehicular traffic and increase pedestrian crossing time (this may conflict with the need to move traffic through the corridor).
- Implement the MLK Streetscape Plan and consider inventorying locations that have not been improved for pedestrians. An updated inventory may identify additional improvements that enhance pedestrian safety and comfort. Examples of improvements are plantings and street furniture to

buffer pedestrians from traffic and create a more pleasant sidewalk environment. One property owner recommended the placement of bollards to protect pedestrians at intersections with high accident rates.

- Install bus shelters at key locations.
- Repair and improve sidewalks in areas that are still in disrepair.

Coordinating Organization:	Portland Department of Transportation
Internal Partners:	Bureau of Planning, Portland Development Commission
External Partners:	TriMet, non-profit organizations, property and business owners, neighborhood residents
Level of Immediate Capability:	High
Estimated Timeline:	Short-term
Albina Community Plan Goals Addressed:	Transportation, Obj 1. Create a pedestrian-friendly community

ACTION #4: FOCUS BUILDING DESIGN TO IMPROVE IMAGE AND SAFETY

One of the key issues identified by developers and property and business owners is the perception of crime and the safety of employees, customers, and neighborhood residents. The design of buildings, orientation of parking, and lighting can help to increase both the perceived and realized safety of people using the buildings.

Ideas for implementation are:

- Review the existing code and recent literature to evaluate how the building code could be improved to increase safety. The Crime Prevention Through Environmental Design (CPTED) program describes implementation measures for improving safety through design.
- The design review process is another vehicle where design can be improved to increase safety.

Coordinating Organization:	Portland Bureau of Development Services
Internal Partners:	Other relevant city bureaus
External Partners:	Developers and property owners, business and neighborhood associations
Level of Immediate Capability:	Medium
Estimated Timeline:	Short- to medium-term
Albina Community Plan Goals Addressed:	Public Safety

ACTION #5: STRENGTHEN THE IDENTITY OF MLK BLVD THROUGH SIGNAGE AND GATEWAYS IMPROVEMENTS AND CONSTRUCTION

Many of the people interviewed during this project expressed the need to better define and display the identity of MLK Blvd. Building upon the comments by several developers and focus group participants, it would be helpful to either build upon the existing theme of MLK Blvd. “the soul of Portland” or create a new theme that can be incorporated into signage and gateway improvements. If the public and private entities decide to expand the existing theme or develop a new one, it should be echoed in art installations or building themes along MLK Blvd. wherever possible.

Gateways into areas announce that the traveler is in a defined neighborhood and help to improve the image of that neighborhood. The existing gateway at the south end of MLK Blvd. should be improved to represent the current image of the neighborhood. There are no gateways on the northern end of the study area to announce to the traveler that they have arrived in the MLK Blvd. commercial district. The *Imagine a Great Street: NE MLK Blvd. Transportation Project Final Report* (1998) describes street design and gateway elements to improve MLK Blvd. This action is for the public and private sector to work together to find the resources to implement gateway improvements as described in the report.

Ideas for implementation are:

- The City of Portland, in partnership with neighborhood and business organizations, could review the existing theme and determine if they wish to retain it, or develop a new theme for MLK Blvd. The theme could be applied to the entire study area, or subsets could be developed for shorter segments of MLK Blvd.
- The City of Portland could work with neighborhood residents and property and business owners on a new gateway to MLK Blvd. in both the south and the north end of the study area.
- Use Percent for Art Program⁴ to install art on MLK Blvd. that incorporates the theme of the street.
- The City of Portland could work with business organizations or neighborhood associations to help fund the maintenance (including plantings) of the gateways.

⁴ The City of Portland’s Percent for Art Program dedicates 2% of a project budget completed by participating bureaus that is \$100,000 or more and involves construction, rehabilitation, remodeling, or improving the building, structure, park, public utility, street, sidewalk, or parking facility. City Council increased the percent from 1.33% to 2% in January 2006. The rate increase will apply to projects planned and constructed after July 1, 2006.

Coordinating Organization:	City of Portland or PDOT
Internal Partners:	PDC, Bureau of Planning
External Partners:	Property and business owners, business organizations, neighborhood associations
Level of Immediate Capability:	Low
Estimated Timeline:	Short- to medium-term
Albina Community Plan Goals Addressed:	Community Image & Character, Policy B: Urban Design, Obj. 5, Establish gateways

ACTION #6: ENCOURAGE HOUSING ON MLK BLVD

Given that most of the high-density housing on MLK Blvd. is for low-income and senior housing, there is a desire to increase housing for medium-income households (as well as ensuring an adequate supply of low-income housing). This action, if implemented strategically, may help to encourage a true mix of incomes along MLK Blvd. and better support a range of commercial businesses. The agencies involved may want to encourage home-ownership opportunities, in addition to rental opportunities.

Ideas for implementation are:

- Continue and expand Neighborhood Housing Program in neighborhoods adjacent to MLK Blvd.
- Continue to strategically use City system development charge (SDC) waivers related to the construction or the rehabilitation of affordable housing (waivers are allowed for transportation, water, parks, and environmental services).
- Strategically use tax abatement to encourage low- and moderate-income housing. An explanatory note about the benefits of tax abatement is necessary. A defining purpose of an urban renewal district is to increase the assessed value of the district and invest the new tax revenue on that increased value back into the district. Thus, abating taxes on some of the development would seem, on the surface, like the wrong idea. But strategic tax abatements on some types of properties may lead to greater development of other, taxable uses. For example, moderate- and middle-income housing is untested on MLK Blvd. An incentive may be necessary to encourage homebuyers in those income categories to purchase in the area. Their presence could decrease crime, increase disposable income, and generally increase the commercial development that is desired on MLK Blvd. This tool should be used on a limited basis and phased out as new projects are built and the momentum for housing builds.
- Build mixed-income housing on PDC owned sites including Piedmont Place, Grant Warehouse, Fremont, and Vanport developments.

- Continue to provide information and technical assistance to private and non-profit housing developers.
- Encourage the use of creative home ownership models. Many of the programs that are offered or coordinated by PDC (including state and federal programs) are financing tools. There may be home ownership alternatives that help low- to middle-income residents purchase homes they can afford. For example, PDC may want to evaluate a lease-to-own option that allows residents to lease a property for a set period of time with the option to purchase the home and apply lease funds to the cost of the house. Another model is to partner with a land trust where the land trust purchases the property under a house. Potential homeowners purchase just the house, which is less expensive than buying the land and the house.
- Historically, the area on and around MLK Blvd. has been a predominantly African American community. Evaluate the programs being implemented to ensure that they are not forcing historic residents out of the neighborhood. Look for opportunities to integrate new and historic residents into new housing opportunities.

Coordinating Organization:	PDC Neighborhood Housing Program
Internal Partners:	All bureaus involved with affordable housing
External Partners:	Non-profit housing organizations and private developers
Level of Immediate Capability:	High
Estimated Timeline:	Ongoing
Albina Community Plan Goals Addressed:	Housing, Obj 1. Improve quality and quantity of housing; Obj 2. Add new housing units; Obj. 3. Provide opportunities for home ownership for Albina residents. <i>This action may conflict with Obj. 11 to create permanent affordable rental housing.</i>

ACTION #7: REFINE THE STRATEGY FOR THE USE OF LIMITED URA RESOURCES

PDC has limited resources for the implementation of existing programs (DOS, Storefront Improvement, Business Finance tools, and other economic development and housing programs). It has committed resources to existing properties and associated projects. While we do not recommend making significant changes to PDC's strategy for MLK, PDC may want to consider refining its program to better serve the needs of existing and new property and business owners on MLK Blvd.

Ideas for implementation are:

- Continue programs with a high demand from smaller business and property owners (DOS, Storefront, and Business Finance tools).
- Evaluate programs to ensure that they provide economic development activities that are targeted to small entrepreneurs (thereby potentially retaining African American entrepreneurs who live and work in the neighborhood or on MLK Blvd.).
- Consider expansion of the URA (the Oregon Convention Center URA can be expanded by up to five acres) to key sites along MLK Blvd. that would open the property up to programs and funds that will spur development. Given the limited acreage that is allowed for expansion, this tool should be used only when the property owner is highly motivated to work with PDC (an agreement between PDC and the property owner may be necessary before the district is expanded).

Coordinating Organization: PDC

Internal Partners:

External Partners: Non-profit organizations, property and business owners, neighborhood residents

Level of Immediate Capability: Medium

Estimated Timeline: Short-term

Albina Community Plan Goals Addressed: Transportation, Obj 11. Provide opportunities for off-street parking in commercial centers and nodes along MLK Blvd.

Action #8: Provide property and developer assistance for permit processing for new development on MLK Blvd.

Developers and focus group participants who discussed the permit process stated that they were generally pleased with the level of service provided by the City of Portland. One focus group participant described his experience walking his application through each of the required departments in one day, resulting in an approved permit. While it may not be possible to process all applications in such a short period of time, there are significant benefits to developers for speeding up the process, which may create an incentive for development.

Ideas for implementation are:

- For large or complex redevelopment projects, designate a process manager at the Bureau of Development Services who can assist in facilitating the permit process in a timely manner. The process manager can coordinate with other City staff (as appropriate) in design review, land use review, code enforcement, and others areas as necessary, and can focus on issues

unique to MLK Blvd. This team should work with staff from the Bureau of Planning, PDOT, and PDC on MLK Blvd. actions.

- The Bureau of Development Services is planning on implementing a program where a (design review) planner will track projects from the concept to construction. Implementation of this program will help developers and property owners by having a person at the City that has in-depth knowledge about his or her development and can provide information and other assistance.
- PDC staff should evaluate opportunities to coordinate with the Bureau of Development Services to connect DOS grantees that have financially feasible projects to the concept to construction program.

Coordinating Organization:	Portland Bureau of Development Services
Internal Partners:	All bureaus involved with permit processing, Bureau of Planning, Portland Development Commission
External Partners:	
Level of Immediate Capability:	Medium
Estimated Timeline:	Short- to medium-term
Albina Community Plan Goals Addressed:	Business Growth and Development, Policy A: Business Investment and Development Obj 3. Support project and development proposals...consistent with the Albina Community Plan...

Action #9: Mitigate potential commercial displacement by providing rent or lease assistance to business owners

The Portland Development Commission has expressed an interest in assuring that, to the extent practicable, the benefits of public investment reach individual business and property owners. Increased investment in the area, and associated increases in achievable rent levels and property values, will have a quantifiably positive impact on property owners. In other words, they will benefit in the appreciation of land and property values when they sell their property. However, existing local business owners leasing space are less likely to see a quantifiable benefit from more typical development-oriented public investments. While the private sector market may successfully generate investment in the area, shifting development patterns may lead to displacement pressure, both for commercial businesses as well as residents. A more marketable commercial district is likely to be associated with higher achievable lease rates, providing pressure on existing tenants.

There are ways in which displacement pressure can be mitigated. For commercial tenants, programs that keep these tenants competitive for available

space can reduce displacement, including tenant improvement assistance or credit enhancement in some form. The establishment of a mechanism to qualify businesses eligible for assistance would need to be established. Initial qualification and ongoing monitoring and assistance can be provided through PDC's business assistance services program.

We would recommend that the Portland Development Commission evaluate additional ways in which it can help existing businesses respond to displacement pressures. Ideally, assistance would be temporary. The Portland Development Commission should also consider coupling assistance with technical assistance and business training that can help the business become more competitive, and eventually be able to afford more expensive rents, on MLK Blvd.

Ideas for implementation are:

- Advocate/assist businesses to secure long-term leases for their location. This locks in a manageable base lease rate, allowing the business to benefit from an improved business climate without the associated lease rate pressure
- Provide technical assistance and/or financing to help merchants acquire their buildings. This could include encouragement of commercial/retail condominiums to provide ownership
- Actively develop properties, or assist in the development of properties for small business with an affordable rent structure
- Evaluate advocating the inclusion of space dedicated to locally-owned businesses in new developments
- Community land trust and land conveyances with long term leasing obligations for existing businesses
- Offer technical assistance or partner with organizations that offer technical assistance that improves the competitiveness of existing businesses.

Coordinating Organization: Portland Development Commission

Internal Partners:

External Partners: Non-profit organizations

Level of Immediate Capability: Medium to Low

Estimated Timeline: Medium- to long-term

Albina Community Plan Goals Addressed: Business Growth and Development, Policy A: Business Investment and Development Obj 3. Support project and development proposals...consistent with the Albina Community Plan...

FOR PRIVATE SECTOR ENTITIES (BUSINESS AND PROPERTY OWNERS, DEVELOPERS, AND NON-PROFIT ORGANIZATIONS)

ACTION #10: STRENGTHEN COORDINATION BETWEEN PUBLIC PROGRAMS AND EXISTING BUSINESS ASSOCIATIONS

One of the key recommendations from this study is the need to improve the human infrastructure on MLK Blvd., that is to say, there is a need to coordinate the activities of many public and private organizations. One of the most important relationships to strengthen for economic development is that between public organizations (PDC, Bureau of Planning, PDOT, etc.) and business organizations that service businesses on MLK Blvd., such as the N/NE Business Association (NNEBA)⁵.

There are many opportunities to increase coordination. NNEBA could work with PDC's economic development staff to recruit and retain businesses locating along MLK Blvd. NNEBA can work with educational organizations to help identify training needs for business members. NNEBA could also sponsor events that help celebrate MLK Blvd., the businesses that are located on it, and the residents that live in the surrounding neighborhood.

In addition, developers and property owners all discussed the need to improve the image of MLK Blvd. and to promote the Boulevard and the businesses located along it. A strong business organization could take a leadership role in conducting many of the activities that would address both of these issues.

Ideas for implementation are:

- Work with the existing business organizations to increase membership of MLK Blvd. businesses.
- Consider creating an MLK Blvd. subcommittee within the organization (if one does not already exist).
- If the existing business organization is not the right vehicle for promoting MLK Blvd., consider creating a new organization that would conduct activities for Boulevard businesses.
- The City could work with local business owners to create a business improvement district (BID) that would have an assessment collected by the City.
- Working with real estate agents and brokers, create a referral network that links prospective business and property owners with current business and property owners to discuss the positive elements of locating along MLK Blvd.

⁵ The recommendations discuss the NNEBA or business associations generically. ECO recognizes that there are other business associations (such as the Northeast Economic Development Alliance, Minority Chambers of Commerce, and others). The scope of the project did not allow for a full evaluation of how all of these different groups could help business owners along MLK Blvd.

- Coordinate regular beautification and cleanup activities.

Coordinating Organization:	Business owners and associations
Internal Partners:	Property owners
External Partners:	Neighborhood residents and associations, PDC, City of Portland bureaus, and other non-profit organizations
Level of Immediate Capability:	Medium to high
Estimated Timeline:	Short-term
Albina Community Plan Goals Addressed:	Business Growth and Development, (multiple policies and objectives).

ACTION #11: ENCOURAGE BUSINESS OWNERS TO LOCATE THEIR BUSINESS ON MLK BLVD.

Several focus group participants discussed the competitive advantages of locating their firms on MLK Blvd., such as the close-in location with lower rents and improved shopping and eating opportunities. Business associations could work with the public sector (specifically PDC) to evaluate how MLK Blvd. can be marketed to attract new businesses and retain expanding businesses to locate in redeveloped space.

For example, there may be opportunity to attract businesses in specific industries, such as creative services, which generally pay higher wages than service jobs. The budget and timeline for this project did not allow researchers to conduct research regarding the locational advantages of MLK Blvd specific industries, and such a study may be of questionable value given the relatively small size of the study area. That said, three of the focus group participants that are in creative services made a strong case for locating creative services businesses on MLK Blvd.

Ideas for implementation are:

- The business organizations and PDC could work with real estate agents and brokers to educate them about the positive aspects of locating businesses on MLK Blvd.
- Business organizations can work with business owners that network with colleagues and let them know about upcoming opportunities. Business organizations can also conduct presentations to professional organizations.
- Business organizations could partner with educational and job-training organizations to provide training that fits the needs of local businesses.

Coordinating Organization:	Business organizations
Internal Partners:	Business organization members, property owners
External Partners:	Non-profit organizations, realtors and brokers, PDC economic development staff
Level of Immediate Capability:	Medium
Estimated Timeline:	Short- to medium-term
Albina Community Plan Goals Addressed:	Business Growth and Development, (multiple policies and objectives).

ACTION #12: CONTINUE TO LOOK FOR OPPORTUNITIES TO TARGET EDUCATION AND JOB TRAINING FOR BUSINESSES LOCATED ALONG MLK BLVD

The Albina Community Plan goals stress the need to provide family wage jobs for area residents. Many of the businesses locating along MLK Blvd. may need specialized skills that generally require a post-secondary education. Several business owners mentioned the value of the existing programs and the need to expand those programs to help train their employees. The quality and availability of trained employees is an important locational factor for businesses looking for a location. Training programs that are responsive to the needs of businesses are often considered positively when making locational decisions.

Ideas for implementation are:

- Existing education and job training organizations (PCC and WorkSystems, Inc) should partner with businesses and assess their training needs to both improve the productivity of existing workers, and provide training for neighborhood residents so that they qualify for jobs with MLK Blvd. businesses. Additional outreach and marketing may be necessary to connect with businesses that are unaware of services, or new businesses moving onto MLK Blvd.

Coordinating Organization:	Educational and job training organizations
Internal Partners:	Business organizations, property and property owners, neighborhood residents
External Partners:	PDC economic development staff, non-profit organizations
Level of Immediate Capability:	Medium
Estimated Timeline:	Short- to medium-term
Albina Community Plan Goals Addressed:	Business Growth and Development, Policy B: Commercial, Institutional, and Employment Centers, Obj 11. Increase promotion of local business owners, managers, and employees who live in the Albina Community. Policy C: Household Income and Employment (all objectives).

ACTION #13: CREATE AND PROMOTE EVENTS THAT CELEBRATE AND MARKET MLK BLVD.

A consistent theme from developers, property and business owners, and NNEBA is the need for special events that celebrate MLK Blvd. and draw customers in from other locations around Portland and the region. Events, such as cultural or athletic events, that celebrate MLK Blvd. and the businesses and neighborhood residents can help build a greater sense of community among the people who live and work there, and draw potential customers. Positive events help to diminish the perception that MLK Blvd. is a high crime area.

Ideas for implementation are:

- Identify events that are implementable for business organizations or neighborhood associations to work together to host. Events should communicate what is unique about MLK Blvd. and the people who work and live there.
- Identify funding and resource opportunities (such as sponsorships by neighborhood businesses and volunteers from neighborhood associations) to support these events.
- Conduct events that celebrate the neighborhood.

Coordinating Organization: Business organizations, property and business owners owners, neighborhood associations

Internal Partners: Neighborhood residents

External Partners: PDC economic development staff

Level of Immediate Capability: Low to medium

Estimated Timeline: Short- to medium-term

Albina Community Plan Goals Addressed: Community Image and Character

Policy Context

This appendix provides an overview of the public policies that guide development on NE Martin Luther King Jr. Boulevard (MLK Blvd.). We reviewed plans, strategies, and similar documents that establish goals and policies for development on MLK Blvd. We reviewed the following documents for this appendix:

- Albina Community Plan (1993)
- Oregon Convention Center URA Plan (MLK/Alberta) (original 1989, MLK addition 1993)
- NE MLK Jr. Blvd Development Strategy (1998)
- Fremont/MLK Vision Study (2001)
- Secondary documents (neighborhood plans)

We reviewed these documents to see if there are any inconsistencies in the stated goals and policies that could create obstacles for redevelopment on MLK Blvd., and to identify key policy issues in the area. The first two sections of this appendix address these points. These sections are followed by a summary of the relevant goals and policies in each document reviewed for this appendix.

INCONSISTENCIES IN GOALS AND POLICIES

Overall, the policy documents reviewed as part of this project have goals that are consistent with the Albina Community Plan (1993), the primary guiding document for Northeast Portland, and with each other. Many of the neighborhood plans were written and adopted at the same time as the Albina Community Plan, so it is likely that neighborhood plan goals were coordinated with the Albina Community Plan.

The goals in the neighborhood plans use similar language but are reorganized and shorter than the goals in the Albina Community Plan, implying that the importance of these goals vary by neighborhood. While the importance of specific goals vary by neighborhood, the overall consistency of goals and policies in these documents does not present a public policy obstacle to redevelopment on MLK Blvd.

KEY POLICY ISSUES IN THE CORRIDOR

Our review of planning and policy documents affecting MLK Blvd. identified several key policy issues that need to be addressed in redevelopment efforts:

- **Land use issues:** “Lack of available large scale vacant sites, inadequate size of available sites, the need to provide off-street parking, little or no room for expansion, and the presence of incompatible adjacent

development and on-site deteriorating building stock. The removal of these constraints is the primary focus of the Albina Community Plan land use plan.” (ACP, p2) Thus, the Albina Community Plan is supportive of redevelopment on MLK Blvd. by accurately describing the critical land use obstacles to redevelopment and by making removal of these obstacles the goal of public policy.

- **Reducing displacement of minority population:** The Fremont/MLK Vision Study and the Eliot Neighborhood Plans call for reducing the displacement of minority populations in MLK Blvd. neighborhoods. Demographic information shows that minorities are moving out of the Corridor and close-in surrounding neighborhoods. It is likely that some residents and business and property owners will see redevelopment as accelerating this trend, and may claim that redevelopment efforts are in conflict with the adopted goals in these documents. Thus, actions by the City and PDC to encourage redevelopment should include efforts to preserve diversity of the neighborhood in the process.
- **Preservation of neighborhood character:** The Albina Community Plan calls for increasing housing opportunities for current and future residents by preserving and rehabilitating the existing housing stock, constructing appropriate infill housing in residential neighborhoods, and building higher density housing near business centers and major transit routes. Implementation of the NE MLK Jr. Blvd. Development Strategy (1998) has raised a series of issues regarding the impacts to commercial businesses as more residential uses are built in rezoned areas along the Corridor. New development on MLK Blvd. should be compatible with the surrounding neighborhoods.

REVIEW OF POLICY DOCUMENTS

ALBINA COMMUNITY PLAN

The Albina Community Plan, adopted in 1993, provides the baseline of goals for the Albina community, including MLK Blvd. The plan is organized into ten topic areas under which the plan goals (referred to as policies in the Albina Community Plan) are organized. These topic areas or categories of goals are¹:

- **Land use.** The Plan encourages residential, recreational, economic and institutional developments that reinforce Plan Area neighborhoods. The land use policy encourages transit supportive development and the creation of a good pedestrian environment. It also calls for preservation and increase of housing, additional parks and open space, and employment uses concentrated in nodes.

¹ The summaries of each topic goal is the policy description (if there was only one policy), or the general policy and a summary of the specific policies.

- **Transportation.** The transportation policy calls for improved transportation connections with the rest of the region. It emphasizes light rail while improving access to freeways to serve industrial and employment centers. Transportation improvements should protect neighborhood livability and the viability of commercial areas. It all calls for safe and attractive routes for bicyclists and pedestrians.
- **Business growth and development.** The Plan encourages investment, capital formation, and job creation benefiting Albina enterprises and households. It calls for the expansion and diversification of the area's industrial, commercial, and institutional employment base.
- **Jobs and employment.** The Plan calls for actions that lower the unemployment rate among Albina residents by strengthening programs that provide education, job training, job retention skills and services. Job training programs should include comprehensive services that are ethnically and culturally sensitive. The Plan policies support firms that offer family wage jobs.
- **Housing.** The housing policy calls for the preservation and rehabilitation of the existing housing stock, construction of appropriate infill housing in residential neighborhoods, and building higher density housing near business centers and major transit routes.
- **Education.** The Plan promotes partnerships between the Albina community and educational institutions. It strives to ensure that Albina students leaving school achieve academic performance levels that will allow them to effectively compete for higher education and employment opportunities.
- **Public safety.** The public safety policy calls for improved public safety in the Albina Community so that those living, working, and visiting the area are safe and their property and human rights are protected.
- **Family services.** The Plan calls for the coordinated delivery of health care, social services, employment opportunities, housing choices, transportation and education so that residents can live successful and productive lives.
- **Community image and character.** The Plan encourages the strengthening of the Albina Community's sense of place through the promotion of its art, history, and culture.
- **Environmental values.** The Plan works to maintain a strong commitment to preserving and improving the environment, including air, water, and soil quality, and related natural values.

OREGON CONVENTION CENTER URA: MLK/ALBERTA

The Oregon Convention Center (OCC) Urban Renewal Area (URA) is split into two areas: (1) MLK/Alberta and (2) Lloyd Center. In general, the goals in the

urban renewal plan focus on strengthening the role of the district in the regional economy through serving visitor activities. The goals of the OCC URA Plan² are:

- Maximize the regional job potential of the Oregon Convention Center.
- Target jobs and businesses created through activities financed by urban renewal to first benefit North and Northeast Portland residents and then all Portland residents.
- Create opportunities within the area for businesses to expand and service the convention trade.
- Integrate the OCC area with the west side of the Central City and the Lloyd Center, reinforcing the expansion of the central city and the economic expansion of the east side.
- Upgrade the setting and environment of the area to reflect the best of Portland to visitors, encouraging extended convention stays, return visits and business recruitment to Oregon.
- Ensure that urban renewal activities work to stabilize adjacent neighborhoods, mitigate adverse impacts, and strengthen neighborhood values.
- Establish realistic and attainable objectives in the formation of projects to be undertaken within the urban renewal area.

According to the Portland Development Commission website³, the objectives of the Oregon Convention Center URA: MLK/Alberta are to:

- Assist the community in achieving its vision as defined by the Albina Community Plan and associated neighborhood plans.
- Carry out projects and support private activities that promote commercial revitalization, increase community wealth through local ownership and employment.
- Preserve and create middle-income and affordable owner and rental housing opportunities.
- Improve the streetscape environment.
- Meet community needs for local goods and services.

These objectives are consistent with the goals of the Albina Community Plan.

NE MLK JR. BLVD. COMMERCIAL DEVELOPMENT STRATEGY

The NE MLK Jr. Blvd. Commercial Development Strategy (the Strategy) adopted in 1998 was intended to help guide development in the Corridor for a five

² Oregon Convention Center Urban Renewal Plan, Section 400, page 21. 1989.

³ The objectives for the URA were viewed on the PDC website at: http://www.pdc.us/ura/convention_center/mlk_alberta.asp on January 3, 2006.

to ten year period. The Strategy does not list explicit goals. Instead, it describes strategy elements that are consistent with the goals of the Albina Community Plan. The strategy elements and the Albina Community Plan goals it implements are:

- **Gateways.** Creating distinctive gateways using signage and landscaping will help implement the Albina Community Plan goals for community image and character.
- **Streetscape.** Improving the streetscape along the Corridor and encouraging more pedestrian use will primarily help implement the transportation goal, and secondarily help implement the goals for public safety, business growth and development, and housing.
- **Parking.** Increasing adequate and well-placed parking resources will help implement the goals for transportation and business growth and development.
- **Access.** Improving access for automobiles and pedestrians supports goals for transportation, business growth and development, and housing.
- **Zoning.** Rezoning based on the Albina Community Plan raised a series of issues regarding the impacts to commercial businesses as more residential uses are built in rezoned areas along the Corridor. While studies have generally shown that the rezoning is not an impediment to commercial development, it is being watched to ensure that it does not become an obstacle to the goals for land use or business growth and development.
- **Site assembly.** Assembling sites supports the goal of business growth and development by creating sites for businesses that need medium to large sites.
- **Prototype projects.** Construction of prototype projects described in the Strategy would provide a new supply of commercial and residential space. These projects would implement goals for business growth and development and housing.
- **Business recruitment.** Recruiting businesses to MLK helps to implement the goal for business growth and development.
- **Wealth creation.** Creating opportunities for business ownership/investment, property ownership, and career path employment and training, helps implement goals for jobs and employment and business growth and development.
- **Events.** Promoting events along the Corridor implements goals for both business growth and development and community image and character.
- **Organization and marketing.** Marketing the MLK can help implement the goals for business growth and development and community image and character.

FREMONT/MLK VISION STUDY

The Fremont/MLK Vision Study, adopted in 2001, identified guiding principles, goals, and objectives for economic development and land use in the area. The guiding principles are:

- Strengthen the community and reflect its diversity by reinforcing existing development and encouraging new development that will:
 - Increase living-wage retail and office employment opportunities for the community, including during all phases of construction.
 - Create office and retail space that appeals to local businesses and residents.
 - Provide the infrastructure to support job creation (i.e. telecommunications, street improvements, and lighting).
 - Increase opportunities for small businesses, non-profit organizations, and local developers.
 - Encourage a mix of uses on sites, vertically and horizontally.
 - Preserve and enhance the racial and ethnic mix of businesses and housing in the study area.
 - Avoid involuntary displacement of African Americans, other ethnic/minority groups, or low-income families who reside or have businesses in the study area.

SECONDARY POLICY DOCUMENTS

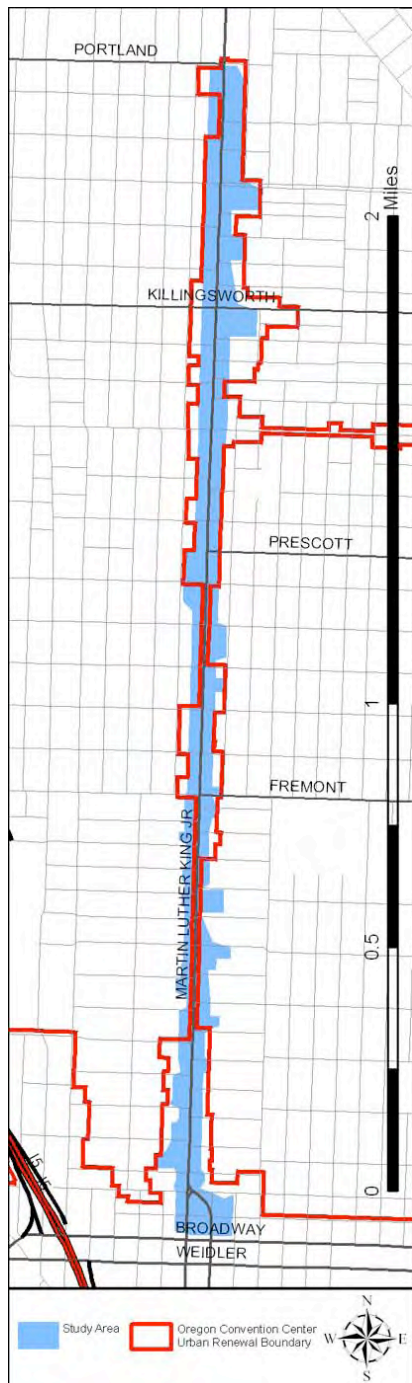
There are numerous neighborhood plans that were developed and adopted in conjunction with the Albina Community Plan. These plans include those for the Arbor Lodge, Boise, Concordia, Eliot, Humboldt, Irvington, Kenton, King, Piedmont, Sabin, and Woodlawn neighborhood. We reviewed the Boise, Eliot, Humboldt, and King Neighborhood Plans because these were the most relevant ones for this study.

The goals and policies in these neighborhood plans are similar to the goals in the Albina Community Plan. In general, these neighborhood plans summarize the goals in the Albina Community Plan in order to identify the parts that are most important to the neighborhood. Many of the goals have a different organization in the neighborhood plans than in the Albina Community Plan, suggesting a different priority. None of the neighborhood plans reviewed included a goal that was not also in the Albina Plan.

Comparative Advantage of MLK Blvd.

Appendix B

Figure B-1. NE Martin Luther King, Jr. Boulevard Development Study area, Portland, 2006



Source: RLIS, 2006.

This appendix describes our findings for key factors that affect the environment for development and business activity in NE MLK Jr. Boulevard (MLK Blvd.) shown in Figure B-1. Conditions in this appendix were summarized from land use and employment studies and reports on the Corridor, primarily from the *NE MLK Jr. Boulevard Revitalization Report* published by the Portland Development Commission (PDC) in September 2004. A full list of our sources is at the end of this appendix.

This appendix frames our findings in terms of the advantages and disadvantages they create for development and business activity in the Corridor relative to other neighborhoods in metropolitan Portland. We summarize these findings on opportunities and constraints created by relative conditions in the Corridor at the end of this appendix.

This appendix has four sections:

- **Factors that influence demand for development** identifies the key factors that we evaluate in this appendix and their relationship to demand for development in the Corridor.
- **Conditions that influence development in the NE MLK Jr. Boulevard Corridor** describes the regional and neighborhood market conditions that affect demand for development and redevelopment in the Corridor.
- **Opportunities and constraints for development in the Corridor** summarizes our findings for conditions that affect the market for development and redevelopment in the Corridor.
- **Sources** documents the source material we used for this appendix.

FACTORS THAT INFLUENCE DEMAND FOR DEVELOPMENT

Economists think of demand for development as “derived demand” because the demand for development is derived from demand for the activities that will take place within the development, be it living or business activity. Development at

a particular location depends on the relative level of revenue (lease or business income) that a development can generate relative to the costs of development. Developers seek to optimize their investments to achieve the highest rates of return (revenue) on their investment (costs).

A variety of factors affect the relative level of potential revenue and development costs at a particular location. Potential revenue is affected by lease rates in the neighborhood, the pattern of existing business activity, the pattern of transportation accessibility, and the buying power of residents, workers, and visitors to the area. Development costs are primarily affected by land acquisition and site preparation, zoning and development regulations, building materials, labor, and specific features needed for the development to serve its intended use.

In developed areas such as the Corridor, profit optimization often causes owners to keep property in its current condition because the expected revenue from renovation or redevelopment is not sufficient given the costs of renovation or redevelopment.

CONDITIONS AFFECTING DEVELOPMENT IN THE NE MLK JR. BOULEVARD CORRIDOR

REGIONAL MARKET CONDITIONS¹

The Corridor shares the overall comparative advantages of being located in the metropolitan Portland area. These advantages include west coast location, increasing Pacific Rim trade, and high national rankings for quality of life and environmental quality. These comparative advantages have contributed to relatively strong population growth in the Portland region, which has been the major trend affecting the market for residential development in the region and Corridor.

Population in the Portland region has grown faster than the national average, primarily from net in-migration. Between 1990 and 2004, the Portland-Vancouver metropolitan region grew 3% on an average annual basis.² Portland, especially areas close to downtown, has been especially attractive to college-educated 25 to 35 year olds.³ Portland's high national rankings for quality of life and environmental quality has helped attract young and educated people to the region.

The Portland region has continued to attract new people even during periods of high unemployment. In the national recession that started in 2001, the Portland region experienced higher rates of unemployment than the rest of Oregon,

¹ Summarized from the *Portland-Vancouver Region: Comprehensive Economic Development Strategy*, written by ECONorthwest for the Regional Partners for Business, June 2005 and *Metro Corridors Report, Appendix D: Market Analysis* by Jerry Johnson for Metro, June 2005.

² U.S. Census, 2000.

³ *The Young and the Restless: How Portland competes for talent*, 2004, by Joe Cortright and Carol Colette.

Washington, or the national economy. Unemployment in Portland-Vancouver hit 8.2% in January 2004. While it has fallen to 6.6% by January 2005, unemployment in the region remains much higher than other west coast cities. Yet the Portland region maintains a relatively high rate of population growth.

The result has been relatively strong conditions for residential development, particularly for owner-occupied residences. *The Oregonian* reported that single-family home prices were 20% higher in December of 2005 than in December 2004⁴. The market for owner-occupied housing in the region has performed extremely well, including the neighborhoods around the Corridor.

Demand in Portland metropolitan area's rental apartment market has slowed due to low interest rates and increased home ownership shifting households out of the rental market. Weak economic growth has also reduced demand for rental housing by reducing the number of new workers migrating to the region for jobs. Weak demand and the development of affordable housing projects financed by tax credits have resulted in Portland's rental market being substantially over-built for the past several years.

While the recession impacted the industrial markets in the Portland region, the retail sector has remained relatively strong. This is a positive trend for MLK, which is a potential location for increased retail.

NEIGHBORHOOD MARKET CONDITIONS

LOCATION AND ACCESSIBILITY

One of the primary strengths of the Corridor from a market perspective is its central location and proximity to downtown Portland. The proximity and easy access via auto or public transportation to downtown is attractive to firms that serve the downtown business community, but who find the lower costs of space in the Corridor a better match for their activities. A driver can generally get from the southern end of MLK to downtown in about 10 minutes, and from the northern end between 20 and 25 minutes.

MLK is close to three major employment areas. It lies northeast of downtown Portland, just north of the Lloyd Center and the Central Eastside Industrial area and Commercial Corridor, and east of the industrial areas around Swan Island. Close proximity to employment areas makes housing in the area attractive to employees.

Properties at the southern end of the Corridor have easy access to both I-5 north and south, and I-84 east at NE Broadway. The Corridor is also served by the #6 TriMet bus that runs through the Rose Quarter, downtown, Columbia Boulevard, Expo Center, Rivergate, and St. John. The #6 is a frequent service bus,

⁴ *The Oregonian*, "Housing Prices Refuse to Cool," Tuesday, January 17, viewed on January 31, 2006 at <http://www.oregonlive.com/news/oregonian/index.ssf?/base/business/1137470111289160.xml&coll=7>

providing service at least once every 15 minutes during the day. Multiple bus routes cross MLK, providing east/west service.

DEMOGRAPHICS CHARACTERISTICS

Table B-1 compares demographic conditions and shifts in the MLK Boulevard area and the City of Portland between 1990 and 2000. In Table B-1, the MLK Boulevard area is composed of Census tracts that most closely represent the Corridor area.

Table B-1. Population, income, home value, and education level in the Corridor and City of Portland, 1990–2000

	MLK Boulevard			City of Portland		
	1990	2000	% Change	1990	2000	% Change
Population	29,875	32,891	10%	493,262	538,244	9%
African American pop (% of total pop)	45%	36%	-13%	6%	7%	13%
Per Capita income	9,535	18,300	92%	14,369	23,188	61%
Median Household Income	18,707	33,184	77%	28,227	44,848	59%
Median Home Value	42,148	148,126	251%	64,155	173,290	170%
Education (Adults wBachelor)	2,096	4,513	115%	54,285	79,020	46%

Source: PDC, NE MLK Jr. Blvd. Revitalization Report, September 2004, Appendix A.

Note: Includes data from Census tracts 37.01, 36.01, 37.02, 33.01, 33.02, 34.01, 34.02, 22.01, 23.01, 24.01, 22.01, 23.02, and 24.02.

Table B-1 shows that the Corridor had about the same rate of population growth as Portland, but had higher rates of growth in per capita income, median household income, median home value, and number of adults with at least a bachelor's degree. This shift reflects the influx of residents with relatively higher levels of education and income that bought homes in the Corridor between 1990 and 2000, driving up home values. At the same time, the African American share of the study area's population fell by 13% during the period when the City as a whole was gaining African American residents.

While each of the income and education measures increased at a higher rate in the Corridor, their levels still lag behind those in Portland as a whole. For example, median household income in the Corridor area is about 35% less than in Portland.

According to PDC, lower incomes in the Corridor create a perception that the neighborhood cannot support major retail. It is true that per capita and household incomes in the Corridor are generally lower than the Portland average. But incomes of Corridor residents are increasing, and the Corridor's buying power per acre is high because of its relatively high population density. In addition, employers and passing traffic bring in additional buying power to support retail businesses in the Corridor.

Between 1991 and 2003, crime in the MLK neighborhood decreased by 6%, compared to a 34% increase for the City of Portland, as shown in Table B-2. This data corroborates the impression by many people and business owners living and working in the neighborhood that crime has decreased.

Table B-2. Crime statistics, MLK neighborhoods and City of Portland, 1991 and 2003

Crime	1991		2003		% Increase	
	MLK	City	MLK	City	MLK	City
Homicide	17	48	8	52	-53%	8%
Sexual Assault	152	980	58	564	-62%	-42%
Robbery	414	2,708	158	2,396	-62%	-12%
Assault	946	4,666	483	4,217	-49%	-10%
Burglary	769	9,422	812	10,756	6%	14%
Larceny	1,874	33,331	2,363	49,552	26%	49%
Violent Theft	389	6,490	461	9,837	19%	52%
Arson	79	460	23	571	-71%	24%
Total	4,640	58,105	4,366	77,945	-6%	34%

Source: PDC, NE MLK Jr. Blvd. Revitalization Report, September 2004, Appendix A.

Note: MLK crime statistics include Piedmont, Humboldt, King, Boise, Sabin, and Vernon subareas.

EXISTING BUSINESSES IN THE CORRIDOR

Table B-3 shows annual average employment in the MLK Jr. Boulevard area in 1996 and 2002. This table shows that employment in the Boulevard area increased by 117 jobs or 6% between 1996 and 2002. During the same period, County employment increased by only 1%, while statewide employment increased by 7%.

Table B-3. Annual payroll and employment in the MLK Jr. Blvd area, 1996 and 2002

MLK	1996	2002	1996-2002	
			Change	% Change
Annual Avg Employment	1,867	1,984	117	6.3%
Total Payroll	na	\$72,695,572		
Avg Payroll/Employee	na	\$36,641		
County employment	425,591	428,919	3,328	1%
Oregon employment	1,474,500	1,572,500	98,000	7%

Source: MLK data from PDC, NE MLK Jr. Blvd. Revitalization Report, September 2004, Appendix A (Oregon ES202 Employment Data). County and Oregon data from OLMIS, <http://www.qualityinfo.org/olmisi/CEP>, viewed on February 10, 2005.

Note: Taxlots adjacent to MLK Blvd between NE Broadway & Portland. Data is only collected for businesses that have employees. Some sole proprietorships are not accounted for. Payroll data not available for MLK for 1996.

LAND USE PATTERNS

Residential

Existing residential uses in the Corridor are almost all multi-family, 2- to 3-story buildings. Many residential buildings in the area are designated for low-income or senior housing. Some single-family homes abut commercial development in the Corridor—these are generally older homes with high redevelopment potential because of their location and traditional architecture.

A 2003 market study⁵ for Vanport Square (at NE Alberta and NE MLK Jr. Blvd) found that vacancy rates in the Corridor and close-in neighborhoods are at or below 5% due to:

- Its relative affordability in comparison to downtown,
- Population growth in the region and in surrounding neighborhoods, and
- Gentrification in surrounding neighborhoods that converted rental homes to ownership, displacing renters and creating a demand for rental units in the neighborhood.

In addition, the report identified the following factors that impact the Vanport development:

- Most of the multi-family housing that has gone in over the last five to ten years has been low-income and senior housing along the Corridor.
- Many of the properties are non-profits, such as churches, community centers, or service providers.
- Many of the larger, vacant or opportunity sites are in multiple ownerships (requiring assembly for successful redevelopment).
- Residential units along the NE MLK Jr. Blvd. Corridor have a competitive advantage over other close in locations (Lloyd District, Buckman Terrace) due to lower costs. However, a lack of close-by retail, restaurants, or other amenities is a constraint.

Despite the locational advantages and limited competition, the report concluded that some townhome projects in the area have not performed well because developers overestimated the price that can be achieved on MLK. Since detached homes are still the preferred housing type for most buyers, it is important to price town homes below the price of reasonable, well-maintained starter homes in the area.

Commercial

Most of the existing buildings along the Boulevard were constructed between 1920 and 1970 for commercial uses. Older buildings are primarily single-story wood frame or brick. The older buildings have little space dedicated to parking on site and most are built out to the sidewalk. New buildings (1980s to present) have a mix of styles, from auto-oriented uses (rent-a-car lots and commercial businesses with parking lots) to multi-story commercial/office or institutional uses.

⁵ Hobson Ferrarini Associates (for the Portland Development Commission), Market Feasibility Analysis for Residential Units at Vanport Square: A Mixed-Use Development in Northeast Portland, Oregon, February 18, 2003.

PDC estimates that lease rates in the Corridor were about \$8-\$13/sq. ft. for general office and warehouse space and about \$8-\$17 sq. ft. for retail space in 2003–2004 (PDC, 2004). The lease rates for retail space in the Corridor was generally lower than rates in comparable areas⁶:

- SE Hawthorne/Belmont (\$18-\$24)
- SE Clinton/Division (\$12-\$18)
- NE Broadway (\$16-\$18)
- NE Alberta (\$14-\$18)
- NE Mississippi (\$14-\$18)
- NW 23rd/Pearl (\$24-\$28)
- Old Town (\$12-\$16)
- Downtown (\$24-\$36)

Lot size and ownership

According to PDC, “small lot sizes, sometimes held under complex or fractured ownership, make it difficult to assemble property needed to accommodate mid-sized retail development with 10,000 to 20,000 square feet of floor area plus parking. Smaller scale “bootstrap” development is limited by a lack of good commercial building stock along King available for rehabilitation.”⁷

- Shallow tax lots and residential uses. The Albina Community Plan recognized that employment needs along NE MLK Jr. Boulevard require deeper tax lots than were present in most locations facing the Corridor. The Plan deepened zoning to 200 feet, to allow the creation of parcels more conducive to development.
- The majority of lots are small to mid-sized⁸. Commercial lots are generally 15,000 to 20,000 square feet.
- Mix of residential, commercial, retail, office, and industrial uses.
- Most buildings are older, one-story structures. There are only a few historic buildings in the Corridor.

Table B-4 shows the total amount of land use by type. According the Multnomah County Assessor’s office, about 85% of the current uses on MLK are commercial.

⁶ PDC, NE MLK Jr. Blvd. Revitalization Report, September 2004, Appendix A.

⁷ PDC, NE MLK Jr. Blvd. Revitalization Report, September 2004, p. 7.

⁸ Martin Luther King Jr. Boulevard Commercial Development Strategy, for PDC by Barney & Worth, Inc consulting team, April 1998.

Table B-4. Land use by type, NE MLK Jr. Boulevard, Portland, 2005

Land Use	Acres	% of total
Commercial	55.9	85%
Industrial	1.5	2%
Multifamily residential	2.6	4%
Single-family residential	1.4	2%
Vacant	4.1	6%
Grand Total	65.6	100%

Source: RLIS, November 2005

Note that the land use designation is from Multnomah County Assessor's Office and may contain some inaccuracies.

Zoning

Current zoning along the NE MLK Jr. Blvd. Corridor⁹ consists primarily of four categories:

- EX: Central employment. Encourages a mix of industrial, business, and service uses, allows residential.
- CG: General commercial. Allows auto-oriented commercial development except along a transit street as well as residential uses.
- RH: High-density residential. Generally apartments or condominiums with a FAR that results in 80 to 125 units per acre.
- R1: Medium-density residential. Generally apartment buildings, condominiums, row houses, or duplexes, allows 43 to 65 units per acre.

Table B-5 shows the total amount of acres per zone and Figure B-1 shows the zoning for property in the Corridor.

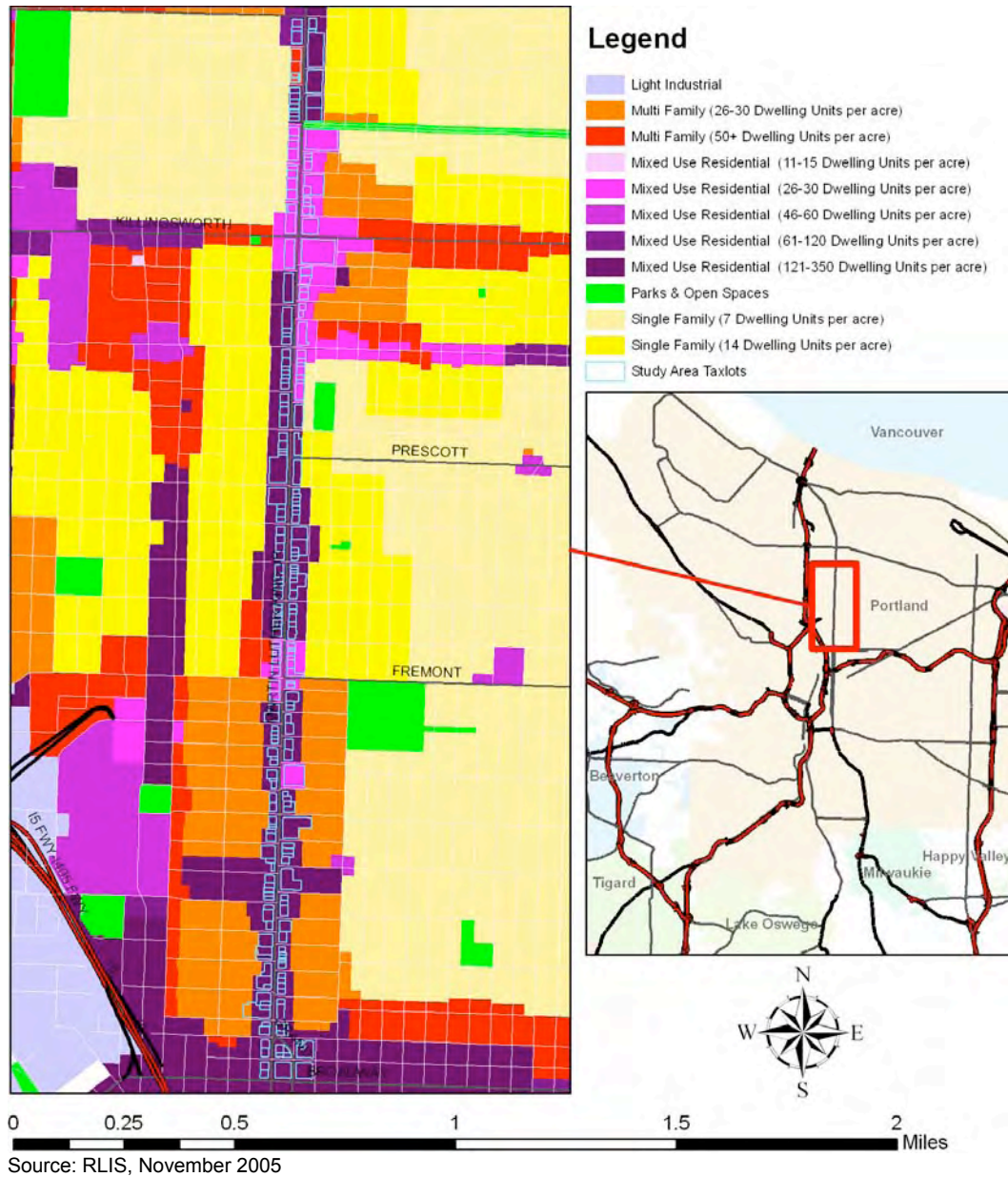
Figure B-5. Acres by zoning, NE MLK Jr. Blvd Corridor, Portland 2005

Zone	Total	% of total
CG	19.2	29%
CM	0.8	1%
CX	2.1	3%
EX	31.3	48%
R1	0.9	1%
RH	10.1	15%
RX	1.1	2%
Total	65.6	100%

Source: RLIS, November 2005.

⁹ Summarized from the descriptions in the *Fremont/MLK Vision Study*, by Crandall Arambula for PDC, 2001.

Figure B-1. Zoning along NE MLK Jr. Boulevard, 2005



Adoption of the Albina Community Plan (1993) resulted in deepening commercial zoning along MLK, and increased higher-density zoning. An analysis of zoning along the NE MLK Jr. Blvd.¹⁰ found that current zoning is generally consistent with the vision and objectives of the Albina Community Plan. The report also found that the Corridor can accommodate the demand for commercial space. The analysis recommends that the City consider several changes to zoning:

- Rezone some R1 sites to CM, to accommodate ground floor commercial uses as an element of medium-density housing projects.

¹⁰ MLK Zoning Analysis: Discussion Paper, by Barney & Worth, Inc., June 3, 1998.

- Rezone some RH or R1 sites to the more flexible EX zone, which would allow housing, commercial or employment uses.
- “Replace” any EX zoned land which is “lost” to housing, by redesignating a similar size residential site as EX.

The scope and the budget of this study did not allow researchers to identify all of the properties that are redevelopable. However, we can get a rough sense of the magnitude of potential redevelopable properties by identifying which properties have an improvement value (often the buildings and parking lots) to land value ratio of less than 1:1. In general, properties with an improvement to land value ratio less than 1:1 are more likely to redevelop. The more valuable the improvements compared to the land value, the less likely the properties will redevelop.

Table B-6. Potentially redevelopable acres, NE MLK Jr. Boulevard, Portland, 2005

Ratio: Imp Val to Land Val	CG	CM	CX	EX	R1	RH	RX	Total	
0-0.25	5.1	0.4	1.3	4.5	0.1	3.2	0.4	15.0	
0.25-0.5	0.3	0.0	0.0	0.6	0.0	0.5	0.0	1.5	
0.5-0.75	0.4	0.1	0.8	0.9	0.0	0.4	0.0	2.6	
0.75-1	0.4	0.0	0.0	0.1	0.0	0.3	0.0	0.8	
Subtotal: Potentially redevelopable	6.2	0.6	2.1	6.1	0.1	4.4	0.4	19.9	
1-1.25	0.0	0.0	0.0	2.7	0.0	0.2	0.1	3.1	
1.25-1.5	1.7	0.0	0.0	1.9	0.8	0.2	0.1	4.8	
1.5-1.75	2.5	0.0	0.0	1.7	0.0	0.2	0.0	4.5	
1.75-2	1.1	0.2	0.0	3.0	0.0	0.1	0.0	4.5	
>2	7.7	0.0	0.0	15.8	0.0	4.9	0.4	28.8	
Subtotal: Developed acres	13.0	0.2	0.0	25.2	0.8	5.7	0.7	45.6	
Total net acres	19.2	0.8	2.1	31.3	0.9	10.1	1.1	65.6	
% potentially redevelopable	32%	69%	100%	20%	13%	43%	38%	30%	

Source: RLIS, November 2005

Table B-6 shows that about 30%, or almost 20 acres of land in the study area have an improvement to land value ratio of less than 1:1. The zone with the most potentially redevelopable acreage is CG, General Commercial, with over six acres, followed by RH, High-density residential, with over four acres.

TRANSPORTATION

NE MLK Jr. Blvd. was a state highway until 2003 and is designated a “Main Street” in the 2040 Growth Concept Plan by Metro. The narrow width of the street makes it difficult to accommodate on-street parking, bike lanes, and wider sidewalks.

In 1980, a wide median strip was added and on-street parking was removed from the street. During the 1990s, the median was reduced (made skinnier) which allowed for some on-street parking. On-street parking and streetscape improvements along the full length of the MLK Jr. Blvd Corridor study area has helped to improve the pedestrian environment. The City recently repaved MLK from Columbia Boulevard to Burnside.

NE MLK Jr. Blvd. speed limit is 30 MPH and the lights are timed to allow traffic to travel at this speed. Business and property owners have characterized the

traffic as fast, noisy, and making it difficult for pedestrians to cross the street. According to Dan Layden¹¹, Portland Department of Transportation (PDOT), traffic generally flows in the mid-30 MPH speeds.

The southern end of MLK Blvd carries relatively high levels of traffic. According to PDOT¹², there were approximately 19,325 vehicles at MLK Blvd. and Broadway (28 Sept 2000)¹³, 28,540 at NE Fremont (19 July 2004), and 19,500 at NE Portland (16 Feb 1999). Many of those counts are slightly higher than E Burnside at NE 28th at 18,000 vehicles (26 June 2000), or at NE 39th at 14,500 vehicles (12 May 2004). Traffic counts are not an absolute barrier to pedestrian developments. For example, SE Hawthorne Blvd has comparable traffic counts to MLK Blvd (about 20,000 vehicles per day between 32nd Avenue (23 Feb 2004) and 39th Avenue (June and October 2000)).

OPPORTUNITIES AND CONSTRAINTS FOR DEVELOPMENT IN THE CORRIDOR

OPPORTUNITIES¹⁴

- Zoning for commercial/office uses is focused on key intersections, while residential and mixed-use zones are focused on stretches between major intersections.
- Under-served market for retail and services. There is an existing unmet demand in the immediate neighborhood for consumer goods and services, which is projected to increase with the influx of higher-income households into the area.
- Promising economic / demographic trends (growing population, rising incomes, new housing being constructed), and projected increases in future market demand.
- Proximity to major regional employment centers: Lloyd District, Columbia Corridor, Emanuel Medical Center campus, Swan Island, Northwest Industrial District, downtown.
- Proximity to major regional visitor/spectator facilities: Oregon Convention Center, Rose Quarter.
- Transportation accessibility:
 - 10 minute drive to PDX airport.

¹¹ Telephone interview with Dan Layden, PDOT, on March 10, 2006.

¹² <http://www.portlandtransportation.org/trafficcounts/SearchTrafficCounts.htm> viewed on March 10, 2006.

¹³ According to Dan Layden, PDOT, the Department has not conducted more recent counts due to construction.

¹⁴ The opportunities and constraints are taken primarily from the *Martin Luther King Jr. Boulevard Commercial Development Strategy*, for PDC by the Barney & Worth, Inc consulting team, April 1998, p 24. Additional information was incorporated from the *Fremont/MLK Vision Study*, by the Crandal Arambula consulting team for PDC, 2001.

- Easy access to I-5 (north and south), I-84 (east).
- I-405, Columbia Boulevard (east and west).
- Good transit service.
- Recent influx (in 1990s) of new commercial development, the majority of which is in the Southern half of MLK.
- Proximity to Portland Community College
- Nearby successful main streets like Mississippi and Alberta attracting people to area

CONSTRAINTS¹⁵

- Retail sales from the primary trade area are leaking to the Lloyd District, downtown, Jantzen Beach/Hayden Meadows and other commercial centers.
- The perception of high crime rates in MLK is an issue for many potential customers and prospective business owners (though the perception, as well as actual crime rates, are decreasing).
- The adoption of the Albina Community Plan resulted in the rezoning of some commercial land to high-density residential. Some observers are concerned this transformation may negatively affect the prospects for future commercial development in these segments. Other observers believe the new housing will catalyze commercial development.
- MLK corridor businesses do not currently organize community events or joint promotions that might attract Portlanders unfamiliar with positive changes taking place on the “New MLK.” One example is the Alberta Street Gallery Walk.

Another issue to be considered in shaping the MLK Commercial Development Strategy is wealth creation for Northeast Portland residents. Strategy elements should be defined which will provide investment and development opportunities for community business people and jobs for local community residents.

¹⁵ Martin Luther King Jr. Boulevard Commercial Development Strategy, for PDC by Barney & Worth, Inc consulting team, April 1998, p 22.

PRIMARY SOURCES

David Evans and Associates (for the Portland Development Commission), Vanport Square Project: Technical Analysis, Development Options A and B, April 2004.

Hobson Ferrarini Associates (for the Portland Development Commission), Market Feasibility Analysis for Residential Units at Vanport Square: A Mixed-Use Development in Northeast Portland, Oregon, February 18, 2003.

Portland Development Commission, NE MLK Jr. Boulevard Revitalization Report. September 2004.

Portland Development Commission (Barney & Worth et. al.), Martin Luther King Jr. Boulevard Commercial Development Strategy, April 1998.

Portland Development Commission (Barney & Worth), MLK Zoning Analysis, June 1998.

Overview of Market Trends

The memorandum from Johnson Gardner to ECONorthwest titled, “General Overview of Market Trends, Martin Luther King Jr. Boulevard Study” is Appendix C of this report.



J O H N S O N
G A R D N E R

DATE: March 12, 2006

TO: Terry Moore
Becky Steckler
ECONORTHWEST

FROM: Jerry Johnson
JOHNSON GARDNER, LLC

RE: General Overview of Market Trends, Martin Luther King Jr. Boulevard
Development Study

MEMORANDUM

JOHNSON GARDNER was asked to prepare a memorandum reviewing recent and anticipated market trends affecting the development environment on a study area located along Martin Luther King Jr. Boulevard.

A. AREA OVERVIEW

The Martin Luther King Jr. Corridor is centrally-located within an increasingly affluent trade area, providing substantial support for retail goods and services. The most proximate major retail concentration serving this trade area is in the Lloyd District, concentrated in the Lloyd Center Mall and along NE Broadway. This retail concentration contains a range of regional retail services, as well as a significant level of specialty and neighborhood serving services. The trade area is also served by the emerging commercial cluster along North Mississippi. As a result, despite strong demographics and high traffic volumes, the area has yet to establish a clear commercial identity. Nonetheless, commercial activity in the area has shown recent signs of vitality, and the underlying strength of the area as a commercial location is becoming increasingly recognized.

B. MARKET TRENDS

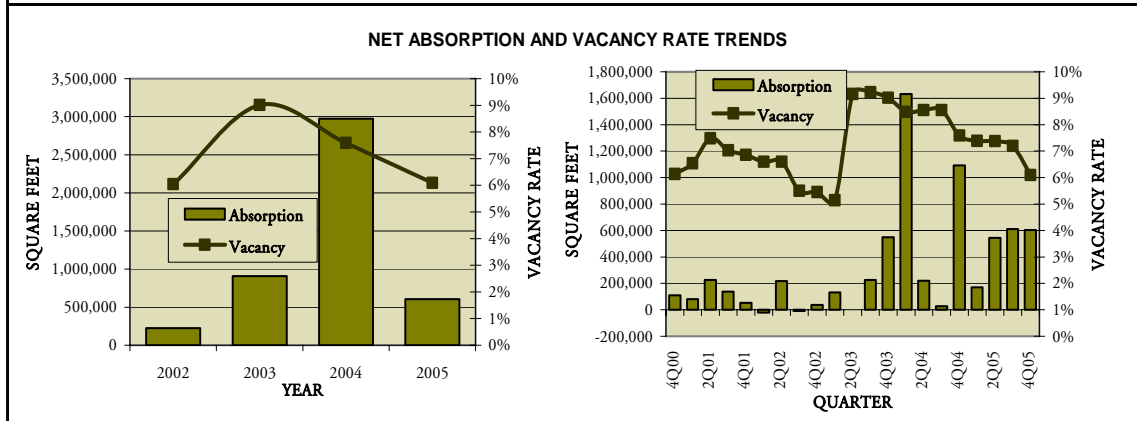
RETAIL MARKET

The Portland metropolitan area's retail market vacancy rate continues its nine-quarter gradual decline from a high of 9.2%. In the fourth quarter, the market absorbed 604,000 square feet while adding 29,000 square feet of new space. The overall vacancy rate in tracked space was estimated at 6.1% at the end of 2005. In regional and power centers, vacancy remained minimal, while community/neighborhood centers remained a relatively healthy 5.2% vacant. Mixed-use (13.0%) and strip/specialty/urban centers (10.3%) had the highest vacancy rates, which has historically been the case.



**FIGURE 1: PORTLAND METROPOLITAN AREA RETAIL TRENDS
FOURTH QUARTER 2005**

	Speculative	New	Inventory	Net	Vacancy	
	Inventory	Construction	Adjustments	Absorption	S.F.	Rate
Strip/Specialty/Urban	18,701,543	14,867	1,675,026	172,623	1,925,976	10.3%
Community/Neighborhood	27,457,548	14,560	3,704,487	264,288	1,416,299	5.2%
Mixed Use	1,618,120	0	196,991	14,615	209,892	13.0%
Power/Regional	13,900,854	0	2,577,238	152,562	206,303	1.5%
Total	61,678,065	29,427	8,153,742	604,088	3,758,470	6.1%



Our demand model predicts that overall market vacancy will fall to 5.0% by the fourth quarter of 2006, and 3.3% by the fourth quarter of 2007 based on the current pipeline of identified projects. As vacancy falls, we would expect additional supply to fill this gap, with overall vacancy levels remaining in the 5% to 10% range. The retail market is tenant driven, and the primary reason for sustained vacancy is tenant turnover and obsolete space, as opposed to market weakness.

Market trends in the Close-In Eastside subregion have been more favorable, with an overall vacancy rate estimated at 5.9% at the end of the year. The rate in the Northeast/Lloyd District market was estimated at only 5.5%.¹

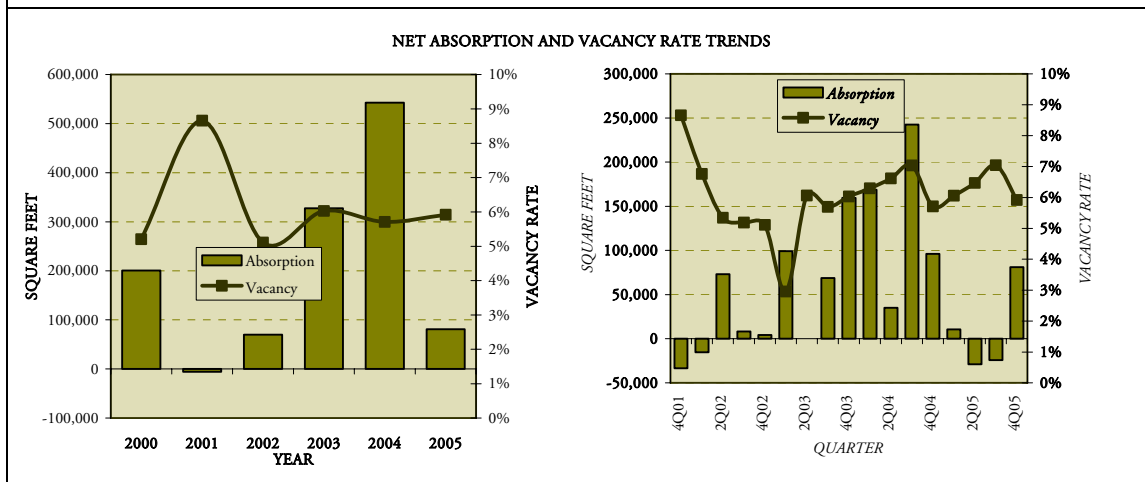
¹ Overall market data derived from CoStar



**FIGURE 2: CLOSE-IN EASTSIDE AREA RETAIL TRENDS
FOURTH QUARTER 2005**

BREAKOUT BY CLASS	Speculative	New	Inventory	Net	Vacancy	
	Inventory	Construction	Adjustments	Absorption	S.F.	Rate
Strip/Specialty/Urban	3,170,585		548,703	50,665	345,165	10.89%
Community/Neighborhood	1,665,033		52,447	48,420	43,826	2.63%
Mixed Use	334,628		78,353	-18,148	37,245	11.13%
Power/Regional	3,090,494		383,099	166	62,500	2.02%
Total	8,260,740	0	1,062,602	81,102	488,736	5.92%

BREAKOUT BY SUBMARKET	Speculative	New	Inventory	Net	Vacancy	
	Inventory	Construction	Adjustments	Absorption	S.F.	Rate
Eastside/Mall 205	3,558,784	0	427,102	4,064	219,882	6.18%
North/Jantzen	1,432,007	0	106,015	-6,016	88,750	6.20%
Northeast/Lloyd Dist.	3,269,949	0	529,485	83,054	180,104	5.51%
Total	8,260,740	0	1,062,602	81,102	488,736	5.92%



Current commercial rents being achieved in the MLK Corridor are largely below what would be considered necessary to support new construction. This may reflect quality of space, as new construction at 3303 NE Martin Luther King Jr. Boulevard is quoting lease rates at \$20.00 to \$25.00 per square foot, and is reportedly 67.7% leased.² While lease rates at this level are consistent with new construction requirements, they are not at a level that would support structured parking, which substantially raises costs while providing limited associated income. This statement reflects achievable rent levels required to support speculative construction³, and is not necessarily reflective of the underlying economics of owner-occupied space. The market has a limited stock of readily renovated properties, which often provide an opportunity to provide lower cost space in a market.

In general terms, market trends are expected to increasingly support commercial development in the corridor. The MLK Corridor offers a high level of traffic volume, good regional access and favorable demographics in the relevant trade areas. Challenges to new commercial development will include the following:

² See Appendix A.

³ Speculative space refers to space developed for lease to tenants by a developer or property owner seeking an adequate return on their investment.

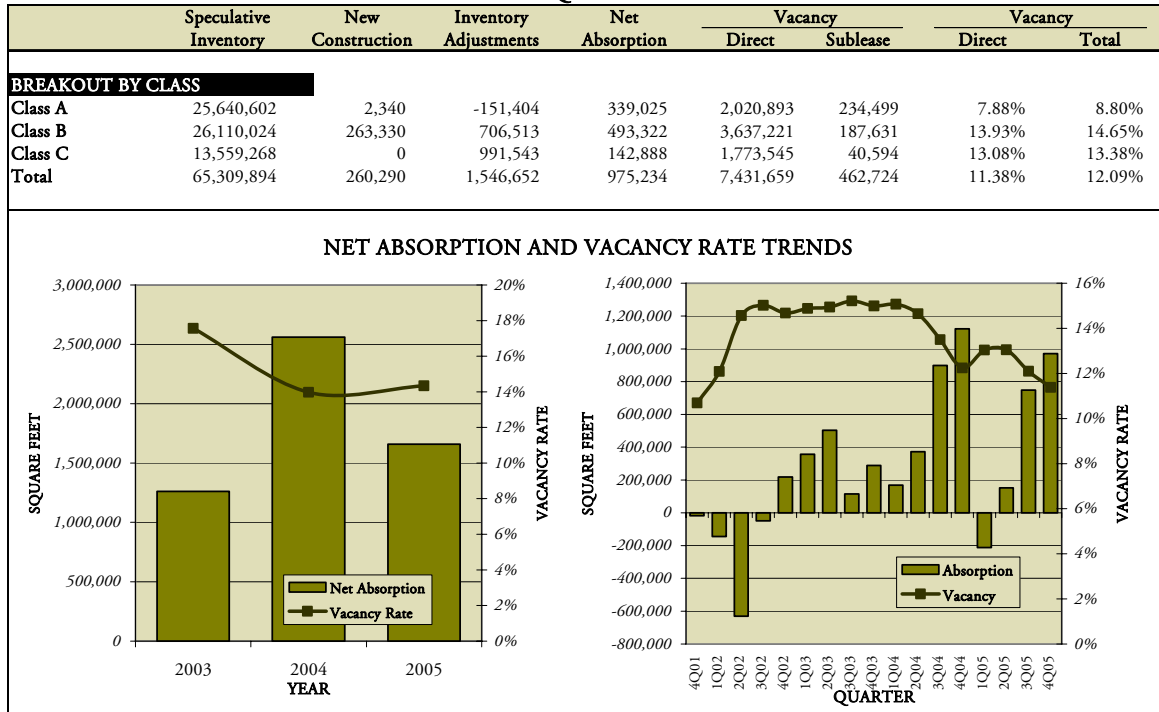


- The area's proximity to more established commercial concentrations in the Lloyd District and along the NE Broadway/Weidler couplet.
- The physical profile of and traffic volume on Martin Luther King Jr., which is not pedestrian friendly. Conversely, the traffic volume can be seen as a positive for many retailers.
- Limited parcel sizes, particularly depth, which will limit the area's ability to accommodate larger-format retailers.

OFFICE MARKET

The Portland metropolitan area's speculative office market reported an increase in overall occupied office space during the fourth quarter of over 975,000 square feet, the second-largest quarterly gain in the past five years despite significant new construction. The strong absorption and general tightening of the market suggest a more positive future outlook. The direct vacancy rate and total vacancy including sublease space dropped to 11.4% and 12.1%, respectively.⁴

**FIGURE 3: PORTLAND METRO AREA OFFICE MARKET TRENDS
FOURTH QUARTER 2005**

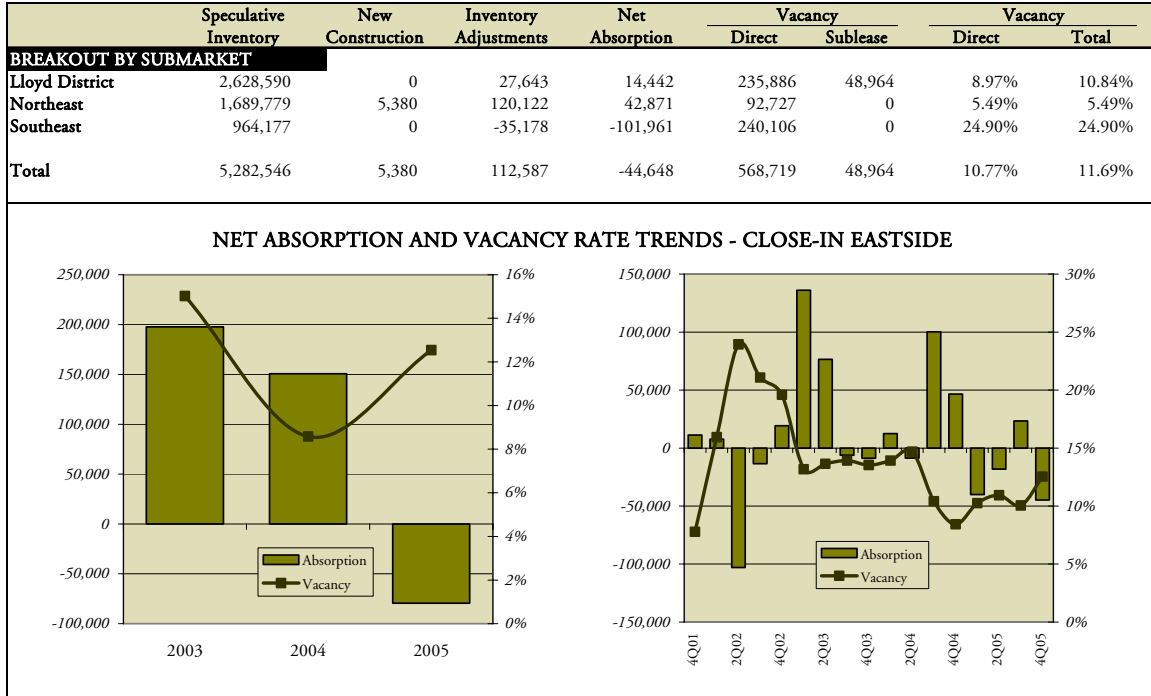


The direct vacancy rate for Class-A space is estimated at 7.88%, or 8.8% with sublease space included, a drop that is consistent with the overall market. Direct vacancy is estimated at 13.9% and 13.1% for Class-B and Class-C space, reflecting a continued move to quality in this buyer's market. The strongest submarkets in terms of occupancy are the Close-In Northeast (5.5%), I-205 corridor in East Multnomah County (5.6%), Kruse Way (5.8%).

⁴ CoStar



**FIGURE 4: CLOSE-IN EASTSIDE OFFICE MARKET TRENDS
FOURTH QUARTER 2005**



The Lloyd District has outperformed the Westside portion of the Portland CBD over the last several years, with office space in the broader Northeast submarket showing considerable strength. The market for office space in the Martin Luther King Jr. Corridor will likely be driven predominantly by “neighborhood-serving” office uses, providing services for local residents. This is a different market than that found in the CBD or Lloyd District, which represent more regional office concentrations. This market not as deep as the regional market, but is also seen to be less prone to the usual market volatility resulting from business cycles.

The office spaces currently listed in the corridor are classified as Class C space by the brokerage community, reflecting relatively low quality space and limited amenities. Lease rates have ranged from \$10.00 to \$15.00 per square foot gross, reflecting the quality of the space. The market for higher quality space in the study area has not been tested to-date, but there would be expected to be some level of support. The Heritage Building, which is currently under renovation, is quoting lease rates of \$12.00 to \$25.00 per square foot, land is reportedly 52.9% leased. Office rent levels in the Lloyd District range from \$20.00 to \$35.00 per square foot for Class A and B space.

C. MARKET DYNAMICS

Development Forms – Structured Parking

The Martin Luther King Jr. Corridor has an increasing level of development interest, as the area’s demographic and transportation assets have become more widely recognized. While development in the area has been limited to-date, recent projects under construction appear likely to demonstrate a level of achievable pricing that will attract further interest. Under the current rent structure in the



district, new construction is expected to be limited in density, with structured parking not supported by achievable pricing and/or local land values.

Structured parking is substantially more costly to deliver for developers, but can yield higher achievable densities and often higher lease rates. The increased costs are offset by the increased densities and revenues associated with parking provision. In general, the cost of a structured parking space can range from \$10,000 to \$25,000 per space for above-ground parking, and up to \$50,000 per space for subterranean parking.

The following table outlines the relative cost of providing surface and structured parking assuming alternative land values. As shown, surface parking is substantially less costly to provide when underlying land values are relatively low.

FIGURE 5: COST COMPARISON BETWEEN SURFACE AND STRUCTURED PARKING

<i>Parking Type</i>	Land	Construction	Total	Monthly
Land Value-S.F.	Cost	Cost	Cost	Amortization 1/
<i>Surface Parking</i>				
\$8.00	\$2,400	\$600	\$3,000	\$24
\$35.00	\$10,500	\$600	\$11,100	\$89
\$100.00	\$30,000	\$600	\$30,600	\$247
<i>Structured Parking 2/</i>				
\$8.00	\$600	\$15,000	\$15,600	\$126
\$35.00	\$2,625	\$15,000	\$17,625	\$142
\$100.00	\$7,500	\$15,000	\$22,500	\$181

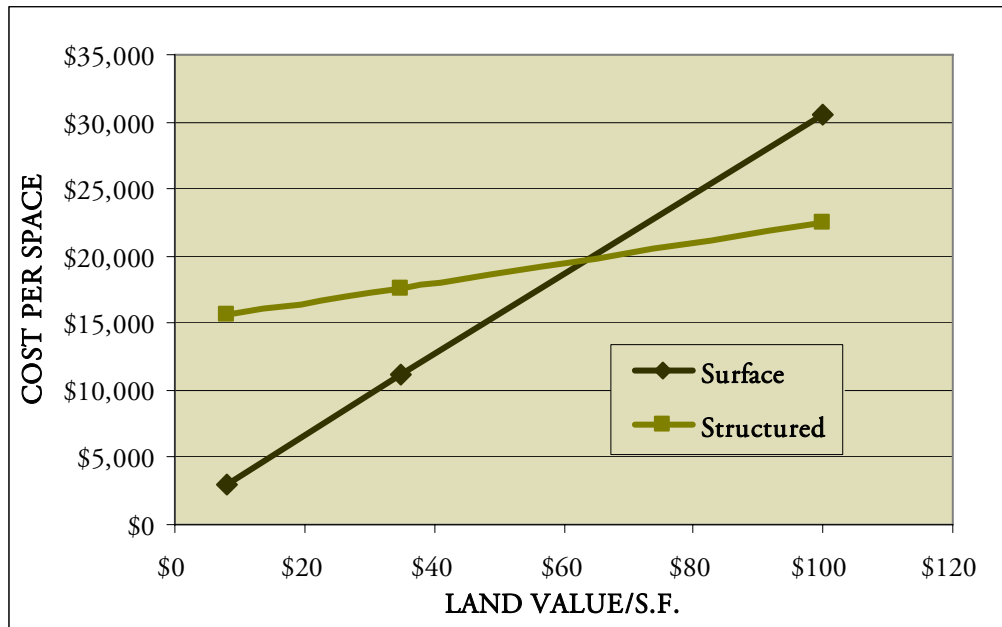
1/ Assumes 100% financing, 20 year loan term at 7.5%.
 2/ Assumes four story structure

It should be noted that the preceding analysis is quite simplistic, and provided only for a general guideline. There are a wide number of factors which can influence the cost trade-off equation. The first of these is when there is no other plausible option for providing parking, and the parking is required for a high-value land use. An example of this would be at a regional mall or hospital, which generate a substantial area-specific premium. There are also situations in which site slope conditions and other factors allow for a limited level of structured parking spaces. One example would be if grading or foundation requirements yield unused space suitable for tuck-under parking. In addition, the cost per space is highly variable.

As shown in the following chart, when land values exceed approximately \$65 per square foot, it becomes more cost effective for developers to transition to structured parking under the assumptions outlined in the preceding table.



FIGURE 6: IMPACT OF LAND VALUES ON COST OF PARKING OPTIONS



Land values in the Portland CBD currently range from approximately \$100 to \$200 per square foot. Properties in the Lloyd District are ranging close to \$100 per square foot, with properties near North Mississippi commanding pricing of around \$70 per square foot. Land pricing is a function of achievable lease rates and/or sales prices, and the higher land values seen in alternative districts reflect achievable pricing in these districts. We do not have information regarding current land values in the study area, but would expect that they would be below the threshold value of \$65 per square foot based on current rent levels.

D. POLICY ISSUES

PUBLIC-SECTOR MARKET INTERVENTION

Development and/or redevelopment in the trade area can be encouraged using the usual package of incentives, including land write-downs and other interventions to close current viability gaps. Over time, the need for intervention is likely to decline, as achievable lease rates increase at a greater rate than construction costs. Investments to-date in the area contributed to the current environment, with market trends likely to allow for a shift away from direct development intervention over time. The quoted lease rates for projects currently under construction indicate that market rate projects are increasingly viable at this time.

Past efforts to acquire properties in the area address one of the key obstacles in realizing development in the district, site acquisition and assembly. The underlying economics of development in the area appear sound, with achievable rent levels consistent with construction costs, limiting the need for development assistance unless specific development forms are mandated that are not supported by the market (i.e., projects with structured parking).

The Portland Development Commission has expressed an interest in assuring that, to the extent practicable, the benefits of public investment reach individual businesses and property owners.



Increased investment in the area, and associated increases in achievable rent levels and property values, will have a quantifiably positive impact on property owners. Existing local business owners leasing space are less likely to see a quantifiable benefit from more typical development-oriented public investments.

While the private sector market may successfully generate investment in the area, shifting development patterns may lead to displacement pressure, both for commercial businesses as well as residents. A more marketable commercial district is likely to be associated with higher achievable lease rates, providing pressure on existing tenants.

At this time, public programs to address displacement pressure are limited to residential displacement, with little attention paid to commercial displacement. Residential displacement is addressed through programs such as Tenant Based Rental Assistance (TBRA), a HUD program for which displacement assistance is an eligible activity.

There are ways in which displacement pressure can be mitigated, for both residential and commercial uses. For commercial tenants, programs that keep these tenants competitive for available space can reduce displacement, including tenant improvement assistance or credit enhancement in some form. If a program was established, a mechanism to qualify businesses eligible for assistance would need to be established. Initial qualification and ongoing monitoring and assistance can be provided through PDC's business assistance services program.

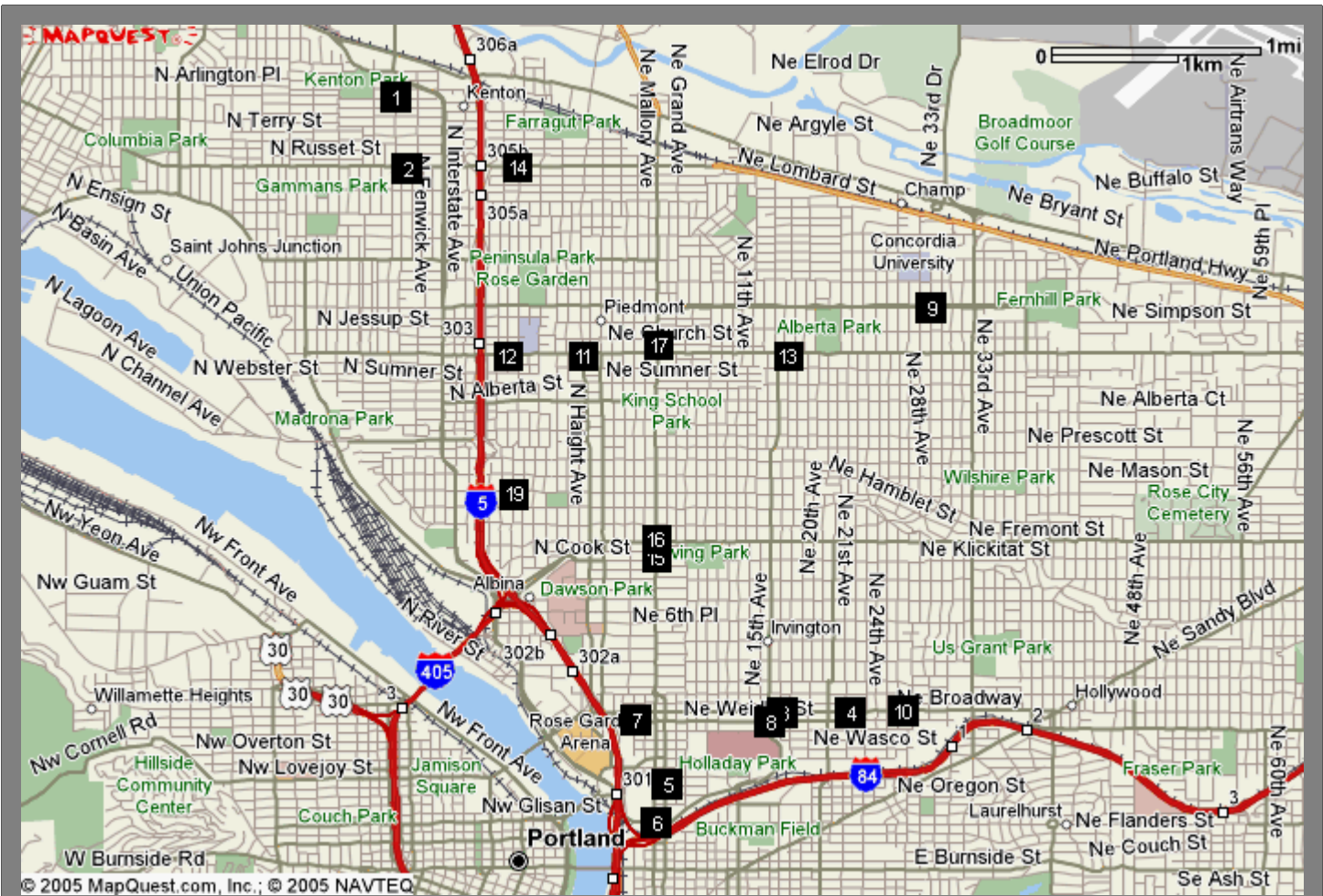
In addition, assistance with business plans and other business-related assistance would be helpful in securing funding for local businesses. We feel that this type of assistance would allow for local businesses to share in the neighborhood's upside, while providing for less distortion in the development market.

We would recommend that the Portland Development Commission evaluate additional ways in which it can help existing businesses respond to displacement pressures. The following is a brief list of potential actions that could be evaluated:

- *Advocate/assist businesses to secure long-term leases for their location. This locks in a manageable base lease rate, allowing the business to benefit from an improved business climate without the associated lease rate pressure;*
- *Provide technical assistance and/or financing to help merchants acquire their buildings. This could include encouragement of commercial/retail condominiums to provide ownership;*
- *Actively develop properties, or assist in the development of properties for small business with an affordable rent structure;*
- *Evaluate advocating the inclusion of space dedicated to locally-owned businesses in new developments;*
- *Community land trust and land conveyances with long term leasing obligations for existing businesses*



APPENDIX A
COMPARABLE RETAIL PROJECTS



1



8221-8237 N Denver Ave
Portland, OR 97217
Multnomah County
Hayden Island/Swan Island
Submarket

Building Type: **Retail/Storefront**
Status: **Under Renovation, delivers
Mar 2006**
Building Size: **10,350 SF**
Land Area: **15,499 SF**
Stories: **1**

Space Avail: **7,000 SF**
Max Contig: **2,900 SF**
Smallest Space: **1,300 SF**
Rent/SF/Yr: **\$14.00-\$18.00**
% Leased: **32.4%**







2









1868 N Lombard St
Portland, OR 97217
Multnomah County
Hayden Island/Swan Island
Submarket

Building Type: **Retail/General Free Standing**
Status: **Built 1936**
Building Size: **3,982 SF**
Land Area: **4,792 SF**
Stories: **1**

Space Avail: **3,982 SF**
Max Contig: **3,982 SF**
Smallest Space: **2,000 SF**
Rent/SF/Yr: **\$12.00**
% Leased: **0%**

3		<p>1620 NE Broadway St Portland, OR 97213 Multnomah County Lloyd District Submarket</p>	<p>Building Type: Retail/General Free Standing Status: Built 2004 Building Size: 23,000 SF Land Area: - Stories: 1</p>	<p>Space Avail: 23,000 SF Max Contig: 23,000 SF Smallest Space: 23,000 SF Rent/SF/Yr: \$25.00-\$32.00 % Leased: 0%</p>
4		<p>2236-2310 NE Broadway St Portland, OR 97232 Multnomah County Lloyd District Submarket</p>	<p>Building Type: Retail/Storefront Status: Built 1936 Building Size: 5,000 SF Land Area: 4,722 SF Stories: 1</p>	<p>Space Avail: 2,000 SF Max Contig: 2,000 SF Smallest Space: 1,500 SF Rent/SF/Yr: \$18.00 % Leased: 60.0%</p>
5		<p>916 NE Grand Ave Half Block Portland, OR 97232 Multnomah County Lloyd District Submarket</p>	<p>Building Type: Retail/Specialty/Festival/Entertainment Ctr Status: Existing Building Size: 9,500 SF Land Area: - Stories: 1</p>	<p>Space Avail: 9,500 SF Max Contig: 9,500 SF Smallest Space: 9,500 SF Rent/SF/Yr: \$12.00 % Leased: 0%</p>
6		<p>500 NE Martin Luther King Jr. Blvd Portland, OR 97232 Multnomah County Lloyd District Submarket</p>	<p>Building Type: Retail/General Free Standing Status: Renov Aug 2005 Building Size: 9,000 SF Land Area: - Stories: 1</p>	<p>Space Avail: 4,500 SF Max Contig: 4,500 SF Smallest Space: 4,500 SF Rent/SF/Yr: \$20.00 % Leased: 50.0%</p>
7		<p>1627 NE Second Ave Portland, OR 97232 Multnomah County Lloyd District Submarket</p>	<p>Building Type: Retail/Storefront Status: Existing Building Size: 9,050 SF Land Area: - Stories: 1</p>	<p>Space Avail: 3,300 SF Max Contig: 3,300 SF Smallest Space: 3,300 SF Rent/SF/Yr: \$15.96 % Leased: 63.5%</p>
8		<p>1500-1542 NE Weidler St Lloyd Place Portland, OR 97232 Multnomah County Lloyd District Submarket</p>	<p>Building Type: Retail/Storefront Retail/Residential Status: Existing Building Size: 20,000 SF Land Area: - Stories: 1</p>	<p>Space Avail: 1,799 SF Max Contig: 912 SF Smallest Space: 887 SF Rent/SF/Yr: \$18.00 % Leased: 91.0%</p>

9		<p>3002 NE Ainsworth St Portland, OR 97211 Multnomah County NE Close-In Submarket</p>	<p>Building Type: Retail Status: Existing Building Size: 4,500 SF Land Area: - Stories: 1</p>	<p>Space Avail: 4,500 SF Max Contig: 4,500 SF Smallest Space: 1,500 SF Rent/SF/Yr: \$12.00-\$14.00 % Leased: 0%</p>
10		<p>2735 NE Broadway St Portland, OR 97232 Multnomah County NE Close-In Submarket</p>	<p>Building Type: Retail/Storefront Status: Built 1950, Renov 2003 Building Size: 10,000 SF Land Area: - Stories: 1</p>	<p>Space Avail: 1,475 SF Max Contig: 1,475 SF Smallest Space: 1,475 SF Rent/SF/Yr: \$13.00 % Leased: 85.3%</p>
11		<p>110-122 N Killingsworth St Portland, OR 97217 Multnomah County NE Close-In Submarket</p>	<p>Building Type: Retail/Storefront Retail/Office Status: Under Renovation, delivers Jun 2006 Building Size: 10,880 SF Land Area: - Stories: 2</p>	<p>Space Avail: 4,200 SF Max Contig: 1,400 SF Smallest Space: 1,400 SF Rent/SF/Yr: \$12.00 % Leased: 100%</p>
12		<p>902 N Killingsworth St Portland, OR 97217 Multnomah County NE Close-In Submarket</p>	<p>Building Type: Retail/Restaurant Status: Built 1925 Building Size: 4,400 SF Land Area: 5,271 SF Stories: 1</p>	<p>Space Avail: 2,595 SF Max Contig: 1,790 SF Smallest Space: 552 SF Rent/SF/Yr: \$14.00 % Leased: 41.0%</p>
13		<p>1601 NE Killingsworth St Killingsworth Plaza 2 Portland, OR 97211 Multnomah County NE Close-In Submarket</p>	<p>Building Type: Retail/Storefront Retail/Residential Status: Existing Building Size: 8,000 SF Land Area: - Stories: 1</p>	<p>Space Avail: 5,500 SF Max Contig: 4,000 SF Smallest Space: 1,500 SF Rent/SF/Yr: \$12.00-\$18.00 % Leased: 50.0%</p>
14		<p>815-823 N Lombard St Portland, OR 97217 Multnomah County NE Close-In Submarket</p>	<p>Building Type: Retail/Storefront Retail/Office Status: Built 1914 Building Size: 5,830 SF Land Area: - Stories: 2</p>	<p>Space Avail: 1,800 SF Max Contig: 900 SF Smallest Space: 900 SF Rent/SF/Yr: \$10.80-\$14.40 % Leased: 69.1%</p>

15



3303 NE Martin Luther King
Blvd
Phase I
Portland, OR 97212
Multnomah County
NE Close-In Submarket

Building Type: **Retail/Strip Ctr**
Status: **Under Construction, delivers
Mar 2006**
Building Size: **17,000 SF**
Land Area: -
Stories: **1**

Space Avail: **5,500 SF**
Max Contig: **5,500 SF**
Smallest Space: **1,200 SF**
Rent/SF/Yr: **\$20.00-\$25.00**
% Leased: **67.7%**

16



3532-3536 NE Martin Luther
King Jr Blvd
Portland, OR 97212
Multnomah County
NE Close-In Submarket

Building Type: **Retail/General Free Standing**
Status: **Existing**
Building Size: **7,000 SF**
Land Area: -
Stories: **1**

Space Avail: **3,700 SF**
Max Contig: **1,850 SF**
Smallest Space: **1,850 SF**
Rent/SF/Yr: **\$12.00**
% Leased: **47.1%**

17



5600-5626 NE Martin Luther
King Jr. Blvd
Portland, OR 97211
Multnomah County
NE Corner
NE Close-In Submarket

Building Type: **Retail/General Free Standing**
Status: **Existing**
Building Size: **7,500 SF**
Land Area: -
Stories: **1**

Space Avail: **5,200 SF**
Max Contig: **5,200 SF**
Smallest Space: **5,200 SF**
Rent/SF/Yr: **\$4.20**
% Leased: **30.7%**

18



3960-3964 N Mississippi Ave
Portland, OR 97227
Multnomah County
NE Close-In Submarket

Building Type: **Retail**
Status: **Under Renovation, delivers
May 2006**
Building Size: **5,848 SF**
Land Area: -
Stories: **2**

Space Avail: **2,924 SF**
Max Contig: **2,924 SF**
Smallest Space: **945 SF**
Rent/SF/Yr: **\$18.00**
% Leased: **100%**

19



3972-3978 N Mississippi Ave
Portland, OR 97227
Multnomah County
NE Close-In Submarket

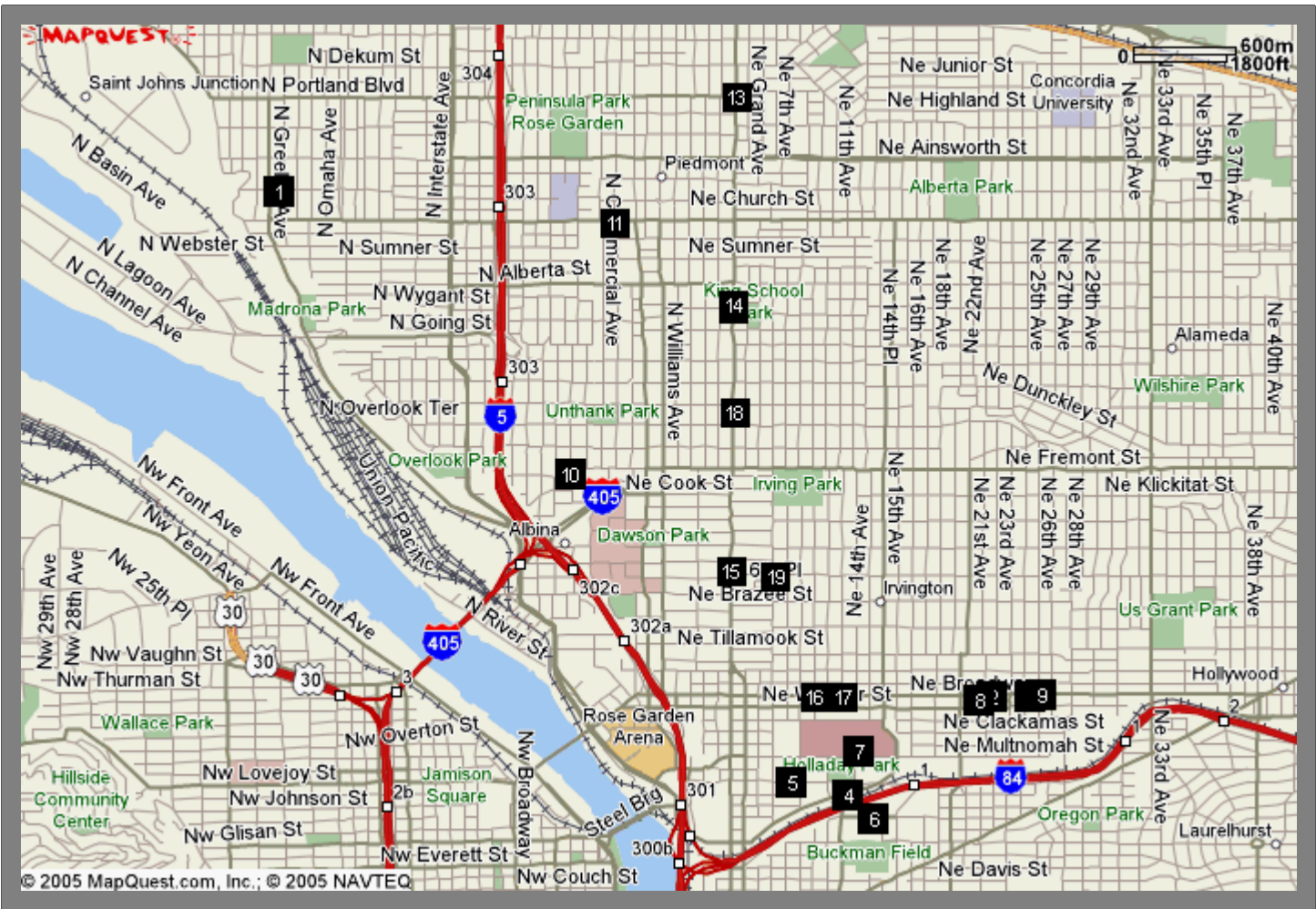
Building Type: **Retail/General Free Standing**
Status: **Built 1907**
Building Size: **10,500 SF**
Land Area: **5,009 SF**
Stories: **2**

Space Avail: **2,934 SF**
Max Contig: **1,489 SF**
Smallest Space: **1,445 SF**
Rent/SF/Yr: **\$20.00-\$22.00**
% Leased: **100%**



APPENDIX B

COMPARABLE OFFICE PROJECTS



© 2005 MapQuest.com, Inc.; © 2005 NAVTEQ



2728 N Jessup St
 Portland, OR 97217
 Multnomah County
 Hayden Island/Swan Island
 Submarket

Building Type: Class C Office
 Status: Built 1954
 Building Size: 2,536 SF
 Typical Floor Size: 2,536 SF
 Stories: 1





Space Avail: 420 SF
 Max Contig: 210 SF
 Smallest Space: 210 SF
 Rent/SF/Yr: \$12.00-\$14.28
 % Leased: 83.4%









2303-2307 NE Broadway
 Portland, OR 97232
 Multnomah County
 Lloyd District Submarket

Building Type: Class C Office
 Status: Existing
 Building Size: 3,000 SF
 Typical Floor Size: 1,000 SF
 Stories: 3

Space Avail: 1,100 SF
 Max Contig: 1,100 SF
 Smallest Space: 1,100 SF
 Rent/SF/Yr: \$16.36
 % Leased: 63.3%

3		<p>2524-2526 NE Broadway St Portland, OR 97232 Multnomah County Lloyd District Submarket</p>	<p>Building Type: Class C Office Status: Built 1992 Building Size: 16,500 SF Typical Floor Size: 8,250 SF Stories: 2</p>	<p>Space Avail: 1,000 SF Max Contig: 1,000 SF Smallest Space: 1,000 SF Rent/SF/Yr: \$7.20 % Leased: 93.9%</p>
4		<p>1201 Lloyd Blvd Portland, OR 97232 Multnomah County Lloyd District Submarket</p>	<p>Building Type: Class A Office Status: Built Apr 2002 Building Size: 226,110 SF Typical Floor Size: 20,555 SF Stories: 11</p>	<p>Space Avail: 11,248 SF Max Contig: 2,648 SF Smallest Space: 881 SF Rent/SF/Yr: \$20.00-\$27.99 % Leased: 96.2%</p>
5		<p>830 NE Holladay St 830 Oregon Square Portland, OR 97232 Multnomah County Lloyd District Submarket</p>	<p>Building Type: Class B Office Status: Built 1949, Renov 1991 Building Size: 35,591 SF Typical Floor Size: 17,795 SF Stories: 2</p>	<p>Space Avail: 11,604 SF Max Contig: 4,240 SF Smallest Space: 1,000 SF Rent/SF/Yr: \$12.00-\$19.00 % Leased: 79.5%</p>
6		<p>1425 NE Irving St Bldg 200 Portland, OR 97232 Multnomah County Lloyd District Submarket</p>	<p>Building Type: Class C Office Status: Built 1964, Renov 1989 Building Size: 18,900 SF Typical Floor Size: 9,450 SF Stories: 2</p>	<p>Space Avail: 950 SF Max Contig: 950 SF Smallest Space: 950 SF Rent/SF/Yr: \$16.75 % Leased: 95.0%</p>
7		<p>2201 Lloyd Ctr Lloyd Center Offices Portland, OR 97232 Multnomah County Lloyd District Submarket</p>	<p>Building Type: Class B Office Status: Built 1960 Building Size: 100,000 SF Typical Floor Size: 33,333 SF Stories: 3</p>	<p>Space Avail: 13,000 SF Max Contig: 13,000 SF Smallest Space: 200 SF Rent/SF/Yr: \$18.50 % Leased: 87.0%</p>
8		<p>2154-2158 NE Broadway St Weston Plaza Portland, OR 97232 Multnomah County Lloyd District Submarket</p>	<p>Building Type: Class B Office Status: Built 1968 Building Size: 14,170 SF Typical Floor Size: 7,085 SF Stories: 2</p>	<p>Space Avail: 751 SF Max Contig: 751 SF Smallest Space: 751 SF Rent/SF/Yr: \$13.50-\$14.50 % Leased: 94.7%</p>

9		<p>2606 NE Broadway St Portland, OR 97232 Multnomah County NE Close-In Submarket</p>	<p>Building Type: Class C Office Status: Built 1947 Building Size: 7,447 SF Typical Floor Size: 7,447 SF Stories: 1</p>	<p>Space Avail: 1,845 SF Max Contig: 1,845 SF Smallest Space: 1,845 SF Rent/SF/Yr: \$18.00 % Leased: 75.2%</p>
10		<p>714 N Fremont St Portland, OR 97227 Multnomah County NE Close-In Submarket</p>	<p>Building Type: Class B Office Status: Built 1963, Renov Feb 2006 Building Size: 13,000 SF Typical Floor Size: 6,500 SF Stories: 2</p>	<p>Space Avail: 1,466 SF Max Contig: 1,466 SF Smallest Space: 1,466 SF Rent/SF/Yr: \$18.00 % Leased: 88.7%</p>
11		<p>415 N Killingsworth St Portland, OR 97217 Multnomah County NE Close-In Submarket</p>	<p>Building Type: Class B Office Status: Built 1980 Building Size: 7,500 SF Typical Floor Size: 3,750 SF Stories: 2</p>	<p>Space Avail: 7,500 SF Max Contig: 7,500 SF Smallest Space: 7,500 SF Rent/SF/Yr: \$10.50 % Leased: 0%</p>
12		<p>4747 NE Martin Luther King Blvd Portland, OR 97211 Multnomah County NE Close-In Submarket</p>	<p>Building Type: Class C Office Status: Built 1936 Building Size: 2,688 SF Typical Floor Size: 2,688 SF Stories: 1</p>	<p>Space Avail: 1,000 SF Max Contig: 600 SF Smallest Space: 400 SF Rent/SF/Yr: \$24.00 % Leased: 62.8%</p>
13		<p>6501 NE Martin Luther King Blvd Portland, OR 97201 Multnomah County NE Close-In Submarket</p>	<p>Building Type: Class B Office Status: Built 1998 Building Size: 6,842 SF Typical Floor Size: 6,842 SF Stories: 1</p>	<p>Space Avail: 4,800 SF Max Contig: 4,800 SF Smallest Space: 1,000 SF Rent/SF/Yr: \$12.00-\$15.00 % Leased: 29.9%</p>
14		<p>4829-4839 NE Martin Luther King Jr. Blvd Portland, OR 97211 Multnomah County NE Close-In Submarket</p>	<p>Building Type: Class C Office Status: Built 1928 Building Size: 10,020 SF Typical Floor Size: 5,010 SF Stories: 2</p>	<p>Space Avail: 3,250 SF Max Contig: 1,750 SF Smallest Space: 715 SF Rent/SF/Yr: \$12.00-\$15.00 % Leased: 67.6%</p>

15



2737 NE Martin Luther King
Blvd
American State Bank Bldg
Portland, OR 97212
Multnomah County
NE Close-In Submarket

Building Type: Class C Office
Status: Built 1955
Building Size: 13,911 SF
Typical Floor Size: 13,911 SF
Stories: 1

Space Avail: 13,911 SF
Max Contig: 13,911 SF
Smallest Space: 1,200 SF
Rent/SF/Yr: \$9.92
% Leased: 0%

16



1001-1007 NE Broadway St
Broadway Building
Portland, OR 97212
Multnomah County
NE Close-In Submarket

Building Type: Class C Office/Loft/Creative
Space
Status: Built 1940
Building Size: 6,146 SF
Typical Floor Size: 3,073 SF
Stories: 2

Space Avail: 974 SF
Max Contig: 974 SF
Smallest Space: 974 SF
Rent/SF/Yr: \$14.50-\$15.50
% Leased: 84.2%

17



1205 NE Broadway St
Hoover Building
Portland, OR 97232
Multnomah County
NE Close-In Submarket

Building Type: Class C Office
Status: Built 1973
Building Size: 5,234 SF
Typical Floor Size: 5,234 SF
Stories: 1

Space Avail: 5,234 SF
Max Contig: 5,234 SF
Smallest Space: 5,234 SF
Rent/SF/Yr: \$14.50
% Leased: 0%

18



3934 NE Martin Luther King Jr
Blvd
The Heritage Bldg
Portland, OR 97212
Multnomah County
NE Close-In Submarket

Building Type: Class B Office
Status: Under Renovation, delivers
Jun 2006
Building Size: 23,889 SF
Typical Floor Size: 7,963 SF
Stories: 3

Space Avail: 23,889 SF
Max Contig: 12,975 SF
Smallest Space: 1,200 SF
Rent/SF/Yr: \$12.00-\$25.00
% Leased: 52.9%

19



707 NE Knott St
The Lo Piparo Bldg
Portland, OR 97212
Multnomah County
NE Close-In Submarket

Building Type: Class C Office
Status: Built 1951
Building Size: 3,020 SF
Typical Floor Size: 3,020 SF
Stories: 1

Space Avail: 1,000 SF
Max Contig: 1,000 SF
Smallest Space: 1,000 SF
Rent/SF/Yr: \$10.00
% Leased: 66.9%

Summary of Interviews and Focus Groups

This appendix summarizes the results of the interviews and focus groups that were conducted to gather information about opportunities and barriers to current and expected future development along NE Martin Luther King Jr. Blvd. Developer interviews were conducted between January 20 and February 1, 2005. Two focus groups were held on Thursday, Feb 2, 2006: (1) property owners who have not developed their property, and (2) property owners that have recently developed their properties.

Interviews were conducted with developers that work in the NE MLK and surrounding areas.

This appendix summarizes interview and focus group results in four sections:

- Background and participants
- Interview results summary
- Focus group results summary
- Business association interview

BACKGROUND AND PARTICIPANTS

The focus groups and interviews asked participants to respond to questions in four general categories:

- **NE MLK's strengths as a location for new development.** These questions asked about what types of developments have been successful historically and why, as well as what types are successful now and why.
- **NE MLK's weaknesses as a location for new development.** These questions asked about what difficulties developers and property owners have experienced while developing or redeveloping their properties. They asked participants to identify some of the problems that could slow development along MLK.
- **A vision for NE MLK's future.** Participants were asked to describe what type of development they'd like to see along MLK.
- **Opportunities for new development.** These questions asked what the City or PDC might do to help make the area more successful, or to achieve the vision that participants had outlined. Do changing demographics or other factors make the area more attractive for new development? What improvements could help to speed development?

The following developers were interviewed:

- David Bell, GSL Properties

- Mary Hanlon, Hanlon Development and Consulting
- Jon Kellogg, HSM Pacific Realty
- Jeffrey Sackett, Capstone Partners LLC
- Eric Wentland
- Peter Wilcox, Urban Renewal Associates
- Jim Winkler, Winkler Companies
- Jeana Woolley, J.M. Woolley and Associates

The following property owners participated in the focus group for property owners who have not developed their properties:

- Bennett Johnson
- Eric Lincoln
- Jerome Polk
- Yugen Rashad
- Tim Ray
- Reuben Roth
- John Spezza
- Gordon Spezza
- Rolanne Stafford
- Bill Wainright
- Eric Wentland

The following property owners participated in the focus group for property owners who have developed their properties:

- Patrick Eckford
- David Johnson
- Carl Kucharski
- Mark Larson
- Marc Tobin

ECONorthwest also interviewed Gary Marschke, Vice Chair of the North/Northeast Business Association (NNEBA).

DEVELOPER INTERVIEW RESULTS

STRENGTHS

- Most interviewees felt that the MLK area is on the cusp of rapid development. Most recognized that MLK is the center of a unique neighborhood that is lacking many services for the local market and is a logical location for commercial developments that have a more regional draw.
- Location is the best thing about MLK. It is close to high-density employment centers: downtown and the Lloyd district. It is also close to the newly revitalized neighborhoods of Mississippi and Alberta.

- The area has excellent transportation access. From that location, shoppers can go any direction in the region and be on the freeway or public transportation in 2 or 3 minutes. There is good access to I-5 in several locations from MLK. There is also good access to I-84 at MLK and Broadway.
- There is generally good demand for market-rate, for sale housing units throughout the region, and there is probably a market for a multi-family product that could be delivered below the cost of single-family homes. Along MLK, however, even this type of development might not pencil out without subsidy, because the price of land and construction costs are so high.

WEAKNESSES

- Image is the area's biggest weakness. MLK continues to have a public image as a crime-ridden, poor, and primarily African American area. Developers have shied away from the area despite its promise and advantageous features. Racism plays a role in this. If you were to only describe the Boulevard's amenities, it would be comparable to other areas in the city where developers are fighting each other to get in, but little has happened along MLK.
- Density is too low to support local businesses.
- Pre-leasing requirements (by PDC) on new construction or significant rehab projects exclude a key segment of the market (small, entrepreneurs).
- The handful of blighted businesses along MLK Blvd. discourage new development and make the whole Corridor less appealing.
- Poor design issues (building fronts oriented to parking lots and not to MLK) and low quality construction discourage new development.
- While high traffic volumes are good for local businesses, the fast moving traffic is a barrier for pedestrians. New development needs to occur at a pedestrian scale, with parking and street activity to help to build ambiance.
- Access issues, such as the lack of left-turns due to the median, and lack of parking for internal lots, make some parcels on MLK difficult to develop.
- Working with PDC, and the political nature of the organization, is a barrier. The bureaucracy of dealing with PDC can delay the development process. There is a lot less flexibility than there would otherwise be in a purely private development environment.
- Several developers pointed out that land prices for some sites are high along MLK; this has been caused, at least in part, by PDC's interventions to acquire and renovate properties. The high prices make market-rate developments more difficult to finance and less attractive to developers. In this way, PDC has contributed to high expectations for the price of land.
- A major obstacle to developing along MLK is that the street is too big. Burnside is an example: it is difficult to encourage the type of neighborhood feel that Mississippi has along a street like this one.

- MLK is treated as one long strip, rather than a combination of corridor segments with individual needs. Some sections of MLK are doing well, but there are dead spots in the development that need attention, and each of those dead spots has a different market and audience. The development incentive system doesn't recognize this reality.
- The lots are large along MLK, as are the existing buildings. Other corridors that have successfully redeveloped in Portland have typically had more compact, neighborhood-scale building infrastructure (Mississippi, Alberta). Commercial ventures in buildings of this scale can be attractive to the small-scale, entrepreneurial businesses that are more likely to enter into a risky market. The type of businesses that would normally be drawn to the large lots on MLK are more risk averse, as are the lenders that would typically finance their development projects.

VISION

Developers expressed somewhat contradictory visions for the future of MLK. Elements of their vision included:

- Commercial nodes with housing in between.
- Attractive, high-quality architecture that recognizes the historic character of the neighborhood. This historic character is most accurately described in the Boise and Albina community plans, which should be followed.
- A transportation corridor that contains higher density housing. This would help to preserve the character of the single-family residential development that surrounds MLK at the same time that it provides new population to support commercial development in nodes along MLK. The amount of land that's currently zoned for high-density housing is probably appropriate, but it is not well located and, at least for the next several years, is probably too expensive to produce market-rate housing.
- A mixed-use (retail and housing) corridor.
- A commercial area that serves a market that is both local and regional. The local market should cover business costs, while the wider, regional market should help businesses turn a profit.
- A commercial area that primarily serves a market for small retail on a neighborhood scale. These types of businesses need low rent and quick access to available retail sites. Some larger retail might be successful, but it should still be primarily neighborhood-serving (i.e. Walgreens or New Seasons).
- A residential and commercial area with live / work spaces. Developers should recognize that the market is changing. In the future, business owners and residents will require a more versatile space with a more urban character than previous developments in Portland have supported. Younger people or empty nesters will be living in the closest in neighborhoods like MLK, and many of them run their own businesses or want spaces for creating art.

- One developer thought that redevelopment will continue, but at a slow pace. The increasing residential values and income levels in surrounding areas will improve the retail and commercial market on MLK. However, the supply of other boutique, high-end emerging commercial areas (Mississippi, Alberta, Lloyd) close in make MLK less attractive in the short-term. As these areas build out and become more expensive, MLK will become more attractive as a development location.

OPPORTUNITIES

- If the City needs MLK as a major traffic arterial, trying to implement neighborhood-scale development may be a losing battle. Instead, it could concentrate on developing higher density housing and focusing the retail development in nodes that include the smaller cross-streets.
- There are quite a few large, vacant lots along MLK.
- Several developers mentioned that the storefront improvement and DOS programs are solid, helpful programs for those interested in development and redevelopment. These programs help local businesses and improve the perception that positive change is happening on the street.
- One interviewee mentioned that PDC could be more open and flexible in their approach to supporting development along MLK. PDC's involvement and communication with the development community does not always engender a creative approach to solving the problems of blight along MLK.
- The RFP process can be so cumbersome that it dissuades qualified applicants from proposing.
- PDC could support a staff person to organize a business association for the Corridor. This made a big difference in coordinating a group of advocates for change in Alberta.
- PDC should encourage Tri-Met to extend Fareless Square to encompass the MLK area.
- Several interviewees suggested that the name of the area is a problem, because it is associated with crime and poverty. One part of the problem is that, across the country, the name "MLK Blvd" is synonymous with poverty. Lenders, many of whom are located in cities far from Portland, are affected by the associations they have with the name and may be less likely to take risks on loans in the area. Even though it seems unimportant, giving the area a new name could help to renovate its image. One option is to simply refer to it as "The Boulevard."
- Focus on development of a cluster of businesses such as the apparel sector.
- PDC should focus on developing several key projects to catalyze growth in the area. These projects will make other developers and lenders more comfortable with undertaking projects in the Corridor.

- Reduce the amount of RH zoning to encourage more commercial development. This could help to speed redevelopment, but will not help to assure more mixed-use development in the future.
- Aggressively pursue relationships with affordable housing developers, because the land prices are generally too high to support market-rate housing development. Affordable housing must be of high quality, however.
- Focus on improvements to blighted businesses by offering subsidized or low-interest loans for some properties.
- Incentives for the development of multi-family housing to increase density. Multiple developers mentioned that increasing density is the key to providing adequate market to encourage new retail along MLK.
- Be sure to consider parking as the street develops. Parking isn't a problem now, but it may become one in the future if the vision is realized. Parking must be developed in a way that does not distract from the architectural and street design.
- Allow greater flexibility in zoning. For example, assure that the residential zones allow for an appropriate amount of commercial. The RH zoning does that to a certain extent; it allows for 35% of a development to be commercial; the commercial uses, however, must be kept on the ground floor of the development. If the commercial use could be in any part of the development, it would allow for the development of live/work spaces.
- PDC has approached its job on MLK as a lender rather than as an economic developer. Consequently, its loan packages are too conservative; they require developers to meet standards that would be achievable for properties in well-established areas (such as having signed leases for commercial space development proposals) but are not possible in the MLK Corridor. This causes developers to shy away from deals in the MLK Corridor. PDC should assume more of the risk associated with developing in an area like MLK as part of its mission to provide a public good. It should also recognize that meeting public goals costs more money, and provide as much help with financing as possible.
- Change PDC's role from controlling the use of the site to being a partner. Its partnership role is much better in the Pearl and in South Waterfront. The balance of public and private interests make for better development.
- If PDC and the neighborhood goal is to mitigate gentrification, then they should evaluate the needs of low-income and minority residents and businesses in the area and target programs that address their needs. Some of the programs PDC implements now do this: storefront improvements, home improvements, and low-interest loans. Non-profit organizations and educational institutions should work with new business owners and provide training and support to help them establish sound business practices and stay in business.
- Continue to develop high-density commercial at key intersections.

- Need to slow traffic to induce more residential development. Future residential development should be high enough to provide a buffer to high traffic volumes on the street. Increased heights for residential will enjoy views of Mt. Hood and Mt. St. Helens.
- Residential development will need more urban amenities. MLK doesn't feel "neighborhood-y" enough to attract residential uses.

FOCUS GROUP RESULTS

STRENGTHS

- The close-in location of MLK is its greatest strength.
- Changing demographics in surrounding neighborhoods—higher educational attainment and household incomes—will create demand for retail and commercial uses along MLK.
- Most focus group participants were optimistic about the market and felt that positive change would occur on MLK sooner rather than later. As one participant put it, "Everyone wants to be the first one to be second." In other words, no one wants to take the risk of being the first big, new development, but many people will be willing to redevelop once it has been proven to succeed.
- Crime has decreased. Property owners are experiencing very little graffiti or broken windows, especially compared to past levels. Current business owners are willing to be references and talk about the benefits of being on the Corridor.
- One focus group participant said that he sees the value of MLK property and wishes that he had more money to purchase additional properties.
- Several of the property owners talked about contributing to neighborhood activities and workforce programs. They are reaching out to the neighborhood to provide economic and social opportunities.
- City leaders have stated a desire to be the best MLK Boulevard in the country.

WEAKNESS

- The change in zoning (from commercial to high density residential) has made it very difficult to infill with residential. Many of these lots are small (8,000 to 12,000 sq. ft.) and it is difficult to build infill housing and allow for parking.
- Because of the increase in land values and construction costs, some businesses and properties are not redeveloping. Other locations around the City that can get higher rents than MLK are more attractive to developers. As one focus group participant said, "the real question is making the numbers work."

- MLK does not have a unified identity: there is no theme on the street. Inhibits the vision for MLK, and implies that there is no vision for the street that ties it together.
- High traffic volume and speed is a major deterrent. “This strip feels like a highway, not a mainstreet.”
- Several focus group participants said they didn’t believe that MLK could be mom and pop store, boutique-y type area like Mississippi or Alberta because of the speed and volume of traffic. Others disagreed and said they thought it could be like Hawthorne.
- The zoning change from commercial to high-density residential in some locations has inhibited redevelopment. However, several developers in the focus groups thought that rezoning back to commercial would not result in immediate redevelopment. They mentioned the lack of frontage (200 to 300 ft) and inability to get any more driveway cuts. They said there are increasing opportunities for residential along the Corridor.
- A combination of perception of crime and racism has been a barrier to redevelopment.
- Some participants felt that creative development is stymied by regulations and bureaucracy at the City. However, one participant described how his wife walked their permit through all of the City bureaus and got approval in one day.
- Shallow lots make it difficult to accommodate density and required parking.

VISION

- Regarding the vision of the neighborhood, some focus group participants suggested breaking up MLK into zones that correspond with the neighborhoods. There are probably other ways to break up the long stretch of the Corridor and have distinctive segments, but it is unlikely that a Corridor as long as MLK could sustain an identity throughout its length.
- MLK has great potential for commercial office uses (such as Henry V and Netropole) that don’t require as much left turn access as retail. These types of users do want some retail and restaurants that employees would visit. These users find the medians, trees, and other pedestrian improvements beneficial.
- There is the potential to reach out to creative businesses that are looking for lower rents than downtown Portland, and want a “grittier” location than the Pearl or downtown. There seem to be quite a few creative businesses, and MLK would be an excellent location. One way to achieve this vision is to work with PCC and other educators along the Corridor to train potential creative employees.

OPPORTUNITIES

- Build bollards (2-3 feet cement or rock structures that protect pedestrians and buildings from automobiles) or plantings at key locations that are vulnerable to auto accidents.
- Gap financing can make development feasible and MLK more competitive to other locations.
- Improve the Gateway to MLK on the south end of MLK.
- “Repackage” MLK to dispel the idea that it is a “tough” street. Need to create something different. What is the vision for the street? A public relations and marketing program is more likely to be successful coupled with the changing market. This is the time to take advantage of the changing of the market and help MLK to take off commercially and residentially.
- One focus group member suggested extending free bus service up MLK.
- One focus group participant suggested calling MLK “The Boulevard” and extending a boulevard theme.
- Allow for "one-day" permitting, where applicants visit all permitting bureaus and can get all approvals in one day.
- Look for strategic opportunities to expand the urban renewal area to help key properties.
- Use new market tax credits to encourage redevelopment on MLK.
- Encourage environmental design in new developments.
- Work with existing businesses that are looking to expand on MLK.
- Work with existing business owners to help promote MLK with prospective business owners. Several focus group participants said they would be willing to talk about the relative safety and attractiveness of MLK.
- Create environmental remediation and seismic upgrade programs to help property owners to rehabilitate existing buildings. Henry V development shows the potential for environmental design. It is a model for redevelopment. Redevelopment might occur if there was indemnification against any existing environmental problems.
- Work with the media to promote MLK.
- Improve transit service along MLK and between MLK and MAX. More employees would take MAX if they could easily get from MAX to MLK.
- Help businesses that exist along MLK to network for employees, work, and new business locations.
- Develop the market for live / work space on MLK. That would help foster the creative sector along MLK.

- Use creative financing other than PDC to encourage redevelopment. Work with local financiers to help local businesses and property owners, such as new market tax credits
- Build the wealth of local businesses by finding ways to upgrade existing buildings or expand to new buildings or sights.
- Pool business resources. For example, there may be the potential for a “food court” where restaurants share a dishwashing area and use the same tables and dishware. There could be several restaurants located in the same area, such as a courtyard or a former strip mall.
- Create opportunities to promote MLK, like the MLK Day run, monthly events, or festivals.
- Continue and improve upon work with neighborhood organizations on business opportunities and issues along MLK.
- Conduct outreach to realtors, architects, and developers to promote MLK. Offer referral service for current business owners to talk to prospective owners.

BUSINESS ASSOCIATION INTERVIEW

STRENGTHS

- There is a sense of community that is special in NE. Many churches provide faith-based community outreach. This provides a strong infrastructure. Many of the businesses are involved with faith-based organizations. There is room for growth and improvement.

WEAKNESSES

- The business areas throughout the business association’s service district (Broadway to Lombard, 42nd to Interstate (I-5)) are geographically spread out. Commercial areas are small and scattered. Many businesses are home-based or space that has been converted out of quasi-industrial uses. It is difficult to work with these isolated pockets of commercial activity in a cohesive way.
- There is a diversity of sizes and scope of businesses. It is difficult to find cohesive issues.
- Socio-economic and safety issues are difficult to address. MLK Blvd. has unique challenges; other areas of Portland do not have the same mix of problems.
- This is the last area to attract attention, commercially and individually. The residential areas have been the last to come along with property values.

OPPORTUNITIES

- The neighborhoods adjacent to MLK Blvd. offer relatively affordable housing compared to other areas of Portland.
- MLK Blvd. and other close-by commercial areas are getting more attention now than they used to. The commercial sector realizes N/NE is a new hotspot. The level of funding and development in N/NE is at a higher level than it has ever been.
- The new redevelopment seems to be suffering from a lack of cohesiveness. There is no central theme. MLK Blvd is pretty spread out. Where do they focus their attention? Everyone is scrambling for attention. Everyone is afraid that the attention will go away.
- Business owners and residents seem to be more hopeful. There is a feeling that the area has potential and a future. The perception of the neighborhood has changed in the last five to ten years.
- The NNEBA is willing to work with public partners to do what it can to sustain a thriving and sustainable business community. A significant component has to be outreach to the community. NNEBA would be willing to conduct outreach. It is well within the scope of their mission. This is a win/win for them. It would help them reestablish their values, and more clearly establish an identity. The concern is not to get too closely identified with one agency or effort.
- The MLK Blvd commercial areas and other nearby commercial areas are too segmented (not segregated), there are pockets of commercial activity all over the place. It is difficult to bring people together, unless there is something that can help people focus “on their backyard.” The NNEBA focuses on neighborhood-specific programs.