

CORVALLIS DOWNTOWN MARKET STUDY

ANALYSIS AND RECOMMENDATIONS

PREPARED FOR:
DOWNTOWN CORVALLIS ASSOCIATION

JUNE 2005



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I. INTRODUCTION

JOHNSON GARDNER, in association with MOORE IACOFANO GOLTSMAN, INC (MIG) and ECONORTHWEST, was retained by the DOWNTOWN CORVALLIS ASSOCIATION to assess commercial, retail and office market conditions in Downtown Corvallis and the greater region and identify potential growth opportunities and constraints for the City. The primary objectives of our assignment were to:

- *Understand Downtown Corvallis and Corvallis as a whole in the regional market;*
- *Understand realistic opportunities versus wish lists;*
- *Evaluate OSU's market share and opportunities to better serve this market;*
- *Identify advantages and barriers to commercial retail and office development;*
- *Discuss opportunities for residential development and related services;*
- *Provide an analysis of the current and potential Downtown Corvallis market;*
- *Identify the optimal commercial, retail and office mix for Downtown Corvallis;*
- *Provide data for strategic commercial and retail business recruitment/retention program; and*
- *Identify underserved market segments and provide data on anticipated market trends.*

The following report and attached exhibits summarize our key findings and conclusions regarding this assignment.

II. EXECUTIVE SUMMARY

- This study focused on a Downtown Corvallis study area broadly delineated by the Willamette River to the east, C Avenue to the south, 6th Street to the west and Tyler Avenue to the north. As compared to neighboring communities, Corvallis has a vibrant downtown with a mix of retail, office, housing, and civic uses. Street activity is strongest on 2nd Street and Madison Avenue, but spreads over an almost 50 block area.
- The consulting team identified several factors that constrain growth in the Downtown market area. These include sprawl, parking perceptions, traffic, limited residential development, a poor physical link to the university, competition elsewhere--largely from national chains, and the existing mix of office/retail space. Opportunities for growth in the area entail reinvestment and attracting more students and visitor spending. To this end, continuing to develop university connections to downtown and river, attracting a youth-oriented clothing store, improving university oriented website content, developing downtown housing for students (likely near Downtown and subsidized) and marketing to OSU conference visitors would all be advisable. Building additional housing and residential services, restaurants, a niche hotel, a student apparel store, would also broaden Downtown appeal.
- Community involvement was emphasized throughout this project with initial interviews and two local retailer/property owner focus groups. Retailers we spoke with stressed the need for a more integrated downtown vision and greater support from the City to encourage redevelopment and business growth. They commented business is not bad, but cumbersome regulations, the lack of a major downtown anchor, and parking limitations are all hurdles to new development. Apparel, social venues and a possible national tenant were all identified as priorities downtown. Property owners echoed these suggestions and also emphasized the need to open more site sales to the public, reduce SDCs (Systems Development Charges), and find ways to streamline and expedite the approval process with the City.



- Numerous downtown sites are vacant or have redevelopment potential. In an effort to increase density and achieve consistent street level activity, we advocate concentrating specifically on the sites along 1st and 2nd Street and Madison Avenue. Sites close to the river would be particularly attractive for residential growth and additional restaurants, while 2nd and Madison would be appropriate areas to increase retail density. We recognize that development economics, site ownerships, and related issues may limit actual development of these parcels, but would encourage efforts to reinvest.
- Corvallis MSA employment growth peaked in the latter half of the 1990's and dropped off during the national recession. In contrast to the Portland metropolitan area, Corvallis has largely recovered from this downturn, with employment there in 2004 exceeding its pre-recession level. Current economic health is reflected by relatively strong real estate market conditions.

FIGURE 1: MID-WILLAMETTE VALLEY OFFICE AND RETAIL MARKET TRENDS

Location	Office	Retail	Comments
CORVALLIS	\$0.75-\$2.00 8.7%	\$0.75-\$2.00 8.3%	Downtown trends are comparable to those of city at large.
ALBANY	\$0.55-\$1.50 Below 10%	\$0.35-\$1.40 Below 10%	Retail vacancy Downtown is reportedly much higher than in outlying areas.
SALEM	\$1.12-\$1.57 9.64% vacancy	Up to \$2.00 8.3% vacancy	Downtown Retail and Class B/C office space have double digit vacancy
EUGENE (Downtown Only)	\$0.60-\$1.65 24.9% vacancy	\$0.50-\$1.45 6.9% vacancy	Suburban office vacancy is closer to 10%. Retail Downtown is on up-swing.

- The recent announcement by Hewlett-Packard that they will be downsizing is expected to significantly impact the local economy, although the overall impact is difficult to assess. An analysis by Bruce Sorte of Oregon State University indicates that the area may lose 300 workers directly, who will leave the area to find work elsewhere. Additional employment can be expected to be lost due to indirect impacts. Mr. Sorte estimates that \$112 million in gross sales would be lost in the Mid-Willamette Valley as a result. It should be noted that generous severance packages will be provided, and employees losing jobs in the technology sector often form start-ups that provide an economic boost.
- In most other Mid-Willamette Valley cities, there exists a notable split in demand for Downtown commercial space and newer suburban construction. Corvallis reportedly fares better than most of the region in attracting business Downtown. The City's overall lease rates and occupancy levels are competitive with those of other regional cities as shown in the chart above. Rates given reflect a mix of NNN/Gross lease conditions.
- The City of Corvallis has an opportunity to substantially increase the desirability of its downtown core. Local demographics are supportive of an increased concentration of local retail, and national retail trends have recently shifted towards revitalized downtown districts. A wide range of retailers now actively seek these types of locations, and are of a scale that is not threatening to the underlying fabric of the downtown area. Maintaining and expanding the



existing base of retailers is seen as integral to developing a more vibrant retail destination in Downtown Corvallis, and our experience has been that strengthening the overall mix of retail is supportive of existing retailers that benefit from a greater draw to the district.

- There are a number of steps that can be taken to encourage this trend locally. These include the following:
 - Marketing efforts – These can increase local awareness of retailers active in the area. Efforts could include print ads as well as periodic events that increase traffic and exposure in the area.
 - Infrastructure – Ongoing improvements of the public realm, including lighting, benches, planters, delineated crossings, signage, parking and other improvements that increase the marketability of the district.
 - Recruitment – The retail mix in the core can be enhanced through the attraction of targeted retailers, who can increase the draw of the area while enhancing the viability of existing shops.
- The outlined actions would likely require an increased level of investment in the district. Potential funding sources should be explored, including urban renewal, an economic improvement district (EID), a local improvement district (LID), a business improvement district (BID), grant programs and a levy on local businesses/property owners for joint marketing efforts. An EID currently funds the Downtown Corvallis Association (DCA).
- While various forms of improvement districts can provide for some public infrastructure, we have found urban renewal to be the most effective in directing redevelopment. This is primarily attributable to the degree to which urban renewal can support targeted investments. Most communities that have achieved a substantial level of success in revitalizing their downtowns in the State of Oregon have had urban renewal districts (i.e., Lake Oswego, Portland and Tualatin).
- There are a number of public benefits associated with increasing the vitality of Downtown Corvallis. These include a better perceived quality of life, a more robust business environment, a decrease in the pressure to sprawl and the increased vitality of many locally-owned businesses. City's that have successfully reinvigorated their downtown cores have seen stronger appreciation in property values, as the community's identity and attractiveness are improved. A more attractive community also serves as an economic development asset, as it is easier to attract employees.
- After decades of disinvestment in downtown cores, there has been renewed interest in redevelopment of these areas in the last decade. This is a trend that the City of Corvallis should embrace and encourage locally. Efforts in the City can be led by the City of Corvallis, the Downtown Corvallis Association (DCA) or other public and private entities. While independent efforts should be encouraged, some level of regular coordination should increase the impact.

III. CONTEXT ASSESSMENT

For a preliminary overview of Corvallis' marketability as a retail and office location, the consulting team prepared a physical assessment of Downtown Corvallis attributes and interviewed local businesses and real estate professionals.



A. PHYSICAL OVERVIEW

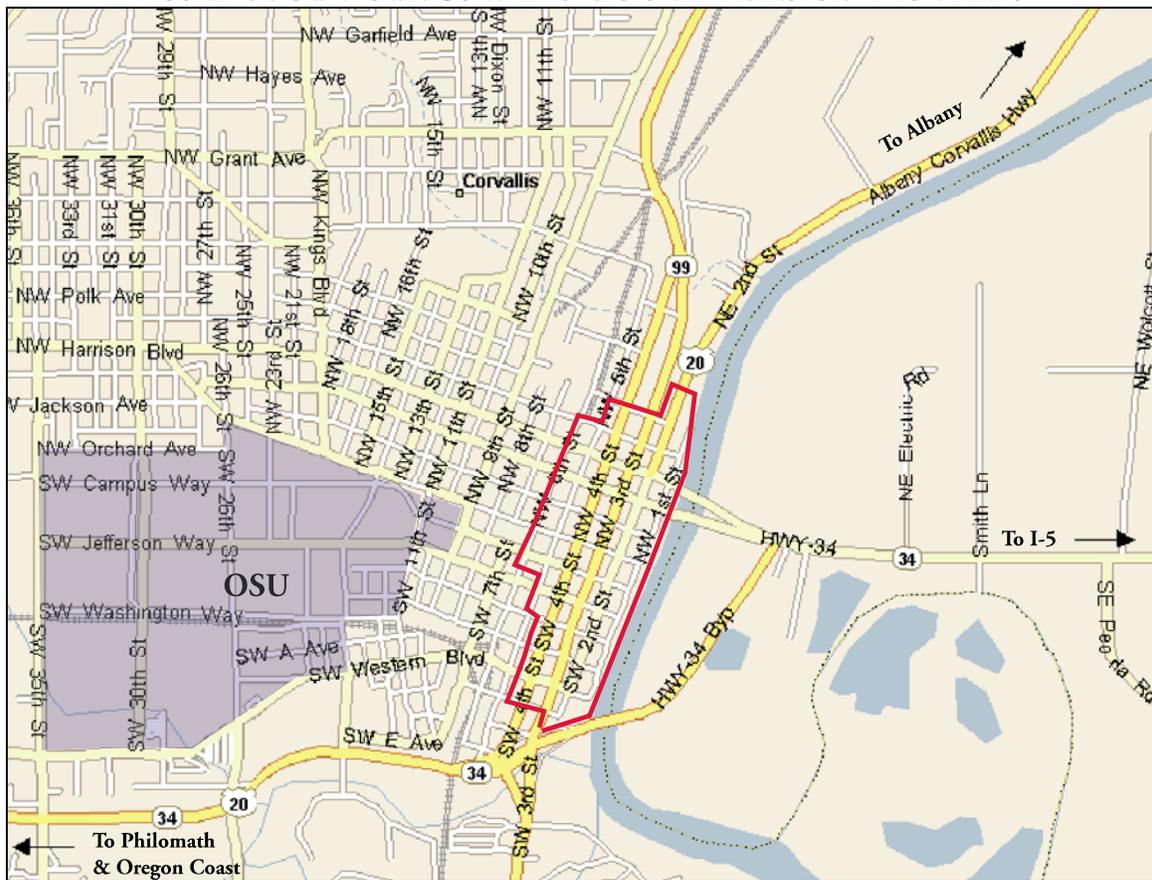
The following sub-section summarizes Downtown Corvallis's current land inventory, physical improvements, tenant mix, infrastructure, activity concentrations, and regional competition. It is broken into four parts: existing conditions, development opportunities and development constraints.

Existing Conditions

Downtown Corvallis abuts the Willamette River and comprises roughly 50 city blocks. As compared to city centers in neighboring communities such as Albany and Salem, the Downtown area boasts a greater vitality and character with a diverse mix of well established merchants, historic buildings and office and civic spaces. Local residents describe Downtown as safe and clean, and comment it has been going through a revival in recent years. The newly completed Riverfront Park, and planned Renaissance Condominiums are expected to spark future development in the area.

With the convergence of Highway 20, Highway 34 and Highway 99, Downtown Corvallis is the hub for the City's regional transportation. Interstate 5--Oregon's major north/south corridor—is located 10 miles to the east along Highway 34. All of Corvallis' eight local bus routes run through Downtown with hourly service Monday through Saturday. The regional Linn-Benton route also serves the area.

FIGURE 2: DOWNTOWN CORVALLIS REGIONAL TRANSPORTATION LINKS



Source: Johnson Gardner, LLC



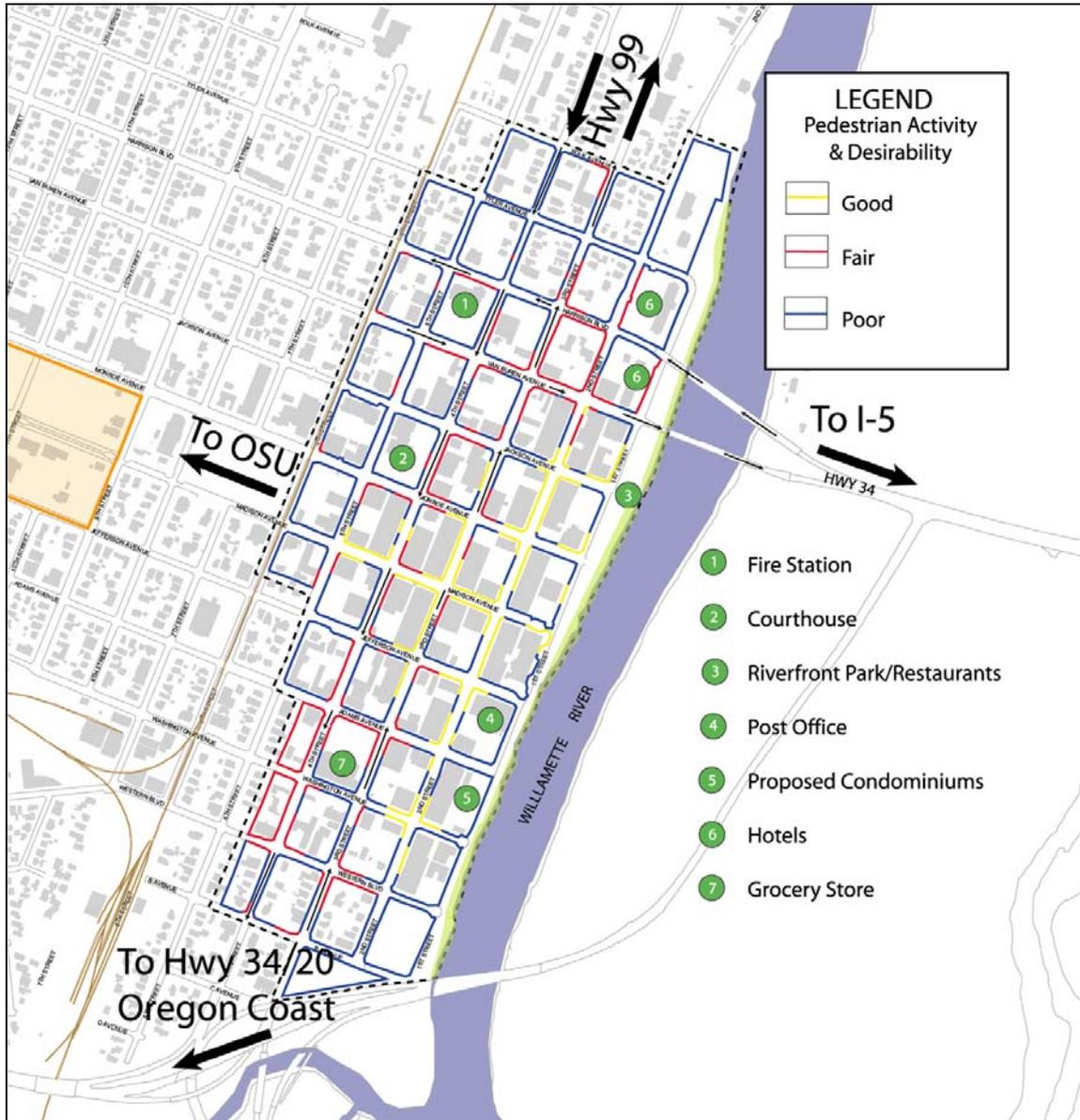
Site improvements Downtown include a number of historically significant landmarks including the Benton County Courthouse, Whiteside Theater, and the Burnett Building. As shown on the map on the next page, the densest development with pedestrian activity and desirability is concentrated along 2nd Street and Madison Avenue. Improvements on the western side of the market area have less pedestrian appeal. They were predominantly built in the 60's and 70's and reflect architectural tastes of the period with a strip mall feel and limited vertical mixed-use construction. The edges of the Downtown area also include a mix and single family homes converted to retail and office uses. Recent renovation has greatly improved the desirability of some buildings on 1st and 2nd Street but we see a need overall for increased reinvestment in many buildings.

The Downtown area has an overall consistency in its scale, although density varies considerably as noted above. Traffic congestion and auto oriented construction north of Highway 34 and west of Highway 99 has led the walk-able portion of Downtown to be boxed in on the southwest side closer to the river. Currently lower density construction along the Highways creates a sense of separation between the Downtown area and Oregon State University, just a few blocks to the West.

The Downtown market area is largely built out, but has numerous parcels with low density and/or low value improvements that would be viable for redevelopment. The redevelopment potential for some of these parcels is discussed later in this section in the context of Downtown development opportunities.



FIGURE 3: DOWNTOWN CORVALLIS MARKET AREA DEVELOPMENT & ACTIVITY



Source: Johnson Gardner, LLC & City of Corvallis G.I.S. data

Existing Downtown improvements can largely be grouped into five development types: office space, retail space, housing, civic uses and parking. A brief description of each development type follows below.

- *Office Space:* Office space Downtown is a hodge-podge of seasoned office strips, 2nd floor space above ground-floor retail single family homes converted to small offices and a handful of newly constructed or renovated buildings. Notable office projects include the Century Bank, Umpqua Bank and the newest major complex at Harrison & 5th across from the fire station. Tenants are predominately professional service firms. City office space and a portion of County office space



are also located in the area.¹ Medical office space is noticeably absent from the mix. The bulk of office space is located outside of the retail core in areas with more secured parking.

- *Retail Space:* Specialty retail is concentrated on 2nd Street, south of Highway 34, and along Madison Avenue. Retailers there include a mix of coffee shops and lunch spots, bicycle, clothing, book and furniture stores and others. In recent years, 1st Street has emerged as restaurant row with a concentration of eateries and bars including the Fox and Firkin', Io Vino's, Great Harvest and Big River. The two hotels in the area are located at the edge of this strip, right next to the Highway. 3rd and 4th Streets, which double as Highway 99, have more convenience oriented retailers with fast food, auto body shops, and the like.
- *Housing:* Housing Downtown is limited to a few seasoned hotels converted to affordable units, aged 2nd story apartments above ground-floor retail, and single-family homes interspersed with homes converted to office space on the north and south edges of the market area. There is currently no housing targeting middle and upper income households, although this will soon change. The Renaissance condominiums planned on 1st Street will bring some needed diversity to the Downtown housing mix, providing upscale urban housing.
- *Civic Uses:* Notable civic buildings in the Downtown area include the City Hall, library, fire station, police station, Benton County Courthouse, and post office. For the most part these buildings are located on the fringe of the Downtown core in areas with less pedestrian activity. The latest civic addition Downtown is Riverfront Park, which added considerably to the desirability of 1st Street and is now the location for a number of festivals and events.
- *Parking:* The Downtown market area has a total of 4,555 parking spaces of which one-third are on-street parking and two-thirds are off-street parking.² Roughly 55 percent are accessory and are restricted to customers/visitors/tenants of specific uses. The rest consist of public short-term and long-term spaces. Free parking is available in a central designated area shown in the map below.

An additional note about parking is warranted, as views are mixed on the adequacy of the downtown parking supply. A parking study commissioned by the city in 2001 determined existing parking supply was sufficient, but needed to be better managed. The city continues to work with the community and retailers to address parking concerns.

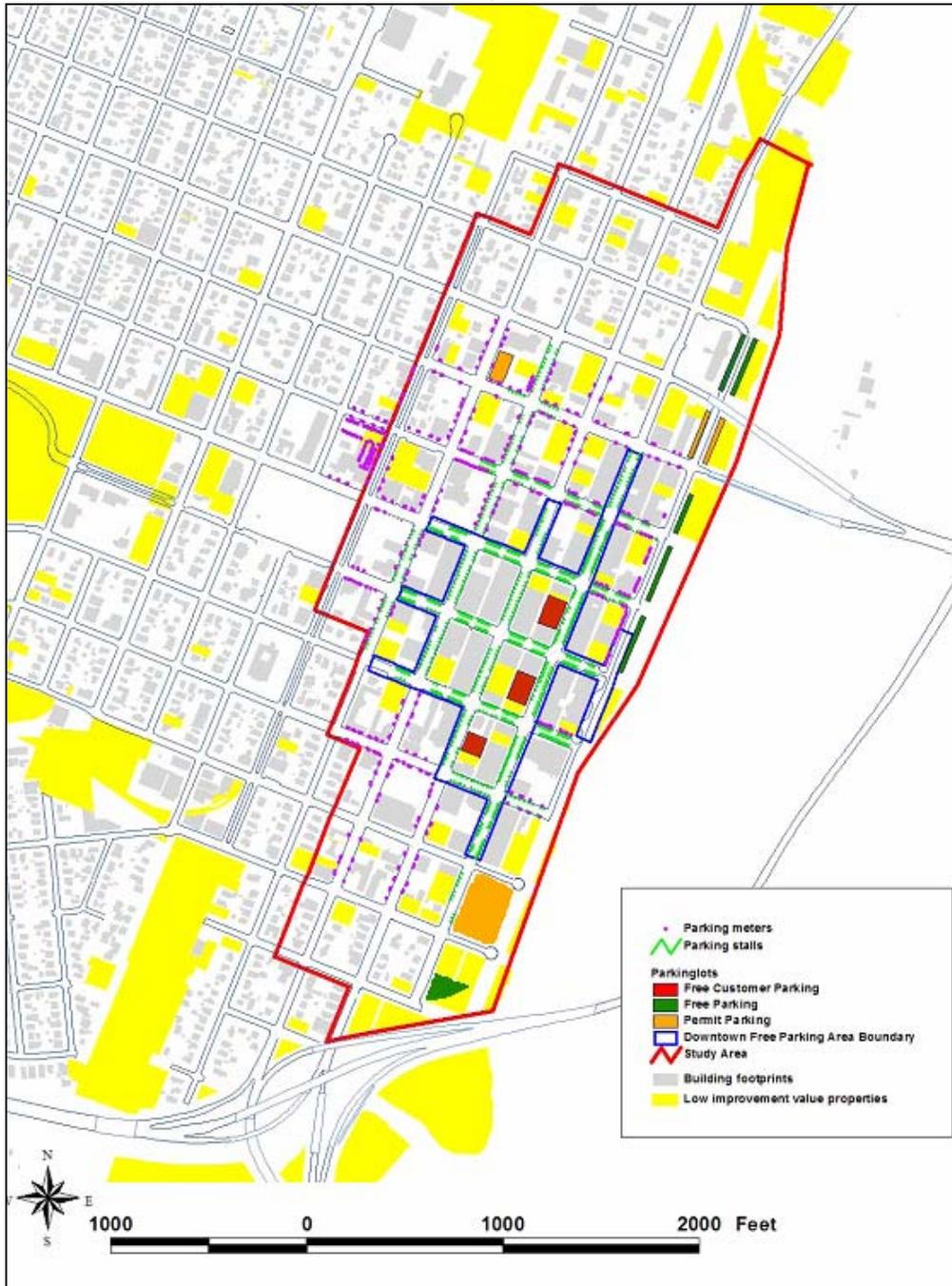
A March 2005 article from the *Gazette Times* summarizes the parking issue well commenting that a perception problem is central to the debate. Residents are more willing to hunt for a space in a large shopping center parking lot, even when they actually have to wait longer for a space and walk farther through the lot, than they are to circle a block or two and walk along a tree-lined sidewalk a short distance. It's the relative guarantee of parking in a designated area that is the lure. With this in mind, conflicting parking views are likely to remain downtown, regardless of whether additional parking space is actually needed.

¹ Based on a City/County Master Plan prepared by SERA Architects in 2003, the City and County will require an additional 60,000 square feet of office space by 2022.

² *Corvallis Downtown Parking Study*, 2001. Kittelson & Associates, Inc.



FIGURE 4: DOWNTOWN CORVALLIS PARKING, & LOW IMPROVEMENT VALUE PROPERTIES



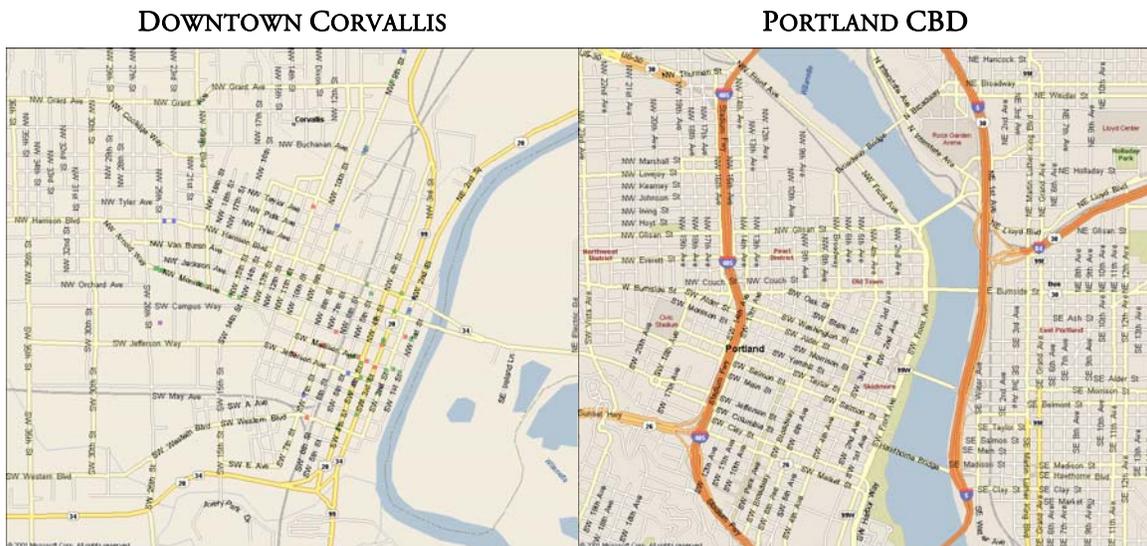
Source: ECONW Corvallis Housing Study

Development Constraints

Corvallis Downtown development, while diverse in many respects, lacks a number of major product types that would be beneficial to its existing mix. The consulting team identified several factors that have constrained growth of certain kinds of retailers and/or discouraged visitors from frequenting the Downtown area more regularly.



- *Dilution of Activity:* Spread across over 50 blocks, the Downtown area is quite big for a city of Corvallis' size. The maps below are in the same scale, and show the scale of Downtown Corvallis relative to the Portland CBD. The physical breadth of the area limits cross-shopping opportunities and deters pedestrian use. More specifically, it has encouraged development of a patchwork of surface parking lots, which breaks up street level activity. To some extent pockets of parking help nearby businesses, but they also exacerbates parking perception problems by forcing visitors to drive between Downtown destinations. New development efforts should concentrate on ways to strengthen corridors with existing activity through in-fill and improved walk-ability. A proposed parking garage would help achieve this end.



- *Parking:* Whether it's a perception issue as studies indicate or a real problem as some businesses claim, parking concerns have to be addressed if Downtown wants to compete more aggressively with non-urban retail centers. A solution to deal with peak usage periods, such as home football games at OSU, needs to be reached. Higher density development and a parking garage would help alleviate some parking concerns as noted above.
- *Limited Visitor Spending:* Corvallis attracts less visitor spending than neighboring communities such as Albany and Eugene, given its location off the I-5 Corridor and current retailer mix. Local festivals and other events have proven successful in generating out of town business and should be a priority for both the Downtown Corvallis Association and the City.
- *Traffic:* Highways bisecting Downtown provide exposure for local businesses, but also deter pedestrian activity north of Van Buren Avenue and west of 3rd Street. The Highway 34 Bypass helps alleviate this problem somewhat, but traffic from Highway 99 and Highway 20 can still be heavy during peak periods. Recognizing this constraint, development on these streets is more convenience oriented and less pedestrian friendly. The railroad tracks along 6th Street also pose a barrier in integrating downtown with neighborhoods to the west.
- *Poor Link to University:* OSU is within walking distance of Downtown, but student business at most Downtown retailers has declined over the past decade. As discussed in Section IV of this report, there are several ways that Downtown could improve links with college and generate additional student business.



- *Physical improvements:* The large size of many retail spaces has reportedly been a deterrent to some smaller retailers. Many Downtown buildings also suffer from deferred maintenance and are in need of street frontage improvements. Landowners have shown reluctance to reinvest in the area, but this appears to be changing. The Renaissance condominium development has the potential to be a catalyst for Downtown redevelopment efforts in the South part of town.
- *Competition:* Big box retailers and regional malls attract residents with their concentration of stores and wider selection. Downtown businesses do not provide the same critical mass and easy cross shopping ability. Additional growth downtown and infill to create more consistent street frontage would both improve the image of downtown on these accounts.
- *Retail/Office Mix:* Apparel, especially for women and college students is a niche underserved by current retailers. Neighborhood retail is also limited, but unlikely to have adequate support without additional residential improvements in the area. Medical office space, mostly concentrated near the hospital, doesn't have a real presence, but would make a good addition. Relocating county offices to downtown would also be a boon to the area.
- *Limited Residential Development:* Limited residential development, both in terms of quantity and diversity curtails overall business growth. Existing affordable rental units are run-down and do not attract a wide mix of residents to the area.

Development Opportunities

The following strategies would generate additional business downtown and address many of the obstacles discussed above. Public/private collaboration and commitment to revitalization would be crucial in carrying out these initiatives.

- *Housing/Residential Services:* The planned Renaissance Condominiums on 1st Street will be the first project of its kind in Corvallis. The buzz created by this development indicates demand depth for additional housing of this type in the market. A greater volume and diversity of housing would greatly benefit commercial businesses located nearby. Housing growth would fuel demand for complementary services currently under-represented downtown. These include uses such as an additional grocer, community center and medical office space. Services of this nature are predominantly located in the north part of town, closer to the bulk of new residential development.
- *Niche hotel:* A higher-end lodging option located along 2nd Street would be in a position to do well, especially with a fine dining component. Both existing Downtown hotels—the Econolodge and the Super 8—are located near the highway and away from existing pedestrian activity. The new Hilton recently built near the OSU stadium may limit the upside for such a development in the near future, but we see it having great potential within a couple of years.
- *Restaurants:* Ethnic foods such as Greek and mid-priced Italian aren't represented in the current restaurant mix in the area. The riverfront would be an ideal location for more restaurants, maximizing use of river frontage and adding to the "restaurant row" concentration developing there.
- *Student Apparel:* Existing clothing retailers have not attracted a sizeable share of the student market. Given the turnover of the student population, a well-recognized branded retailer might do better in achieving steady business from this group. Chains like the Gap or Old Navy would



both appeal to students and may look more favorably on a Corvallis location than they have in the past, given the City's changing demographics.

- *Parking:* Long-term plans for a garage may make sense, especially if the City is committed to increasing density in the area. In the interim, expanding public parking areas and introducing permit parking for employees would address some parking concerns. Solutions to address peak surge issues should also be discussed.
- *Reinvestment:* Addressing deferred maintenance issues, improving store frontage and signage, and subdividing some spaces for additional tenant flexibility would all add to the desirability of downtown as a shopping destination. Reduced SDCs and streamlined regulations would both be beneficial to facilitate this process.
- *University/Downtown Link:* Strengthening the physical link between OSU and Downtown would help increase student interest in and accessibility to the Downtown area. Considerable work has been done in the City to develop the Madison Avenue Corridor, which provides a logical link. An additional corridor along Jefferson also provides a convenient link. While the physical linkage is important, the attractiveness of the destination is probably more critical in attracting student business downtown. Additional strategies to capture more student business are discussed in Section IV of this report.
- *Events:* Increasing the marketing and frequency of downtown events such as music festivals, farmer's markets and art shows would generate a steady stream of downtown business and attract visitors from neighboring communities.

Based on our physical inspection of the Downtown market area and GIS analysis of sites with low improvement values, we identified several parcels with immediate redevelopment potential. These areas are shaded in yellow in the Figure 3 parking map.

In accordance with objectives to increase density and achieve consistent street level activity, we advocate concentrating specifically on the sites along 1st and 2nd Street and Madison Avenue. Sites close to the river would be particularly attractive for residential growth and additional restaurants, while 2nd and Madison would be appropriate areas to increase retail density. We recognize that the myriad of issues related to redevelopment may limit actual development of these parcels, but would encourage efforts to reinvest there.

B. BUSINESS & PROPERTY MANAGER INTERVIEWS

In addition to the physical assessment of downtown conditions summarized above, the consulting team conducted two rounds of interviews with business and property owners in March of 2005. In the first round of interviews, MIG spoke in person with 13 downtown retailers and businesses to assess recent business trends, understand the existing downtown customer base, and identify Downtown needs and opportunities. JOHNSON GARDNER conducted a second set of interviews by phone with ten Downtown property owners and real estate professionals. These interviews concentrated more specifically on real estate issues such as vacancy and lease rate trends, parking perceptions, and the competitive strengths and weaknesses of locating downtown. Summaries for each of these interview rounds follow below.

Interviews with Local Retailers & Businesses

Retailers that we spoke with commented that business is looking up after several years of flat sales. They were generally happy with the downtown business environment in terms of its cleanliness,



safety, and overall sense of community. Areas that they consistently identified in need of improvement included parking, dilapidated store fronts, and the tenant mix downtown. Some retailers felt business would be better with longer and more consistent business hours across all stores. Others wanted to see more DCA initiatives and City involvement to spearhead downtown marketing and new development. In regard to the university, retailers agreed it played a big role in their business, but reported student contributions were not as important as those from faculty and parents. The addition of a national retailer to attract students and other residents was supported by a number of retailers and vehemently opposed by others.

Responses to our interview questions are grouped thematically below. In compliance with business wishes, answers were kept anonymous. In some cases, similar replies were combined so as to avoid redundancy.

1) Customer Base

- Juniors in college and older; Upper-middle income (like Corvallis). 60% local (+ Lebanon; Albany; Eugene).
- Women 25-55 are the bulk. Upper-middle to upper income. 75-80% local.
- Everyone. Core shop: kids/students. Other categories: early 20s to over mid-40s.
- Middle-upper income professionals. Support staff @ OSU. HP employees. General working people. Approximately half of our regular customers have been customers since store opened.
- Have had difficulty defining base ... Customers tend to be educated.
- Downtown workers during the week; repeat business. Pretty much across the board. Weekends = families.
- Downtown business & employees. Some tourists. Main income is lunchtime.
- Local women over 35 and some big customers from Portland. A few occasional out of state customers; broad income range; not real low income. Not so high end. Very middle class.
- All over. Young people; young families; old people; college students.
- 80% community (lots of grad students and faculty).
- 30-80 yrs. Income: \$40K +. Both local and out of town; lots from coast, Albany, Lebanon.
- Professional females, females married to professionals, 30-70 years. \$40-100K. College + educated. All local.
- Townsfolk with more money and income; we're the only game in town.

2) Business Quality

- Spotty. A couple of decent men's stores, but stuffy; nothing for young people. ... Missing women's shoes and apparel (sort of).
- Consumer is finally beginning to feel that the quality is getting better; history is poor selection & high price
- A little weak, BUT for a downtown it's fantastic. .. Need 7 more good businesses. Too much space getting taken up by volunteer-staffed thrift stores. Some professionals taking over retail space.
- Pretty high. It's "so close."
- I like the independent business part of things. Need places to buy clothes.
- Sometimes hear that "people aren't friendly," but it's tough in Corvallis because of the cost of help. Minimum wage is high.
- What's here is good -- some things are lacking. No stuff for a 13-year-old kid. No basic goods like underwear & socks. No good restaurants.
- Pretty good; we can always use more; always need new energy. Always hear "hip clothing store, ala Banana Republic, GAP, Old Navy. My latest thing is a hotel--take an old hotel and redo as McMenamins-type.



- What we have is good. We need more selection. Hate to bring big stores in but even a GAP or Old Navy might work here. Small stores can't do the inexpensive stuff. Worry though, that it might open a can of worms. Don't want to lose character of independent stores.
- Better than it used to be. Still just reaching an upper clientele.

3) Advertising

- Newspaper (best) and Radio. ... Corvallis is a frustrating place to advertise because a lot of people don't take the newspaper.
- Newspaper, cable TV, trade magazines, direct mail. E-mail is working very well.
- Newspapers: Barometer; Gazette Times. Yellow Pages; Sporting Events, etc.
- Word of mouth; occasional coupons; some student welcome stuff.
- Mailing list is best. Public Radio is good, especially OPB and KLCC.
- Don't advertise much

4) Marketing

- A few different organizations & many downtown businesses belong to 2-3 of them: chamber is benign; DCA does a good job, Joan is always seeking opportunities; also CIBA
- Collectively, it stinks. (Crazy Days works; Rhapsody in the Vineyard works, 9-hour sale works.) We don't market real well outside the community, which is a mistake. We have large concentration of goldsmiths, but don't promote that. We have a functional downtown, and that's unusual. ... Need to be doing more out of town promotions, like those done by Newport (in the Corvallis newspaper.)
- Newspaper "sucks on a good day." Frequent errors. ... We have a lot of divergent ideas about what marketing is in this town. People are afraid of the Internet and rely on a bad newspaper. It's hard to cross-promote with people who are living in the Stone Age. Very archaic attitudes about marketing.
- "I like mine to be word of mouth." T-shirts are most effective. Team sponsorships. CIBA is doing collective ads. (I support the DCA, but it's a bit political.)
- Needs to be blend of individual and collective. Collective could be a little better.
- As things pick up, it will snowball. OK now; could be better. DCA is most progressive for doing stuff downtown. CIBA is good too (though with an axe to grind). Chamber is more national chains and business card passing. Local paper is very passive.
- Pretty good; I have a little different take on flair. DCA tends to seek chains; I disagree with that. Don't really plug into Chamber and downtown marketing. It's better not to have Home Depots and Costcos. ... Christmas lights could be more thorough; music; we should be going crazy down here. ...
- We have DCA; they are wonderful. Must be doing something right or they'd be out on their ear.
- It's effective. Halloween thing really worked; unbelievable foot traffic.
- I wish there was more of it. DCA does a good job with wine walks. We need more. Would love to have marketing going to Salem and Eugene. Only thing that has worked has been events.
- It's a bit haphazard
- DCA promotions don't impact us much. We do belong, however. Wine walks don't help us; helps retail, but costs us. ... CIBA has asked us, but we don't see the advantage.

5) Parking

- Perception problem. Issue is non-retail employees.
- Studies say no problem; people say it is a problem. Customers perceive parking as difficult.
- There are many parking complaints. Many think a structure is necessary; but we're skeptical. Parking difficulty is a sign of health



- Needs big improvement. Studies say this isn't true, but customers perceive it as a barrier. Only one solution: a parking structure.
- Problematic. Mercenary enforcement. Needs more long-term meters. Bike-friendly city. Avalon Theater promotes non-driving access.
- Tough sometimes. Need a parking structure by Citizen's Bank.
- Major headache. #1 problem. .. Not just customers, but employees. Parking is geared toward 8-5 workers. Employees have a hard time finding meters. Have to walk in the dark after hours. ... There are plenty of business & employee offenders of parking rules. Riverfront Project failed to address those who were parking down there. ... A parking structure is the only long-term solution.
- City could fix parking with a structure. ... Parking not really a problem.
- Fair. Nice to have more, but it currently works.
- Difficult; people don't really complain except chronic people walk to us because of reputation; we're a destination.
- Very good. Rare when I can't find a spot within a block.
- Mostly ok, but bad @ lunch. Worried about the future; a real problem is brewing.
- Not that much of a parking problem. Still customers complain. Enforcement problem; there is abuse.

6) *Traffic*

- Not bad; would love to see a by-pass; especially if it allowed angle parking downtown.
- We live off traffic. By-pass has helped reduce truck traffic.
- No complaints. ODOT circulating five plans for a bypass; this is neither urgent, nor a crisis.
- Usually not an issue. Although, a rush hour has developed and after games traffic is an issue.
- Rush hour is awful.
- Better since by-pass. Rush hour exists.
- Worst is lunch hours, especially parking. The circling is crazy. Football game days & the shuttle are awful.
- Never really liked the 3rd/4th couplet and avoid those streets as business locations. Other streets are fine.
- Post office creates a lot of traffic. --- Regional Museum will open in Old Copeland Lumber location. (\$1 million property; \$3 million investment)
- No problem
- Not bad, compared to anywhere else.
- Worse than it used to be, but not so much downtown.

7) *Cleanliness*

- Streets okay; alleys a problem.
- Generally good.
- Not too bad. There's some graffiti, but it's better than in Salem. Alleys have become overburdened with trash and recycling containers. Makes commercial vehicles hard to pass.
- Pretty good. Graffiti wall being removed could create a problem.
- Excellent. It's clean.

8) *Crime*

- Not too bad; mostly the graffiti.
- A bit of a difficulty. Not big city crime, but nuisance crimes and vandalism. ... DCA is working to refocus City policy.
- Pretty low; most crime is car crime and very few of those; Even graffiti and vandalism is pretty limited



- Thursday (& Friday) nights -- enough drunks to produce a regular vandalism. Minor shoplifting.
- Got jumped twice in Lebanon (OR). No problems in Corvallis. Police are VERY quick to respond.
- Pretty good overall. More car break-ins. Not so much burglary; but vandalism. Police are very responsive and well trained.
- Very little. Shoplifting. Vandalism. Graffiti. Harassment.
- It comes in waves for us. It's increasing in the city. Businesses watch: car break-ins everyday. We've taken some steps to prevent shop lifting; they seem to work.
- We haven't had too much trouble; had some experiences and learned from them. People don't complain if not feeling safe.

9) Hours

- If we ALL would stay open more it would help. Surprised at people not being open Mondays. Wish there was an "everybody open 'til late night."
- Consistent enough; getting more consistent.
- Not good in general.
- Need to become more mall-like. Need to make a commitment and do it (coordinated hours).
- Few decent restaurants after 10pm.
- Most stores wrap-up by 5-6. Could use later restaurants.
- Good. More should be open earlier. Would like longer, but it hasn't worked. ... Saturday Farmers' Market is good for downtown.
- DCA is trying hard for 3rd Thursday. This will work for us. No problem.
- Not much open late at night. Thursday nights there are mostly drunk college students downtown.

10) Student Role

- Right now: vandalism. Could be part of customer mix. DCA efforts have been good.
- Limited categories: some clothes, entertainment, electronics
- "Students are real important for me"
- Forget OSU students. They keep bars hopping and bring parents down, but OSU is now dominating parents' time during parents' weekends.
- Generally itinerant. Tune into what they know from elsewhere and TV (I.e. national chains).
- You see it on certain nights, but not downtown that much. More Fred Meyer, King's Blvd., etc.
- Almost unaware of downtown. Students mostly come downtown for food and bars.
- Downtown needs to make itself a place that students want to come.
- A strong % (10, 15, 20). Thursday night drinking night; some vandalism. Important to downtown. Get Thursday trade, but don't encourage. We could take advantage of students better on other days.
- They could be exploited more. A lot of students are walkers. Monroe Street is lifeline for fun. Need to figure out how to get students down here. DCA does good job of early in year ads. If I had to depend on students, I'd be out of business. Parents' weekends are our biggest days.
- They're not a big factor. Our best time was around the holidays when they were gone. ... Probably more than I give them credit for.
- Been a tough one. More grad students. They hardly know downtown is here.
- Don't wander much off Monroe Street. They want cheap and fast, that's not what we do.

11) University Role

- Looking for donations in every pocket they can find. Good customers from admin; even athletics.



- OSU is the major player. Brings the most people: students, games, conferences, and faculty. We need to be sensitive to what they say they need.
- University is important for the town's economy.
- Staff & faculty ARE a customer base.
- Provides huge influx of people. ... Game days are hell.
- University is VERY healthy for downtown. Good customers.
- We get a lot of people who work on campus; classified help, professors, etc. Not a lot of talking between OSU and downtown.
- Ivory Tower split. Ideally they'd interact. You can't ask to become involved too much. Dialogue needs to be open.
- I get a lot of business from people who work for the University. Sports weekends--before the football team was good, these weren't a factor. Now we get these incredible weekends. ... Not really aware of "powers that be" communications.
- University is very important. Overall financial base for community. Corvallis wouldn't be the place it is without OSU.
- Good. We get faculty in. University adds "diversity". Broader cultural mix.
- I wish they were more interested. A lot of our customers are faculty.
- That's part of what makes this a high income town--good employer; professors.

12) *Downtown Opportunities*

- Old Navy (but realistic?); tough with this population mix; seeking young/student crowd; would bring credibility to downtown. (Detailed critique of Nordstrom.)
- Brand name businesses. Won't get Nordstrom. Perhaps Old Navy, Chico's. McMenamins in Whiteside. Corvallis has desire for home-grown business; but we shouldn't penalize chains for being successful.
- Good clothing --- mid priced clothing resource (i.e. GAP), small department store (3 have opened in last 30 years; always failed)
- Corvallis has a current political conflict ... We should accept the chains and promote the unique. We need more entrepreneurs who can enhance us as an "entrepreneurial theme park." Don't chase franchises and big boxes. Recruit entrepreneurs. ... Olive Garden or Trader Joes would be good. Avoid big franchises that sell cheap. ... A younger women's clothing store. Not just college: high school -35 years old. Nationals have been courted and declined. ... Loss of Emporium and Gottschalk's in favor of Ross Dress for Less is a real loss. ... In terms of restaurants. Burton's will leave a hole when they leave.
- Need good women's clothes. GAP would do well. Women's clothing is what people complain about. ... Ethnic restaurants always do well if well done. Specific bookstores (I.e. travel, global issues, etc.) ... Anything environmentally oriented. Anything organic, Bicycles. Venue for performing arts would be nice.
- Whiteside Theater, 1st and 2nd Streets are good. People say we need clothes.
- We need one larger/younger store downtown, like: GAP, Abercrombie, and Old Navy. ... Green Market would be good. ... Looks like we're going to get one. Saturday Farmers' Market is a must. Food vendors. ... Upper Scale restaurant or even Olive Garden. ... Housing. (The Mater project will make it, but we need more middle-income condos.) .. Skate park, Shuttle bus & Parking.
- Clothing (accessible price/style for high school & college). Shoes; restaurants; offices; services.
- Hotel; hip women's clothing store; restaurants taking care of themselves
- Rogue Wave Software had 2-300 employees downtown. They were choked for space and ended up leaving. ... Corvallis is tough. I don't know the answer. .. As a property owner, I keep the rents down.
- Bakeries are good. Food things. Light shopping.



- Restaurants of all types are good: Jambo Juice; Olive Garden. Sporting goods (Peak is high-end, but shoes & kids needs). Housewares: we have the gifty end, but basic: Pier 1 needed. More clothing.
- Really good sit-down restaurant. Ethnic restaurant. A real gap exists in regular clothing like a Dept. Store type of thing.

13) *Miscellaneous Comments*

- City should give DCA money to manage parking (similar to Albany). A 2-year request, then revisit.
- This study can put downtown on the front burner for the City. "This little downtown can be the center of retail activity in this town." Business here can be good. Those for whom it isn't are catering to the past or in business for other reasons.
- How do we make retail business successful enough to allow them to pay a living wage?
- In Corvallis, downtown is the place to be. Not in Albany. Nor in Salem if not a franchise. ... "Trend in Salem is better. Albany is a mess." Need to get a balance of people out more downtown at night.
- Finding a new generation of business owners will be tough.
- Renaissance on the Riverfront and Mater condos are good. ... Residential is key. Need a variety of pricing -- Middle as well as low & high.
- Development downtown is tough. It was hard to do my project; stringent planning process; they throw down a lot of obstacles; we could use a liaison to help; SDCs have quadrupled, which I support, but downtown you're not adding stress to the system. ... A lot of talk about luring big players, but what is really happening is quite grass roots. Corvallis is better off for not going middle of the road and generic.
- City Council needs to change rules related to bikes on sidewalks. Extend the no bike zone.
- Opening a business was easy. City: not that bad. DCA: extremely helpful. As a town: anti-business. Downtown is better. ... First Street stuff is great. Farmer's Market really jumps on Saturdays. People wander as weather gets better. New condo building will be even better. Downtown is nicest it's been in 20 years. ... DCA does more good things than I expected.
- Need to keep the character of downtown and find space for affordable businesses. Shouldn't give out to chain stores. Keep rents manageable.
- Don't think downtown can change a whole lot, but hope current up trend will continue.

Interviews with Local Real Estate Professionals & Property Owners

Local property owners and brokers share the optimism of local retailers about Downtown trends, but are somewhat more guarded in their enthusiasm. They generally feel that Downtown needs more investment, greater City support and more active efforts from the DCA or a similar such organization to guide these efforts. They see diverse housing and related services as necessary for long-term growth and also would like to see more diverse retail and new office space. In terms of obstacles to development, they are divided as far as their views on the role of big box retail Downtown and about what should be done to address parking concerns. As a whole, they differed from retailers we spoke with in terms of their perceptions of the college market and felt that much more could be done to boost university related sales and generate student interest.

Qualitative information gathered from these interviews is grouped thematically below. A discussion of quantitative data collected in these interviews is used in the market analysis section later in this report. As with the business interviews above, comments have been kept anonymous and in some cases, similar replies were combined so as to avoid redundancy.



1) *Downtown Office/Retail Market Conditions*

- 1 year ago everything seemed flat. The last 3 months there has been more interest in space. Turnover is looking good
- I've never had trouble filling my space--only one was on the market for 6 months.
- I charge below market rents to attract tenants and I think will be a valuable addition to the community. Slightly lower rents usually help keep things full.
- Seems like there is a lot of office spaces available right now.
- The office market is steady with steady growth.
- My space is 100% full, but I know there's vacancy out there. It's hard to quantify.
- Retail is a better market than office, especially with the Riverfront Park development and strength of the 2nd Street corridor.

2) *Market Conditions Outside of Downtown*

- Pretty much the same as above.
- Rates and vacancy are actually pretty similar to my knowledge. There's not really a premium for being Downtown. In fact with retail some of the buildings are older and too big for some retailers.
- Rates and occupancy vary less by location and more by the level of building upkeep and amount of secured parking.
- Vacancy might be higher downtown than elsewhere, but it's hard to say. Centers elsewhere list their space and Downtown space isn't tracked in quite the same way.
- Some landlords significantly lower rates to fill spaces, and that makes vacancy estimates misleading Downtown.

3) *Downtown Competitors*

- Big box retail in Albany and the Heritage Mall. Valley River Center in Eugene.
- 9th Street, although it's getting fairly built out. There's been talk of a Home Depot, which would be a good addition over there. Sunset Center also does well.
- Costco is a big draw for a variety of goods.
- Regionally people go to malls in Salem, Albany, and Eugene. Portland to a lesser extent...except the students. A lot of people shop on-line.
- The Internet appears to be popular, especially with college kids.
- In terms of neighborhood retail, people bypass downtown completely. They go to Timberhill, Fred Meyer's, and other centers closer to where they live. Residential growth away from Downtown has hurt service retailers in the area.

4) *Downtown Opportunities*

- More specialty retailers!
- Men's and women's apparel stores, and sporting goods stores.
- The office market has potential with more interest in living downtown.
- Promising areas are women's clothing stores, like Chico's, college kid clothing, i.e. American Eagle or Buckle; a decent office complex; night life, dining w/outdoor tables; Boutique Hotel with dining in core of Downtown
- Increasing housing diversity and attracting middle and higher income residents
- Cultural destinations would draw a lot of people.
- Need money downtown. High-end housing would do well if the right services follow.
- Redevelop strip centers across from City Hall Municipal Court.



- Renovate older run-down buildings. There'd be a big upside that some owners don't realize.
- The Darkside Theater complex will open soon and bring new activity.
- 2nd Street is Retail/Pedestrian friendly and the strongest Downtown artery.
- Compatible/complementing businesses which become overlapping destinations downtown are successful. The Gelato place, the pizza place and French bakery are packed all the time.
- Furniture stores have successfully created a destination niche downtown.
- A good sign is that second hand shops have not overwhelmed downtown however, they do add variety, which we could use more of.
- The Majestic Theater is a wonderful development downtown.
- Ethnic restaurants such as Greek and mid-priced Italian.
- Downtown has a variety of destinations that encourage multi-stop trips. It could use still more activity, but it's getting there.
- Additional Entertainment downtown has potential.
- Public Festivals work and should be planned more regularly.
- We need to play up our strengths: character, long-standing businesses, the fact that we're unique and not some generic chain store.

5) *Downtown Constraints*

- Affordable housing is the most common type of housing downtown with the conversion of 3 hotels to affordable communities
- You don't see City support for big development except park development
- Downtown is losing critical services. It's becoming just a working area.
- Major retailers will never come to Corvallis due to demographics
- The City wants to fill downtown with affordable housing but it doesn't make sense to fill downtown with people who have no money for retail spending.
- High-end furniture stores aren't going to capture students spending. The students have been totally overlooked by current retailers.
- Absolutely nothing has happened with former service stations.
- A lot of second floor spaces are being used for office and single family housing but are questionable at best in terms of quality.
- Neither the City nor businesses are creating incentives to come Downtown.
- Retail/Office space Downtown is not smaller than 20'x100', however smaller spaces are desirable to boutique niche retailers.
- A space like 5th Street Market in Eugene would do well here.
- There's pent up demand for new and diverse retail, but there is nowhere good to put it.
- Needs to target a broader section of people
- Seems there is an unwritten protection clause, "no big box retailers for fear of them taking over" I think a bigger store or two would be a really good thing.
- It would be more beneficial to have some affordable housing in outlying areas with plenty of bus transportation.
- There's no formal office space and very limited medical office space.
- Variety is limited for a lot of items, so people go to a big box or go elsewhere, especially for clothes. With a few more stores, I think the selection could be big enough to get a better draw.
- Short one-way streets to the east/west are annoying and there doesn't seem to be much logic to them.
- Office Max closed the office store Downtown. Another one isn't likely.



- Entertainment is limited.
- County offices are at Avery Park and not Downtown.
- Store operators are older and many have been in business 20+ years. I worry that a younger generation won't step up to keep things going.

6) *Parking*

- The difficulty with office space is PARKING!
- Parking is a large issue however; over-solving the problem has potential to keep shoppers from seeing other retail.
- Parking is a major constraint but in part it's a perception issue. It's not a problem for me personally right now, but it may be if more businesses keep opening. The thing is you need to draw the people spending the money downtown. You can't do that with the parking situation being so poor and parking being so readily available at other shopping centers like 9th & Circle and Sunset Park with free unregulated parking.
- Retail/Office spaces are both affected by need for parking.
- Downtown is not very car friendly
- We need a parking garage.
- Extend the free parking area, especially on the south end.
- The shuttle to games takes parking from Downtown merchants and doesn't generate much new business. There needs to be a better solution. People won't come Downtown at all on game days because they know that they won't be able to park.
- The problem isn't a lack of parking. It's a lack of free parking and secured spaces for individual businesses. The parking is there, but people are lazy and don't want the hassle of possibly driving around the block. That probably won't change even with a new garage or whatever else gets proposed.

7) *Miscellaneous Comments*

- There's more positive momentum Downtown than there has been in years.
- The Renaissance will be a pivotal development, although it's gone through so much red tape that I'm not sure the developer would have chosen to take it on if the hurdles had been more apparent from the start. It broke new ground, but we'll see if other people follow.
- Downtown businesses seem to be treated like a hobby and keeping the competition away saves them from having to work very hard. Competition elsewhere should force them to get their acts together, but so far it hasn't. People are just complaining and looking for subsidies. Downtown needs reinvestment, a vision, maybe even big box retail, but people are resistant to those things.
- Enterprise rent-a-car is one of the most successful businesses due to activity by students renting to shop elsewhere. Retailers here can't compete with malls elsewhere, but they could do a lot more to appeal to students.
- The point of public festivals is to draw people Downtown to spend money there. Fencing them off along the Waterfront defeats the point. Not only that, it takes parking from regular customers.



IV. OSU MARKET SHARE

This memorandum summarizes the research conducted by ECONorthwest for the Downtown Corvallis Association. ECO's task included two distinct components: 1) evaluate the impact that OSU has on commercial demand in Downtown Corvallis and 2) identify opportunities to expand OSU's demand for downtown goods and services based on the evaluation of existing demand. The section below is divided into two parts that follow these components.

A. OSU'S IMPACT ON COMMERCIAL DEMAND IN DOWNTOWN CORVALLIS

OSU is located within walking distance from the Downtown—within 10 blocks—and there is much evidence that students, staff, and others associated with OSU purchase goods and services in the downtown. In this section, we discuss the different ways that the University impacts Downtown Corvallis. We first discuss the most visible group associated with OSU: the students. The 19,000 students rent apartments, they eat in restaurants, and they buy clothes in and near the Downtown. We then discuss other groups associated with OSU that impact commercial demand in the downtown: University staff, parents, and alumni.

Student Demand

In this section, we discuss the commercial demand generated by the student population. We first provide a demographic profile of the students, and then describe the current demand generated by the students.

Demographic profile of OSU students

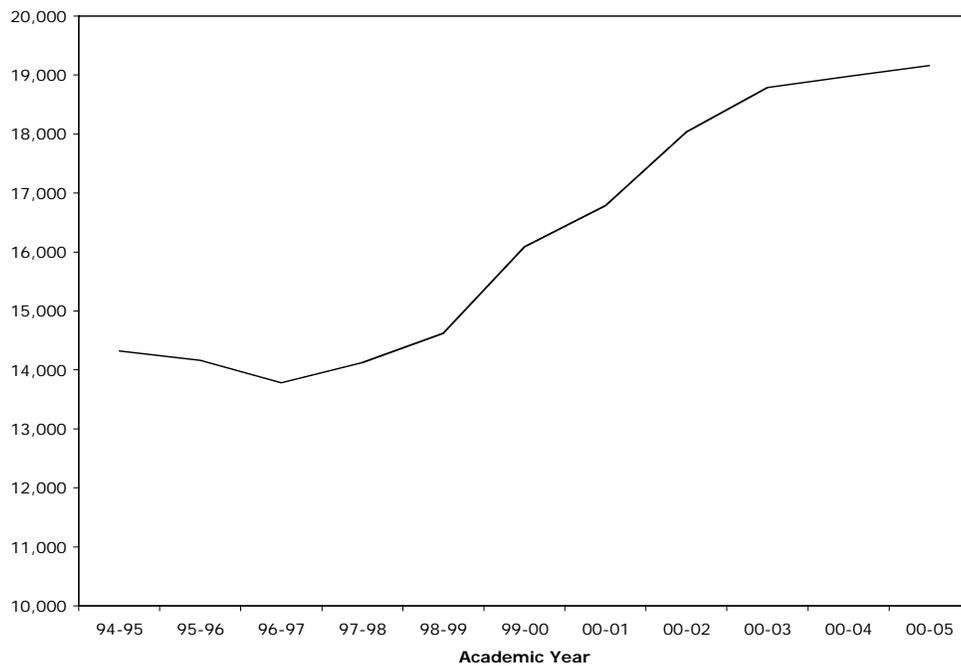
Although the student population changes every year, the general demographic characteristics of students are relatively predictable. In this section, we establish a demographic profile of OSU students by looking at enrollment, the age distribution, the origins of the student body, undergraduate housing choices, and disposable income. These factors all affect demand for downtown goods and services.

Total enrollment for the 2004-05 academic year is almost 19,200 students, including undergraduates and graduates. This was the largest number of student enrolled in OSU history, and the fourth straight year of record-breaking enrollment. Enrollment has increased steadily since the mid 1990's. Figure 1 shows enrollment over the last decade. This trend of increasing enrollment is expected to continue, reaching OSU's enrollment capacity of 20,000 students in the near future, and spurring capacity expansion.³

³ Personal Communication with Jill Shuster, OSU Director of University Marketing, February 9, 2005.



FIGURE 5: OSU TOTAL ENROLLMENT, 1994 - 2005



Source: ECONorthwest based on data from the “Enrollment Summary Fall Term 2004.” Office of Institutional Research. No. 16, November 2004 (<http://oregonstate.edu/admin/aa/ir/enrollmentsum.html>).

Table 1 shows the number of students by gender and enrollment status. The data show that the total student body is almost evenly divided between men and women, with slightly more men. The large majority of the students are full-time, less than 15% are part-time. A large majority of the students are undergraduates (82%); the remainder are enrolled in graduate or professional programs.

The majority of the total student population (63%) is under the age of 21. OSU staff report that students over the age of 21 are more likely to be part-time.⁴ About three-quarters of the undergraduate population live in off-campus housing. On-campus housing includes those students living in residence halls, apartments run or affiliated with the university, and fraternity or sorority housing affiliated with the university.⁵

⁴ Email communication with Jill Shuster, OSU Director of University Marketing. February 9, 2005.

⁵ Oregon State University. Common Data Set 2003-2004. (<http://oregonstate.edu/admin/aa/ir/cds.html>).



FIGURE 6: OSU ENROLLMENT BY GENDER AND STATUS, 2004

	2004	
	Enrollment	Percent
Women	9,082	47.4%
Men	10,080	52.6%
Full-Time	16,436	85.8%
Part-Time	2,726	14.2%
Undergraduate	15,713	82.0%
Graduate	3,000	15.7%
Professional	449	2.3%
Total Enrollment	19,162	100.0%

Source: ECONorthwest based on data from the “Enrollment Summary Fall Term 2004.”
Office of Institutional Research. No. 16, November 2004.
(<http://oregonstate.edu/admin/aa/ir/enrollmentsum.html>).

About 80% of all OSU students come from within Oregon, with Multnomah, Benton, Washington, Clackamas, and Lane counties being particularly well represented. Outside of Oregon, California (625 students), Washington (564 students) and Hawaii (268 students) are the best represented states among the OSU student body. Additionally, about 1,000 students from outside the United States attend OSU.

In sum, OSU’s student population is about 19,200 and is expected to continue growing. Current capacity is about 20,000 students. About three-quarters of OSU students are undergraduates, typically in their late teens and early 20s. The majority of undergraduates live in off campus housing. Most students come from Oregon, with California and Washington being the next best represented states. International students also compose a substantial portion of the undergraduate population.

Existing student demand for goods and services

In this section, we describe current demand for goods and services in the downtown generated by OSU students. Our research is primarily based on two resources:

- **The Daily Barometer’s “Media Usage and Shopping Survey—2000”.** The survey was commissioned by *The Daily Barometer* and conducted by Newton Marketing and Research, a market research firm located in Norman, Oklahoma. The surveyors interviewed a random sample of 300 OSU students, and interviews were conducted on the telephone. Students without telephones were not excluded from the survey. The survey interviewed undergraduate and graduate students and on-campus and off-campus students. The survey, however, does not break spending results out by any of these categories.
- **Interviews conducted with selected Downtown Corvallis merchants.** As part of the Downtown Market Study, staff from MIG Inc. conducted interviews in February 2005 with 13 retailers, identified by the Downtown Corvallis Association.

The Daily Barometer survey is a substantial resource to understand student demand for goods and services. The survey results provide information about what students spend their money on, how much they spend, where they shop, and other data relevant to our analysis. One disadvantage of the survey is that it is five years old. Generally, we don’t think that student spending patterns have fluctuated that much in five years, and the survey remains relevant. We do believe that student spending on music has changed since 2000, and we discuss that factor below.



The survey found that students had about \$267 in disposable income each month.⁶ Disposable income is the money an individual has to spend on non-essential items (i.e., items other than rent, books, tuition, meals). This figure is relatively close to national estimates, which indicate that undergraduates have \$211 per month in disposable income.⁷ If we assume that each OSU student has \$250 in monthly disposable income (a conservative estimate), the 19,200 OSU students have \$4.8 million in buying power for non-essential items each month. Over a nine-month school year, total buying power equals \$43.2 million.

The survey provides information about student spending by location, on dining out, goods purchased, and housing. These are the primary categories of expenditures that affect Downtown Corvallis. We discuss them in that order.

- **Location.** Survey results indicate that over half (57%) of the students had visited stores in Downtown Corvallis in the past 30 days. This figure indicates that most of the students know about goods and services in the downtown, and shop in the downtown stores. Table 2 shows the percent of students that visited shopping areas in the last few days. The data show a large portion of students shop locally, but large portions leave Corvallis to shop. Students travel to Portland, Salem, Albany and Eugene to shop. The Barometer survey also shows that over 80% of the students own or operate an automobile, giving them the mobility to travel out of the Corvallis area.

FIGURE 7: PERCENT OF STUDENTS BUYING GOODS, AVERAGE AMOUNT SPENT PER MONTH, AND MONTHLY BUYING POWER, 2000

	Percent Visited in Last 30 days
King's Blvd (Fred Meyer)	85%
Downtown Corvallis	57%
Monroe St.	57%
Portland Store	41%
Salem Stores	25%
Heritage Mall in Albany	21%
Eugene Stores	21%

Source: Newton Marketing & Research, *The Daily Barometer: Media Usage & Shopping Survey – 2000*.

The relative popularity of “Downtown Corvallis stores” noted in the *Barometer* study is not reflected in the observations of downtown merchants. Most businesses interviewed note students are a small percentage of their business. Of the 13 business owners interviewed, five noted students as a small percentage of their sales, two business owners noted students as 3-5% of their sales, four noted students as 15-20% of their sales. Only two business owners reported that students made up 50% of their sales. It is likely that students *visit* downtown, but do not spend much money there. They may spend more money at stores outside of Corvallis.

⁶ The survey reported \$247 in disposable income. We converted that figure to current dollars.

⁷ Harris Interactive. “College Students Tote \$122 Billion in Spending Power Back to Campus this Year.” (<http://www.harrisinteractive.com/news/allnewsbydate.asp?NewsID=835>).



- **Dining out.** The *Barometer* survey reports that the average student surveyed dines out 3.5 times a week and they spend, on average, about \$22.50 per week dining out.⁸ The most popular venue, by far, was fast food restaurants both on and off campus. Almost half of the surveyed students reported that they eat fast food several times a week. About half of the students eat in a pizza parlor several times a month. About half of the students dine in a family restaurant at least once a month.

MIG Inc. staff interviewed five restaurants in Downtown Corvallis. None of those restaurants reported that students made up much of their total sales. Based on our review of restaurants in the downtown, this is because the sample of restaurants did not include those frequented by students. Other restaurants, not included in the sample, rely heavily on the student population. Based on our observations, restaurants that appear to be popular with students include La Conga and Señor Sam's.

- **Goods.** The *Barometer* survey reported spending by type of good purchased. Table 3 summarizes the total percent of students who purchase goods, the mean amount spent per student per month, and the monthly buying power of 19,200 students, by expense category. The table shows that OSU students spend substantial sums of money on many goods and services available in the downtown. The table shows the two largest items, in terms of buying power, to be groceries and expenditures on cars, which do not really affect the downtown. Over half of the students purchase clothes and spend about \$75, on average, per month. This indicates that OSU students overall spend about \$746,000 each month on clothes. Based on interviews with retailers, we believe most of this money is not spent in Downtown Corvallis. The interviewed clothing retailers indicated that students make up a very small portion of their sales. It is likely that many students spend money on clothing in Portland. A similar story can be told for non-sporting shoes. OSU students spend about \$383,000 each month on shoes, and feel that Portland and other cities have a better selection.

FIGURE 8: PERCENT OF STUDENTS BUYING GOODS, AVERAGE AMOUNT SPENT PER MONTH, AND TOTAL MONTHLY SPENDING, 2000

Expense Category	% Buying	Average Spent per Month (\$2004)	Total Monthly Spending
Groceries	92.7%	95.34	1,679,000
Car maintenance/gasoline	80.7%	68.27	1,047,000
Clothes	52.0%	75.55	746,000
Shoes	31.7%	63.54	383,000
OSU Memorabilia	40.0%	40.38	307,000
Toiletries	79.3%	17.17	259,000
Music tapes/CDs	36.0%	35.83	245,000
Rent/purchase videos	66.7%	15.85	201,000
Sporting goods	17.0%	59.95	194,000
School supplies	44.0%	22.53	188,000
Theater movies	50.3%	17.24	165,000
Hair styling	35.3%	24.30	163,000
Prescriptions and drugs	37.3%	22.19	157,000
Cosmetics/perfume/cologne	21.0%	33.42	133,000
Concert tickets	10.0%	37.98	72,000
Health spas/gym fees	5.0%	24.09	23,000

Source: Newton Marketing & Research, *The Daily Barometer: Media Usage & Shopping Survey – 2000*.

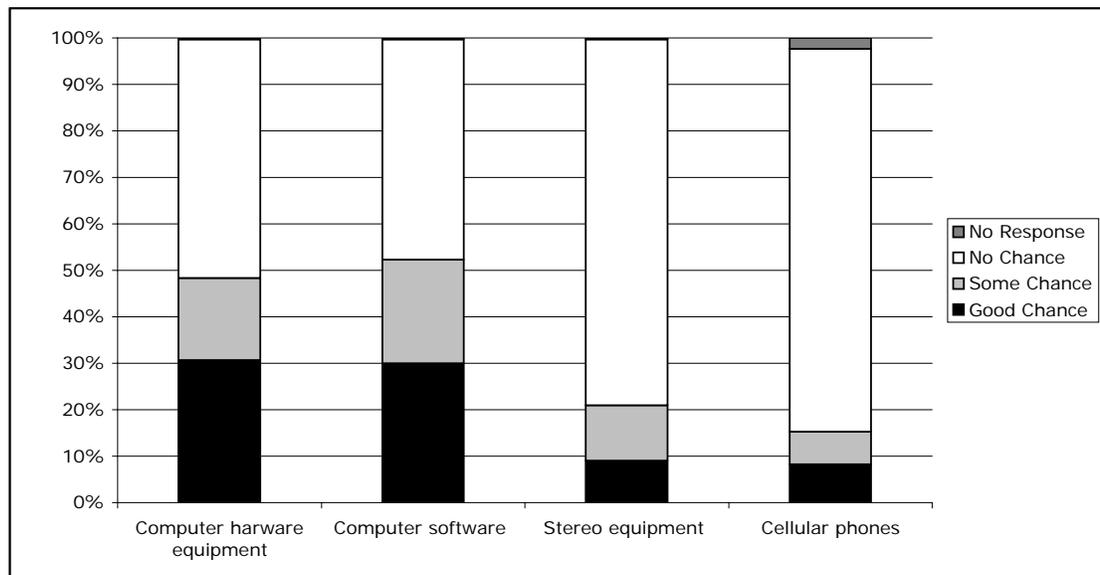
⁸ The survey reported \$20.84 in average expenditures on eating out. We converted that figure to current dollars.



We believe that the figures for music tapes and CD purchases are no longer relevant. The commercial music industry has changed substantially since 2000. In the last five years, it has become the norm to buy and share music online. We have seen many retail music stores go out of business, because of the inability to compete with very inexpensive or free music available over the Internet.

The *Barometer* survey also asked students about expected future purchases of expensive items. Figure 2 summarizes the data. The data show that about one-third of the students believe that there was a good chance that they will buy computer hardware or software in the next six months. This is consistent with national data. According to Harris Interactive, an online marketing research and consulting firm, in 2004, 90% of college students own a computer.⁹ Of the students surveyed by the *Barometer* survey, 21% of students reported some chance or better of purchasing stereo equipment within the next six months. Harris Interactive reports that in 2004, 62% of college students owned a stereo. The market has changed for electronic musical equipment, with the popularity of the iPod and other portable music players. Recent innovations should actually increase demand for this kind of equipment, because it is a relatively new product. The *Barometer* survey indicates that about 15% of the students expected to purchase a cell phone in the following month. We believe that this figure is outdated and does not reflect more recent cellular phone purchasing patterns among students. According to Harris Interactive, 77% of college students owned a cell phone in 2004.

FIGURE 9: SIX MONTH OSU STUDENT SPENDING FORECAST, LARGE ITEMS, 2000



Source: Newton Marketing & Research, *The Daily Barometer: Media Usage & Shopping Survey – 2000*.

- **Housing.** In the demographics section, we noted that about three-quarters of the undergraduate student body lives off-campus. The *Barometer* survey reports comparable figures. The survey reports that 63% of its respondents live in an apartment or rent a house

⁹ Harris Interactive. "College Students Tote \$122 Billion in Spending Power Back to Campus this Year." (<http://www.harrisinteractive.com/news/allnewsbydate.asp?NewsID=835>).



with fellow students. Across all housing types, students spend, on average, \$579 per month on housing expenses.¹⁰ It is likely that this data does not accurately represent what individual students spend. The survey question was “How much is your monthly rent or mortgage?” It is likely that students who share housing answered for the entire house, *not* their individual price.

The *Barometer* survey provides a relatively good idea of how much money students spend and on what items. We believe, however, that it has a key flaw. The survey asked no questions about expenditures on alcohol. Based on research conducted elsewhere, it is evident that college students, of legal drinking age or not, spend a lot of money on alcohol. Bars in the downtown do serve OSU students. One tavern in the downtown noted that 20% of its customers are students. Bars, taverns, and clubs have long been mainstays of college towns, and they are in Corvallis as well.

Non-student demand

OSU is made up of much more than students. It is one of the largest employers in Corvallis, and it pays relatively good wages and benefits. The University also generates demand for downtown services from the parents of students and alumni. In this section, we discuss demand generated by these groups.

We do not have a survey similar to the survey conducted for The Daily Barometer. Therefore, we do not have as precise data describing expenditures of these groups. Our primary resource is the interviews conducted by MIG Inc. of local merchants.

The University employs about 3,250 faculty, and over 2,800 are full-time faculty members. Full-time faculty earns, on average, about \$3,700 per month. In contrast, the median monthly wage in Corvallis is just under \$2,500.¹¹ These figures indicate that OSU faculty earn good wages, relative to other wage earners in Corvallis. This segment of the Corvallis population has good incomes, leading to sizeable buying power of local goods and services.

Interviews with downtown store owners indicated that faculty and staff shop in Downtown Corvallis. Store owners who indicated that students made up almost none of their sales, indicated that staff and faculty are important customers.

Another important segment associated with the University is alumni and parents of students. These two groups visit the University for special weekends, such as Parents Weekend and football games. The University was not able to provide information about incomes of these groups, but it is clear from interviews with downtown store owners that they are important customers. Many owners reported that sales are notably high during Parents Weekend. Women’s clothing stores, in particular, noted that mothers of students are good customers, and that Mom’s Weekend and Parents Weekend have high sales.

B. OPPORTUNITIES TO EXPAND OSU’S DEMAND

Students at OSU have substantial buying power, but our research indicates that they are leaving Corvallis for non-essential items. The Barometer survey shows that students have \$4.8 million in buying power for non-essential items each month. Our research also shows that Downtown Corvallis

¹⁰ The survey reported \$536 in average rent/mortgage. ECO converted that figure to current dollars.

¹¹ OSU wage data from “Employment Report” produced by the OSU Office of Institutional Research (<http://oregonstate.edu/admin/aa/ir/>). Average wage data for Corvallis from the U.S. Department of Labor, Bureau of Labor Statistics (http://www.bls.gov/oes/current/oes_1890.htm).



is not making an effort to earn those dollars. Large portions of students leave Corvallis for shopping, and a number of merchants reported that there were few opportunities for students to shop in the downtown. Because most OSU students are not from the local area, their money is imported from other parts of Oregon and other states.

The downtown needs to assess if it wants to develop the large student market. If so, it needs to develop a different mix of restaurants, entertainment venues, and stores to attract those dollars. Downtown Corvallis has many opportunities. It is an attractive downtown with handsome historic buildings. The City has recently redeveloped 1st Street, connecting the downtown to the Willamette River and open space fronting on the river. The downtown has a solid base, from which a vibrant downtown can be built. For the purposes of this discussion, we assume that the downtown *does* want to further develop the student market. In this section, we discuss five opportunities to help develop a vibrant downtown:

- *Continue to develop pedestrian connections to downtown and river*
- *Attract a youth-oriented clothing store*
- *Improve university oriented website content*
- *Develop downtown housing for students*
- *Market to OSU conference visitors*

Continue to develop pedestrian connections to Downtown and river

OSU is within walking distance from Downtown Corvallis. It is easy to walk between the two areas—the two areas are close enough to make walking easier than driving. Despite their physical closeness, there is not as much foot traffic between OSU and Downtown Corvallis as there could be. While Monroe and Jefferson provide physical connections, there needs to be a more attractive destination to pull the students.

The area between the University and the Downtown is not a pedestrian draw. Because pedestrians move slowly, and they notice lot-by-lot details that automobile drivers do not. A large parking lot or an empty lot degrades the pedestrian environment. The City, the Downtown Corvallis Association, and OSU should continue to work together to establish a positive and safe pedestrian corridor that can attract students and staff to the downtown. The Madison Avenue Task Force has actively been working on strengthening the physical connection, but a more vibrant and attractive tenant mix is expected to be vital in drawing a greater share of University expenditures.

An important asset for Downtown Corvallis is close proximity to the Riverfront. The recent redevelopment of 1st Street connects the downtown to the Willamette River and open space fronting on the river. Continuing this connection to the University will help to establish Corvallis as a good walking city.

Our research of comparable universities indicates that good walking cities enhance their livability. The cities that offer students few easy ways to get off-campus provide no incentive to visit the nearby neighborhoods. Students are more likely to drive farther distances for weekend entertainment. Good walking cities make it easy for students (and their visiting parents) to explore off-campus options.

Continued redevelopment of a Madison corridor will help increase pedestrian traffic from the University to Downtown. Improving the walkability from the University to the Downtown will attract more students to the area, as would a stronger tenant mix.



Attract a youth-oriented clothing store

Interviews of downtown merchants make it clear that there are inadequate clothing stores for young people. Of the 13 business owners surveyed, 11 advocated for clothing retail downtown that caters to young people. Many merchants reported a need for brand name clothing retailer, such as the Gap, J. Crew, Old Navy, and Abercrombie and Fitch.

Data from the Barometer survey indicate that OSU students spend about \$746,000 per month on clothing. Most of this money is probably being spent outside of Corvallis, as a large portion of students visit shopping areas outside of Corvallis.

Interviews with downtown merchants indicate that shopping opportunities for an older demographic are numerous, which is why parents of students are an important source of sales. The interviews also show that local retailers have not made an effort to capture the student market. For example, one retailer noted that in the 1980s, students made up 50% of sales, but now they only make up 20%. The retailer stated that Banana Republic, Abercrombie and Fitch, and the Gap 'took' this market. In reality, the local retailers let the big national stores take the market. By not keeping pace with changing fashion trends, they have discouraged students from purchasing clothes in the downtown.

Given existing downtown perceptions and the turnover of university students from year to year, a branded retailer to anchor future youth retail growth would likely be the most successful way to rejuvenate student-oriented business downtown. Additional independent clothing retailers probably could not stimulate the same amount of interest; however, they would become more viable with the cross-shopping opportunities made possible with a larger anchor store.

Improve university oriented website content

In our research we reviewed comparable university towns. We looked at how the downtowns attract students and what goods and services are available to students. We began our search with each university's website. Our research indicates that universities do not provide good links to their city's downtown.

The websites for the comparable universities typically talk about how nice a place the downtown is and then refer the prospective or current student, or parent, to the City's or the Chamber of Commerce's website for more information. OSU does this as well. The OSU homepage offers links to several local websites such as the Chamber of Commerce site, Corvallis Convention and Visitors Bureau, City of Corvallis Online, Corvallis Live Entertainment, Community Alliance for Diversity, and Welcome to Corvallis. The diligent viewer can eventually find the goods and services available, but to do so requires clicking further and further links.

The other university websites we reviewed were similar. The university has a link to the City's website, but the City's website provides information about local government, such as City Council agendas and how to get a building permit. It is not the City's job to direct individuals associated with the university to information about restaurants, stores, and entertainment.

This practice of handing prospective and current students over to city organization websites from the university's site is a missed opportunity. The OSU website could easily direct students to a website that fully describes goods and services downtown. The OSU page could easily have one link to downtown activities, and the Downtown Corvallis Association could develop the content directing students and their visitors to entertainment, shops, restaurants, the Riverfront, and other features of Downtown Corvallis.



Portraying a positive image of the host city creates benefits for the University as well as the community. An image of a city that meets students' wants and needs can be a recruitment tool. Additionally, connecting students with the city's resources in order to meet their needs helps keep existing students happy.

Develop Downtown Housing for Students

Occupied residential units in the downtown do much to create a vibrant downtown. Residents are in the downtown all the time, not just during business hours. By populating the downtown, residents increase downtown activity and safety and enhance a sense of place.

ECONorthwest prepared a downtown housing market analysis for Corvallis in July 2004, and based on the results of that analysis, we know that students can be a target market for downtown housing. Downtown housing appeals to young single adults, which describes most of the students at OSU.

Developers in Corvallis are currently developing condominiums near the River. This is a positive development for the downtown, but it does not help meet demand for housing that appeals to students. Students live in Corvallis for a few years, and it makes little financial sense for them to purchase a housing unit.¹² Rental apartments are a sensible housing alternative for many students. Based on ECO's earlier research, there is demand for more apartments that appeal to OSU students.

As discussed above, a large majority of OSU students live in non-campus housing and the *Barometer* survey found that students spend, on average, \$579 per month on housing expenses. As we discussed above, it is likely this is an overstatement of individual students' monthly housing expenditures.

Downtown housing fits into a broader community development framework and can achieve multiple objectives and create multiple benefits, making it cost-effective. Many downtown housing projects ECO has reviewed achieved multiple benefits for downtown areas while addressing safety and other concerns. Other potential benefits include: increased property values and property taxes; positive impacts to other downtown investments; the attractiveness of downtown as a location; increased level of downtown activity; increased safety resulting from more people downtown during the day *and* at night.

There is already housing that rings the downtown. From demographics of the residents, we can infer that it is occupied by students. This existing housing should be encouraged. These students can help populate the downtown day and night. These neighboring students and their friends have tremendous buying power, and the downtown should work to tap into that buying power.

Market to OSU Conference Visitors

Visitor traffic generated by OSU conferences and events constitutes a large source of potential income for downtown retailers. Our research indicates that more could be done to draw these visitors off-campus and encourage spending downtown.

The Micro Nano Breakthrough Conference, the Environmental Science Graduate Conferences and the American Society of Pharmacognosy are all examples of upcoming university conferences in 2005. These, and most other conferences planned by the university, attract a wide array of graduate students, academics and mid-level professionals. Visitors to these conferences come from throughout

¹² Some graduate students may have the financial means and the expectation to stay in Corvallis for several years, and may choose to purchase housing. The majority of students, however, will not fall into this category.



the region and in some cases from across the country. They tend to be established in their fields and have more disposable income than the university's full-time undergraduates.

There are several opportunities for downtown retailers to improve their exposure to college visitors and attract additional business. These include new marketing strategies such as a catchy dining/entertainment guide to be distributed to conference attendees. Existing on-line and printed promotional materials are available, but could be revamped for specifically a conference audience and made available to all conference attendees. In the long-run, development of a downtown niche hotel would also be a way to tap into the conference market. Adding to overall pedestrian traffic downtown, this type of lodging would be a unique addition to the city's current mix. Many attendees reportedly stay at the Hilton, and don't have access to a car. A shuttle bus system may be able to help move attendees around venues, hotels and downtown.

OSU is actively pursuing strategies to expand its conference offerings, making now an ideal time to collaborate with the university in marketing to conference visitors.

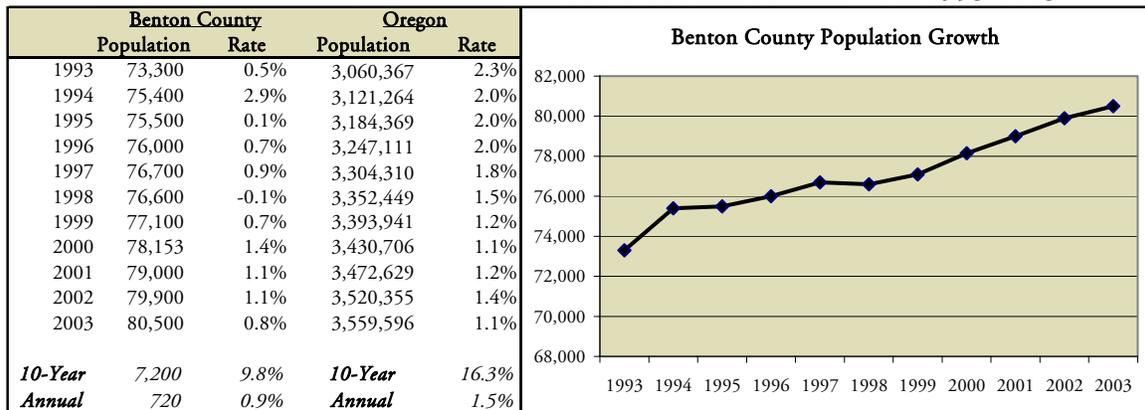
V. MARKET CONDITIONS & TRENDS

The following section analyzes Corvallis MSA economic trends, office and retail space characteristics and retail spending patterns. Economic data used below comes from the Oregon Employment Department and spending data is based on estimates from Claritas Inc, a statistical reporting firm. Real estate information was compiled through on-site visits and discussions with local property managers and brokers.

A. ECONOMIC OVERVIEW

Benton County's population grew at an average annual rate of 1.0% from 1993 to 2003. While the County's growth rate lagged that of the state (1.5%) over this period, it was comparable to growth rates in neighboring communities—Albany/Linn County (0.9%) and Eugene/Springfield (1.0%). Salem to the north grew at an accelerated pace of 1.8% largely on account of its role as the state government seat.

FIGURE 10: BENTON COUNTY & OREGON POPULATION GROWTH: 1993-2003



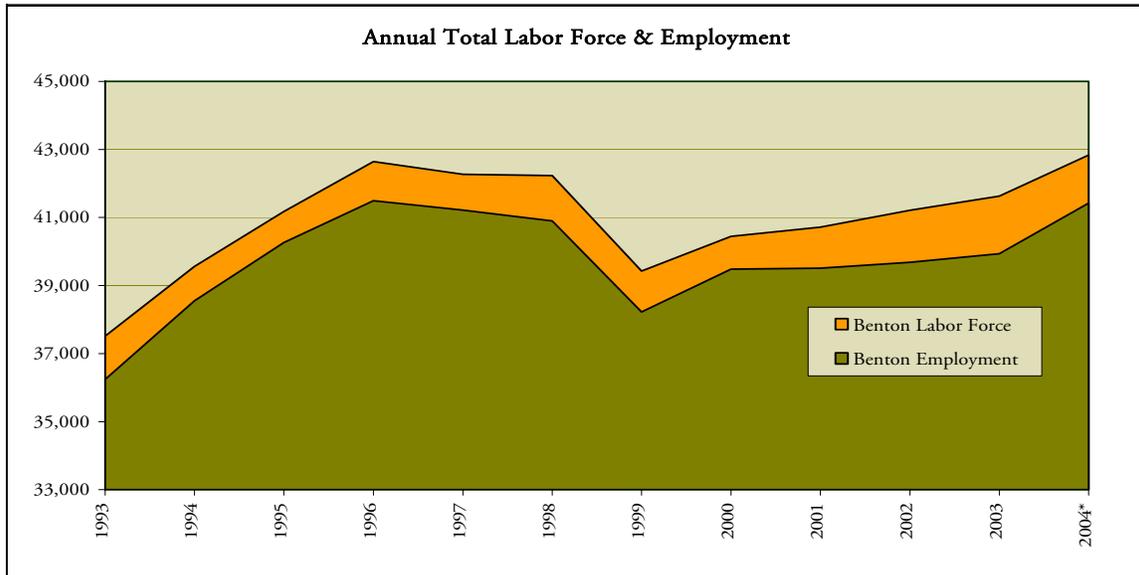
SOURCE: U.S. Census Bureau and Portland State University Center for Population Research

Similar to the region at large, Corvallis MSA employment growth peaked in the latter half of the 1990's and dropped off during the national recession. In contrast to the Portland metropolitan area, Corvallis has largely recovered from this downturn, with employment there in 2004 exceeding its



pre-recession level. Unemployment in the Corvallis MSA has historically hovered around 3.0%, nearly four percent below the state average. This rate recently rose to 5.1%, primarily due to a methodological change.

FIGURE 11: BENTON COUNTY EMPLOYMENT & LABOR FORCE TRENDS



The largest employers in the Corvallis MSA are Oregon State University, Hewlett Packard and related technology firms, and the local and regional government. On an industry level Government followed by Manufacturing and Education & Health Services report the largest number of jobs. Government employees alone make up close to one-third of the total workforce. State employment forecasts through 2012 indicate that these industries will continue to dominate local employment, although net new employment growth will be concentrated in Business & Professional Services.

FIGURE 12: CORVALLIS MSA EMPLOYMENT BY INDUSTRY (2005-2012)

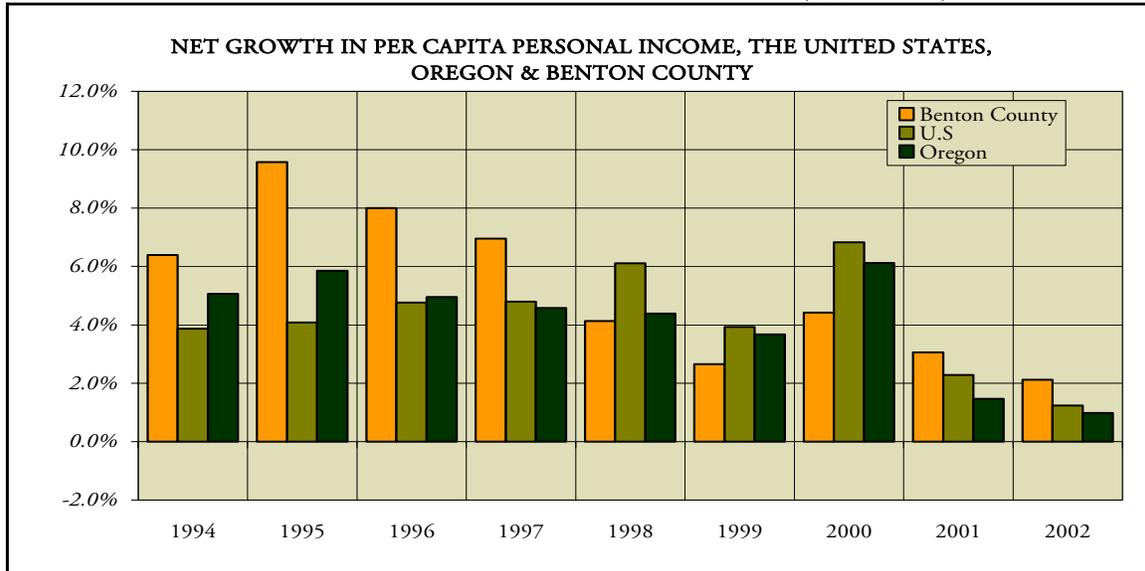
	Employment		2005-2012		
	2005	2012	Change	% Change	Avg. Rate
Construction & Mining	1,396	1,500	103	7.4%	1.2%
Manufacturing	5,675	5,648	-27	-0.5%	-0.1%
Wholesale Trade	384	408	24	6.3%	1.0%
Retail Trade	3,127	3,358	231	7.4%	1.2%
Transport, Warehouse, Utilities	535	569	34	6.3%	1.0%
Information	840	902	62	7.4%	1.2%
Financial Activities	1,467	1,577	109	7.4%	1.2%
Professional & Business Services	2,978	3,354	376	12.6%	2.0%
Education & Health Services	5,165	5,704	539	10.4%	1.7%
Leisure & Hospitality	3,295	3,451	156	4.7%	0.8%
Other Services	1,208	1,324	116	9.6%	1.5%
Government	12,322	12,760	438	3.6%	0.6%
Total	38,394	40,555	2,161	5.6%	0.8%

SOURCE: Oregon Employment Department & Johnson Gardner, LLC



Corvallis' employment distribution, with a sizeable share of employment in family wage industries, has historically allowed the region to enjoy faster net growth in per capita income than elsewhere in Oregon and in the country at large. The decline of high-tech in the late 1990's reversed this trend, but MSA growth picked back up in 2001.

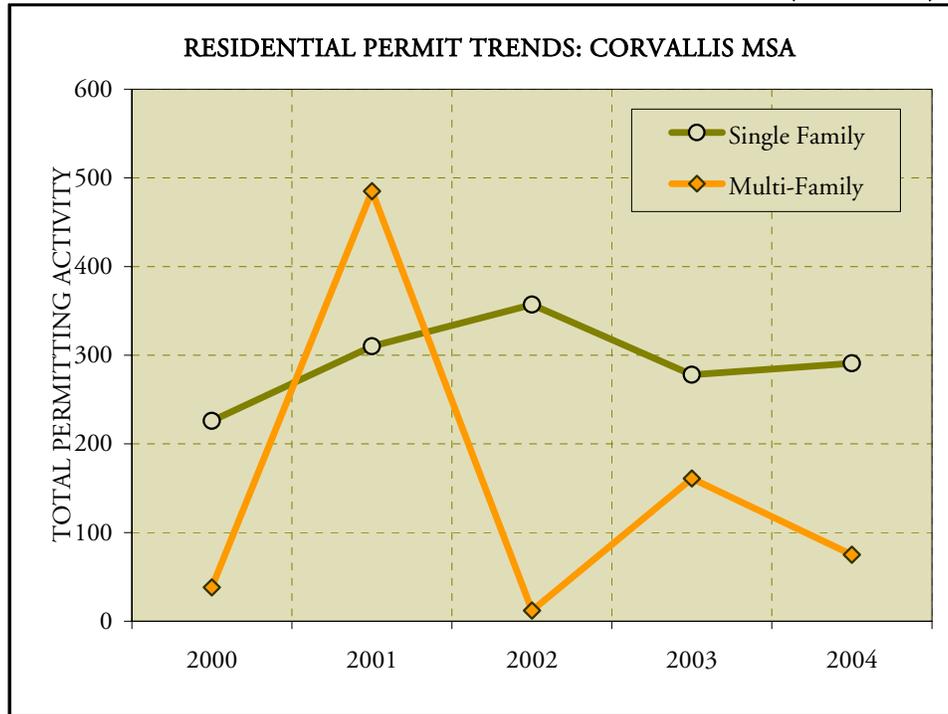
FIGURE 13: CORVALLIS MSA INCOME GROWTH (1994-2002)



Despite the slowdown caused by the recession, new residential construction has been strong in recent years. A total of 366 permits were issued in 2004, down slightly from 439 permits in 2003. Historically, single-family construction has dominated the market, and it made up 26% of permits issued over the past year.



FIGURE 14: CORVALLIS MSA RESIDENTIAL PERMIT ACTIVITY (2000-2004)



SOURCE: U.S. Census Bureau & Johnson Gardner

With continuing residential expansion, renewed employment growth, and its existing concentration of family wage jobs, we forecast that Corvallis' economy will remain strong over the coming year. Recent trends bode well for the City's office and retail markets.

B. OFFICE & RETAIL MARKET TRENDS

Vacancy, lease rate, and related trends are summarized below for the Corvallis region. For comparison purposes, we collected available data for nearby competitive mid-Willamette Valley locations—Albany, Salem, and Eugene. Research indicates that trends vary significantly across these cities.

Corvallis

Like many jurisdictions of its size, Corvallis has brokerage firms that primarily track trends in larger commercial centers. Space downtown, with mixed ownerships, is not tracked in the same way and consequently harder to collect data on. Johnson Gardner contacted approximately a dozen smaller property owners, to discuss trends in their spaces. Nearly all of the owners were happy to discuss their impressions of general trends and rent levels, but unwilling to disclose proprietary information about their individual spaces. As a result, our analysis below relies on data for broad Corvallis commercial trends and provides numerical data for the downtown to the extent possible. According to local brokers, there is not a market premium for locating downtown and city-wide trends should be largely representative of trends there.

1) Retail

In a sample of Corvallis commercial centers data provided by local brokers, monthly rents range from \$0.75 per square feet to \$2.00 per square foot with variable lease terms. Rents average roughly \$1.26 per square foot overall. Vacancy in these centers is 8.3%, suggesting slight market weakness.



Generally 5% vacancy is the benchmark for health in a given retail market. According to brokers retail conditions have improved recently and the local retail market is currently out-performing the office market. New spaces coming on the market take no more than six months for full absorption.

The retail centers in our sample consisted of neighborhood and community centers and strip malls. Five of these complexes were built in the last decade and most of the rest were built prior to 1970. Parking ratios at the centers vary significantly from 3 to 6 spaces per 1,000 square feet of leasable space. According to downtown merchants, the eateries in centers along Monroe, and big box retail along Ninth Street (Border's, Office Max, Bi-Mart, Rite Aid, etc.) are the biggest draws outside of downtown. The Timberhill Shopping Center on the northwest side of the City also draws many shoppers with its anchors WinCo, Ross Dress for Less, Fashion bug and Petco among others.

FIGURE 15: CORVALLIS MSA RETAIL SPACE



Data available from downtown property owners suggests rents for retail space downtown are lower on average than those in the city at large. Differences in overall space age and quality appear to be the determining factor in pricing. Brokers report rents in comparable spaces are similar whether in or out of downtown. The following NNN rents were reported by downtown property owners:

- Restaurants – (\$1.10-\$1.40)
- Retail—(\$0.60 to \$1.10)

Parking ratios for downtown owners we spoke with ranged from 2 to 5 spaces per 1,000 square foot of commercial space. While the amount of secured parking was lower on average than in suburban centers sampled above, access to unsecured on-street parking is not factored into these figures.

2) Office

Broker survey data for Corvallis office space indicates rents ranging from \$0.75 to \$2.00 and averaging \$1.24 per square foot. Spaces included in this sample include mostly newer established office complexes and we suspect average rates may actually be much lower than this figure suggests. Occupancy is estimated at 8.7%, but similarly may overstate health in the market. As with new retail space, new office space reportedly leases up within six months of completion. The office market received mixed reviews from owners and brokers that we spoke with, although most agreed it was less strong overall than retail. Some owners thought conditions had worsened over the past year.



Office tenants in the city at large include a wide range of professional service firms, medical practices, and government agencies. Larger firms/organizations in the area such as Hewlett Packard and Oregon State University typically own their own space and are not located downtown. The downtown office market has predominately government, bank, and service offices. Medical office space is concentrated in the northwest part of town closer to the hospital.

Parking ratios for new spaces average 2 or 3 spaces per 1,000 square feet of office space. Downtown owners we spoke with said ratios vary considerably there from no secured parking to as much as 5 spaces per 1,000 square feet of office space.

FIGURE 16: CORVALLIS MSA OFFICE COMPLEXES



Estimates from property owners of Downtown lease rates are higher on average than those in our survey or properties in the general market. This may be due to a higher concentration of Class A space there, but may also reflect a disproportionate amount of higher-end space managed by owners we spoke with. With these caveats, full service rate estimates downtown are as follows:

- Office – (\$.80-\$1.60)
- Warehouse—(\$.55 to \$.90)

Albany

Similar to Corvallis, market survey data was difficult to obtain in the Albany area, but local brokers we spoke with were able to provide an overview of general market conditions. They reported that rates differ between new construction in the suburbs and older product Downtown, but overall occupancy is reportedly similar. Anecdotally, they commented that Downtown market conditions are not as good as those in Corvallis, but suburban markets are likely stronger than their Corvallis counterparts.

- *Retail:* Vacancy in Albany retail space is well below 10%, across City sub-markets. Although there is little fluctuation in vacancy by area, rates vary considerably between older spaces predominately Downtown and newer developments outside the city core. Newer projects



command rates up to \$1.40 NNN, while older projects average closer to \$0.35 NNN in older buildings.

- *Office:* Similar to the retail market, vacancy rates in the office market are also under 10%, but are expected to increase in the short-term with the closure of a large firm in the market. Office rents range from \$0.55 NNN in older space up to \$1.50 NNN for new Class A space.

Salem

According to Coldwell Banker Commercial's annual Salem report, retail conditions are tightening in the city at large, but remain quite weak Downtown. The office market has higher vacancy than the retail market with favorable leasing conditions in the city core as compared to suburban locations.

- *Retail:* Salem retail averaged 8.3% vacancy in 2004, up only slightly from 8.1% vacancy in 2003. In the Central Business District, vacancy increased 2.5% to 23.1%. Vacancy there was nearly double that of other regions. Tightening in the market at large is triggering a wave of new development in areas outside of the CBD, with some new projects commanding rents as high as \$2.00 NNN. Average retail rent data was not available.
- *Office:* Vacancy in Salem office space averaged 9.64% in 2004, virtually unchanged from the rate of 9.82% in 2003. Although vacancy did not change noticeably, the market saw positive absorption of 50,270 square feet of space over the last year. New construction was predominately owner-occupied. Vacancy in the CBD Class-A space was 5% as compared to 13% in Class-A space in outlying areas. Class-B space Downtown had the highest vacancy rate at 21%. In terms of rates, rents averaged \$1.20 to \$1.49 Downtown and \$1.12 to \$1.57 in suburban sub-markets.

Eugene

Annual survey data compiled by appraisal firm Duncan & Brown indicates relative strength and stability in Eugene's retail market. In contrast, the City's office market is softer, and reports record vacancy in the Downtown core. Conversion of a number of buildings from retail to office space accounts in part for recent trends. The need to attract more housing and employment Downtown was cited by property managers.

- *Retail:* Downtown retail vacancy fell in 2004 for the third consecutive year. Vacancy was down to 6.9% in surveyed projects. Asking rental rates varied from \$0.50 to \$1.45 per square foot with varying terms; however, the predominant rental rate was on a triple net (NNN) basis. Anecdotally, suburban market conditions are as strong or stronger, but a formal survey is not available for projects in these areas.
- *Office:* Downtown office vacancy rose to 24.9% in 2004, marking the fifth consecutive year of weakening market conditions. Stagnant vacancy in several large spaces accounts for most of this vacancy. Rental rates vary Downtown from \$0.60 to \$1.65 per month on a full service basis. In contrast, the suburban market reports 9.57% vacancy and shows signs of tightening further. Its rates vary from \$0.75 to \$1.65, with a few higher rents being asked in specialized buildings.

Conclusions

In most other Mid-Willamette Valley cities, there exists a notable split in demand for Downtown commercial space and newer suburban construction. Corvallis reportedly fares better than most of the region in attracting business Downtown. The City's overall lease rates and occupancy levels are competitive with those of other regional cities as shown in the chart below. Rates given reflect a mix of NNN/Gross lease conditions.



FIGURE 17: MID-WILLAMETTE VALLEY OFFICE AND RETAIL MARKET TRENDS

Location	Office	Retail	Comments
CORVALLIS	\$0.75-\$2.00 8.7%	\$0.75-\$2.00 8.3%	Downtown trends are comparable to those of city at large.
ALBANY	\$0.55-\$1.50 Below 10%	\$0.35-\$1.40 Below 10%	Retail vacancy Downtown is reportedly much higher than in outlying areas.
SALEM	\$1.12-\$1.57 9.64% vacancy	Up to \$2.00 8.3% vacancy	Downtown Retail and Class B/C office space have double digit vacancy
EUGENE (Downtown Only)	\$0.60-\$1.65 24.9% vacancy	\$0.50-\$1.45 6.9% vacancy	Suburban office vacancy is closer to 10%. Retail Downtown is on up-swing.

With the exception of national retailers, tenants in these markets reportedly do not cross shop regionally for space. In other words, tenants looking for space in Salem generally don't consider space in Corvallis for an alternate location. In contrast, local shoppers do shop in multiple areas, especially those originating from Albany and Corvallis. Salem and Eugene residents do so to a lesser extent, given. We explore issues related to regional spending patterns in greater detail below.

C. REGIONAL SPENDING TRENDS

In addition to the market and economic data above, an understanding of retail spending trends, is crucial in assessing the depth of the Corvallis market and its position relative to neighboring retail concentrations. The discussion below focuses on retail spending projections for both the Corvallis MSA and the greater Mid-Willamette Valley—defined here as Benton, Lane, Lincoln, Linn, Marion and Polk Counties.

Corvallis MSA

Expenditures on major consumer items are projected to grow by \$2,261 per capita over the next five years, an increase adequate to support the addition of up to 330,000 square feet of retail space based on population forecasts. Given current resident consumer patterns, which include a portion of spending outside of Corvallis and on the Internet, roughly 70% of this growth may be achievable within the Corvallis MSA.¹³ Businesses likely to see the most demand growth are variety stores and apparel retailers.

¹³ Based on retail leakage estimates calculated in Figure 19.



FIGURE 18: CORVALLIS RESIDENT SPENDING & SUPPORTABLE SQ. FT. OF RETAIL SPACE

SIC Code	Category	2004					
		Per Capita Expenditure	Total Expenditure	Sales Support Factor	Supportable Square Feet	% of Supportable Space	
52	Total Building Materials/Hardware Expenditure	\$744	\$59,788,584 /	\$265	=	225,937	5%
53	Total Variety Store/General Merchandise Store Expenditure	\$1,599	\$128,497,239 /	\$135	=	949,837	20%
54	Total Food Store Expenditures	\$2,309	\$185,553,549 /	\$329	=	563,955	12%
56	Apparel and Accessory Expenditures	\$3,081	\$247,592,241 /	\$191	=	1,296,294	27%
57	Total Furniture and Home Furnishings Expenditures	\$558	\$44,841,438 /	\$165	=	271,766	6%
58	Total Drinking and Eating Establishment Expenditures	\$1,864	\$149,792,904 /	\$186	=	805,338	17%
59	Total Miscellaneous Retail/Drug Store Expenditures	\$1,697	\$136,372,617 /	\$204	=	667,548	14%
	Totals/Weighted Averages	\$11,852	\$952,438,572 /	\$199	=	4,780,676	

SIC Code	Category	2009					
		Per Capita Expenditure	Total Expenditure	Sales Support Factor	Supportable Square Feet	% of Supportable Space	
52	Total Building Materials/Hardware Expenditure	\$875	\$72,681,627 /	\$307	=	236,923	5%
53	Total Variety Store/General Merchandise Store Expenditure	\$1,956	\$162,449,712 /	\$157	=	1,035,829	20%
54	Total Food Store Expenditures	\$2,516	\$208,958,832 /	\$381	=	547,835	11%
56	Apparel and Accessory Expenditures	\$3,621	\$300,731,292 /	\$221	=	1,358,186	27%
57	Total Furniture and Home Furnishings Expenditures	\$626	\$51,990,552 /	\$191	=	271,803	5%
58	Total Drinking and Eating Establishment Expenditures	\$2,172	\$180,388,944 /	\$216	=	836,586	16%
59	Total Miscellaneous Retail/Drug Store Expenditures	\$2,347	\$194,923,044 /	\$237	=	823,062	16%
	Totals/Weighted Averages	\$14,113	\$1,172,124,003 /	\$229	=	5,110,225	

SOURCE: Claritas, Inc. & Johnson Gardner, LLC

Retail sales in the Corvallis MSA fall short of total resident spending by roughly \$358 million. Taking into account visitor spending, which generates a significant portion of retail sales, it becomes evident that resident spending leakage well exceeds this figure.

In the chart below total sales and resident spending are summarized by sector. The spending/sales differential indicates which spending categories likely have the most leakage, but does not take into account visitor spending. As a result, actual leakage may be higher than the differential suggests and the distribution of leakage by category may not be fully accurate. Unfortunately, visitor generated sales data cannot be broken down to this level of detail to show actual leakage by spending type. A discussion of overall visitor spending impacts and total leakage follows later in this section.

FIGURE 19: CORVALLIS MSA RETAIL SALES & SPENDING COMPARISON, 2003¹⁴

SIC Code	Category	Resident Spending 1/		Retail Sales 2/		Retail Leakage 3/	
		Total	% Total	Total	% Total	Total	% Total
52	Total Building Materials/Hardware Expenditure	\$59.8	6%	\$23.9	4%	\$35.9	10%
53	Total Variety Store/General Merchandise Store Expenditure	\$127.6	13%	\$29.4	5%	\$98.2	27%
54	Total Food Store Expenditures	\$184.3	19%	\$163.5	28%	\$20.8	6%
56	Apparel and Accessory Expenditures	\$245.9	26%	\$141.2	24%	\$104.7	29%
57	Total Furniture and Home Furnishings Expenditures	\$44.5	5%	\$14.4	2%	\$30.1	8%
58	Total Drinking and Eating Establishment Expenditures	\$148.8	16%	\$99.2	17%	\$49.6	14%
59	Total Miscellaneous Retail/Drug Store Expenditures	\$135.4	14%	\$116.6	20%	\$18.8	5%
	Totals/Weighted Averages	\$946.2		\$588.2		\$358.1	

1/ Consumer spending patterns from Claritas Inc. Spending both in and out of Corvallis MSA.

2/ Retail SIC survey from Claritas Inc. for Corvallis MSA. Assumes that Building Materials/Hardware is 50% consumer/50% wholesale.

3/ Does not account for visitor spending and likely understates leakage. (Leakage = Local Spending - Sales)

Not factoring in visitor spending, it is still apparent that leakage is common across most sectors. The preceding analysis indicates that resident spending in all major consumer sectors well exceeds total sales. A substantial amount of locally-reported retail sales likely emanate from outside of the Corvallis area, as the coastal communities often shop for goods in the Willamette Valley. Corvallis'

¹⁴ Please note that spending estimates are for 2003, rather than 2004 as in Figure 18 above. This is to be consistent with sales data, which is still only available through 2003.



competitiveness for these types of sales may wane over time with continuing development along the coast and recent efforts to build the first Home Depot on the central coast in Newport.

Mid-Willamette Valley

Total retail sales in the Mid-Willamette Valley are projected to grow by \$1,526 per capita over the next five years. This corresponds to demand for roughly 1.8 million square feet of new space. Based on historic spending leakage patterns in the region, approximately 75% of this space demand will likely be generated within the region itself. As compared to Corvallis, estimated leakage as a percentage of total sales is lower, but the spending increase projected per capita is not as high. In other words, spending in Corvallis is expected to go up by more than spending in the region on a per capita basis, but a greater share of space generated by this demand will not be within the MSA.

**FIGURE 20: MID-WILLAMETTE VALLEY RESIDENT SPENDING
& SUPPORTABLE SQUARE FEET OF RETAIL SPACE**

		2004				
SIC Code	Category	Per Capita Expenditure	Total Expenditure	Sales Support Factor	Supportable Square Feet	% of Supportable Space
52	Total Building Materials/Hardware Expenditure	\$744	\$689,839,776 /	\$265 =	2,606,858	5%
53	Total Variety Store/General Merchandise Store Expenditure	\$1,461	\$1,354,645,044 /	\$135 =	10,013,383	20%
54	Total Food Store Expenditures	\$2,300	\$2,132,569,200 /	\$329 =	6,481,544	13%
56	Apparel and Accessory Expenditures	\$2,623	\$2,432,056,092 /	\$191 =	12,733,278	25%
57	Total Furniture and Home Furnishings Expenditures	\$485	\$449,693,940 /	\$165 =	2,725,418	5%
58	Total Drinking and Eating Establishment Expenditures	\$1,740	\$1,613,334,960 /	\$186 =	8,673,844	17%
59	Total Miscellaneous Retail/Drug Store Expenditures	\$1,624	\$1,505,779,296 /	\$204 =	7,370,834	15%
Totals/Weighted Averages		\$10,977	\$10,177,918,308 /	\$201 =	50,605,159	
		2009				
SIC Code	Category	Per Capita Expenditure	Total Expenditure	Sales Support Factor	Supportable Square Feet	% of Supportable Space
52	Total Building Materials/Hardware Expenditure	\$523	\$504,992,064 /	\$307 =	1,646,143	3%
53	Total Variety Store/General Merchandise Store Expenditure	\$1,750	\$1,689,744,000 /	\$157 =	10,774,326	21%
54	Total Food Store Expenditures	\$2,474	\$2,388,815,232 /	\$381 =	6,262,847	12%
56	Apparel and Accessory Expenditures	\$3,023	\$2,918,912,064 /	\$221 =	13,182,614	25%
57	Total Furniture and Home Furnishings Expenditures	\$523	\$504,992,064 /	\$191 =	2,640,064	5%
58	Total Drinking and Eating Establishment Expenditures	\$1,987	\$1,918,583,616 /	\$216 =	8,897,780	17%
59	Total Miscellaneous Retail/Drug Store Expenditures	\$2,223	\$2,146,457,664 /	\$237 =	9,063,408	17%
Totals/Weighted Averages		\$12,503	\$12,072,496,704 /	\$230 =	52,467,181	

SOURCE: Claritas, Inc. & Johnson Gardner, LLC

Retail sales fall short of total spending in the Mid-Willamette Valley by close to 1.4 billion dollars. As in the Corvallis region, taking into account visitor spending, which generates a portion of retail sales, the actual gap between resident spending and resident sales is far greater than this initial estimate suggests.

Leakage estimates, not taking into account visitor spending, indicate leakage in five out of eight major retail sectors. The three sectors without signs of leakage are building materials and hardware expenditures, food store expenditures and furniture and home furnishings. In these sectors total sales exceed resident spending suggesting high levels of visitor spending and less out of area spending on these goods by residents.



FIGURE 21: MID-WILLAMETTE VALLEY RETAIL SALES & SPENDING COMPARISON, 2003

SIC Code	Category	Resident Spending 1/		Retail Sales 2/		Retail Leakage 3/	
		Total	% Total	Total	% Total	Total	% Total
52	Total Building Materials/Hardware Expenditure	419.2	4%	1463.9	17%	-1044.7	-76%
53	Total Variety Store/General Merchandise Store Expenditure	1343.1	14%	1053.8	12%	289.3	21%
54	Total Food Store Expenditures	2114.3	22%	2228.6	26%	-114.3	-8%
56	Apparel and Accessory Expenditures	2411.2	25%	197	2%	2214.2	162%
57	Total Furniture and Home Furnishings Expenditures	445.8	5%	874.4	10%	-428.6	-31%
58	Total Drinking and Eating Establishment Expenditures	1599.5	16%	1347.6	16%	251.9	18%
59	Total Miscellaneous Retail/Drug Store Expenditures	1492.9	15%	1292.1	15%	200.8	15%
Totals/Weighted Averages		9826.1		8457.4		1368.7	

1/ Consumer spending patterns from Claritas Inc. Spending both in and out of Mid-Willamette Valley

2/ Retail SIC survey from Claritas Inc. for Mid-Willamette Valley

3/ Does not account for visitor spending and likely understates leakage. (Leakage = Local Spending - Sales)

Visitor Spending

Visitor spending in Benton County averages \$66.3 million annually as compared to spending of close to \$1.5 billion in the Mid-Willamette Valley. The county has the lowest level of spending amongst counties in the region, largely on account of its distance from I-5 and lack of major tourist destinations. Lane (\$478 million) followed by Lincoln (\$471) and Marion (\$251 million) Counties generates the greatest tourism activity.

FIGURE 22: VISITOR SPENDING BY COUNTY, 2003*

Commodity	County						Total
	Benton	Lane	Lincoln	Linn	Marion	Polk	
Accommodations	10.2	74.0	108.1	9.7	29.8	9.9	241.7
Food & Beverage Services	17.2	124.9	107.8	21.5	56.8	31.0	359.1
Food Stores	6.1	47.4	55.9	10.3	21.8	10.5	152.0
Ground Trans. & Motor Fuel	12.5	75.3	9.8	24.9	73.5	6.4	202.3
Recreation & Entertainment	9.5	71.1	85.2	11.8	30.8	139.0	347.3
Shopping	10.9	85.6	104.2	16.4	38.9	4.1	260.1
Total	66.3	478.2	471.1	94.5	251.5	200.9	1,562.6

*2003 estimates based on historical trends from 1991 to 2002
SOURCE: Dean Runyan Associates & Johnson Gardner, LLC

Spending by type in Corvallis roughly mirrors that of the region at large, with the greatest spending on food & beverage services. As compared to the mid-Willamette Valley, Corvallis has a smaller portion of travel spending going toward entertainment & recreation and a larger share spent on motor fuel and ground transportation.

Conclusions

Corvallis MSA residents make up 8.7% of the Mid-Willamette Valley population. While their spending accounts for 9.4% of all spending by residents in this broad valley region, sales within the Corvallis MSA make up only 8.0% of all regional sales. The reasons for this are twofold. First, the Corvallis MSA attracts only 3.9% of regional visitor spending, a small share relative to its share of the population. Second, a large portion of resident spending takes place outside of the City. An estimated 43% of resident spending occurs elsewhere—mostly in Albany, Salem and Eugene according to our local interviews. Regionally, a still substantial, but smaller portion of resident spending—estimated at 35%-- happens out of the Valley.



FIGURE 23: CORVALLIS MSA & MID-WILLAMETTE VALLEY SPENDING COMPARISON

	Benton County	Mid-Willamette Valley 1/
<u>Population</u>		
2004 Population Estimate	80,361	927,204
2009 Population Forecast	83,052	965,568
Growth rate '00-'04	0.7%	0.9%
Growth rate '04-'09	0.7%	0.8%
<u>Retail Spending Patterns</u>		
Sales in Region (Millions) 2/	\$588.2	\$7,725.5
Visitor Spending in Region (Millions) 3/	\$43.6	\$1,118.6
Resident Spending in and out of Region (Millions) 2/	\$946.2	\$10,096.7
<u>Resident Spending out of Region</u>		
Retail Leakage Estimate (Millions)	\$401.7	\$3,489.8
Leakage as % of Resident Spending	42.5%	34.6%

1/ Benton, Lane, Lincoln, Linn, Marion, and Polk Counties

2/ Surveyed retail categories, 2003. See Exhibits 12 & 14.

3/ Exhibit 15. Excludes accommodations and ground transportation spending to be consistent with categories tracked by sales and resident spending data.

In the long-run, Corvallis will need to address one or both of these issues if it hopes to sustain and expand its existing commercial base. Given the City's position off the I-5 Corridor, its small size relative to Salem and Eugene, and its historically limited draw as a tourism destination, its upside for increased visitor spending may be somewhat limited. Its primary focus should be attracting and retaining the business of local residents and students –both through diversification of existing retailers and efforts to differentiate itself from neighboring retail areas. These City retail strategies are the focus of Section VIII in this report.

VII. FOCUS GROUP SUMMARY

Following completion of the research summarized in the preceding sections, M.I.G. conducted two focus groups in April of 2005. One of these groups comprised local property owners and the other consisted of tenants/retailers. Both groups concentrated on issues that our research had identified as key issues downtown. These included the role of OSU and the City government in downtown business, viable parking solutions, and top priorities for downtown improvements. A summary of both of these group discussions follows below. As with our preliminary interviews, we have respected the anonymity of individual contributors.

A. RETAILER FOCUS GROUP

Retailers we spoke with stressed the need for a more integrated downtown vision and greater support from the City to encourage redevelopment and business growth. They commented business is not bad, but cumbersome regulations, the lack of a major downtown anchor, and parking limitations are all hurdles to new development. Consistent with our earlier interviews, they identified apparel, social venues and a possible national tenant as priorities downtown.



Business Trend

- Property market is getting better.
- Business on Campus is fine
- Business stable/dependent upon school music programs, funding not stable
- New business, better than projected
- Business steady, campus influence
- Business growing, partially attributable to expansion
- Local trends reflection of national trends
- Not as robust as City goals/intent
- Flight of dollars downtown
- Good small businesses, but no anchor downtown
- Large-scale shopping to Eugene & Albany
- Lost chains downtown, but even with them we still lost business to Eugene and Albany
- Categories lost=women's clothing and shoes
- Internet impact on sales

Customers/University Role

- Students are not a large part of market, but parents and staff have major impact
- Need to know how to use/access University
- Good deal of student traffic
- Corvallis traffic=60% of total, rest is from Coast, Albany, Lebanon, Sweet Home

Business Opportunities

- School/business linked activities
- Recent expansion--home furnishings
- Whiteside/Dance Hall conversion?
- Nicer restaurant=Attract college?
- Young adult meeting areas
- Entertainment
- Apparel/Shoes/Jewelry/Etc.
- Women during day/expendable income
- High-End/Clothes Tree & Zoe's, but need more choices
- Nordstrom-like business would work
- Out of town shopping an event, Corvallis doesn't have critical mass
- Wine Walk=successful/DCA Event
- Football games bring traffic
- Chinese garden or similar facility
- Riverfront drawing people
- National tenant with draw
- Small downtown, walk-able distances
- Students don't go downtown because of the tenant mix
- If Gap opened, could work.
- Businesses that have opened have been well supported
- Corvallis is seen as more expensive
- Lincoln City type outlet mall
- Need name recognition to draw kids
- More mature market will try downtown
- People come to downtown for socializing



Downtown Operations

- Sundays are one of best days but not all stores open
- Universal opening times
- Limited evening hours
- Tuesday and Thursday nights are good for us
- Family operation, need Sunday off
- Very busy at night for me

Parking

- Confusing as shopper--red and yellow meters
- Malls actually have more parking, but people will complain if they have to walk a block or two
- Surface lots often full/people staying all day/employees
- Employee parking and customer parking conflict
- Customer expectation=arrive when they hit the parking lot in malls
- Asked students not to park downtown? Part of new student orientation?
- Game days/shuttle bus will take all parking spaces
 - Only restaurants get traffic from games
- Security is an issue for employees/young women
- Parking structure, signals you have arrived.
- Hamster trails/sky bridges

City Attitude

- Sense that City rules and regulations difficult.
 - Remodel activity/City was obstacle not partner
 - Plan review delay/three weeks just to look at
 - Needed to push hard to get things done
 - Fees and permits, sink viewed as “new use”
- City’s reputation bad, Albany seen as much easier
- Builders challenged
- Helping businesses succeed not part of local culture
- Vital economy not part of Corvallis’ view of business in general
- Change of use is a major obstacle
- Corvallis took a year longer than a similar project in McMinnville
- Friendly but not helpful/Staff fine but Council has different priorities
 - Lifestyle concerns, green spaces, traffic control
 - Listen to whining neighbors over businesses
- New leadership, perhaps change in attitude
- No clearing house of information/trial and error
- Lock door and paper window to keep down City attention
- Limited knowledge of DCA
- If larger, and can work with larger local professional groups, can get through easier
- Discourages locally-owned businesses, who don’t have the wherewithal to deal with system
- Academic perspective/lack of knowledge of real market functions

Top Priorities

- Downtown needs to be marketed as a great place to do business, as well as made a great place with better attitude.
- Encourage physical infrastructure improvements consistent with the needs of nationals



- Get City more engaged in development process
- Way-finding/signage could be improved
- Better parking needed
- Merchant attitude/cheap rents
 - Miss broader point, higher rents=higher demand/better sales

B. PROPERTY OWNER FOCUS GROUP

Similar to the retailer group, the property owner group also identified the need for a better downtown vision and public/private collaboration. They agreed that the OSU student market was a small market segment currently, but felt retailers underestimated its true potential. Better communication and an improved physical link with the university were both cited as efforts that would help attract more student interest.

In terms of improvements downtown, property owners commented on the need for additional residential development and entertainment improvements. They also saw potential for a regional chain (although it should be noted that some owners from our earlier interviews were adamantly against the idea). Other suggestions they made included opening more site sales to the public, reducing SDCs (Systems Development Charges), and finding ways to streamline and expedite the approval process with the City.

Business Trends

- Business rebounding a bit, last year was weak
- Business improved this year, but could be better
- Rebound late last year, accelerating January

Customers/University Role

- Could be improved. Influx of spending on Mom's and Dad's weekend.
- Isolation of campus from downtown.
- Planning on improving Madison for better linkage
- Clear separation between University and Downtown folks
 - OK, but not everything we need
 - Link trips, leaving town anyways
- Weekend events at OSU can take Downtown parking spaces
- Retailers don't understand business dynamics, that more activity is better
- OSU and City have both expressed a desire for increase linkage

Business Opportunities

- Night entertainment venue
- Whiteside Theater?
- No intermediate-sized venue
- Dinner/Movie/Brewpub combo
- Majestic Theater could appeal more to youth
- LaSalle Stewart Center has events that are not advertised
- Second Street, additional retail opportunities
- Condo Tower/residential tower
- Additional residential could work
- 50,000 population not quite large enough for regional draw, but has similar needs



- Redevelop buildings downtown, able to do work with low overhead. Change of use would require seismic upgrade
- Many other college towns have national or regional chains that are attractive to 18-30 year old. No such chains are downtown or on 9th Street.

Downtown Operations

- Dead at night, businesses don't want to change
- Businesses nervous at new businesses coming in, don't realize it can help them
- Concentration of shops help all (ie., furniture stores downtown)
- One-way streets should be converted to two-way, would be better for retail
 - Only Third and Fourth, Harrison and Van Buren need to be through streets
- Confusing traffic patterns

Parking

- Need to have free parking, but can't be abused
 - Employees, downtown residents—need solution for them
- Drop meters, one system of free parking with four-hour limit.
- Do permit parking for employees (sticker)
- Revenue from meters (net) pretty insignificant
- Plenty of parking, just not in front of store
- Plan long-term for structure, not there yet.

City Attitude

- Five different people in the commercial plan section.
- Most projects are new construction, they don't know how to deal with redevelopment/rehab
- “Corvallis effect”--everything takes forever to get through the development process
- Rehab requires flexibility in code review/don't know what you will get
- Pre-Application hearings available, but aren't used to dealing with redevelopment
 - Staff don't feel comfortable with flexibility in code interpretation
 - Council has over-riden staff, but pretty rare
 - Council wants strict interpretation, as do voters
- Lack of strong communication link between University and City, not sure that the University has much interest in link.
- American Dream Pizza building was initially started by Eugene developer, who walked away based on City's code requirements.
- Big disconnect between Council/Mayor goals and staff.
- City hasn't done any public/private partnerships, symptom of problem
 - City and private business traditionally at odds in this community
- Defensive attitude from City
- City's role needs to be Governments' responsibility with a positive attitude.
- DCA should develop business consistent with goals.
- CIBA, CDA, Chamber have a lot of overlap. Chamber covers greater area, CIBA developed because people not happy with DCA. Some have been frustrated with DCA support for Border's, and Chamber's focus on all businesses (not just independents).
- Home Depot – Chamber supports, DCA neutral, CIBA spoke out against.
- CIBA is running marketing approaches, cooperative advertising, local and independent, in greater Benton County area.

Top Priorities

- One way streets and parking



- Projects are more expensive to do downtown
 - Could reduce SDCs
 - Rehab of old buildings expensive
 - Have to go up as opposed to out
- Some property owners hold onto property, don't improve but won't sell
- Whiteside Theater is too expensive
- Recalcitrant property owners
- Some sales not public
- No organized approach to marketing downtown as a place to be
 - Strengthen vision of existing organizations
- Current mix of retail/perception that Corvallis is not a good place to locate
- Vital downtown required to realize lifestyle goals
 - Out of cars/social experience
 - Need to actively pursue
 - Competitive environment much stronger/need to keep up
- City needs to be committed to redevelopment

VII. STRATEGIC RECOMMENDATIONS

Strategic efforts by the City of Corvallis to bolster the downtown retail market are considered quite likely to succeed, as the City has a compelling story to tell. Corvallis has an affluent and well educated population, with Oregon State University providing a substantial amount of additional support potential. While the retail environment in the downtown core is not ideal, a substantial concentration of viable retailers remain in the area and the physical infrastructure is in place. The recent improvements to the Riverfront, as well as recent and proposed developments on the eastern edge of downtown, have provided momentum in the area. The local momentum coincides with a national shift in preferences, with downtown retail districts becoming increasingly attractive.

The current retail trend is towards what is referred to as “lifestyle centers”, which try to replicate a downtown retail district feel with new construction. Examples of this type of center are the new Bridgeport Village and Streets at Tanasbourne developments in the Portland metropolitan area. Shopping attractiveness is a function of convenience, offerings and ambiance. The lifestyle centers provide a targeted tenant mix allowing for extensive cross-shopping, an attractive physical setting mimicking a downtown commercial district and convenient shared parking.

Every location in the city competes with other locations for the time, money, attention and affection of shoppers. The downtown core has long been a popular destination for shoppers from surrounding neighborhoods and from throughout the city. In the last 20 years, however, the competitive landscape has changed greatly, and other destinations have become more attractive. Primarily as a result of changes in the retail environment, Corvallis' downtown has lost market share over the last several decades. The density of retail opportunities is currently somewhat limited, and the “dwell time” of customers (the time they spend in the core area) appears to be relatively short. Stronger cross shopping opportunities allow for a more sustained retail experience, which is what shopping centers attempt to create through their tenant mix.

We feel that Downtown Corvallis' greatest competitive assets include:

- *The general demographic strength of Corvallis*
- *Good local access*
- *The Riverfront*



- *Architectural diversity and small building scale*
- *A wide range of permitted uses under the existing zone*
- *Relatively inexpensive inline space in older buildings*
- *Widespread public support for a vital Downtown, both from the community and political leaders*

The core area's most challenging weakness is its limited regional access and perceived shortage of parking. While our experience is that parking can almost always be found in the district within a block or two from any downtown destination, it is repeatedly mentioned in interviews as an issue. As a result, the perception that parking is a problem is something that needs to be overcome in successfully marketing the district. It should be noted that most successful examples of downtown commercial districts have parking issues.

The current mix of retail in the district reflects the very limited level of reported university-related support. The most viable strategy to increase retail sales and investment in the area would be driven by capturing a greater share of locally originating retail sales, including those generated by OSU.

Market demand in the area is adequate to support a larger retail concentration in the area. In order for Downtown Corvallis to increase its share of retail sales, the area will need to address competitive shortcomings vis-à-vis alternative retail concentrations. The following section addresses a general summary of Downtown Corvallis' retail format, challenges associated with redevelopment, and strategic recommendations to revitalize the area.

Main Street Commercial Format

The current tenant mix in Downtown Corvallis represents a typical sampling of what would be expected in a "main street retail" model, proximate to a major university. The main street retail model has remained viable in the current retail environment, although only in specific locations and for limited retail categories. Main streets are, by definition, fairly small areas because they serve nearby communities and are appropriate for a limited mix of tenants.

In general, these districts have a relatively high proportion of specialty-type retailing, with few anchor tenants. Restaurants, clubs and theaters often provide a destination function. Convenience retailing is dominated by food and sundries but also includes the gamut of personal services, such as dry cleaning and hair care. Specialty clothing boutiques, pet stores, florists, music and record stores, brewpubs, coffee shops, and bookstores are prevalent in these areas.

Successful main streets typically offer many, although not always all, of the following elements.

***Well-Situated** - A main street needs to be in a fairly central location in terms of nearby population and the demand for goods and services that they generate. A successful main street usually is located in an area which has a higher than average population density. Increased population densities in the immediate area would bolster local retail development. The daytime population, primarily locally employed persons, provides an important source of demand.*

***Mixed Use**- In contrast to more traditional shopping centers, main streets can offer a more disparate range of services. Although office uses are not dominant, many sole practitioners or small offices of lawyers, accountants, and doctors/dentists/chiropractors are located side-by-side with book stores, travel agents, restaurants, clothing retailers, and so on. Commonly, housing and retail are intertwined. Within the retail sector, main streets include a wide variety of storefronts, although particular neighborhoods may develop specialized shop clusters.*



Community Identity - Successful main street areas develop a sense of cohesiveness, which allows the individual property owners and retailers a larger market presence. The main street merchants and property owners must be motivated and involved in promoting the area, organizing public events, and restore local buildings. In addition to a community feel, some main street areas may develop a “specialization” such as fine dining, specialty clothing, or live music to differentiate the area to outsiders.

Design Considerations - Accommodating automobile traffic is one of the most critical elements in supporting commercial development, particularly in areas without substantial immediate densities. Attractive and convenient sidewalks and streetscape encourage a greater degree of cross shopping between businesses, as well as better defining the area as a commercial district. In addition, the development of an appealing streetscape can increase curb appeal for the area.

Public Sector Involvement - Both to create new main streets and to regenerate historic ones, some element of public involvement is often necessary. In the case of new, targeted main streets, the public sector may encourage development by providing park benches, landscaping, sidewalk trees, and traffic alterations. In the rehabilitation of older areas, public agencies may help with small business loans or historic rehabilitation grants to attract creative and entrepreneurial small businesses. To facilitate the re-use of existing older buildings (particularly in specific or designated main street areas), local authorities may expedite the permit review process for desirable projects or ease zoning laws to provide encouragement to mixed-use development.

Slow, “Organic” Development - A thriving, dense, mixed-use area cannot be created by government fiat. While a “lifestyle center” can create a faux urban environment almost instantaneously, redevelopment of authentic downtown commercial districts requires consistent direction and assistance. Property owners, developers and retailers will serve as the parties primarily responsible for increasing the vitality of the commercial core.

Redevelopment

Downtown Corvallis is largely developed, and reinvigorating the area will require a substantial level of redevelopment. While current uses may not represent what would be considered the highest and best use of a site from a public policy perspective, redevelopment is often not viable from a market perspective. Redevelopment requires several definable conditions to be viable, many of which are outlined in this section.

A ratio of improvement to land value is typically used to identify parcels with development or redevelopment potential. This ratio attempts to identify parcels in which the value of the improvement is relatively low relative to the value of the land. The following are some limitations of this type of analysis:

- Not all of the vacant parcels are being actively marketed, and a property owner’s decision to sell is not always predictable and can be based on personal as well as economic factors.
- Properties that appear to be underutilized often have a significant economic value in their current configuration, which is likely to be greater than the value of the land for redevelopment. Under these conditions, it would not be reasonable to assume redevelopment of the property from market forces.



One of the key variables to track in determining the viability of redevelopment is residual land value, or the value of land under alternative development programs. The following are conditions under which redevelopment is likely.

- The land value for the proposed development is greater than the sum of the land value and improvements under the current use;
- The return associated with improving a property yields rent premiums capable of amortizing the associated costs; or
- Depreciation of the improvements on a property has reached a point to which the improvement has no effective value.

The factors impacting the viability and/or probability of redevelopment in a specific area are numerous, making it difficult to generate a reliable delineation of sites for redevelopment. Key factors include:

- **Owner disposition.** This factor includes a broad range of variables, including the property owner's level of capitalization, investment objectives, risk sensitivity, availability and terms of credit, perception of return, etc.
- **Current lease structure.** The property's current lease structure and term may either preclude major improvements or reduce the potential for realizing a return on enhancements or improvements. An example of this is often found in retail leases, which have relatively long terms with extension options.
- **Leaseholder disposition.** The leaseholder's disposition is also a contributing factor to improvements, as the leaseholder's willingness to bear the burden of increased rents associated with improvements is critical. In addition to the current leaseholder, the general market for space and the disposition of potential lessees is also an important factor impacting the viability of improving a property.
- **Regulatory environment** – The ability to successfully complete an improvement also relies upon the local regulatory environment, including building and zoning code applications.

An example of successful redevelopment is the planned conversion of the old Copeland Lumber Building by the Benton County Historical Museum, which will house the Horner Collection. The most repeatedly cited redevelopment opportunity in the public outreach component of our work is the Whiteside Theater. While we find it unlikely that market forces alone will allow for a viable redevelopment of the site, its location is seen as critical in the downtown area, and entertainment venues have been identified as a key strategic need in the area.

Strategic Recommendations

Downtown Corvallis' primary focus should be attracting and retaining the business of local residents and students –both through diversification of existing retailers and efforts to differentiate itself from neighboring retail areas. Several factors are seen as critical in improving the commercial environment in Downtown Corvallis. These include the following:

- **Tenant Mix** – The core area needs to widen the variety of offerings to increase its draw. The most commonly cited tenant type desired in our public outreach is women's apparel, which is consistent with the findings of our demographically-driven demand analysis. There was also significant residual demand found for men's apparel and general merchandise stores. Selected support was also indicated for eating/drinking establishments. In general,



Downtown Corvallis has the potential to attract a greater share of locally-originating retail sales, supporting a range of retailers.

- Public Space Improvements – Improved amenities in the shared public realm, between the curb and the shop windows. Public space amenities create a more attractive environment for customers, as well as reinforcing a sense of place (examples include lighting, benches and paving). Consistent signage would also clarify circulation and parking options.
- Increased Residential Development - The core area has a limited residential population in the neighborhoods which immediately surround it. Local residential development can both increase support for services as well as provide for extended district vitality and an increased sense of safety.
- “Anchoring” the District - Much like a retail center, the downtown core area needs to develop and enhance its “anchors”, or retailers with the greatest draw. In the case of Downtown Corvallis, we feel an emphasis on a more compact commercial district would allow for greater success and cross shopping. The current downtown area, including about 34 blocks, is quite large for a town the size of Corvallis, diluting the concentration of retail services. A strong concentration of specialty retailers along 1st and 2nd, near Madison, is an area seen as most likely to assume that role.
- Increase the Clarity of Parking Options – While the City has made efforts to address this issue, a perception of parking difficulty downtown remains an issue that needs to be addressed.

Carrying out a revitalization strategy is an involved process. Since neither the public nor private sector holds all of the keys to success, collaboration and coordination of efforts are essential to realize area improvement. Measured improvements occurring on many fronts within the scheme of an overall revitalization program are fundamental to gathering the momentum needed to move this effort forward.

The primary retailing goal for Downtown Corvallis is to enhance its competitive position vis-à-vis alternative retail concentrations. In light of the current leakage demonstrated from the primary trade area, there is substantial support for retail improvement. Striving to produce and reinforce a unique retailing and service environment for Downtown Corvallis requires continued attention to repeating the theme of a convenient and attractive district. Attractive and creative storefront presentation is an important ingredient to reinforcing these themes. Encouraging the merchant community to carry forth with these themes in their storefront presentations, merchandising and advertising is a continuing requirement. Lacking the central management control of a commercial shopping center, Downtown Corvallis’ mix of multiple-ownership and independent merchants suggests an incremental strategy with a proactive merchants association using persuasion and incentive to advance retailing in the area.

Support for existing retailers and businesses currently active in Downtown Corvallis should be seen as the first priority of any revitalization strategy. The following are a number of areas in which municipalities and agencies such as the DCA can provide support:

ENHANCE ENVIRONMENT/ESTABLISH DISTRICT

- *Street and pavement enhancements*
- *Signage* – Common signage standards and district identifiers.



- *Storefront improvement* – The DCA and/or the City should offer a storefront improvement program, which is available and marketed within the district.
- *Design assistance* – Design assistance should be provided for property owners and retailers evaluating renovations or new construction. This assistance could address improved storefronts, signs, windows, door types, approved siding materials, masonry repair, replacement or highlighting of trim, cornices and other architectural details and the selection of appropriate colors.

JOINT MARKETING

Downtown Corvallis competes in the greater Corvallis area as well as the broader Mid-Willamette Valley, with alternative retail districts as well as shopping centers. Successful districts establish a clear identity, and offer amenities similar to those found at competing concentrations. These include shared and convenient parking, common area amenities and a complementary tenant mix.

- *A strategy should be developed for re tenanting buildings when turnover occurs*
- *Establish common hours of operation comparable to competing shopping districts*
- *Strengthen support for local merchant's association*
- *Targeted marketing of established clusters, such as restaurants and bookstores*
- *Encourage efforts aimed at cooperative advertising and marketing*
- *Target investors and/or developers that may have an interest in the Corvallis area*

OTHER SUPPORT

- Technical assistance on marketing, merchandising and similar activities

SUPPORT TO PROPERTY OWNERS

While tenants remain important, property owners will largely drive development and redevelopment in the Core area. The City and/or a group such as the DCA can support these property owners by increasing market knowledge, as well as providing tangible assistance to support development and redevelopment.

- *Targeted market analysis* – The City can provide technical assistance to property owners evaluating new investments. This can include support from structural, architectural, market and other specialties. Providing property owners and merchants with preliminary design and market assistance can lead to higher quality development.
- *Investor Targeting* – Provide an annual forum to educate investors and developers in the Willamette Valley regarding opportunities in Corvallis.
- *Facade improvement* – A Façade Improvement Matching Grant Program can provide incentive for improvements that benefit the entire district.
- *Recruit of “catalyst” businesses* – The City or DCA can actively recruit retailers or other businesses to the area, and match those with available space or development opportunities. For many retail forms, such as women’s apparel, cross shopping is desired by the retailer as well as the consumer. An increased concentration of outlets with similar product lines can increase the draw of the entire district. This is why women’s apparel retailers pay a premium to be next to a Nordstrom in a regional mall.
- *Design Assistance* – Provide design assistance to property or business owners looking to improve their properties or street presence.



Potential Tenants

As mentioned previously, our statistical analysis as well as the public outreach revealed strong support for specific tenant types, most notably women's apparel. While there are a number of strong locally-owned operations in town, the demographics of the area are supportive of attracting a national brand or two, which we would expect would bolster the marketability of the downtown area. A national brand tenant is likely to have more success attracting the student population in particular, as their transient nature makes branding more effective.

Individual tenant locations are driven by a number of factors, but location decisions are primarily made by real estate professionals given relatively straightforward guidelines. These tend to correspond to a combination of demographics, transportation infrastructure, location type and co-located retailers. The following are examples of some selected site location criteria:

- Demographics - Retailers such as Roots Canada look for a population of 100,000 within the relevant trade area, while Chico's looks for 150,000 persons within a five mile radius. Retailers such as Chico's and Talbot's place an emphasis on the college educated population.
- Location Type – There are a number of national retailers that actively seek downtown locations, and are of a scale consistent with maintaining a downtown character.
- Co-Location Preferences - Ann Taylor likes to locate in proximity to other branded upscale retailers, and sees the combination as working towards expanding the market pull of both retailers. Gap, Inc. looks for nearby fashion-oriented upscale retail when choosing sites.

The following matrix summarizes a number of national women's apparel tenants, including their space needs as well as location preferences. While women's apparel does not represent the totality of supportable uses, it does represent a key opportunity area. Each of these retailers is actively seeking locations in the State of Oregon, and would locate in a downtown location. A number of retailers are under common ownership, and it is not uncommon for a single group such as Gap, Inc. to create their own retail cluster using alternative brands.



FIGURE 24: SELECTED WOMEN’S APPAREL RETAILERS

Retailer Nam/Concept	Preferred GLA (Sq. Ft.)	Locations Considered	Customer Base	Planned New Units (2005)	Preferred Co-Tenants	Comments
Gap Inc.						
Gap/Full Concept	16,800	Airport/transportation center, community strip center, downtown/central business district, enclosed regional mall, freestanding, lifestyle center	High, mid income, adult, child, teen	125	Fashion-oriented, outlet, upscale	Gap Inc. plans to launch an as yet unnamed new chain at women over 35, with ten new stores in 2005.
Gap/Gap Body	10,300					
Gap/Gap Kids	11,250					
Gap Kids/Baby Gap	6,500					
Gap/Adult	7,500					
Gap Body	2,800					
GapKids	3,750					
Baby Gap	2,750					
Banana Republic	4,500-15,000					
Old Navy	11,000-40,000					
Abercrombie & Fitch	8,000-10,000	Downtown/central business district, enclosed regional mall, outlet center, freestanding	Adult, Child, Teen	NA	Upscale	Hollister & Co. and Ruehl
American Eagle Outfitters	5,500-8,500	Downtown/central business district, enclosed regional mall, lifestyle center	Mid income adult, teen	60	Fashion Oriented	NA
AnnTaylor Stores						
AnnTaylor	5,000-6,000	Community Strip Center, downtown/central	Female	NA	Upscale	NA
AnnTaylorLoft	5,000-6,000					
Chicos FAS						
Chico's	2,500-3,500	Downtown/central business district, regional mall, freestanding, lifestyle center, neighborhood strip center, outlet center	High, mid income, adult female, college educated	80	Entertainment, Fashion Oriented, Upscale	Look for 150,000 persons within a five mile radius
Soma by Chicago	3,000-4,000					
White House/Black Market	1,500-2,500					
Eddie Bauer Inc.	5,000	Community Strip, downtown/central business district, regional mall, outlet center, power center	High income, adult	15	Upscale	Look for 250,000 in 10 mile radius
The J. Jill Group	4,200	Downtown/central business district, regional mall, lifestyle center	Adult female	NA	Upscale	NA
Roots Canada Limited	3,000	Downtown/central business district, outlet center, power center	High, mid income adult, child, teen	NA	All	Want 100,000 in trade area
Talbots, Inc.	3,700-5,000	Community Strip, downtown/central business district, regional mall, freestanding, neighborhood strip	High income adult, senior, college educated professionals	50	Fashion oriented, upscale	Company strongly prefers downtown locations in upscale neighborhoods
Urban Outfitters, Inc.						
Anthropologie	9,000-15,000	Downtown/central business district, regional mall, freestanding, lifestyle center, pad site/outparcel	High, mid income adult, teen, female	16-20	NA	NA
Free People						
Urban Outfitters, Inc.						

Under the criteria of many of these retailers, the population density of Corvallis would be too small to make the cut. These factors can be overcome through effective marketing of the site, but the area would definitely be considered a “story” project. When a site does not meet baseline criteria for consideration, it may still prove to be a compelling site in light of other factors. In Corvallis’ case, these can include the relatively affluent demographics of the area and the relatively high student population.

The primary problem with a “story” site is that the real estate professional that acquires sites for the retailer is more likely to take a path of less resistance if one is available. Persons in these positions are evaluated on the basis of store success, and are aggressively shopped by alternative locations. As a result, the story needs to be compelling as well as intuitively easy to understand.

Action Plan

The issues associated with revitalizing a downtown district are extremely complicated, but we feel a relatively simple action plan is needed to direct and coordinate future actions. The following is a broad list of general goals we see for the district, as well as action steps that can be taken to further these goals:



Goal	Task	Comments
Detailed Revitalization Study		
	Establish Vision, Goals and Objectives	Clarify the community's vision and objectives for the downtown area
	Identify Projects	Identify strategic projects for further evaluation
	Implementation	Identify funding mechanisms available
Redevelopment/Reinvestment		
	Identify Opportunities	Identify specific redevelopment projects and/or opportunities for private and/or public investment, such as the Whiteside Theater
Improve Physical Infrastructure		
	Urban Design Plan	Prepare an urban design plan for the district
	Signage/Wayfinding Study	Fund study and then recommended actions
	Street and Pavement enhancements	Ongoing funding for design and construction of improved streetscape
Support Local Businesses		
	Financial support	Storefront improvement and/or design grants or matching funds
	Joint marketing efforts	
Support Local Property Owners		
	Provide technical support for redevelopment/investment	Provide market information and design support
	Financial support	Storefront improvement and/or design grants or matching funds
	Active recruitment of targeted tenants	Assist property owners in attracting tenants
Encourage Residential Development		
	Prepare a Housing Plan	Establish downtown housing goals as well as tools available to encourage desired residential development

The implementing entity for these goals is likely a combination of the City as well as groups such as the Downtown Corvallis Association. In summary, clear goals need to be set, funding mechanisms established in support of those goals, and then work done on an ongoing basis to realize the goals.



EXHIBIT 1

DOWNTOWN CORVALLIS TRANSPORTATION LINKS





EXHIBIT 2

DOWNTOWN CORVALLIS MARKET AREA DEVELOPMENT & ACTIVITY

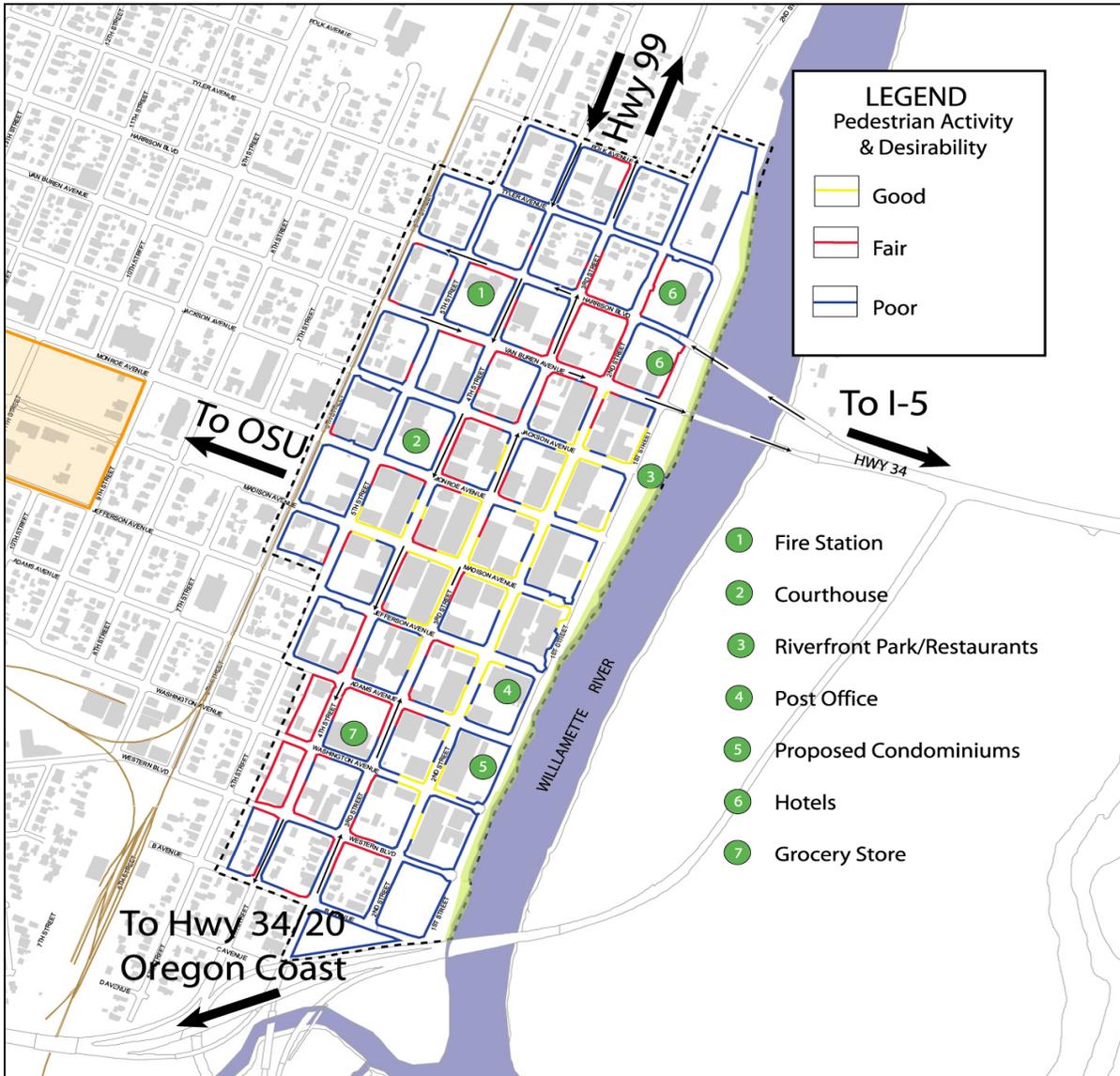




EXHIBIT 3

DOWNTOWN CORVALLIS PARKING & LOW IMPROVEMENT VALUE PROPERTIES

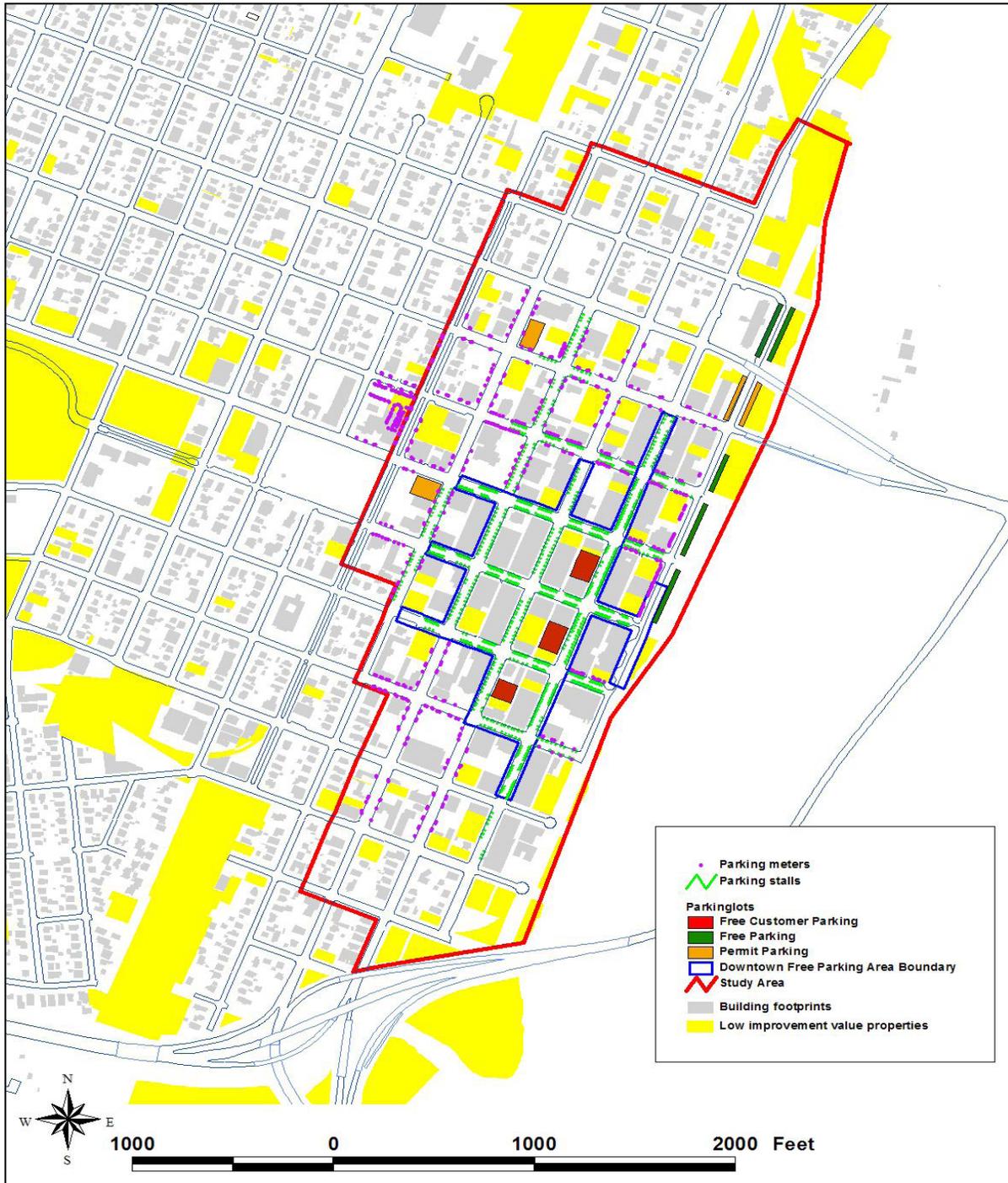
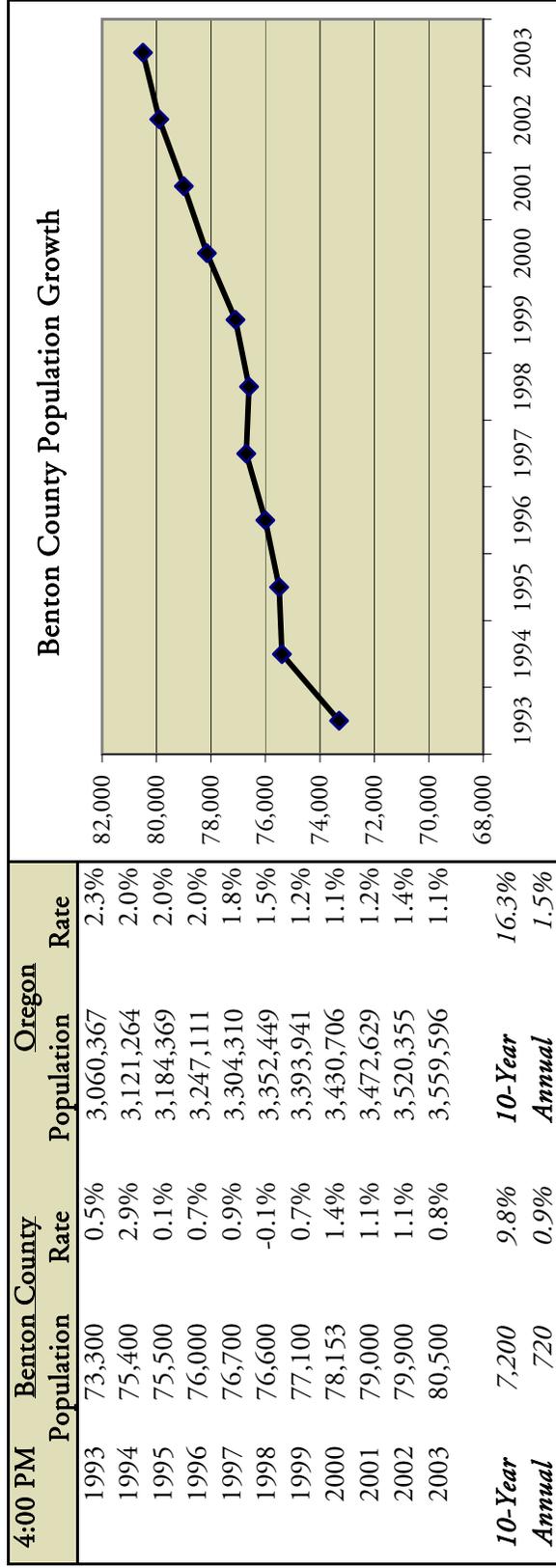


EXHIBIT 4

BENTON COUNTY AND OREGON POPULATION GROWTH COMPARISON: 1990 TO 2003

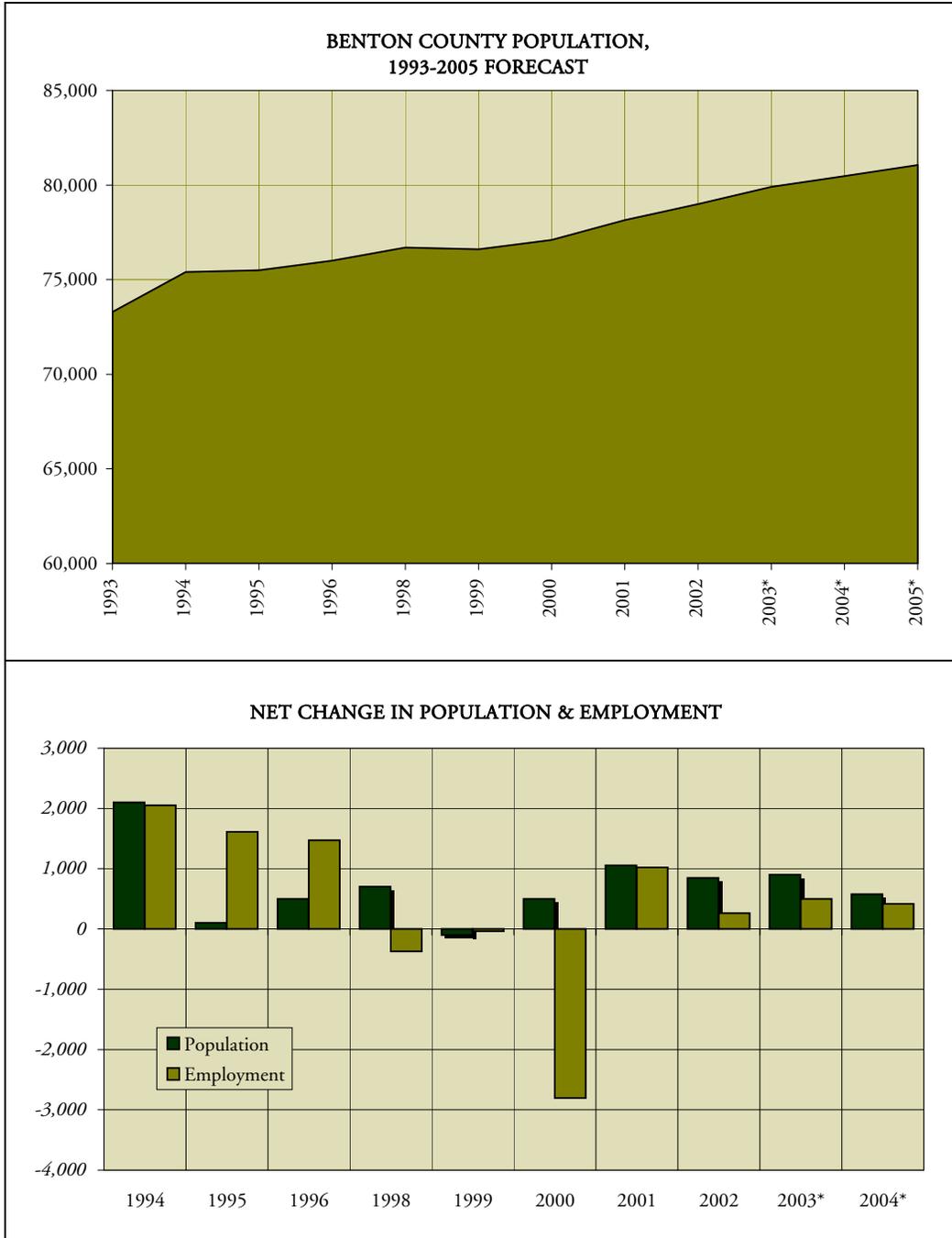


SOURCE: U.S. Census Bureau and Portland State University Center for Population Research



EXHIBIT 5

HISTORICAL POPULATION GROWTH
CORVALLIS MSA

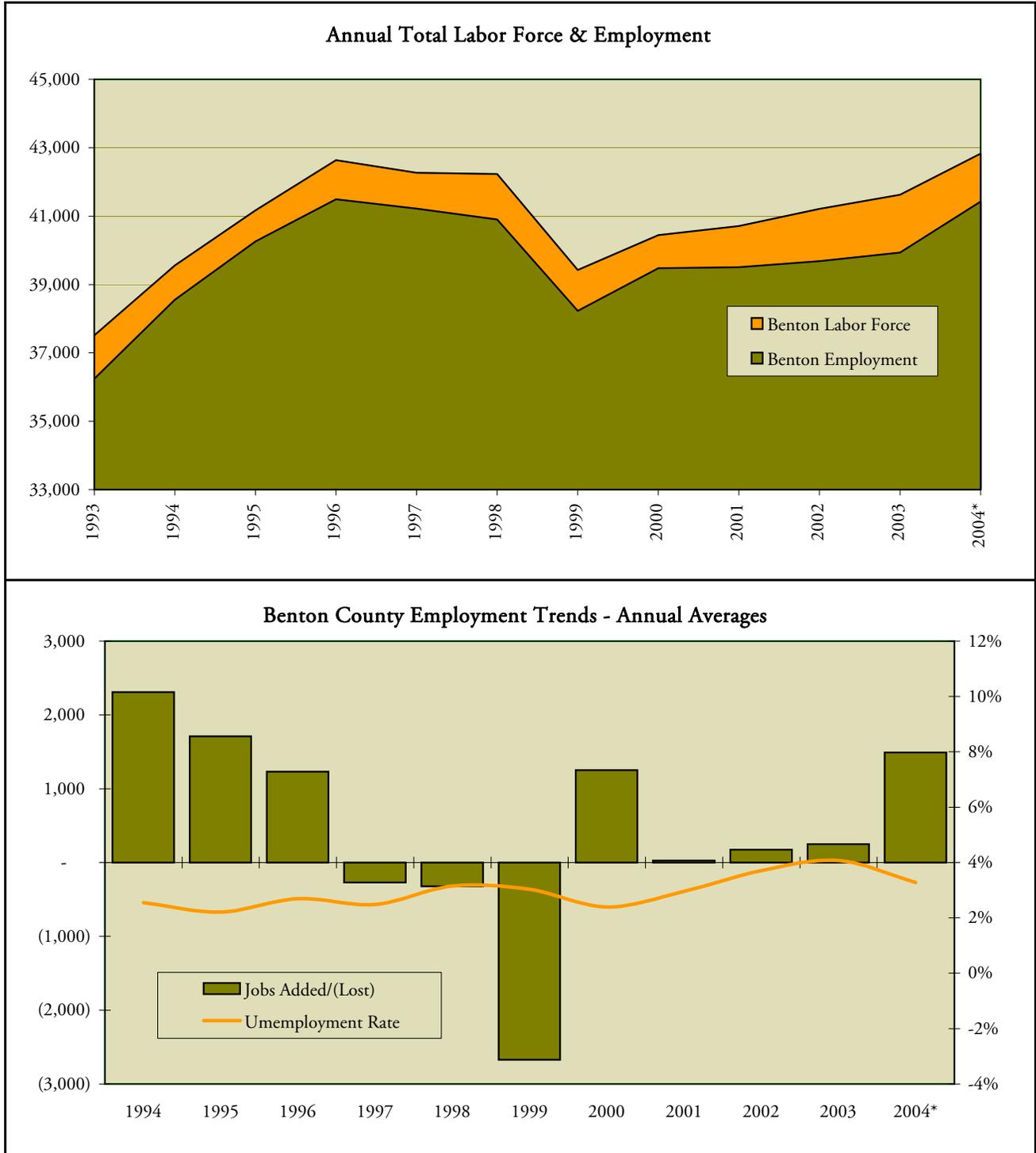


SOURCE: US Census Bureau, Oregon Employment Department and Johnson Gardner, LLC



EXHIBIT 6

GENERAL EMPLOYMENT TRENDS CORVALLIS MSA 1990 - 2004 YTD



* 2004 Year-to-Date

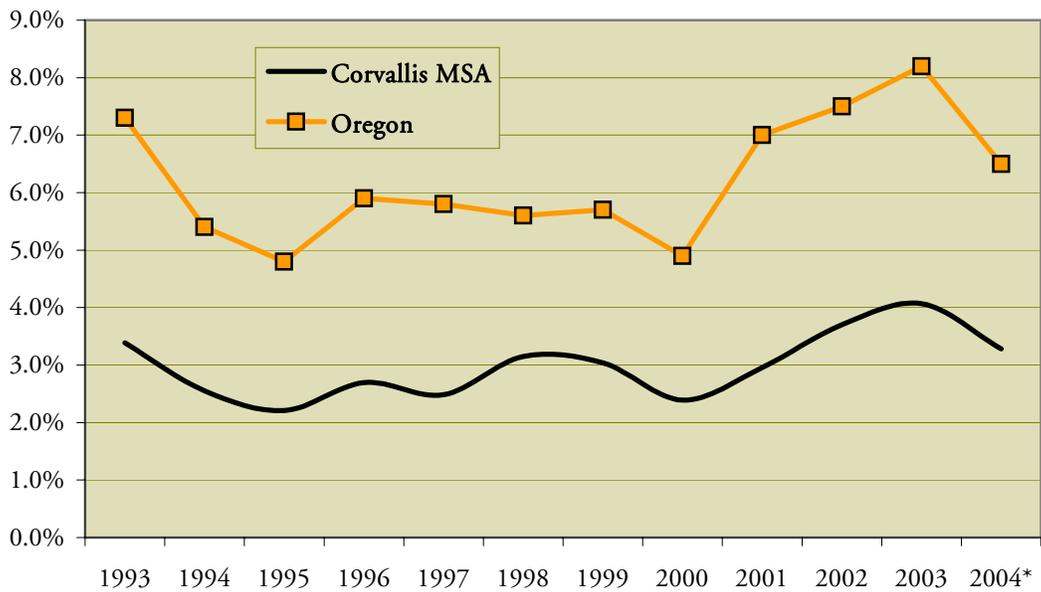


EXHIBIT 7

UNEMPLOYMENT RATE COMPARISON CORVALLIS MSA & STATE OF OREGON

Year	Corvallis MSA	Oregon	U.S.
1993	3.4%	7.3%	6.9%
1994	2.6%	5.4%	6.1%
1995	2.2%	4.8%	5.6%
1996	2.7%	5.9%	5.4%
1997	2.5%	5.8%	4.9%
1998	3.1%	5.6%	4.5%
1999	3.0%	5.7%	4.2%
2000	2.4%	4.9%	4.0%
2001	3.0%	7.0%	5.4%
2002	3.7%	7.5%	5.8%
2003	4.1%	8.2%	6.0%
2004*	3.3%	6.5%	5.1%

UNEMPLOYMENT RATE: 1991 - 2004



* December 2004 rate--annualized data not yet available

Source: Bureau of Labor Statistics and Johnson Gardner



EXHIBIT 8

CORVALLIS MSA EMPLOYMENT BY INDUSTRY 2003-2004

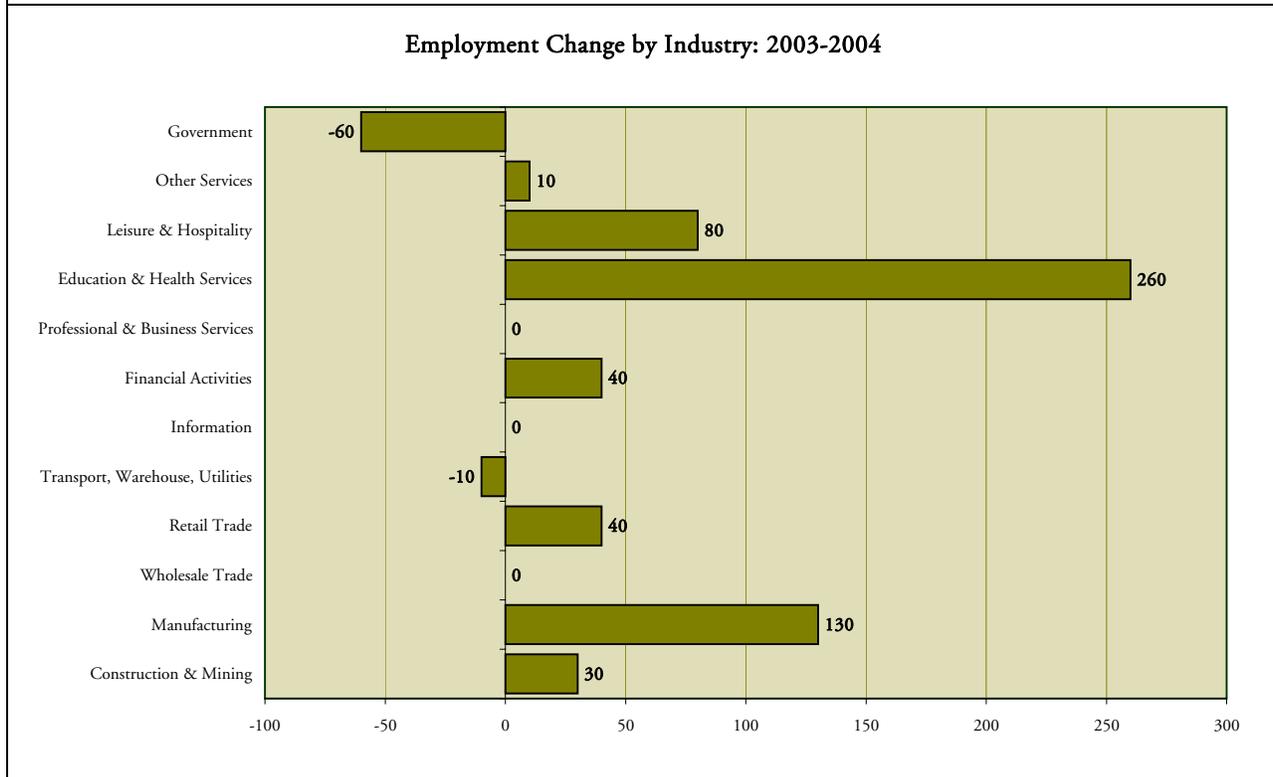
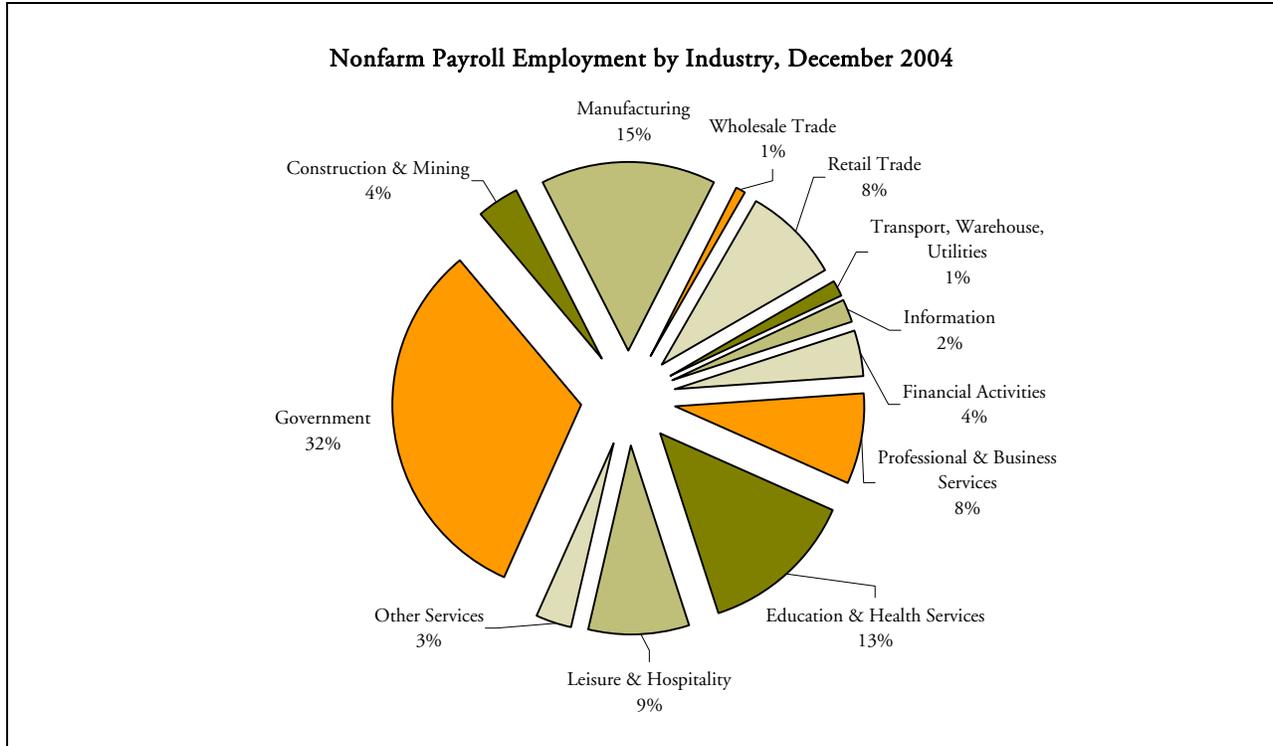
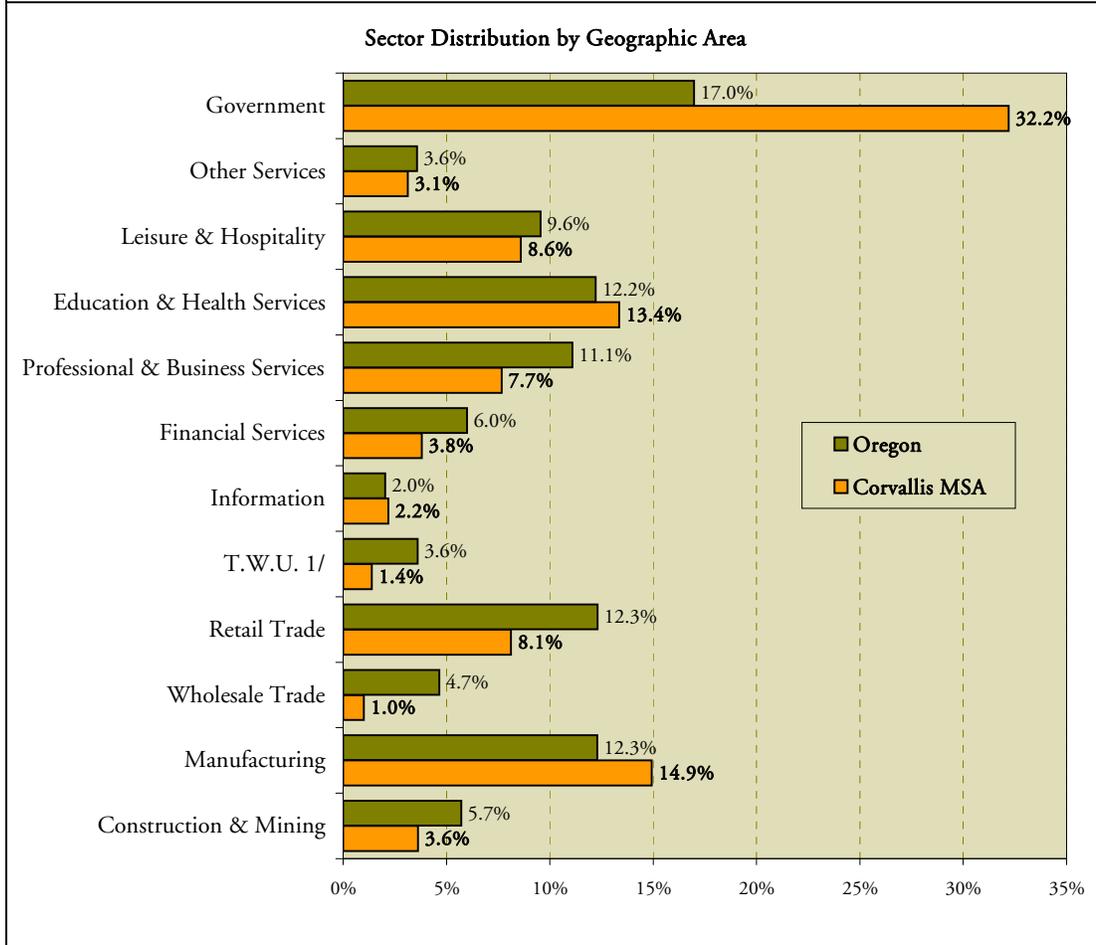




EXHIBIT 9

COMPARATIVE SECTOR EMPLOYMENT
CORVALLIS MSA & STATE OF OREGON

Employment Sector	Corvallis MSA		Oregon	
	Dec. 2004	%	Dec. 2004	%
Construction & Mining	1,380	3.6%	93,000	5.7%
Manufacturing	5,680	14.9%	200,200	12.3%
Wholesale Trade	380	1.0%	75,800	4.7%
Retail Trade	3,090	8.1%	200,400	12.3%
T.W.U. 1/	530	1.4%	58,700	3.6%
Information	830	2.2%	33,000	2.0%
Financial Services	1,450	3.8%	97,600	6.0%
Professional & Business Services	2,920	7.7%	180,500	11.1%
Education & Health Services	5,080	13.4%	199,000	12.2%
Leisure & Hospitality	3,270	8.6%	155,600	9.6%
Other Services	1,190	3.1%	58,100	3.6%
Government	12,250	32.2%	276,500	17.0%



1/ Transportation, Warehousing & Utilities

* Does not reflect full due to

SOURCE: Oregon Employment Department

EXHIBIT 10

PROJECTED EMPLOYMENT GROWTH BY INDUSTRIAL SECTOR
CORVALLIS MSA
2005-2012

	Employment		Change	2005-2012		Avg. Rate
	2005	2012		% Change		
Construction & Mining	1,396	1,500	103	7.4%	1.2%	
Manufacturing	5,675	5,648	-27	-0.5%	-0.1%	
Wholesale Trade	384	408	24	6.3%	1.0%	
Retail Trade	3,127	3,358	231	7.4%	1.2%	
Transport, Warehouse, Utilities	535	569	34	6.3%	1.0%	
Information	840	902	62	7.4%	1.2%	
Financial Activities	1,467	1,577	109	7.4%	1.2%	
Professional & Business Services	2,978	3,354	376	12.6%	2.0%	
Education & Health Services	5,165	5,704	539	10.4%	1.7%	
Leisure & Hospitality	3,295	3,451	156	4.7%	0.8%	
Other Services	1,208	1,324	116	9.6%	1.5%	
Government	12,322	12,760	438	3.6%	0.6%	
Total	38,394	40,555	2,161	5.6%	0.8%	

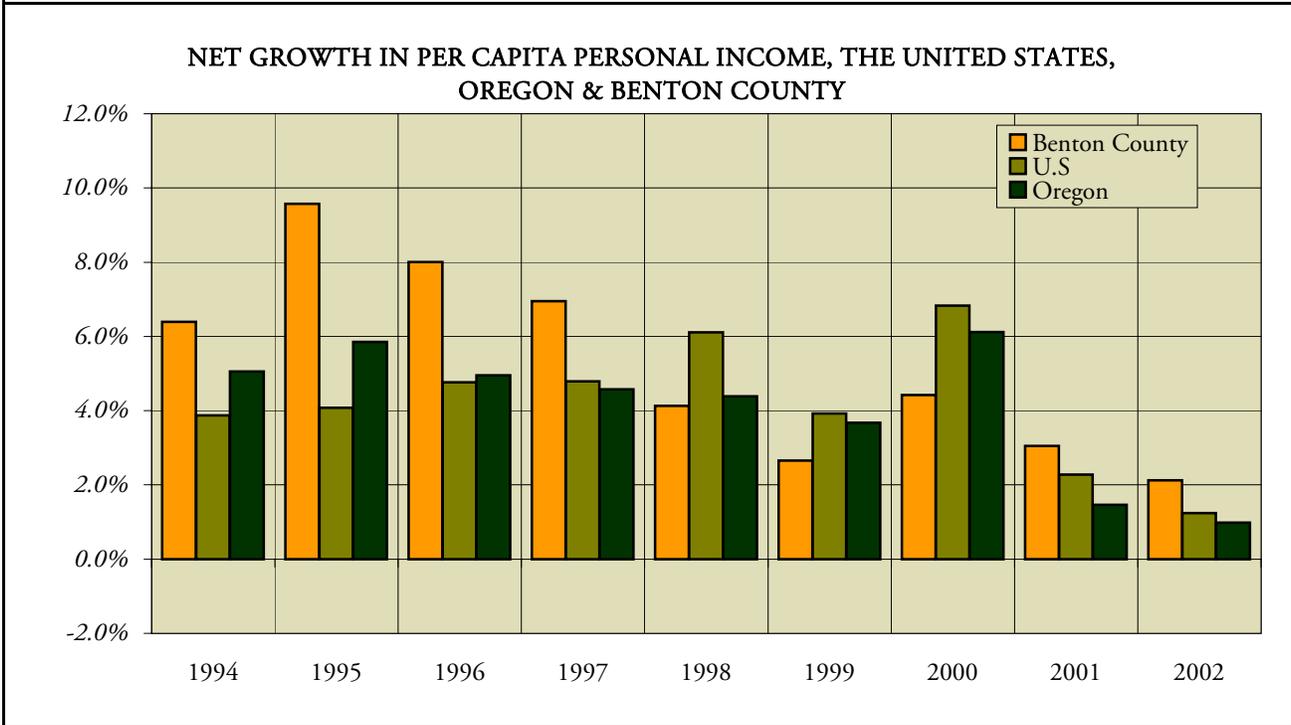
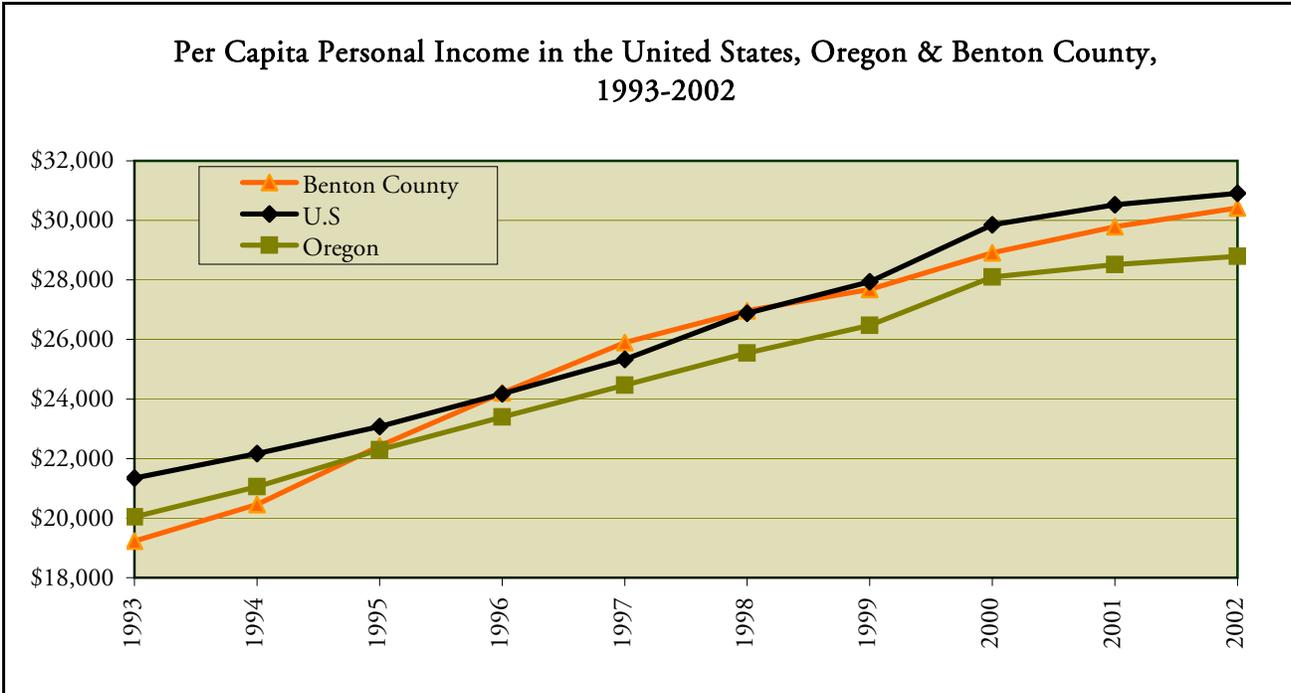
SOURCE: Oregon Employment Department & Johnson Gardner, LLC





EXHIBIT 11

INCOME TRENDS IN BENTON COUNTY, OREGON 1993 - 2002



SOURCE: Oregon Employment Department and Johnson Gardner



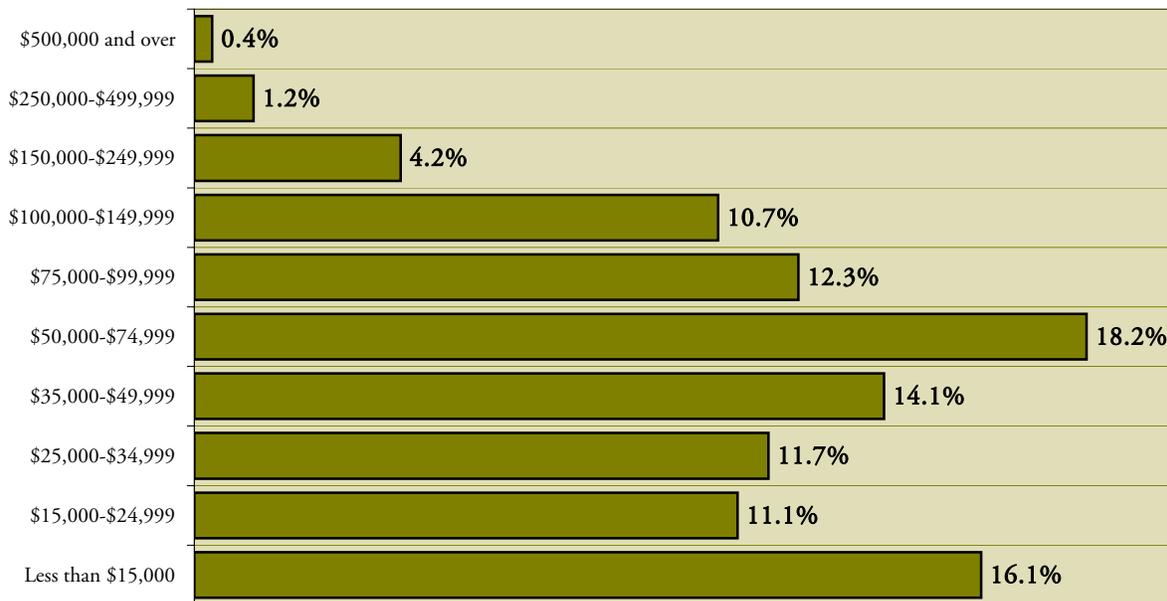
EXHIBIT 12

DEMOGRAPHIC PROFILE FULL-TIME RESIDENTS CORVALLIS MSA

Household Trends	2000 (Census)	2004 (Est.)	Growth Rate 00-04	2009 (Proj.)	Growth Rate 04-09
Population	78,153	80,361	0.7%	83,052	0.7%
Households	30,145	31,383	1.0%	32,913	1.0%
Families	18,244	18,869	0.8%	19,626	0.8%
Housing Units	31,980	33,288	1.0%	34,910	1.0%
Household Size	2.43	2.42		2.41	

Income Trends	2000 (Census)	2004 (Est.)	Growth Rate 00-04	2009 (Proj.)	Growth Rate 04-09
Per Capita (\$)	\$21,868	\$24,769	3.2%	\$28,779	3.0%
Average HH (\$)	\$56,694	\$63,425	2.8%	\$72,620	2.7%

Distribution of Households by Income (2004 Estimate)



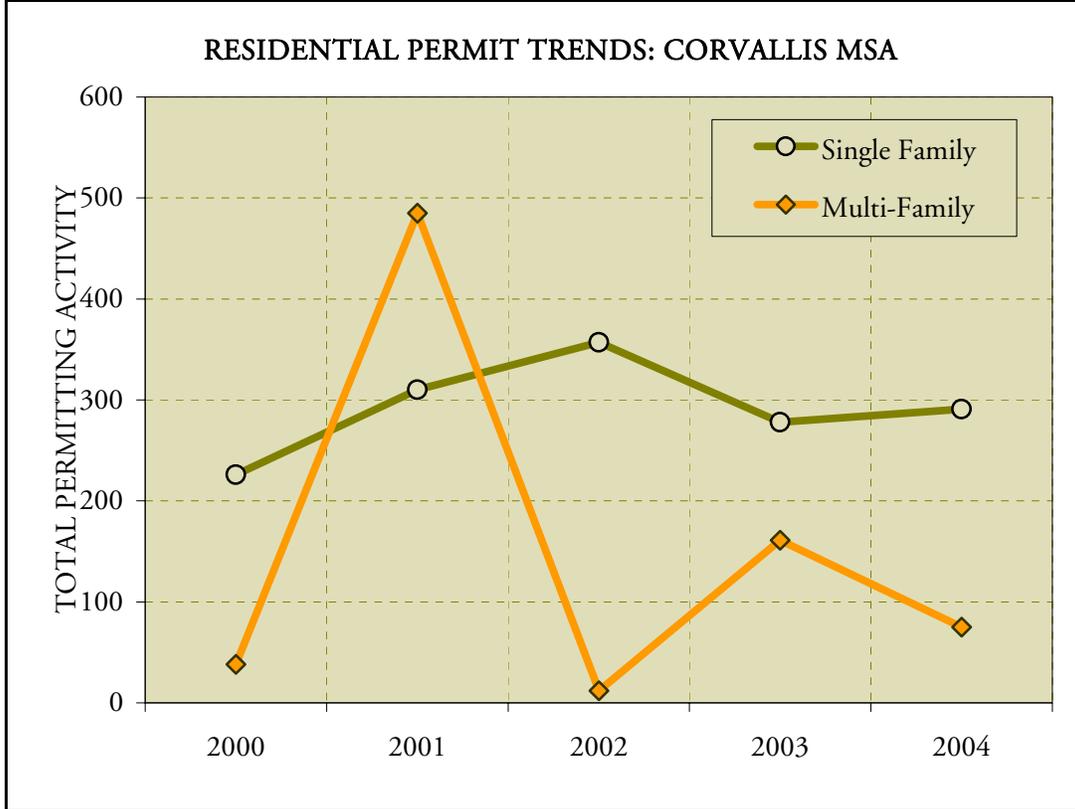
SOURCE: Claritas & Johnson Gardner, LLC



EXHIBIT 13

RESIDENTIAL PERMITS ISSUED BY YEAR CORVALLIS MSA 1994 - 2004

Permit Type	Year				
	2000	2001	2002	2003	2004
Multi-family	38	485	12	161	75
Single-family	226	310	357	278	291
Total	264	795	369	439	366



SOURCE: U.S. Census Bureau & Johnson Gardner



EXHIBIT 14

CORVALLIS OFFICE COMPLEX SURVEY
MARCH 2005

Complex	Design	Rate	Size (SF)	Vacant Supply (SF)	% Vacant	Parking
Conifer Plaza 2981 NW 9th Street	2 story; built 1998	\$1.35 - \$1.50 Gross	4,611	1,000	21.69%	3.7: 1,000 sf
Walnut Plaza 400 NW Walnut Blvd	single level	\$1.25 NNN	7,500	0	0.00%	
Avery Square 815 NW 9th Street	2 story; remodeled 1995	\$1.25 - \$1.40 Gross	71,195 (note 3)	2,779	3.90%	3.8:1,000 sf
Cannery Mall 777 NW 9th Street	Mixed use project built 2001	\$1.30 - \$1.40 NNN	13,067 (Note 1)	3,120	23.88%	3.3:1,000 sf
University Plaza 1600 SW Western Blvd	3 story near OSU remodeled 1997	\$1.40 - \$1.50 Full Service	41,953	975	2.32%	
Grant Professional Cntr 873-899 NW Grant Ave		\$.75 - \$.90 Gross	23,144	0	0.00%	
Grant Plaza 915 NW Grant		\$.80 - \$1.00 Gross	11,715	4,928	42.07%	
Jefferson Place 305 SW 4th Street	Downtown w/ parking remodeled 2000		11,750	0	0.00%	
Executive Building 651-655 Jackson	Downtown Fringe on-site parking	\$1.00 - \$1.10 Gross	3,756	0	0.00%	3.2:1,000 sf
Harrison Place 455 NW Harrison	Downtown w/ parking Built 1999-2000	\$1.40 - \$1.65 NNN	12,350	0	0.00%	2.5:1,000 sf
Intellex Building 4575 SW Reasearch Way	High-Tech style in CVO business park	\$.95 - \$1.15 NNN	104,080	13,560	13.03%	
Rivergreen Office Park 1122 NW 2nd Street		\$1.75 - \$2.00 Full Service	21,944 (note 2)	0	0.00%	
Kings & Grant Proff. Cntr 2045 NW Grant	Single story Campus style	\$1.05 - \$1.25 Gross	12,478	960	7.69%	
Van Buren Building 560-582 NW Van Buren	2 story downtown on site parking	\$1.10 Gross	5,500	1,400	25.45%	
Bowlby Building 310 NW 5th Street	3 story, downrown on site parking	\$1.00 - \$1.15 Full Service	7,956	0	0.00%	
4th and Madison Bld 400 SW 4th Street	Remodeled 2003 Downtown, parking OS	\$1.25 - \$1.40 NNN	5,800	0	0.00%	
Pioneer Plaza 305 SW C Ave	On site parking Apartments on 2nd flr		5,000	0	0.00%	
Kings Crossing Kings & Walnut Blvd	New Class "A"	\$1.50 NNN	13,076	4,000.0	30.59%	Shared
Total/Average		\$0.75-\$2.00 Gross/NNN	376,875	32,722	8.68%	3.3/1,000 s.f.

Note 1: Size is only 3rd floor office-total center is 50,150 sf

Note 2: Site allows for an additional 23,000 sf building to be built

Note 3: Office portion only-15,850 additional sf is retail (total= 87,045sf)



EXHIBIT 15

CORVALLIS RETAIL SPACE SURVEY
MARCH 2005

Center	Design	Rate	Size (SF)	Vacant Supply (SF)	% Vacant	Parking
Northgate SC 9th and Beca	Neighborhood; 1957 YB Grocery Anchor		34,222	0	0.00%	
Circle Center 919-935 NW Circle	Strip Center; 1980 YB	\$.90 - 1.10	18,667	2,560	13.71%	3.4:1,000 sf
Plaza 9 Center 1813-1895 NW 9th St	Strip Center; 1977 YB	\$.85 - \$1.20	31,650	900	2.84%	6:1,000 sf
In-Line Center 2065 NW Buchanan	Strip Center; 1940 YB		11,525	1,500	13.02%	
Kings/Circle SC 1805-2025 NW Circle	Neighborhood; 1963 YB Grocery Anchor	\$.75 - 1.50	68,194	5,825	8.54%	4.9:1,000 sf
Kings Shopping Ctr 900-928 NW Kings	Neighborhood; 1959 YB Kinkos, Creative Craft		38,600	0	0.00%	
Timberhill Shopping Ctr Kings and Walnut	Community; 1988-90 Winco Anchor	\$.92 - 1.65	123,791	0	0.00%	5:1,000 sf
Sunset Shopping Ctr Hwy 20/34 @ SW 53rd	Community; 1999 YB Grocery, Bi-Mart Anchor	\$1.15 - 1.67	152,690	27,026 <i>(Note 1)</i>	17.70%	5:1,000 sf
Cannery Shopping Ctr NW 9th Street	Specialty; 2001 YB Borders Anchor	\$1.15 - 1.25	37,088 <i>(Note 2)</i>	7,653 <i>(Note 1)</i>	20.63%	3.3:1,000 sf
Woodstocks Plaza 935-1045 NW Kings Blvd	Neighborhood strip 1995 YB		18,077	0	0.00%	
Payless Center 922-956 NW Circle Blvd	Neighborhood Payless & Grocer Anchor		137,708	3,388	2.46%	
Cobblestone Square 1425 NW Monroe	Boutique Mall near OSU 2 levels		14,000	0	0.00%	
Monroe Center 2455-2479 NW Monroe	Strip Center; Across OSU Subway; Dominos; etc	\$.90 - 1.30	5,600	0.00	0.00%	3.6:1,000 sf
NE Circle- Strip NE Circle Blvd	Neighborhood; B-Buster Near K-Mart & Safeway		11,100	4,000	36.04%	
Avery Square 815 NW 9th Street	Mixed use-Baja Fresh in free standing bld	\$1.00 - 2.00	15,950 <i>(note 1 & 3)</i>	6,571	41.20%	3.8:1,000 sf
			\$0.75-\$2.00	718,862	59,423	8.27%

Note 1: These projects are in their lease-up phase.

Note 2: Size excludes 13,067 SF of professional office space.

Note 3: Excludes 71,195 sf of office space-total project=87,145sf



EXHIBIT 16

SURVEY OF OFFICE COMPLEXES
CORVALLIS, OREGON

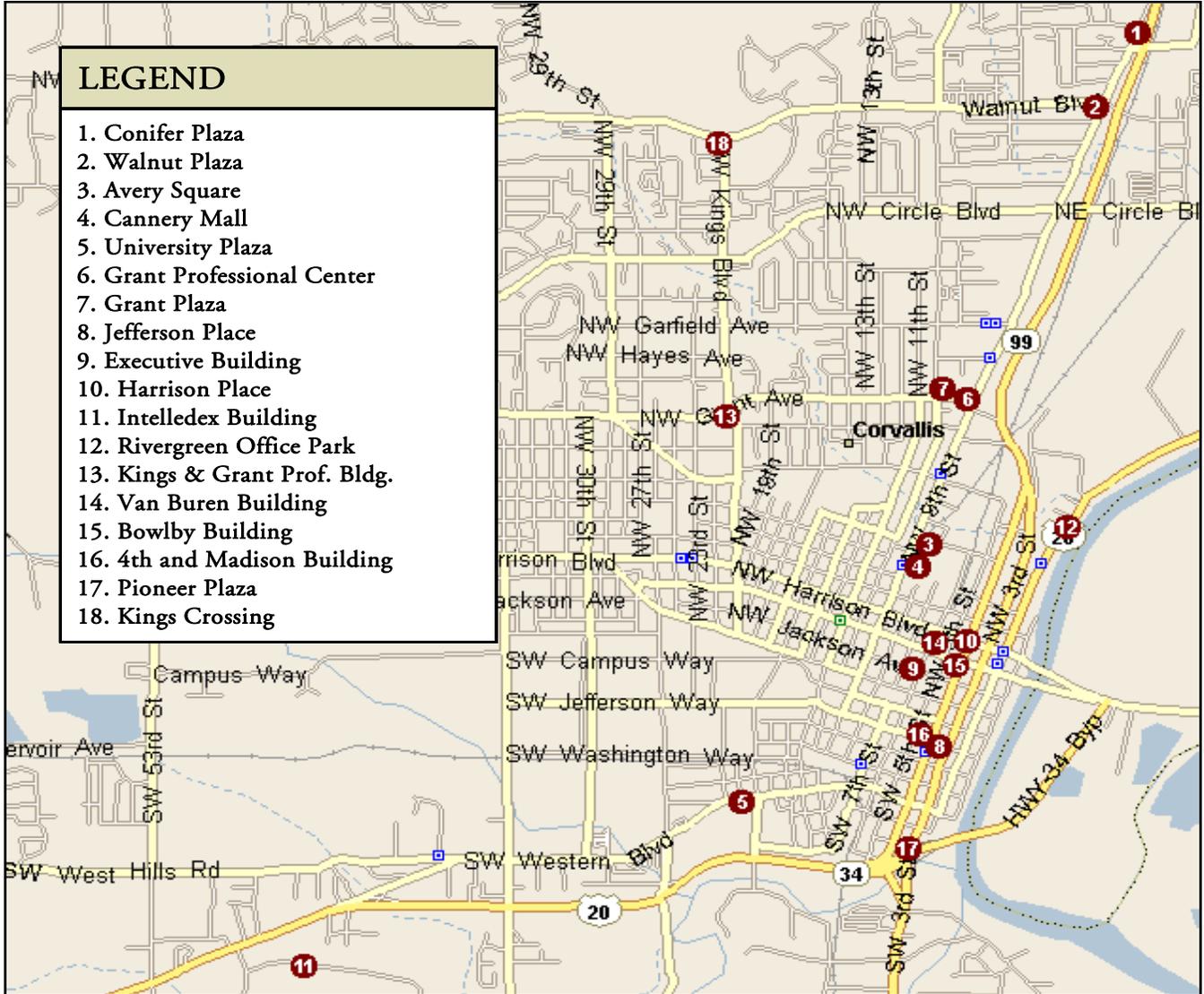




EXHIBIT 17

SURVEY OF SHOPPING AND RETAIL CENTERS
CORVALLIS, OREGON

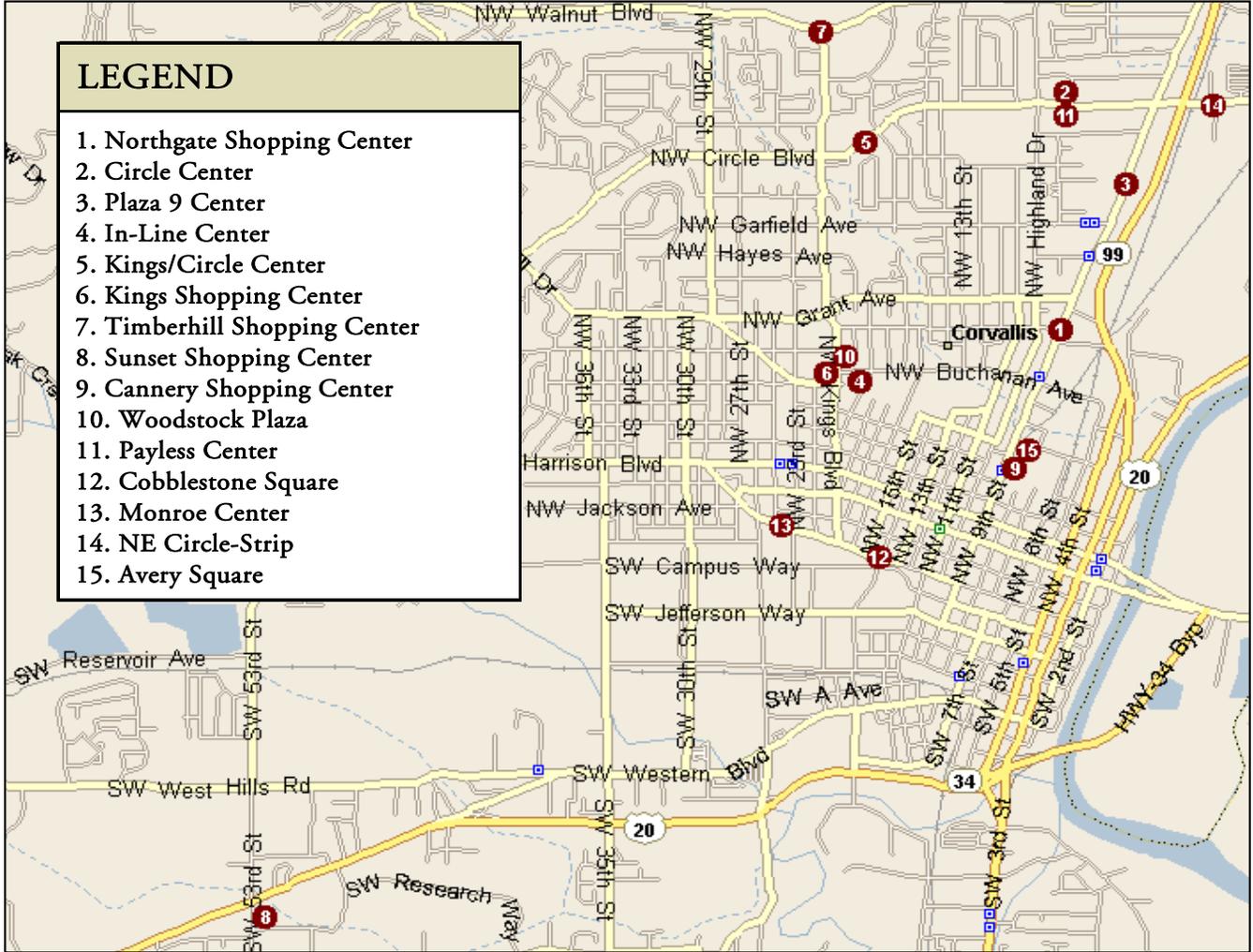


EXHIBIT 18

SUPPORTABLE RETAIL SQUARE FOOTAGE
CORVALLIS MSA

SIC Code	Category	2004				Supportable Square Feet	% of Supportable Space
		Per Capita Expenditure	Total Expenditure	Sales Support Factor	Supportable Square Feet		
52	Total Building Materials/Hardware Expenditure	\$744	\$59,788,584 /	\$265	=	225,937	5%
53	Total Variety Store/General Merchandise Store Expenditure	\$1,599	\$128,497,239 /	\$135	=	949,837	20%
54	Total Food Store Expenditures	\$2,309	\$185,553,549 /	\$329	=	563,955	12%
56	Apparel and Accessory Expenditures	\$3,081	\$247,592,241 /	\$191	=	1,296,294	27%
57	Total Furniture and Home Furnishings Expenditures	\$558	\$44,841,438 /	\$165	=	271,766	6%
58	Total Drinking and Eating Establishment Expenditures	\$1,864	\$149,792,904 /	\$186	=	805,338	17%
59	Total Miscellaneous Retail/Drug Store Expenditures	\$1,697	\$136,372,617 /	\$204	=	667,548	14%
	Totals/Weighted Averages	\$11,852	\$952,438,572 /	\$199	=	4,780,676	
SIC Code	Category	2009				Supportable Square Feet	% of Supportable Space
		Per Capita Expenditure	Total Expenditure	Sales Support Factor	Supportable Square Feet		
52	Total Building Materials/Hardware Expenditure	\$875	\$72,681,627 /	\$307	=	236,923	5%
53	Total Variety Store/General Merchandise Store Expenditure	\$1,956	\$162,449,712 /	\$157	=	1,035,829	20%
54	Total Food Store Expenditures	\$2,516	\$208,958,832 /	\$381	=	547,835	11%
56	Apparel and Accessory Expenditures	\$3,621	\$300,731,292 /	\$221	=	1,358,186	27%
57	Total Furniture and Home Furnishings Expenditures	\$626	\$51,990,552 /	\$191	=	271,803	5%
58	Total Drinking and Eating Establishment Expenditures	\$2,172	\$180,388,944 /	\$216	=	836,586	16%
59	Total Miscellaneous Retail/Drug Store Expenditures	\$2,347	\$194,923,044 /	\$237	=	823,062	16%
	Totals/Weighted Averages	\$14,113	\$1,172,124,003 /	\$229	=	5,110,225	

SOURCE: Claritas, Inc. & Johnson Gardner, LLC

EXHIBIT 19

RETAIL SPENDING LEAKAGE BY TYPE OF RETAIL
 2003 (\$MILLIONS)
 CORVALLIS MSA

SIC Code	Category	Resident Spending 1/		Retail Sales 2/		Retail Leakage 3/	
		Total	% Total	Total	% Total	Total	% Total
52	Total Building Materials/Hardware Expenditure	\$59.8	6%	\$23.9	4%	\$35.9	10%
53	Total Variety Store/General Merchandise Store Expenditure	\$127.6	13%	\$29.4	5%	\$98.2	27%
54	Total Food Store Expenditures	\$184.3	19%	\$163.5	28%	\$20.8	6%
56	Apparel and Accessory Expenditures	\$245.9	26%	\$141.2	24%	\$104.7	29%
57	Total Furniture and Home Furnishings Expenditures	\$44.5	5%	\$14.4	2%	\$30.1	8%
58	Total Drinking and Eating Establishment Expenditures	\$148.8	16%	\$99.2	17%	\$49.6	14%
59	Total Miscellaneous Retail/Drug Store Expenditures	\$135.4	14%	\$116.6	20%	\$18.8	5%
	Totals/Weighted Averages	\$946.2		\$588.2		\$358.1	

1/ Consumer spending patterns from Claritas Inc. Spending both in and out of Corvallis MSA.

2/ Retail SIC survey from Claritas Inc. for Corvallis MSA. Assumes that Building Materials/Hardware is 50% consumer/50% wholesale.

3/ Does not account for visitor spending and likely understates leakage. (Leakage = Local Spending - Sales)



EXHIBIT 20

SUPPORTABLE RETAIL SQUARE FOOTAGE
MID-WILLAMETTE VALLEY

SIC Code	Category	2004				% of Supportable Space	
		Per Capita Expenditure	Total Expenditure	Sales Support Factor	Supportable Square Feet		
52	Total Building Materials/Hardware Expenditure	\$744	\$689,839,776 /	\$265	=	2,606,858	5%
53	Total Variety Store/General Merchandise Store Expenditure	\$1,461	\$1,354,645,044 /	\$135	=	10,013,383	20%
54	Total Food Store Expenditures	\$2,300	\$2,132,569,200 /	\$329	=	6,481,544	13%
56	Apparel and Accessory Expenditures	\$2,623	\$2,432,056,092 /	\$191	=	12,733,278	25%
57	Total Furniture and Home Furnishings Expenditures	\$485	\$449,693,940 /	\$165	=	2,725,418	5%
58	Total Drinking and Eating Establishment Expenditures	\$1,740	\$1,613,334,960 /	\$186	=	8,673,844	17%
59	Total Miscellaneous Retail/Drug Store Expenditures	\$1,624	\$1,505,779,296 /	\$204	=	7,370,834	15%
	Totals/Weighted Averages	\$10,977	\$10,177,918,308 /	\$201	=	50,605,159	
SIC Code	Category	2009				% of Supportable Space	
		Per Capita Expenditure	Total Expenditure	Sales Support Factor	Supportable Square Feet		
52	Total Building Materials/Hardware Expenditure	\$523	\$504,992,064 /	\$307	=	1,646,143	3%
53	Total Variety Store/General Merchandise Store Expenditure	\$1,750	\$1,689,744,000 /	\$157	=	10,774,326	21%
54	Total Food Store Expenditures	\$2,474	\$2,388,815,232 /	\$381	=	6,262,847	12%
56	Apparel and Accessory Expenditures	\$3,023	\$2,918,912,064 /	\$221	=	13,182,614	25%
57	Total Furniture and Home Furnishings Expenditures	\$523	\$504,992,064 /	\$191	=	2,640,064	5%
58	Total Drinking and Eating Establishment Expenditures	\$1,987	\$1,918,583,616 /	\$216	=	8,897,780	17%
59	Total Miscellaneous Retail/Drug Store Expenditures	\$2,223	\$2,146,457,664 /	\$237	=	9,063,408	17%
	Totals/Weighted Averages	\$12,503	\$12,072,496,704 /	\$230	=	52,467,181	

SOURCE: Claritas, Inc. & Johnson Gardner, LLC

EXHIBIT 21

RETAIL SPENDING LEAKAGE BY TYPE OF RETAIL
 2003 (\$MILLIONS)
 MID-WILLAMETTE VALLEY

SIC Code	Category	Resident Spending 1/		Retail Sales 2/		Retail Leakage 3/	
		Total	% Total	Total	% Total	Total	% Total
52	Total Building Materials/Hardware Expenditure	\$689.8	7%	\$732.0	9%	-\$42.1	-2%
53	Total Variety Store/General Merchandise Store Expenditure	\$1,343.1	13%	\$1,053.8	14%	\$289.3	12%
54	Total Food Store Expenditures	\$2,114.3	21%	\$2,228.6	29%	-\$114.3	-5%
56	Apparel and Accessory Expenditures	\$2,411.2	24%	\$197.0	3%	\$2,214.2	93%
57	Total Furniture and Home Furnishings Expenditures	\$445.8	4%	\$874.4	11%	-\$428.6	-18%
58	Total Drinking and Eating Establishment Expenditures	\$1,599.5	16%	\$1,347.6	17%	\$251.9	11%
59	Total Miscellaneous Retail/Drug Store Expenditures	\$1,492.9	15%	\$1,292.1	17%	\$200.8	8%
	Totals/Weighted Averages	\$10,096.7		\$7,725.5		\$2,371.3	

1/ Consumer spending patterns from Claritas Inc. Spending both in and out of Mid-Willamette Valley

2/ Retail SIC survey from Claritas Inc. for Mid-Willamette Valley

3/ Does not account for visitor spending and likely understates leakage. (Leakage = Local Spending - Sales)



EXHIBIT 22

VISITOR SPENDING BY COMMODITY PURCHASED
MID-WILLAMETTE VALLEY
2003* (\$MILLION)

Commodity	County						Total
	Benton	Lane	Lincoln	Linn	Marion	Polk	
Accommodations	10.2	74.0	108.1	9.7	29.8	9.9	241.7
Food & Beverage Services	17.2	124.9	107.8	21.5	56.8	31.0	359.1
Food Stores	6.1	47.4	55.9	10.3	21.8	10.5	152.0
Ground Trans. & Motor Fuel	12.5	75.3	9.8	24.9	73.5	6.4	202.3
Recreation & Entertainment	9.5	71.1	85.2	11.8	30.8	139.0	347.3
Shopping	10.9	85.6	104.2	16.4	38.9	4.1	260.1
Total	66.3	478.2	471.1	94.5	251.5	200.9	1,562.6

*2003 estimates based on historical trends from 1991 to 2002
SOURCE: Dean Runyan Associates & Johnson Gardner, LLC





EXHIBIT 23

SUMMARY OF BENTON COUNTY & MID-WILLAMETTE VALLEY
DEMOGRAPHIC & RETAIL SPENDING TRENDS

	Benton County	Mid-Willamette Valley 1/
<u>Population</u>		
2004 Population Estimate	80,361	927,204
2009 Population Forecast	83,052	965,568
Growth rate '00-'04	0.7%	0.9%
Growth rate '04-'09	0.7%	0.8%
<u>Retail Spending Patterns</u>		
Sales in Region (Millions) 2/	\$588.2	\$7,725.5
Visitor Spending in Region (Millions) 3/	\$43.6	\$1,118.6
Resident Spending in and out of Region (Millions) 2/	\$946.2	\$10,096.7
<u>Resident Spending out of Region</u>		
Retail Leakage Estimate (Millions)	\$401.7	\$3,489.8
Leakage as % of Resident Spending	42.5%	34.6%

1/ Benton, Lane, Lincoln, Linn, Marion, and Polk Counties

2/ Surveyed retail categories, 2003. See Exhibits 12 & 14.

3/ Exhibit 15. Excludes accommodations and ground transportation spending to be consistent with categories tracked by sales and resident spending data.