

Pioneer Square Retail Study & Strategy

City streets are activated by lively retail; arguably the most visible of all urban land uses, retail is a critical component of a healthy commercial district.

April 2012





Pioneer Square RETAIL STUDY & STRATEGY

Prepared for

The Alliance for Pioneer Square

Submitted by

downtown works

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Thank you to the numerous stakeholders—property owners, brokers, developers, city officials, business owners, residents, and the Alliance for Pioneer Square team members—who provided considerable support and time to this study, and who enthusiastically shared their perspectives on Pioneer Square’s history, present circumstances, opportunities and challenges with us.

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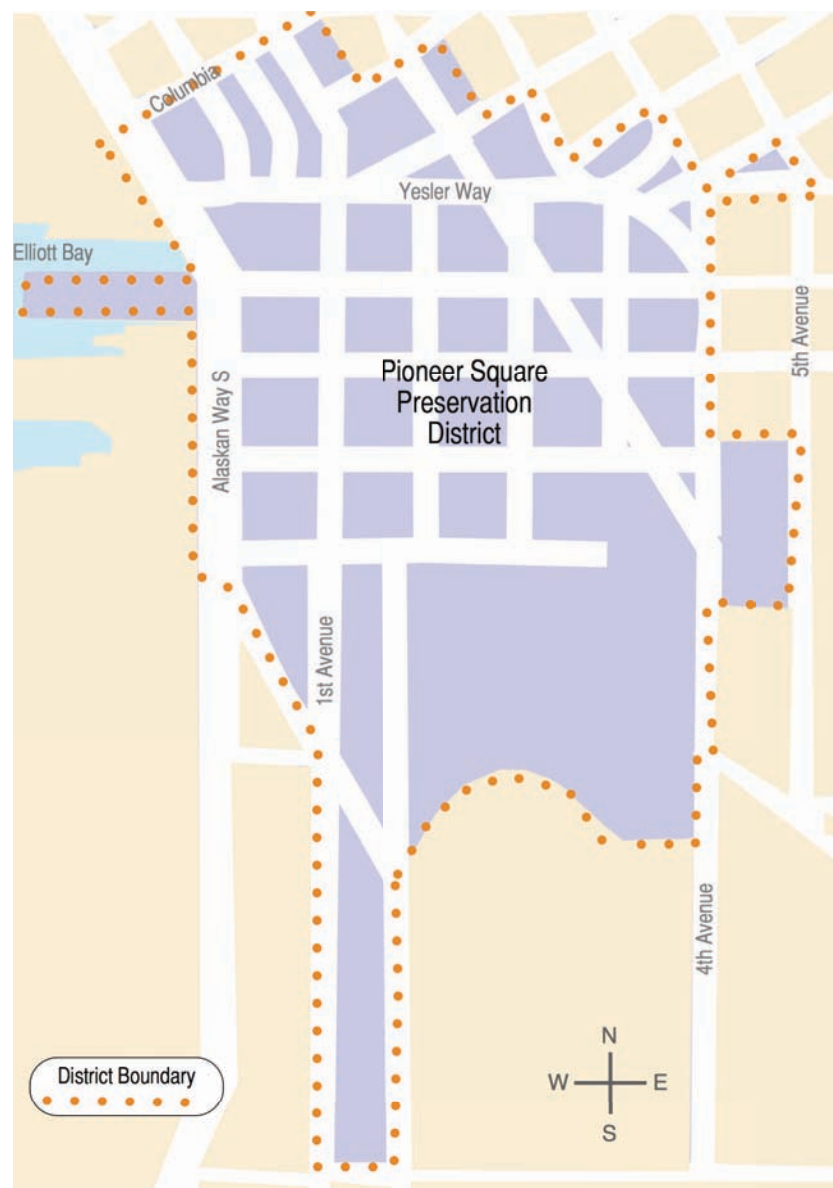
I. INTRODUCTION

Highly successful urban commercial districts serve area workers and residents while also appealing to those living throughout the region and to visitors. Recognizing this—and seizing the opportunity to dovetail with significant area developments—in November 2011 the Alliance for Pioneer Square engaged consulting firm Downtown Works to develop a strategy and implementation program that would help create and sustain a vibrant mix of shops and restaurants in Seattle’s historic “first neighborhood”.

Specifically, Downtown Works was tasked with:

1. Examining the Pioneer Square district through the lens of retail;
2. Conducting market research to determine the size and characteristics of the market for shopping and dining in the district;
3. Prioritizing streets on which to focus retail efforts;
4. Developing a merchandise mix strategy and implementation plan; and
5. Providing recommendations to support retail development efforts.

The following pages detail research and findings that informed a strategy (beginning on page 18) for a realistic, results-oriented retail recruitment program.



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II. RESEARCH

A. STAKEHOLDER INTERVIEWS

Retail transformation requires the support of multiple stakeholders—property owners, developers, brokers, city officials, business operators, workers and residents. During individual interviews, dozens of stakeholders provided us with their perspectives on Pioneer Square’s history and present circumstances, opportunities and challenges. Following are the common threads gleaned from these interviews.

Stakeholder Interviews—Common Threads

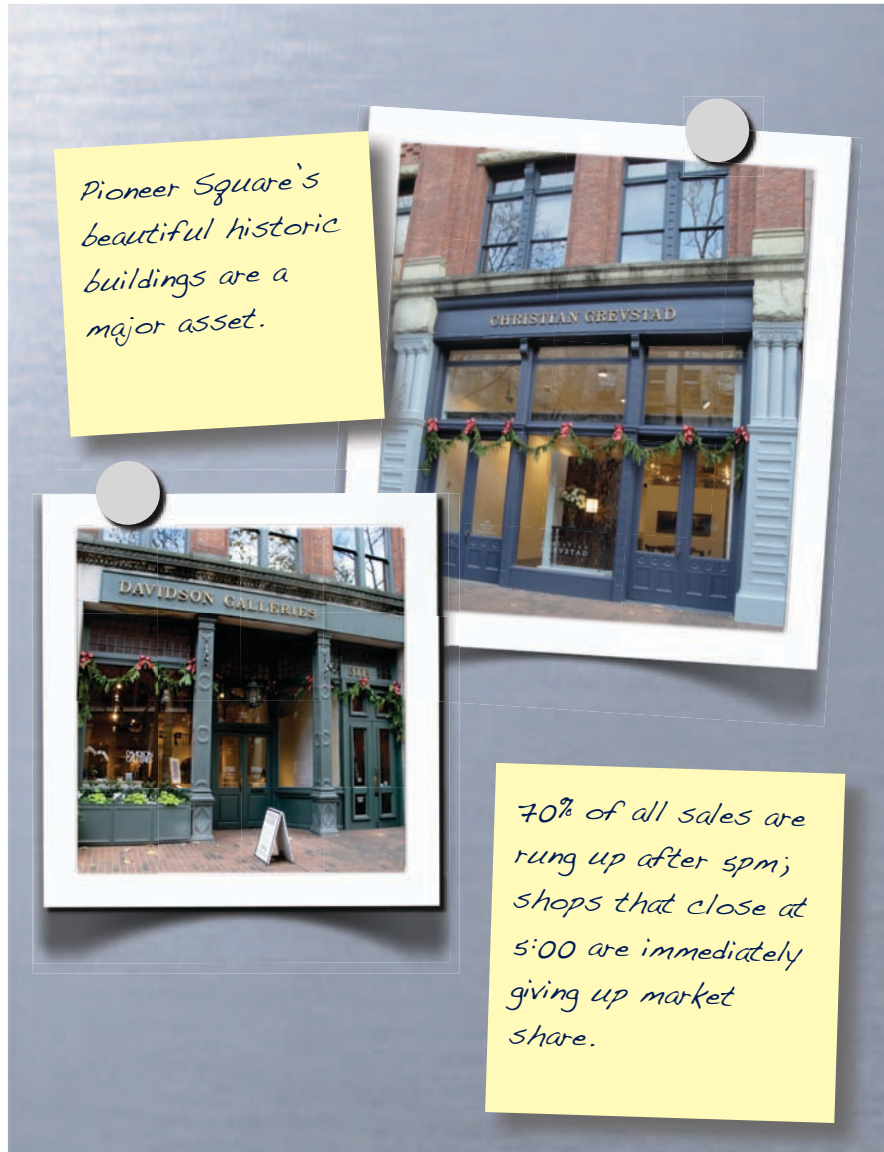
- The concentration of social services in the district creates issues.
- Nightclubs and bars create issues (noise, filth) and hurt the daytime ambience due to their inactivity during the day.
- Safety is both a perception and a reality—safety issues exist, but no more so than in other parts of the city.
- Media fuels the negative image of the district as its coverage is solely about problems.
- Some say parking is a problem (there’s not enough, and the rates are too high) while others say it isn’t.
- Galleries can no longer afford to be in the district.
- The upper levels of buildings are fully occupied.
- Rents have decreased since the 90s.
- Property owners are difficult; for example, they won’t divide large spaces.



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PIONEER SQUARE RETAIL STUDY & STRATEGY



Stakeholder Interview common threads continued...

- The district needs more market-rate housing.
- Pioneer Square is a ghost town after 5pm, and weekend business is poor.
- The art walk is great, but most retailers won't stay open later.
- The clientele is interesting, diverse, mid- to upper-income.
- Sports fans are good for some businesses (like bars), while hurting others (as they overrun the area and keep shoppers away).
- Historic buildings are the district's greatest asset.
- Projects (viaduct, Stadium Place, Yesler Terrace) will be a boon to the district.
- The myriad transportation options for getting to the district is a huge asset.
- Occidental Park should be more active.
- A number of quality businesses in the district attract customers.
- The area needs more shops, restaurants & service-retail (like dry cleaners, office supplies).

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B. ASSESSMENT OF ASSETS & CHALLENGES

Since 1852 when Seattle's founders settled in Pioneer Square, the district has gone through a number of iterations. Recently, as the upper floors of its building have filled with tenants (especially tech-focused and creative businesses), street level operations—with an emphasis on art galleries, eateries, bars and bookstores—have, with some exception, struggled to attract customers in numbers sufficient to thrive, and have left the district's workers and residents under-served. The area remains, however, home to enviable assets, including an ever-growing office population, a multitude of transit options, and beautiful, historic buildings unrivaled elsewhere in the City. With key developments now underway—notably Stadium Place, with its 11 blocks of housing, retail and office space, and demolition of the Alaskan Way Viaduct that will open up the district to the waterfront—the time is right for Pioneer Square to begin building a stronger streetfront mix. For retail to truly thrive, however, the district's challenges must be addressed.

Following are the assets and challenges we identified in assessing the district from a retail perspective; not surprisingly, many of these echo those cited by stakeholders, who most certainly best know their district.

ASSETS

- **Building stock.** Pioneer Square is listed as a historic district on the National Register of Historic Places and is a city preservation district; its buildings reflect both Victorian and Romanesque Revival architecture.
- **Transit.** One of Seattle's three center city transportation hubs, the district is served by multiple transportation options, making it readily accessible by transit users.
- **Upper floor businesses.** Over the last decade, the district has attracted many new upper floor tenants, including a concentration of tech-focused businesses that have brought a significant population of young workers to Pioneer Square, infusing it with new energy.
- **Catalytic developments.** In particular, Stadium Place and the demolition of the viaduct are major projects that will bring with them new energy to the district.
- **Quality, unique operators.** In recent years a number of quality businesses—such as Delicatus and Schoenfeld's—have chosen to locate in Pioneer Square; they join other strong operators who have called the district home for some time.
- **Commitment.** On the whole, area property owners, business operators, residents and neighborhood organizations are very committed to ensuring the relevance and vitality of Pioneer Square. The work to beautify and use its alleys, for example, has brought activity and interest to the district.

CHALLENGES

- **Concentration of social services.** Numerous social service organizations are located within Pioneer Square's boundaries or just at its edge; the concentration is higher than any place else in the City, leading to issues that make the district a place that some are reticent to frequent.
- **Media portrayal.** Coverage of Pioneer Square appears unbalanced, most often highlighting problems—this contributes to a perception that the district is unsafe.
- **Building conditions.** While the district's buildings are largely very beautiful, many have not been well-maintained.
- **Dark environment.** For all its beauty, the Pacific Northwest is frequently marked by gray skies; coupled with a dense tree canopy, poor lighting, and drab, non-diverse building colors (that detract from their structural splendor), Pioneer Square presents a somber face to the world.
- **Scarcity of housing.** There is scant market-rate housing in Pioneer Square—those who'd like to live there have a difficult time finding a place to do so.
- **Departure of anchor-like retailers.** Some notable retailers—particularly Elliott Bay Bookstore—have left the district in recent years, fueling the impression that it is not a good place to do business.
- **Low rents.** With shop and restaurant space, rent is a function of sales. Areas where rents are low may attract enterprising entrepreneurs who see an opportunity (and who may perform well provided they have a thoughtful business plan), but many operators shy away from these same areas because low rents tell them that the sales at existing operations are similarly low.
- **Nightlife emphasis.** A number of streetfront spaces are filled with nighttime-focused businesses; with their closed-up storefronts, these detract from the vibrancy of the area during the day. In some cases they also create issues such as noise, both from loud music and from unruly patrons dispensed into the streets at closing time.
- **Circulation.** Grid interruptions (from closed-off streets, one-way streets, prohibited left turns) make the district difficult to navigate, and provide a reason for some to avoid it altogether.
- **Occidental Park.** This park that interrupts Occidental Avenue is not well-used by those who live and work in the district; its hard-surfaces are uninviting, and it lacks continuous programming—today it is mostly used as a hangout for a population that can appear threatening.

Both Asset AND Challenge

- **Stadiums.** Situated just beyond the southern periphery of the Pioneer Square district, the city's football and baseball stadiums are a boon to some area businesses—particularly drinking and certain food establishments. For others they are problematic, as at times the district is overwhelmed by traffic from those attending activities within the stadiums; this can deter shoppers and diners.

C. OTHER AREA RETAIL

Streetfront experiences within Downtown Seattle and the city's neighborhoods are competition to Pioneer Square, which must ensure it provides something unique enough to attract people who neither live and/or work within the district, and visitors. There's also competition for operators—many who would be right for Pioneer Square can choose from a number of neighborhoods in which to locate. Suburban-style malls and lifestyle centers (such as University Village, Bellevue Square, Northgate and Southcenter) offer a very different kind of experience—they are not Pioneer Square's competition.

Downtown Core

- Shopping, dining and other assets (i.e., the Pike Place Market) draw people
- National chains (with some local operators) primarily along 5th and 6th
- The shopping competes more with malls than with Seattle's neighborhoods
- A strong core lifts all downtown districts; it's important to continue to strengthen the connection to Pioneer Square

Capitol Hill

- Capitol Hill's Broadway was historically a strong retail area in Seattle
- Following a period of decline, a commercial resurgence—fueled to a large degree by food and beverage establishments along with some shopping—has occurred in the last decade
- The focus has shifted to the Pike/Pine Corridor

Fremont, Wallingford, Ballard

- Neighborhood districts not far from Downtown Seattle
- Each has a unique feel—Fremont, in a small set of commercial blocks, highlights its "quirkiness"; Wallingford's mix of restaurants and shops tend toward a homey feel; Ballard has of late become a magnet for highly-acclaimed, unconventional restaurants and inventive boutiques

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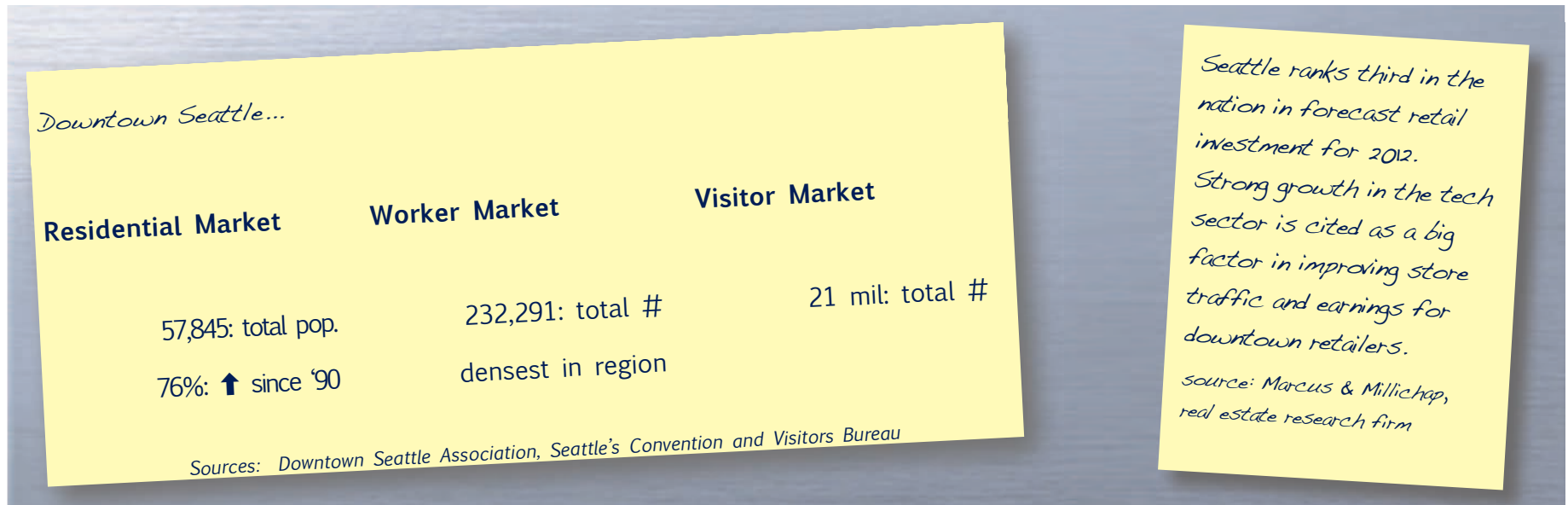
D. CUSTOMER MARKETS

Downtown residents, workers, and visitors are all customers for shops and restaurants in Pioneer Square.

Residential Market: Downtown Seattle's population today numbers 57,845—this represents an impressive 76% increase since 1990. The residential population within Pioneer Square itself is 2,000, and just 20% of residents live in market-rate housing; increasing the supply of market-rate dwellings is, as it should be, a priority for the district.

Worker Market: The bulk of downtown Seattle's 232,291 workers are located too far from Pioneer Square to regularly make it to the district during the workday, yet many remain in the city for evening activities. The employees of Pioneer Square's 943 businesses are an important segment of this market; they provide critical support particularly to restaurants and services.

Visitor Market: 21 million people (including tourists, conventioners and sporting event attendees) visited Downtown in 2010; they patronized museums, cultural institutions, shops, and restaurants, and cheered on their teams. In 2011, the almost 10 million overnight visitors to Seattle tallied up nearly \$6 billion in expenditures.

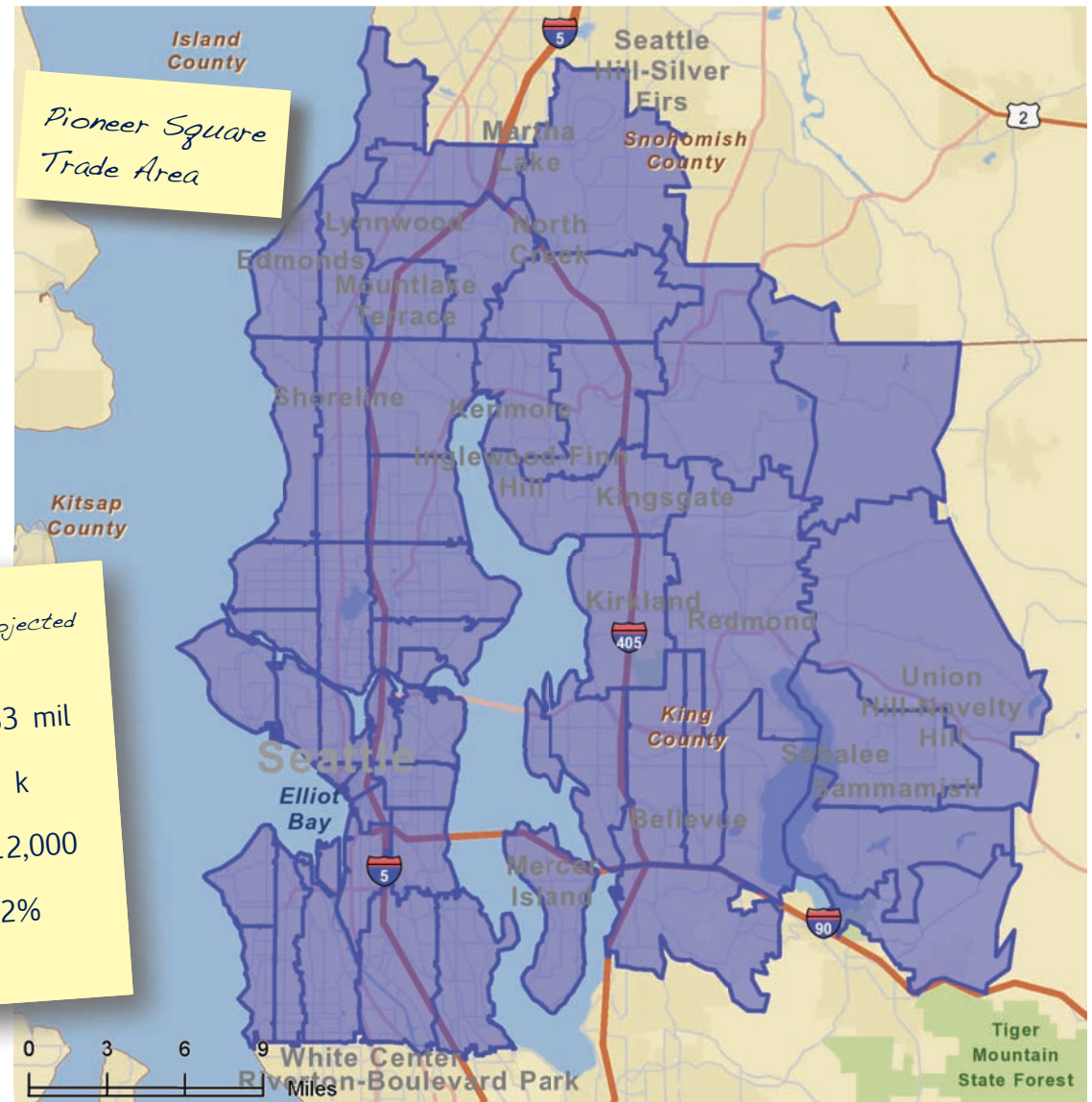


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E. TRADE AREA

Pioneer Square's trade area is today comprised of 1,356,000 residents in 579,000 households. Average household income is \$95,000, significantly higher than the national average of \$73,000.

	2010	2015 projected
<i>total population</i>	1.356 mil	1.433 mil
<i># of households (hh)</i>	579 k	615 k
<i>avg. hh income</i>	\$95,000*	\$112,000
<i>hh income of 150k+</i>	13.5%	19.2%
*nat'l avg is \$73k		



Source: ESRI

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F. TARGET MARKET

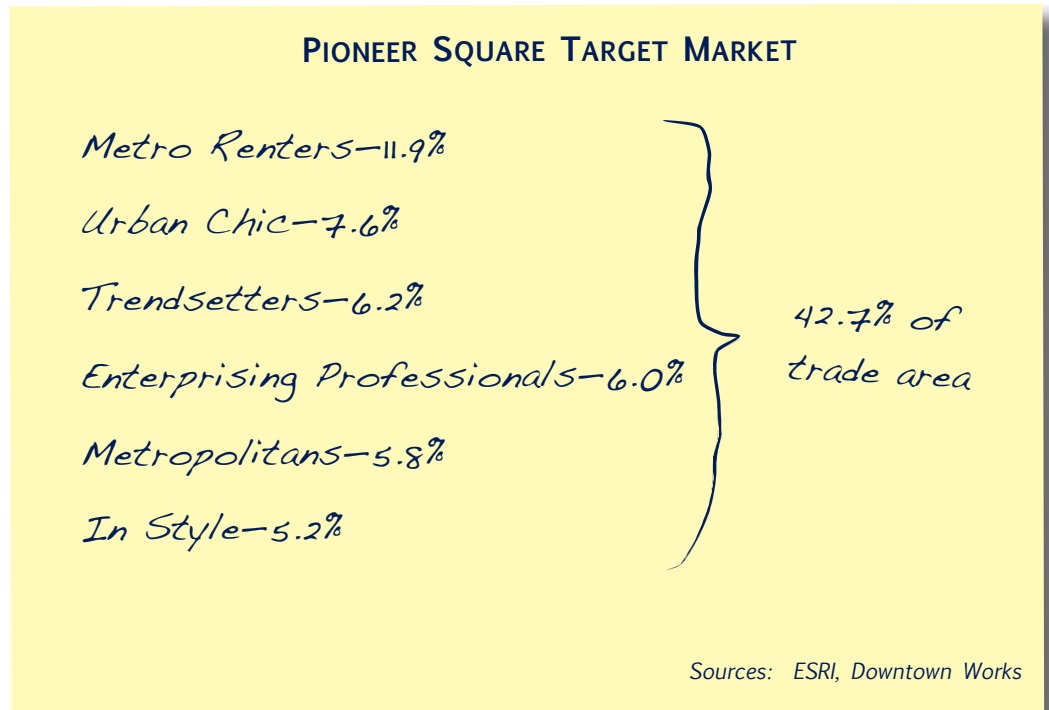
Psychographics

Demographics combined with information on lifestyles, attitudes and behaviors lead to *psychographic* profiles of a population. These profiles consider attributes such as:

- Occupation and education level
- Preferred activities and spending habits
- Stage of life

ESRI's psychographic "Lifestyle Tapestry" segmentation cross-tabulates these considerations together with statistics such as age, income, race, gender, home-ownership, and household size, resulting in 65 different segmentation groups. Within these groups are ones that are urban-inclined; whether they dwell in them or not, their members seek to shop and dine in cities, and they make up the "target market" for urban retail.

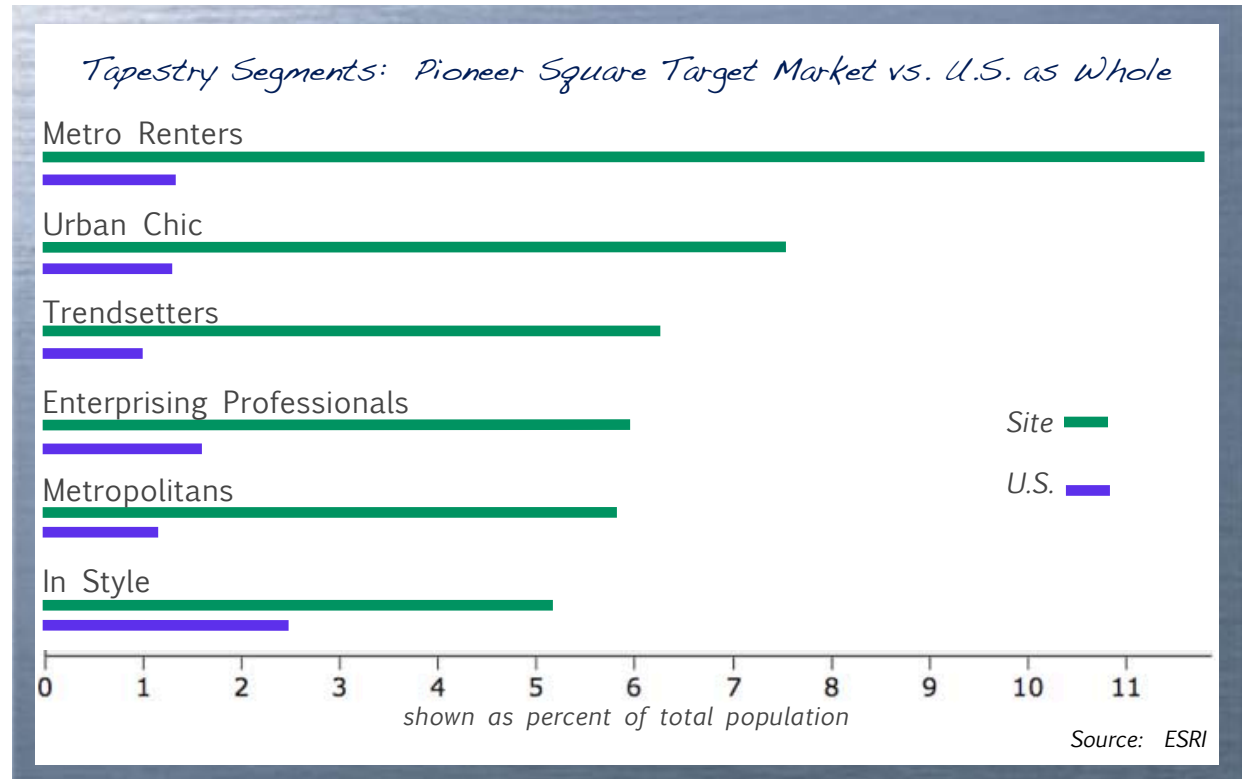
Pioneer Square's target market groups (see chart above) together account for 42.7% of trade area residents, or 579,012 people. As compared to the U.S. as a whole, Pioneer Square has significantly higher percentages of urban-inclined consumers (see chart on following page).



Commonalities

Pioneer Square's target market groups share a number of commonalities—collectively, those within the groups tend to have the following characteristics:

- ▶ are youngish (25-55)
- ▶ are well-educated
- ▶ are leaders
- ▶ lead active lifestyles
- ▶ are diverse
- ▶ are health-conscious
- ▶ are travelers
- ▶ are supporters of cultural institutions
- ▶ are hip, trendsetters
- ▶ are spenders
- ▶ like both domestic and imported goods
- ▶ are big on electronics (esp. Apple)



Following are descriptions of Pioneer Square's six target market groups.

Metro Renters (11.9% of the market): Metro Renters are key to the vitality of an urban market—healthy cities have good numbers of these up-and-comers who are hip and progressive, and who crave city living. They favor the largest metro areas where trends are set, and walkable neighborhoods with a collection of little shops and bistros. Mostly in their 20s and 30s, they work in professional positions, many in tech or finance. They have loads of kitchen gadgets yet dine out all the time. Few have children and they have not yet accrued much debt, so they have the time and income to do what they like and spend on themselves. Metro Renters do not like retail chains, but are not fanatical on this point—for instance, they like Whole Foods, Patagonia and

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Apple. Concerts, museums and the theater attract them; pro and college sports also appeal to this active group. They spend much time online which, among other things, allows them to choose their frequent vacations wisely.

Urban Chic (7.6% of the market): These residents are professionals who live a sophisticated, exclusive lifestyle. They are well-educated, work in a variety of occupations, and two-thirds are homeowners. They travel extensively, visit museums, attend dance performances, shop at upscale stores, and do volunteer work. Urban chic members stay fit, buy organic food, take dietary supplements, drink imported wine and enjoy good coffee. This group is the top for owning Apple computers, and they transact much online.

Trendsetters (6.2% of the market): On the cutting edge of urban style, this group is made up of young, diverse, mobile, educated professionals working in substantive jobs; 68% rent apartments in upscale, older urban districts, and one-fifth don't own a vehicle. Trendsetters are spenders, shopping in stores, online, and by phone. They read fashion and epicurean magazines and own the latest laptops, PDAs, and iPods. They are athletic, like to travel, go to the movies, attend rock concerts, and they read—especially nonfiction and biographies.

Enterprising Professionals (6.0% of the market): Young, educated, working professionals—either single or married—who move frequently to find growth opportunities and better jobs, especially in cities such as Chicago, Atlanta, and Seattle. They prefer to own instead of rent in newer neighborhoods. With growing consumer clout, they go online to download videos and music, track their investments, and shop, including for PCs and software. They own laptops, video game systems, and digital camcorders, and they travel often both abroad and in the U.S.

Metropolitans (5.8% of the market): Preferring to live in older city neighborhoods, Metropolitans pursue an active, urbane lifestyle. They travel frequently for business and pleasure. They go to rock concerts, watch foreign films on DVD, read women's fashion magazines, and play a musical instrument. They also practice yoga and go kayaking, hiking/backpacking, and water and snow skiing. Active members of their communities, they volunteer for environmental causes, address public meetings, and work for a political party or candidate. They also belong to business clubs and contribute to PBS. They prefer to own and use a laptop computer, preferably an Apple, and are online daily to download music and buy books, airline tickets, CDs, and clothes.

In Style (5.2% of the market): Prosperous, educated, predominately professional couples, In Style members live in the suburbs but prefer the city lifestyle. They go online daily to research real estate information; track investments; trade stocks; book travel; and buy computer hardware or software, concert tickets, or tickets to sporting events. They hire services to clean their houses and contractors to do their remodeling. Residents stay fit by exercising, eating a healthy diet to control their weight, buying low-fat foods, and taking vitamins. They attend live musical performances and gamble at casinos. They take domestic vacations to hike, golf, and go backpacking. They read magazines, listen to news-talk radio, and watch sports on TV.



STRATEGIC ASSESSMENT

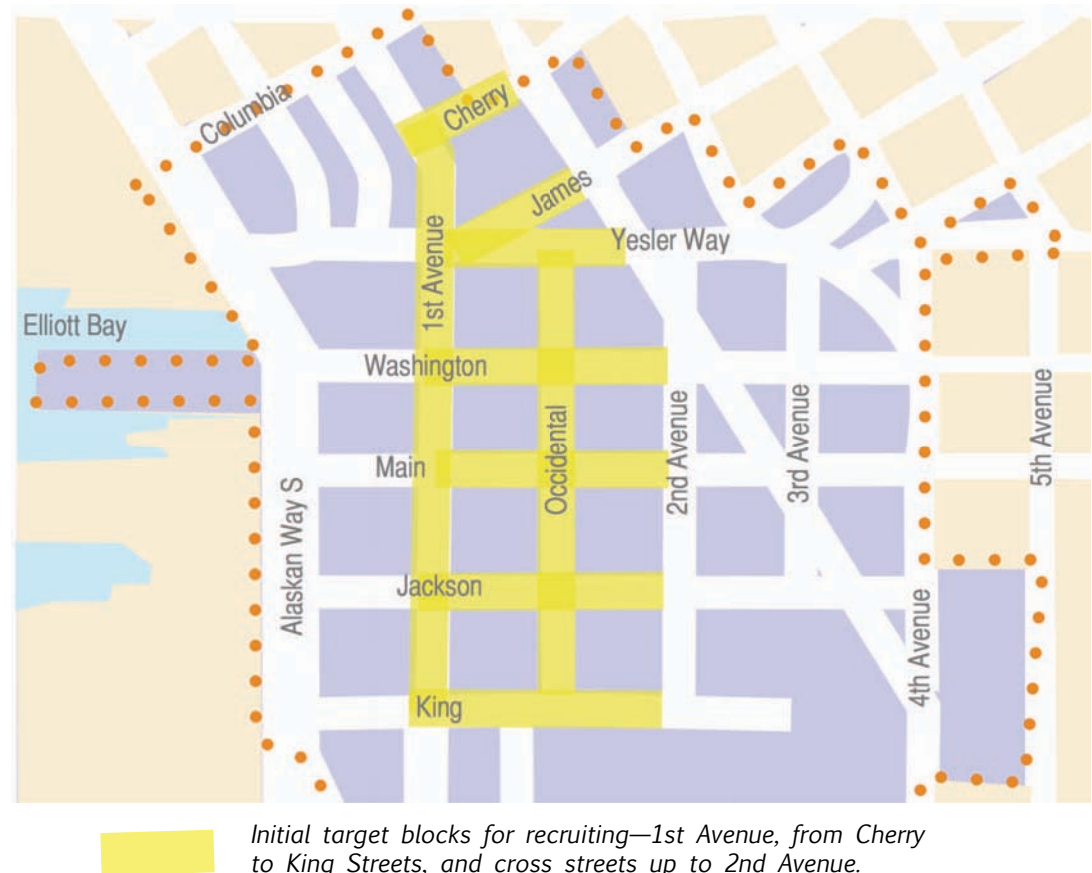
A. INITIAL TARGET BLOCKS

Diversity of activity—a mix of office and residential uses along with shopping, dining and cultural options—combined with pedestrian-oriented streetscapes, well-designed/human-scaled buildings, and user-friendly public spaces makes for vibrant urban districts.

When beginning a retail-recruitment effort in an area where shop and restaurant offerings have declined in quantity and quality, as is the case with Pioneer Square, it's important to concentrate on a specific set of blocks rather than scatter new operations throughout the entire district. This is critical as smaller, clustered operations collectively *anchor* places, creating zones that attract consumers. 1st Avenue—the effective spine of the district—extending to 2nd along side streets from Cherry down to King, constitute the Initial Target Blocks for recruitment efforts.

It's important not to “over-retail” an area—not all streets within the district must or should have an emphasis on shop and restaurant uses. Ultimately, however, operators decide precisely what location is right for their business.

Pioneer Square—Initial Target Blocks



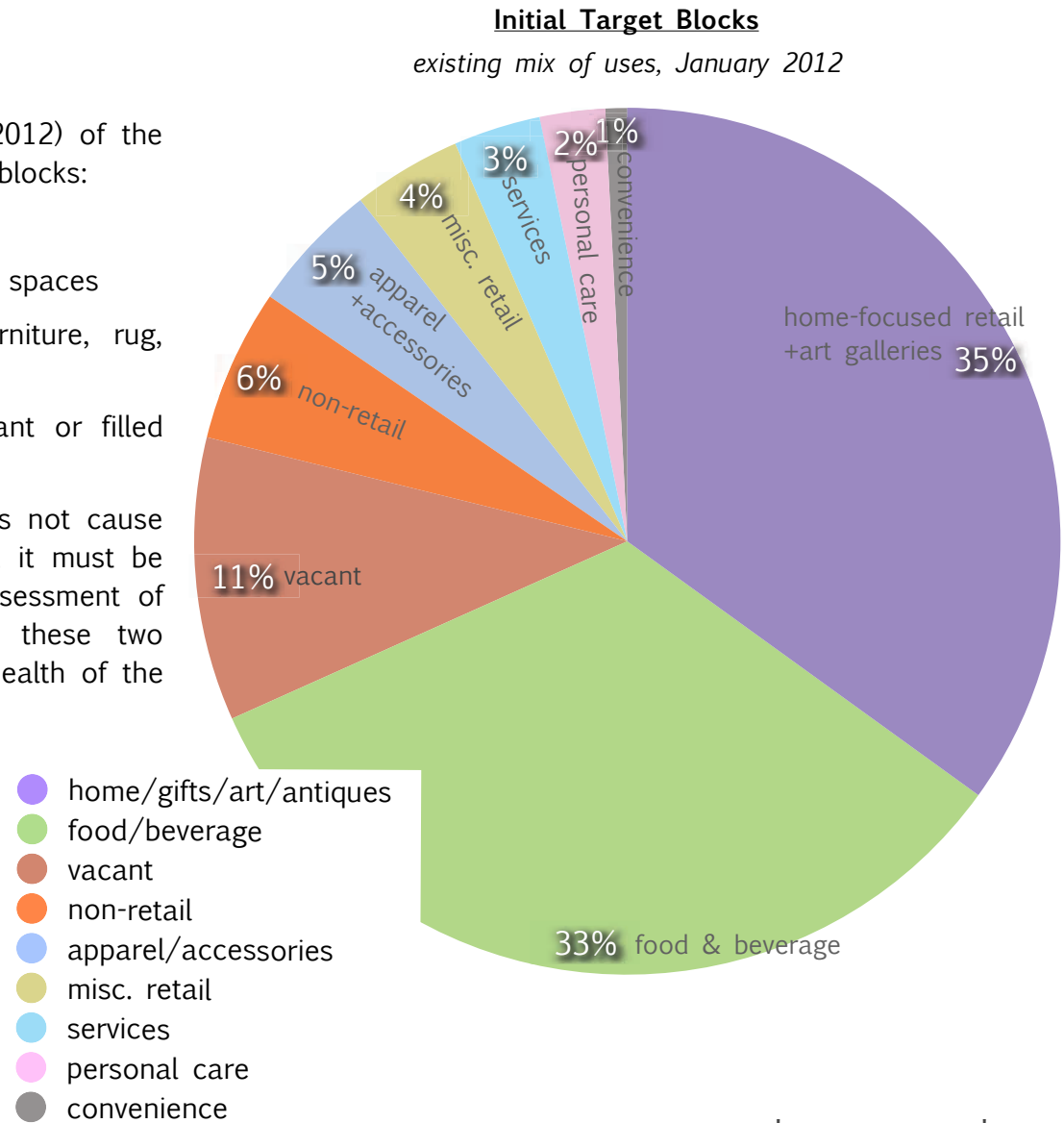
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B. EXISTING MIX OF USES

Findings from an assessment (done in January, 2012) of the uses in streetfront spaces within the initial target blocks:

- 123 spaces total
- Food & beverage uses account for 33% of spaces
- 35% of spaces house home-focused (furniture, rug, gift, antique) retail stores or art galleries
- Nearly one-fifth of spaces are either vacant or filled with non-retail uses

Despite the vacancies, this snapshot of uses does not cause undue concern about the existing mix. However, it must be considered in combination with the qualitative assessment of retail uses (beginning on the following page); these two combined provide a more complete view of the health of the retail within the initial target blocks.



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