

OBJECTIVE 3: FOSTER A VIBRANT CENTRAL CITY & COMMERCIAL DISTRICTS

The COVID pandemic catalyzed both short-term and long-term changes that call for a paradigm shift in how we use land in cities and among neighborhoods. While the short-term impacts of the pandemic and recession are still being felt, Portland must balance short-term needs while adjusting to the new trends that are proving to have long-term implications.

The actions in this objective focus on reimagining and revitalizing the Central City and catalyzing inclusive economic growth along our neighborhood main streets through tailored strategies to stabilize and grow vibrant commercial districts citywide.

The Central City has long served as a major contributor to the economy and a jobs generator, and as worker and visitor patterns change, we need to reimagine and revitalize downtown as an economic center of gravity. The Central City serves as a hub of regional and interregional transit connections, affordable housing and social services, and specialized services which serve regional industry clusters. It functions as key formal and informal points of entry, exchange, coordination and management for firms, entrepreneurs, consumers, and government. Although we are a small business city, larger employers represent 19% of all the jobs in the city with a disproportionate 27% of the city's total payroll.

The shift toward a more dynamic, knowledge-intensive economy favors a new urban growth form, as the demand for rapid exchange of goods and ideas, face-to-face interactions, physical density of economic assets, and co-location of employment and residential activities lead to more demand for urban density and new types of "economic placemaking." As a result, mixed-use and inclusive communities with strong transportation connections are best positioned to flourish in the new economy. A mixed-use, well-integrated built environment also has fewer environmental impacts from transportation and denser development patterns (generally resulting in fewer emissions per unit). It also, by minimizing jobs-housing mismatch, provides more equitable access to and participation in economic activities. Portland has long been known as a laboratory to test and implement green city products and services within its urban form, with the potential to scale solutions in other markets. This leads to not only better livability in the city but also innovation and growth in the Green Cities Cluster.

In many ways, Portland's Central City is the ultimate manifestation of these principles, and – until COVID – was thriving in the knowledge economy. Continued vibrancy of the Central City requires innovation and partnerships to repurpose the built form in a manner that balances business activity with residential living, entertainment, and cultural amenities; and to rebrand downtown reflective of the city's green brand in close alignment with its goals of inclusive economic growth.

Portland's 95 neighborhoods and 52 business districts have distinct and evolving roles, from retail and restaurant hubs, to light industrial commercial districts, or more dense mixed-use residential housing districts. They offer a variety of amenities and meet diverse market needs. Identifying and strengthening these neighborhood clusters of economic activity – as well as their connection to the regional economy

– can stimulate the flow of dollars in otherwise disinvested neighborhoods. Similarly, supporting job-training programs and job placement activities can help neighborhood residents connect more easily to regional employment opportunities.

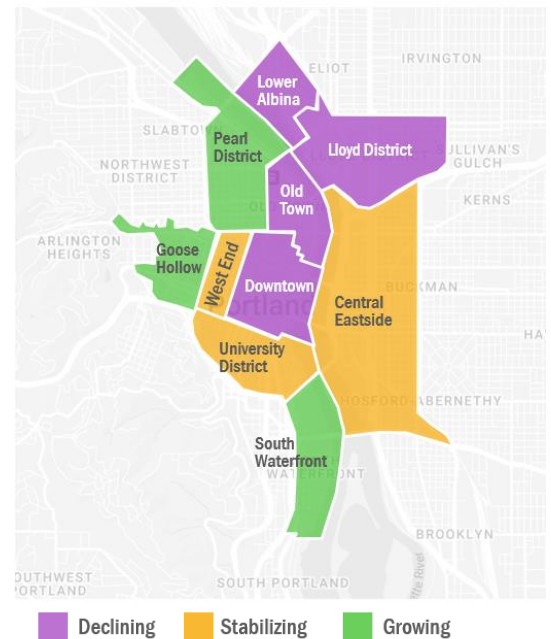
We must therefore also stabilize our neighborhood main streets, as many of the negative impacts of the pandemic and under-managed growth continues to destabilize small businesses, their employees, and their customers – leaving both small businesses and residents unable to afford a rising cost of living – and face displacement pressures.

OVERVIEW - *Current state of the Central City*

The Central City's neighborhoods, or subdistricts, are not uniform in mix of use or urban design. The COVID-19 pandemic and associated economic downturn in tandem with the worsening housing crisis have created a complex and uneven landscape of recovery for Portland's Central City subdistricts. Thus, the short- and long-term impacts are playing out differently across the Central City. Some subdistricts have demonstrated resilience in both stability and recovery, while others continue to struggle to stabilize, recover, or both.

A foundational and immediate need is to address real and perceived issues with reduced public safety in the Central City through measures underway and led by the Office of the Mayor and through the Public Environmental Management Office together with various business district partners – from Old Town Community Association to the Central Eastside Industrial Council. The Central City is also experiencing longer-term and more permanent changes as a result of increased part time or full-time remote work – and lasting impact to the Portland brand, which has reduced the presence of employees and visitors throughout the Central City and particularly in those subdistricts with a high concentration of office space and travel and tourism activity. While office buildings sit empty, rising construction costs and a weaker market have impacted production of housing within the Central City. And the Central City continues to provide a regional hub of critical social and mental health services as additional Portlanders were displaced due to the pandemic.

The economic conditions of the Central City subdistricts vary widely and reflect a more balanced or imbalanced mix of uses and related tenant lease trends within each district. **Subdistricts with a more balanced mix of housing, office, retail, and hospitality fared better during the pandemic and have demonstrated increased resiliency.** Subdistricts such as the Pearl District, Central Eastside, and West End are better positioned for market-driven commercial and residential real estate investment and recovery in the near term, while subdistricts such as Old Town, the downtown core, and the Lloyd District face steeper and much longer-term challenges and the need for a future looking reinvention.

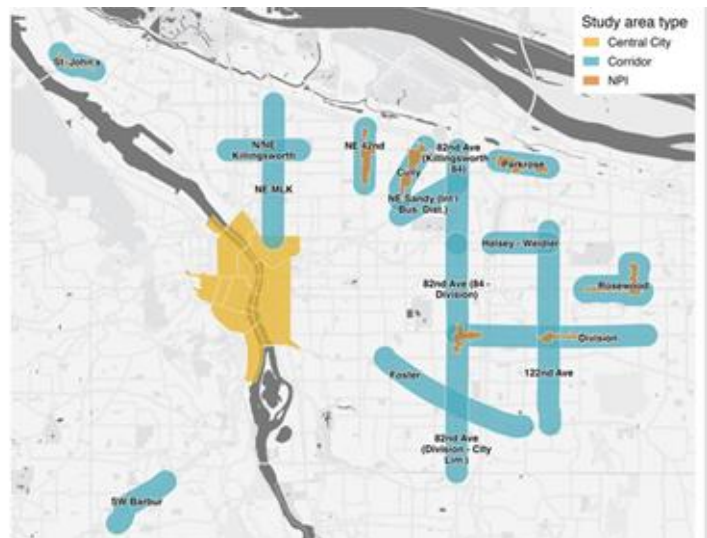


Reductions in tourism and employee presence have also been uneven across subdistricts. Employee foot traffic is down 36% across the Central City, with downtown, Old Town and Lloyd most impacted. Using a national comparison lens, visitor foot traffic is down 31%, more than double what downtown Seattle is experiencing. This dynamic is reflected in the significant loss in employment in the food, accommodation, and entertainment industry, which suffered the greatest employment losses, accounting for more than 60% of the jobs lost in the Central City between 2019 and 2021.

While worker and visitor patterns are changing, we need to reimagine downtown. This may require continuous testing and learning to get the right mix of commercial businesses, amenities, and residential living together with ongoing activations in the near term to attract visitors and Portland residents back to downtown – events like the Winter Lights Festival or the Waterfront Blues Festival.

Overview - Current State of Neighborhood Commercial Districts

Like the subdistricts across the Central City, the COVID-19 pandemic transformed Portland’s neighborhood business districts and local economy. While some businesses altered their models or changed their operations, others needed to close. In many districts, home businesses flourished, creating new opportunities for residents to live and work in their neighborhoods. Alongside business-specific challenges loomed citywide public safety concerns and a housing affordability crisis. For residents near districts, the surge in home values intensified displacement risk.



Three years on, each district is in a different place from the start of the pandemic. Recent analysis of citywide trends as well as specific districts reveals a wide range of experiences both through the pandemic and over a longer period of recovery since the Great Recession across the corridors. Some districts, like Rosewood, welcomed entrepreneurs who brought energy and innovation. Others, like Parkrose and 82nd Avenue north of Division, struggled before 2020. In these districts, the pandemic led to further vacancies, disinvestment, and negative perceptions.

Citywide, Portland’s commercial districts saw a very slight decline in building permit valuations and number of business establishments as a proxy for commercial district development activity (both down <-5%). Across districts, there were clear employment declines, down 5-10%, while on the other hand, all districts saw an increase in number of small businesses (+10%) since the start of the pandemic, aligning with pandemic-related industry layoffs resulting in an increase in small business startups. And citywide,

districts saw approximately 67% of small business establishments remain stable throughout the pandemic.

Each district across our city has a distinct geography; unique community demographics including share of people of color within the district and surrounding communities; and diversity of land use mix between residential, commercial, and industrial. Comparing each highlighted district's performance at a greater level of detail to the aggregated benchmark helps to identify broader market trends and gaps and inform a shared set of related public, private and community interventions. Cross-comparing districts against each other and how they measure against two primary benchmark indicators of strength and recovery (median commercial land value and small business employment change) creates a quadrant by which to identify which districts need significant interventions to address deeper market gaps versus which need intervention to stabilize businesses and/or further steps to respond to displacement pressures.

APPROACH

This plan strives to ensure that all Portland's commercial districts are vibrant and both reflect and serve the socio-economic, racial, and cultural diversity of its residents. Commercial districts should feel safe and clean and inspire pride among their commercial and residential residents. Districts should be places where businesses form and jobs are created, and where the built environment serves to reduce carbon emissions and other harmful impacts to the climate.

Revitalizing Portland's downtown and commercial districts requires addressing negative impacts of COVID-19 and growth management challenges while also planning for sustained and equitable future growth. In the Central City, innovation and partnerships are necessary to repurpose the built form in a manner that balances a mix of uses, and to rebrand downtown to reflect our goals of inclusive economic growth. Along Portland's main streets, building and strengthening partnerships and business district capacity is critical for stabilizing businesses in thriving districts and increasing commercial activation in those that are languishing.

The activities in this objective focus on:

- Implementing **tailored development and growth-management approaches** within Portland's commercial districts to reflect each district's unique strengths, role, and priorities. As we seek to catalyze an equitable recovery and build a stronger and more resilient Portland, the broad actions outlined herein will be coupled with individual district conditions to inform opportunities and challenges, and measures to mitigate against displacement pressures.
- Interventions designed **to address specific market gaps** – from activations, to increasing mixed-income housing, to supporting new entrepreneurial uses – with the collective lens of bringing about a more equitable economic recovery, more healthy and complete mixed-income neighborhoods, and a reimagining of the Central City as a high-density, high-transit neighborhood that serves an important role in the region's climate resilience.

- In **partnership with private, public, and community sectors**, pursue growth management strategies to ensure vulnerable people, businesses and residents can absorb and benefits of growth and be climate resilient. A community-centered, community-informed, public/private partnership-driven approach is necessary to ensure that investments address the unique conditions of each neighborhood. The public sector's role will need to focus on intervening in those districts and subdistricts not experiencing market resilience and with demonstrated structural challenges to recovery. Additionally, leveraging unique catalytic opportunities in Master Plan areas (e.g. Broadway Corridor and OMSI) and in districts with high-density growth potential (e.g. Gateway), can jump-start physical development that maximizes community benefit for a neighborhood, provides smart growth management in transit-rich neighborhoods, maximizes opportunities to achieve bold climate goals, and generates inclusive economic benefits for residents in neighborhoods throughout the city.