

Downtown Tacoma

RETAIL STRATEGY

prepared by Downtown Works

March 2018



DOWNTOWN TACOMA RETAIL STRATEGY

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Downtown Works

Consulting firm Downtown Works conducts retail market analyses, creates strategies, and develops merchandise mix plans for commercial districts, both large and small, and for individual developments. Our team guides clients in the launch of recruitment programs and ensures their successful implementation. We have created strategies for organizations, developers, and universities in cities across the U.S.; representative clients include the Downtown Seattle Association, the Nashville Downtown Partnership, the University of Washington, the City of Coral Gables, and developer Wright Runstad.

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Numerous stakeholders—property owners, brokers, developers, city leaders, business owners, residents—provided considerable support and time to this study, and enthusiastically shared their perspectives on Downtown Tacoma’s history, present circumstances, opportunities and challenges with us. We thank you.

INTRODUCTION

Visit commercial districts large and small across the U.S., and you will find a good deal of variation in the health of retail. Competition for consumer dollars is fierce; today more than ever, districts and operators must offer a unique, high-quality experience to gain customer attention and loyalty.

Thriving districts tend to be marked by a mix of quality daytime and nighttime operators, and prioritize locals and regionals. Numerous factors in the enabling environment help set the stage for attracting and retaining this type of mix (see sidebar for more detail). Places that lack a vibrant retail experience do so for a variety of reasons; these can include population decline, poorly designed buildings, low maintenance standards, lack of a strategy, and operators that have not evolved their businesses to stay relevant as consumer tastes and habits change.

In October 2017 the City of Tacoma engaged retail consulting firm Downtown Works to conduct a retail study focused on the core of downtown Tacoma. The following pages detail our process, findings, and recommendations to embark on a realistic, results-oriented retail enhancement effort.

RETAIL GUIDING PRINCIPLES

Successful downtown shopping/dining districts tend to be marked by a significant number of the following attributes:

- Retail is contiguous—not broken up by other uses (i.e., professional offices, parking structures, expansive office lobbies) or by blank walls.
- Service uses are located on side streets, not on prime shopping/dining streets.
- The mix of uses balances daytime and nighttime operations.
- The mix of operators is weighted in favor of unique, local/independent operators.
- Streets are not wide (no more than two lanes of traffic each way), with storefronts along both sides, and they are not blocked off to vehicles—stores do best when they are visible to both pedestrians and those traveling past in motor vehicles.
- Ample parking is accessible on-street and in nearby lots/garages. On-street parking spaces are parallel, not angled.
- Access to the area includes transit options, but transit lines do not run on primary retail street(s). Pedestrians are kept on the street, not taken off of it via elements such as sky bridges or underground tunnels.
- Streets and sidewalks are well-cared for—they are free of trash and debris, and kept clean with frequent power-washing (women in particular are especially sensitive to cleanliness, and if they won't use an area few will).
- Streets/sidewalks are well-lit.
- Streetscaping elements—street furniture, trees, plants and flowers—help create an inviting pedestrian experience without blocking storefronts and signage.
- Buildings are human-scaled with lots of transparency at the street level.
- Storefronts are well-branded, signed and maintained.

DOWNTOWN ASSESSMENT

For this study our team identified the strengths and weaknesses for downtown Tacoma from a retail perspective. Tacoma has a cool factor, an abundance of well-designed buildings that are authentic and charming, and a truly beautiful physical setting on Puget Sound; these assets can be leveraged to cultivate a crowd-pleasing mix of operators in downtown. At the same time, issues that prevent downtown from reaching its full potential should be addressed.

STRENGTHS

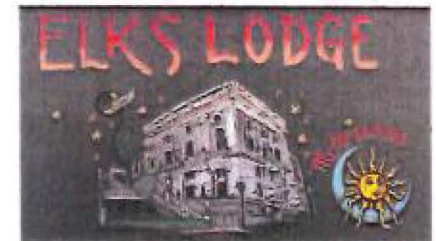
- Cool factor—Tacoma is known both near and far as a hip city.
- Beautiful physical setting— Puget Sound, the Olympics and Mt. Rainier frame the city.
- Authenticity, patina, charm—much of downtown's building stock is well-designed and of a very pedestrian-friendly scale.
- Increasing housing stock—the growth in downtown residential offerings is a positive sign.
- Employment—19,500 people work in downtown Tacoma.
- Culture/arts—downtown is home to several well-patronized art museums and performing arts theaters.



- Antiques/collectibles—a strong cluster of these stores exists in the downtown core.
- New downtown hotel space—nearly 500 rooms are under construction or planned in the next few years.
- Murals—a city-run program has resulted in artists painting several dozen large murals and nearly two dozen signal boxes around Tacoma. These add visual interest and surprise, enlivening streetscapes around the city.



- UW-Tacoma—the presence of this highly-respected University in downtown is a major plus. In recent years UWT has cultivated a vibrant mix in their retail blocks along Pac Ave., showing that operators are eager to locate in downtown Tacoma.
- Tree—open in late 2017, this home furnishings store has set the bar high for future operators.
- McMenamins—this iconic Pacific NW operator, set to open in the Elks Lodge in 2019, gives downtown Tacoma even more credibility as a place for operators to locate.



WEAKNESSES

- Long blocks—these give downtown a very linear feel and reduce the number of corners, which together make it less pedestrian-friendly.
- Street grid not continuous—the Convention Center interrupts it.
- Steep streets—a number of steep streets in downtown hinder walkability.
- Gaps—there are many gaps around downtown due to vacant space, surface lots, and large non-retail uses.
- Building conditions—many buildings need extensive renovations both inside and out.
- Storefront conditions—numerous downtown storefronts are dated and in disrepair.
- Employment blow—State Farm, which currently has 1,400 employees at two downtown Tacoma locations, is closing both offices this year.
- Scant residential—today just 2,300 people live downtown.
- Too much space—Tacoma seems to have too much retail space for the trade area, and new projects compete for the same operators as downtown.

The steep grade of several downtown streets is not conducive to a walkable environment.



Many of the buildings and storefronts around downtown are in need of repair and/or renovation.

QUALITATIVE ASSESSMENT

The foregoing quantitative snapshot shows the numbers of operations in the focus area by category. But the quality and condition of operations is at least as important as the number of filled storefronts—a fully occupied district with poorly designed, signed, cleaned, and merchandised operations, or with an overly narrow merchandise mix, is far from healthy.

Together with the quantitative assessment, a *qualitative* analysis of uses within the focus area provides a more complete view of the health of the retail along the focus blocks.

We conducted a qualitative assessment (QA) of the 39 shops, restaurants and personal services at street level within the focus area, evaluating these operations in 5 categories:

- facade
- signage
- window display
- exterior maintenance
- interior

operations are scored on a 4-point scale in each category:

1=poor 2=fair 3=good 4=excellent

highest possible score: 20

lowest possible score: 5

Total shops, restaurants and personal services scored: 39

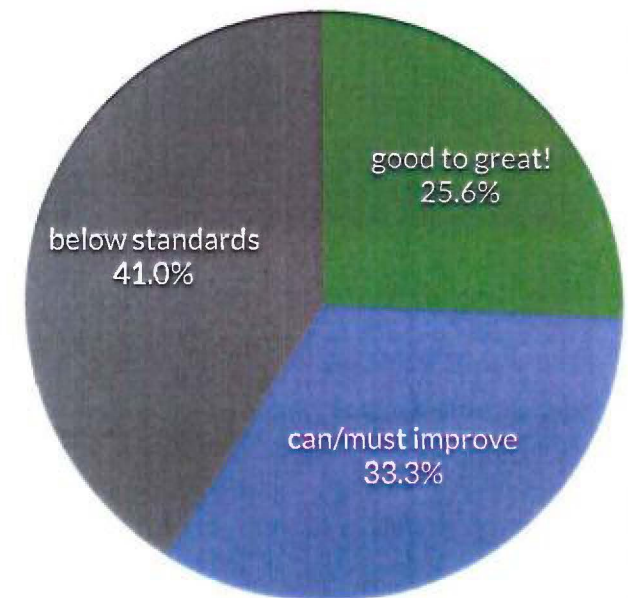
Average QA score: 12.2 points (out of a possible 20)—**collectively the operations are only slightly above minimum standards in the experience they offer to consumers.**

10 operations scored 16 points or higher, while 13 scored 11-15 points. 16 operations (41%) scored 10 points or less—they are below standards in terms of the experience they offer.

Average scores by category (each is out of a possible 4 points):

- 3.1 Exterior maintenance
- 2.5 Interior
- 2.3 Facade
- 2.2 Signage
- 2.2 Window presence

Qualitative Assessment



16 operations scored 6-10 pts = below standards

13 operations scored 11-15 pts = can & must improve

10 operations scored 16-20 pts = good to great!

MERCHANDISING PLAN

The pie charts at right show the *existing* mix in Downtown Tacoma's focus area alongside the *ideal* mix. The goal will be to increase the number of quality food + beverage operations and stores, as well as personal care offerings.

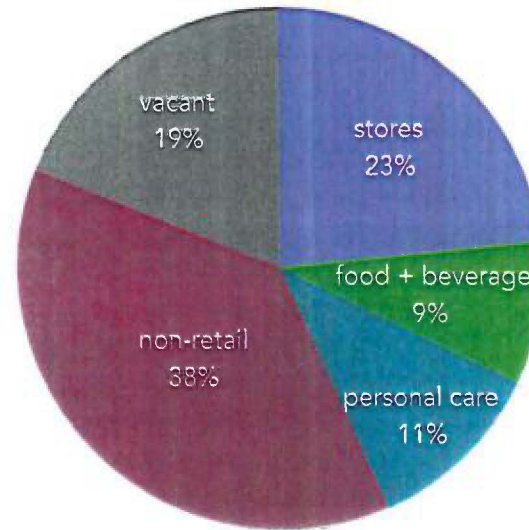
- **Today just 9% of the uses are Food + Beverage. The goal is to work to increase this significantly to around 38% of uses.**
- When combined, stores and personal care make up 34% of uses; the goal is to raise this to closer to 56% of all uses.
- Non-retail, which today accounts for 38% of uses, should ideally be no more than 5% of uses.
- Ideally, there will be no vacancies in the focus area, rather storefronts filled with high-quality operators.

The ideal use mix is a goal to work towards, not a specific end-point. No district will ever have a zero vacancy rate, as spaces turn over all the time for a variety of reasons. And reducing the amount of streetfront space taken up by non-retail uses is a very long-term process.

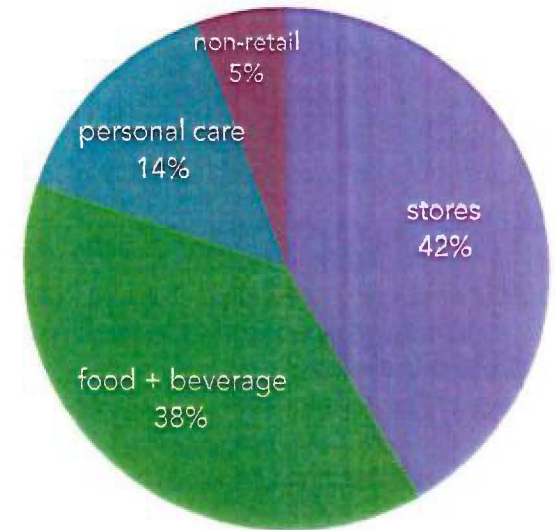
More details on specific uses to seek for Downtown Tacoma's focus blocks are on the next page.

MERCHANDISE MIX PLAN FOR THE FOCUS BLOCKS

Existing Use Mix



IDEAL Use Mix



RECOMMENDATIONS

The following 8 actions are recommended to address issues and leverage the assets of Downtown Tacoma; some may be ones the City will wish to tackle directly, while on others it may wish to partner with organizations and entities such as the downtown Business Improvement Area. The goal will be to improve the enabling environment and to craft a mix of uses to ensure downtown's relevance and sustainability in an evolving retail world.

Recommendation 1—

Hire & Train a Retail Advocate

Downtown Tacoma has the best chance of reaching its full potential if an advocate is hired to steward the retail enhancement effort.

The advocate builds relationships with landlords—sharing the retail strategy, gaining their support, and getting to know about their properties. At the same time, this person ***identifies and develops relationships with operators adept at creating a compelling shop or eatery that will induce people to patronize Downtown Tacoma.*** Additionally, the advocate promotes activities, policies, and regulations that support a strong retail habitat.

See the appendix for more detail on the role of the Retail Advocate.

Recommendation 2—

Engage Top-Notch Developers, and Encourage Much More Downtown Residential

Work to attract investors and developers with a solid portfolio of small- to mid- size ground-up and/or redevelopment projects. Only developers who have produced quality, *successful* mixed-use product in an urban setting should be sought. Encourage as much residential as possible be built in Downtown Tacoma. New residential product will help foster a sense of community and bring activity to a district, both by putting feet on the streets and with lights on at night. Explore assets/land ripe for development and options for turning existing buildings into mixed-use residential properties.

New development should be in line with the scale of existing buildings, employing setbacks above the first two to three floors and with appropriate height restrictions.

Recommendation 3—

Support/Encourage Retail-Friendly Design

Ensure that new construction and any remodels of existing buildings/spaces are designed in a manner that promotes the visibility of retail space, offers the right sizes of spaces, and enables operators to brand their businesses; a set of design criteria developed by a retail-centric architect would be very supportive of this effort.

**Recommendation 4—
Explore Incentives and Other
Funding Mechanisms**

Incentives can be useful tools for attracting tenants. These often come from landlords in the form of tenant allowances or low initial rent rates. Incentives from the City in the form of forgivable loans and/or facade improvement grants should also be considered.

Operators themselves can tap funding sources for improvements. For example, Mercy Corps Northwest has a micro-loan program that lends from \$500-\$50,000 to existing or startup operators that don't qualify for conventional loans. Craft3 offers loans of \$25,000 to \$5 million for small retailers and others in start-up or expansion phases who are not able to access traditional bank financing.

**Recommendation 5—
Support Existing Operators**

Explore opportunities to aid operators that scored in the range of "can/must improve" on the qualitative assessment with enhancing the experience they offer. This could take the form of bringing in consultants to work directly with operators on their space or with groups of operators via workshops focused on exterior and interior branding, merchandising, and/or marketing.

**Recommendation 6—
Continue Efforts to Attract
Employers to Downtown**

Initiatives by the City's Office of Economic Development to attract employers to downtown are critical; continue these efforts, and enhance them in any way possible to bring more feet to downtown streets.

**Recommendation 7—
Undertake a Retail Demand Analysis to
Quantify Supportable Retail Square
Footage**

The US as a whole has been considered "over-retailed" in terms of space for decades. Today, with the rise of online shopping, there is a growing understanding that most places have far more retail space than is supportable. A demand analysis of the downtown core would support the City and developers in their decision-making around existing and new space and projects.

**Recommendation 8—
Work to Enhance Connections
between Downtown Attractors**

Work to ensure that a strong connection is made across the downtown commercial core between its varied attractors (museums, theaters, shopping/dining streets) so they mutually reinforce one another and create a richer downtown experience.

NEXT STEPS

RETAIL ADVOCATE

- Hire and provide training for a retail advocate to serve as the steward for the retail program in Downtown Tacoma.
- Develop a marketing “image” piece for use by the retail advocate. This should be eye-catching and succinct; more detailed information about downtown and opportunities can be made available online.
- Meet one-on-one with landlords to discuss the retail program and their individual properties and tenancies.
- Develop database: the advocate should enter all data regarding prospecting in a database tool (such as Salesforce or Knack) to support his/her work and to build institutional memory.

OVERALL

- Seek out top-notch developers who have created or redeveloped high-quality, urban, mixed-use offerings.
- Develop retail design criteria.
- Create a plan to act on/explore the feasibility of the remainder of the recommendations outlined on pages 32 and 33.

MEASURING PROGRESS

Progress with a retail program is not visible overnight, yet over time a commercial area can be improved one space at a time with an active and sustained advocacy effort.

early on (years 1-2), measure:

- ▶ # of prospects generated
- ▶ # of prospect visits
- ▶ # of deals in negotiations

later (years 2-5), measure:

- ▶ # of leases signed
- ▶ # of operations opened

over time, measure:

- ▶ increase in rental rates
- ▶ growth in sales tax
- ▶ growth in property tax

RETAIL ADVOCATE

The Retail Advocate identifies and develops relationships with operators, ones adept at creating a compelling shop or eatery, that appeal to the target market groups. The Advocate acts as a matchmaker between prospects and downtown's property owners and their brokers. Early on, the Advocate meets with landlords to discuss the strategy and begin building their trust. The Advocate must be:

- an expert at recognizing quality store and restaurant operators
- enthusiastic about their downtown
- detail-oriented
- tenacious yet engaging

In cases where landlords cannot reject a tenant that is not the highest and best use for the focus area, the Advocate can encourage alternative strategies such as shorter-term deals and performance clauses that allow the space to be recaptured when more fitting tenants are found.

Retail Advocate Role

- salaried (not commission-based)
- develops and nurtures relationships with developers, property owners, existing operators, and potential operators
- serves as a "Match Maker"—brings viable prospects to landlords and/or their real estate representative
- keeps track of key vacancies, short-term leases, lease expirations; advises on recaptures of ground level space for retail
- enters all prospecting and property data in a tool such as SalesForce or Knack for his/her use and to build institutional memory
- works with relevant City agencies to help facilitate the opening of shops and restaurants

Process

The Retail Advocate is tasked with finding operators for downtown, with an emphasis on the focus area.

Following hiring, the training process for the Advocate includes:

Initial Training: Provide the Retail Advocate with intensive training on leasing terminology; landlord relations; prospecting philosophy, approach, and best practices; and the process for "handholding" a retailer through to the opening of their operation (leasing, permitting, etc.).

Landlord Relations: Together with the Retail Advocate, meet one-on-one with landlords and their brokers to share the retail strategy, seeking their support for the plan. We discuss opportunities and issues with their properties and tenants (referring to the qualitative assessment), and emphasize how critical the street-level tenancing is to their building as well as to the district as a whole. We also provide landlords with suggested lease clauses that are considered best practices in terms of retail leasing.

Prospecting: Prospect with Retail Advocate, seeking out and engaging quality, independent, well-branded operators from throughout the region. Prospecting is conducted in person, not by phone or e-mail. Just as in a mall, downtown stores and restaurants come and go over time, making the recruiting effort an ongoing, continual process of building a pipeline of potential operators.

As part of our process, we advise on the development of a succinct marketing image pieces for use by the Advocate. We continually review prospecting efforts and strategize regarding key opportunities.