

THE PORTLAND TRANSIT MALL IMPACT STUDY

**ECONOMIC
OVERVIEW**



BUREAU OF PLANNING
CITY OF PORTLAND, OREGON
DECEMBER, 1981

THE PORTLAND TRANSIT MALL IMPACT STUDY

ECONOMIC OVERVIEW
NOVEMBER, 1981

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The ECONOMIC OVERVIEW is one of three reports comprising the Land Use and Economic Effects component of the Transit Mall Impact Study prepared by the City of Portland Bureau of Planning. The other two reports are:

- o RETAIL FIRM LOCATIONAL ANALYSIS

- o DOWNTOWN BUILDINGS: NEW CONSTRUCTION,
MAJOR RENOVATION AND DEMOLITION

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INTRODUCTION

BACKGROUND

Transit malls are a relatively new form of municipal projects; they have been constructed in the U.S. only within the last 15 years. In the 1970's a new wave of concern over deteriorating business conditions in downtowns combined with increased concern over traffic congestion and environmental problems brought renewed interest in transit improvements as a partial solution. Recognizing that fixed guideway systems are expensive, most cities have begun to focus attention on improving bus service by means of operational measures. Examples are: priority signalization, preferential lanes, improved loading facilities, route rationalization, and improved scheduling. In particular, there has been a trend toward consolidation of routes onto fewer streets in order to make more efficient use of preferential treatment, while also simplifying the transit system and making transfers easier. Also, under the general heading of "Transportation Systems Management," public officials are encouraging carpools, transit usage, shorter trips and pedestrianization to otherwise mitigate the growth of auto congestion.

Transit malls represent a combination of two trends: (1) pedestrian malls and (2) preferential treatment for buses on city streets. They consist of relatively auto free areas which retain a roadway reserved for transit vehicles. Auto access is denied or limited strictly to local traffic and cross-street traffic. Typically, sidewalks are widened and other pedestrian amenities are added. By addressing the needs of pedestrians and facilitating the operation of transit, the mall becomes an important part of the collection-distribution process of a city wide or regional transit system.

A transit mall can be viewed as a compromise shopping mall,

designed to satisfy merchants who may feel that some vehicular access is essential to their business. This compromise view is based on the notion that neither pedestrian needs nor transit volumes taken by themselves are sufficient to justify removing entire streets from automobile use, but together they are. Further, pedestrian and transit uses are considered complementary uses. By combining the two, a special focus may be created in the downtown area that brings people together, stimulates business, encourages bus ridership, improves transit service, enhances environmental quality, and stimulates development in a pattern that can be better served by transit.

HISTORICAL DEVELOPMENT OF PORTLAND, OREGON'S TRANSIT MALL

While the concept of segregating transit from auto traffic on Portland's downtown streets was advanced as a solution to downtown traffic problems as early as the 1950's, the idea of a transit mall for Portland, Oregon was initiated in 1970 by a coalition of downtown business leaders and property owners. A Downtown Plan Study Group was formed, involving the City of Portland, Multnomah County and a variety of private consultants. Shortly thereafter, a Technical Advisory Committee, composed of technical personnel from various public agencies, was also formed, as well as a Citizen Advisory Committee.

After 15 months of discussion and study, a report (Planning Guidelines - Portland Downtown Plan) was published which included a transit mall concept for Fifth and Sixth Avenues.

The transit mall concept was identified as an integral element in the Downtown Plan and reiterated in the City's Transportation Control Strategy for Federal Air Quality Standards (1972). Therefore, the transit mall concept should not be viewed as an independent project but as a part of a much broader public and private investment plan.

Through a program funded by the Urban Mass Transportation Administration (UMTA), the Tri-County Metropolitan Transportation District of Oregon (Tri-Met) initiated a feasibility study for a Portland Transit Mall in January of 1973. The results of the study were favorable. This effort was followed by a preliminary design, completed in December of 1975. The funding for the Transit Mall was available under the Urban Mass Transportation Act of 1964 as amended. This act authorized the Secretary of Transportation to provide additional assistance for the development of comprehensive and coordinated mass transportation systems, both public and private, in metropolitan and other urban areas, and for other purposes. The construction was a \$15 million project funded 80 per cent by UMTA and 20 per cent by Tri-Met. Construction began in February, 1976; partial operation started in December, 1977; the Mall was completed early in 1978.

The Transit Mall is located in the heart of Portland's Central Business District (see Figure 1), is eleven blocks long ($\frac{1}{2}$ mile), and consists of two one-way streets, S.W. Fifth and Sixth Avenues. Physically, the Transit Mall involved reconstructing all improvements within the street right-of-way. This included widening existing 15' sidewalks to 26' along the right lane of each avenue where buses load. Sidewalks on the opposite side of the street were widened from 15' to 18' where there is auto access and to 30' in other blocks. Sidewalks were reconstructed with brick paving and granite curbs. London plane trees, spaced at approximately 25 feet, line the two avenues. This boulevard treatment is enhanced by refurbished historic street light standards and other street furniture. Most significant among the items of street furniture are 31 bronze-clad, glass roofed bus shelters located at bus stops.

An access lane for automobiles was provided in all but six blocks on the two Mall streets. These access lanes do not

FIGURE 1



PORTLAND CENTRAL BUSINESS DISTRICT

— — — — — TRANSIT MALL

0 1200'



allow through traffic, since they run for no more than three continuous blocks. Access from cross streets to these lanes is made by turning left into the Mall street. Cross street traffic is not allowed to turn right into the access lane because this would require turning across the bus lane. The widened sidewalks allow room for people waiting for buses, as well as 250 trees, 31 bus shelters, 54 benches, 34 bicycle bollards, 112 trash containers, 48 banner poles, 84 light bollards, 8 trip planning kiosks, plus display kiosks, concession stands and other features. It has been proposed that the Transit Mall eventually be extended a few blocks to connect with a regional transportation center at the northern end of the downtown. This would provide a link between suburban transit stations, shuttle buses, inter-city buses, Amtrak, and future transit improvements such as light rail.

OBJECTIVES OF THE PORTLAND TRANSIT MALL

Several objectives influenced the design of the Transit Mall. An important objective was to provide a more efficient, convenient transportation alternative for commuters and shoppers. Transit improvements were expected to increase transit use. This, in turn, was expected to promote more efficient land use, reduce energy consumption and reduce pollution. Another objective was to revitalize the downtown area.

The Mall design incorporates a number of features aimed at improving the efficiency and hence the attractiveness of transit. Two lanes on each avenue are designated exclusive bus rights-of-way. They are intended to increase transit capacity and reduce bus travel time by minimizing conflicts between autos and buses. A third lane, adjacent to the two transit lanes in eight of the eleven blocks, provides limited access to non-transit vehicles. The three blocks which do not have this lane act as a barrier to non-transit vehicles which

could otherwise use the Mall as a through north-south route. Non-transit vehicles may also cross the Mall on all east-west cross streets. This provides additional access while minimizing auto-bus conflict.

The Mall was also designed to encourage transit by making it more convenient and comfortable. Downtown bus stops were centralized to make transfers easier. Comprehensive route and schedule information are available at bus stops and information kiosks. Sheltered waiting areas and other services are provided. These and other features were included to make it easier for people to understand and use the transit system.

In addition to basic transit improvements, the Mall was designed to provide an environment inviting to residents and visitors, thereby making downtown businesses more competitive with suburban locations. Pedestrian amenities include widened sidewalks, street trees and landscaping, separation of passenger waiting zones from the store fronts and sidewalks, improved street lighting, street furnishings, and more attractive street graphics, signing and traffic control devices.

Finally, it was hoped that the completed Mall would stimulate growth in the downtown area, through stabilization or growth in the number of retail firms, lower vacancy rates, lower turnover rates, increased retail sales and other business activity, greater private and public investments, and more jobs.

THE PORTLAND TRANSIT MALL IMPACT STUDY

The Portland Transit Mall Impact Study was funded by the Urban Mass Transportation Administration to analyze a wide range of impacts related to the Portland Transit Mall. This study is a joint project involving the following agencies: Metropolitan Service District, City of Portland--Bureau of Planning, Tri-

County Metropolitan Transportation District of Oregon, Center for Urban Studies--Portland State University.

The purpose of the study is to provide useful information for public and private organizations at both the national and local level. At the national level, results of the study will help answer questions that are asked of Portland by other local governmental agencies. These agencies have expressed interest in Portland's experience with a transit mall and possible applications to their locale. They are also interested in the transportation-land use interactions that can be achieved through investments in transit. At the local level, information will be used in assessing impacts that relate to the operation, maintenance and possible extension of the Transit Mall.

This study evaluates a wide range of impacts which can be attributed to the construction and operation of Portland's Transit Mall. At the same time it must be recognized that the impacts of the Portland Transit Mall are difficult to isolate from a series of other public and private activities occurring during the same time period.

The specific impacts that were identified, measured and analyzed by this study and the agencies conducting this research are:

- I. Tri-County Metropolitan Transportation District of Oregon
 - A. Transit Operation Impacts
 - B. Safety Impacts
 1. Traffic Accidents
 2. Crime
 - C. Supervision
 - D. Transit Users Survey

- II. The City of Portland--Bureau of Planning

- A. Environmental Impacts
 - 1. Noise
 - 2. Air Quality
- B. Economic and Land Use Impacts
 - 1. Economic and Land Use Overview
 - 2. Downtown Buildings: New Construction, Major Renovation and Demolition
 - 3. Retail Firm Location and Re-Location Movements
- C. Traffic Impacts
- D. Pedestrian/Parking Survey

III. Center for Urban Studies--Portland State University

- A. Downtown Employee Impact Survey
 - 1. Travel Behavior
 - 2. Mode Changes
 - 3. Environmental Attitudes and Perception
 - 4. Design Aspects
- B. Retail Firm Locational Decision Impact Survey
 - 1. Effects of Transit Mall during construction
 - 2. Effects of Transit Mall after construction
- C. Economic and Land Use Impacts
 - 1. Changes in Land Values
 - 2. Changes in Rental Values
- D. Downtown Revitalization Impacts
- E. Institutional Networks

The following report is one of a series published by the Portland Transit Mall Impact Study. The contents of this report will be integrated into a Final Report.

PURPOSE OF THE REPORT

This report examines the recent economic development of downtown Portland. The intention is to develop a context for the Land Use and Economic Effects component of the Transit Mall Impact Study. Although the report focuses on the central business district (CBD) during the 1970's, major economic sectors are examined in a broader temporal and geographic context. Where possible the downtown trends are traced back to the late 1950's and are compared to the trends occurring in the metropolitan area as a whole. Within the report the terms metropolitan area and Standard Metropolitan Statistical Area (SMSA) are used interchangeably. Figure 2 illustrates the boundary of the SMSA.

DOWNTOWN BOUNDARIES

In this report the boundaries used to define the central business district coincide with those utilized in the Portland Downtown Plan, adopted by City Council in 1972. This area is inclusive of and larger than the study areas of the two component reports of the Land Use and Economic Effects portion of the Transit Mall Study. The downtown as defined in the Downtown Plan includes the CBD and adjacent residential and commercial districts. The boundaries are the Willamette River to the east and north and the Interstate 405 freeway to the south and west, enveloping an area known as the 'Freeway Loop'. This area, interchangeably referred to as the CBD or the downtown, covers 740 acres or 483 City blocks, and includes the Retail Core, the RX Residential Zone, Portland State University, the South Auditorium and Downtown Waterfront Urban Renewal Areas, and the North of Burnside Area. These areas are illustrated in Figure 3.

FIGURE 2
THE PORTLAND STANDARD METROPOLITAN STATISTICAL AREA

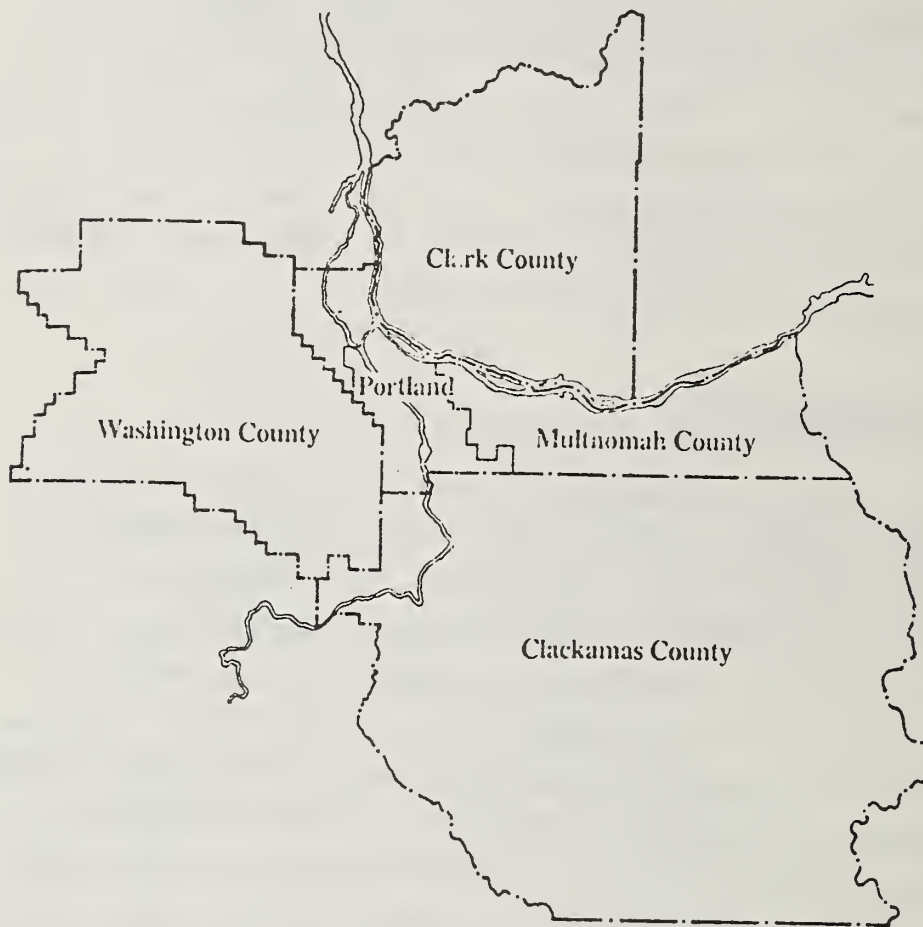
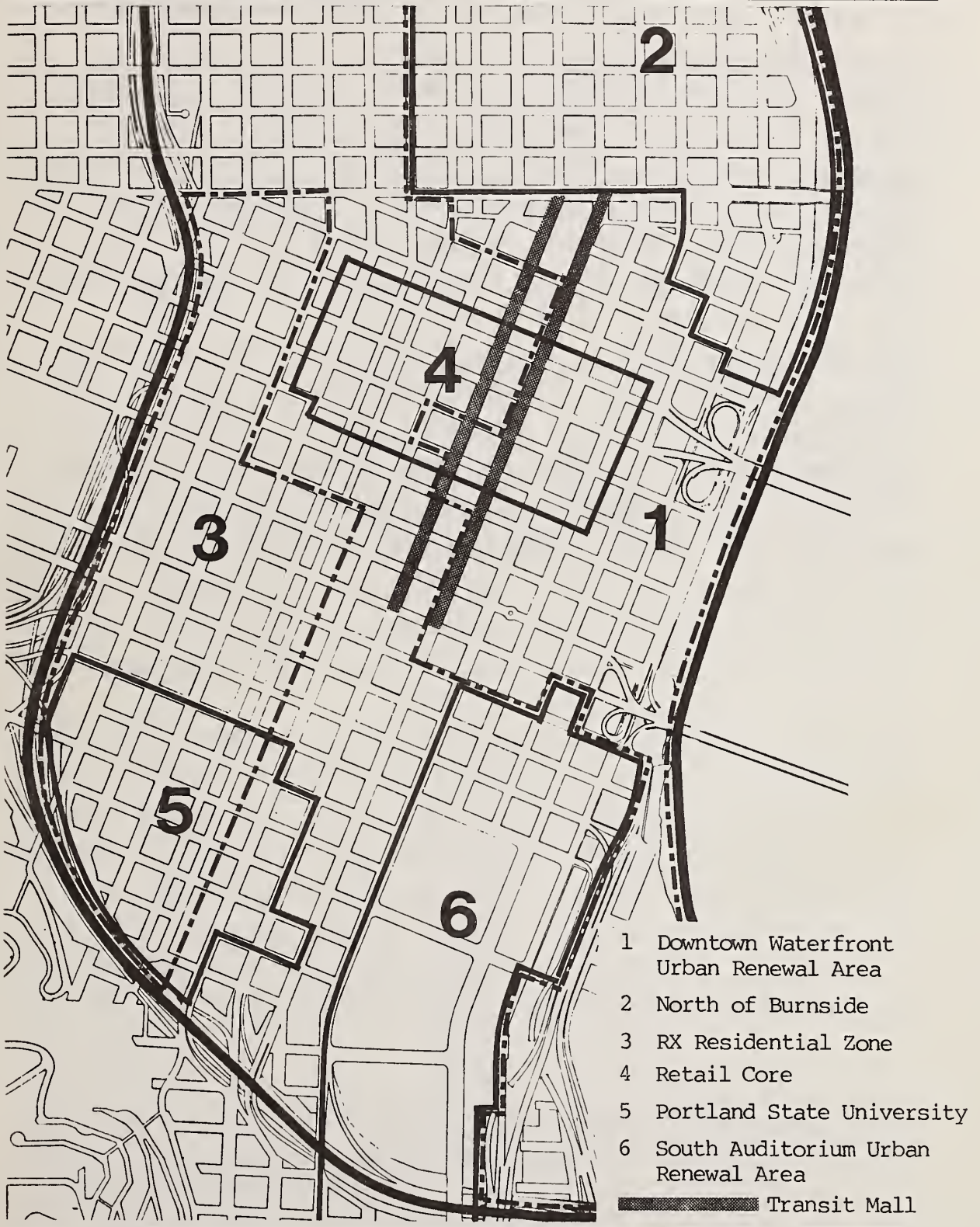


FIGURE 3

THE CBD BOUNDARIES AND SUB-DISTRICTS



ORGANIZATION OF THE REPORT

The report begins with a description of the Portland SMSA, and then focuses directly on the trends in the downtown economy. Section I briefly reviews the history of economic development in the Portland SMSA, and Section II summarizes trends in population, income, and employment characteristics. Section III describes the Downtown Plan which was adopted in the early 1970s, the decade of major concern during the 20 year period examined in this report. Section IV discusses activity in four major sectors of the downtown economy between 1960 and 1980. Specifically, examination of these sectors covers historical changes in growth or decline of office development, retail activity, housing, and hotel development, conventions and tourism. In most cases changes within the CBD are compared to the metropolitan area. Section V summarizes the major points of the report.

SECTION I
PORTLAND'S ECONOMIC DEVELOPMENT

THE PORTLAND SMSA ECONOMY

Portland is currently considered one of the fastest growing and most liveable metropolitan areas in the United States (20). The rapid population and employment growth rates of the metropolitan area reflect the fact that in recent years the economy of the Pacific Northwest* has grown more rapidly than the economy of the U.S. as a whole, and that Oregon's growth has been larger than that of the regional average (31).

Between 1970 and 1979, population grew annually by 0.9% for the nation, 1.9% for the Northwest, 2.2% for Oregon and 2.0% (31) for the Portland Standard Metropolitan Statistical Area (SMSA). This growth rate ranked the Portland SMSA as 13th in the nation for population gain (20). Annual employment growth between 1970 and 1979 was 2.4% for the nation, 4.5% for the region as well as Oregon alone, and 3.7% for the Portland SMSA (31). As a result, employment gain in the Portland SMSA ranked 19th in the nation for 1975 - 1980 (20), as shown in Figure 4.

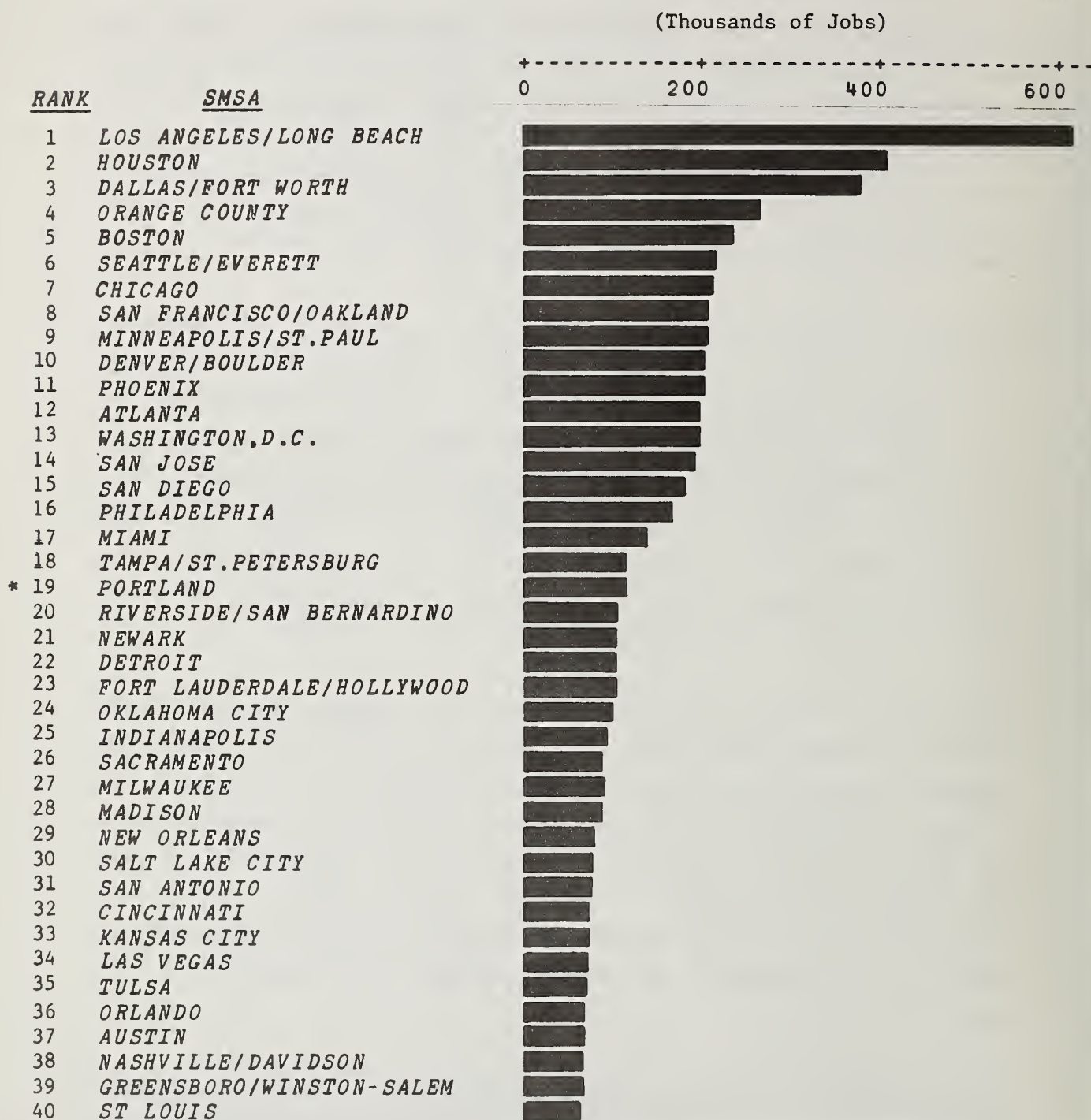
Portland is a major financial, industrial, commercial and educational** center in the Pacific Northwest serving both the vast Columbia basin and also the fertile Willamette and Tualatin Valleys. The City's 27 miles of deepwater port frontage make it the most important freshwater harbor on the Pacific Coast (3), and in 1980, as a seaport it ranked tenth in the U.S., first on the West Coast for the export of wheat and flour (20), and first in the Northwest for grain, lumber and other non-fluid cargo (30).

*The Pacific Northwest refers to Washington, Oregon and Idaho.

**There are 9 colleges and 16 community or vocational institutions in the Portland SMSA.

FIGURE 4

FORTY FASTEST GROWING SMSAs IN THE UNITED STATES
 BY TOTAL NON-AGRICULTURAL EMPLOYMENT GAIN 1975-1980 (000s)



Source: U.S. Department of Labor, Employment and Earnings, in
 Coldwell Banker, The Portland Market, 1981

HISTORICAL ECONOMIC DEVELOPMENT

The 19th Century

Portland's early economic development was based on the shipment of agricultural and silvicultural products to other markets on the West Coast. The City's strategic location at the intersection of major transportation routes (the Columbia and Willamette Rivers, and Canyon Road to the west) was a major reason why Portland had economic advantages over rival town-sites. The City expanded rapidly from 1850 onwards, becoming the largest city in the Pacific Northwest in 1860, a position it held until 1900 when it was surpassed by Seattle (11).

Although Portland's role as a seaport was very influential on the growth of the City during its first 50 years, other events and factors were important in boosting population and establishing the City as a major economic center in the Pacific Northwest. Early population increases were due to the Indian Wars of the 1850's, and because the City functioned as an outfitting point and supply center for the Northwest gold rushes and the settlement of the interior of the region. The arrival of Portland's first transcontinental railroad in 1883, and of three others by 1910 made the City a major railroad node for the West coast, and the major junction in the Northwest (10). This spurred much commercial activity resulting in an important warehousing function for the City, produced employment related to railroads, and encouraged the start of manufacturing industries. The manufacturing activities of Portland from 1850 to 1900 were based on local raw materials and centered on the supply of equipment for the primary sector industries that flourished in the region. Portland's topography proved particularly advantageous for the establishment of dockside industry, and in a different sphere, it provided land close to the city center that was well suited to the development of high income neighborhoods since it afforded dramatic views. These

topographic advantages were significant factors in the economic strength of the city, and continue to be influential both on businesses assessing the city as a location for their plants, and high income households choosing a residential location. While the City of Portland developed as the regional trade center for the metropolitan area and its farming hinterlands, the economic base broadened to include all aspects of a service, cultural and retail center.

1900 to 1945

Table 1 indicates the particularly rapid population increase which occurred following the turn of the century. The 1905 Lewis and Clark Exposition brought three million visitors to the city, which increased national awareness of Portland. (10). During World War I, Portland's historical employment emphasis in sectors related to forest products and agriculture shifted towards the growing manufacturing sector, especially ship building and machinery. The population swelled as workers arrived to meet the war effort needs in these industries. After the war the forest products sector again expanded, absorbing many workers laid off from war jobs who had not found work in other Portland-based manufacturing firms. Thus, during the 1920s, two-thirds of Portland's labor force was employed in the forest products industry. However, in 1933 a huge forest fire in Tillamook County destroyed a large part of the timber which supplied the mills in Portland, and consequently many mills closed permanently (9).

The reduced labor force in forest products was taken up by huge hydroelectric construction projects initiated by the federal New Deal program. These labor-intensive projects bolstered Portland's economy and created vast supplies of hydroelectric power, which was to attract new industry to the area. The economy of Portland was further impacted by U.S.

involvement in World War II. Shipyards, electro-processing plants and chemical plants were built, resulting in greater diversification of Portland's manufacturing sector. At the peak of the war there were 120,000 manufacturing employees in the Portland SMSA, and although this figure was halved following the end of World War II, the manufacturing base remained diversified.

TABLE 1
POPULATION OF PORTLAND AND
STANDARD METROPOLITAN STATISTICAL AREA (SMSA)
1860 - 1980

YEAR	CITY OF PORTLAND	SMSA	CITY SHARE OF SMSA
1860	2,874		
1870	8,293		
1880	17,577		
1890	46,485		
1900	90,426		
1910	207,214		
1920	258,288		
1930	301,815		
1940	305,394	501,275	61%
1950	373,628	704,829	53%
1960	372,675	821,894	45%
1970	382,619 ¹	1,009,129 ¹	38%
1980	365,415	1,235,632	30%

¹The revised census totals were 379,967 and 1,007,130, respectively. The numbers used here reflect printed census tract totals, and are commonly used.

Sources: 1860-1940: 1950 U.S. Census of Population, Oregon, Table 4
1940: U.S. Census of Population, Oregon, Table 21; Washington, Table 21
1950: U.S. Census of Population, Oregon, Table 34
1960: U.S. Census of Population, Oregon, Table 2-D
1970: Census of Population and Housing, Portland, Oregon-Washington, SMSA, Table P1
1980: Preliminary Census Counts

The Post War Era

After the war, the office and service sectors increased their shares of total employment while other sectors grew at a lesser rate, and Portland became established as a major regional trade and service center (9). The availability of hydroelectric power attracted metallurgical and chemical industries to the metropolitan area, and these have become major industries today. More recently, specialization in yet another field - electric instruments and electronics - has reduced the area's vulnerability to cyclical swings in any one industry. The manufacturing sector has continued to grow, employing the same number of people in 1980 as it did during the last war. Although manufacturing currently remains the largest employment sector, the non-manufacturing sectors* have grown much more rapidly, consistent with national trends for urban areas.

The Portland SMSA has developed as a significant regional center given its size because of its relative isolation from other large urban and industrial areas. With 40 percent of Oregon's population living in the Portland SMSA, and the Willamette Valley itself being the State's major population and employment concentration, the function of Portland as a financial, commercial, medical, service and cultural focal point in Oregon has been enhanced beyond the scope that would be expected for a city of its size (31).

In summary, Portland has developed as a major port, and a manufacturing center producing forest, foundry, and electronic products; precision instruments; parts of aircraft, trucks, railroad cars, and ships; packed and canned foods;

*Finance, Insurance, Real Estate, Trade and Service sectors.

flour and cereals; clothing and woolen textiles; chemicals and paper products (3). Furthermore, it is a major center for the transportation, communication and utilities sectors, and a financial, office, retail, educational, medical and cultural focal point for the State.

SECTION II
RECENT POPULATION CHARACTERISTICS

POPULATION

The Trends to Date

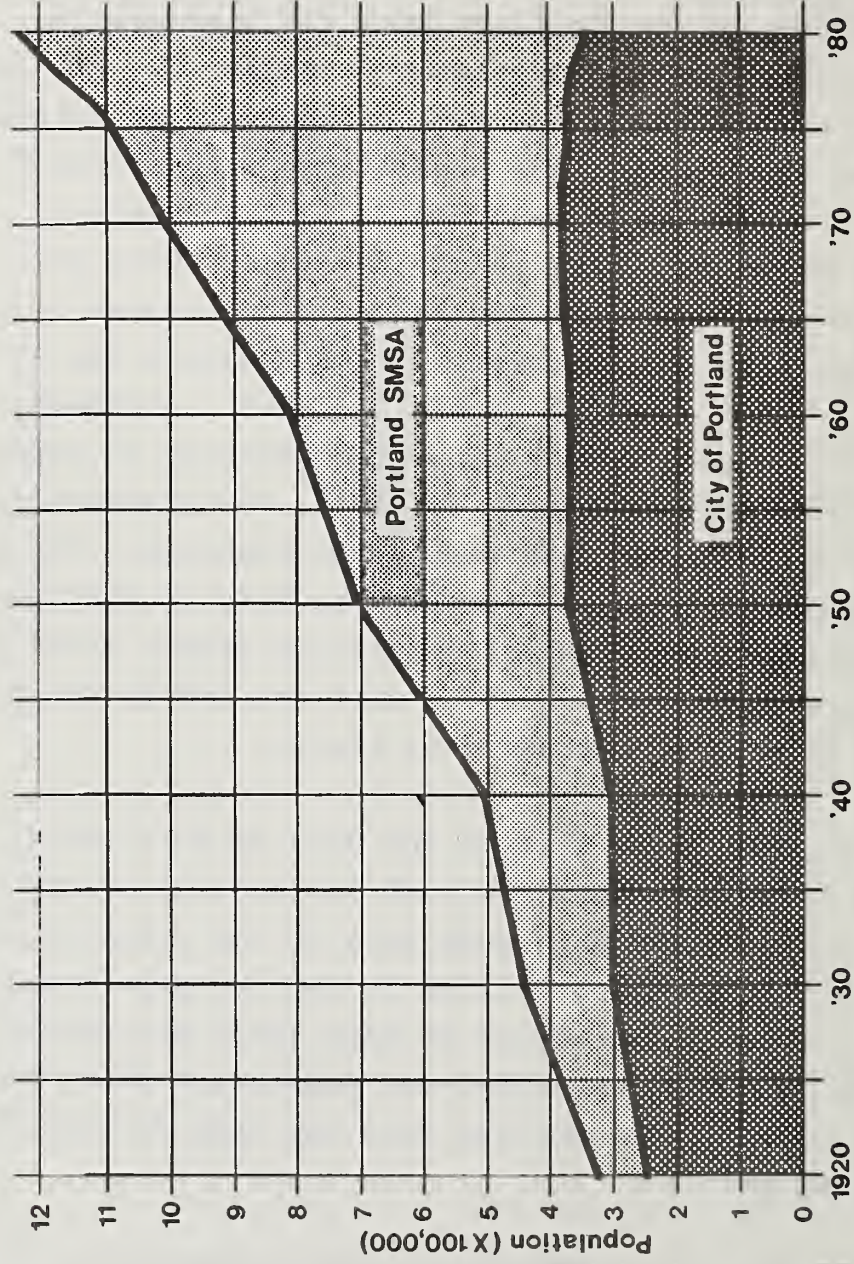
The population of the Portland SMSA has been growing rapidly since World War II as illustrated in Figure 5. The graph also illustrates the stable size of the City of Portland's population since 1950. The preliminary 1980 census figures indicate a heightened growth of the SMSA population, and the continuation of a slight decline in City population size which started in the mid 1970s. The figures in Table 2 detail the trend more accurately, and indicate the growth rate of the four counties within the SMSA. Although all four metropolitan counties have grown tremendously in population size compared to the figures for 1940, the greatest increases have been in Clackamas and Washington Counties. The part of Multnomah County situated outside the City of Portland has also experienced substantial population growth above its 1940 level, which contrasts markedly with the trends for the County area within Portland city limits.

The stable population size of the City of Portland is a significant fact given the growth of the suburbs around the central city. The high growth rate of the suburban counties has not caused a marked decline in the net population of the central city as has occurred in many large metropolitan areas around the nation. Nevertheless, population distribution within the whole metropolitan area has been decentralizing since World War II.

Density levels of residential land use attest to this pattern of decentralization. Within the City of Portland there has been no increase in overall density since the 1950's. In

FIGURE 5

POPULATION GROWTH IN CITY OF PORTLAND AND SMSA, 1920-1980



1980 Preliminary Figures

Source: Economic Development in Portland, Oregon, City of Portland, 1977

TABLE 2
POPULATION OF CITY OF PORTLAND AND SMSA, 1940 - 1979

DATE	PORTLAND INSIDE THE CITY LIMITS	MULTNOMAH COUNTY OUTSIDE OF PORTLAND	CLACKAMAS COUNTY	WASHINGTON COUNTY	CLARK COUNTY WASHINGTON	METROPOLITAN PORTLAND
4-1-40	305,394	49,705	57,130	39,194	49,852	501,274
4-1-50	373,628	97,909	86,716	61,269	85,307	704,829
4-1-60	372,298	150,515	113,038	92,237	93,809	821,897
4-1-70	380,620	174,048	166,088	157,920	128,454	1,007,130
4-1-71	382,500	176,200	173,100	167,300	130,100	1,029,200
7-1-71	383,000	176,700	174,900	169,660	150,400	1,034,660
7-1-72	384,000	176,000	178,400	178,300	132,800	1,049,500
7-1-73	385,600	170,400	185,600	182,500	135,200	1,059,300
7-1-74	372,200	172,700	196,900	189,400	140,300	1,071,500
7-1-75	375,000	172,900	202,900	190,900	149,000	1,090,700
7-1-76	382,000	171,000	205,800	196,000	154,300	1,109,100
7-1-77	384,500	171,900	211,000	200,800	164,000	1,132,200
7-1-78	366,650	182,350	220,000	215,000	169,900	1,153,900
7-1-79	370,000	188,600	231,000	222,100	178,900	1,190,600

Source: Portland Metro Area Today, 1981
Urban Land Institute

fact, the density of population within the City declined slightly during the 1960s and 1970s because of annexations of low density land adjoining the city. At the same time, the overall density levels of the suburban parts of the metropolitan area have been increasing as urbanization takes place (9). This pattern of decentralized population is projected to continue through the end of the century (18).

INCOME

Population distribution has created a degree of segregation of the population into different socioeconomic groups. The segregation is reflected by income characteristics of the population in the different counties. Table 3, (which covers only the three counties of the SMSA located within Oregon), shows that in 1980 Multnomah County - including the City of Portland - had a somewhat lower median household income than the other two counties. The breakdown of the figures to more detailed categories in Table 4 shows that the City of Portland had larger percentages of lower income households, and smaller percentages of higher income households than the three Portland SMSA counties in Oregon, the entire SMSA or the U.S. as a whole (20).

The income characteristics of the SMSA and City populations reflect a trend that has developed primarily since 1950. Median income levels for all households in 1950 were only slightly less in Portland than in the four-county SMSA, and the median level for families was actually slightly higher in the City than for the SMSA as shown in Table 5. However, median incomes increased more at the SMSA level than in the City for all households in 1960 and 1970, and for families in 1970. These different rates of increase established a trend that is reflected in the income distribution pattern of 1980, given in Tables 3 and 4 (19). Unrelated individuals,

TABLE 3
 PORTLAND SMSA INCOME LEVELS 1980

COUNTY	ESTIMATED 1980 MEDIAN HOUSEHOLD INCOME
Clackamas	\$ 21,970
Multnomah	\$ 20,900
Washington	\$ 24,400

Source: State of Oregon Housing Authority, 1980.

TABLE 4
 INCOME DISTRIBUTION 1980

ANNUAL INCOME	PERCENT OF INCOME			
	CITY OF PORTLAND	TRI-COUNTY	SMSA	U.S.
\$ 0 - \$7,999	25.9	15.4	19.2	21.3
\$8,000 - \$9,999	6.1	4.2	4.8	5.3
\$10,000 - \$14,999	14.9	11.5	12.7	14.4
\$15,000 - \$24,000	28.4	33.0	31.4	29.5
\$25,000 and over	24.7	35.9	31.9	29.5

Source: Sales and Marketing Management, 1980.

In: Portland Metropolitan Area Today, 1981.
 Urban Land Institute, p. x.

who have the lowest median incomes listed, maintained very similar income levels in both the City and the entire SMSA for 1960 and 1970.

EMPLOYMENT

In terms of employment characteristics, although the Portland metropolitan area is becoming increasingly oriented towards services and office employment, the area still has its largest percentage of employment in the manufacturing and retail trade sectors (9). Figure 6 shows the changing distribution of employment within the SMSA from 1954 to 1972, with services doubling in percentage figures during that time. Table 6 lists the changes within each sector from 1970 to 1980 for the SMSA. Finance, insurance and real estate employment followed by services had the largest percentage increases during the decade (28).

The changes in employment distribution that occurred from 1960 through 1980 were particularly beneficial for the continued growth of downtown Portland within the metropolitan region. The sectors which had the largest percentage employment increases from 1960 through 1980 were those which use office or retail space, and which can benefit substantially from a downtown location. Thus employment growth tended to result in a potential demand for downtown office and business service space of greater volume than was demanded for such uses elsewhere in the SMSA (4).

The downtown share of total employment within the metropolitan area is given in Table 7, which contains only projections for 1970 through 1990. However, an estimate of downtown employment for 1980 shown in Table 8 was only 325 persons greater than the Table 7 projection (5). Table 8 details 1980 downtown employment figures per sector, derived from a

TABLE 5
 MEDIAN INCOME FOR PORTLAND AND SMSA 1950 - 1970

	YEAR	CURRENT DOLLARS		1967 CONSTANT DOLLARS	
		CITY	SMSA	CITY	SMSA
All Household (families and unrelated individuals)	1950	\$3,051	\$ 3,109	\$4,291	\$4,373
	1960	4,920	5,356	5,649	6,149
	1970	6,705	8,378	5,923	7,401
Families	1950	\$3,719	\$ 3,666	\$5,231	\$5,156
	1960	6,335	6,340	7,273	7,279
	1970	9,799	\$10,463	8,556	9,243
Unrelated Individuals	1950	NA	NA	NA	NA
	1960	\$1,859	\$ 1,773	\$2,134	\$2,036
	1970	2,806	2,899	2,479	2,561

Sources: 1960 U.S. Census of Population, Oregon, Table 37
1960 U.S. Census of Population, Oregon, Table 76
1970 Census of Population, General Social and Economic Character-
istics, Oregon, Table 89

Incomes converted to 1967 dollars using consumer price index of Table B4,
Portland Fact Book, 1981

TABLE 6
 SMSA TOTAL EMPLOYMENT CHANGE: 1970-1980

SECTOR	INCREASE IN NUMBER OF EMPLOYEES	PERCENT CHANGE	SHARE OF TOTAL EMPLOYMENT GROWTH
Trade	48,000	51.8%	28.9%
Services	39,600	58.5	23.8
Manufacturing	27,100	31.6	16.3
F/I/R/E*	19,900	80.6	12.0
Government	16,600	26.6	10.0
Construction	8,900	51.4	5.4
T/C/U**	<u>6,000</u>	<u>19.9</u>	<u>3.6</u>
TOTAL	166,100	43.6%	100.0%

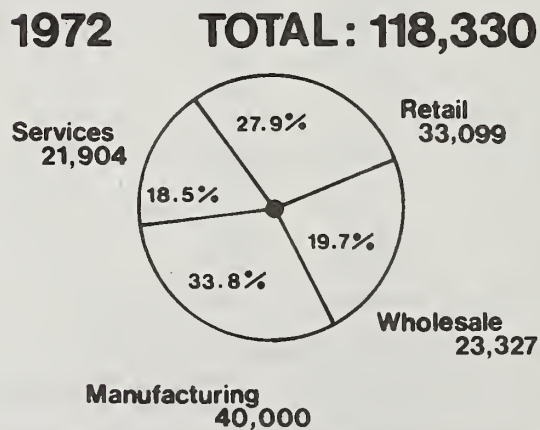
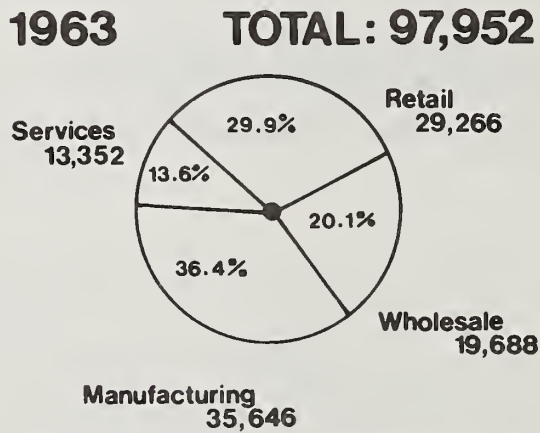
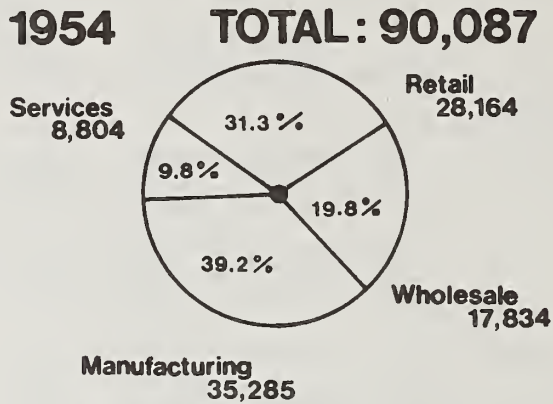
*F/I/R/E = Finance/Insurance/Real Estate

**T/C/U = Transportation/Communication/Utilities

Source: State of Oregon, Department of Human Resources.

in: The Portland Market, Coldwell Banker, 1981

FIGURE 6
DISTRIBUTION OF EMPLOYMENT BY SECTOR



Source: Economic Development in Portland, Oregon,
City of Portland, 1977

TABLE 7
 EMPLOYMENT GROWTH AND DOWNTOWN SHARE
 OF REGIONAL EMPLOYMENT 1960 - 1990

YEAR	DOWNTOWN EMPLOYMENT ESTIMATES	PORTLAND-VANCOUVER METROPOLITAN AREA TOTAL EMPLOYMENT ESTIMATES	PER CENT DOWNTOWN OF REGION
1960	49,900	327,300	15.3
1970	60,100*	388,700	15.4
1980	79,900*	466,400	17.1
1990	90,100*	548,000	16.5

*De Leuw, Cather & Company Estimate

Source: Portland-Vancouver Metropolitan Area
 Transportation study

In: Downtown Employment Projections -
 Survey and Synthesis
 Bureau of Planning, 1976.

TABLE 8
 DOWNTOWN EMPLOYMENT, 1980,
 DERIVED FROM THE 1980 LAND USE INVENTORY
 BY THE PORTLAND BUREAU OF PLANNING

LAND USE CATEGORY	SQUARE FEET	SPACE/EMPLOYEE COEFFICIENT	ESTIMATED DOWNTOWN EMPLOYMENT
Residential	3,575,658	1 employee/20 residents	600
Hotel	2,062,241	.4 employees/room* 2,300 rooms	920
Manufacturing	1,624,660	600 s.f./employee	2,700
Wholesale	1,262,130	1,200 s.f./employee	1,050
Retail	4,037,983	500 s.f./employee	8,075
Service	12,354,774	250 s.f./employee	49,400
Government	2,388,033	200 s.f./employee	11,940
Medical	564,500	400 s.f./employee	1,400
Education	1,864,995	900 s.f./employee	2,070
Non-Profit	889,611	900 s.f./employee	980
Amusement/ Recreation	<u>980,400</u>	900 s.f./employee	<u>1,090</u>
TOTALS	31,604,985		80,225

*Employees of eating and drinking establishments in hotels and motels were included in the retail count.

Service employment consists mostly of office workers, but also includes personal services, automotive, bank services, etc., requiring larger spaces than those of office workers along.

Source: Portland Bureau of Planning;
 Lord & Associates, Inc. 1980

1980 land use inventory by the City Bureau of Planning.

The estimate of downtown employment given in Table 8 shows the clear dominance of services, government office and retailing as the major employers of the CBD (5). These are sectors which have grown rapidly from 1960 to 1980 in comparison to all employment sectors at the metropolitan level. Their significance downtown means that the CBD has maintained the pace of employment growth that the SMSA as a whole has experienced.

SECTION III

THE PORTLAND DOWNTOWN PLAN

THE RELEVANCE OF THE DOWNTOWN PLAN

This section briefly describes the Portland Downtown Plan, its broader objectives and some of the regulatory instruments which have been developed to realize these objectives. The Plan was adopted in 1972 as one response to a widely held opinion that the CBD faced a serious threat of economic and visual decline. The overall objectives of the Plan were to halt and reverse the decline by creating a pleasant human environment and an efficient use of land by stimulating private investment that was responsive to public improvements. A series of Downtown Development Regulations were adopted by the City during the 1970s to direct development and redevelopment toward the realization of these objectives.

It is important to describe the Plan and its regulatory powers in order to establish the context of public policy toward development in downtown Portland during the 1970's. However, it is not the intention of this report to assess the level of impact of the Plan on the various economic sectors discussed in Section IV.

THE DEVELOPMENT OF THE PLAN AND ITS OBJECTIVES

The Need For A Plan

Employment growth in the Portland SMSA since World War II resulted in increased demand for office space because office users were the fastest growing employment sector. Although it was the downtown which supplied much of the needed office space, this new construction did not arrest the general decline of the downtown that was clearly apparent by 1970.

Indicators of the state of economic and physical decline included the fact that during the late 1950s and through the 1960s the downtown share of SMSA retail activity declined annually; the number of housing units located within the CBD diminished rapidly; a growing percentage of hotel rooms were located outside the CBD; and compared to new shopping centers and office parks located in the suburbs or elsewhere in the City of Portland, the downtown was viewed as being old, difficult to park in, and generally outmoded and dilapidated (17).

While Portland did not reach the state of decline experienced by numerous other urban centers in the country, by 1970 it was clear that action was needed to reverse these trends. The need for a Downtown Plan was advocated by knowledgeable professionals* throughout the 1960's. By 1969, interest in a plan had expanded to include members of the downtown business community, the public at large, and members of City Council.** Thus, by 1969, a number of events were in motion that were directed towards revitalizing the downtown area. This included work on the Downtown Plan in order to encourage new public works and redirect private development within the downtown. Also, coordinated studies of the regional transportation system instituted by the governor, which included a renewed emphasis on mass transportation and the limitation of automobiles in downtown, were undertaken at the same time (29).

*The American Institute of Architects Portland Chapter; City Planning Staff, and others.

**Business leaders formed the Portland Improvement Committee and Citizen's Advisory groups were established in support of a downtown plan.

The Objectives of the Plan

A major catalyst for gaining public support for the Downtown Plan came in 1969 when a proposal surfaced to construct a multi-level parking structure on the block west of the Pioneer Courthouse. The proposal became the center of controversy because it was widely felt that the block should become a public square. Since the block was considered so significant to the future character of the retail core, City Council decided to delay approval of the parking structure until a comprehensive plan for the CBD had been developed. The recommendation of the Planning Bureau, which later became the Downtown Plan, called for the development of a public square on this block, connected to a Transit Mall. Simultaneously, the Planning Commission decided in 1969 that cars should be routed around downtown and that mass transit should have a role for bringing people to the center of downtown. Thus the transportation system became an integral part of the downtown planning effort.

The Transit Mall, which had been discussed in various forms since 1952,* therefore became a centerpiece of the whole plan, connecting the central public square and the pedestrian oriented streets in the east-west retail core with pathways to the waterfront. The Mall also increased transit accessibility for the north-south office core area. The plan stressed the importance of locating the two Transit Mall streets in the center of the office corridor, which stretches between Fourth Avenue and Broadway from Burnside to Market, where the highest land to floor area ratios (FARs) are allowed. The Transit Mall concept was singled out and adopted as an element of the Downtown Planning guidelines in advance of the adoption of the Plan itself, thereby making

*Beginning with a downtown bus loop concept developed by the City Planning Commission.

the Mall a dominant element of the whole plan to revitalize downtown.

One objective of the Mall was to aid in the provision of an efficient transit system to the downtown, especially to its retail and office cores. It was hoped that the transit improvements would result in a reduction in the volume of automobile traffic. This in turn would possibly contribute to improved air quality downtown, as was required by the 1970 Clean Air Act.

To encourage greater transit useage the system had to be convenient for pedestrians by reducing walking distances. Consequently, it was important to encourage high intensity office and retail development immediately surrounding the Mall. This was and still is the intention of the Downtown Plan. The Plan is, however, broader in scope since it not only aims at making efficient use of the investment in improved transit facilities, but it also details a series of public investments deemed necessary to encourage people to use the downtown.

The Downtown Plan was adopted in 1972, and established a set of concise goals and objectives which aimed at the creation of a pleasant human environment, and an efficient use of land and public investment within the downtown. The wish was to attract new residents, shoppers and investors downtown and to guide development to best achieve this. In order to accomplish these goals, the Plan stressed three key elements that had to be developed simultaneously. These were:

- (1) The introduction of pedestrian amenities in a systematic way.
- (2) The encouragement of a mix of densities, activities and land uses, which included retailing and housing.
- (3) The provision of good vehicular access through the management of

parking resources and a greater reliance on public transportation. These elements were translated into a 'plan concept' that specified action to be taken for particular geographic districts within the CBD.

The Concept of the Plan

Before the plan was written, three alternative approaches towards guiding the form of development for the CBD were reviewed. These approaches were a "dispersal concept" with complete dispersal of development within downtown emphasizing total accessibility and easy parking; a "multi-node concept" with concentrated development around peripheral parking facilities at major access points into downtown; and a "linear concept" with concentrated development along a strong transit corridor using peripheral parking at each end. A combination of multi-node and linear form was selected as the best alternative for downtown development (6). This combination retained the important existing office and retail cores which stretch between Burnside and Market streets and Fourth to Tenth Avenues respectively, and yet allowed substantial medium density growth in peripheral areas of downtown where land is cheaper and more available for redevelopment. Table 9 and Figure 7 summarize the features of the Plan concept as finally selected, and indicate the importance of the Transit Mall, and its close interrelationship with land uses and density levels as prescribed by the Plan.

The Plan delineates various downtown districts of particular function or character, and details appropriate land use programs for the enhancement of each district in accordance with the goals of the Plan. The central office corridor and retail core districts are both located within the area served by the Transit Mall, and this is reflected in the Plan's land use policies and general guidelines to enhance the pedestrian environment of these districts.

TABLE 9
PLAN CONCEPT

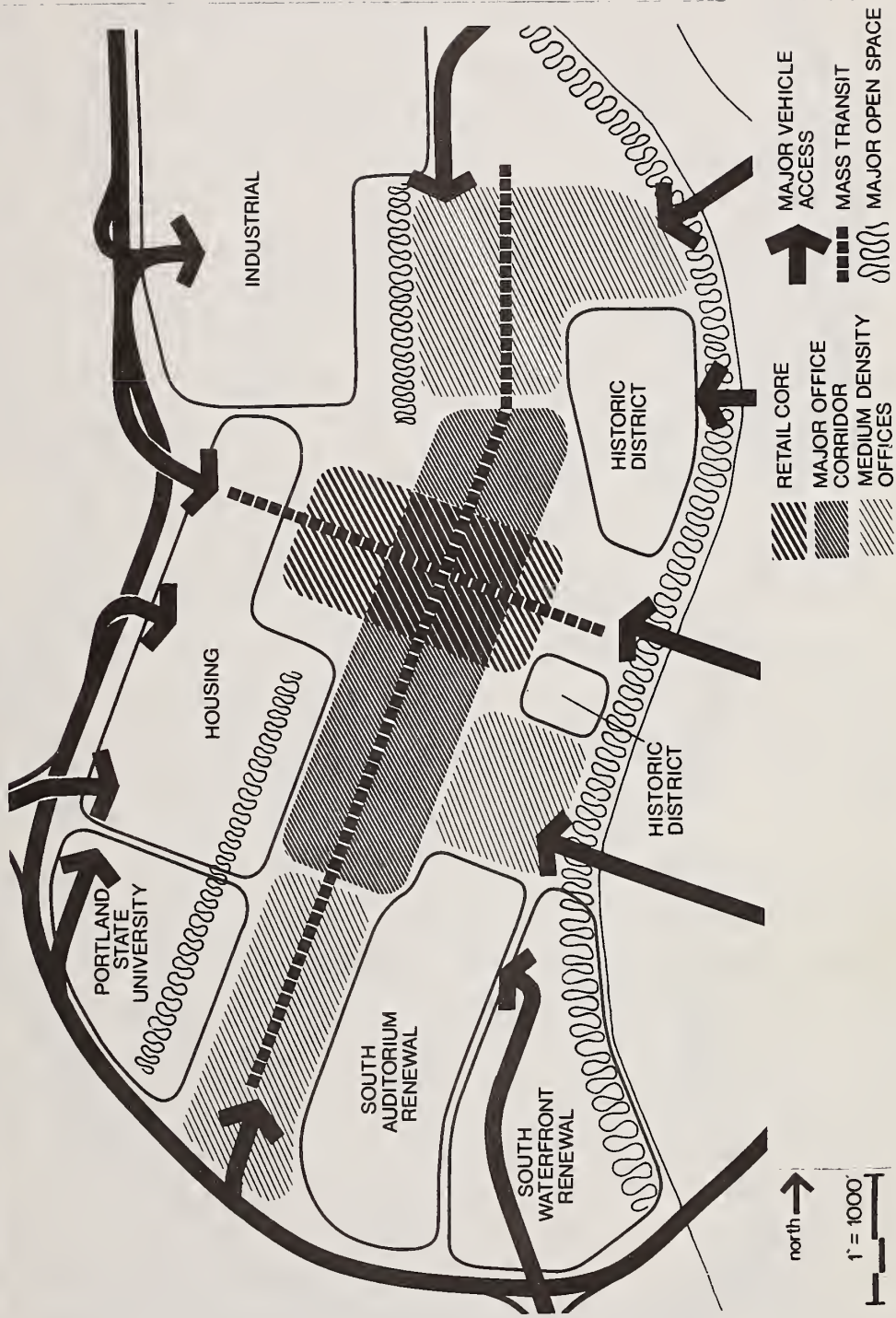
A combined linear/multi-node concept best meets the planning goals for Downtown. The plan concept features are summarized below:

1. High density north-south concentration of office development reinforcing existing patterns.
2. Compact east-west retail core concentration extending to the river.
3. Medium density office concentration at selected access points into Downtown.
4. Remainder of area inside freeway loop development in medium and lower density uses.
5. North-south regional transit corridor centered on high density spine.
6. East-west transit shuttle centered in retail core.
7. Waterfront esplanade penetrating into Downtown where soft spots occur.
8. Existing special districts are identified and strengthened
9. Strong north-south and east-west pedestrianways link development concentrations and special districts.
10. Where possible, preserve and rehabilitate structures of special significance throughout Downtown.
11. Protected and reinforced housing district west of the high density office corridor and retail core.
12. Functional classification of Downtown public rights-of-way in support of the plan concept and the goals and guidelines of the plan.
13. Location of warehousing, distribution and manufacturing activities that require a location close to the city center north of Burnside and west of the Park Blocks.

Source: The Downtown Plan, Bureau of Planning, 1972.

FIGURE 7

THE DOWNTOWN PLAN CONCEPT

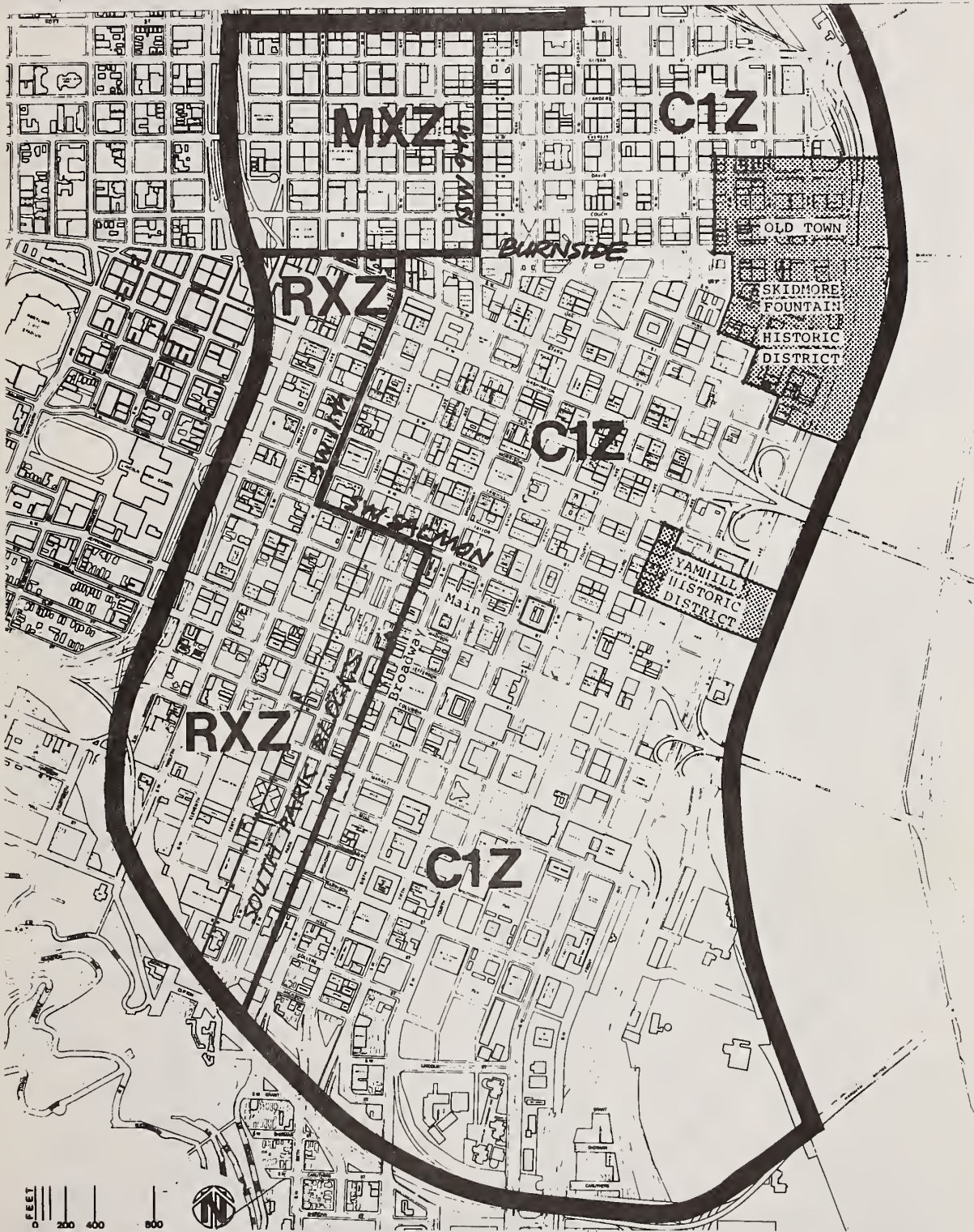


Downtown Development Regulations

The Plan has become a master document which includes a series of reports and regulations that collectively define the City's plan for Downtown Portland. One important section deals with Downtown Development Regulations which serve to implement the goals and guidelines. The regulations consist of zoning codes which are legally binding requirements with which all development in the downtown must comply. There are two basic types of Downtown Development Regulations. First, there are 'primary zones' which are mutually exclusive districts where the zoning designation determines the types of land uses, and lot size and coverage permitted. The primary zones are downtown commercial, (C1), downtown multi-family housing (RX), and downtown manufacturing (MX). Secondly, there are 'overlay zones' (Z and D) which apply to the entire Downtown area and address urban design concerns. They regulate such things as building height, bulk and design and must be satisfied in addition to meeting the requirements of the primary zones. Figure 8 shows the boundaries of the primary zones and the downtown area covered by both the overlay zones.

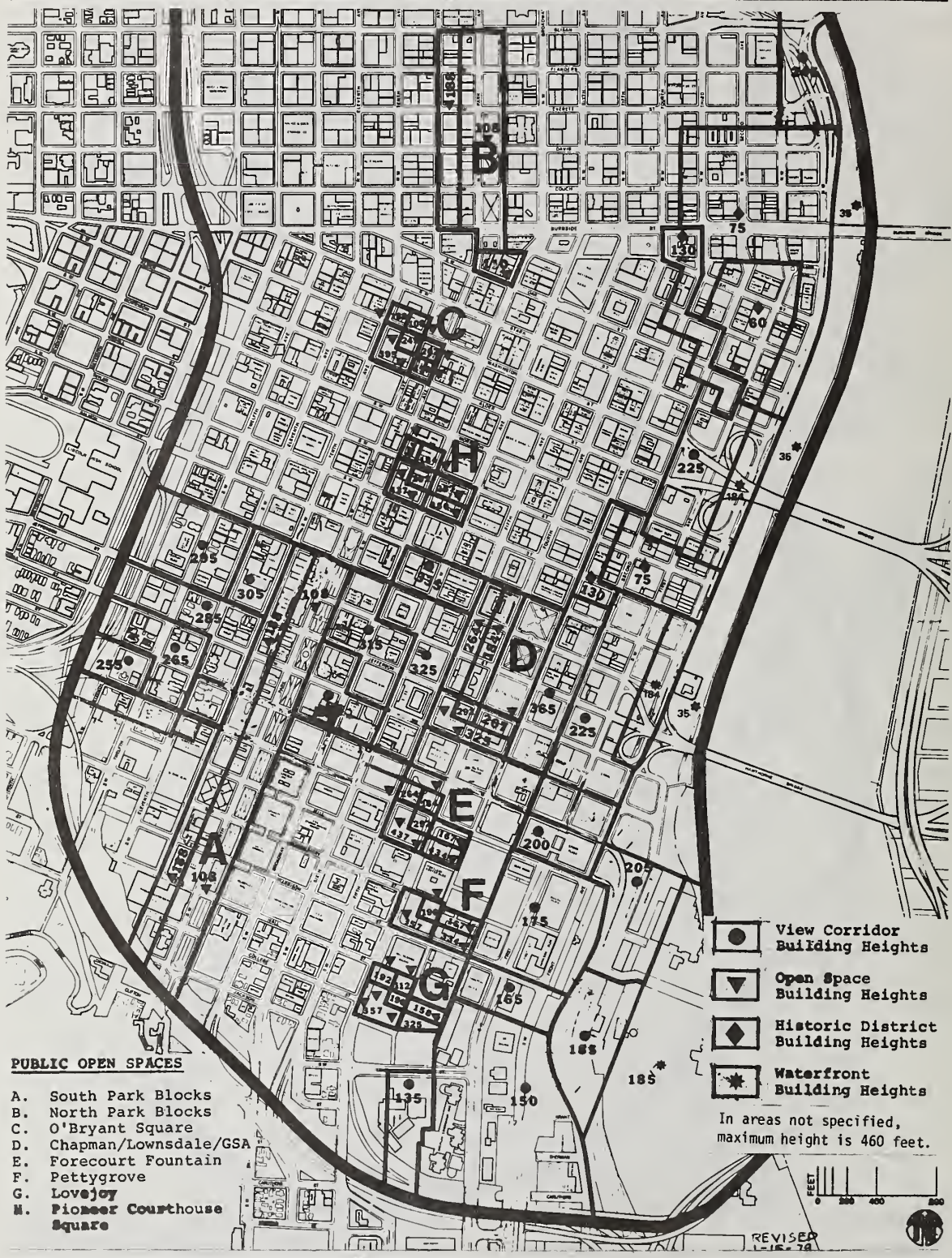
The 'Z' overlay zone regulates maximum building heights, maximum floor area ratios (FAR), residential bonus provisions, parking regulations, building setbacks, retail ground floor area requirements, and limitations against blank walls. Figures 9 through 11 portray the geographic extent of these various regulations. Significantly, the Transit Mall is located in the downtown area where building FARs are greatest, where buildings are required to extend to the property lines in order to preserve the narrow downtown street character, and where all buildings must have at least 50 percent of first floor area in retail uses. Thus the pattern of new development is closely controlled in the retail and office cores, so as to create the desired

FIGURE 8
DOWNTOWN PRIMARY AND OVERLAY ZONES



Source: Portland Bureau of Planning, Revised 1980

FIGURE 9
 MAXIMUM BUILDING HEIGHTS



- PUBLIC OPEN SPACES**
- A. South Park Blocks
 - B. North Park Blocks
 - C. O'Bryant Square
 - D. Chapman/Lownsdale/GSA
 - E. Forecourt Fountain
 - F. Pettygrove
 - G. Lovejoy
 - M. Pioneer Courthouse Square

- View Corridor Building Heights
 - Open Space Building Heights
 - Historic District Building Heights
 - Waterfront Building Heights
- In areas not specified, maximum height is 460 feet.

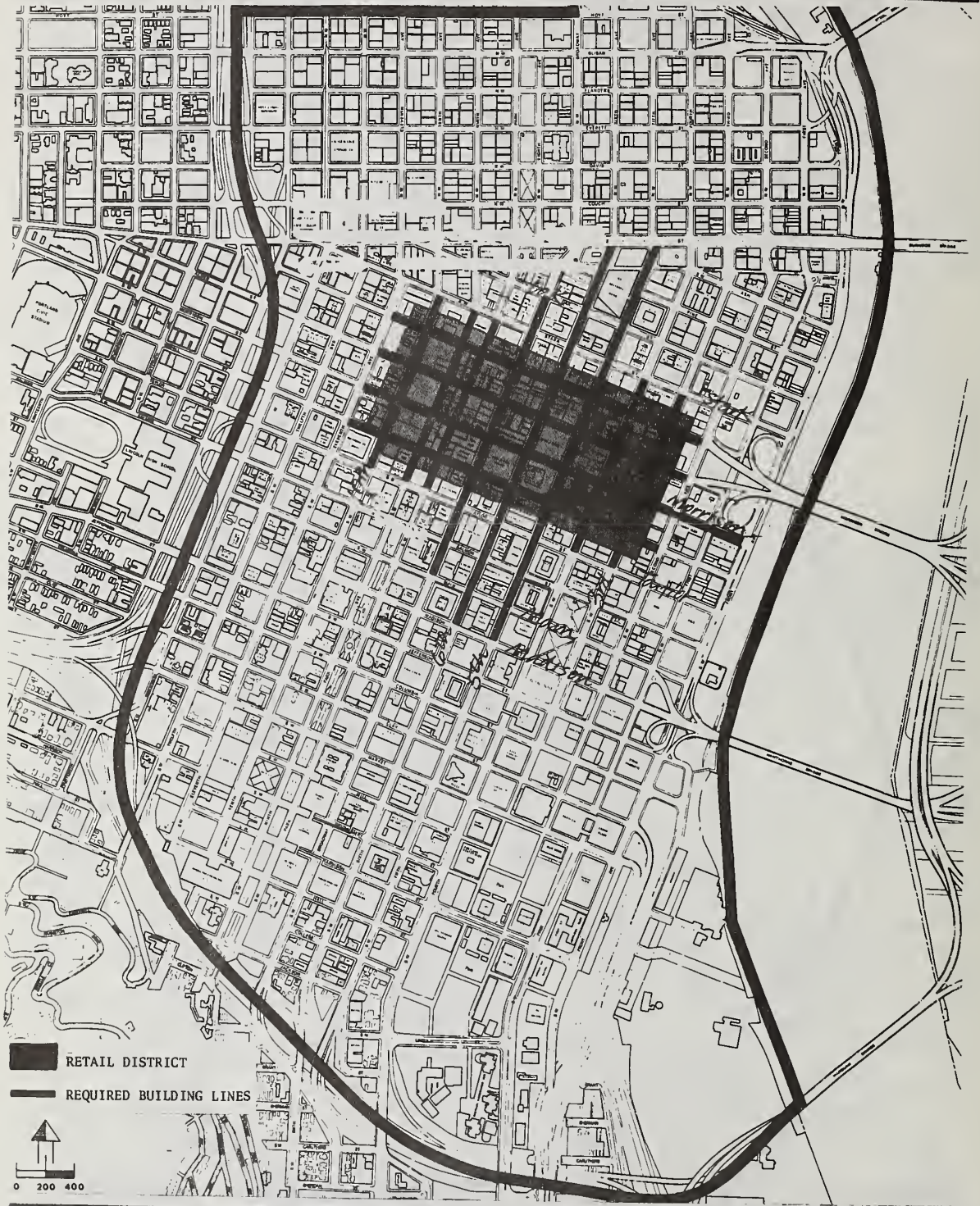
Source: Portland Bureau of Planning, Revised 1979

FIGURE 10
MAXIMUM FLOOR AREA RATIOS



Source: Portland Bureau of Planning, 1981

FIGURE 11
BUILDING REQUIREMENTS



Source: Portland Bureau of Planning

environment around the Transit Mall. These controls are most clearly reflected in Figures 10 and 11.

The 'D' (design) overlay zone is intended to conserve and enhance the appearance of the City in areas of special interest and use, of cultural note or architectural merit within the downtown area. Application of this zone enables the City to ensure that buildings which meet the requirements of the 'Z' overlay zone actually have an appearance that satisfies the intention of the regulations, which is to improve the "quality" of the physical environment downtown. The design zone acts as a mechanism for the City to influence the way new or rehabilitated buildings relate to their neighbors and to the functional area in which they are located. Consequently, it is possible to ensure that the retail and office areas surrounding the Mall are increasingly oriented towards the pedestrian as redevelopment occurs.

According to the 1981 Downtown Plan Update (7), the City made gains during the 1970s toward its goal of reversing the decline in the economy and physical environment of downtown. Publicly funded investment enabled the construction of the Transit Mall and of other pedestrian amenities, built two new shopper parking facilities at the east and west ends of the retail core, and created some important new open spaces for public outdoor activities. Simultaneously, some private investments in office construction, in retail store expansion and rehabilitation, and in residential rehabilitation and construction occurred at locations which helped create the functional areas intended by the Downtown Plan. The changes that have occurred during the 1970s enable the City Planning Bureau to assess the Plan and its regulations as beneficial to date (7).

SECTION IV
MAJOR DOWNTOWN ECONOMIC SECTORS 1960 - 1980

This section examines trends in four economic sectors which are useful indicators of the economy of downtown Portland. These sectors are office development, retail activity, housing, and hotel development, conventions and tourism. They represent major components of downtown economic activity and consequently give an indication of the way in which the downtown has developed during the study period.

Trends in office development reflect the demand for office space, which is a function of the employment growth within office-based employment categories. The proportion of the SMSA office-based employment growth that is captured by the downtown is an important indication of the function and economic strength of the central business district.

Historically, downtown Portland was the principal retail center for the city. As with many American cities, that pre-eminent position has been eroding for several decades due to suburbanization. The position of the CBD as a retail sales center during the study period indicates the degree to which it has withstood the impact of the development of suburban shopping malls. The level of CBD retail sales relative to SMSA sales over time indicates the retail economic health of the downtown area.

Trends in the downtown housing market help assess whether the downtown is economically active outside regular office hours. Downtown residents are an important market for retailing and entertainment facilities, especially during after-work hours. Downtown housing stock and occupancy are indications of the degree of economic diversity of the downtown area.

The development of hotel and motel facilities within the downtown is a general indication of increasing business activity. The high occupancy of these facilities implies an economic diversity that derives from the presence of more people downtown more hours of the day. The demand for hotel rooms, and visitor and convention statistics in general are indicators of the importance of this sector to the downtown economy.

OFFICE DEVELOPMENT

The growth rate of office construction is related to employment growth within those sectors of the economy where the labor force is located in office buildings. As noted in Section II, employment in the Portland SMSA has been increasing since World War II, and the composition of the labor force has been changing as employment has increased. There has been a move away from dependence on the manufacturing, transportation, communication and utilities sectors toward the sectors of finance, insurance, real estate, services, and other trade, whose employees are office-based. These growing sectors are the principal employment sectors of the downtown, thereby explaining much of the growth in the size of downtown employment that has occurred. Table 10 details for 1977 the CBD percentage share of SMSA employment within several particular sectors. The sectors with asterisks together make up 55 percent of all downtown employment (9), indicating their influential role in CBD employment growth.

Office buildings in downtown Portland are located in four distinct areas. First, there is the central office core located within a north-south axis between W. Burnside and SW Market Streets, from SW Fourth Avenue to SW Broadway. This area contains the majority of old office buildings and bisects the east-west oriented retail core. Many corporate and bank headquarters are located within this central office core.

TABLE 10
 CBD PERCENTAGE SHARE OF TOTAL SMSA EMPLOYMENT
 WITHIN VARIOUS SECTORS, 1977

SECTOR	CBD SHARE OF TOTAL
* Finance, Insurance, Real Estate	52%
* Transport, Communications, Utilities	25%
* Government	18%
Law Offices	94%
Lodging	42%
Business Services	19%
Entertainment, Cultural, Etc.	22%

Source: Cited in Economic Development in Portland, Oregon
 Bureau of Planning. 1977

The next major office concentration is in the South Auditorium Urban Renewal Area, where much of the new office construction in downtown has occurred in the last twenty years. The area includes both high rise office buildings and low rise buildings with high parking ratios serving firms which have a need for adjacent parking space. The third area is Old Town, on the north side of Burnside which contains many old commercial buildings that have been renovated to provide professional office space. Lastly, there are office buildings located at various peripheral sites in the downtown area where land values are lower, intensity of development is less, and freeway access is very high.

The Recent History of Office Development

Data from 1958 indicate that the supply of office space at that time was inadequate for the needs of firms, resulting in overcrowded conditions (15). This situation created a demand for new office space in the 1960s beyond the demand produced by employment growth. Furthermore, as illustrated in Table 11, the amount of office space assigned to each employee grew substantially from 125 square feet in 1958 to 147 square feet in 1970, although there was a dip in the progressive increase

during the mid 1960s (21). The growing office space requirements of existing firms was yet another factor which increased demand for new office construction in the Portland metropolitan area during the 1960s.

TABLE 11
SQUARE FEET OF OFFICE SPACE PER EMPLOYEE
1945-1985

YEAR	SQUARE FEET
1945	110.0
1950	120.0
1955	121.0
1958	125.0
1960	126.0
1965	124.0
1970	147.2
1975	200.0
1980*	215.0
1985*	215.0

*Projections

Source: Urban Land Institute, Bulletin 58, June, 1972, p. 10; B.O.M.A. Occupancy Reports 1970-75

In: Office Space Market Analysis, Brandt, 1975

Table 12 details the volume of high quality new office space, usually referred to as 'Class 1' space, that has been constructed in downtown Portland since 1960, and the annual averages of construction volume. Figure 12 shows the locations of those buildings specifically named. One can see that growth was much smaller in the 1960s, but also that the high growth rate in the 1970s was interrupted in 1974-5 and 1977-8 (5). However, a recovery in late 1979 has led to substantial new development continuing through 1981.

In summary, the influence of the national economy's cyclical swings have not dampened the overall growth trend in Portland's downtown office construction. In 1960, the total

TABLE 12
 NEW CLASS I OFFICE BUILDINGS CONSTRUCTED
 PORTLAND DOWNTOWN
 1960 TO 1980
 (NEW LEASEABLE SQUARE FEET)

YEAR	SQ. FT.	NAME
1960	196,000	Standard Insurance
1961	-	
1962	75,000	
1963	291,000	
1964	-	
1965	205,000	
1966	75,000	
1967	105,000	
1968	132,000	
1969	120,000	
1970	594,000	Bank of California, Georgia Pacific
1971	260,000	Crown Plaza
1972	720,000	First National Bank
1973	500,000	Harrison Square, 200 Market
1974	55,000	Terminal Plaza
1975	760,000	Benjamin Franklin
1976	532,000	Telco Credit Union, U.S. National Bank
1977	150,000	Willamette Center
1978	-	
1979	248,000	Columbia Square
1980	588,000	Orbanco, One Main Place
1981	526,000	(at least)

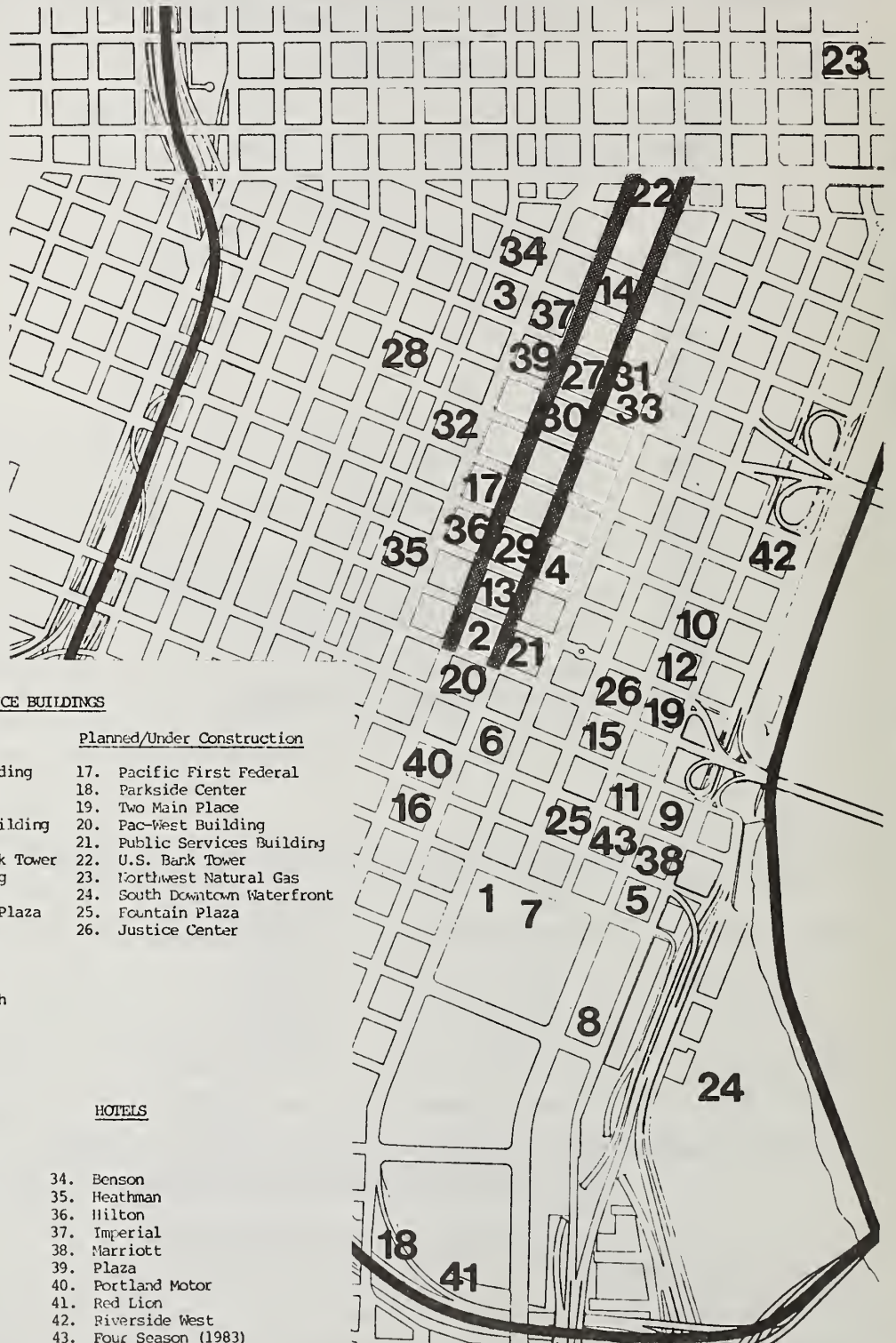
LLOYD CENTER AND DOWNTOWN ANNUAL AVERAGE CONSTRUCTION VOLUME

ANNUAL AVERAGE	SQ. FEET
1962-1963	286,033
1964-1968	301,140
1969-1973	484,800
1973-1977	563,000
1978-1981	530,000 Approx.

Source: 1960 to 1969 data from Marlett & Associates, Selected Impacts of the Pacific Rim Project, Portland, Oregon (July, 1973). These data do not in all years match the 1970-1980 data from Norris, Beggs & Simpson.

Cited in Downtown Parking & Circulation Study. Bureau of Planning, 1980

FIGURE 12
LOCATION OF MAJOR DOWNTOWN BUILDINGS 1981



office inventory of the CBD was 1,600,000 square feet. From 1960 to 1970 another 1,700,000 square feet were added to the downtown (15), and as shown in Table 12, from 1970 to 1980 an additional 3,813,000 square feet were added. Between 1981 and 1983 over 2,600,000 square feet of additional new office space are scheduled for completion, a development which would increase the size of the downtown office market by 37 percent over 1980 figures (21).

One important action taken by the City of Portland to encourage new construction of downtown office space was the undertaking, with federal financial aid, of the South Auditorium Urban Renewal Area, located between Front and Fourth Avenues at the south end of downtown. This project has been a major reason for the distribution pattern of new development that has occurred downtown. Major office additions to the downtown since 1960 have been concentrated at the south end of the traditional office core, and also closer to the waterfront, developing from south to north between Front and Fourth Avenues, presently stretching as far north as Morrison St.

(5). The South Auditorium area was the principal urban renewal area where whole blocks were cleared for redevelopment. Key reasons why the renewal area grew so rapidly after 1960 include the attraction of a significant new project, the low price of land, and consequently, the ability of developers to construct parking garages with the offices. These offices drew a substantial demand from companies with a heavy reliance on automobiles (such as sales, service, etc.) who needed parking space and easy freeway access from the periphery of downtown.

Much of the available land in the urban renewal area has been occupied by now, and the City has discouraged further low density, high parking ratio office development in recent years with the introduction of the 'parking lid' (5). Consequently,

future office development will likely take a different form better suited to the more central locations near the Transit Mall. The type of firms locating downtown may be reduced in scope to those more suited to high intensity buildings served by public transit, such as corporate headquarters, and finance, insurance and service firms.

Building Occupancy Characteristics

Absorption, or Demand for New Office Space. The absorption level describes the annual volume of new space brought on to the market that can be leased when it is built. The level depends on the volume of demand for that type of building space during that year. The difference between the absorption level and the occupancy rate is that the former is concerned solely with the occupancy of new space rather than all space in a particular land use. Consequently it is indicative of the increase in demand over time that has been met via new construction.

In Portland, the absorption level for new Class 1 office space steadily increased during the 1970s. The absorption level was fairly constant at 280,000 square feet per annum during the 1960s and early 1970s, while construction was at an annual level of 300,000 square feet. It then increased to somewhat over 500,000 s.f., (5) while construction levels rose to 560,000 square feet annually during the mid 1970s. If all proposed projects due for completion by 1984 meet their schedules, it is estimated that the absorption of new office space will have to increase to 1,350,000 s.f. per year in 1983 (21).

A recent real estate report (21) warned that Portland may be heading for a situation of over-supply, although such a condition is not anticipated before 1984 if at all (21, 5). There are also current predictions that demand will probably

continue to grow during the coming decade, thereby increasing the level of absorption, and maintaining the situation where demand exceeds the supply of new office space (5).

Generally, current reports on the future of downtown office demand and supply express optimism regarding the absorption potential. The very high occupancy rates indicate the potential for considerably more demand, and the total number of projects currently under construction and being planned will potentially result in a huge increase in the supply of office space downtown. However, the strong word of caution recently expressed in the real estate report (21) regarding a possible situation of over-supply should be heeded.

Occupancy Rates. An indicator of the economic condition of a downtown area is the occupancy rate of its office space. In Portland, the rate has held up notably well for the last twenty years considering the cyclical nature of the U.S. economy (15). The percentage of downtown office space that has been occupied each year, as reported by the Building Owner's and Manager's Association is given in Table 13, and is shown graphically in Figure 13.

These consistently high occupancy rates become all the more impressive when viewed in the context of the rate of increase in total office space within the downtown. From 1960 to 1980 over 5½ million square feet of office space were added downtown, (15) and construction continues through 1981. This trend in office space additions combined with the occupancy levels stated above indicate that currently the Portland CBD is a very stable market. An important reason for this stability is that historically, office space in Portland has been built only when demand necessitated supply, thereby allowing the city to escape office vacancy crunches such as those which affected some of the larger metropolitan areas

TABLE 13
ESTIMATED DOWNTOWN OCCUPANCY RATIOS
1960 - 1980

YEAR	PERCENT OCCUPIED
1960	92.49
1965	91.22
1966	92.36
1967	94.68
1968	94.70
1969	93.72
1970	88.67
1971	89.09
1972	90.37
1973	89.96
1974	89.12
1975	89.81
1976	90.31
1977	92.71
1978	94.79
1979	95.89
1980	96.79

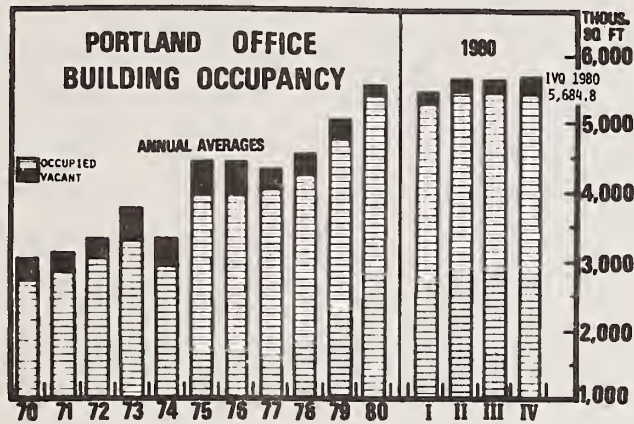
Source: Building Owners & Managers
Association, Portland,
Oregon. 1980

including New York, Los Angeles, Houston and Chicago during the mid 1970s (13).

Despite the difficulty of accurately assessing future demand, the increase in office space supply appears to be continuing. An important reason why developers are continuing to build in the Portland CBD even when employment growth is hard to predict is that demand is still being generated by the process of 'undoubling' from crowded office space. As new corporate headquarters have been built downtown, the firms have vacated older buildings and tenants remaining in those buildings have expanded to fill a large portion of the vacanted space.

There is still potential for expansion by existing firms, although documentation of the probable volume of space involved is not readily available. The tight office space market in

FIGURE 13
 PORTLAND OFFICE BUILDING OCCUPANCY



Source: Portland Association of Building Owners and Managers

Portland has been a major attraction to out-of-state developers (26). However, this market condition may change during the 1980s even though the supply of Class 1 office space is currently low (26). The tight office space situation in downtown Portland has also been credited for the recent boom in the remodeling of older buildings downtown. Approximately \$9 million was spent on renovations of downtown offices during 1979 (26). Renovation is often a faster way than new construction of meeting the demand for high quality office space.

The Portland CBD contains 51 percent of all office space in the whole metropolitan area, as illustrated in Table 14. The remainder is spread among five other geographical districts within the SMSA. The CBD, which is the largest office district, has one of the lowest percentages of vacant space of any district.

TABLE 14
 VACANCY RATES FOR VARIOUS OFFICE SPACE CONCENTRATIONS, PORTLAND SMSA, 1981

AREA	EXISTING SPACE		VACANT SPACE		AREA VACANCY AS A % OF REGION
	NET SQUARE FEET	PERCENT DISTRIBUTION	SQUARE FEET	PERCENT VACANT	
Downtown	7,900,000	51%	284,400	3.6%	32.4%
SW Portland	1,800,000	11.8	77,960	4.3	8.9
Beaverton-Lk. Oswego	1,660,000	10.9	300,488	18.1	34.1
NE Portland/Lloyd Center	1,381,000	9.0	45,600	3.3	5.2
SE Portland-Milwaukie	1,340,000	8.8	93,961	7.0	10.7
Other	<u>1,200,000</u>	<u>7.8</u>	<u>76,530</u>	<u>6.4</u>	<u>8.7</u>
TOTAL	15,281,000	100.0%	878,939	5.7%	100.0%

Source: The Portland Market, Coldwell Banker, 1981

The Characteristics of Office Occupants. More than 90 percent of the growth in new office space in the Portland region has been attributable for many years to expansion of local firms (14). The Bureau of Planning noted in 1977 that 85 percent of demand for downtown office space came from within the CBD, the remainder being split between out of town and suburban origins (9). However, in the last few years employment within the electronics industry sector has grown substantially, with a large portion originating outside the local area. Although much of this employment is located in suburban manufacturing plants, the demand for supporting services has created growth in downtown office space demand that ultimately stems from out-of-town growth (14).

In 1980, there were approximately 7.9 million square feet of office space in downtown Portland. Approximately 5 million of this space was leased, while 1 million was owned and occupied by the utility companies and 1,125,000 square feet was owned and used by government agencies. Of the leased office space, 4 million square feet were occupied by companies in the finance and service sectors. The remaining 1,165,000 square feet were occupied by the six other major employment sectors shown in Table 15 (5).

TABLE 15
 PORTLAND DOWNTOWN LEASED OFFICE SPACE BY EMPLOYMENT SECTOR, 1980
 (EXCLUDING FINANCE/SERVICE SECTORS)

TYPE OF COMPANIES	SQUARE FEET
Manufacturing	400,000
Construction	50,000
Transportation	100,000
Utilities (leased only)	75,000
Trade	40,000
Government (leased only)	<u>500,000</u>
TOTAL	1,165,000

Source: Downtown Parking and Circulation Study
 Lord and Associates, Sept. 1980

For the future, projections have been made for the breakdown of new office occupancy by employment sector (2). Based on a comparison of actual office space development and employment growth in specific sectors, it was determined in the 1980 projections that new office space would be occupied by:

- o 100% of the employment growth in finance, insurance and real estate sectors;
- o 35% of the employment growth in the service sector representing business and professional services; and
- o 5% of the employment growth in the manufacturing, construction, transportation, communications and utilities sectors representing administrative personnel. (2)

Suburbanization of Office Space Within the Portland SMSA

There has been a trend in many cities for employment to move away from the city center out to suburban locations. This tendency for jobs to follow residential population to the suburbs has affected primary downtown employment sectors such as office-based firms as well as the manufacturing, warehousing, and retail employment sectors. In Portland, however, downtown employment has grown proportionally to SMSA employment, thereby resulting in the downtown retaining a stable percentage of total employment as shown in Table 16 (4). Although the table lists employment projections after 1960, these have proven to be accurate to 1980, when employment reached 80,000 in the CBD (27).

TABLE 16
DOWNTOWN SHARE OF SMSA EMPLOYMENT GROWTH
1960 - 1990

YEAR	DOWNTOWN PERCENT OF REGION
1960	15.3
1970	15.4
1980	17.1
1990	16.5

*DeLeuw, Cather & Company Estimate

Source: Portland-Vancouver Metropolitan
Area Transportation Study

In: Downtown Employment Projections,
Bureau of Planning, 1976.

Therefore, the Portland downtown continues to be the major center for office activity in the Portland area, despite the growing share of office space that is located in suburban areas. The suburbanization of office space has been a continuous trend since before the 1960's, but it is a relatively slow movement. Suburban office growth is attributed to the fact that the entire Portland office space market is growing rapidly and that suburban areas are picking up their share of this total market. The trend does not indicate a flight from the central area (8). However, evidence exists that when the

Portland market was particularly tight, during 1979 and 1980, some companies were forced to locate in suburban offices because they were unable to find suitable large accommodation within the downtown, (26) where they initially wished to locate.

The employment categories that have shown the greatest tendency for dispersal to suburban areas from the mid 1960's through the mid 1970's have been real estate, non-profit membership organizations and some business services. However, the majority of finance, insurance and professional services have continued to concentrate in the downtown office area (8). The principal advantages of a downtown location are easy access to many other businesses and convenient service by public transit.

RETAIL ACTIVITY

The Portland Standard Metropolitan Statistical Area (SMSA) contains approximately forty million square feet of retail space. Twenty-two percent of this space, or 8,800,000 square feet, is located within major facilities and districts such as downtown and ten shopping malls. The central business district (CBD) contains 3,500,000 square feet, and had the largest volume of retail sales of any single center within the SMSA when the last comprehensive census figures were collected in 1977. Over one million square feet within the CBD retail space total is occupied by department stores, creating the foundation of an important regional retailing center (14).

Before 1960 when Lloyd Center, (the first of the shopping malls) opened, the CBD was dominant in terms of its capture of total metropolitan retail sales. During the 1960's and much of the 1970s the downtown share of sales was eroded by

the opening of subsequent malls.* However, comprehensive data on retail trends is lacking for downtown Portland since 1977 when the last U.S. Census of Retail Trade was conducted. There is a currently held opinion, though, that downtown sales stabilized in the late 1970s, in terms of their proportion of metropolitan sales, and that the potential exists for a strengthening of the downtown's position in the future (17).

Retailing Trends of the 1960s and 1970s

The Impact of Shopping Malls. Downtown Portland was very vulnerable to the development of suburban shopping malls because the latter had much to offer that was absent in the city center. The CBD suffered from poorly perceived public transit and parking facilities, an outmoded and decaying physical environment, and a lack of protection from the weather (14). The suburban malls, by comparison, were located closer to peoples' homes, and the store selections were broader.

The growth of shopping malls was occurring while many key CBD retail outlets and department stores were facing the threat of closure. This accentuated the inferior shopping environment of downtown and thereby accelerated the downward sales trend. As the CBD decline became more evident, the need for combined public and private action became more apparent (17), and provided some of the impetus for the Downtown Plan.

The CBD Share of Retailing. In discussing retail trends it is important to examine changes in the relative importance of

*These shopping malls are: Lloyd Center, Washington Square, Clackamas Town Center, Vancouver Mall, Jantzen Beach Mall, Mall 205, Beaverton Mall, Gateway, Eastport Plaza, Oregon City Shopping Center, and Gresham Center.

different retail districts. Table 17 shows that the CBD share of total retail sales within the SMSA declined between 1963 and 1977, even though the retail sales for the entire SMSA were increasing during that time period. Similarly the CBD share of all retail employees fell during that period. However, until the 1982 Census of Retail Trade is published, it can only be speculated as to whether the CBD share of all retail sales and employees in the SMSA has continued to decline or has stabilized since 1977. Thus an important source of information on retail activity for the last five years is currently unavailable.

TABLE 17
 CBD SHARE OF SMSA RETAIL SALES AND NUMBER OF EMPLOYEES,
 1963 - 1977

	TOTAL RETAIL SALES PORTLAND SMSA (\$M)	CBD SHARE OF SMSA RETAIL SALES %	CBD SHARE OF SMSA RETAIL EMPLOYEES %
1963	1,279	11	19
1967	1,649	9	14
1972	2,569	6	10
1977	4,417	4	6

Source: Census of Retail Trade

Cited in: North of Burnside Study, Leland and Hobson, 1980

Tables 18 and 19 illustrate the declining importance between 1967 and 1977 of the CBD for specialty 'comparison' goods sales, and restaurant and bar receipts, respectively. However, the CBD share of total SMSA sales in these two areas was much higher in both years than for retail sales in general, as shown in Table 17. This indicates that the CBD captured a larger percentage of the revenues from specialty stores and restaurants than it did for goods in general.

In terms of actual sales figures, the biggest decline in sales receipts for the CBD between 1967 and 1977 was in general merchandise, followed by apparel (which includes all

types of clothing). Home furnishings and miscellaneous retail items increased in sales volume by 1.5% after inflation, although this increase was less than the 4.8% for those two categories in the SMSA. The broad definitions of some of these categories makes it hard to classify them as either specialty goods or general goods. It is, however, likely that since the advent of shopping malls, downtown has become increasingly oriented towards specialty items* and less a center for convenience goods.**

TABLE 18
 CBD SHARE OF SMSA COMPARISON GOODS SALES
 1967 AND 1977

	TOTAL SALES OF COMPARISON GOODS (\$M)		CBD SHARE OF TOTAL SMSA COMPARISON GOODS SALES %
	SMSA	CBD	
1967	594	113	19.1
1977	1,594	131	8.2

Source: Downtown Parking and Circulation Study,
 Lord and Assoc. 1980

TABLE 19
 CBD SHARE OF SMSA RESTAURANT AND BAR RECEIPTS
 1967 AND 1977

	TOTAL RECEIPTS OF RESTAURANT AND BARS (\$M)		CBD SHARE OF TOTAL RESTAURANT AND BAR RE %
	SMSA	CBD	
1967	134	15	11.2
1977	459	32	7.0

Source: Downtown Parking and Circulation Study,
 Lord and Associates, 1980

*Such as high value jewelry, authentic oriental rugs, antiques, foreign newspapers, musical instruments, etc.

**Such as household hardwares, grocery stores, drug stores, etc.

Longer term trends from the Census of Retail Trade figures shown in Table 20 indicate that department stores, furniture stores, restaurants and bars and miscellaneous goods stores have increased in their proportion of all downtown stores while hardware, grocery, automotive, gasoline, apparel and pharmacy stores have declined in proportion from 1958 through 1977. Although department stores did increase slightly as a percentage of all CBD stores during these years, they actually declined in number in the CBD. In fact, a major impact of the development of shopping malls was the decentralization of department stores. Despite the increased downtown proportions of specialty stores, the downtown's share of SMSA retail sales was declining during this period.

TABLE 20
CENSUS OF RETAIL TRADE STATISTICS FOR THE PORTLAND CBD,
1958 TO 1977;
TYPE OF FIRM BY YEAR

CENSUS CATEGORIES	1958	%	1963	%	1967	%	1972	%	1977	%
Total Firms	688		578		467		456		461	
Hardware	16	2.3	13	2.2	5	1.2	3	.7	0	0
Department	13	1.9	13	2.3	10	2.1	9	2.0	10	2.2
Grocery	83	12.1	56	9.7	39	8.4	43	9.4	25	5.4
Automotive	5	.7	5	.9	2	.4	3	.7	3	.7
Gasoline	23	3.3	14	2.4	10	2.1	10	2.2	2	.4
Apparel	117	17.0	90	15.6	75	16.1	70	15.3	66	14.3
Furniture	48	7.0	48	8.3	34	7.3	30	6.6	39	8.5
Eating & Drinking	175	25.4	150	26.0	128	27.4	115	25.2	143	31.0
Pharmacy	28	4.1	24	4.1	16	3.4	11	2.4	7	1.5
Miscellaneous	180	26.2	165	28.5	148	31.7	162	35.5	166	36.0

The function of the downtown as a retail center should not be underestimated because of its diminished relative sales volume compared to the 1950's. In terms of its square footage, the downtown has remained the major retail center for the whole metropolitan area. As Table 21 shows for 1980, downtown department stores and specialty facilities still comprise the largest retail district in the metropolitan area in terms of square footage. Table 22 shows 1977 sales figures of metropolitan retail centers and ranked the CBD second

after the conglomeration of retail centers in Beaverton. Since downtown Portland is more clearly one retail district than the various malls in Beaverton, the CBD actually ranked first in terms of sales volumes in 1977.

TABLE 21
 SQUARE FOOTAGE OF MAJOR RETAIL FACILITIES IN THE PORTLAND SMSA
 1980

<u>REGIONAL SHOPPING CENTERS</u>	<u>SIZE IN 000 SQUARE FEET</u>
Lloyd Center	1,322
Washington Square	1,100
Clackamas Town Center	1,207
Vancouver Mall	1,098
Jantzen Beach Mall	750
Mall 205	461
Beaverton Mall	400
Gateway	240
Eastport Plaza	223
Oregon City Shopping Center	210
Gresham Center	<u>210</u>
	7,006
<u>Downtown</u>	
Meier and Frank	665
Frederick and Nelson	250
Nordstrom	150
J. C. Penney	53
I Magnin	32
Galleria	70
Morgan's Alley	25
Other Stores in CBD and Old Town	<u>502</u>
	1,770

Source: Coldwell Banker Commercial Brokerage; Leland & Hobson (August, 1980)

From 1974 through 1980, between 350,000 and 400,000 square feet of retail space was added to the downtown, accompanied by renovation of existing retail stores. Much of the impact of this additional retail space does not show up in the Census of Retail Trade because patronage levels and sales receipts from the new stores had not yet reached full potential by 1977. Several merchants agreed in a 1981 survey that sales volumes were higher in 1978 and 1979, but that economic conditions in 1980 resulted in a decline in sales (24).

TABLE 22
 SALES IN MAJOR RETAIL CENTERS
 IN THE PORTLAND SMSA
 1977

RETAIL CENTER	SALES (\$000)
Portland CBD	\$ 175,543
Gateway	33,228
Hazeldell-Vancouver	85,789
Vancouver Mall	21,797
Lloyd Center	127,693
Eastport Plaza	41,304
Rockwood	43,923
4th Plain	96,513
Gresham Centers	26,708
Beaverton Centers	341,963
Mall 205	35,031
Gresham Mall	17,613
Jantzen Beach Mall	57,024
122nd & Division	19,694
82nd & Foster	39,848
Raleigh Hills	49,947
Washington Square	155,380

Source: 1977 Census of Retail Trade; and Leland & Hobson (August, 1980).

Once the 1982 Census of Retail Trade figures are published, it will be possible to see if the small increase in the number of retail firms operating downtown that occurred between 1972 and 1977 was in fact a notable reversal of the decline, and whether sales receipts for certain specialty items have started to rise in CBD stores. Before these figures are available the stabilization and possible growth in CBD retailing must remain an opinion with limited empirical proof.

HOUSING IN THE DOWNTOWN

The growth of downtown Portland since World War II as a metropolitan office center occurred while the area lost its significance as a residential district. Not only did the central area of Portland contained within the freeway loop steadily lose population from before World War II through

1980, but this decline was all the more significant when viewed in the context of the metropolitan wide trends. Table 23 gives the residential populations of the SMSA, the City of Portland and the CBD area within the freeway loop for the post-war era. The table shows the rapidly rising metropolitan population, the stable but undulating City population (8), and the declining CBD population between 1950 and 1980. The rapid decline of the CBD population between 1950 and 1970 slowed to a less severe decline during the 1970's (5). The CBD share of both City and SMSA total population is expressed in percentage form, and indicates that in 1970 the CBD had in come to house a very small proportion of either population.

TABLE 23
POPULATION TRENDS
PORTLAND SMSA, CITY AND CBD, 1940 - 1980

	SMSA	CITY	CBD	CBD % OF CITY	CBD % OF SMSA
1940	501,275	305,394	31,987	10.5%	6.4%
1950	704,829	373,628	28,098	7.5	4.0
1960	821,897	372,675	19,807	5.3	2.4
1970	1,009,129	382,619	13,811	3.6	1.4
1980	1,235,632	365,415	10,000	2.7	0.8

Sources: SMSA and City:

U.S. Census of Population, Oregon, Washington, 1940, 1950, 1960, 1970, 1980 Preliminary counts.

CBD: 1940 to 1970 estimates from Portland City Planning Commission, Cornell, Howland, Hayes, Merryfield, and Deleuw, Cather & Company Portland Downtown Plan Inventory and Analysis (Portland, Oregon, September 1971), p. 11. 1980 projection by Lord/LeBlanc.

Downtown Housing Supply

The most recent inventory of housing facilities within the downtown freeway loop occurred in 1978. At this date there were 9,417 operating housing units including 1,790 (19 percent of the total) in residential hotels. This figure was a 15 percent or 1,710 net reduction from the 11,127 units which existed in 1970 (25). Given the declining downtown

population that was noted in Table 23, the decline in housing units can be assumed to be part of a long term trend of diminishing housing facilities within the freeway loop area. This decline has occurred at the same time that housing demand within the SMSA continued to grow rapidly, and as the supply of housing units continued to increase via suburban development despite the cyclical pattern of construction activity.

The implication of the diminishing number of units in downtown is that over the years downtown land has become too desirable to justify continued relatively low returns from residential use. While this is very much the case in certain parts of the downtown, the size of the CBD has allowed the continued presence of residential land uses to date in some areas without excessive pressure for redevelopment. New residential units were built downtown at an average rate of 72 units per year during the 1970's. This rate was equal to 0.5 percent of the SMSA rate and 4.0 percent of the City's rate. Furthermore, 80 percent or 1,376 of the units lost from 1970 to 1978 resulted from buildings being closed rather than demolished for other uses. This indicates that the declining supply is probably due in part to residential buildings being closed to avoid the expensive improvements required for their continued operation as residential facilities, rather than solely because the land is in demand by other land uses.

It is significant that many of these closures or demolitions were primarily buildings which provided accommodation for low income persons. Of the total 2,521 units removed from the market between 1970 and 1978, 1,345 were low income transient occupancy units, and yet none of the new units that were constructed downtown during the 1970s provided for transient occupancy (25). The net average loss of downtown housing was

200 units per year between 1970 and 1978, although the tempo of losses slowed in the late 1970s. Many of these "lost" units currently could be recaptured through rehabilitation. There are also opportunities in downtown to convert empty or under utilized commercial buildings into another 1,000 housing units, some of which could possible provide low income housing (25). In 1980 and 1981 several vacant residential buildings were rehabilitated and reopened, and a start was made on converting vacant commercial buildings to residential use.*

The additions to the supply of residential accommodation downtown took a variety of forms including new condominiums, rental apartments, and rehabilitation of vacant buildings using private and public financing. There is consequently strong evidence that the developer interest exists to meet demand levels within different sectors of the housing market. However, two constraints generally remain unresolved, thereby reducing the level of supply. Firstly, it has often been assumed that privately developed housing for a diverse market is not economically feasible in the downtown. For example, two major recent downtown apartment projects both requested and received some form of governmental financial assistance or participation in the development: Parkside Plaza was developed on an urban renewal site with less than market rate land, while McCormick Pier has a ten year property tax abatement in order to maintain rents at an affordable middle income level. The high cost of land and construction (partly caused by the higher construction standards required in the downtown area), when considered with

*The Western Rooms, Admiral Hotel and Rich Hotel are examples of closed buildings which were rehabilitated and opened. Chaucer Court was a vacant commercial building which is currently being converted to low-income residential use.

the low rent levels in Portland compared to other West Coast cities (26) add up to unfavorable conditions for additions to the rental stock that severely limit supply if the government assistance is not available. The constraint in this issue is that the means to package successful projects with various public financial assistance schemes are not clear to many of the potential developers, lenders, or agencies responsible for the capital improvement programs which should encourage and complement successful market rate housing projects.

Secondly, although the social, occupational and recreational services necessary to sustain a balanced residential environment are generally available in the downtown, additional services for sport activity, everyday shopping and so forth are needed to service a true residential community. Thus a greater burden is placed on the individual housing project to provide not only housing units but also the support facilities appropriate for that location. This burden is translated into higher construction and maintenance costs which make the provision of new rental accommodation at affordable middle income levels all the more difficult (12).

The construction costs are an important reason why the number of condominiums has been on the increase in the downtown (as well as in other close-in locations) compared to rental units. In general, condominium projects are able to recoup high land and construction costs with quality product offerings along with the locational advantages (14). While high interest rates and building costs are a deterrent to rental apartment construction, the associated high level of inflation is making the purchase of any type of home including condominiums a better investment than ever, encouraging a demand to which developers attempt to respond within the constraints of the economy (26). The demand has also encouraged

condominium conversions which have generally sold well especially since conversions have been priced below new unit prices. However, the supply of buildings adaptable to condominium conversion downtown is rather limited (14).

Downtown Housing Demand

The 1978 inventory of downtown housing (25) divided the area within the freeway loop into several residential districts with relatively distinct groupings of persons. These include the area of residential hotels west of the retail core housing low income pensioners, the residential hotels between the retail core and the river which house low income transients, the South Park Blocks apartment district, the high cost South Auditorium Urban Renewal Area, the dormitory buildings and low cost apartments around Portland State University, and the North of Burnside Area which houses a range of Skid Road transients, low income workers, and pensioners. It is anticipated that in the near future, middle income white collar workers will move to the north of Burnside area to rent apartments in the 300 unit McCormick Pier project currently under construction. The area west of the retail core and along the South Park Blocks falls within the multi-family RX zone which was established by the Downtown Plan. The intention of the Plan is to maintain and develop the RX district more intensively as a high density residential area.

The new apartment and condominium projects built downtown in the 1960s and 1970s have experienced very low vacancy rates although there have been relatively few projects to assess (26). At the same time, many transient hotels that have been closed by the City for code violations were, prior to closure, substantially occupied.* Thus a possible reason

*The Park Haviland and Taylor Hotels were in use when they were ordered closed by the City.

that there has not been much construction of new apartment buildings during the 1970's is not so much a lack of sufficient demand, but rather the poor economic feasibility of new rental projects at the current time. The high level of demand that existed through the 1970's is illustrated by the 1978 vacancy rates for downtown housing. Transient accommodation had a 7 percent vacancy rate, while permanent units had a vacancy level of only 3 percent. The vacancy rates vary somewhat within the different districts of downtown, as described below. Transient or overnight accommodation tends to have a higher vacancy rate than permanent residential units such as residential hotels or apartment buildings.

The Nature of Downtown Housing Districts. As defined in the 1978 inventory (25) the 'South Auditorium' area stretches from Portland State University to the Willamette River and includes the South Auditorium Renewal area and the vacant area in the Downtown Waterfront Renewal Area which is scheduled to be developed for residential uses. The South Auditorium Area contained the greatest number of new housing units and the fewest number removed between 1970 and 1978 of all the downtown areas. Twenty seven percent of the non-hotel units in the area were owner-occupied, and in 1978 the overall vacancy rate was 2 percent.*

The 'RX zone district' defined in the inventory extends along the whole west side of downtown, south of Burnside and as far west as the freeway. This 'stable' area contained no hotels and few transient accommodations and housed residents with a broad age distribution. In 1978 this area had lost only 6 percent of the housing units existing in 1970. Although the

*This figure excluded the Portland Plaza which was mostly empty at the time.

small number of units providing transient accommodation within the area had a very high vacancy rate of 21 percent in 1978, the permanent units had only a 2 percent vacancy rate, and this figure was even lower for large units.

The North of Burnside Area contained the majority of downtown's transient units. The number of units declined by 32 percent between 1970 and 1978, which was one of the highest declines for the downtown. However, there have been several recent projects to upgrade existing housing, and construction started in 1981 on middle income housing in the area. North of Burnside has major pressures and problems which create difficulties for it to remain as a residential area. For example, the large number of very low income residents in the area creates a need for many low cost housing units which are becoming increasingly difficult to provide due to fiscal restraints. Also there are severe economic pressures to convert existing housing space to specialty retailing and office space within the Skidmore/Old Town Historic District. This results in the conversion of residential buildings to other uses, and increasing land values which make continued operation of low-cost housing economically infeasible. The encroachment of high rise office development into the area from the south side of Burnside is another threat to the continued existence of residential facilities in the area. Nevertheless, the demand for housing in the area is high. Transient facilities had only a 3 percent vacancy rate and permanent units were 99 percent occupied in 1978.

The area in the inventory east of the retail core includes the Yamhill Historic District and the area east and south of Lowndale Square. This area had the greatest housing loss of any downtown area during the 1970's due to extensive demolition for new development and to the closure of several buildings. The reduction in units was 46 percent of the 1970

total. In 1978 the transient facilities had a vacancy rate of 12 percent, while permanent units, which include several high quality condominium buildings had a 5½ percent vacancy level.

The retail core and office corridor areas are less significant as permanent residential areas. Seventy-seven percent of all units in 1978 were either hotel or transient units. The decline in units from 1970 to 1978 was 17 percent of the 1970 figure, but several other buildings have been closed since 1978. The vacancy rates in 1978 were 4½ percent for both transient and permanent residential accommodation (25).

The Nature of Downtown Residents. A major change in population in the downtown area over the years has been the relative decline in the numbers of the City's large transient population. Although the vacancy levels for transient lodgings have not been excessively high in the areas where such facilities are concentrated, the supply of transient units has been noticeably declining and has not produced full occupancy.

The affluent are probably the easiest group to accommodate in downtown housing because the level of demand can be feasibly met by developers. Although high income individuals can live elsewhere, the locational advantages of downtown encourage a certain number to bear the cost of downtown housing which reflects the high cost of land and construction. Consequently, the efforts to attract new residents to the downtown to date, primarily in the South Auditorium Urban Renewal Area, have focused on the upper income bracket. Similarly, the condominium developments and conversions downtown outside the renewal district have aimed at a similar market. The upper-income housing market continues to grow, thereby encouraging further supply, some of which is currently planned

or under construction in mixed-use office and residential towers.* However, the presence of such housing downtown is arguably less beneficial for the development of a downtown residential community than a more mixed spectrum of income levels would be, since the high income residences can often be more physically remote from street activity to provide privacy and security for their occupants.

Since both the poor and the wealthy have tended to locate downtown of their own initiative, the type of demand for downtown housing that is most absent appears to be from the middle-income resident (12). Such residents would provide needed increases in consumer spending for both general and specialized retailing downtown. Also, by living in more modest downtown accommodations not isolated from the general public in the same way as high cost housing, they would provide an increased sense of 'residentiality' to suitable parts of downtown. Unfortunately, as documented, there has been virtually no new supply of units aimed at this segment of the population in the downtown during the 1970s. The recent construction of middle income rental units at McCormick Pier in the North of Burnside Area may be a signal of a change in approach by developers.

HOTEL DEVELOPMENT, CONVENTIONS AND TOURISM

As with the other sectors of the economy of Portland, hotel facilities have experienced a major shift in locational concentrations since World War II. The movement of the development of new facilities to parts of the metropolitan area outside the Central Business District has occurred in the hotel

*For example in Fountain Plaza, starting September, 1981, and the Clock Tower, scheduled to start construction in early 1982.

industry just as it has in retailing and office construction. However, as with those other sectors of the economy, the trends of the post war years through 1980 have not been of sufficient magnitude in Portland to strip the downtown of its role of primary location either in terms of quantity of hotel rooms or of quality of facility. Furthermore, recent changes give preliminary indications that the trends established after the war are currently undergoing modification to give the downtown a role of renewed importance.

Historical Development of Locational Concentrations

Prior to World War II, the majority of hotels in Portland were located in the downtown area. In the early post-war years the majority of new construction was in the form of relatively small independent motels built along principal arterial highways. During the 1950s and early 1960s the size of facilities grew larger and development was concentrated in 2 main areas: downtown, and the Lloyd Center-Coliseum area. In the late 1960s and during the 1970s, hotel facilities became concentrated in five main districts within the SMSA: the two above, the airport, and two free-way locations. These larger motor hotels were often built and operated by the major motel chains. While most of the post-war construction has taken place outside the CBD, there have been a few major installations built downtown between 1960 and 1980 (8).

The precise growth patterns of the concentrations of hotels are shown in Table 24. It can be seen that in 1962 there were still only two major concentrations of hotel rooms: the downtown, which contained almost 70 percent of the total number of rooms, and Lloyd Center, which contained about 23 percent of the total. New facilities had been constructed at these locations to take advantage of the convention activity at the Coliseum or to be close to the main north-south

traffic thoroughfares before the interstate freeway was built. These units represented the better lodging facilities in the Portland area, and the only major concentrations, although there were a number of small facilities of widely varying age dispersed around the Portland metropolitan area.*

TABLE 24
 LOCATIONAL CONCENTRATIONS OF PORTLAND AREA HOTEL-MOTEL FACILITIES
 1962 - 1980

LOCATION	NUMBER OF ROOMS 1962		NUMBER OF ROOMS 1972		NUMBER OF ROOMS 1979		NUMBER OF ROOMS 1980	
		% TOTAL		% TOTAL		% TOTAL		% TOTAL
Portland CBD	2,250	75.5	2,647	50.1	2,347	34.2	2,853	39.5
Coliseum-Lloyd Center	731	24.5	1,311	24.8	1,355	19.8	1,355	18.3
Airport Area	-		438	8.3	930	13.5	930	12.6
Jantzen Beach/Vancouver	-		462	8.8	826	12.1	826	11.1
Interstate 5 South	-		221	4.2	937	13.6	937	12.6
Other Areas	-		200	3.8	450*	6.5	507	6.8
TOTAL	2,981		5,279		6,845		7,408	

*Estimate

Source: Lord and Associates, Banfield LRT Station Area, Market Analysis, Dec., 1980

The situation changed substantially during the period from 1962 through 1972. The downtown attracted some new lodging facilities, but with the loss of some older ones there was a net gain during the period of only 400 units, as can be seen

*The figures listed in Table 24 which were prepared by Lord and Associates, in (Banfield LRT Station Area Market Analysis by Economic Research Associates, December, 1980.) probably do not include all hotel, and especially motel, rooms in the Portland SMSA. This likelihood is indicated by the fact that the Greater Portland Convention and Visitors Association lists a substantially larger number of hotel rooms for 1980 within the Portland Metropolitan area, namely 9,850 rooms compared to 7,408, as listed in: Portland Fact Book, Bureau of Planning, 1981. Page B-19: Portland Hotel Rooms survey by Greater Portland Convention and Visitors Association.

in Table 24. Despite this gain, the CBD share of the metropolitan total dropped from 75.5 percent in 1962 to 50.1 percent in 1972. The Lloyd Center - Coliseum area increased its number of rooms by 580, but the growth in new areas was so great during the ten year period that the increase in rooms in the Lloyd Center area did not represent a larger percentage of the metropolitan total. The areas of Jantzen Beach, the airport, and Highway I-5 South had virtually no lodging facilities in 1962 but jointly contained 21 percent of all lodging units in the SMSA by 1972. Together, the three new areas contained 1,100 units by 1972 so this substantially reduced the percentage of units which the other two major areas would have represented had the new areas not developed.

By 1979 the three newer districts contained 2,693 rooms, or 39 percent of the total metropolitan supply, thereby firmly establishing a total of five major lodging facility concentrations in the SMSA. While the new areas grew between 1972 and 1979, the CBD lost rooms as a result of the closure of two major old hotels, and therefore its share of the SMSA total stock declined to 34.4 percent (5). The Lloyd Center - Coliseum area did not grow significantly in number of rooms between 1972 and 1979, and since there was a rapid increase in the total stock of the SMSA, it also experienced a decline in the proportion of the total that its facilities represented. Table 24 also lists the data for 1980, and a significant change can be seen for that year. The opening of the 506 room Marriott Hotel downtown during 1980 increased the proportion of rooms within the SMSA that are located downtown. Although a one year change does not signify a new trend on its own, the impending construction of several other large hotels downtown including the Portland Plaza, the Four Seasons and a hotel in the Morrison Street project indicate that within the next few years there may be a major reversal of the declining role of the downtown in the Portland

SMSA hotel industry.

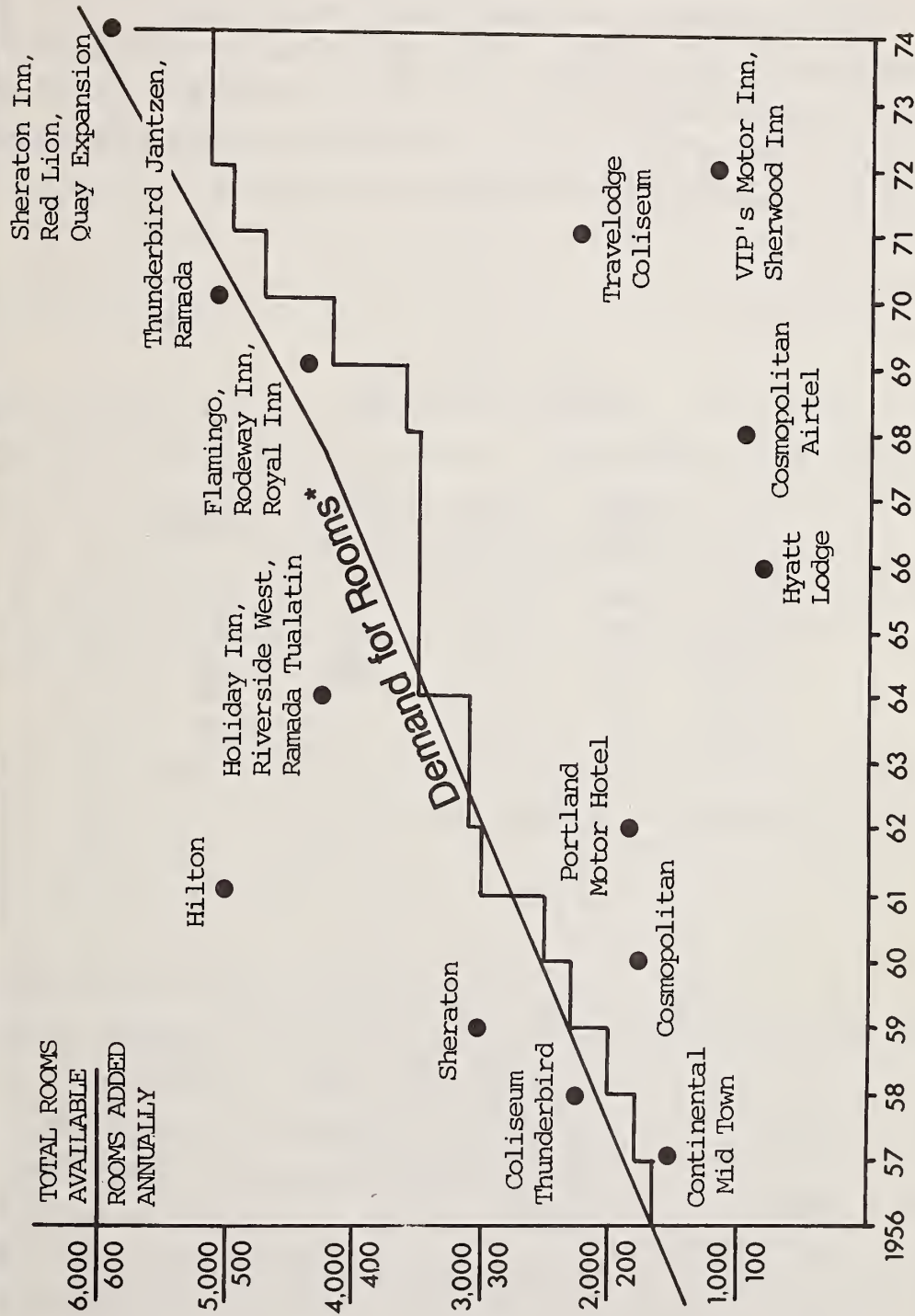
Changing Format of Lodging Facilities. As implied above, the change in locational concentrations of hotel rooms since 1950 coincided with a change in the type of establishments constructed. Major hotel building prior to World War II frequently consisted of large 3 to 12 story hotels with lounge and dining facilities, which were located downtown. Many of these were allowed to deteriorate over time, and are now demolished, empty, converted to other uses such as low income housing, or functionally operating as residential hotels. After 1950, construction shifted to motor hotels, primarily located at sites with very high automobile access such as adjacent to freeway exits. These motels usually did not have the same quality of facilities associated with them as do hotels built in the traditional form like those downtown. In fact, only three 'traditional' hotels have been constructed in the Portland SMSA since 1950, and two of them, the Hilton and the Marriott, are located downtown (8). Those planned for the 1980s which will be located downtown will include large convention, conference and restaurant facilities, and this will make them more influential on the downtown economy than motels would be.

Supply and Demand Levels

The demand for hotel and motel rooms has been growing continuously in the Portland area since the mid 1950s. From 1956 through 1962 there was a need for an additional 200 rooms each year, and this increased to roughly 300 more rooms per year from 1962 to 1972. Since 1972 the level of demand has required an additional 400 to 500 rooms per year. The supply of rooms which was given in Table 24 kept pace with this demand during certain years, but fell short in other periods. Figure 14 shows that between 1956 and 1974 there has never been a period when the supply of rooms noticeably

FIGURE 14

HOTEL-MOTEL ROOMS AVAILABLE AND NUMBER ADDED ANNUALLY, PORTLAND SMSA, 1956-1974



*Estimate of Growth in Room Demand in Portland Area, assuming 1956 to 1970 occupancy levels.

Source: Lord/LeBlanc, 1974

exceeded the demand for them for the whole metropolitan area. The major shortages of rooms occurred between both 1964 and 1969, and 1971 and 1975. Despite the addition of 2000 rooms since 1975, the supply of hotel-motel rooms in the Portland area has only just kept pace with the demand level projected from past growth trends (5), as shown in Table 25 . Occupancy rates within the region have remained high because the supply has never seriously exceeded demand (8).

TABLE 25
STOCK OF HOTEL & MOTEL
ROOMS & ANNUAL ADDITIONS,
1956 TO 1979, PORTLAND SMSA

YEAR	TOTAL UNITS ADDED	TOTAL UNITS IN EXISTANCE	NET UNITS ADDED PER YEAR	UNITS REQUIRED
1956		1,750		
1956-59	773	2,523	193	200
1960-63	855	3,378	214	250
1964-67	504	3,882	126	300
1968-71	1,397	5,279	349	350
1972-75	399	5,678	100	400
1976-80	2,030	7,408	433	450

Source: Lord & Associates, Inc. 1980

The Nature of Hotel Users. The national hotel-motel industry data for 1980 provides information on the breakdown of hotel users by type of traveller for the whole nation (5). Commercial travellers account for 65 percent of overnight rentals nationally, while tourists represent 25 percent and convention delegates account for the remaining 10 percent. Although there is no reliable breakdown for Portland itself, differences to the national pattern have been assumed by consultants to be minor (5).

Of the three categories of travelers, the commercial representatives are probably the least likely to utilize a downtown hotel rather than a suburban motel since they probably benefit from the ample parking and easy freeway access of non-CBD locations. Thus of the three groups, tourists and conventioners are most likely to stay downtown if suitable, affordable accommodation is available, since convention facilities and tourist attractions are located in the CBD. The growth of tourism and convention activity in the City is therefore a possible explanation for the growth of demand for downtown accommodation which supply has responded to.

Tourism Growth 1960 to 1980. From 1960 to 1978 the number of out-of-state visitors arriving by automobile in Oregon increased rapidly from approximately 5 million persons to 14.4 million in 1978. The gain since 1965 has been in excess of 6 percent annually (5). At Portland Airport, total passenger traffic has increased eightfold from 500,000 in 1953 to over 4 million persons in 1978 (3).

In 1979 the total number of visitors to the state was estimated to be 13.52 million. The effects of economic conditions, fuel costs and Mt. St. Helens publicity reduced this figure by 3.6 percent in 1980 to a total of 13.04 million. However, in total, visitors spent 5.3 percent more during 1980 than 1979, or a total of \$1.14 billion. A major difference in Oregon tourist statistics from those noted above for the nation as a whole is that 78.8 percent of visitors to the state travelled for pleasure rather than on business (3). This may be because of the geographical features of the state which tend to make it a tourist destination. A 1980 survey found that as in previous years nearly 60 percent of visitors to the State were destined for the Oregon Coast during their stay (3).

Clearly there has been a significant increase in travelers to the state over the last twenty years. However, since the data all refer only to the whole state and not specifically to Portland, the direct impact on demand for hotel rooms within the SMSA, and the downtown in particular, can only be estimated. Not all the travelers counted above are tourists, and not all tourists in the state visit Portland, but since Portland is the primary city in the state, it can safely be said that the increasing demand for hotel rooms in Portland which has encouraged the development of new CBD hotel facilities must be due in part to the large increases in tourism that the state has experienced since 1950.

Convention Growth in the 1970s. Data on the development of convention trade are available for the Portland SMSA, and appear in Table 26. There was a moderate growth rate in the number of conventions held annually in Portland from 1967 to 1975. Then between 1975 and 1980 there was a rapid increase in the annual figures. Although the number of delegates per convention fell and total delegate days did not rise very much in the 1970s, there were almost 5000 more delegates and increased revenues of \$4 million from convention trade in 1980 over 1979 because there were more conventions (3). This trend is continuing through 1981 with an extra 96 conventions planned for the year, and with all likelihood this growth trend will continue for the next few years (16). Since most convention facilities are in downtown hotels or the nearby Coliseum, the trend of increasing numbers of conventions during the 1970s has been another reason for the increase in demand for downtown hotel facilities.

Downtown Facilities

In addition to the construction of the Marriott Hotel, there has recently been considerable upgrading of existing downtown hotels and motels, including the Red Lion, the Riverside

West and the Hilton. Several of the older hotels were demolished (the Congress, for example) or closed (the Park Haviland) during the 1970's, and early 1980's, thereby causing the new or renovated facilities to represent a larger proportion of all downtown hotel accommodation (5). Thus, the downtown has retained an important function within the metropolitan hotel industry as the principal concentration of 'high class' hotel rooms, as are usually associated with 'traditional' hotels. The era of notable decline in the quality of lodging facilities downtown during the late 1950s and the 1960s has been replaced by a period of renovation and construction which has substantially improved the standard of accommodation within downtown. The high occupancy rates which have characterized the Portland market (because the industry has been slow to meet growing demand(8)) have been influential in promoting this upgrading of CBD facilities, and will likely encourage further new construction downtown. This will reinforce the downtown's role as the major concentration of large hotels which have a lesser emphasis on automobile orientation.

TABLE 26
 PORTLAND CONVENTION STATISTICS, 1967 - 1981

YEAR	NUMBER OF CONVENTIONS	DELEGATE DAYS ¹	AVERAGE NUMBER OF DELEGATES PER CONVENTION
1967	287	659,000	555
1970	318	617,400	469
1975	356	529,800	465
1979	462		
1980	504	694,055	384
1981 (tentative)	600		

¹'Delegate days' equals the number of delegates x average length of stay (3.59 days)

Source: Greater Portland Convention and Visitors Association, 1981.

The swing back to downtown locations with larger hotels containing convention facilities, restaurants, bars and ballrooms is not an isolated phenomenon occurring in Portland, but rather a trend throughout the U.S. (8). Analysis suggests several reasons for the recent return of interest in downtown locations for hotels, including: 1) the trend toward ever larger and more expensive motor hotels has reached the point where prices of motels and many downtown hotels are no longer very different; 2) the increase in corporate office building downtown has created a demand for hotel accommodation close to the office core so that business travelers are close to the business district; 3) the upgrading of the downtown in general through urban renewal has made it more attractive and has provided sites at relatively low cost; and 4) the increasing attractiveness of new hotels with their restaurant and entertainment facilities make them more interesting places to stay than motels (8).

The resurgence of major hotels which benefit substantially from a downtown location will be partly dependent on whether the cost of hotel rooms in general will remain affordable to a sufficiently large number of people. This is because these hotels need a high level of demand. Although this is a national level issue, it will be influential on whether large hotels will be able to operate successfully in the downtown areas of cities such as Portland. The re-emergence of downtown as an important location for new hotel construction in Portland has yet to be proven as a long term trend different from the development patterns of the 1950s, 1960s and early 1970s. However, the new trend has clearly emerged as a possibility, and augers well for the coming decade.

SECTION V
SUMMARY

○ THE PORTLAND SMSA

Portland has developed as the most important freshwater harbor on the Pacific Coast, ranking tenth largest seaport in the U.S. in 1980 (20). Also, in 1980, Portland was ranked 19th fastest growing SMSA in the U.S. for employment growth since 1975 (20). The SMSA has developed as a manufacturing center for a wide variety of forest, metallurgical, electronic, transportation, food and textile products, and as a regional center of financial, office, communication, retail, educational, medical and cultural activities.

○ POPULATION

Between 1940 and 1980 the population of the Portland SMSA grew from 501,274 to 1,235,632. In contrast to this rapid increase, which was greatest in Washington and Clackamas Counties, the population of the City of Portland increased during the same period from 305,394 to 365,415, peaking at 385,600 in 1973. During this same time period the population of the Central Business District declined from 31,987 (6.4 percent of the SMSA) in 1940 to 10,000 (0.8 percent of the SMSA) in 1980. This shift in population distribution from the central city to the SMSA suburbs is expected to continue for the remainder of the century (18).

○ INCOME

Median income levels for all households was only slightly less for the City of Portland than for the whole SMSA in 1950 (19). By 1980, the City of Portland had higher

percentages of low income households and smaller percentages of high income households than the SMSA or the national average (20). The 1980 median income of families was similarly lower for the City of Portland than for the SMSA although unrelated individuals had virtually the same median income at both geographic levels (19).

o EMPLOYMENT

The total number of employees within the SMSA increased from 327,300 in 1960 to an estimate of 466,400 in 1980. During this time span, the employment figure for the Portland Central Business District increased from 49,900 to 80,225, (4), (5), thereby increasing the downtown share of the SMSA total from 15 to 17 percent (4). Although manufacturing and retailing have been the two largest employment sectors since World War II, services and office employment have experienced the biggest growth rates of all sectors within the SMSA, especially from 1970 to 1980 (4). Services and office employment have grown from representing 9.8 percent of the City's workforce in 1954 to 18.5% of the City workforce in 1972. There is a clear dominance of service, office and retail employment in the Portland CBD (5).

o THE DOWNTOWN PLAN

The Downtown Plan was adopted in 1972 with the aim of creating a pleasant human environment and an efficient use of land and public investment so as to halt and reverse the trend of physical and economic decay that was widely perceived to be occurring. Central to the Plan's proposals for land use, traffic circulation, transit service, public open space and pedestrian amenities within the downtown was the development of the Transit Mall. The Downtown Plan aims at guiding and influencing private

development via development guideline notebooks, various development regulations which establish zoning requirements, and also via building review processes. The purpose of guiding and regulating development is to attempt to create the different functional areas envisioned by the Plan's concept. No evaluation has been made in this report of the success of the Plan which was, however, functional during the 1970's, the decade of primary interest to this Economic Overview of Portland.

o OFFICE DEVELOPMENT

In 1960 the total office inventory of the Portland CBD was 1,600,000 square feet. From 1960 to 1970 another 1,700,000 square feet were added, and from 1970 to 1980 an additional 3,813,000 square feet were added. Over 2,600,000 square feet of additional new office space is planned for construction between 1980 and 1984 (21). Despite this very large growth rate in the supply of office space, demand has always been sufficient to fill the new offices. From 1960 to 1970, 280,000 square feet of new Class I office space was being leased per year, and this amount rose to over 500,000 square feet per annum during the early 1970s (5). The demand has increased for several reasons: the growth in office-based employment in the SMSA and the CBD; a process of internal expansion of firms which were overcrowded; and an increase in office space per employee from 126 square feet in 1960 to 215 square feet in 1980 (15). Concern has recently been expressed that Portland may experience over supply of office space in the mid 1980s (21). However, the CBD currently contains 51 percent of all office space in the SMSA, and at 96 percent occupancy in 1980, has one of the best occupancy ratios of all office districts in the SMSA. Suburbanization of office space

within the Portland SMSA has not therefore adversely affected office development downtown.

o RETAIL ACTIVITY

According to Census of Retail Trade figures, total retail sales in the Portland SMSA expressed in constant dollars rose from 1.3 million in 1963 to 4.4 million in 1977 (14). The CBD share of SMSA retail sales fell from 11 percent in 1963 to 4 percent in 1977. The CBD share of SMSA retail employees fell from 19 to 6 percent during those years. Despite these trends the CBD remains the largest retail facility within the SMSA with 3.5 million square feet of the SMSA total of 40 million. The sales figures of the CBD in 1977 were second largest in the SMSA after the various malls in Beaverton.

Definite improvements occurred during the 1970s which suggest that the declines apparent in the census figures may be reversing. New retail construction and major renovation have occurred for department and specialty stores, and more retail stores are anticipated as part of future downtown redevelopment packages (24). Stabilization of retailing within the downtown is not yet a proven trend. The improvements occurred too late to show up in the 1977 Census of Retail Trade, and the 1982 census has yet to be collected. The paucity of recent data makes it difficult to assess the current and short term future status of retailing in the downtown economy. Subjective assessment by some downtown merchants, however, indicates that a stabilization of retail activity occurred in the late 1970s (24).

o DOWNTOWN HOUSING

Downtown Portland has lost its significance as a residential district in the post war era. From 1940 to 1980, the population housed within the CBD declined from 32,000, or 10.5 percent of the City population (6.4 percent of the SMSA population) to 10,000, or 2.7 percent of the City population (0.8 percent of the SMSA population) (19). The CBD population loss was somewhat less severe during the 1970s due to some new construction and to rehabilitation of buildings for housing. In 1978 there were 9,417 housing units downtown, which was a net reduction of 1,710 (15 percent) from the 1970 figure. However 1,376 of the units 'lost' still existed in vacant, closed buildings. Of the total 2,521 units actually removed from the market between 1970 and 1978, 1,345 were low income transient occupancy units, while new units have mostly been for high income residents (25). In 1980 and 1981 several vacant residential buildings were rehabilitated for low income occupancy and a start was made on converting vacant commercial buildings to residential use, so again the recent past has seen changes from the previous post-war trends.

Vacancy rates in the various residential areas of downtown that cater to different income groups were all low in the late 1970s (25), although higher in transient residence facilities despite the severe reduction in the numbers of such rooms. This possibly indicates a declining demand for transient facilities, while the high demand for permanent facilities for both low and high income groups persists. The population group most conspicuously absent from downtown is the middle income household, although a new downtown project is aimed at that market. Residential units were not lost as rapidly in the late 1970s and early 1980s as earlier, and some new construction and

rehabilitation has occurred or is planned. The contribution of housing to the downtown economy and the impact of downtown residents on activity levels outside office hours may be having a positive effect, although no data were found to document this.

o HOTEL DEVELOPMENT, CONVENTIONS AND TOURISM

Hotel facilities have experienced a major shift in locational concentrations since the War just like other sectors of the Portland economy. However, just with those sectors, the trends of the post War years through 1980 have not been of sufficient magnitude in Portland to strip the downtown of its role as an attractive location for that sector. Between 1962 and 1980 the number of hotel/motel rooms in the Portland metropolitan area rose from approximately 3,000 to 7,400. In 1962 the CBD had 2,250 rooms which represented 75.5 percent of all hotel rooms in the SMSA. In 1980 this number had risen to 2,853, and consequently the CBD share was 38.5 percent of the SMSA total which had grown by 4,400. However, the CBD share, which was lower than 38.5 percent during the 1970s, has always been the biggest share of any hotel district (2). The supply of hotel/motel rooms since the 1950s in the SMSA has never substantially exceeded the growth in demand for rooms, and in fact has been below demand levels for certain periods. Thus, occupancy levels have always been high since the War (2).

Although the data are generalized for the whole State, visitor and tourist statistics for Oregon show an enormous increase in travel to Oregon since 1960. Clearly not all travellers are tourists or destined for Portland, but the increases must explain part of the increase in demand for hotel rooms. In Portland itself the number of conventions

has increased from 287 in 1967 to 600 in 1981, with much of the increase occurring during the late 1970s (19). Since convention facilities and many tourist attractions are located in or near the CBD, these increases are probably significant in explaining the growing demand for hotel accommodation within the downtown. In fact, demand seems to be at such a level that several new hotels are currently being planned for the downtown.

Of note is the fact that the downtown hotels built and planned remain closer in nature to the traditional form of a hotel rather than a motel, unlike the facilities that have been built outside the downtown. This means that the downtown facilities are continuing the trend of being higher in quality than those outside the CBD, and consequently their addition has been and will be of greater significance to the economy of downtown than motels.

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