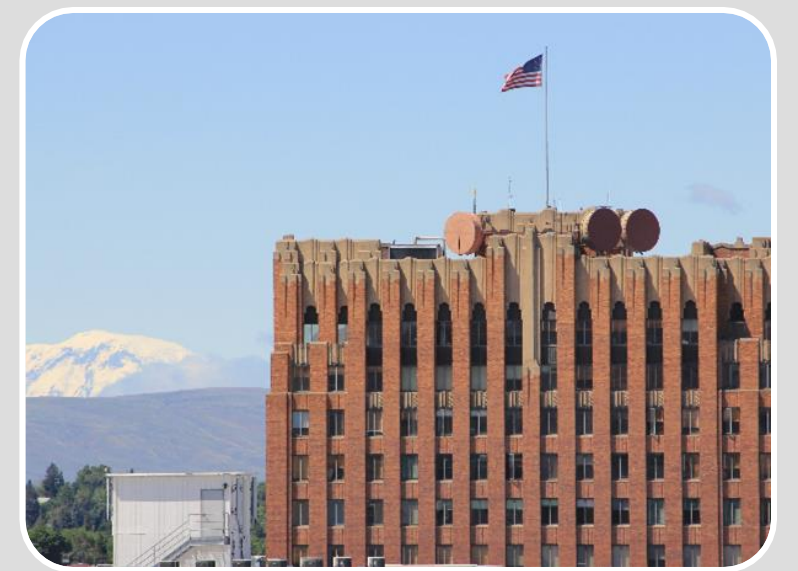


DOWNTOWN YAKIMA

RETAIL MARKET STUDY

DRAFT REPORT



Thomas

Thomas Consultants

August 2013

REPORT STRUCTURE

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EXECUTIVE SUMMARY

- + Downtown Yakima is currently plagued with a high rate of retail vacancy, and while new retail developments and tenants continue to come to Yakima, most of this new retail development is escaping the Downtown.
- + The current retail landscape in Yakima is dominated by big box retailers, power and strip centers, and one regional serving enclosed mall, all of which offer no “experience” to the consumer which is an important factor in attracting and retaining footfall.
- + Downtown Yakima has good potential to create a distinctive retail experience that capitalizes on its built heritage, local agri and viticulture, local talent and entrepreneurship, local food and beverage, community facilities and events programming, all of which are necessary ingredients and demand drivers to support a viable and sustainable Downtown retail environment.
- + It is unlikely that Yakima Mall, in its current form, will ever contribute significantly to the retail experience of a revitalized Downtown Yakima, and should be repurposed for other uses that could serve as additional demand drivers for downtown retail. Such uses could include office, or other commercial, civic or community uses.
- + Recent local efforts to improve the Downtown environment, enhancements to the streetscapes, employment of “downtown ambassadors”, a number of successful local retailers, as well as some small additions to the residential stock, indicate that renewed momentum and interest in the Downtown is emerging.
- + Retail demand in Yakima is expected to grow by approximately 200,000sf / year, but in order for the Downtown to capture some of that retail demand, a concerted and proactive approach must be taken by the City to direct some of that demand into the Downtown by facilitating retail development through policy, zoning, incentives, and marketing and other direct engagement of stakeholders and interest groups.
- + A retail framework needs to be embedded into local zoning ordinances and design guidelines to help reinforce a distinctive and unique retail identity for the Downtown that not only serves the local community needs, but also creates a vibrant, attractive and memorable retail experience for visitors.
- + Initially, retail revitalization should be focused on a central area in the heart of Downtown Yakima, and perhaps around a catalyst or “game changing” project such as expansion of Millennium Park Plaza, to create the necessary critical mass or “body heat” of activity that will help to attract investment and catalyze further retail growth. The retail focus should, initially, be on food and beverage, local products / retail businesses, convenience, and entertainment and leisure to help create a vibrant and local identity. A downtown grocer would be necessary to serve the needs of the local resident population, especially as this grows.
- + Once an attractive and vibrant retail environment in the heart of Downtown establishes itself, coupled with growth in the Downtown resident population, retail investment from regional and national retailers can be expected and help to further expand the retail offer in the Downtown. The focus can expand to more comparison retail shopping and hard goods at this time.



PROJECT INTRODUCTION

- + The subject site is located in Downtown Yakima running east west from 9th St and 7th Ave, and north south from A St to Chestnut Ave, encompassing an area covering approximately of approximately 150 acres with a buffer zone of influence of 358 acres.
- + While new retail developments and tenants continue to come to locate in Yakima, most of this is new retail is escaping the Downtown, which is currently troubled by high vacancy rates including a 650,000 sf former mall that has not served a retail function for more than 8 years.
- + The City of Yakima currently seek to revitalize their downtown core through a master planning exercise, which includes a market study to determine where gaps lie in the market and identify the possible retail opportunity for the Downtown. As such, Thomas Consultants was retained to examine the local and regional retail marketplace to provide an objective analysis on the site's potential development opportunity with respect to:
 - Supportable new retail floorspace (if applicable);
 - Retail development format option(s);
 - Role and function of retail project;
 - Target customer segment(s); and
 - Target tenant types and brands.



I .0 LOCAL MARKET INDICATORS

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I: LOCAL MARKET
INDICATORS

2: SITE ANALYSIS

3: COMPETITIVE RETAIL
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4: DEMAND ANALYSIS

5: PROJECT POSITIONING
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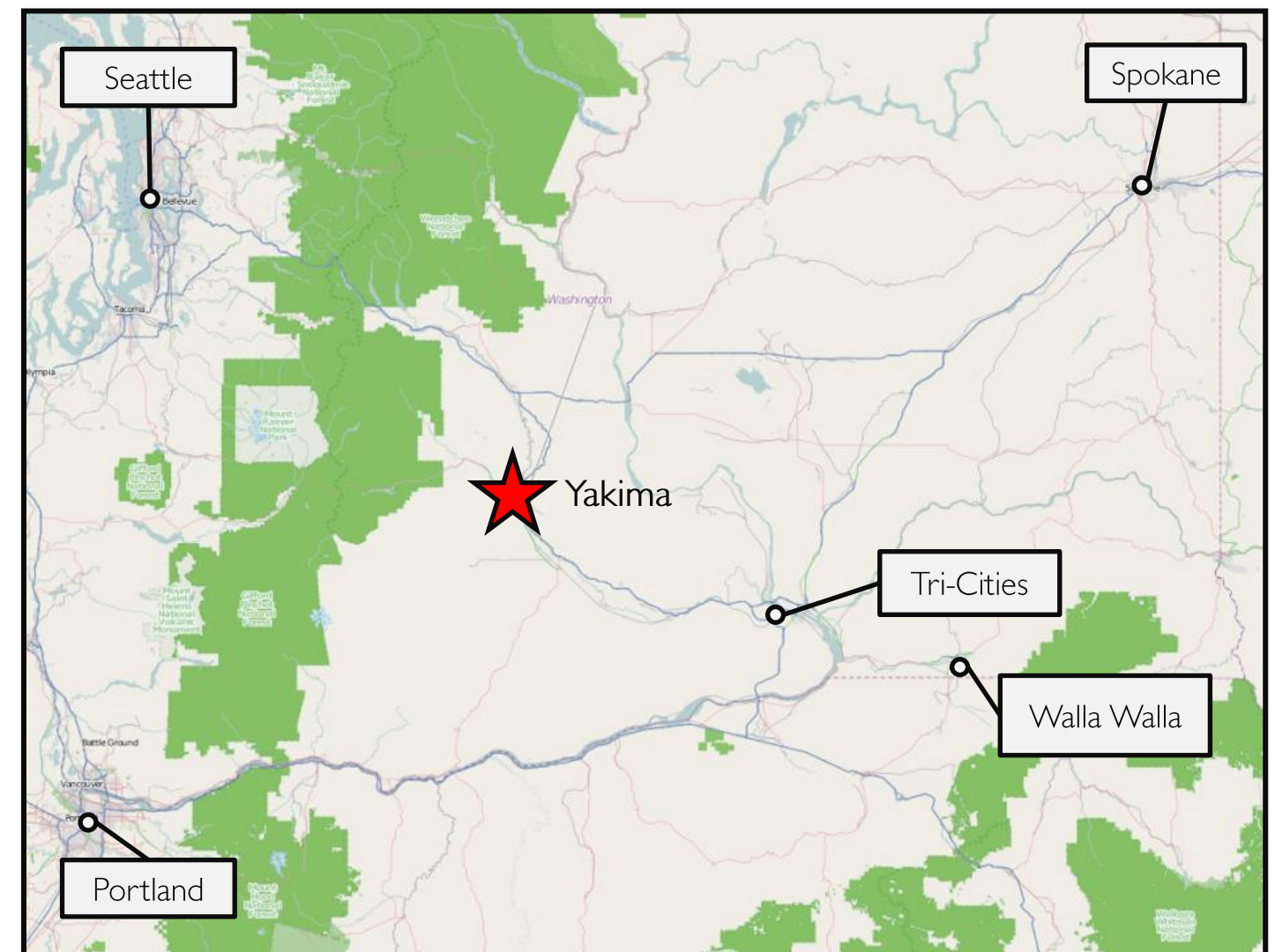
6: RETAIL STRATEGY &
IMPLEMENTATION



1.0 LOCAL MARKET INDICATORS

1.1 Regional Context

- + Located in southern Washington State, Yakima is the county seat of Yakima County and is located 142 miles south east of Seattle and 185 miles north east of Portland.
- + Yakima is the 9th largest city in Washington State by population.
- + Yakima has a growing tourism market fed by visitors from Seattle and Portland.
- + Yakima is a leading agricultural center, producing around 80% of the nation's hops, and has a reputation for apple production and a flourishing wine production industry. Manufacturing, primarily relating to food processing is another huge industry hiring 10,000 people and generating sales of \$1.4 billion.
- + Alaska Airlines connects Yakima to Seattle-Tacoma International Airport three times daily.
- + Its position east of the Cascades creates a rain shadow, meaning that Yakima has around 300 days of sunshine a year; however, it also presents a challenge to tourists navigating the mountain passes during winter, impeding access to Yakima.





I.0 LOCAL MARKET INDICATORS

I.2 Demographic Trends in Yakima

- + Yakima County's current population of 251,481 is expected to rise to 266,012 by 2018.
- + Yakima County has a very high Hispanic population estimated at over 47% compared to a statewide average of 11.6%.
- + Median household income level is estimated at around 25% less than state average at \$43,313.
- + 16.4% of Yakima residents have a bachelor's degree or higher compared to state average of 31.4%
- + Yakima is highly dependent on automobiles with 90% of residents commuting to work by car.





I.0 LOCAL MARKET INDICATORS

I.3 Development Trends in Yakima

- + Just over a mile north east of Downtown Yakima, Cascade Mills is a 211 acre brownfield site, once home to a landfill as well as a sawmill and plywood plant which is understood to be currently under consideration for redevelopment. Should the site be developed for retail usage it could hinder revitalization attempts in Downtown Yakima; however, with complementary usages such as commercial office space and recreational facilities Cascade Mills could act as a significant driver of passing trade for Downtown Yakima.
- + From our understanding there are currently proposals to demolish Track 29 Mall, and “wild west” themed retail boardwalk, with the developer intending to create a parking lot.
- + It is understood that the empty lot at SE corner of 2nd and Yakima Ave, currently used as open space, has been bought and will be developed as a restaurant.
- + Recent retail additions to Yakima, such as a new Walmart in the southwest of the city, as well as Cabelas and JC Penney in Union Gap indicate that there is still positive retail demand in Yakima. A proactive approach by the City needs to be taken to try to capture some of this continued retail demand, that is otherwise by-passing the Downtown (although it should not try to attract big-box retailers).





I.0 LOCAL MARKET INDICATORS

I.4 Tourism Trends in Yakima

- + Statewide tourism is the fourth biggest industry accounting for \$16.4 billion spending in 2011.
- + \$354.4 million is spent annually by visitors to Yakima county, supporting 3,580 local jobs.
- + Wine production is a key industry with over 80 wineries in Yakima Valley and 16,000 acres of vineyards producing award winning wines. Wine production in Yakima is acting as a catalyst for tourism within the Yakima region.
- + Conferences are another important source of visitation, with over 125,000 people hosted in 2012.
- + Daily rate room occupancy in Yakima averaged at 52% with an average stay of 2.5 nights.





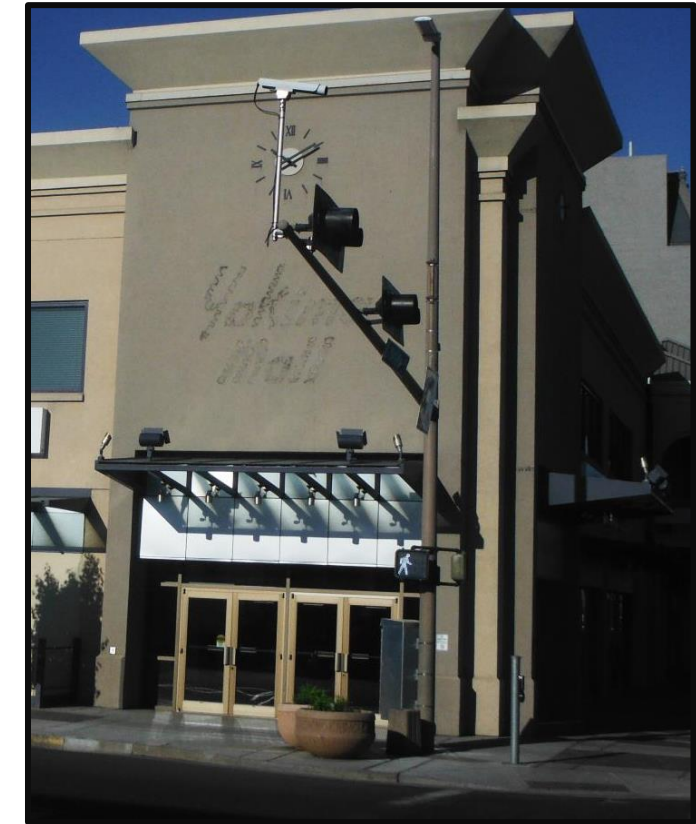
I.0 LOCAL MARKET INDICATORS

I.5 History of Retail in Downtown Yakima

- + 1971: Yakima Mall opens anchored by J.C. Penney's and The Bon Marche (now Macy's) and by 1974 38 stores were present within the mall.
- + 1985: Yakima Mall renovated for first time with new ceilings, walls, floors, benches and lighting.
- + 1996: Yakima Mall renovated for second time with the addition of a new food court and western entrance.
- + 2000: J.C. Penney's announces closure after 74 years in Downtown Yakima due to falling sales.
- + 2001: Nordstrom, located opposite Yakima Valley Mall closes citing a 34% decrease in sales since 1994.
- + 2002: Bon Marche follows suit, relocating to Valley Mall.
- + 2003: Yakima Mall finally closes with the majority of national comparison retail either relocating to Union Gap or departing Yakima completely.

Since the closure of Yakima Mall there has been a slow but steady growth of smaller independent retailers throughout Downtown Yakima.

Currently there are no national comparison retailers operating in Downtown Yakima, with the majority now located in Union Gap, south of the study area.



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2: SITE ANALYSIS

3: COMPETITIVE RETAIL
REVIEW

4: DEMAND ANALYSIS

5: PROJECT POSITIONING
& DEVELOPMENT
OPPORTUNITY

6: RETAIL STRATEGY &
IMPLEMENTATION

2.0 SITE ANALYSIS

2.1 Sub-Regional Context

Location

- + The study area is focused along Yakima Ave, between 9th St and 7th Ave, and includes the areas bounded by A St to Chestnut Ave, to the north and south, respectively.

Adjacencies

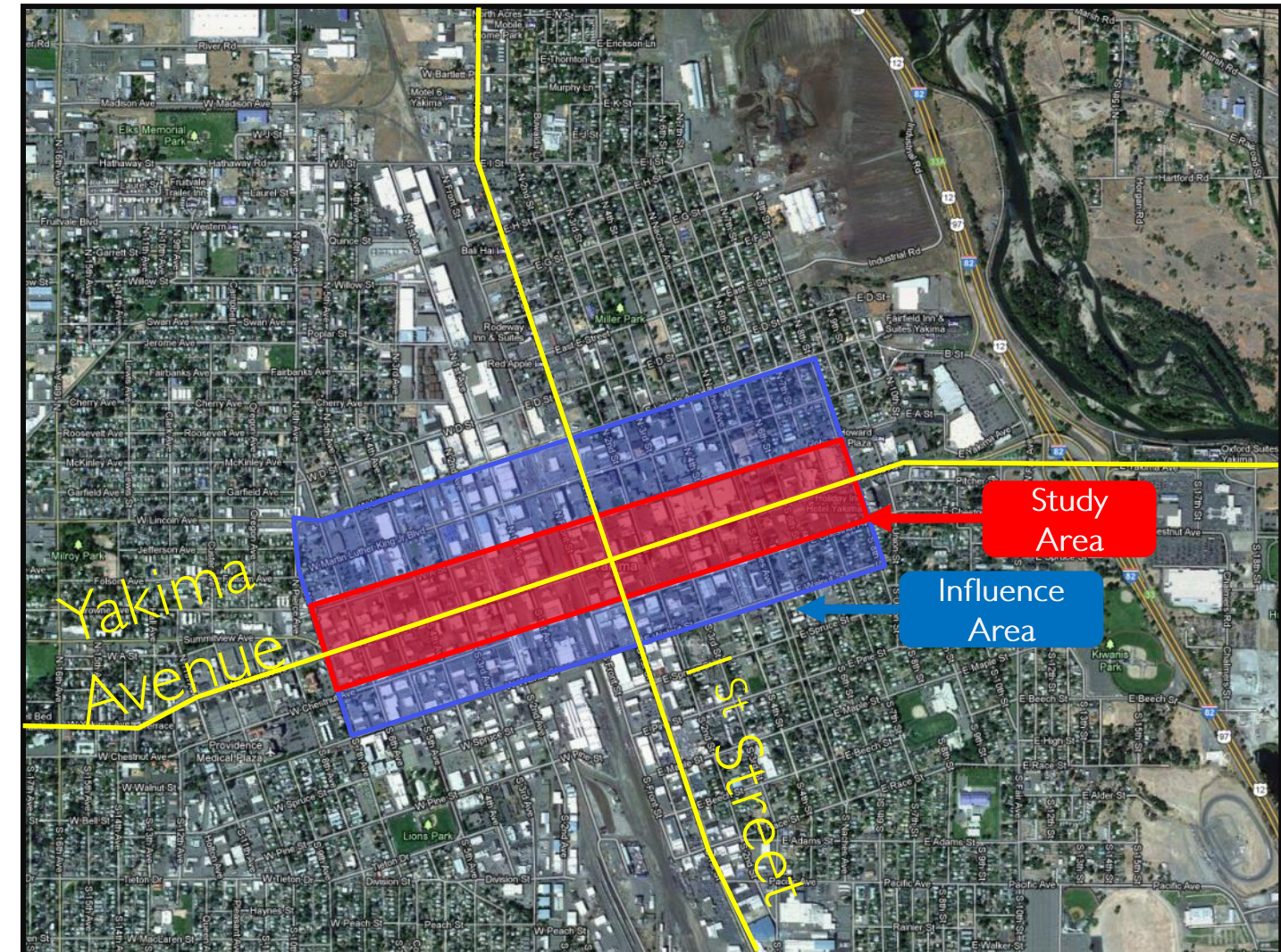
- + Immediately adjacent to the study area lies the I-82 to the east.
- + Industry tends to line the BSNF freight railroad that dissects Yakima north-south. Either side of this industrial concentration is detached lower income low density housing.
- + To the west of Downtown Yakima is more low density housing with comparatively higher income housing.

Visibility & Exposure

- + 16,000+ vehicles pass daily along the 1.2 miles of Yakima Avenue that lie within the study area and although this provides excellent visibility there is presently little incentive to stop; therefore allowing Yakima Avenue to act as a high speed 'runway' between west Yakima and the I-82.

Accessibility

- + Downtown Yakima is easily accessible by car with little congestion in the study area. Recent studies identified an abundance of both on and off street parking.
- + Whilst automobile accessibility is good, pedestrian movements are hindered by hostile road crossings and constrained sidewalks which help contribute to an undesirable walking environment.



2.0 SITE ANALYSIS

2.2 Study Area Context

- + The map to the right identifies the existing retail within the Downtown Yakima Study Area. The highlighted area shows both the study area and the study influence area.
- + Stores and services are primarily located along Yakima Avenue, with two areas with slightly higher concentrations of retail;
 - A concentration of antique/ home wear retail, shown highlighted on the left of the map composed of independent local retailers.
 - A concentration of independent food and beverage shown on the right of the map.



2.0 SITE ANALYSIS

2.3 Core Area Overview

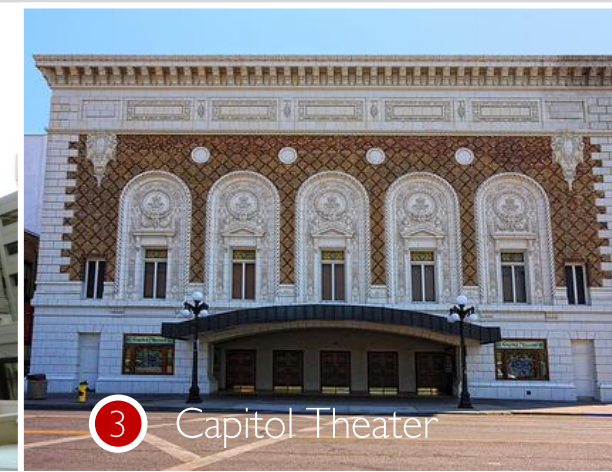
- + Due to the sheer size of the study area it is important to find an area to concentrate growth and development in order to provide a trickle down effect to peripheral parts of the Downtown.
- + The area identified as the core of Downtown Yakima can be seen on the map to the right and has been identified as the most vibrant area of the Downtown for a variety of reasons;
 - It is a center of employment of the Downtown- The City, Department of Ecology and a variety of office space.
 - Concentration of heritage buildings that give the town its distinct character can be found here such as the Larson Building.
 - Focal point for a variety of events.
 - Sentimental identity of Yakima such as Millennium Plaza.
 - High concentration of food and beverage
 - Location of civic facilities such as the library, theatres, and the YMCA.



1 Yakima Train Depot



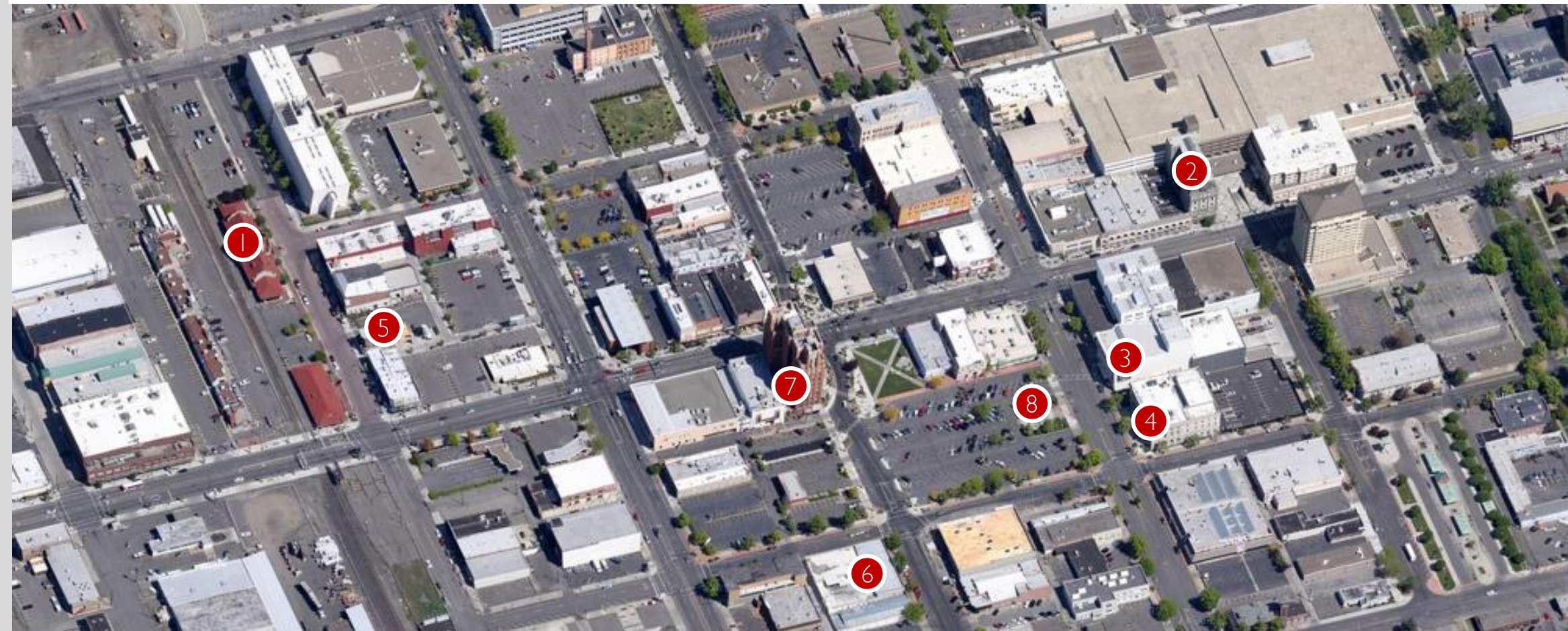
2 JEM Building



3 Capitol Theater



4 Federal Building



5 Historic Front Street



6 Dragon Inn Garage



7 Larson Building



8 Millennium Plaza

2.0 SITE ANALYSIS

2.3 Core Area Overview

Retail

- + Yakima's existing retail is currently limited and peppered throughout the city.
- + It is predominantly composed of independent retailers and lacks national chains, the majority of which are located in Union Gap. The map to the right identifies the current make up of retail in the identified heart of the City.
- + The 650,000 sf Yakima Mall has stood vacant without retailers for a number of years. Yakima has not functioned as a retail centre for sometime and as such there is a large number of vacant stores, giving visitors a negative first impression.



2.0 SITE ANALYSIS

2.3 Core Area Overview

Food & Beverage

- + Concentrated over six blocks, Yakima has a vibrant food & beverage district catering to a variety of different tastes and budgets.
- + The majority of restaurants, cafes and bars within this district are independent businesses giving Yakima a unique local identity for both residents and visitors to enjoy.
- + Talk about the type of food and beverage providers, price points and key attractions.



2.0 SITE ANALYSIS

2.4 Existing Downtown Comparison Retail

Whilst the majority of national retailers are absent from Downtown Yakima there is currently a peppering of local comparison outlets throughout the study area:

- + Clothing:
 - Garden Dance- Womenswear
 - Rain Dance- Menswear
 - Lin Paul's- Occasion wear
 - YakCity- Menswear
 - Fashionforless- Womenswear
- + Specialty:
 - The Little Soap Maker- Cosmetics
 - Bella Fiore- Florist
 - Garden Girl- Florist
 - Anytime Fitness- Gym
 - Ron's Coin & Book Center- Miscellaneous
 - 24/7 PC- Electronics
 - The Beer Shoppe- Alcohol
 - Stems- Alcohol
 - Yakima Sunglass- Accessories
 - Déjà Vu- Antiques
 - Walgreens- Pharmacist
 - 7- Eleven- Convenience
 - Salvation Army- Thrift Store
 - Browse 'n' Buy- Antiques
 - Pieces of the Past- Antiques
 - Inland Lighting- Home Furnishings
 - Fossen's Home & Hearth- Home Improvement
 - Ace Hardware- Home Improvement





2.0 SITE ANALYSIS

2.5 SWOT Assessment

STRENGTHS

- + Downtown Yakima is a core area for business, government and as an employment center.
- + Downtown has some significant architectural heritage that will contribute to its attractiveness for retail investment.
- + A variety of food and beverage outlets already operate in Downtown Yakima suggesting appeal for downtown dining.
- + Good accessibility to larger cities including Seattle and Portland, with journey times of two and three hours, respectively.
- + Yakima Avenue provides Downtown Yakima with excellent visibility for street retail.
- + Yakima is emerging as a high quality wine making region that is attracting international attention and tourism potential.
- + Recent urban design improvements have enhanced Downtown Yakima's retail environment (e.g., Performance Square, pocket parks and plazas).

OPPORTUNITIES

- + Yakima Mall presents good redevelopment opportunity.
- + Yakima's growing status as a wine tourism destination is an opportunity for attracting additional investment into the Downtown retail landscape.
- + Vacant lots and buildings immediately available for occupancy.
- + Downtown Yakima Committee has initiated support for Downtown improvements and maintenance
- + Recent new developments, such as Orion Theater provide additional attraction and contribute to injecting increased demand in Downtown retail.
- + Currently limited supermarket options in Downtown Yakima and Terrace Heights.

WEAKNESSES

- High number of empty shops, particularly along Yakima Avenue.
- Lack of cohesive identity to Downtown Yakima.
- Limited selection of comparison retail and national brands in downtown.
- Significantly lower than average per capita income than Washington.
- Yakima Avenue traffic volumes and flow could pose conflicts with increase in pedestrian and street level retail activity.
- Lack of upscale hotels within Yakima contributes to tourist leakage to other locations.
- Retail environment in Yakima is widely dispersed over a wide area which encourages car use.
- Downtown core is peppered with a number of large blocks of industrial/ institutional developments and car parks that disrupt a tightknit cohesive retail environment.

THREATS

- Proposed Boise Cascade Mill Development as a lifestyle center could compete directly with Downtown Yakima.
- Other cities such as Walla Walla, Tri Cities and Spokane have a strong tourist draw and detract interest away from Yakima.
- Construction of new retail developments in primary trade area would threaten Downtown Yakima.
- Seasonal nature of tourism presents challenge to local businesses.
- Perception of rampant crime even by locals could continue to deter locals from visiting Downtown Yakima.