

Pioneer Square: Perceptions, Realities, Strategies

Executive Summary of Technical Assistance Visit

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Background

Under contract with the Office of Economic Development of the City of Seattle, Donovan Rypkema, principal of *PlaceEconomics* conducted a 4 day technical assistance visit to the commercial district of Pioneer Square in Seattle. The purpose of the visit was to assist the Office of Economic Development (OED) and the recently formed Pioneer Square Revitalization Committee. That committee was created to assist in advancing the Pioneer Square Commercial District Revitalization Initiative. The objective of that initiative is to: *identify a set of actionable strategies to address key issues around business retention and growth, retail mix, and business capacity in Pioneer Square.* The technical assistance visit and this executive summary are a part of that Initiative.

As part of this assignment the consultant:

- Reviewed information and data provided by OED staff
- Toured the Pioneer Square district at several different hours of the day
- Visited ~15 Pioneer Square businesses, conducting informal interviews with the owner and/or manager in several of them
- Conducted individual interviews with a variety of stakeholders including: business owners, property owners, real estate developers, social service providers, investors, police, Pioneer Square Community Association staff, Downtown Seattle Association staff, hospitality business managers, and others.
- Met with the Pioneer Square Revitalization Committee at the beginning of the visit
- Prepared and presented to the Pioneer Square Revitalization Committee and other interested parties a PowerPoint presentation on observations and recommendations which is included as part of this Executive Summary and identified as Attachment 1.

Additionally, the consultant had a similar assignment in December of 2002 for which a PowerPoint presentation was also prepared. That presentation is also included here as Attachment 2.

Realities and Observations

1. There is a sense among Pioneer Square stakeholders that the commercial district is suffering.
2. Declining rents, vacancies and deferral of major reinvestment projects support this premise.
3. *However* these characteristics are true of commercial districts all over America, and the primary forces creating these consequences are national in scope and beyond the ability of one city, state or region to quickly overcome them.
4. But even in its current condition, Pioneer Square is one of the great historic commercial districts in the country.
5. The quality level of the retailers in Pioneer Square is very high, and a vast majority of them are independent, locally owned businesses.
6. There seems to be an inadequate recognition by Pioneer Square stakeholders of how extraordinary this commercial district is.
7. The number and quality of great historic buildings in Pioneer Square is certainly the major defining characteristic and strength of the district. At the same time the “edginess” and concentration of locally owned businesses is also an asset. But both “edginess” and independent merchants are fragile assets. In economic downturns, many independent merchants struggle to

- simply survive. In economic boom times the “edginess” can often be lost in a wave of cash and investment from national chains who prefer a more antiseptic environment.
8. The clients of Pioneer Square social service providers (who are readily apparent in the district) are seen as a significant adverse factor on both commercial activity and more market rate residential development in the district.
 - a. There is a concentration of social service providers (and, therefore, their clients) in Pioneer Square.
 - b. Many of these service providers predate any of the existing businesses in Pioneer Square. Further, many own their own buildings and are not going elsewhere.
 - c. There seems to be a significant difference among social service providers their sense of responsibility for their clients once they leave their facilities.
 - d. The congregation of unemployed and often homeless persons in a relatively small commercial district does create a sense of uneasiness among many customer and stakeholder groups.
 - e. The criminal predators – drug dealers and others – exacerbate the sense of unsafety and frequently target the homeless and their not-infrequent addictions and physical and mental health conditions.
 - f. The reality is that people who may have a bed but neither a job nor a daytime residence have to be somewhere. And until there is a day center for them to go, they will be on the street.
 - g. While there is a role for police in addressing these issues, it is not solely a police function.
 - h. While being homeless is not a crime there should be an expectation of civility in an urban context, and many of the actions of some of the homeless far cross the civility threshold.
 - i. At the same time there is a political position among some advocacy groups that the expectation of civil and hygienic behavior is a violation of some imaginary “right”. The concept of rights without responsibilities violates the basic principles which functioning urban life requires.
 9. This concept of rights but not responsibilities is not limited to some homeless or their advocacy organizations, however. There are numerous examples in Pioneer Square of property owners leaving properties vacant, unmaintained, or suffering demolition by neglect. This is defended by the argument “It’s my property and I have the right to do with it as I will.” But this ignores the property responsibility side of the equation that recognizes that a deteriorating and vacant property is essentially stealing value from adjacent properties. The concept of property rights should not be extended to allow one property owner the right to diminish the property values of his neighbors.
 10. The Pioneer Square Community Association as lost considerable effectiveness and credibility in recent years.
 11. The Pioneer Square Community Association needs to be a comprehensive economic development organization, not just the “voice of the neighborhood” or a promotional organization. Currently it is neither staffed nor funded to serve in that role.

The Sky is Falling: Anecdote vs. what the data says

There is a widely held perception that Pioneer Square is experiencing a major economic downturn *and* that the factors leading to that downturn are variables within Pioneer Square itself. The “proof by anecdote” is exacerbated by the very unfortunate departure of long time neighborhood anchor, Eliot Bay Books and by a series of press articles where quotations rather than data were presented as “facts”.

In fact, the evidentiary story is significantly different.

As part of this assignment the consultant reviewed and analyzed the Gross Receipts data for Pioneer Square for the six year period, 2003 through 2008¹. To be clear the data covered the “Urban Village” of Pioneer Square which is somewhat larger than the Business Improvement Area for which the Pioneer Square Community Association draws much of its funding. Nevertheless, examining this data provided some noteworthy information.

- From 2003 through 2008, the US national economy, represented by the Gross Domestic Product grew 30.1%
- From 2003 through 2008, the Gross State Product of Washington grew 34.0%
- **From 2003 through 2008, the Gross Receipts of Pioneer Square grew 125.9%**

Retailing is seen as both a major economic mainstay of the Pioneer Square business mix and as a segment that has been unusually adversely affected in recent years. Retailers, particularly independently owned businesses, are certainly among the hardest hit in this recession. But on a composite level over six years, Pioneer Square retailing fared better than did retailing nationwide.

- From 2003 through 2008, retail sales in the United States grew 21.3%
- **From 2003 through 2008, retail sales in Pioneer Square grew 124.8%**

There was a perception among some stakeholders that other Seattle commercial districts were significantly outperforming Pioneer Square. Again the data tells a different story.

- From 2003 through 2008, the Gross Receipts of Chinatown/International District grew 35.1%
- From 2003 through 2008, the Gross Receipts of 12th Avenue in the Capital Hill neighborhood grew 57.2%
- **From 2003 through 2008, the Gross Receipts of Pioneer Square grew 125.9%**

Perhaps most revealing from a future planning perspective is the nature of the businesses that are in Pioneer Square. The Gross Receipts data is organized through the use of the North American Industry Classification System (NAICS). Within Pioneer Square there are in excess of 150 different business categories. As part of the analysis of the data, the consultant combined these classifications into 18 consolidated categories listed below.

Auto related/Parking
Business/Professional/Technical Services
Computer/Software/Internet related
Cultural/Artistic/Educational/Entertainment
Family and Social Services
Finance and Investment
Food and Beverage
Manufacturing
Medical/Health care/Biotechnology
Organizations/Associations

¹ In the Gross Receipts data provided by the Office of Economic Development, there was one business that constituted nearly one third of all the gross receipts. This anomaly was considered an outlier that would only distort the data and so was excluded. Had it been included the Pioneer Square picture would have been even much better statistically, but probably less accurately reflected what is actually happening in the district.

Other
 Personal Services
 Publishing/Media/Advertising/Communications
 Real Estate and Construction
 Retail
 Transient Lodging
 Travel/Transportation
 Wholesale/Storage

The Gross Receipts from each of those consolidated categories was then compared for the years 2003 and 2008. For each category was calculated the percentage of contribution of that consolidated category to the entire Gross Receipts of Pioneer Square. The results are represented in the table below.

	2003	2008
Business/Professional/Technical Services	22.2%	23.6%
Personal Services	8.0%	23.3%
Computer/Software/Internet related	13.1%	8.0%
Retail	6.0%	6.0%
Food and Beverage	5.6%	5.7%
Wholesale/Storage	3.5%	5.7%
Publishing/Media/Advertising/Communications	6.4%	4.6%
Real Estate and Construction	8.7%	4.1%
Auto related/Parking	6.1%	3.7%
Cultural/Artistic/Educational/Entertainment	6.1%	3.4%
Finance and Investment	3.4%	3.4%
Other	1.4%	3.2%
Transient Lodging	0.0%	1.4%
Manufacturing	5.3%	1.3%
Family and Social Services	2.5%	1.3%
Medical/Health care/Biotechnology	1.2%	0.8%
Organizations/Associations	0.1%	0.3%
Travel/Transportation	0.4%	0.1%

There are a number of very interesting patterns that emerge from this data:

1. While Retailing and Food and Beverage are most often viewed as the core economic activity in Pioneer Square, the two together only constitute around 12% of the gross receipts, a share largely unchanged from 2003. This means that 88% of the gross receipts in Pioneer Square were neither retailing or food and beverage.
2. There has been a huge growth in the category of Personal Services. This includes such things as beauty salons and barbershops, but also tattoo parlors and health clubs. Not only did the gross receipts in that category grow significantly in the six years but also did the number of businesses which increased from 67 in 2003 to 113 in 2008.

3. The largest share of gross receipts comes from the business, professional and technical services category. This included such activities as attorneys’ offices, architects, accountants, and consultants.

This is exceedingly good news for the long term economic development in Pioneer Square. First, these are areas of economic activity that are growing nationally (as opposed, for example, manufacturing which is shrinking). Second, when combined with other categories represented (Medical, Computers, Publishing, Cultural, Medical et al) nearly half of the gross receipts in Pioneer Square are from “Knowledge Worker” or “Creative Class” activities. While definitions in the field vary, these are the types of activities that are on the top of the priority list for most economic development recruiters.

There is a downside, however. Many of the workers in these industries are largely “locationally indifferent” – that is they can do their work from virtually anywhere. They choose to live and work based not on where the port or mine or factory is, but based on the qualitative factors of their urban environment. The fact they currently choose to be in Pioneer Square is certainly a positive factor. But they are also able to move when a commercial district no longer fits their quality of life criteria. It is paramount, then, that the needs, interests and inputs of these groups be incorporated into the overall Pioneer Square strategies as soon as possible.

Comprehensive Economic Development

Commercial revitalization is about increasing *value* – value to property owners, value to business owners, value to the city, value to customers, value to residents, value to the city at large. But *value* is affected by what are known as the *Forces of Value* – Social, Economic, Political, and Physical. If the goal is to increase value, then all of the Forces of Value must be brought into play for a comprehensive approach.

Thinking of strategies in this framework also may be a useful approach to identifying priorities, responsibilities, and partners, and to set those priorities in a time frame. A skeletal way to do that is represented in the table below.

	Social	Economic	Political	Physical
Short Term (next 12 months)	•Priorities •Responsibilities •Partner(s)	•Priorities •Responsibilities •Partner(s)	•Priorities •Responsibilities •Partner(s)	•Priorities •Responsibilities •Partner(s)
Intermediate (1-4 years)	•Priorities •Responsibilities •Partner(s)	•Priorities •Responsibilities •Partner(s)	•Priorities •Responsibilities •Partner(s)	•Priorities •Responsibilities •Partner(s)
Long Term (4-10 years)	•Priorities •Responsibilities •Partner(s)	•Priorities •Responsibilities •Partner(s)	•Priorities •Responsibilities •Partner(s)	•Priorities •Responsibilities •Partner(s)

Recommendations

In the PowerPoint that is appended to this Executive Summary are a series of recommendations sorted by Social/Economic/Political/Physical and by time frame (short term, intermediate, long term). The very brief nature of this assignment necessarily means that these recommendations are extremely limited, and certainly not exhaustive.

More than that – these recommendations are meant by the consultant to be the starting point for the Pioneer Square Revitalization Committee, the Pioneer Square Community Association, and the Office of Economic Development. It is far less important that these particular recommendations are taken, than that some set of priorities, responsibilities and time frames be adopted.

But if the consultant were to list what he sees at the top priority actions they would be these:

1. Establish an entity that is a comprehensive economic development organization. This could be a new organization, a reconstituted Pioneer Square Community Association, or a subset of another organization.
2. Systematically assemble and evaluate reliable economic data for the Pioneer Square for the last 5 to 8 years.
3. Create and then implement a communications strategy targeting both Pioneer Square stakeholders and the larger Seattle community regarding the organization and its role and the economic facts (as opposed to anecdotes) of the Pioneer Square economy.
4. Actively recruit and involve the growth sector business segments in Pioneer Square beyond retailing and food and beverage.
5. Incorporate these and other priorities into a comprehensive strategy for Pioneer Square.

Conclusions

Far from being a commercial district in its last gasp, Pioneer Square is a commercial district of both relative economic health and extraordinary economic opportunity. The physical fabric of the neighborhood, the considerable but largely invisible growth of knowledge based businesses, and the proximity to both Seattle and international markets that the district provides would be envied by almost any other commercial district in the country.

But those opportunities will be foregone if stakeholders in Pioneer Square don't approach economic development comprehensively, continue to make decisions based on anecdote rather than data, and fail to include and capture the currently untapped human and financial resources that could be available.

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