Market Analysis for a Portland Mercado

For Hacienda Community Development Corporation

May 17, 2012
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I. Introduction

Hacienda Community Development Corporation (CDC) contracted with Marketek, Inc. to prepare a market analysis for the proposed Portland Mercado. The purpose of the analysis is to determine levels of existing and future market support for a Mercado in the southeast Portland market area, to assess the current supply of stores serving the Hispanic market, to glean insights from other successful Mercados and ethnic markets, and to provide preliminary recommendations about the size, tenant mix and market position for a Portland Mercado. Hacienda advisors recommended that the analysis avoid studying specific sites but rather look broadly at the market potential for this unique venture, learning from the insights of established Mercados in other locales.

This analysis was performed in collaboration with Hacienda CDC, including the Portland Asamblea Community Group and Cary Watters, Portland State University graduate research assistant, working under Hacienda. The Portland Development Commission (PDC) supported this study through its Development Opportunity Services (DOS) grant program. It builds upon numerous planning initiatives and reports, with the most recent being highlighted below, as well as public market development training by John Flory of the Latino Economic Development Center in Minneapolis, and guidance from a local volunteer Development Committee.

**Figure 1. Portland Mercado Planning Initiatives**

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Focus</th>
</tr>
</thead>
</table>
| Visioning Session | Vendor mix  
March 2011 | Site selection criteria  
Ownership structure |
| Adelante Planning Study | Public involvement: intercept survey  
June 2011 | Site selection  
Market analysis: shopper habits  
Finances |
| Business Plan for Grant to Catholic Campaign for Human Development | Project timeline and accomplishments  
December 2011 | Vision/product mix  
Market analysis  
Organization  
Finances |
| Programming Charrette | Site selection criteria  
January 2012 | Design concepts  
Programming  
Space needs |
| Mercado Summary | Pro forma analysis of proposed sites  
Civilis Consultants  
March 2012 |
Portland Mercado Working Assumptions

- **Location**: Within the City of Portland, in reasonable proximity to Hacienda CDC’s existing client base. More specifically, in the southeast Portland area deemed to be underserved by Latino stores.

- **Size range**: Minimum of 10,000 square feet ground floor – to ensure that the size and capacity is sufficient to incubate a healthy variety and mix of vendors.

- **Product focus**: Latino-oriented retail/food products and services.

- **Vendors**: Minimum of 20 vendors with 120 to 150 square feet each; long-term goal of up to 40 vendors.

- **Anchor tenants**: Comprising 70 percent of total occupancy; tortillas, meat/dairy, bakery, fresh produce, prepared food.

- **Other key tenants**: Dry goods, florist, jeweler, salon, computer repair; possible other service providers such as an attorney, a bookkeeper, English classes, etc.

- **Primary market**: Latino households within an 8-minute drive time, or approximately 2.5 to 3.0 miles, from the intersection of SE 72nd Avenue and Foster Road in southeast Portland. The majority of customers will arrive by vehicle. As detailed in the Demand section of the report, about 84% of total demand is anticipated to be derived from the primary market area.

- **Secondary markets**: Latino households from throughout the region; non-Latino households from throughout the region, generating an estimated 16% of total demand.

- **Operations**: At a minimum, six days a week, ten hours a day.

- **Unique market position**: A business/community gathering center to empower Latino entrepreneurs and families; Hacienda CDC’s market vision for the Portland Mercado is summarized below.

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The Portland Mercado will create a cultural anchor and gathering place to integrate and add value to the diverse cultural tapestry of Portland by:

- **Being a safe, well-designed and welcoming Latino-themed public market for everyone to enjoy**
- **Providing an open central space as a community gathering spot to create the bustle and feel of a Spanish-style “plaza” in which there is vibrant commercial and cultural exchange for everyone**
- **Functioning as a cultural bridge between Latino and non-Latino communities in the Portland region and statewide.**
Methodology

The market analysis considers a five-year time period from 2012 to 2017, a realistic period for projecting new development. As part of the market research, Marketek met on several occasions with Hacienda CDC staff to clarify the project vision, past research, current thinking and the site selection process. In addition, Marketek participated in the programming session; conducted a driving/site visit tour of established east and southeast Portland Latino businesses with Hacienda staff; helped interview Mercado case study representatives; interviewed community economic revitalization professionals; and visited four long-standing neighborhood public markets in Baltimore, Maryland.

Other primary and secondary research included:

- Analysis of secondary data including the U.S. Census and ESRI Business Information Solutions;
- Overview of demographic and spending trends in the Latino community;
- Business inventory prepared by Hacienda CDC staff;
- Mapping of key shopping areas;
- Statistical estimates of potential supportable space; and
- The professional and technical expertise of Marketek, Inc.
II. Target Market Analysis

The primary target market for the proposed Portland Mercado is local Hispanic residents and households living within an 8-minute drive, a reasonable market area for convenience purchases and dining out. Local non-Hispanic residents, employees working near the Mercado and visitors to the area are secondary target markets; however, the most dependable source for year-round sales will be Latino shoppers living nearby.

This section provides an overview of the Hispanic population in the Portland region, and then focuses more specifically on the local trade area and other key markets described above. An overview of shopping trends in the Latino market is also presented.

Regional Overview

As of 2011, the City of Portland was home to 57,122 Hispanic residents who made up 9.6 percent of its population. This percentage is up from 6.8 percent in 2000, representing an average annual population increase over the last eleven years of 5.3 percent versus 0.8 percent for the non-Hispanic population.

Figure 2 identifies concentrations of Hispanic residents within the City of Portland and the surrounding area by census tract. Tracts with the highest numbers of Latinos are located in Portland east of I-205, in Gresham north of Powell Boulevard and in Beaverton and Hillsboro west of the Portland city limit between Sunset Highway and Beaverton Hillsdale Highway/Tualatin Valley Highway.

Looking at the larger region surrounding the City of Portland (Figure 3) confirms three areas – east Portland, Gresham, Hillsboro and Beaverton – as those with the greatest numbers of Latino residents. The table below shares 2011 population data for these areas.

<table>
<thead>
<tr>
<th>Year / Demographic Indicator</th>
<th>City of Portland</th>
<th>City of Gresham</th>
<th>City of Hillsboro</th>
<th>City of Beaverton</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000 Hispanic Population</td>
<td>36,058</td>
<td>10,732</td>
<td>13,262</td>
<td>8,463</td>
</tr>
<tr>
<td>Percent Hispanic</td>
<td>6.8%</td>
<td>11.9%</td>
<td>18.9%</td>
<td>11.1%</td>
</tr>
<tr>
<td>2011 Hispanic Population</td>
<td>57,122</td>
<td>20,374</td>
<td>21,159</td>
<td>14,894</td>
</tr>
<tr>
<td>Percent Hispanic</td>
<td>9.6%</td>
<td>19.0%</td>
<td>22.8%</td>
<td>16.4%</td>
</tr>
<tr>
<td>2000 – 2011 Hispanic Avg. Annual Pop. Growth</td>
<td>5.3%</td>
<td>8.2%</td>
<td>5.4%</td>
<td>6.9%</td>
</tr>
<tr>
<td>Non-Hispanic Avg. Annual Pop. Growth</td>
<td>0.8%</td>
<td>0.8%</td>
<td>2.3%</td>
<td>1.1%</td>
</tr>
</tbody>
</table>

Source: ESRI BIS
Figure 2. Hispanic Population by Census Tract in City of Portland and Vicinity, 2010

Note: City of Portland boundary is shown in black.
Source: ESRI BIS
Figure 3. Hispanic Population by Zip Code in the Portland Region, 2010

Source: ESRI BIS
Local Trade Area Residents

Because no site has yet been selected for the Portland Mercado, Marketek considered four potential local trade areas, defined as 8-minute drive times from four intersections in the City of Portland. These points include: (1) SE 72nd Avenue and SE Foster Road in Lents; (2) SE 92nd Avenue and SE Foster Road in Lents; (3) NE 122nd Avenue and NE Glisan Street in East Portland; and (4) SE 82nd Avenue and SE Harney Street near the Clackamas County border. An 8-minute drive time was selected given that, in an urban area with considerable competitive grocery supply, shoppers are unlikely to drive more than 8 minutes to buy food. As the map below shows, there is considerable overlap between the trade areas associated with these sites, with the exception of the East Portland market area further to the northeast.

Figure 5. Potential Portland Mercado Trade Areas

Source: ESRI BIS
Figure 6 provides a demographic overview of the potential Mercado trade areas. For comparison purposes, demographic data are also presented for the metro Portland area, defined for this research as Clackamas, Multnomah and Washington Counties. More detailed demographic data is provided in Appendix A.

**Figure 6. Demographic Snapshot of Potential Portland Mercado Trade Areas, 2011**

<table>
<thead>
<tr>
<th>Demographic Indicator</th>
<th>72nd Ave &amp; Foster Rd Trade Area</th>
<th>92nd Ave &amp; Foster Rd Trade Area</th>
<th>122nd Ave &amp; Glisan St Trade Area</th>
<th>82nd Ave &amp; Harney St Trade Area</th>
<th>Metro Portland*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Population</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>237,185</td>
<td>268,486</td>
<td>232,623</td>
<td>209,209</td>
<td>1,659,775</td>
</tr>
<tr>
<td>2016 (forecast)</td>
<td>249,796</td>
<td>282,508</td>
<td>244,957</td>
<td>219,284</td>
<td>1,751,775</td>
</tr>
<tr>
<td>Avg. Ann. % Change ('00 to '11)</td>
<td>0.92%</td>
<td>1.18%</td>
<td>1.21%</td>
<td>1.17%</td>
<td>1.36%</td>
</tr>
<tr>
<td>Avg. Ann. % Change ('11 to '16)</td>
<td>1.06%</td>
<td>1.04%</td>
<td>1.06%</td>
<td>0.96%</td>
<td>1.11%</td>
</tr>
<tr>
<td>Hispanic Population</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>23,696</td>
<td>29,677</td>
<td>34,932</td>
<td>22,039</td>
<td>199,522</td>
</tr>
<tr>
<td>2016 (forecast)</td>
<td>29,058</td>
<td>36,338</td>
<td>42,112</td>
<td>26,968</td>
<td>242,318</td>
</tr>
<tr>
<td>Avg. Ann. % Change ('00 to '11)</td>
<td>6.66%</td>
<td>8.21%</td>
<td>7.94%</td>
<td>7.64%</td>
<td>6.53%</td>
</tr>
<tr>
<td>Avg. Ann. % Change ('11 to '16)</td>
<td>4.53%</td>
<td>4.49%</td>
<td>4.11%</td>
<td>4.47%</td>
<td>4.29%</td>
</tr>
<tr>
<td>Average Household Size</td>
<td>2.39</td>
<td>2.49</td>
<td>2.59</td>
<td>2.50</td>
<td>2.47</td>
</tr>
<tr>
<td>Median Household Income</td>
<td>$44,312</td>
<td>$45,618</td>
<td>$43,451</td>
<td>$48,108</td>
<td>$53,985</td>
</tr>
<tr>
<td>Median Age (Years)</td>
<td>35.5</td>
<td>35.8</td>
<td>35.6</td>
<td>36.2</td>
<td>36.6</td>
</tr>
<tr>
<td>Race/Ethnicity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>White Alone</td>
<td>77.4%</td>
<td>75.2%</td>
<td>69.1%</td>
<td>76.9%</td>
<td>79.1%</td>
</tr>
<tr>
<td>Asian/Pacific Islander Alone</td>
<td>9.3%</td>
<td>10.1%</td>
<td>10.8%</td>
<td>9.7%</td>
<td>6.9%</td>
</tr>
<tr>
<td>African American</td>
<td>3.4%</td>
<td>3.9%</td>
<td>6.3%</td>
<td>3.1%</td>
<td>3.3%</td>
</tr>
<tr>
<td>Native American</td>
<td>1.0%</td>
<td>1.1%</td>
<td>1.2%</td>
<td>1.1%</td>
<td>0.9%</td>
</tr>
<tr>
<td>Other Race Alone/2+ Races</td>
<td>8.9%</td>
<td>9.7%</td>
<td>12.6%</td>
<td>9.2%</td>
<td>9.8%</td>
</tr>
<tr>
<td>Hispanic (Any Race)</td>
<td>10.0%</td>
<td>11.1%</td>
<td>15.0%</td>
<td>10.5%</td>
<td>12.0%</td>
</tr>
<tr>
<td>Educational Attainment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No High School Degree</td>
<td>12.2%</td>
<td>12.9%</td>
<td>14.8%</td>
<td>12.6%</td>
<td>9.8%</td>
</tr>
<tr>
<td>High School Degree</td>
<td>48.6%</td>
<td>51.8%</td>
<td>53.8%</td>
<td>53.4%</td>
<td>46.6%</td>
</tr>
<tr>
<td>Associate Degree</td>
<td>7.5%</td>
<td>7.7%</td>
<td>7.3%</td>
<td>7.8%</td>
<td>7.8%</td>
</tr>
<tr>
<td>Four Year Degree or More</td>
<td>31.7%</td>
<td>27.6%</td>
<td>24.1%</td>
<td>26.2%</td>
<td>35.8%</td>
</tr>
</tbody>
</table>

*Including Clackamas, Multnomah and Washington Counties.

Source: ESRI BIS

The market areas range in population from 209,209 for the 82nd Avenue site near the Clackamas County border to 268,486 for the 92nd Avenue intersection in Lents. In terms of Hispanic population, the largest concentration is in the East Portland market area (122nd Avenue and Glisan Street), where there are 34,932 Latino residents who make up 15.0 percent of total population. The second largest Hispanic population is in the 92nd Avenue trade area in Lents (29,677 people or 11.1 percent of total population).
Over the next five years, the most significant Hispanic population growth – 4.5 percent per year – is anticipated in the 72nd Avenue trade area in Lents, as shown in Figure 6. This rate equates to 5,362 new Hispanic residents by 2016. Anticipated growth rates in the other market areas are similar but slightly lower.

In general, trade area income, age, race and educational attainment trends are similar:

- Market area households have lower incomes than metro Portland – all in the $40,000s versus $53,985 in the tri-county area.
- Median age has a narrow range, from 35.5 years in the 72nd Avenue area to 36.6 in metro Portland.
- In terms of race (including both non-Hispanic and Hispanic ethnicities), whites make up the largest share of residents in all areas, followed by Asians/Pacific Islanders who constitute 6.9 percent of the metro population and between 9 and 11 percent of population in the trade areas.
- Educational attainment is highest in the 72nd Avenue area, where 31.7 percent of persons age 25 and over hold a Bachelor degree or higher, compared to 35.8 percent in metro Portland. Rates in other areas range from 24 to 28 percent.

**Other Target Markets**

In addition to local Hispanic and non-Hispanic residents, employees working nearby the Portland Mercado will be another key market. Figure 7 identifies workers by industry within an 8-minute drive of each site. The 92nd Avenue trade area employs the most people (89,398) followed by 122nd Avenue (78,658). Top industries are services (driven largely by health and education employment) and retail trade.

**Figure 7. Employment within an 8–Minute Drive Time, 2011**

<table>
<thead>
<tr>
<th>Industry</th>
<th>72nd Ave &amp; Foster Rd Trade Area</th>
<th>92nd Ave &amp; Foster Rd Trade Area</th>
<th>122nd Ave &amp; Gilsan St Trade Area</th>
<th>82nd Ave &amp; Harney St Trade Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture &amp; Mining</td>
<td>1.0%</td>
<td>1.1%</td>
<td>1.2%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Construction</td>
<td>4.2%</td>
<td>3.6%</td>
<td>3.4%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>8.8%</td>
<td>7.9%</td>
<td>8.5%</td>
<td>10.4%</td>
</tr>
<tr>
<td>Transportation, Communication &amp; Utilities</td>
<td>5.1%</td>
<td>5.4%</td>
<td>7.6%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>4.2%</td>
<td>3.7%</td>
<td>6.4%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>30.0%</td>
<td>29.4%</td>
<td>22.5%</td>
<td>29.7%</td>
</tr>
<tr>
<td>Finance, Insurance &amp; Real Estate</td>
<td>4.9%</td>
<td>6.2%</td>
<td>3.9%</td>
<td>7.3%</td>
</tr>
<tr>
<td>Services</td>
<td>39.2%</td>
<td>40.0%</td>
<td>42.8%</td>
<td>36.5%</td>
</tr>
<tr>
<td>Government</td>
<td>2.2%</td>
<td>2.4%</td>
<td>3.5%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Utility</td>
<td>0.4%</td>
<td>0.3%</td>
<td>0.2%</td>
<td>0.3%</td>
</tr>
<tr>
<td>Total</td>
<td>77,053</td>
<td>89,398</td>
<td>78,658</td>
<td>70,120</td>
</tr>
</tbody>
</table>

Source: ESRI BIS
Hispanic Market Overview

According to the 2010 U.S. Census, between 2000 and 2010, the Hispanic population increased by 15.2 million, accounting for over half of the 27.3 million increase in total U.S. population. During that decade, the Hispanic population grew by 43 percent – four times the growth in the total population (10 percent). As of 2010, one in six Americans identified themselves as Hispanic. In Oregon in 2010, 450,000 Hispanic residents made up 12 percent of population statewide, the fourteenth highest share in the country.

In 2010, the University of Georgia’s Terry School of Business Selig Center for Economic Growth published *The Multicultural Economy 2010*, a report that estimates national and state-level buying power by race and ethnicity. This report identified the following Hispanic consumer and demographic trends:

- The Hispanic population is growing more rapidly than the overall U.S. population, a trend that is projected to continue through 2015 and beyond. While a variety of factors have influenced the growth of the Latino demographic, growth is largely attributed to factors – higher natural birth rates and strong immigration.

- In 2010, Hispanics accounted for an estimated 9.3 percent of all U.S. buying power, up from just 6.8 percent in 2000 and 5.0 percent in 1990. Between 1990 and 2000, Hispanic buying power rose from $210 billion to $499 billion. By 2010, it was projected to reach $1 trillion, and by 2015 Hispanic buying power is expected to exceed $1.5 trillion.

The Hispanic population is much younger than the population as a whole. The 2008 American Community Survey reported a median age of 27.7 years for the nationwide Hispanic population compared with 36.8 for the total U.S. population. Further, in 2008, 34 percent of the Hispanic population was under 18 and 6 percent age 65 or older. The corresponding percentages for the total U.S. population were 24 percent and 13 percent. As Hispanic youth and young adults enter the workforce and for the first time or begin advancing in their careers, their buying power is projected to increase. Thus, the success or failure of many youth-oriented products and services will be significantly impacted by the spending patterns of young Latinos.

Because of differences in per capita income, wealth, demographics and culture, the spending habits of Hispanics as a group are not the same as those of the average U.S. consumer. According to the Consumer Expenditure Survey published by the U.S. Bureau of Labor Statistics, in 2010, the average Hispanic household earned $49,805, or 22 percent less than the average non-Hispanic income of $64,234. Not surprisingly, the average Hispanic household spent only 85 percent as much as the average non-Hispanic household on consumer goods and services.

Despite markedly lower average income levels, Hispanic consumers spend between 50 percent and 100 percent more of their budget (compared to the average American household) on the following items:

- Eggs
- Apparel, children under two years of age
- Apparel, boys, age two to fifteen years
Market Analysis for a Portland Mercado: Target Market Analysis

- Footwear
- Rental housing

Hispanic shoppers spend between 15 percent and 49 percent more of their budget (than the average American household) on the following items:

- Pork, beef, poultry, fish & seafood
- Dairy products
- Fresh fruits & vegetables
- Laundry and cleaning supplies
- Apparel, girls age two to fifteen years

Categories of consumer goods and services that Hispanic households spend substantially less on than the average American household include:

- Health care
- Entertainment
- Education
- Cash contribution
- Household operations
- Personal insurance and pensions
- Alcoholic beverages

“A 2009 study on website globalization and e-business by Global Partners International identified five cultural values that have the greatest impact on Hispanic spending patterns:

1. **Family.** Hispanics are very close to their families and keep them in mind when they are choosing products. They are more likely to choose a product that will benefit the whole family instead of just one individual.

2. **Empowerment.** Hispanics go online to find information. In addition, they hold the belief that their children’s lives will be improved by the Internet.

3. **Value.** Hispanics prefer to buy products that are high in quality and will last for a long time.

4. **Loyalty.** Hispanics are very loyal to products they have chosen to use, but only if they are products they feel are designed to last.

5. **Information.** Hispanics do a lot of research before they decide to purchase a product, therefore having information available on products and services is important.

“The biggest mistake a company can make is to view the Hispanic market as homogenous. It’s all about peeling away the different layers to find the right audience. Companies should consider whether they need to reach English or Spanish-dominant consumers as well as the audience’s acculturation levels, geographic location and country of origin.”

-Gloria Rodrigues, President and CEO of Comunicad Hispanic marketing communications agency
Because of the Lents and Foster Road-area’s strong potential for development, the supply and demand analysis focuses on the trade area centered at the intersection of 72nd Avenue and Foster Road. However, given the considerable overlap in trade areas, similar findings would hold for the 92nd Avenue and Foster Road and 82nd Avenue and Harney Street market areas. This section begins with an overview of the supply of Hispanic markets, stores and service providers and of traditional grocery stores (with a concentration of Hispanic products) located within an 8-minute drive. In the demand analysis, support for new grocery and dining space based on increases in the Hispanic population within the trade area is projected. Marketek emphasized these categories as they are anticipated to be the main draw for the Mercado, with grocery and did not include demand for secondary ‘comparison good’ merchandise categories such as jewelry.

**Market Supply**

With direction from Marketek, Hacienda CDC prepared a thorough inventory of grocery stores and Latino-based businesses within the 72nd Avenue and Foster Road trade area. This inventory includes 61 businesses – four small Latino grocers (such as bakeries and a butcher shop), 29 Latino restaurants, 17 other Hispanic businesses/stores, eight traditional chain grocers and three other stores with some grocery selection, including two Wal-Marts. Figure 8 summarizes the characteristics of the grocery supply for both Latino grocers and traditional grocery chains. These and other Hispanic businesses are mapped in Figure 9. A complete list of businesses inventoried is provided in Appendix B.

In addition to the supply currently available in the Lents trade area, Hacienda CDC also characterized several large markets that are destinations for the Hispanic community located east of the Portland city limit (Exhibit 10). Although the Latino flea markets in the Gresham area (ex: Oregon Flea Market) have been noted as pulling customers from a 30-45 minute drive, Hacienda is cautioned not to draw strong parallels between the flea markets and the proposed Mercado. The flea markets are largely known for non-food goods, are open 3 days a week, are significantly larger than the proposed Mercado, are not cross-cultural destinations and lack much of the character and warm atmosphere anticipated by the Mercado. In addition, they largely offer goods that can be purchased at other locations. However, these markets do provide an all-encompassing cultural experience and have considerable support from the Hispanic community.
The wide variety of Hispanic businesses in the Lents area is indicative of an active Latino community with considerable buying power. However, with only four small Hispanic food markets, there are limited options for fresh food. A shopper intercept survey conducted by Hacienda noted that consumers are often unable to find Mexican/Latino brand products, fresh produce, hand-made tortillas, prepared foods and fresh meats within the local market. Shoppers indicated a strong desire for Latino-oriented businesses and also showed strong attention to value and price.
### Figure 8. Grocery Supply within an 8-Minute Drive Time, 2012

<table>
<thead>
<tr>
<th>Center</th>
<th>Driving Distance*</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Latino Food Stores</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cinco de Mayo SE 82nd Ave &amp; SE Stark St</td>
<td>3.1 mi.</td>
<td>Mexican bakery and small store; Also sells wholesale; Limited parking; Poor condition; Open from 10 am-10 pm; Apx. 2,000 SF</td>
</tr>
<tr>
<td>Panadería Tres Flores SE 82nd Ave &amp; SE Stark St</td>
<td>3.1 mi.</td>
<td>Mexican bakery w/ small mix of Latino dry goods; Shared parking; Co-tenants: Asian stores and others; Shopping center in poor condition; Under 1,000 SF</td>
</tr>
<tr>
<td>Tienda/Panadería Santa Cruz SE 82nd Ave &amp; E Burnside St</td>
<td>3.3 mi.</td>
<td>Mexican bakery with a small mix of Latino dry goods; Shared parking; Co-tenants: Subway sandwich shop and Asian nail salon; Open from 10 am to 9 pm; Shopping center in moderate condition; Popular with strong word of mouth in the community; Under 1,000 SF</td>
</tr>
<tr>
<td>Carnicería Agustin SE 112nd Ave &amp; SE Powell Blvd</td>
<td>3.1 mi.</td>
<td>Latino butcher shop</td>
</tr>
<tr>
<td><strong>Traditional Food Stores</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fred Meyer SE 82nd Ave &amp; SE Foster Rd</td>
<td>1.6 mi.</td>
<td>Traditional grocery mix; Two locations: SE 82nd Ave &amp; SE Foster Rd (0.6 mi. away) and SE 82nd Ave &amp; SE Johnson Creek Blvd in Happy Valley (2.4 mi. away)</td>
</tr>
<tr>
<td>Food for Less SE 82nd Ave &amp; SE Powell Rd</td>
<td>1.6 mi.</td>
<td>Large grocery store with separate aisles for Latino, Asian and Russian foods; Open 24 hours; Good condition and strong customer traffic</td>
</tr>
<tr>
<td>Safeway</td>
<td></td>
<td>Traditional grocery mix; Three locations: SE 82nd Ave &amp; E Burnside St (3.3 mi. away), SE 39th Ave &amp; SE Powell Blvd (1.9 mi.) and SE 122nd Ave &amp; SE Powell Blvd (3.1 mi.)</td>
</tr>
<tr>
<td>Portland Fruit Company SE 82nd Ave &amp; SE Foster Rd</td>
<td>0.6 mi.</td>
<td>Some selection of Latino fruits and vegetables</td>
</tr>
<tr>
<td>Winco SE 82nd Ave &amp; SE King Rd</td>
<td>3.1 mi.</td>
<td>Traditional grocery mix</td>
</tr>
<tr>
<td><strong>Discount Retailers</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wal-Mart Super Centers SE 82nd &amp; Holgate</td>
<td>1.1 mi.</td>
<td>Otty location is a Super Center and Holgate location is converting to Super Center with full grocery store; Limited Hispanic food options; Good condition and strong customer traffic; Holgate store open 6 am -12 am; Otty store open 24 hrs</td>
</tr>
<tr>
<td>Wal-Mart Super Centers SE 82nd &amp; SE Otty Rd</td>
<td>2.8 mi.</td>
<td>Otty location is a Super Center and Holgate location is converting to Super Center with full grocery store; Limited Hispanic food options; Good condition and strong customer traffic; Holgate store open 6 am -12 am; Otty store open 24 hrs</td>
</tr>
<tr>
<td>Save-A-Lot SE 82nd Ave &amp; SE Otty Rd</td>
<td>0.3 mi.</td>
<td>Medium-sized grocery store with very few Latino products; Limited assortment of low-cost groceries with varied availability; Co-tenant includes Dollar Tree; Open from 8 am - 10 pm</td>
</tr>
</tbody>
</table>

*From SE 72nd Ave and SE Foster Rd.

Source: Hacienda CDC
Figure 9. Supply of Hispanic Businesses and Traditional Grocers in an 8-Minute Drive Time, 2012

Note: The 8-minute drive time is shown in black.
Source: Hacienda CDC; Marketek, Inc.
Figure 10. Large Hispanic Markets Outside of an 8–Minute Drive Time

<table>
<thead>
<tr>
<th>Market</th>
<th>Address</th>
<th>Description</th>
</tr>
</thead>
</table>
| Su Casa Imports       | SE 162nd Avenue & SE Stark Street| • Very large store (approximately 40,000 SF)  
• Product mix is about 70-75% food, including Mexican groceries, fresh produce, butcher, bakery and a small sit-down restaurant  
• Other stalls include services (remittance service, beauty salon), boots, cell phone store, jewelry and others  
• Significant sales volume and foot traffic  
• Co-tenants include Victory Outreach Church and a dollar store |
| Tienda de Leon        | SE 162nd Avenue & NE Glisan Street| • Small store (approximately 4,000 SF) in a 25,600 SF shopping center  
• Product mix is mostly food, including a deli-style restaurant and tortilleria  
• Also sells wholesale  
• Limited foot traffic  
• Co-tenants include plasma donation center and other stores |
| La Tapatia            | SE 185th Avenue & SE Stark Street| • Large Mexican supermarket with Mexican groceries, fresh fruit, butcher, bakery and many other stalls  
• Product mix that is about 70-75% food, including a sit-down restaurant  
• Largest, most upscale and most successful with significant growth since opening  
• Shares a building with the Oregon Flea Market and benefits from Flea Market’s weekend traffic  
• Estimated customer traffic of several hundred shoppers per day |
| Oregon Flea Market    | SE 185th Avenue & SE Stark Street| • Open Friday-Sunday with significant weekend traffic (in the thousands)  
• Product mix is about 25% food and 75% general merchandise |

Source: Hacienda CDC and Marketek, Inc.

Market Demand

Marketek estimated potential demand for store and restaurant space by Hispanic households in the 8-minute drive time, by Hispanic and non-Hispanic households visitors and by local employees. Potential demand estimates are based on household spending patterns converted to square feet of store space based on sales per square foot standards derive from the Urban Land Institute’s Dollars and Cents of Shopping Centers.

Existing Trade Area Sales Balance

Demand within the trade area may be derived from two sources. The first, “existing demand,” is demand generated by existing trade area households that is currently not being met within the trade area. Existing demand is found by comparing supply (i.e., actual retail sales) with demand (i.e., the expected amount spent by market area residents based on consumer expenditure patterns). When demand outweighs supply, a leakage occurs, indicating that residents are spending outside of the trade area. While consumers will always do some amount of shopping
away from home, this comparison provides a reasonable indication of the availability of groceries and restaurants within the local market.

In the 8-minute trade area, there is an estimated surplus of $20.2 million in grocery spending and $99.8 million in restaurant spending. These surpluses mean that the trade area is importing sales from sources beyond its residents, such as local employees, residents from outside the market area or visitors to the region. Given the surpluses, grocery and restaurant spending is roughly in balance in the trade area at present.

**Future Trade Area Demand**

The second source of demand, “future demand,” is demand from anticipated growth in Hispanic households in the trade area over the next five years. Demand estimates are based on current spending patterns and projected growth rates through 2017. Figure 11 shows average household spending for several food-related categories and potential future demand for new grocery and restaurant space generated by Hispanic household growth within the 8-minute drive time. Grocery spending estimates exclude household goods, personal care products and liquor. As shown, there is potential for an additional 33,832 square feet of restaurant and grocery space in the trade area based on growth in Hispanic households through 2017. Assuming that the Portland Mercado captures 40 percent of future demand for grocery space and 20 percent of future demand for restaurant space, this translates to 10,176 square feet of store space at the Mercado.

![Figure 11. Future Demand for Grocery & Restaurant Space by Hispanic Households in an 8–Minute Drive](image)

<table>
<thead>
<tr>
<th>Market Area</th>
<th>2012 Spending per Household</th>
<th>Target Sales ($/SF)</th>
<th>2012 Potential Sales (in mil $)</th>
<th>2017 Potential Sales (in mil $)</th>
<th>5-Year Net Gain Sales (in mil $)</th>
<th>5-Year Net Gain Space (SF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grocery</td>
<td>$4,044</td>
<td>$390</td>
<td>$29.4</td>
<td>$36.0</td>
<td>$6.6</td>
<td>17,049</td>
</tr>
<tr>
<td>Dining</td>
<td>$2,685</td>
<td>$263</td>
<td>$19.5</td>
<td>$23.9</td>
<td>$4.4</td>
<td>16,783</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>149,590</td>
<td>183,422</td>
<td></td>
<td>33,832</td>
</tr>
</tbody>
</table>

1. From ESRI Business Information Solutions.
2. Based on sales per square foot standards from the Urban Land Institute's Dollars and Cents of Shopping Centers.
3. Found by multiplying estimated market area households by average per household grocery expenditure.

Sources: ESRI BIS; Urban Land Institute; Marketek, Inc.

However, given the current lack of Hispanic fresh food stores in the 8-minute trade area, the Mercado also has the potential to capture a small share of existing demand for restaurant and grocery space generated by Hispanic households that is currently being met at traditional grocers or outside of the trade area. If six percent of 2012 food-related spending by Hispanic households is captured at the Mercado, this translates to an additional 8,975 square feet of store space.
space. This represents a reasonable if not conservative estimate of spending that would be shifted from existing merchants and dining establishments. This capture is likely to increase as the Mercado’s success becomes evident. Combined with the future demand, the potential Mercado square footage supported by Hispanic households within an 8-minute drive is 19,152 square feet.

**Other Sources of Demand**

In addition to Hispanic households within an 8-minute drive, local employees and visitors to the trade area (both Hispanic and non-Hispanic) will provide additional support for the Portland Mercado.

Assuming that five percent of households within a 20-minute drive of the Mercado visit twice a year and spend an average of $25 each trip, visitor spending translates to $1.2 million in sales each year, or support for 4,566 square feet of store space. This capture is likely to increase as the Portland Mercado establishes itself as a Latino cultural, dining and food destination.

For employees in the 8-minute drive time, we assume that a quarter of employees visit the Mercado for lunch or to do lunchtime or after-work grocery shopping or eating five times per year. With an average spending of $15 per visit, this translates to $1.4 million in sales per year, or 5,102 square feet.

**Demand Summary**

Exhibit 12 summarizes potential demand for grocery and restaurant demand at a Portland Mercado based on spending from Hispanic households within the trade area, employees within the trade area and visitors from within a 20-minute drive. In total, there is potential demand for 28,819 square feet of grocery and restaurant space at the Portland Mercado over the next five years.

**Figure 12. Summary of Potential Demand (Square Feet) for Grocery and Restaurant Space at the Portland Mercado**

<table>
<thead>
<tr>
<th>Future Growth in Trade Area Hispanic Market</th>
<th>Existing Demand by Trade Area Hispanic Market</th>
<th>Demand by Trade Area Employees</th>
<th>Demand by Visitors to the Trade Area</th>
<th>Total Potential Demand (2012 to 2017)</th>
</tr>
</thead>
<tbody>
<tr>
<td>10,176 SF</td>
<td>8,975 SF</td>
<td>5,102 SF</td>
<td>4,566 SF</td>
<td>28,819 SF</td>
</tr>
</tbody>
</table>

Sources: Marketek, Inc.

**Shopper Survey Results**

During February and March of 2012, Hacienda CDC conducted a shopper intercept survey to track entrepreneurship, shopping preferences and interest in a Portland Mercado. Surveys were administered in English and Spanish to 190 participants at several venues, including two Latino
Survey data show a strong interest in shopping at Latino-oriented businesses, although a majority of respondents regularly shop at national grocery chains. Top shopping destinations for survey participants include Winco (selected by 58 percent of respondents), Latino stores (43 percent) and WalMart (20 percent).

Price is a key concern for shoppers interviewed but a variety of other factors are also critical. Taken together, desirability and cultural appropriateness of products fall second to price in determining shopping locations. Convenience is the third most important factor in selecting where to shop.

Notably missing from the current shopping choices available to survey respondents are culturally-specific fresh and prepared food items. Specifically, participants mentioned Mexican/Latino brand products, fresh produce, hand-made tortillas, fresh meats, spices, cheese, candy and baked goods.

Of respondents potentially considering opening a business, the majority (70 percent) would open a food-related business, including restaurants, cafes, food carts and grocery stores.

Survey participants perceive the most difficult obstacles to opening a business to be financing (identified by 64 percent of respondents), permitting and licensing (49 percent) and language (40 percent).
IV. Case Studies

With guidance from Marketek and Hacienda CDC, Portland State University intern Cary Watters, completed case studies of four successful Mercados currently operating in other U.S. cities. The four Mercados studied are: Mercado Central, Minneapolis, MN; Fruitvale Market, Oakland, CA; Mercado La Paloma, Los Angeles, CA; and Midtown Global Market, Minneapolis, MN. Marketek participated in two of the four Mercado telephone interviews.

It should be noted that significant effort was made to identify Mercado models or examples comparable to the Hacienda CDC concept. All of the case study markets are operated by nonprofit organizations. Public markets were largely ruled out because of their ‘general purpose’ nature and large public sector role. Private markets (such as Pro’s Ranch Markets) were also not considered as comparable products due to their scale and for profit orientation, although their product mix is informative. Several potential Mercado examples were eliminated due to a disparity in mission, in size of the local Latino population and/or other unique circumstances.

Highlights of findings pertinent to this market analysis research appear below. Figure 13 summarizes characteristics of the case study Mercados; Figure 14 provides a demographic snapshot of the population within a 3-mile radius of each case study Mercado, with comparisons to the population within a 3-mile radius of the Portland intersections identified in the target market analysis. A detailed summary of case study research is provided in Appendix C.

**Figure 13. Summary Characteristics of Case Study Mercados, 2012**

<table>
<thead>
<tr>
<th>Name</th>
<th>Size (Sq. Ft.)</th>
<th>Number of Vendors</th>
<th>Time in Operation</th>
<th>Vendor Mix</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mercado Central, Minneapolis, MN</td>
<td>34,000</td>
<td>45</td>
<td>13 years</td>
<td>Fresh and prepared foods, clothes, accessories, gifts, media, books, DVDs, services and offices</td>
</tr>
<tr>
<td>Fruitvale Market, Oakland, CA</td>
<td>40,000</td>
<td>10</td>
<td>4 years</td>
<td>Restaurants, food carts, computer repair, incense, flower shop, jeweler, tailor, arts and crafts, imports</td>
</tr>
<tr>
<td>Mercado La Paloma, Los Angeles, CA</td>
<td>34,000</td>
<td>15</td>
<td>11 years</td>
<td>Restaurants, bakery, arts and crafts, computer supplies, social services</td>
</tr>
<tr>
<td>Midtown Global Market, Minneapolis, MN</td>
<td>60,000</td>
<td>45</td>
<td>6 years</td>
<td>International theme – restaurants, bars, specialty groceries, flowers/plants, arts, gifts, jewelry</td>
</tr>
</tbody>
</table>

Source: Hacienda CDC
Customer Base

- The principal customers for three of the Mercados are Latinos, with a large concentration in very close proximity. Within a one-mile radius, the Latino population ranges from 14,638 (Mercado Central in Minneapolis) to 361,996 (La Paloma, Los Angeles). The Midtown Global Market has an international appeal and attracts a wide cross section of customers.

- Customer distribution among area workers, residents and destination visitors is integrally connected to each Mercado location.

- In the case of the Fruitvale Market, their location within a transit-oriented mixed-use development (Fruitvale Village) enables them to capture significant weekday foot traffic as people commute throughout the Bay Area. A customer balance between residential and commercial is most desirable. The Fruitvale manager noted that, “People who live nearby are more likely to eat here for dinner. People who work nearby are more likely to have lunch here.” The Fruitvale averages 600 people on weekdays, 510 on Saturdays and fewer on Sunday.

- The majority of Mercado La Paloma’s customer base works in the area, followed by those that live in the area. More than three-quarters (77 percent) arrive by car and 18 percent by
foot. On average, 585 people visit the Mercado each day. The busiest days are Monday, Tuesday and Thursday and the busiest time of the day is between 11:00 am and 1:00 pm.

- The Midtown Global Market is in the heart of Minneapolis and averages 25,000 people per week. In close proximity to a large medical complex, corporate headquarters, county offices and national hotel chains, the market attracts a significant daytime employee population and is also popular during after work hours and on the weekend.

**Market Position**

- Although not consciously planned, food/unique dining options are the lead anchor in all of the Mercados, occupying the most square footage and serving as the biggest draw. Restaurants account for 79 percent of the traffic to Mercado La Paloma. Both La Paloma and Fruitvale reported having one or more well-known destination dining establishments that had received significant local positive press.

- A focus on top quality fresh and prepared foods has differentiated the Mercados from other Latino stores and markets and provided the competitive advantage needed to create destination markets. Further, fresh food and dining have appeal across all markets and provide the advantage of attracting customers throughout the day, seven days a week.

**Location**

- Given Hacienda’s desire to pull customers from a wider geography in addition to the local 8-minute drive time, ease of access, availability of parking and proximate and central to other commercial areas will be crucial location criteria. Case studies revealed the following about Mercado locations:

  - “Building off adjacent attractions is a good strategy but it must be considered thoroughly. It is helpful to be part of a larger trafficked area where people come for multiple purposes, such as recreation, but it is important to consider competition, such as other shopping centers. Ideally, you locate the Mercado where people are already coming.”
    - Jeff Pace, Chief Operating Officer, Unity Council/Fruitvale

  - “The most important decision for Mercado La Paloma was location. We are fortunate to be large near institutions (USC, DMV) but their space is not in the center of things. The heart of the challenges they’ve had in building a customer base is not being in a centrally accessible commercial location. While there’s a large residential population people have to walk under a freeway and they’re in an industrial zoned area. They are just on the other side from where USC students and faculty area so think about that. Based on who you want to attract, think of how they will travel there and find out about it. Looking at where you get traffic is critical; more important than a low cost site.”
    - Beth Rodin, Director of Economic Development for Esperanza Community Development, the organization that operates Mercado La Paloma in Los Angeles
Product Mix

- Rather than attempting to satisfy all shopping and service needs, the Mercado should focus on food-oriented products and services, including groceries, prepared foods and restaurants/cafes. Cultural programming, such as Hispanic music, will help create an initial draw. In the future, after the Mercado has established itself as a cross-cultural draw, there may be potential opportunities to incorporate some services into the business mix, such as legal, financial or other services.

Case studies and interviews revealed the following about product mix:

- According to John Flory: “Of primary importance in the market are fresh foods. In order of importance are the following: Panaderia, Tortilleria, Frutas y Verduritas, Carnicería, Prepared Foods, Flowers.” John stated that these would be the strongest draws to the market and are what attract the Minnesota Latino community to the Mercado on a daily or weekly basis.

- “Ten vendors is enough diversity to start. We had a lot of pressure to get a corporate, name tenant in the beginning but chose to stay true to our vision focused on locally-owned and operated vendors. As such, we have generated huge benefits for the neighborhood. My advice is to be totally unique. Focus on high quality tenants.”
  - Beth Rodin, Director of Economic Development for Esperanza Community Development, the organization that operates Mercado La Paloma in Los Angeles

- “The number of vendors is not magic. Fifteen to 18 is ample with at least one-half in restaurant space. Square footage range is 150 to 600. Get the very best vendors you can find.”
  - Jeff Pace, Chief Operating Officer, Unity Council/Fruitvale

Mercado Success Factors

Marketek also conducted interviews with three community development professionals experienced with community-based Mercados/public markets operating in Seattle, Los Angeles and the San Francisco Bay Area that have had challenges or perhaps failed. Interviewees included Desiree Sideroff, Craft 3; Andres Mantilla, City of Seattle; and Rick Jacobus, Community Revitalization Consultant.

Like many businesses, the lack of capital and inadequate management capacity are the two primary reasons for Mercado failure. Too often the business side of the Mercado is not carefully or realistically planned. Operating costs are often higher than anticipated and operating rules/standards unclear or not uniformly enforced.

The top factors identified for a successful Mercado were:

1. An attractive site – physically appealing and accessible;
2. The right mix of quality vendors; and
3. The ability for the Mercado to grow and serve clientele beyond its immediate market area.
Another noteworthy success factor was having strong community support and cross-marketing avenues with nearby entities or attractors. This may be a farmer’s market in one location and an active business association in another. In the Lents neighborhood, for example, several churches hold services in Spanish and draw hundreds of Latino families each week. Reaching out to these congregations is a potential cross-marketing opportunity for the Mercado.

Other Ethnic Center Retail Models

The Portland area has several small ethnic specialty grocery stores and two large ethnic markets/centers—Fubonn and Uwajimaya— that are often cited as models of concentrated ethnic goods and services attracting a broad cross-section of customers. Although they are privately owned and operated, they illustrate the interest in and support and demand for in-depth merchandise and services focused on Portland’s growing ethnic residents. Barbur World Foods is another example of a local store designed to meet this demand. On the national level, Pro’s Ranch Markets is a highly successful grocery chain that targets the Hispanic market in the Southwest. An overview of these stores/centers is provided below.


Fubonn Shopping Center
2850 SE 82nd Avenue
Portland, Oregon 97266
Grocery is open 7 days a week from 9 AM – 8 PM; Other business hours may vary

<table>
<thead>
<tr>
<th>Opened</th>
<th>2006; Located on the 82nd Avenue commercial corridor in what many refer to as east Portland’s “New Chinatown”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size</td>
<td>79,570 square feet 30 leasable units with grocery occupying more than half the rentable space</td>
</tr>
<tr>
<td>Tenant Mix</td>
<td>Anchor is Fubonn Supermarket Other businesses include:</td>
</tr>
<tr>
<td></td>
<td>• 6 food or restaurant vendors including a Starbucks</td>
</tr>
<tr>
<td></td>
<td>• 6 beauty/fashion shops</td>
</tr>
<tr>
<td></td>
<td>• 5 gift/specialty shops</td>
</tr>
<tr>
<td></td>
<td>• 7 professional/other service providers</td>
</tr>
<tr>
<td></td>
<td>Estimated vacancy of 15% with 9 units for lease</td>
</tr>
<tr>
<td>Principal Target Market</td>
<td>Southeast Asians—the Chinese and Vietnamese communities</td>
</tr>
<tr>
<td>Concept</td>
<td>“The largest Asian shopping center in Oregon” A convenience shopping center with “everything under one roof.” Entrance to the grocery is through the interior mall though several businesses have both interior and exterior entrances and visibility.</td>
</tr>
</tbody>
</table>
**Uwajimaya**

10500 SW Beaverton Hillsdale Highway  
Beaverton, Oregon 97005  
Open from 8 am to 10 pm Monday through Saturday and 9 am to 9 pm Sunday

| Opened          | Beaverton location in 1998 in a rehabilitated Best retail store  
                 | Founded in 1928 in Seattle  
                 | Other retail locations include: Seattle, Bellevue and Renton, Washington |
|-----------------|---------------------------------------------------------------|
| Size            | 30,000 square feet |

| Tenant Mix      | Uwajimaya store has six departments:  
                 | • Grocery  
                 | • Wine & Saki  
                 | • Produce  
                 | • Meat & Seafood  
                 | • Deli  
                 | • Gifts/Nonfood (focused on kitchen and home goods)  
                 | Also located within the space are three independently owned stores:  
                 | • Kinokuniya Bookstore, Japan’s largest bookstore chain, specializing in Asian language books and periodicals  
                 | • Hakatamon restaurant offering a full menu of Japanese sushi and soups  
                 | • Pacific Northwest Cosmetics |

<table>
<thead>
<tr>
<th>Principal Target Market</th>
<th>Asian community: Japan, China, India, the Philippines, Thailand, Vietnam, Korea, Mexico and Indonesia; also serves as a visitor destination</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concept</td>
<td>Specialty Asian food and gift retailer and wholesaler</td>
</tr>
</tbody>
</table>

Uwajimaya believes good customer service is paramount. Its reputation is built on being known as the information specialist on all things Asian and part of its mission is to educate the customer on all aspects of Asian cultures. Uwajimaya’s pre-eminence among Asian stores comes from its use of modern technology, its emphasis on cleanliness and freshness, and its adherence to its business philosophy.

Uwajimaya not only serves the customer, but also the community at large by promoting Asian cultures, sponsoring cultural events and shows, distributing educational and informational material, supporting many local programs and contributing to numerous organizations.
**Pro’s Ranch Markets**

Corporate Office and Warehouse  
1700 De Soto Place  
Ontario, California 91761  
Open 7 days a week from 7 am to 11 pm

| Opened        | 1992 with first store in Phoenix  
|               | 11 locations: 7 in Phoenix, 2 in New Mexico and 2 in Texas |
| Size          | 55,000 to 80,000 square feet |
| Tenant Mix    | Six departments including:  
|               |   - Hot Foods  
|               |   - Produce  
|               |   - Bakery  
|               |   - Meat  
|               |   - Grocery  
|               |   - Tortilleria  

Large dining/seating area with TVs. In addition, stores sub-lease interior space to service vendors, such as computer repair, jeweler and hair salon. A turnstile separates an interior liquor store area within the Albuquerque store visited.

<table>
<thead>
<tr>
<th>Principal Target Market</th>
<th>Hispanic/Latin American shoppers</th>
</tr>
</thead>
</table>
| Concept                | “A high-end Hispanic grocery store”  
|                        | Emphasis on fresh products, comprehensive selection and customer service. Free shuttle service within a 3-mile store radius. Entertainment provided: cultural heritage, food demonstrations, musical events. |
**Barbur World Foods**

9845 SW Barbur Boulevard  
Portland, Oregon 97219  
Open 7 days a week from 7 am to 10 pm

<table>
<thead>
<tr>
<th>Opened</th>
<th>Purchased and remodeled by John Attar in 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size</td>
<td>13,000 square feet</td>
</tr>
<tr>
<td>Principal Target Market</td>
<td>Middle income households (all)</td>
</tr>
<tr>
<td>Market</td>
<td>Middle Eastern households</td>
</tr>
<tr>
<td>Concept</td>
<td>Specialty fresh international foods focused on Europe and Middle East. Also serves as neighborhood grocery store. The goal is to give customers the variety, brands and fresh authentic foods they know and love in a warm, upscale environment.</td>
</tr>
</tbody>
</table>
V. Conclusions & Recommendations

The Portland Mercado Market Analysis provides a portrait of the target customer groups and the potential supportable space for a Lents area Mercado location. This analysis should be incorporated into a revised business plan to demonstrate project demand, focus product offerings, create a marketing/promotion plan, evaluate a principal development site/building and prepare a detailed pro forma and operating budget.

While no single market factor will drive the success of a Mercado development, clearly the density and projected growth of Hispanic households, the supply and demand balance of Latino goods and services in the trade area, and the ability of the Mercado to offer a critical mass of viable products and serve as a unique cultural destination to the Portland community will together contribute to a thriving venture.

Target Market/Customer Base

- The primary market for the Portland Mercado is Latino residents in an 8-minute convenience trade area. This is the market from which 75-80% of Mercado traffic and sales will be derived.

- Secondary but important contributing markets are employees and non-Latinos in the trade area and Latinos and non-Latinos outside the trade area.

- The Hispanic population within 3-miles of key southeast Portland intersections is smaller than comparable 3-mile areas of the four Mercados studied. Yet, the growth is very strong and further, the Hispanic populations were likely considerably smaller at the start-up of these long established Mercado models.

- Trade area median income of $44,300 is below that of the Portland region, but median income in the Lents area is on par with that of Mercados examined in the case studies.

- Based on the experiences of other Mercados, the low density of southeast and east Portland and anecdotal information about Latino households, the majority of customers will be arriving by vehicle not by transit or bicycle or on foot.

Supply and Demand

- There is a strong Hispanic presence in the local business mix with over 25 Latino restaurants/food trucks and over 15 other Latino businesses such as small stores and service providers, within an 8-minute drive of Lents (see Figure 9 on page 15). There is a balance between freestanding businesses and ones located in a strip shopping center.

- While there are a few small Latino grocers within a short drive of the 72nd & Foster Avenue intersection, including bakeries and a butcher shop, the area lacks a full service Latino grocery and fresh food store. Please refer to Figure 9.
• Hacienda CDC intercept surveys of Portland Latinos (190) identified unique opportunities for a Mercado in providing culturally-specific fresh and prepared food items.

• Survey data shows that, despite a strong interest in shopping at Latino-oriented businesses, a majority of respondents regularly shop at national grocery chains. Price is a key concern for shoppers interviewed but a variety of other factors are also critical. Taken together, factors such as the desirability and culturally appropriateness of products fall second to price in importance. Convenience is the third factor of importance in selecting where to shop.

• Over the next five years, there is potential demand for 28,819 square feet of grocery and restaurant space at the Portland Mercado. This includes 19,152 square feet based on spending by Hispanic households in the 8-minute trade area and 9,668 square feet based on spending by local employees and visitors to the trade area (both Hispanic and non-Hispanic).

Mercado Concept

• No identical concept to Hacienda’s Mercado vision exists, although on a larger scale, Mercado Central offers many parallels in terms of its grassroots economic development model and cultural experience. Yet Hacienda must recognize that all the Mercados studied are evolving over time and making constant adjustments to vendor mix, marketing, size and facility. They are not stagnant and continue to adapt to the marketplace to remain economically vital.

• Lessons learned from the experience of successful local ethnic shopping centers or markets, Mercado case studies and surveys of public markets across the country emphasize providing a “welcoming and safe environment focused on fresh, healthy and high quality food/dining with an exciting variety of products.” The key to attracting non-Latinos is a friendly multi-cultural experience with multi-lingual business owners and staff. Other key research insights are that Mercados and ethnic markets succeed based on offering consumers a unique, one-of-a-kind experience and product mix. When a Mercado can deliver on these competitive advantages, product price is a secondary concern.

The Portland Mercado will be dependent on demand from other secondary markets and must heed lessons learned from other Mercados and local ethnic centers about what it takes to attract these customers—quality, clean, culturally unique.

• Hacienda will have to carefully choose an appropriate product mix rather than trying to be all things to all people. Their most competitive market position is as a fresh food market. Consumers have several other options for purchasing jewelry, clothing, etc. at Wal-Mart and the flea markets. If the Portland Mercado dilutes its focus on food, dining and entertainment, to compete with other merchants on these product lines it will not attract the regional, multi-ethnic customer base Hacienda desires.
• To be successful, the Mercado’s product mix must focus on fresh foods – produce, meats, cheeses, tortillas and other Latino products. The greater the focus on unique, one of a kind items, the broader the Mercado’s draw will be.

• To begin with, Hacienda should focus on a small number of high-quality vendors—all food and dining-related to become the cross-cultural destination it envisions and to distinguish itself as a Latin Food Market. Over time, a diverse range of Latino goods and services may supplement and broaden the product offerings.
## Appendix A: Demographic Profile


<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>72nd &amp; Foster Trade Area</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population</td>
<td>215,488</td>
<td>237,185</td>
<td>1,972</td>
<td>249,796</td>
<td>1.06%</td>
</tr>
<tr>
<td>Households</td>
<td>87,851</td>
<td>97,400</td>
<td>868</td>
<td>102,077</td>
<td>1.09%</td>
</tr>
<tr>
<td>Avg. Household Size</td>
<td>2.40</td>
<td>2.39</td>
<td>-0.001</td>
<td>2.39</td>
<td></td>
</tr>
<tr>
<td><strong>92nd &amp; Foster Trade Area</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population</td>
<td>237,571</td>
<td>268,486</td>
<td>2,810</td>
<td>282,508</td>
<td>1.04%</td>
</tr>
<tr>
<td>Households</td>
<td>93,807</td>
<td>106,009</td>
<td>1,109</td>
<td>111,608</td>
<td>1.06%</td>
</tr>
<tr>
<td>Avg. Household Size</td>
<td>2.48</td>
<td>2.49</td>
<td>0.001</td>
<td>2.49</td>
<td></td>
</tr>
<tr>
<td><strong>122nd &amp; Glisan Trade Area</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population</td>
<td>205,380</td>
<td>232,623</td>
<td>2,477</td>
<td>244,957</td>
<td>1.06%</td>
</tr>
<tr>
<td>Households</td>
<td>78,514</td>
<td>87,870</td>
<td>851</td>
<td>92,341</td>
<td>1.02%</td>
</tr>
<tr>
<td>Avg. Household Size</td>
<td>2.55</td>
<td>2.59</td>
<td>0.004</td>
<td>2.60</td>
<td></td>
</tr>
<tr>
<td><strong>82nd &amp; Harney Trade Area</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population</td>
<td>185,308</td>
<td>209,209</td>
<td>2,173</td>
<td>219,284</td>
<td>0.96%</td>
</tr>
<tr>
<td>Households</td>
<td>72,393</td>
<td>82,389</td>
<td>909</td>
<td>86,562</td>
<td>1.01%</td>
</tr>
<tr>
<td>Avg. Household Size</td>
<td>2.51</td>
<td>2.50</td>
<td>-0.001</td>
<td>2.49</td>
<td></td>
</tr>
<tr>
<td><strong>Metro Portland</strong>*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population</td>
<td>1,444,219</td>
<td>1,659,775</td>
<td>19,596</td>
<td>1,751,775</td>
<td>1.11%</td>
</tr>
<tr>
<td>Households</td>
<td>569,461</td>
<td>658,919</td>
<td>8,133</td>
<td>697,596</td>
<td>1.17%</td>
</tr>
<tr>
<td>Avg. Household Size</td>
<td>2.49</td>
<td>2.47</td>
<td>-0.002</td>
<td>2.47</td>
<td></td>
</tr>
</tbody>
</table>

### Average Annual Population Growth Rates, 2000-2016

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>72nd &amp; Foster Trade Area</td>
<td>0.92%</td>
<td>1.06%</td>
</tr>
<tr>
<td>92nd &amp; Foster Trade Area</td>
<td>1.18%</td>
<td>1.04%</td>
</tr>
<tr>
<td>122nd &amp; Glisan Trade Area</td>
<td>1.18%</td>
<td>1.06%</td>
</tr>
<tr>
<td>82nd &amp; Harney Trade Area</td>
<td>1.26%</td>
<td>1.01%</td>
</tr>
<tr>
<td><strong>Metro Portland</strong>*</td>
<td>1.36%</td>
<td>1.11%</td>
</tr>
</tbody>
</table>

*Includes Clackamas, Washington and Multnomah Counties.

Source: ESRI BIS

<table>
<thead>
<tr>
<th>Income</th>
<th>72nd &amp; Foster Trade Area</th>
<th>92nd &amp; Foster Trade Area</th>
<th>122nd &amp; Glisan Trade Area</th>
<th>82nd &amp; Harney Trade Area</th>
<th>Metro Portland*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $15,000</td>
<td>12.8%</td>
<td>12.4%</td>
<td>13.2%</td>
<td>11.8%</td>
<td>10.6%</td>
</tr>
<tr>
<td>$15,000 - $24,999</td>
<td>12.6%</td>
<td>12.1%</td>
<td>13.1%</td>
<td>11.6%</td>
<td>10.2%</td>
</tr>
<tr>
<td>$25,000 - $34,999</td>
<td>13.0%</td>
<td>12.8%</td>
<td>13.3%</td>
<td>11.9%</td>
<td>10.7%</td>
</tr>
<tr>
<td>$35,000 - $49,999</td>
<td>16.7%</td>
<td>16.5%</td>
<td>16.2%</td>
<td>16.2%</td>
<td>14.1%</td>
</tr>
<tr>
<td>$50,000 - $74,999</td>
<td>20.3%</td>
<td>20.9%</td>
<td>20.7%</td>
<td>21.0%</td>
<td>19.8%</td>
</tr>
<tr>
<td>$75,000 - $99,999</td>
<td>11.6%</td>
<td>12.1%</td>
<td>11.9%</td>
<td>12.5%</td>
<td>13.1%</td>
</tr>
<tr>
<td>$100,000 - $149,999</td>
<td>9.0%</td>
<td>9.2%</td>
<td>8.5%</td>
<td>10.1%</td>
<td>13.3%</td>
</tr>
<tr>
<td>$150,000 - $199,999</td>
<td>2.2%</td>
<td>2.3%</td>
<td>1.8%</td>
<td>2.8%</td>
<td>4.4%</td>
</tr>
<tr>
<td>$200,000 or More</td>
<td>1.8%</td>
<td>1.7%</td>
<td>1.3%</td>
<td>2.1%</td>
<td>3.8%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>97,400</strong></td>
<td><strong>106,009</strong></td>
<td><strong>87,870</strong></td>
<td><strong>82,389</strong></td>
<td><strong>658,919</strong></td>
</tr>
</tbody>
</table>

| Median Household Inc. | $44,312 | $45,618 | $43,451 | $48,108 | $53,985 |

#### Household Income Distribution, 2011

*Includes Clackamas, Washington and Multnomah Counties.

Source: ESRI BIS

<table>
<thead>
<tr>
<th>Age</th>
<th>72nd &amp; Foster Trade Area</th>
<th>92nd &amp; Foster Trade Area</th>
<th>122nd &amp; Glisan Trade Area</th>
<th>82nd &amp; Harney Trade Area</th>
<th>Metro Portland*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 5</td>
<td>6.3%</td>
<td>6.6%</td>
<td>7.2%</td>
<td>6.4%</td>
<td>6.4%</td>
</tr>
<tr>
<td>5-14</td>
<td>10.8%</td>
<td>11.7%</td>
<td>12.9%</td>
<td>11.8%</td>
<td>12.7%</td>
</tr>
<tr>
<td>15-19</td>
<td>5.3%</td>
<td>5.8%</td>
<td>6.2%</td>
<td>6.0%</td>
<td>6.2%</td>
</tr>
<tr>
<td>20-24</td>
<td>7.1%</td>
<td>6.9%</td>
<td>6.6%</td>
<td>6.8%</td>
<td>6.4%</td>
</tr>
<tr>
<td>25-34</td>
<td>19.7%</td>
<td>17.8%</td>
<td>16.3%</td>
<td>16.9%</td>
<td>16.1%</td>
</tr>
<tr>
<td>35-44</td>
<td>15.9%</td>
<td>15.2%</td>
<td>14.3%</td>
<td>14.9%</td>
<td>14.7%</td>
</tr>
<tr>
<td>45-54</td>
<td>13.1%</td>
<td>13.5%</td>
<td>13.5%</td>
<td>13.8%</td>
<td>14.1%</td>
</tr>
<tr>
<td>55-64</td>
<td>11.3%</td>
<td>11.4%</td>
<td>11.2%</td>
<td>11.8%</td>
<td>12.3%</td>
</tr>
<tr>
<td>65-74</td>
<td>5.3%</td>
<td>5.6%</td>
<td>5.8%</td>
<td>5.9%</td>
<td>6.1%</td>
</tr>
<tr>
<td>75-84</td>
<td>3.3%</td>
<td>3.5%</td>
<td>3.9%</td>
<td>3.6%</td>
<td>3.3%</td>
</tr>
<tr>
<td>85+</td>
<td>1.9%</td>
<td>2.0%</td>
<td>2.1%</td>
<td>2.1%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Total</td>
<td>237,185</td>
<td>268,486</td>
<td>232,623</td>
<td>209,209</td>
<td>1,659,775</td>
</tr>
</tbody>
</table>

| Median Age | 35.5 | 35.8 | 35.6 | 36.2 | 36.6 |

#### Age Distribution of the Population, 2011

*Includes Clackamas, Washington and Multnomah Counties.

Source: ESRI BIS

<table>
<thead>
<tr>
<th>Race/Ethnicity</th>
<th>72nd &amp; Foster Trade Area</th>
<th>92nd &amp; Foster Trade Area</th>
<th>122nd &amp; Glisan Trade Area</th>
<th>82nd &amp; Harney Trade Area</th>
<th>Metro Portland*</th>
</tr>
</thead>
<tbody>
<tr>
<td>White Alone</td>
<td>77.4%</td>
<td>75.2%</td>
<td>69.1%</td>
<td>76.9%</td>
<td>79.1%</td>
</tr>
<tr>
<td>Black Alone</td>
<td>3.4%</td>
<td>3.9%</td>
<td>6.3%</td>
<td>3.1%</td>
<td>3.3%</td>
</tr>
<tr>
<td>American Indian Alone</td>
<td>1.0%</td>
<td>1.1%</td>
<td>1.2%</td>
<td>1.1%</td>
<td>0.9%</td>
</tr>
<tr>
<td>Asian/Pacific Islander</td>
<td>9.3%</td>
<td>10.1%</td>
<td>10.7%</td>
<td>9.7%</td>
<td>6.9%</td>
</tr>
<tr>
<td>Some Other Race Alone</td>
<td>4.4%</td>
<td>5.1%</td>
<td>7.9%</td>
<td>4.7%</td>
<td>5.6%</td>
</tr>
<tr>
<td>Two or More Races</td>
<td>4.5%</td>
<td>4.6%</td>
<td>4.8%</td>
<td>4.5%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Hispanic Origin</td>
<td>10.0%</td>
<td>11.1%</td>
<td>15.0%</td>
<td>10.5%</td>
<td>12.0%</td>
</tr>
<tr>
<td>Total</td>
<td>237,185</td>
<td>268,486</td>
<td>232,623</td>
<td>209,209</td>
<td>1,659,775</td>
</tr>
</tbody>
</table>

*Includes Clackamas, Washington and Multnomah Counties

Source: ESRI BIS
### A5. Top Tapestry Market Segments, Potential Portland Mercado Trade Areas, 2011

Recognizing that people who share the same demographic characteristics may have widely divergent interests and shopping preferences, Community Tapestry data (developed by ESRI Business Information Solutions) categorizes neighborhoods throughout the nation into 65 consumer groups or market segments. Neighborhoods are geographically defined by census blocks, which are analyzed and sorted by a variety of demographic and socioeconomic characteristics as well as other determinants of consumer behavior. The top ten Tapestry segments in each trade area are shown below and summarized on the pages that follow.

<table>
<thead>
<tr>
<th>Tapestry Market Segment</th>
<th>72nd &amp; Foster Trade Area</th>
<th>92nd &amp; Foster Trade Area</th>
<th>122nd &amp; Glisan Trade Area</th>
<th>82nd &amp; Harney Trade Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main Street, USA</td>
<td>27.3%</td>
<td>33.4%</td>
<td>38.6%</td>
<td>30.7%</td>
</tr>
<tr>
<td>Metropolitans</td>
<td>16.9%</td>
<td>13.3%</td>
<td>6.5%</td>
<td>10.2%</td>
</tr>
<tr>
<td>Old and Newcomers</td>
<td>9.3%</td>
<td>6.8%</td>
<td>6.0%</td>
<td>7.5%</td>
</tr>
<tr>
<td>Trendsetters</td>
<td>7.0%</td>
<td>3.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>International Marketplace</td>
<td>6.4%</td>
<td>6.8%</td>
<td>14.0%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Metro Renters</td>
<td>5.4%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Young and Restless</td>
<td>4.4%</td>
<td>4.8%</td>
<td></td>
<td>5.6%</td>
</tr>
<tr>
<td>Retirement Communities</td>
<td>3.5%</td>
<td>3.0%</td>
<td>5.2%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Aspiring Young Families</td>
<td>3.5%</td>
<td>4.3%</td>
<td>4.6%</td>
<td>4.0%</td>
</tr>
<tr>
<td>In Style</td>
<td>3.5%</td>
<td>3.4%</td>
<td></td>
<td>5.7%</td>
</tr>
<tr>
<td>Urban Chic</td>
<td></td>
<td></td>
<td></td>
<td>2.7%</td>
</tr>
<tr>
<td>Pleasant-ville</td>
<td></td>
<td></td>
<td></td>
<td>4.1%</td>
</tr>
<tr>
<td>Inner City Tenants</td>
<td></td>
<td></td>
<td></td>
<td>2.7%</td>
</tr>
<tr>
<td>Wealthy Seaboard Suburbs</td>
<td></td>
<td></td>
<td></td>
<td>1.9%</td>
</tr>
<tr>
<td>Cozy and Comfortable</td>
<td></td>
<td></td>
<td></td>
<td>2.7%</td>
</tr>
<tr>
<td>Households in Top 10 Tapestry Segments</td>
<td>87.2%</td>
<td>82.0%</td>
<td>85.5%</td>
<td>77.9%</td>
</tr>
</tbody>
</table>

Source: ESRI BIS
### A6. Tapestry Market Segment Descriptions

<table>
<thead>
<tr>
<th>Market Segment</th>
<th>Hhold Type</th>
<th>Median Age</th>
<th>Median Income</th>
<th>Consumer Preferences &amp; Purchases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main Street, USA</td>
<td>Family Mix</td>
<td>37</td>
<td>$57,196</td>
<td>These fairly well-educated consumers tend to purchase software, savings certificates, home improvement items and prescription medication. Civic-minded, they often attend public meetings and work as volunteers.</td>
</tr>
<tr>
<td>Metropolitans</td>
<td>Married couples/ Singles</td>
<td>38</td>
<td>$60,191</td>
<td>Singles and childless couples with a busy, urban lifestyle. Do yoga, listen to jazz and visit museums. Travel frequently for business and pleasure.</td>
</tr>
<tr>
<td>Old and Newcomers</td>
<td>Single Persons/ Shared Hholds</td>
<td>37</td>
<td>$44,061</td>
<td>Households are often in transitional mode, either starting careers or retiring. Older members consult with financial planners and are health-conscious. Younger members typically enjoy movies, college football games and activities such as yoga and kickboxing.</td>
</tr>
<tr>
<td>Trendsetters</td>
<td>Singles/ Shared hholds</td>
<td>36</td>
<td>$61,498</td>
<td>These households are on the cutting edge of urban style. They love to shop both online and in stores. Health conscious, members of these households eat well and exercise regularly.</td>
</tr>
<tr>
<td>International Marketplace</td>
<td>Family Mix</td>
<td>30</td>
<td>$49,076</td>
<td>These households make family a priority, which is reflected in their purchases. They are cost-conscious and buy groceries and children's products at discount stores such as Target, Wal-Mart and Kmart.</td>
</tr>
<tr>
<td>Metro Renters</td>
<td>Singles</td>
<td>34</td>
<td>$56,311</td>
<td>A young market whose members spend primarily on themselves. Purchases include ski/workout clothing, designer clothes and imported wine/beer. Favorite stores are Bloomingdales, Banana Republic and Macy's.</td>
</tr>
<tr>
<td>Young and Restless</td>
<td>Singles/ Shared hholds</td>
<td>29</td>
<td>$46,185</td>
<td>These households are young and on the go. Their purchases center on themselves and include sports gear, designer clothing and computers and software. Favorite stores include Banana Republic and Express.</td>
</tr>
<tr>
<td>Retirement Communities</td>
<td>Married couples/ Singles</td>
<td>53</td>
<td>$49,174</td>
<td>Live in multiunit dwelling, frequently congregate housing that includes meals and other services in rent. Residents make good health a priority and spend leisure time playing bingo, gambling and spoiling grandchildren.</td>
</tr>
<tr>
<td>Aspiring Young Families</td>
<td>Family Mix</td>
<td>31</td>
<td>$52,487</td>
<td>Live in start-up homes or town homes, nearly half are renters, spend their discretionary income on their children and homes. Enjoy eating out, movies, and playing sports.</td>
</tr>
<tr>
<td>In Style</td>
<td>Married couples without children</td>
<td>40</td>
<td>$70,745</td>
<td>Well-educated professional couples who may live in the suburbs but enjoy the amenities of the city. They travel frequently for business and pleasure, own mutual funds and contribute to 401-K accounts. Enjoy dining out and shopping at stores such as Anne Taylor and Nordstrom.</td>
</tr>
</tbody>
</table>

Source: ESRI BIS
### A6. Tapestry Market Segment Descriptions (continued)

<table>
<thead>
<tr>
<th>Market Segment</th>
<th>Hhold Type</th>
<th>Median Age</th>
<th>Median Income</th>
<th>Consumer Preferences &amp; Purchases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban Chic</td>
<td>Married couples</td>
<td>43</td>
<td>$87,202</td>
<td>Professionals with exclusive, sophisticated lifestyles, members of these households travel extensively and attend museums, dance performances and concerts. They use the Internet to arrange travel, follow investments and make purchases.</td>
</tr>
<tr>
<td>Pleasant-ville</td>
<td>Married couples</td>
<td>40</td>
<td>$77,930</td>
<td>These households spend their leisure time dining out with their families. They hire contractors to do home improvements and read two or more daily newspapers daily.</td>
</tr>
<tr>
<td>Inner City Tenants</td>
<td>Family Mix</td>
<td>28</td>
<td>$34,041</td>
<td>Young, multicultural households that devote much of their income to infant and children's products. They enjoy going to the movies, watching TV, shopping and attending sporting events.</td>
</tr>
<tr>
<td>Wealthy Seaboard Suburbs</td>
<td>Married couples</td>
<td>43</td>
<td>$96,498</td>
<td>These affluent, professional couples value their leisure time and often spend it traveling. They contract out home and garden maintenance. They are technologically savvy and use the Internet for convenience rather than entertainment.</td>
</tr>
<tr>
<td>Simple Living</td>
<td>Married couples/ Singles</td>
<td>41</td>
<td>$29,408</td>
<td>Living in urban outskirts and suburban areas, these households spend wisely on a tight budget. They shop at discount stores and watch cable, but are unlikely to own a personal computer or DVD player.</td>
</tr>
<tr>
<td>Cozy and Comfortable</td>
<td>Married couples</td>
<td>42</td>
<td>$65,665</td>
<td>Middle-aged married couples settled in single-family homes in older neighborhoods. These families have mutual funds, second mortgages and home equity lines of credit. They play softball and golf, eat at family restaurants and travel domestically.</td>
</tr>
<tr>
<td>Inner City Tenants</td>
<td>Family Mix</td>
<td>28</td>
<td>$34,041</td>
<td>Young, multicultural households that devote much of their income to infant and children's products. They enjoy going to the movies, watching TV, shopping and attending sporting events.</td>
</tr>
</tbody>
</table>

Source: ESRI BIS
Hacienda CDC prepared a thorough inventory of food-related and Latino businesses within an 8-minute drive time from the SE 72nd Avenue and SE Foster Road intersection. The complete list is provided below and locations are mapped in Figure 9 on page 15.

### Traditional Grocers
- Food For Less, SE 82nd Ave & SE Powell Blvd, Portland
- Fred Meyer, SE 82nd Ave & SE Foster Rd, Portland
- Fred Meyer, SE 82nd Ave & SE Johnson Creek Blvd, Happy Valley
- Portland Fruit Company, SE 82nd Ave & SE Foster Rd, Portland
- Safeway, SE 82nd Ave & E Burnside St, Portland
- Safeway, SE 39th Ave & SE Powell Blvd, Portland
- Safeway, SE 122nd Ave & SE Powell Blvd, Portland
- Winco, SE 82nd Ave & SE King Rd, Happy Valley

### Discount Retailers
- Save-A-Lot, SE 67th Ave & SE Foster Rd, Portland
- WalMart, SE 82nd Ave & SE Holgate Blvd, Portland
- WalMart, SE 82nd Ave & SE Otty Rd, Happy Valley

### Hispanic Food Stores
- Carniceria Agustin, SE 122nd Ave & SE Powell Blvd, Portland
- Cinco de Mayo, SE 82nd Ave & SE Stark St, Portland
- Panaderia Tres Flores, SE 82nd Ave & SE Stark St, Portland
- Tienda/Panaderia Santa Cruz, SE 82nd Ave & E Burnside St, Portland

### Hispanic Restaurants
- 2 Amigos Taqueria, SE 122nd Ave & SE Powell Blvd, Portland
- Alberto’s Tacos Lonchera, SE 82nd Ave & SE Holgate Blvd, Portland
- Cinco de Mayo Lonchera, SE 82nd Ave & SE Stark St, Portland
- Don Pedro’s, SE 82nd Ave & SE Schiller St, Portland
- Don Pedro’s SE 122nd Ave & SE Division St, Portland
- El Tapatio, SE 82nd Ave & SE Division St, Portland
- Fandango Restaurant, SE 122nd Ave & SE Stark St, Portland
- La Bamba, SE 49th Ave & SE Powell Blvd, Portland
- Lonchera, SE 52nd Ave & SE Foster Rd, Portland
- Lonchera, SE 82nd Ave between SE Duke St & SE Flavel St, Portland
- Lonchera, SE 112nd Ave & SE Powell Blvd, Portland
- Lonchera, SE 122nd Ave & SE Powell Blvd, Portland
- Los Jalapenos, SE 84th Ave & SE Division St, Portland
- Ma Tona’s, SE 59th Ave & SE Foster Rd, Portland
- Mi Pueblo, SE 82nd Ave & SE King Rd, Happy Valley
- Peruvian Lonchera, SE 82nd Ave between SE Division St & SE Powell Blvd, Portland
- Pupusera Buen Gusto, SE 82nd Ave & SE Malden Ct, Portland
- Restaurante Puerto Marquez, SE 122nd Ave & SE Market St, Portland
- Taco Bell, SE 82nd Ave & SE Holgate Blvd, Portland
- Taco Bell, SE 50th Ave & SE Powell Blvd, Portland
- Taco Bell, SE 82nd Ave & SE Johnson Creek Blvd, Happy Valley
- Taco del Mar, SE 82nd Ave & SE Johnson Creek Blvd, Happy Valley
## Hispanic Restaurants (continued)

- Taco House, SE 36th Ave & SE Powell Blvd, Portland
- Taco Time, SE 82nd Ave & NE Glisan St, Portland
- Taco Time, SE 50th Ave & SE Powell Blvd, Portland
- Tambarayn Yucatan Restaurant, SE 60th Ave & SE Foster Rd, Portland
- Taqueria El Cazador, SE 101st Ave & SE Foster Rd, Portland
- Torta-Landia, SE 60th Ave & SE Boise St, Portland
- Uruapan Taqueria, SE 82nd Ave & SE Reedway St, Portland

## Other Hispanic Businesses

- Amigos Wireless, SE 76th Ave & SE Henderson St, Portland
- Daisey Tienda, SE 84th Ave & SE Foster Rd, Portland
- El Grande Tienda, SE 122nd Ave & SE Market St, Portland
- El Pato Feliz, SE 92nd Ave & SE Foster Rd, Portland
- El Patron Elegante, SE 82nd Ave between SE Duke St & SE Flavel St, Portland
- El Reventon Nightclub, SE 124th Ave & SE Powell Blvd, Portland
- La Mexicana Tienda, SE 82nd Ave & SE King St, Happy Valley
- Laines Tienda Mexicana, SE 82nd Ave & SE Foster Rd, Portland
- Latino Taxes, SE 76th Ave & SE Foster Rd, Portland
- Mercadito La Cabana, SE 112nd Ave & SE Powell Blvd, Portland
- Mona’s Beauty Salon, SE 122nd Ave & SE Foster Rd, Portland
- Muebleria Estrella, SE 122nd Ave & SE Market St, Portland
- Oxkutzcab Yucatan Store, SE 60th Ave & SE Foster Rd, Portland
- Tienda de Deportes, SE 74th Ave & SE Foster Rd, Portland
- Tienda Jalisco, SE 72nd Ave & SE Flavel St, Portland
- Tienda Mexicana Gonzalez, SE 124th Ave & SE Powell Blvd, Portland
- Tina’s Fiesta Supplies, SE 82nd Ave & SE King Rd, Happy Valley

Source: Hacienda CDC
Appendix C: Summary of Mercado Case Studies

SUMMARY OF MERCADO CASE STUDIES

Prepared for
Hacienda Community Development Corporation

By Cary Watters
Portland State University

April 2012

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1. **INTRODUCTION**

In spring 2010, the Hacienda Community Development Corporation partnered with the Portland State University Master of Urban and Regional Planning Program to develop a feasibility study for a Latino Marketplace, now known as the Portland Mercado project. Since then, this project has grown as a community-supported effort and a market analysis was determined to be a critical piece.

Case studies of other mercados from around the nation supplement the market analysis developed by Marketek, Inc. Four different mercados were studied, with a focus on mission-based organizations and business incubation. This document provides insight into location and transportation considerations, market operations, vendor diversity, customer draw and other considerations that representatives from other mercados deem important in the development of a Portland Mercado.

The selected mercados each address different criteria to various extents. All of their unique circumstances must be kept in mind when applying information and advice to the Portland Mercado.

The research was guided by questions in the following categories:
- Product
- Market
- Sales
- Vendors/Suppliers
- Successes/Challenges/General Advice

Information for these case studies was attained from the following interviews:
- In-person interview with Becky George, Market Manager (interviewed by Anne Fraser, 2013 MBA candidate from Willamette University)
- Phone interview with Jeff Pace, Chief Operating Officer of the Unity Council/Fruitvale Market
- Phone interview with Beth Rodin, Marketing Director of Los Angeles’ Mercado La Paloma
- Phone interview with Jeff Alexander, Market Director of Minneapolis’ Midtown Global Market

The questions were developed collaboratively between Hacienda CDC and Marketek, Inc. Interviewees were provided with the questions prior to the interviews. Notes from these interviews were taken manually and organized into a master list of questions and answers, which were then organized into different sections of this report. Follow-up questions were answered via e-mail and the final report was subsequently developed and peer-reviewed.

As the development of the Portland Mercado unfolds, we expect that details on success stories of other mercados from around the nation will provide a stronger foundation for understanding what strategies may be most successful here.
2. **General Information**

In order to apply advice and insight from other mercados to the Portland Mercado, it is critical to understand their unique contexts and demographics. Some information is site-specific, but general concepts can still be applied, such as advertising strategies or vendor support services.

<table>
<thead>
<tr>
<th>Name</th>
<th>Size of Mercado (sq. ft.)</th>
<th># of Vendors</th>
<th>Average Sq. Ft. per User</th>
<th>Year Established (Duration)</th>
<th>Vendor Types</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mercado Central</td>
<td>34,000</td>
<td>48</td>
<td>125-300</td>
<td>1999 (13 years)</td>
<td>Fresh and prepared food, clothes, accessories, gifts, media, books, DVDs, services and offices</td>
</tr>
<tr>
<td>Fruitvale Market</td>
<td>40,000</td>
<td>10</td>
<td>150-1000</td>
<td>2008 (4 years)</td>
<td>Restaurants, handmade ice cream, bakery, churro cart, computer repair, incense, flower shop, jeweler, tailor, arts/crafts, imports</td>
</tr>
<tr>
<td>Mercado La Paloma</td>
<td>34,000</td>
<td>15</td>
<td>150-600</td>
<td>2001 (11 years)</td>
<td>Restaurants, bakery, arts and crafts, computer supplies, social services</td>
</tr>
<tr>
<td>Midtown Global Market</td>
<td>60,000</td>
<td>45</td>
<td>&lt;3500</td>
<td>2006 (6 years)</td>
<td>Restaurants, bars, specialty groceries, meat/poultry/fish, fresh produce and bulk, bread and baked goods, coffee/espresso, flowers/plants, arts, gifts, jewelry</td>
</tr>
</tbody>
</table>

Source: Author’s Case Study Interviews
Table 2: Population Summary & Forecasts for Mercado Neighborhoods

<table>
<thead>
<tr>
<th>Demographic Indicator</th>
<th>Mercado Central &amp; Midtown Global Market*</th>
<th>Fruitvale Market</th>
<th>Mercado La Paloma</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1-Mile</td>
<td>3-Mile</td>
<td>1-Mile</td>
</tr>
<tr>
<td>2011 Total Population</td>
<td>41,850</td>
<td>229,567</td>
<td>42,174</td>
</tr>
<tr>
<td>2000 Hispanic Population</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>10,000</td>
<td>21,766</td>
<td>23,387</td>
</tr>
<tr>
<td>% of Total</td>
<td>23.7%</td>
<td>9.9%</td>
<td>52.4%</td>
</tr>
<tr>
<td>2011 Hispanic Population</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>14,638</td>
<td>28,881</td>
<td>23,176</td>
</tr>
<tr>
<td>% of Total</td>
<td>35.0%</td>
<td>12.6%</td>
<td>55.0%</td>
</tr>
<tr>
<td>2016 Hispanic Pop. (forecast)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>16,774</td>
<td>34,438</td>
<td>24,006</td>
</tr>
<tr>
<td>% of Total</td>
<td>39.6%</td>
<td>14.7%</td>
<td>56.7%</td>
</tr>
<tr>
<td>2011 Median Household Income</td>
<td>$28,578</td>
<td>$38,187</td>
<td>$40,695</td>
</tr>
</tbody>
</table>

*Note: Mercado Central and Midtown Global Market are located near each other on the same street in Minneapolis, MN.

Source: ESRI BIS, Marketek

**Fruitvale Market**

Fruitvale Market is one component of Fruitvale Village, a revitalization development project under the authority of the Unity Council. It is located at the entrance to the Fruitvale Bay Area Rapid Transit (BART) station, the East Bay’s 4th busiest station. This Transit Oriented Development is a successful partnership between a low-income, inner-city community, a transit agency and a local municipality. Fruitvale Market has served as a business incubator and community gathering space. It is funded by the Unity Council.

**Mercado La Paloma**

Mercado La Paloma is a community development project of Esperanza Community Housing Corporation meant to bring together new economic, health, social and cultural resources under one roof. The project involved redeveloping a warehouse and adjacent plaza into a premier gathering space with vendors on the first floor and local non-profit organizations on the second floor. Its funding comes from dozens of individual supporters, in-kind contributors and institutional funders.
Mercado Central

Three non-profit partners own Mercado Central: Project for Pride and Living, Whittier CDC (does not exist anymore), and Neighborhood Development Corporation (NDC). The Mercado Central is “a member-owned cooperative of 48 Latino businesses whose mission is to recreate an authentic Latin American marketplace.” The market functions as a small business incubator and cultural center. Mercado Central has been an integral part of the redevelopment of East Lake Street under the community asset model. Its funding came from the McKnight Foundation and other small grants, including one from the Target Corporation. The Mercado was able to get a loan from the Neighborhood Revitalization program through the city. Over the time the loan is forgiven the longer Mercado Central stays in business. The Neighborhood Development Committee (NDC) is funded through the Small Business Administration, grants, and foundations.

Midtown Global Market

The Midtown Global Market opened in May 2006 as a result of a collaborative effort between the Neighborhood Development Center, Latino Economic Development Center (LEDC), the African Development Center (ADC) and the Powderhorn Phillips Cultural Wellness Center (PPCWC) to develop an international public market featuring fresh and prepared foods, restaurants, and a selection of arts and crafts from around the world. The public market builds upon the economic, social and cultural assets within the surrounding community and welcomes the diverse peoples of the community to share and celebrate together the healthy foods, arts, crafts and other aspects of their heritages. It is funded through the support of many donors, lenders and tax credit investors.

3. Vendor Mix

Vendor selection requires careful consideration of the number of competitive uses. Vendor mix includes both the overall diversity of vendor types, as well as the balance between Latino and non-Latino businesses. The determination of a mix between anchors and smaller, less experienced business owners should also be carefully considered.

Fruitvale Market

The 12 original vendors eventually stabilized down to ten; Chief Operating Officer Jeff Pace sees this as the appropriate size. Of the current vendors, half are sited outdoors and four are in the interior, with the anchor in a detached building. It is recommended that restaurants serve three meals a day as it has been very difficult for restaurants serving one to two meals per day to survive. Vendors include importers, arts and crafts, an internet location/computer repair shop called Latin Network Services, an incense seller, a flower shop, and a jeweler. A tailor was added recently and has done very well.

The anchor is a 1,000 square feet organic taco grill that uses Diamond Ranch meats, other organic food, and no lard; it has been promoted through earned media (i.e. San Francisco magazine write up). An ice cream shop markets unique, handmade ice cream (e.g. rose petal flavor) that has also gained popularity and was promoted on the Food Network. Other
successful businesses include a panadería (bakery with pastries and more) and an outdoor churro stand. Not all tenants share the same client base (e.g. the tailor versus the computer repair store).

Pace indicated that the mercado should attract business owners that are “bursting at the seams” and have so much business that they can support a third or fourth location. He noted that when working with less-experienced business owners opening their first or second locations, there is often a considerable learning curve.

**Mercado La Paloma**

The market originally opened with 20 vendors, but they shifted down to 15. The need for tables grew on Fridays, in particular, and rendered need for a larger common area to accommodate customers. Marketing Director Beth Rodin cited the need for diversity of at least 7-10 vendors, but regarded 20 as unnecessary for a successful mercado. According to Rodin, it is more challenging and riskier to bring in a new business that has not operated in another location, but the Mercado is owned by a mission-based non-profit with the purpose of creating such development opportunities. For increased security, they show priority to entrepreneurs who have experience working for similar businesses, have managed others and are ready to make that next step.

A 600 square foot restaurant is the main anchor, but restaurants in general are considered anchors for the Mercado. All vendors were start-up businesses; the only criterion to get a space was to be a first-time business owner with some experience in the field. While this requirement may limit the number of potential business owners who may open stores at La Paloma, it is intended to help raise the household income of participants by encouraging entrepreneurship. Esperanza CHC received pressure in initial design to bring in a corporate anchor tenant, but instead favored small, local businesses to give the Mercado a more authentic character.

Upper floor non-profit tenants and first-floor retail/restaurant tenants have developed a synergy in which customers discover new businesses while visiting their original destination. For example, non-profit tenants may hold lunch meetings on the first floor, thereby introducing their guests to these businesses. Similarly, people coming to the Mercado for food often discover services as well. Some great relationships have developed between vendors and non-profit; vendors donate to non-profits and non-profits market for businesses.

Businesses leave for a variety of reasons, with the average tenant occupancy at 5.5 years. Two of the original tenants have remained over the 11 years. The most common reason for leaving is that tenants outgrow the space and want a standalone business.

**Mercado Central**

The Mercado includes five vendors that also have locations at Global Market and elsewhere. Many vendors have persisted over the 12 years since the Mercado opened. Ten vendors have been retained in the complex for 12 years, despite varying degrees of success over that time period. There is another younger group of vendors who have been in business for five years.
Disparities exist between successful and unsuccessful vendors and this dynamic sometimes creates conflict. Mercado Central does not have the staff to monitor the product mix and some vendors sell similar products, leading to competition between them.

The cooperative defines membership and decides how many Latino and non-Latino members to allow. There is no proxy vote according to the bylaws. The cost to join the cooperative is $1,000 per share. Vendors cannot sell spaces; this is regulated by “Buena fe”, a component of the cooperative structure in which vendors in the cooperative sign an asset purchase agreement form in order to lease a store.

**Midtown Global Market**

The division of anchors, “second-steppers” and start-up businesses resulted as an intentional strategy for increased market stability. An anchor business has proven its ability for success and stability and can set a positive example for start-up businesses. Twenty percent of the vendors are anchors, defined as someone with an established, branded business with good management that has been in business for 5+ years.

A second-step organization has been well-established for <5 years, and is still in process of developing a sustainable business model. Several second-steppers are in process of becoming anchors. Some of them have expanded and acquired locations outside of Midtown Global.

An example of an anchor is a 3,500 square foot restaurant, a 2,000 square foot restaurant and a 3,000 square foot produce market with some dairy but no meat. Another anchor is Holy Land, a 3500 square foot store run by a successful Palestinian family; they have another well-established store in North Minneapolis and a successful wholesale business.

**4. Advertising**

Advertising today is a more complex system than the traditional radio/TV/print strategies of outreach. Creative marketing strategies with support from traditional methods can set the mercado apart from competitors. Events, particularly cultural events, are encouraged to bolster the image of the mercado as a community gathering space.

**Fruitvale Market**

Fruitvale Village engages in periodic print advertising and promotion campaigns for the entire Fruitvale Public Market. These campaigns have included Spanish language newspaper ads for specific events and the creation of post card handouts and other campaigns. Each individual tenant is encouraged to execute individual advertising independently. Various tenants have also benefited from earned media (unpaid advertising such as reviews) in San Francisco Magazine, Yelp, and the Food Network.
Mercado La Paloma

With a small-scale marketing budget, much advertising happens effectively through word of mouth. A focus is marketing of cultural programming events via radio programs, print advertisements, etc. Increasingly a shift toward social media has become one of the least expensive and most effective strategies. The mercado has experienced “decent success” with Google apps, “Social Living,” and “Groupons,” with the advantage that they only pay for them if people actually visit, so money is not lost if people do not come in. Mercado La Paloma restaurants have been reviewed in various media, such as a “Top 10 Chefs” article in Food and Wine, LA Weekly, the New York Times and the Wall Street Journal.

Mercado Central

Market Manager Becky George recommends coordinating to get the Portland Mercado’s name on all of the vendors’ business cards, if affordable. The language barrier has caused difficulty in marketing and raises issues such as cultural assimilation if vendors are required to use English. Mercado Central’s biggest promotional tool is the ability to network. The Business Resource Center also hires an intern to assist with Mercado marketing. Promotional activities include Latino parties, posters made by a local designer, and celebration of Latino holidays.

Midtown Global Market

Management pays a local public relations firm approximately $2,000 per month to get tenants on television, but relies heavily on special events (generally involving food and kids’ activities) to attract customers. Management identifies a community partner as a promoter. For example, they partnered with a nearby hotel and held a vendor soup cook-off; the winner won a weekend at the hotel. Five television promotional appearances took place the week before the event, including a “soup smack down” on a local station. They run print ads, but would rather spend money on fresh and creative events that generate excitement among the community and draw people to the market.

5. Market Operations

Considerations of shared costs, rental rates, management staff and organizational structure all contribute to the mercado’s level of efficiency and success. Day to day operations are complex and hold important implications for the market’s character.

Fruitvale Market

With no full-time manager, the market is managed by the same team as the Fruitvale Village. It was constructed originally as an incubator and evolved into its current role as a supportive services landlord that facilitates resources such as business consultation for vendors.

The surrounding low-income, high crime neighborhood requires that security and cleaning make up a significant amount of what support staff do. Their security team oversees the public market in addition to Fruitvale Village; carrying costs are higher than they would likely be in a strip mall.
The lease agreement governs common operating costs like cleaning, utilities, minor repairs and maintenance, insurance and property taxes. These also include management expenses, such as direct or contracted staffing costs and management fees. Common costs do not include expenses related to mortgages (e.g. principal and interest, financing costs), salaries drawn by property landlord, leasing/commission expenses, architecture/engineering, or capital improvement costs. The most common and verifiable allocation method is by square foot.

Rental rates and sales figures are not available. There is an “arm’s-length” relationship between the tenants and Fruitvale Village, and sales information is not collected. Each tenant is a business owner and the entirety of running their businesses is their responsibility. All tenants are required under their leases to carry liability insurance with a $1 minimum for each occurrence, fire in the amount of $3 million, general aggregate of $2 million, and workers’ compensation of $1 million. The acquisition of this insurance is the tenant’s responsibility under their lease with the Fruitvale Public Market.

Jeff Pace cautions that it is likely for tenants to accuse the management of not marketing enough; some may hold management responsible for their own lack of initiative and creativity, so it is critical to have creative and socially invested people, as well as enough income, to deal with those issues in the first few years.

**Mercado La Paloma**

A management staff of three has been sufficient in the operations of Mercado La Paloma. The market’s facility manager oversees security and janitorial services. Another person focuses on art and cultural programming. The general manager does everything else, including fundraising. Vendor fees support three full-time janitorial staff and two full-time security guards. Recently the need for janitorial staff to work more hours has grown; cleaning the common eating area during peak hours has taken up a significant amount of their time. Currently, the security staff only works at night. Beth Rodin comments that even if there is a good camera system, the nature of the space makes it helpful to have a security guard working there.

Rental rates are not available, but the low market rent is based on percentage of sales for emerging vendors, and a preference for a flat rate from most businesses. Every vendor is required to carry general commercial liability insurance ($1 million currently, $3 million aggregate). Ninety percent of the vendors participate in an insurance pool. They can provide evidence or opt-in to their insurance pool with a set premium.

Vendors originally intended to share supplies but since it is complicated to coordinate, everyone is responsible for their own. This idea was recently re-initiated, particularly with regard to compostable materials and other materials that might be more cost prohibitive individually. Oversight will fall onto management.

Common eating space makes up about half of the building’s footprint, which is built into the lease rate. Public restroom facilities include women’s and men’s facilities on first floor and separate facilities on second floor for non-profits. They are expensive but necessary. To calculate vendor allocation of expenses, Rodin uses a spreadsheet with every building related expense and determines whether each expense is equally borne by all tenants (restaurants,
non-restaurant and non-profit offices) or if it is an expense that is strictly the result of one type of tenant, such as hot water that is mostly used by restaurant tenants. The costs are then allocated on a pro-rate share of each business or organization’s square footage.

**Mercado Central**

Becky George is contracted by the NDC and works out of her office inside Mercado Central. She is budgeted for 30 hours per week toward her work on the Mercado, collecting rent, staffing the boards of both the LLC and the Cooperative, and providing on-site management. She spends an additional ten hours on other NDC projects, but stays in her Mercado office during those hours and oftentimes puts in more hours on the Mercado then the budgeted 30. She is paid $75,000 per year.

The NDC contracts out for accounting and maintenance personnel. One maintenance employee works on site 17 hours per week and the rest of the time he works for the NDC. The Cooperative and Mercado Central LLC (“the LLC”) hold the master leases and the LLC leases to tenants. Mercado Central is 51 percent Latino owned and one family can only own three stores. The cooperative currently has zero employees and a potential hire’s salary would be very low with no benefits.

When the Mercado Central started 12 years ago there was a need for a $50,000 per year employee to manage the Mercado, but unfortunately, the market could only pay $28,000 per year and this hindered its success. It is important when starting out, to look into management companies and Community Development Centers. Have a marketing plan from the start and include it in vendor contracts.

Vendors are responsible for their own supplies, although it is expensive. Sometimes they coordinate with one another, but this must be vendor-initiated. All restaurants share a kitchen. Most vendors do not use organic or local suppliers because of the additional costs involved. George wishes that they had started out that way, which could have been easier than the cumbersome transition that would be required now. New recycling laws have been challenging; they are developing a coordination plan.

The LLC owns the building and has its own insurance. The Cooperative has its own insurance separate from the Mercado Central. Each vendor finds their own insurance as a part of the lease agreement, and management provides them with a list of insurance providers available.

The bylaws are documented in the Asset-Based Community Development book. They are considering changing some bylaws such as term length for board members, requiring fewer board members and voting in the cooperative (e.g. make a rule that states only one couple or one person can only have one store and therefore, one vote).

The entire Mercado Central holds only one food license with the City of Minneapolis, although this can be difficult if individual vendors do not comply with the license. The building earns revenue from a phone system; each vendor gets a line from the building for $70/month and each vendor pays for their own internet. If they could do it over, they might have one
commercial dishwasher for the entire Mercado Central. The cooperative of vendors would have to hire a dishwasher collectively who would be responsible for its upkeep.

George reports that there are always some vendors in the Cooperative who contribute more time than others. To help alleviate this issue, vendors are required to contribute a certain amount of money if they are unable to contribute their time to the Cooperative. An hour limit has been established on how much is required for each vendor to contribute to the Cooperative.

The economic downturn greatly affected the success of all vendors and the last four years have been tough due to “growing pains” and a decrease in immigration to the area.

The Mercado Central celebrates Latino holidays and it has been a challenge to figure out whether they should stay open during US holidays or close down due to limited Mercado visitors.

**Midtown Global Market**

Midtown Global Market uses a tenant association rather than a cooperative business structure. With a cooperative there are sometimes tough personal issues to deal with and a tenant association model may come with fewer issues.

Rent is not based on percent of sales as this can potentially cause people to lie; they subsidize with the “Step Up” program that encourages vendors to pay more rent as they stabilize over time. Some markets (e.g. Atlanta’s Dekalb Farmer’s Market) use central cash registers, but Midtown Global does not operate this way.

Vendors’ supplies are ordered separately, although some choose to coordinate. Vendors must carry a $2 million business operators’ insurance policy. The tenants clean common areas and bathrooms, and there is a common area of trash containers and ice machines. The market provides security and 21 cooking hoods that are divided into seven zones; organizing this commercial cooking area was a complex process.

The market’s diversity amongst vendors requires that everybody works to be on the same page and that the management organizes certain common resources. For example, the market maintains things such as cooking hoods as a preventative measure. Market management must take responsibility for particular issues that could otherwise be neglected by tenants.

**6. Support and Subsidies**

A mission-driven mercado holds great potential to enhance the strengths of and lift up disadvantaged members of the Latino community as a business incubator. Technical assistance and subsidized rental programs have proven to be effective tools in this effort.
Fruitvale Market

The market provides consultants to help vendors develop business plans and give advice on how to improve their businesses. Many tenants are not qualified commercial borrowers, so they receive assistance maintaining business records, commercial bank accounts, and separating personal and business funds. Tenants will eventually be able to borrow expansion funds from a Community Development Financial Institutions (CDFI) fund or a bank.

Although some vendor turnover has happened, most have been able to pay rent on time and maintain their businesses. One owner had difficulty establishing their business and making initial rent payments, but has since been able to catch up and pay consistently.

Fruitvale Village still subsidizes the Fruitvale Market, and has contributed $70,000 since its inception in 2008. Fruitvale Village represents $10 million worth of investment; the Unity Council is now a $21 million organization annually, whereas in 2003 (the year before Fruitvale Village opened) they were a $10 million organization. Jeff Pace called this a “bet your company” investment and does not necessarily recommend it as the project easily could have failed and brought the Unity Council down with it. He reports that they were unlucky in some ways, lucky in others and skillful and nimble in navigating the process.

The Unity Council bought the Fruitvale Market building for $280,000 in the 1980s and the total capital used to renovate the market was less than $1 million. The market place cost about $1 million, and they are still subsidizing it. Although Pace does not see it as “overwhelmingly costly,” it does not break even; he sees it as too small to cover its management costs. They adjusted the rent structure with the intention of creating a positive cash flow; it is not quite there yet, but they are not subsidizing at $100,000 dollars per year as they had in the past. Pace does not regret this because the project has supported ten business owners who have developed it into a sustainable market.

With regard to future growth, the focus has been on how their vendors can grow over time rather than how the market could grow over time. For example, their ice cream vendor’s product is now packaged with labels and marketed to grocery stores. A $20,000 grant-funded project was completed last year in which a consultant worked with eight of the ten vendors to develop business plans for their individual expansion and how to better position their businesses.

Mercado La Paloma

Esperanza CHC strives to combine low market rent with more support than a traditional, commercial setting. The organization co-signed for tenant improvement loans for which all original vendors were eligible. This practice has not persisted but assistance to the businesses in finding financing has continued. Assistance for failing businesses varies greatly based upon the causes of their lack of success. There were two businesses that could not get up to the lease rate; they continued with base rate and as they made more money they paid more. Vendors are provided assistance to the extent to which they want help and this varies.

Mercado La Paloma imposes no limits with regard to how long vendors want to remain in the mercado. Vendors benefit from technical assistance in development and implementation of
business concepts and plans. They spend 1.5 to 2 years on technical development before they begin the business in their space; however the application process is essentially a business plan process.

Rodin became Market Manager in 2010 and has devoted much time to planning for a self-sustaining market without subsidies. Originally Esperanza CHC intended to lease the building for the mercado, but when they interacted with the landlord they deemed it necessary to own the site. Rodin claims that ownership rather than tenancy is essential for a $200,000-$800,000 project, and these types of projects do not function with debt. It has taken 15 years to pay off debt on site. This year a $50,000 gap exists and next year’s gap is predicted at $25,000. One loan remains and the annual gap should remain steady at $25,000 until loans are paid off completely in four years.

It is not critical to anticipate a huge amount of outside support if something that works is built from day one. Long-term committed partners are important, but most important is to create a realistic budget at the outset and raise as much initial capital as possible.

**Mercado Central**

Mercado Central took three years before the idea came to fruition. This time frame required intentional support in keeping Latinos interested in the project and getting them started on their businesses while making sure they do not grow too large to be part of the Mercado Central. It is important to focus on retention over the development period to keep potential Latino vendors interested. In the first three years, there were businesses that ended up not being viable due to their business concept or issues with their products not being desirable to consumers.

It is important to establish team building activities with the cooperative as well as training to keep morale high. Each vendor is referred to a loan officer through the NDC or the Latino Economic Development Center. Ideally, the Neighborhood Development Committee could invest more in ongoing continuing education for the vendors, which is currently nonexistent. The NDC provides vendors with a 16 week class to start, but sometimes vendors have to start their business prior to the time that the NDC holds the training.

**Midtown Global Market**

Midtown Global opened right before the recession so they funded vendors with rent discounts. The “Step Up” program calculates standard percentages of what rent should be so over time as they stabilize, but they recognize that they cannot keep subsidizing vendors. One third of the market’s budget targets technical assistance with regard to website maintenance, marketing, displays and more. Even established business owners have had difficulty in getting loans, so they help with financing and acquire funding from banks for loans.

A market works because of its tenants. “Get them fired up and that will make the market a success.” They continually push tenants to always step up and engage the customer. Every other month they have classes – health department classes, security classes, secret shopper classes, etc. – so everyone can move from there to a Skyway location in downtown Minneapolis.
7. **CUSTOMER BASE**

It is valuable to not only articulate a realistic, targeted customer base, but to actually draw that crowd. The ideal mercado draws as many people at as many times as possible. The factors that affect this dynamic vary greatly (e.g. zoning code or proximity to transit centers). Creation of the marketplace as a local and regional destination through festivals, farmers markets or other events should be balanced with an intentional, constant source of customers from organizations sited upstairs or from adjacent employment centers.

**Fruitvale Market**

Shopper income is not tracked, and product pricing methodology in the Fruitvale Public Market varies by tenant and use. For various reasons, customer counts have not produced a rigorously tabulated set of outcomes. They know, in general, that the customer distribution is a mix between neighbors and commuters. Further demographic information is not available.

Jeff Pace advocates strongly for residential combined with commercial zoning for a variety of reasons. People who live there are more likely to eat there for dinner and people who work there are more likely to have lunch there. People will be there at different times throughout the day for other reasons (e.g. hospital, school, welfare office). It is critical to know how many customers they have, who their customers are and what brings them to the market.

Weekly farmers markets were an intentional strategy to stimulate positive economic benefits to fixed place tenants. They initiated Thursday and Sunday farmers markets; on Sundays there was one in the avendia (i.e. closed off city street at the location of the current public market). The Thursday market was in the direct path of commuters and later a Tuesday market was opened in the same location but was restricted to public market vendors (i.e. no farmers). A Saturday market on the avendia in front of the public market is geared toward children's activities, akin to a small festival with a jumping castle, clowns, balloon makers and more.

Weekday customers usually visit the market because they have other business at Fruitvale Village. People visit from other parts of Fruitvale for lunch. People also come from other parts of the Bay Area just to go to the public market, a restaurant or the ice cream shop. One cautionary tale involves a bar at Fruitvale Village. A few restaurants have tried to serve alcohol, but the typical working profile of Fruitvale Village employees is single or married females with children at home, not the “going to get drinks after work” crowd. Their bar has not experienced the anticipated success, and it has not been leased for the last three years. They plan on converting the space into something else.

**Mercado La Paloma**

On average, 600 people per day visit during the workweek, 510 on Saturdays and fewer on Sundays. Ideally they would like to double their sales numbers. The customer breakdown based on responses to a survey indicate that 19 percent of people live in area, 40 percent work in area, 5 percent attend University of Southern California, 1 percent worked for City/elected official, 8 percent work for non-profit, 22 percent are from outside and 5 percent visit the DMV.
(the only DMV office of its kind in LA). There is no information available on price points or shopper income.

The mercado intended to benefit the neighborhood since there are not many gathering spaces, but also to create businesses that were unique and high-quality enough to attract customers from outside the neighborhood and stimulate economic development in South Central Los Angeles.

The busiest hours are between 11:00 am and 1:30 or 2:00 pm. Eighty percent of businesses are lunch space businesses that are open during the work week. Saturday and Sunday are different as they attract families who live in the neighborhood or are from a particular cultural group (e.g. Oaxacans come to Oaxacan restaurant, Zacatecans to the Zacatecan restaurant). Dinner is the second most popular time for visitors.

In order to determine demographics, surveyors watched people and cross referenced a survey that was conducted with 700 respondents. From that survey, 54 percent identified as Hispanic, 16 percent white, 8 percent African American, 8 percent Asian, and 4 percent other. Seventy percent are over age of 30; 15 percent between ages 23 and 30, 5 percent between ages 18 and 23, 3 percent between ages 10 and 18, and 6 percent age 0 to 10.

**Mercado Central**

The vendors are 100 percent Latino and the customer base is 95 percent Latino. There are no door counters or other means for a customer count.

**Midtown Global Market**

Sophisticated new door counters tabulate an average of 25,000 visitors per week at Midtown Global Market. For example, a single cell phone was detected to have entered the market 14 times during the month of February. The demographic profile of Midtown Global customers is “all across the board” according to Jeff Alexander; they want people of all walks of life to feel comfortable there.

Midtown Global Market has identified a few targeted demographics. They want to attract employees and visitors of a nearby hospital complex, a corporate headquarters and a county service center for getting a driver license, along with neighborhood residents. They hold weekly events such as the Friday neighborhood family night with live music or Wednesday morning special guests (such as a local zoo representative with a bald eagle or snake), which are both popular events. Special events create media buzz and draw people to the market as a destination.

**8. LOCATION AND TRANSPORTATION**

It is advisable to pay attention to details on human routines in order to maximize traffic flow through the mercado’s vicinity at different times of the day and week. Multi-modal access is critical, and while active transportation should be encouraged, motor vehicle infrastructure such
as sufficient parking space should be carefully considered. The site selection holds great implications for customer traffic flow and the importance of location cannot be emphasized enough.

Fruitvale Market

Commuters from both Oakland and Alameda use the Fruitvale Bay Area Rapid Transit (BART) Station. Fruitvale Village is next to one of the busiest East Bay BART stations and is a ½ block from a main commercial arterial, International Boulevard. It is about five miles from downtown Oakland and six miles from the San Leandro border. Fruitvale Village acts as an arterial connector from International Boulevard to the transit station. The public market is sited immediately adjacent to Fruitvale Village between International Boulevard and the BART station.

Located between Fruitvale Village and the International Boulevard corridor, the public market gets considerable foot traffic as people walk down the avenida (closed off city street that acts as a pedestrian thoroughfare) to get to the BART gate. This natural walking path brings in many customers, but does not get as much foot traffic as the front of the store facing International Boulevard.

Commuters stop by sometimes before they go to work to get coffee, drop off clothes at dry cleaners, or go to convenience store for donut/bagel; quick in-and-out amenities. They do not shop for gifts or sit down for breakfast before they go to work. People drive, take the bus, walk or ride their bikes in from other parts of Oakland or Alameda and want their daily commute as short as possible. There are more opportunities for people to do shopping on the way home. People who do not live in the neighborhood typically do not shop in the neighborhood, although they might “get a quick bite.” Alameda residents, for example, do not sit down at Fruitvale restaurants. Fruitvale neighbors, however, are more likely to sit down and have dinner on their way home.

Fruitvale Village opened in 2004, but the public market did not open until 2008. When they opened the village (160,000 square feet of usable space), there were early challenges with Fruitvale Village for a site that massive. Thirty percent of the space was unfinished and there were some frustrating initial tenants (particularly in retail). There were challenges in leasing, but also in figuring out how to activate the entire area, which sits on about three acres. The most successful strategy was the introduction of farmers markets during different days of the week.

Mercado La Paloma

Beth Rodin emphasized location as the most important decision for Mercado La Paloma. The Mercado is fortunate to be near large institutions but has experienced trouble in building a customer base because it is not in a centrally accessible commercial location. While there is a large residential population people have to walk under a freeway and they are in an industrial zoned area. Based on who the Portland Mercado targets as customers, Rodin urged consideration of how visitors will travel there. Location has hurt Mercado La Paloma; Beth is not sure if they could find another place but she wishes that they were located a couple of blocks away. A solid understanding of where traffic comes from is ultimately more important than a low cost site.
Mercado Central

The location of the Mercado Central was in an area with a negative reputation on Lake Street, but eventually the Mercado helped to facilitate growth and development in the area. The city reconstructed the street recently and that construction has been expensive.

Midtown Global Market

Midtown Global Market is adjacent to a retired railroad bed that became a bike path. The market developed a big bike center complete with a bike store, lockers and showers. They have put a great deal of effort in active transportation but they also have a transit station; they will possibly get light rail soon. They have a surface parking lot shared with a corporate center; the corporate center has the most square footage, so there is an understanding that parking will depend upon individual needs. Midtown Global has 1,200 parking spaces but for big events they have to “beef it up.”

9. CONCLUSION

Although site selection is arguably the most important decision made in the development of a mercado, the determination of vendors must not be underestimated. In addition to diversity of vendor types, a decision must be made with regard to whether or not the mercado will attract only start-up businesses, or if it will require a certain percentage of more experienced anchors. The extent to which the mercado provides support to emerging businesses through subsidies or technical assistance must also be carefully determined.

Drawing of customers using advertising can occur through a variety of media. Traditional advertising methods, such as print, television and radio serve an important purpose, but creativity and innovative strategies that generate excitement and buzz about the Portland Mercado are valuable to pursue. Earned media, such as reviews by “foodies” in well-respected media, can cause people to respond more because it is a trusted recommendation, not a paid advertisement. Special events can be strong generators of business. Innovative media such as social media and unique coupon deals are growing as important methods of attracting customers.

A strong customer base must be well-supported by an appropriate location with adequate transportation access. A Transit Oriented Development (TOD) draws not only residents, but also commuters and individuals that work there. An awareness of demographics and what might attract those individuals, such as vendor types or events, is crucial. Zoning and density should be taken into account, as well as nearby attractors. Hopefully the Portland Mercado will become a destination, but that is not an assumption upon which to base the development. It is desirable to attract predominantly a Hispanic population, but it is profitable to attract others as well. Ideally the Portland Mercado can maximize resources and opportunities for people to visit throughout the day.
The creation of a 5,000 to 10,000 square foot facility as a destination is not likely. Building off of established, adjacent attractions is a good strategy, but must be considered thoroughly. Nearby retail that targets a higher end clientele could help business. It is helpful to be a part of a larger trafficked area where people come for multiple purposes, such as recreation, but it is important to consider competing amenities, such as other shopping centers.

The development of the Portland Mercado must continue as an intentional process that considers the feasibility of its operational structure, whether it be a cooperative or a tenant association. Other considerations with regard to calculation of common costs and shared resources and supplies must be carefully developed as it is easier to implement a system from the start, rather than making changes after a system is already in place. Identify support structures early on, but be flexible as resources become available in the development of diverse and creative support tools. The community-based, mission-driven character of the mercado should be maximized as a small business incubator and a cultural and community economic development tool.
ACKNOWLEDGMENTS

Nathan Teske, Hacienda Community Development Corporation (Portland, OR)
Ellen Wyoming, Hacienda Community Development Corporation (Portland, OR)
Mary Bosch, Marketek, Inc. (Portland, OR)
Connie Ozawa, PSU Toulan School of Urban Studies and Planning (Portland, OR)
Anne Fraser, Willamette University (Salem, OR)
Jeff Alexander, Neighborhood Development Center (Minneapolis, MN)
Becky George, Neighborhood Development Center (Minneapolis, MN)
Jeff Pace, the Unity Council (Oakland, CA)
Beth Rodin, Esperanza Community Housing Corporation (Los Angeles, CA)