
MARKET READINESS ANALYSIS & REPORT

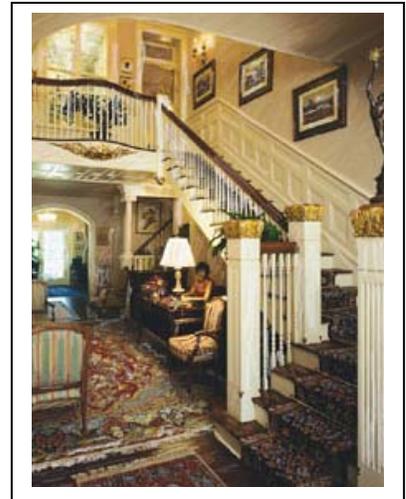
THE CITY OF VENETA, OREGON



RETAIL



HOUSING



LODGING



FUNDED THROUGH A GRANT FROM THE OREGON DEPARTMENT OF
LAND CONSERVATION & DEVELOPMENT
635 Capitol Street NE, Suite 150, Salem, OR 97301
JUNE 2006

MARKET READINESS ANALYSIS & REPORT

VENETA, OREGON

PREPARED BY:



MARKETEK, INC.
MARY BOSCH, PRINCIPAL
920 SW BARBUR BLVD.
SUITE 119-220
PORTLAND, OR 97219
503.638.1615

UNDER A CONTRACT WITH:



THE OREGON DOWNTOWN
DEVELOPMENT ASSOCIATION
PO BOX 2912
SALEM, OR 97308
503.587.0574

FUNDED THROUGH:



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CONSERVATION & DEVELOPMENT
635 CAPITOL AVE. NE, SUITE 150
SALEM, OR 97301
503.373.0050

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CITIZENS OF VENETA

For their participation in the process to develop this report

VENETA CITY COUNCIL / URBAN RENEWAL AGENCY

Tim Booker, Mayor, Thomas Cotter, President, Darrell Carmen,
Marion Esty, & Sharon Hobart-Hardin

DOWNTOWN ADVISORY COMMITTEE

Linda Boothe, Lee Kelley, Larry Larson, Tami Sakany,
Vicki Sourdry, Lee Taylor-Loewe, & Keri Westlund

CITY OF VENETA STAFF

Ric Ingham, City Administrator
Margaret Boutell, Community Services Director
Brian Issa, Associate Planner
Dan Watts, RARE Intern

TABLE OF CONTENTS

T1.0 Action Plan Summary	1
2.0 Commercial/Retail Market Analysis	9
3.0 Downtown Housing: Strategies for Success	50
4.0 Lodging Market Analysis	65
5.0 Appendices	77
Shopper Survey Results	
Business Owner Survey Results	

ACTION PLAN SUMMARY

In recent years, the City of Veneta's employment base has not kept pace with its fast-growing residential population. To encourage the economic growth it desires, Veneta has worked hard to improve the infrastructure and access to its 100-acre commercial/industrial park, the Northeast Employment Center (NEC), a site with the potential to be state-certified and one which is well suited to absorb commercial and industrial land demand flowing from the constrained Eugene market. Yet, even with quality industrial sites, Veneta is well aware of the critical importance of conveying a positive community image to business prospects—commercial or industrial.

A positive image is the result of many factors from good land use planning and well maintained infrastructure to an involved citizenry and tasteful architectural design. At the heart of a community's image is the downtown business district which signals the commitment of local leaders to creating a positive quality of life—a value that is highly important to potential businesses considering locating to the NEC. Critical to capitalizing on the opportunity to develop NEC is encouraging physical and economic improvements to downtown Veneta. The first step toward the creation of a vibrant town center for Veneta is completion of the Downtown Master Plan together with the Market Readiness Analysis that follows.

This report outlines findings and recommendations of the Veneta market opportunity analysis and business development strategy initiative being prepared in conjunction with the Downtown Veneta Master Plan by the Oregon Downtown Development Association for the City of Veneta. The purpose of the market opportunity analysis is to:

- Provide a comprehensive assessment of potential market support for retail/service/restaurant uses, a briefing of residential strategies to develop downtown housing, and an analysis of opportunities and market readiness for the development of lodging.
- Provide the City of Veneta with a factual base for developing strategies to strengthen and diversify the downtown business base, capture consumer dollars currently flowing out of Veneta and improve the mix of viable economic uses over time.
- The Action Plan Summary highlights the findings and recommended next steps of the retail market analysis, approaches to downtown housing and the lodging market analysis.

The following Action Plan outlines next-step strategies under retail/commercial, housing, and lodging categories. Detailed information on Veneta's market and associated opportunities are contained in the body of the report that follows the Action Plan.

RETAIL / COMMERCIAL MARKET OPPORTUNITIES

<ul style="list-style-type: none"> <u>Veneta's Strengths/Opportunities</u> Fast growing residential market w/ healthy incomes Diversity of visitor attractions; growing market Local leadership & salesmanship Existing unmet retail demand of >310,000 sq. ft. Potential demand for additional retail: 127,000 sq. ft. by 2015 	<ul style="list-style-type: none"> <u>Veneta's Issues/Challenges</u> Significant retail market and lack of supply - - hence, retail leakage to Eugene-Springfield area Multiple commercial centers in Veneta; dispersed retail base/energy No ready-to-occupy space downtown Downtown physical environment, vacant lots and current mix, including some inappropriate uses
--	---

Strategy 1: Establish redevelopment guidelines

Action 1.1 Review & commit to the guiding principles identified in the market study.	Schedule 2006 2007 2008+
<u>Project Lead:</u> <u>Partner:</u> City Economic Development (E.D) Committee	X
Action 1.2 Put the guidelines in writing as a prelude to the downtown vision and Business Development activities. Include as part of downtown's marketing package for 'where you are headed.'	Schedule 2006 2007 2008+
<u>Project Lead:</u> <u>Partners:</u> City E.D. Committee & Chamber	X

Strategy 2: Get downtown properties ready to occupy

Action 2.1 Inventory and assess all vacant properties in downtown core. Determine which are ready for occupancy, which need renovation or other changes.	Schedule 2006 2007 2008+
<u>Project Lead:</u> <u>Partner:</u> E.D. Committee City	X
Action 2.2 Create tools and incentives to encourage property rehab in the downtown: from grants and low interest loans to free design assistance.	Schedule 2006 2007 2008+
<u>Project Lead:</u> <u>Partner:</u> City E.D. Committee	X
Action 2.3 Contact property owners one-on-one to discuss their plans, interests, issues and needs. Promote available incentives to encourage redevelopment.	Schedule 2006 2007 2008+
<u>Project Lead:</u> <u>Partner:</u> E.D. Committee City	X

<p>Action 2.4 Identify the top three properties to put in 'market ready' condition within 6 mos. Identify top one-to-three properties for redevelopment with consideration for core area defined in Downtown Master Plan.</p> <p><u>Project Lead:</u> E.D. Committee <u>Partner:</u> City</p>	<table border="1"> <thead> <tr> <th colspan="3">Schedule</th> </tr> <tr> <th>2006</th> <th>2007</th> <th>2008+</th> </tr> </thead> <tbody> <tr> <td>X</td> <td></td> <td></td> </tr> </tbody> </table>	Schedule			2006	2007	2008+	X		
Schedule										
2006	2007	2008+								
X										
<p>Action 2.5 Prepare property fact-sheets on marketable properties and aggressively promote as part of business recruitment efforts.</p> <p><u>Project Lead:</u> E.D. Committee <u>Partner:</u> City</p>	<table border="1"> <thead> <tr> <th colspan="3">Schedule</th> </tr> <tr> <th>2006</th> <th>2007</th> <th>2008+</th> </tr> </thead> <tbody> <tr> <td></td> <td>X</td> <td></td> </tr> </tbody> </table>	Schedule			2006	2007	2008+		X	
Schedule										
2006	2007	2008+								
	X									
<p>Action 2.6 Organize game plan to take charge of problem properties—working on as many as possible.</p> <p><u>Project Lead:</u> City <u>Partner:</u> E.D. Committee</p>	<table border="1"> <thead> <tr> <th colspan="3">Schedule</th> </tr> <tr> <th>2006</th> <th>2007</th> <th>2008+</th> </tr> </thead> <tbody> <tr> <td></td> <td>X</td> <td>X</td> </tr> </tbody> </table>	Schedule			2006	2007	2008+		X	X
Schedule										
2006	2007	2008+								
	X	X								
<p>Action 2.7 Review allocated land uses and occupancies in downtown; enforce existing zoning/building codes; update zoning to encourage retail/service in downtown ground floor space.</p> <p><u>Project Lead:</u> City <u>Partner:</u> E.D. Committee</p>	<table border="1"> <thead> <tr> <th colspan="3">Schedule</th> </tr> <tr> <th>2006</th> <th>2007</th> <th>2008+</th> </tr> </thead> <tbody> <tr> <td></td> <td>X</td> <td>X</td> </tr> </tbody> </table>	Schedule			2006	2007	2008+		X	X
Schedule										
2006	2007	2008+								
	X	X								
<p>Strategy 3: Target & promote appropriate business mix</p>										
<p>Action: 3.1 Encourage specialty retail, local artisans, and home furnishings businesses to locate downtown.</p> <p><u>Project Lead:</u> E.D. Committee <u>Partners:</u> Chamber, City</p>	<table border="1"> <thead> <tr> <th colspan="3">Schedule</th> </tr> <tr> <th>2006</th> <th>2007</th> <th>2008+</th> </tr> </thead> <tbody> <tr> <td></td> <td>X</td> <td>X</td> </tr> </tbody> </table>	Schedule			2006	2007	2008+		X	X
Schedule										
2006	2007	2008+								
	X	X								
<p>Action: 3.2 Build on hardware store and bakery locations to cluster additional complementary businesses</p> <p><u>Project Lead:</u> E.D. Committee <u>Partners:</u> Chamber, City</p>	<table border="1"> <thead> <tr> <th colspan="3">Schedule</th> </tr> <tr> <th>2006</th> <th>2007</th> <th>2008+</th> </tr> </thead> <tbody> <tr> <td></td> <td>X</td> <td>X</td> </tr> </tbody> </table>	Schedule			2006	2007	2008+		X	X
Schedule										
2006	2007	2008+								
	X	X								
<p>Strategy 4: Encourage business retention/expansion first, followed by business attraction</p>										
<p>Action: 4.1 Encourage businesses to cross-market and purchase locally. Promote Businesses Buying Locally campaign. Track and promote results.</p> <p><u>Project Lead:</u> Chamber <u>Partner:</u> E.D. Committee</p>	<table border="1"> <thead> <tr> <th colspan="3">Schedule</th> </tr> <tr> <th>2006</th> <th>2007</th> <th>2008+</th> </tr> </thead> <tbody> <tr> <td></td> <td>X</td> <td></td> </tr> </tbody> </table>	Schedule			2006	2007	2008+		X	
Schedule										
2006	2007	2008+								
	X									
<p>Action 4.2 Institute a Business Appreciation/Kudos Program to recognize the positive contributions and improvements businesses are making.</p> <p><u>Project Lead:</u> Chamber <u>Partner:</u> E.D. Committee</p>	<table border="1"> <thead> <tr> <th colspan="3">Schedule</th> </tr> <tr> <th>2006</th> <th>2007</th> <th>2008+</th> </tr> </thead> <tbody> <tr> <td>X</td> <td></td> <td></td> </tr> </tbody> </table>	Schedule			2006	2007	2008+	X		
Schedule										
2006	2007	2008+								
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<p>Action 4.3 Share the findings of retail market study with existing businesses to help them expand and diversify merchandise mix. Facilitate connections to available business resources, such as Small Business Development Center, U of O's Lundquist Center for Entrepreneurship, etc.</p> <p><u>Project Lead:</u> E. D. Committee <u>Partners:</u> SBDC, UO, Chamber</p>	<p>Schedule 2006 2007 2008+ X</p>
<p>Action 4.4 Provide incentives and encouragement for established businesses to expand. From grants & loans to training and low cost one-on-one technical assistance</p> <p><u>Project Lead:</u> E. D. Committee <u>Partner:</u> Chamber</p>	<p>Schedule 2006 2007 2008+ X</p>
<p>Action 4.5 Prepare target downtown business recruitment campaigns for the top 3-5 retail/business priorities selected from retail market analysis. Use multiple marketing tools from simple brochure to business visitations and sales calls</p> <p><u>Project Lead:</u> E.D. Committee <u>Partner:</u> Chamber</p>	<p>Schedule 2006 2007 2008+ X X</p>
<p>Strategy 5: Organize to market the community & promote Veneta's commercial businesses on an ongoing basis</p>	
<p>Action: 5.1 Increase positive publicity and awareness of Veneta's successful projects and community improvements such as the, downtown master planning for local residents and the metro market. Use creative approaches such as community pride campaign and regular press releases on Veneta's progress and change.</p> <p><u>Project Lead:</u> Chamber <u>Partner:</u> City</p>	<p>Schedule 2006 2007 2008+ X X</p>
<p>Action 5.2 Provide annual hospitality training for local small business owners and employees to help provide the best service and impressions possible to visitors, who have been known to become residents and even business owners.</p> <p><u>Project Leader:</u> Chamber of Commerce <u>Partner:</u> E.D. Committee</p>	<p>Schedule 2006 2007 2008+ X X</p>
<p>Action 5.3 Introduce a <i>Welcome to Veneta</i> marketing campaign to encourage new residents to shop in town. Develop an information and business promotion packet and host a semi-annual ice cream social/coffee & dessert reception at city hall.</p> <p><u>Project Lead:</u> Chamber of Commerce <u>Partner:</u> City</p>	<p>Schedule 2006 2007 2008+ X X X</p>

<p>Action 5.4 Develop a calendar of cooperative marketing initiatives to attract more visitor, employee and resident shopping. EX: link retail promotions to Veneta's major events. Create Frequent Shopper Programs, seasonal sales, special discount promotions.</p> <p><u>Project Lead:</u> Chamber of Commerce</p> <p><u>Partners:</u> E.D. Committee</p>	Schedule		
	2006	2007	2008+
	X	X	X

DOWNTOWN HOUSING STRATEGIES				
<ul style="list-style-type: none"> • <u>Veneta's Strengths/Opportunities</u> • Veneta fast-growing housing base has put it 'on the map' as a quality community. • New downtown development provides the opportunity to incorporate housing • A segment of Veneta's residents—looking for an 'alternative lifestyle' are well-suited to downtown living & live-work housing. • Veneta appears to have insufficient affordable & rental housing choices 	<ul style="list-style-type: none"> • <u>Veneta's Issues/Challenges</u> • Limited housing diversity and little quality multi-family housing options • No comparable local projects have tested the market for a unique downtown alternative. Catalyst project is needed. • Strong incentives may be needed to entice private developer 			
<p>Strategy 1 Work to incorporate housing into new infill developments downtown</p>				
<p>Action 1.1 Work with Oregon Housing and Community Services to identify appropriate assistance and alternative approaches to a mixed-used housing project in downtown Veneta.</p> <p><u>Project Lead:</u> City</p>		Schedule		
		2006	2007	2008+
		X		
<p>Action 1.2 Incorporate a commitment to housing within Veneta's vision and master plan for downtown, as a key component of a sustainable mixed use commercial district. Promote the role of housing in a healthy downtown/educate community about the economic value of housing.</p> <p><u>Project Lead:</u> City</p> <p><u>Partner:</u> E. D. Committee</p>		Schedule		
		2006	2007	2008+
		X	X	
<p>Action 1.3 As part of the property inventory related to commercial development, identify downtown properties with the best potential for housing in terms of site size, scale, availability, etc.</p> <p><u>Project Lead:</u> City</p> <p><u>Partner:</u> E. D. Committee</p>		Schedule		
		2006	2007	2008+
		X	X	

Action 1.4 Organize an out of town field trip or two to visit small communities that have had success with downtown housing projects. Tour their projects and learn first hand of the steps they took in the process. <u>Project Lead:</u> City <u>Partner:</u> E. D. Committee	Schedule		
	2006	2007	2008+
	X		X

LODGING MARKET OPPORTUNITIES

<ul style="list-style-type: none"> • <u>Veneta's Strengths/Opportunities</u> • Growing local market • Growing visitor market • Potential scenic locations on lake • Highway visibility 	<ul style="list-style-type: none"> • <u>Veneta's Issues/Challenges</u> • Proximity to significant supply of rooms & amenities • Limited employment base—a key generator of room occupancies • Largely day trip, seasonal visitor market • Limited enticements to attract an extended stay by visitors
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Strategy 1 Prepare for the future when a small hotel can be supported, following or in conjunction with economic expansion

Action: 1.1 Get your market facts & keep them up to date: -develop visitor database/survey & counts for all events/attractions -interview employers on overnight demand <u>Project Lead:</u> Chamber <u>Partners:</u> E.D. Committee, Lane County Convention & Visitor Bureau	Schedule		
	2006	2007	2008+
	X	X	X
Action 1.2 Identify local interest in pursuing Bed and Breakfasts and a quality RV park. Explore interest in these ventures with local property owners, developers, entrepreneurs <u>Team Leader:</u> City <u>Partner:</u> Chamber	Schedule		
	2006	2007	2008+
	X	X	
Action: 1.3 Host a workshop on 'Starting a B&B' <u>Project Lead:</u> E.D. Committee <u>Partners:</u> City, SBDC, Oregon B&B Guild	Schedule		
	2006	2007	2008+
		X	
Action 1.4 Attend annual conferences of Oregon Lodging Association, the B&B Guild, RV Park & Campground Association to network with experienced lodging managers and business owners and learn about 'what it takes' to be successful with these ventures. <u>Project Lead:</u> E.D. Committee <u>Partners:</u> City, Chamber	Schedule		
	2006	2007	2008+
	X	X	X

Action: 1.5 In planning for growth, identify prime highway frontage sites now for the siting of a future hotel facility. <u>Project Lead:</u> E.D. Committee <u>Partners:</u> City, Chamber	Schedule		
	2006	2007	2008+
		X	X
Action: 1.6 Explore a community-initiated development process—public/private partnership or local investor group to spearhead filling lodging demand through the pursuit of one or multiple options—B&Bs, lodge, RV Park, etc. <u>Project Lead:</u> E.D. Committee <u>Partner:</u> City	Schedule		
	2006	2007	2008+
		X	X

INTRODUCTION

This report shares the findings of the Veneta market opportunity analysis and business development strategy initiative being prepared in conjunction with the Downtown Veneta Master Plan by the Oregon Downtown Development Association for the City of Veneta. The document is organized into three chapters:

1. Commercial/Retail Market Analysis
2. Downtown Housing: Strategies for Success
3. Lodging Market Analysis

PURPOSE

The purpose of the market opportunity analysis is to:

- Provide a comprehensive assessment of potential market support for retail/service/restaurant uses in Veneta in general and the downtown Veneta commercial district.
- Create an accurate picture of Veneta's retail industry including understanding the existing supply of businesses; consumer preferences, needs and buying patterns; and opportunities and challenges for growth and development in the downtown.
- Provide the City of Veneta with a factual base for developing strategies to strengthen and diversify the downtown business base, capture consumer dollars currently flowing out of Veneta and improve the mix of viable economic uses over time.

COMMERCIAL / RETAIL MARKET ANALYSIS

METHODOLOGY

As downtown Veneta's commercial redevelopment program will be phased over time, the retail market analysis considers a ten-year time period from 2005-2015, which is a realistic projection period for retail development. The research (both primary and secondary) includes a statistical estimate of potential retail sales and supportable space, the results of a community-wide resident survey of shopping preferences, a survey of the Veneta business community, telephone/personal interviews with local leaders, community site visits, in-store visits to Veneta businesses and a public meeting in March 2006.

This report is organized into four principal sections:

- I. **Target Market Analysis**
- II. **Opinion Research**
- III. **Retail Market Analysis**
- IV. **Next Steps**

I. TARGET MARKET ANALYSIS

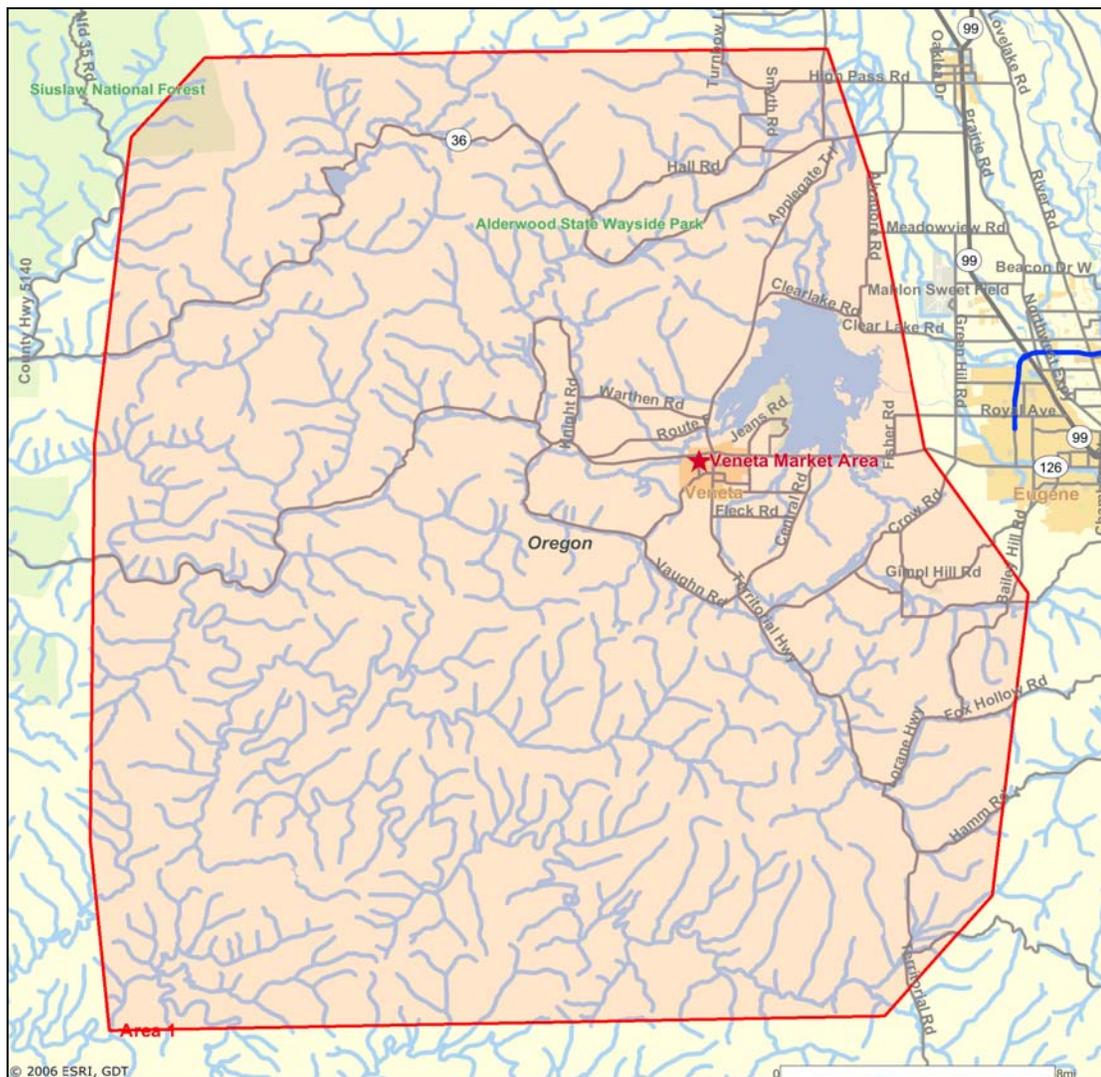
Downtown Veneta's primary target customer markets for retail and services include: local resident shoppers, area employees and visitors. This section characterizes the size and features of each market, with an in-depth look at the local resident market, which provides the shopping district with the greatest opportunity for a dependable source of year-round sales.

LOCAL RESIDENT SHOPPERS

The socioeconomic characteristics of Veneta's local shopper retail/commercial trade area are provided in this section. A map on the following page illustrates the boundaries of this market area. The retail trade area is the geographic area from which the majority of Veneta's local customers will emanate. This trade area was drawn based upon the knowledge and experience of Veneta's largest anchor businesses, the information shared through the Veneta Business Owner Survey, drive time estimates, and the location of existing retail competition.

The delineation of the retail trade areas is not meant to suggest that prospective local customers of downtown/other Veneta businesses will be drawn solely from this geographic area. Many businesses draw from beyond this market on a regular basis. However, the vast majority of local customers will stem from the polygon-shaped area that includes Elmira, Horton, Lorane, Swisshome, Crow, Noti and other small rural communities.

Veneta's Retail Trade Area



A. Population & Household Growth

- From 1990 to 2005, the population growth rate in the local Veneta trade area (.72%) has been less than half that of the State of Oregon, (1.91%.) This extended period of slow growth does not reflect the current expectations in the area. While the State of Oregon's growth rate between 2005 and 2010 is predicted to slow to 1.43%, Veneta is expected to see an average annual increase of 1.81% in the same period. See Exhibit V-1.
- The 2005 population of the Veneta local trade area is estimated at 20,839 and comprised of 7,747 households. This is up from 18,812 people and 6,713 households in 1990.
- Population growth is being fueled by new housing starts which grew rapidly once the development moratorium was lifted in 2000, concurrent with the

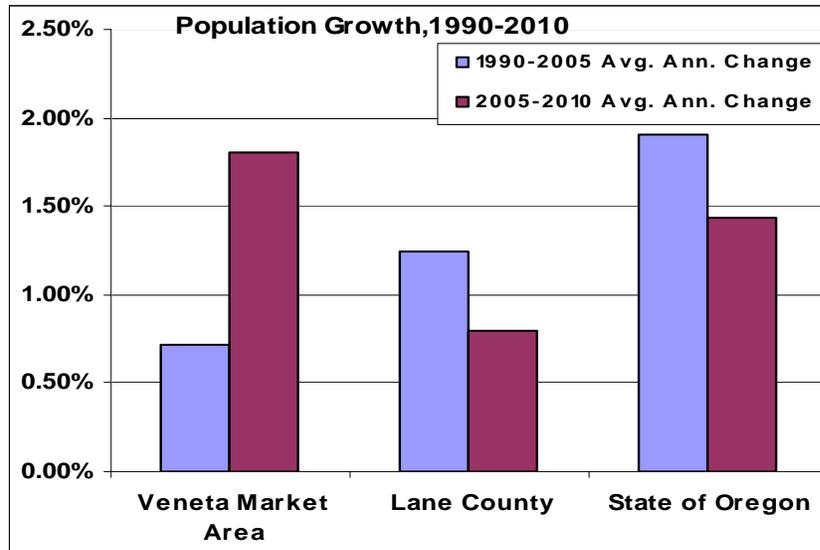
building of a wastewater treatment plant. In 2002, a total of 11 single-family homes were permitted in the City, followed by a dramatic rise in subsequent years. Single-family residential permits totaled 116 in 2003, 125 in 2004, 11 in 2005 and 23 through March 15 of 2006.

- During the 2005-2010 period, the local market area population is expected to grow by 1,885 people or 377 annually, resulting in a 2010 population of 22,724 and 8,749 households. Factored in to these estimates are the nearly 600 new households to be phased in by Hayden Homes during that time, the largest of several proposed development projects.
- Between 1990 and 2005, population growth throughout Lane County fell between Veneta and the State of Oregon at 1.24%. Between 2005 and 2010, this rate is expected to fall below both statewide and Veneta levels, to 0.8% per year. County population is expected to climb 2,675 people per annum over the five-year period, reaching 348,965 by 2010.

EXHIBIT V-1
Veneta Market Area, Lane County, State of Oregon
POPULATION GROWTH

1990-2010

Geographic Area	Avg. Ann. Change 1990-2005				Avg. Ann. Change 2005-2010		
	1990	2005 (Estimate)	Number	Percent	2010 (Forecast)	Number	Percent
Veneta Market Area							
Population	18,812	20,839	135	0.72%	22,724	377	1.81%
Households	6,713	7,747	69	1.03%	8,479	146	1.89%
Avg. Household Size	3.10	2.69	-0.027		2.68	-0.002	
Lane County							
Population	282,912	335,591	10,536	1.24%	348,965	2,675	0.80%
Households	110,799	136,351	1,703	1.54%	142,482	1,226	0.90%
Avg. Household Size	2.49	2.41	-0.005		2.40	-0.002	
State of Oregon							
Population	2,842,321	3,657,282	54,331	1.91%	3,919,026	52,349	1.43%
Households	1,103,313	1,422,666	21,290	1.93%	1,524,896	20,446	1.44%
Avg. Household Size	2.52	2.52	0.000		2.52	0.000	



Source: ESRI Business Information Solutions (BIS), Marketek, Inc.

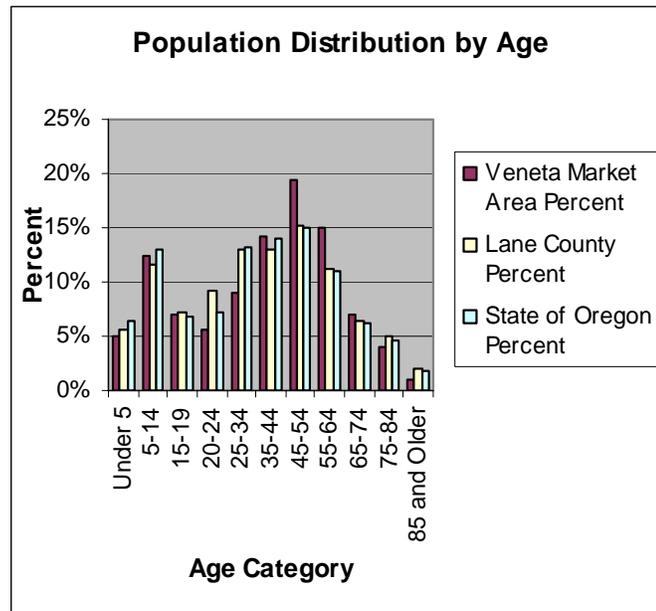
B. Age Distribution

- The population within and immediately surrounding Veneta tends to be slightly older relative to the greater Lane County trade area. The 2005 median age within the Veneta trade area is estimated at 42.9 years and 37.5 years within Lane County (Exhibit V-2). In the State of Oregon, the 2005 estimated median age is 37.3 years.
- The estimated proportion of the population under the age of 15 in 2005 is 17% within Veneta and 17.3% in Lane County. Both are lower than the state proportion of 19.5% for this age group.
- An estimated 13% of the local trade area population was age 15 to 24 in 2005, below the 16.4% level in Lane County. The state average is closer to the Veneta area at 13.2%.
- The prime consumer age category, ages 25 to 64 comprises approximately 58% of the local trade area population, measurably above the 52% comprising the Lane County area. The state's average age in this cohort falls closer to the Lane County statistic at 53.5%.
- The share of residents age 65 years or older in 2005 was slightly higher in the Lane County market area (13.5%) compared to the Veneta market (12%) and the State of Oregon (12.8%).

EXHIBIT V-2

POPULATION BY AGE
Veneta Market Area, Lane County, Oregon
2005

Age Category	Veneta Market Area	Lane County	State of Oregon
Under 5	5%	5.7%	6.5%
5-14	12%	11.6%	13.0%
15-19	7%	7.2%	6.9%
20-24	6%	9.2%	7.3%
25-34	9%	13.1%	13.3%
35-44	14%	13.0%	14.0%
45-54	19%	15.2%	15.1%
55-64	15%	11.3%	11.1%
65-74	7%	6.5%	6.3%
75-84	4%	5.0%	4.6%
85 and Older	1%	2.0%	1.9%
Total	20,839	335,591	3,657,282
Median Age	42.9	37.5	37.3



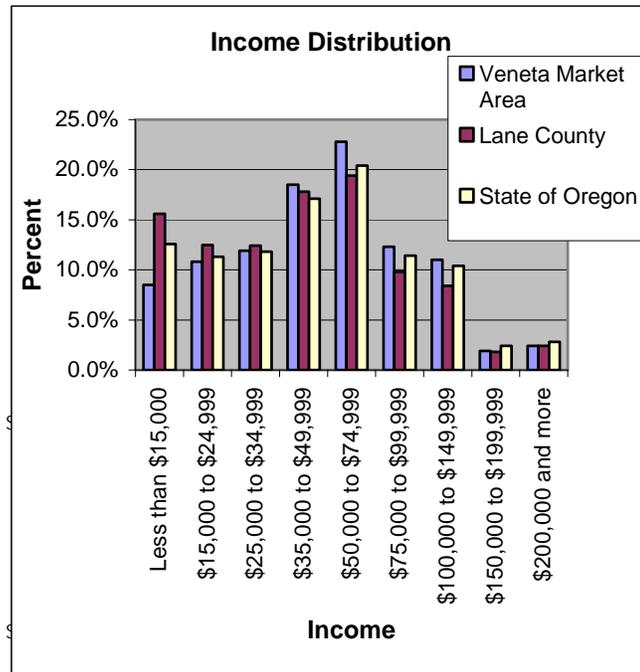
C. Household Income Distribution

- Exhibit V-3 shows that on the whole, Veneta market area residents are slightly more affluent than households statewide, and substantially more than Lane County households. Estimated 2005 median household income ranges from \$50,219 in the local Veneta market to \$42,601 in the greater market area, compared to \$47,424 for the state as a whole.

EXHIBIT V-3

HOUSEHOLD INCOME
Veneta Market Area, Lane County, State of Oregon
2005

Income	Veneta Market Area	Lane County	State of Oregon
	Percent		Percent
Less than \$15,000	8.5%	15.6%	12.6%
\$15,000 to \$24,999	10.8%	12.5%	11.3%
\$25,000 to \$34,999	11.9%	12.4%	11.8%
\$35,000 to \$49,999	18.5%	17.8%	17.1%
\$50,000 to \$74,999	22.8%	19.4%	20.4%
\$75,000 to \$99,999	12.3%	9.8%	11.4%
\$100,000 to \$149,999	11.0%	8.4%	10.4%
\$150,000 to \$199,999	1.9%	1.8%	2.4%
\$200,000 and more	2.4%	2.4%	2.8%
Total Households	7,747	136,351	1,422,666
Median HH Income	\$50,219	\$42,601	\$47,424



Source: ESRI BIS

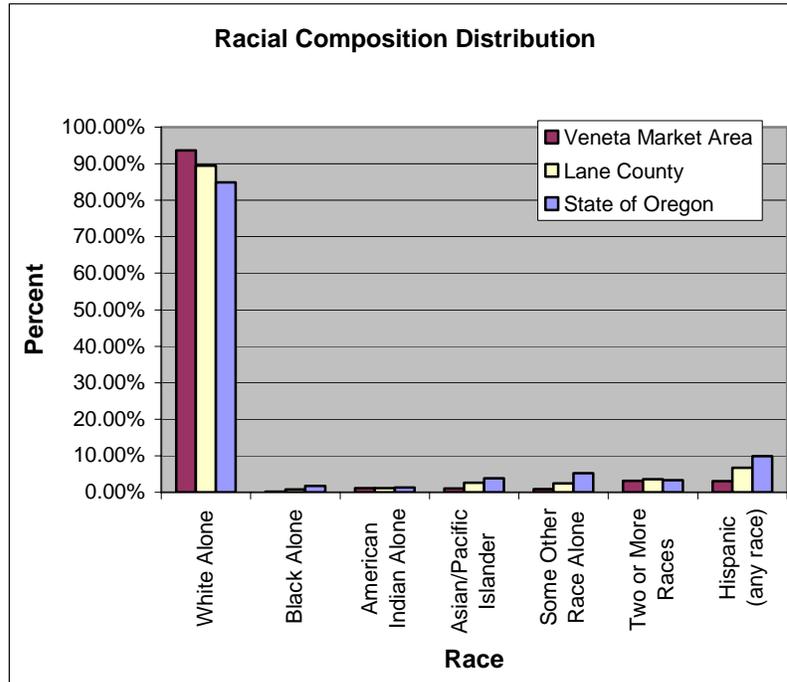
D. Racial Composition

- Racial makeup of the population as shown in Exhibit V-4 is less diverse in the Veneta trade area than both the state and Lane County.
- An estimated 89.5% to 93.7% of county and local trade area residents are white alone, up to 10% more than the state average of 84.9%. However, while only 3.0% of the local population is of Hispanic origin, the percentage more than doubles in the county market area (6.7% of Hispanic origin). This value is still below the 9.9% statewide.

Exhibit V-4

**RACIAL COMPOSITION
Veneta Market Area, Lane County, State of Oregon
2005**

Race	Veneta Market Area	Lane County	State of Oregon
	Percent	Percent	Percent
White Alone	93.70%	89.5%	84.9%
Black Alone	0.20%	0.8%	1.7%
American Indian Alone	1.10%	1.1%	1.3%
Asian/Pacific Islander	1.0%	2.6%	3.8%
Some Other Race Alone	0.9%	2.4%	5.2%
Two or More Races	3.1%	3.6%	3.3%
Hispanic (any race)	3.0%	6.7%	9.9%
Total	20,839	335,591	3,657,282



Source: ESRI BIS

E. Community Tapestry Segments

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.

Veneta trade area households have been grouped into Tapestry market segments. Compared to other rural Oregon areas, Veneta's population is highly diverse with several lifestyle groups well represented. The Veneta market area is chiefly represented by the "Green Acres" market segment, which represents 40% of all households. This group is comprised of married couples with a median age of 39 and an average income of \$62,300. This is substantially different than the "Rural Resort Dwellers" market segment which ranks second (18.1%) in the greater Veneta area market. This segment is much older, with a median age of 46, and has a lower median income of \$45,600.

However, all three of the top groups which include the "Midland Crowd" (16.7% of households) are similar in their preference for a rural lifestyle and interest in outdoor recreation.

Exhibit V-5 on the following page identifies all of the Veneta area's market segments by lifestyle categories. Exhibit V-6 identifies the major socioeconomic characteristics of all lifemode groups showing the number and percentage of Veneta market area households represented by various groups. The charts are followed by short descriptive paragraphs of all of the tapestry groups represented by Veneta households.

Exhibit V-5

HOUSEHOLDS BY PRIMARY MARKET SEGMENT
Veneta Market Area
2005

Veneta Market Area		
	Market Segment	Percent of Households
1	Green Acres	40.2%
2	Rural Resort Dwellers	18.7%
3	Midland Crowd	16.7%
4	Exurbanites	14.1%
5	Salt of the Earth	4.2%
6	Prarie Living	3.5%
7	In Style	2.7%
Total		100.1%

Source: ESRI

EXHIBIT V-6

HOUSEHOLDS BY LIFEMODE GROUP AND MARKET SEGMENT
2005

LifeMode Group/Segment	Veneta Market Area		Housing Type	Household Type	Percent Living in Owner-Occupied Units	Median Age	Median Income as a Percent of US	Median Net Worth as a Percent of US
	Number	Percent of HHS						
High Society	1,047	14.1%						
Top Rung	0	0.0%	Single Family	Married Couples	91%	43.3	361%	415%
Suburban Splendor	0	0.0%	Single Family	Married Couples	93%	40.0	239%	229%
Connoisseurs	0	0.0%	Single Family	Married Couples	91%	44.5	246%	280%
Boomburbs	0	0.0%	Single Family	Married Couples	91%	34.0	203%	167%
Wealthy Seaboard Suburb	0	0.0%	Single Family	Married Couples	89%	41.5	187%	197%
Sophisticated Squires	0	0.0%	Single Family	Married Couples	91%	36.8	168%	160%
Exurbanites	1,047	14.1%	Single Family	Married Couples	90%	42.9	169%	191%
Upscale Avenues	3,187	42.8%						
Urban Chic	0	0.0%	Single/Multi-Unit	Family Mix	67%	41.2	173%	222%
Pleasant-Ville	0	0.0%	Single Family	Married Couples	85%	38.8	148%	145%
Pacific Heights	0	0.0%	Single Family	Married Couples	69%	37.6	150%	167%
In Style	198	2.7%	Single/Multi-Unit	Married Couples	71%	37.6	139%	143%
Enterprising Professionals	0	0.0%	Single/Multi-Unit	Family Mix	45%	32.5	133%	98%
Green Acres	2,989	40.2%	Single Family	Married Couples	87%	39.1	129%	120%
Cozy and Comfortable	0	0.0%	Single Family	Married Couples	87%	40.2	126%	117%
Metropolis	0	0.0%						
City Lights	0	0.0%	Single/Multi-Unit	Family Mix	53%	38.0	117%	140%
Metropolitans	0	0.0%	Single/Multi-Unit	Mixed HHS	60%	37.2	114%	109%
City Strivers	0	0.0%	Multi-Unit	Family Mix	34%	31.9	76%	97%
Metro City Edge	0	0.0%	Single/Multi-Unit	Single Parent/Married	54%	28.5	64%	61%
Urban Rows	0	0.0%	Single/Multi-Unit	Family Mix	59%	32.8	60%	65%
Modest Income Homes	0	0.0%	Single Family	Family Mix	51%	34.2	43%	60%
Solo Acts	0	0.0%						
Laptops and Lattes	0	0.0%	Multi-Unit	Single Person/Shared	38%	38.0	179%	235%
Trendsetters	0	0.0%	Multi-Unit	Single Person/Shared	30%	34.8	111%	116%
Metro Renters	0	0.0%	Multi-Unit	Single Person	21%	34.1	101%	100%
Old and Newcomers	0	0.0%	Single/Multi-Unit	Single Person/Shared	38%	36.2	85%	96%
Young and Restless	0	0.0%	Multi-Unit	Single Person/Shared	15%	29.1	82%	67%
Senior Lifestyles	0	0.0%						
Prosperous Empty Nesters	0	0.0%	Single Family	Married Couples	86%	46.1	138%	173%
Silver and Gold	0	0.0%	Single Family	Married Couples	86%	57.6	136%	259%
Rustbelt Retirees	0	0.0%	Single Family	Married Couples	83%	43.2	96%	104%
Retirement Communities	0	0.0%	Single/Multi-Unit	Single/Married	55%	49.5	96%	188%
The Elders	0	0.0%	Single/Multi-Unit	Marr w/o Child/Sing	87%	72.8	77%	160%
Senior Sun Seekers	0	0.0%	Single/Mobile	Marr w/o Child/Sing	83%	51.8	71%	94%
Heartland Communities	0	0.0%	Single Family	Family Mix	71%	40.9	67%	84%
Simple Living	0	0.0%	Single/Multi-Unit	Mixed HHS	43%	39.5	56%	86%
Social Security Set	0	0.0%	High Rise	Single Person	14%	43.9	32%	73%
Scholars & Patriots	0	0.0%						
Military Proximity	0	0.0%	TH/Multi-Unit	Married w/ Children	7%	22.2	80%	75%
College Towns	0	0.0%	Single/Multi-Unit	Single Person/Shared	30%	24.3	59%	37%
Dorms to Diplomas	0	0.0%	Multi-Unit	Single Person/Shared	10%	21.7	36%	15%
High Hopes	0	0.0%						
Aspiring Young Families	0	0.0%	Single/Multi-Unit	Family Mix	48%	29.8	96%	77%
Great Expectations	0	0.0%	Single/Multi-Unit	Family Mix	48%	33.0	73%	72%
Global Roots	0	0.0%						
International Marketplace	0	0.0%	Single/Multi-Unit	Family Mix	31%	30.6	86%	92%
Industrious Urban Fringe	0	0.0%	Single Family	Married Couples	66%	28.6	82%	71%
Urban Melting Pot	0	0.0%	Multi-Unit	Family Mix	23%	35.0	77%	112%
Las Casas	0	0.0%	Single/Multi-Unit	Married w/ Children	41%	25.2	73%	72%
Inner City Tenants	0	0.0%	Multi-Unit	Family Mix	20%	27.9	61%	57%
NeWest Residents	0	0.0%	Multi-Unit	Family Mix	17%	25.5	55%	57%
City Dimensions	0	0.0%	Single/Multi-Unit	Family Mix	34%	28.8	53%	56%
High Rise Renters	0	0.0%	High Rise	Single Person/Shared	6%	29.1	46%	71%
Family Portrait	0	0.0%						
Up and Coming Families	0	0.0%	Single Family	Married w/ Children	86%	32.0	139%	84%
Milk and Cookies	0	0.0%	Single Family	Married w/ Children	81%	32.7	119%	93%
Urban Villages	0	0.0%	Single Family	Married w/ Children	73%	31.0	114%	104%
Southwestern Families	0	0.0%	Single Family	Married Couples	65%	27.7	54%	52%
City Commons	0	0.0%	Multi-Unit	Single Parent/Single	20%	24.0	32%	42%
Traditional Living	0	0.0%						
Main Street, USA	0	0.0%	Single/Multi-Unit	Family Mix	63%	35.9	103%	104%
Rustbelt Traditions	0	0.0%	Single Family	Family Mix	74%	36.1	89%	85%
Midlife Junction	0	0.0%	Single/Multi-Unit	Family Mix	66%	40.1	90%	107%
Family Foundations	0	0.0%	Single Family	Family Mix	76%	37.4	87%	93%
Factories & Farms	571	7.7%						
Salt of the Earth	314	4.2%	Single Family	Married Couples	85%	39.5	99%	95%
Prairie Living	257	3.5%	Single Family	Married Couples	80%	39.9	84%	90%
Southern Satellites	0	0.0%	Single/Mobile	Married Couples	82%	36.9	77%	68%
Home Town	0	0.0%	Single Family	Family Mix	58%	33.6	60%	62%
Rural Bypasses	0	0.0%	Single/Mobile	Family Mix	78%	36.4	56%	54%
American Quilt	2,636	35.4%						
Midland Crowd	1,246	16.7%	Single/Mobile	Married Couples	83%	35.9	98%	83%
Rural Resort Dwellers	1,390	18.7%	Single Family	Married Couples	83%	46.2	91%	103%
Crossroads	0	0.0%	Single/Mobile	Family Mix	75%	31.9	77%	57%
Rooted Rural	0	0.0%	Single/Mobile	Married Couples	83%	40.4	74%	75%
Unclassified	0	0.0%	~	~	~	~	~	~
Total	7,441	100.0%						

Note: Market segments in bold account for 4% or more of total households in the Veneta Market Area.

Source: ERSI BIS

Green Acres, 40.2% Households

A little bit country, *Green Acres* residents live in pastoral settings of developing suburban fringe areas, mainly in the Midwest and South, but also in the West. The median age is 39.9 years. Married couples, with and without children, comprise the majority of households, primarily single-family dwellings. This upscale market has a median household income of \$62,300 and a median home value of \$179,700. These do-it-yourselfers maintain and remodel their homes, whether painting, installing carpet, or adding a deck, and own all the necessary tools to accomplish their tasks. They also take care of their lawn and gardens, again with the right tools. Vehicles of choice are motorcycles and full size pickup trucks. For exercise, residents ride their bikes and go water skiing, canoeing, and kayaking. Other activities include bird watching, power boating, target shooting, hunting, and attending auto races.

Rural Resort Dwellers, 18.7% Households

Favoring milder climates and pastoral settings, *Rural Resort Dwellers* live in rural nonfarm areas. These small, growing communities mainly consist of single-family and mobile homes, with a significant inventory of seasonal housing. This somewhat older market has a median age of 46.0 years. Most households consist of married-couples with no children living at home or singles, living alone. A higher than average proportion of residents is self-employed and work from home. The median household income is \$45,600. Modest living and simple consumer tastes describe this market. The rural setting instills more riding lawn mowers and satellite dishes. Lawn maintenance and gardening is a priority, and households own a plethora of tools and equipment. Many households own or lease a truck. Residents enjoy boating, hunting, fishing, snorkeling, canoeing, and listening to country music.

Midland Crowd, 16.7% Households

Midland Crowd represents Tapestry's largest market, with close to 10.8 million people. The median age of 36.3 parallels the U.S. median. The majority of households are comprised of married-couple families, half with children and half without. The median household income is \$48,200. Housing developments are generally in rural areas throughout the U.S. (more village or town than farm), mainly in the South. Home ownership is at 84 percent. Two thirds of households are single-family structures and 28 percent are mobile homes. This is a somewhat conservative market politically. These do-it-yourselfers take pride in their homes, lawns, and vehicles. Hunting, fishing, and woodworking are favorite pursuits. Owning pets, especially birds or dogs, is common. Many households have a satellite dish, and TV viewing includes various news programs, as well as shows on CMT and Outdoor Life Network.

Exurbanites, 14.1% Households

Open areas with affluence define these neighborhoods. Empty nesters comprise 40 percent of these households, yet married couples with children occupy 32 percent. Half of the householders are between the ages of 45 and 64 years. The median age is 43.6 years. About half of employed persons hold professional or managerial positions. The median home value is approximately \$255,900 and the median household income is \$83,200. Financial health is a priority for the *Exurbanites* market; they consult with financial planners and track their investments online. They own a diverse investment portfolio, and have long term care and substantial life insurance. Residents work on their homes, lawns, and

gardens. Leisure activities include boating, hiking, kayaking, playing Frisbee, photography, and birdwatching. Many are members of fraternal orders and participate in civic activities.

Salt of the Earth, 4.2% Households

A rural or small town lifestyle best describes the *Salt of the Earth* market. The median age is 40.4 years. Labor force participation is higher than the U.S. level and unemployment is lower. Above average proportions of employed residents can be found in the manufacturing, construction, mining, and agricultural industries. The median household income is \$48,800. Households are dominated by married-couple families living in single-family dwellings. Home ownership is at 86 percent, and 28 percent of households own three or more vehicles. Residents are settled, hardworking, and self-reliant, taking on small home projects, as well as vehicle maintenance. Most homes own a truck, and many own a motorcycle. Families often own two or more pets, usually dogs or cats. Residents enjoy fishing, hunting, and target shooting, attending country music concerts and auto races, and just flying a kite.

Prairie Living, 3.5% Households

Agriculture is an important part of the *Prairie Living* economy; small, family-owned farms dominate this stable market, located mainly in the Midwest. Two-thirds of households are comprised of married-couple families and the median age is 40.5 years. Home ownership is at 81 percent and the median home value is \$96,300. Single-family dwellings are characteristic of these communities, but 11 percent of households are mobile homes. About 36 percent of the housing units were built before 1940. These residents are big country music fans, and enjoy hunting, fishing, target shooting, and horseback riding. They work on their vegetable gardens, vehicles, and home projects. Many are members of church boards or civic clubs, and get involved in civic issues. Because cable TV can be unavailable in these rural areas, many households have a satellite dish. Families with cats or dogs are common.

In Style, 2.7% Households

In Style residents live in affluent neighborhoods of metropolitan areas. More suburban than urban, they nevertheless embrace an urbane lifestyle. Townhome ownership is more than double the national level, but more than half of the households are traditional single-family homes. Labor force participation is high and professional couples predominate. The median household income is \$67,800. Only about one-third of households include children. The median age is 39.3 years. *In Style* residents are computer savvy; they use the Internet daily, to look up information, track investments, or make purchases. They own a diverse investment portfolio, contribute to retirement savings plans, and have long term care and life insurance. They enjoy going to the beach, snorkeling, playing golf, and casino gambling. They favor domestic travel.

F. Employment

The employment and occupations of Veneta's trade area residents offer additional insight and dimension to their demographic characteristics. Exhibit V-7 depicts the employment distribution by economic sector of residents age 16 and older for the Veneta market area, Lane County and the State of Oregon. A somewhat higher proportion of Veneta area residents are employed in manufacturing and a smaller proportion in service industries compared to Lane

County and Oregon. In addition, a larger proportion of Veneta residents are employed in construction and transportation/utilities.

The average travel time to work is significantly higher for residents of the Veneta market area than for Lane County as a whole, 27.4 minutes compared to 19.9 minutes. Veneta residents are commuting long distances to jobs in Eugene-Springfield, elsewhere on the I-5 corridor and some to the Oregon coast as well. The commuter nature of the population is an important tip to retailers wanting to better serve residents in terms of store hours, convenience products/services and marketing tactics.

EXHIBIT V-7

**2005 EMPLOYED POPULATION 16+ BY INDUSTRY
Veneta Market Area, Lane County, Oregon**

Economic Sector	Veneta Market Area	Lane County	State of Oregon
	Percent	Percent	Percent
Agriculture/Mining	4.2%	2.0%	2.7%
Construction	8.6%	6.2%	6.7%
Manufacturing	13.9%	11.6%	11.6%
Wholesale Trade	3.9%	3.6%	3.9%
Retail Trade	12.6%	13.3%	12.1%
Transportation/Utilities	4.8%	3.9%	4.3%
Information	1.0%	2.0%	1.9%
Finance/Insurance/Real Estate	5.2%	6.1%	7.0%
Services	41.2%	47.7%	44.7%
Public Administration	4.6%	3.7%	5.0%
	100%	100.1%	100.0%
Total Number	9,498	156,486	1,665,638
Travel Time to Work (minutes)	27.4	19.9	

Source: ESRI

Exhibit V-8, on the next page, shows the occupations of Veneta Market Area residents compared to the county and the state. Blue collar occupations are more highly represented among Veneta market residents than county or state residents, (29.7% compared to 23.2 and 23.0). Conversely, white collar and service jobs are represented at lower levels. The comparative difference is most pronounced in white collar jobs which represent 55.1% of Veneta market resident employment compared to 60% for Lane County residents and 60.6% for state residents as a whole.

EXHIBIT V-8

2005 EMPLOYED POPULATION 16+ BY OCCUPATION
Veneta Market Area, Lane County, Oregon

Occupation	Veneta Market Area	Lane County	State of Oregon
	Percent	Percent	Percent
White Collar	55.1%	60.0%	60.6%
Management/Business/Fin'l	11.8%	11.5%	13.3%
Professional	20.3%	21.9%	21.1%
Sales	9.3%	11.5%	11.1%
Administrative Support	13.8%	15.1%	15.1%
Services	15.2%	16.8%	16.5%
Blue Collar	29.7%	23.2%	23.0%
Farming/Forestry/Fishing	2.9%	1.2%	1.7%
Construction/Extraction	6.6%	5.0%	5.1%
Install/Maintain/Repair	5.7%	4.6%	4.3%
Production	7.5%	6.2%	5.7%
Transportation/Mat'l Moving	7.0%	6.3%	6.2%
	100%	100%	100%
Total Number	9,498	156,486	1,665,638

Source: ESRI

AREA EMPLOYEES

Veneta's local and trade area employees are an important captive market for downtown retail and service businesses, as they come to Veneta on a daily basis throughout the year and are in close proximity to retail, restaurant and service establishments. Market research conducted by the Building Owners and Managers Association of America demonstrated that office workers (as one segment of the workforce) spend between 10 and 15 percent of their expendable incomes in and near their places of work.

Information on workday shopping behavior of downtown employees provided in a survey conducted by the International Council of Shopping Centers reveals that:

- The majority of workers (76%) prefer to walk to lunch, up to three blocks.
- The most frequent items purchased by workers include cards, stationery, gifts, drugstore items, books and magazines.
- With lesser frequency, workers buy office supplies, jewelry, apparel, accessories, housewares, cosmetics, arts and crafts, and items found in galleries.
- Many workers (28%) will stop for "after work" activities (drinks, dinner and shopping) when such opportunities are available. Forty-eight percent (48%) of these workers are inclined to come back to the downtown district to eat and shop on weekends.

The remainder of this section highlights state and local employment trends and information on the employment base in close proximity to downtown Veneta.

A. State and Region

The Oregon Office of Economic Analysis March 2006 report forecasts total private nonfarm employment for the state to rise by 2.1% in 2006, down from 3.0% in 2005. Average annual job growth is forecasted to be 1.5% in 2007 and 1.4% in 2008. Job growth in the retail trade sector should continue to expand at a healthy pace in 2006 with job increases of 2.4%.

Lane County makes up the Oregon Employment Department's Region 5. Ten year employment forecasts (2004-2014) for the region show an addition of 21,200 jobs between 2004 and 2014 for a 13.8% increase in nonfarm payroll employment. This compares with a statewide growth rate of 15.0%. Highlights of the forecast for 2006 include:

- Construction is expected to have strong growth (+1,200 jobs or +17.9%) but at a slower pace than in the past year as higher interest rates are expected slow residential and commercial construction.
- Manufacturing will grow (+1,100) as a loss in wood products is countered by strong growth in transportation equipment (RVs) and other durable goods manufacturing (+320). Nondurable goods (e.g. food processing, plastics and chemicals) add 100.
- Wholesale and retail trade will add jobs, (700 and 2,300 respectively,) but at a slower rate than the overall economy.
- Information services are expected to add 500 (+15.2%) due largely to growth in software publishing.
- Business and professional services will be the most rapidly growing major industry sector (+28.4%). The growth will be mostly due to temporary firms and call centers, including the new Royal Caribbean call center in Springfield.
- Private education and health care are expected to show strong growth. The majority will come from health care (4,200, 28.4%), with major hospitals in the Eugene-Springfield area planning major expansions.

B. Local Area

Exhibit V-9 depicts the total number of employers and full and part-time employees within the area that approximates the Veneta Market Area by employment sector for 2004. In terms of total employment, wood products manufacturing is the largest employer with 261 employees. All categories of government combined account for 280 area employees. These sectors are the biggest contributors to the local economy with annual payroll totaling \$11.5 million for wood products and \$11.4 million for government. They also offer the highest paying jobs based on average annual wages. Food and drinking places is the next largest sector with 21 employers employing 198 persons. Based upon the relatively low wages of this sector (about one-third of a government wages, many employees are likely to be part-time.

EXHIBIT V-9
Veneta Market Area Employment and Payroll
2004

<u>Industry Description</u>	<u>Reporting Firms</u>	<u>Annual Average Employment</u>	<u>Annual Payroll</u>	<u>Annual Average Wage</u>
Crop production	4	47	\$678,849	\$14,547
Forestry and logging	8	59	\$1,705,425	\$28,865
Construction of buildings	15	21	\$395,707	\$18,918
Heavy/civil engineering construction	7	20	\$491,230	\$24,978
Specialty trade contractors	42	154	\$4,301,192	\$27,854
Wood product manufacturing	4	261	\$11,524,334	\$44,112
Other manufacturing	11	85	\$1,739,008	\$20,359
Wholesale Trade	5	13	\$266,983	\$21,217
Food and beverage stores	8	82	\$1,344,356	\$16,361
Gasoline stations	4	18	\$197,861	\$11,306
Other Retail	8	72	\$1,451,608	\$20,068
Truck transportation	12	39	\$1,221,219	\$31,247
Other Transportation/Warehousing	6	26	314675	\$12,181
Financial Services	5	8	\$180,868	\$22,609
Real Estate	5	15	\$242,084	\$16,506
Professional and technical services	14	27	\$660,473	\$24,312
Administrative and support services	16	40	\$521,523	\$13,065
Private Educational/Health Services	19	79	\$1,791,284	\$22,651
Amusements, gambling, and recreatio	4	8	\$54,300	\$6,649
Food services and drinking places	21	198	\$2,321,875	\$11,727
Repair and maintenance	9	41	\$1,415,357	\$34,875
Personal and laundry services	5	18	\$173,276	\$9,808
Membership associations/orgs	17	28	\$507,384	\$17,855
Private households	6	7	\$94,630	\$13,052
Other Private Employment	4	6	\$178,970	\$89,941
Federal Government	5	44	\$3,338,834	\$75,883
State Government	1	30	\$991,099	\$32,764
Local Education	6	148	\$5,205,199	\$35,150
Other Local Government	6	58	\$2,053,223	\$35,502
Totals	277	1,652	\$45,362,826	\$27,461

* Veneta area includes Census Tracts 9.02, 9.03, 9.04, and 10.01 less Eugene addresses.

Source: Oregon Employment Department

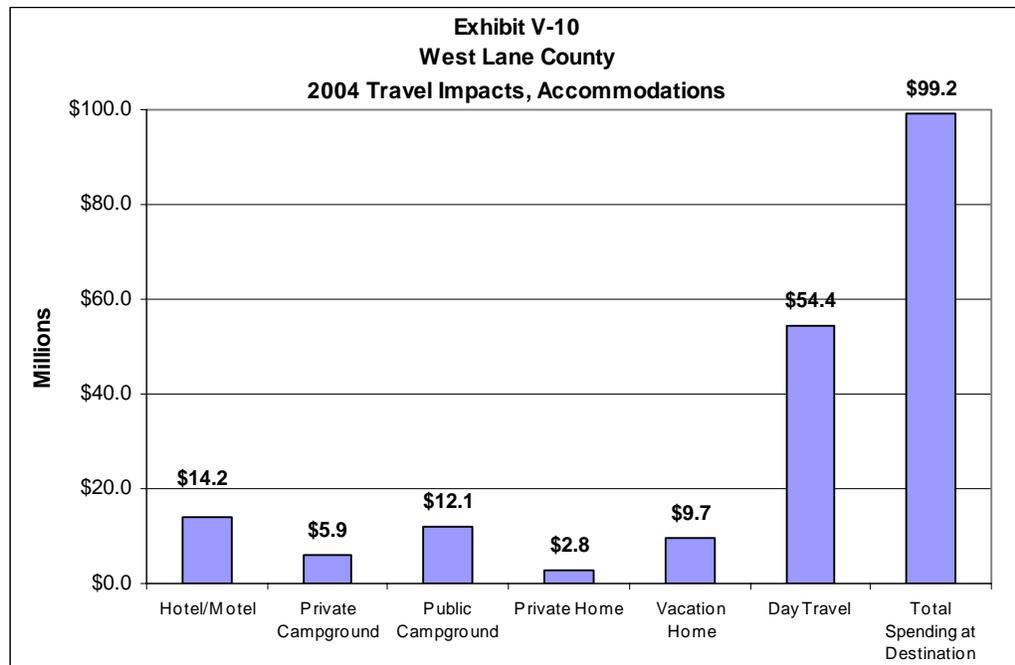
VISITOR MARKET

Tourists appreciate Oregon for its great natural beauty, and pleasure translates into the state's total travel spending which is estimated to reach \$7.4 billion in 2005, according to Dean Runyan Associates. Visitors to public and private campgrounds in Oregon are responsible for 8.2% of all traveler spending. This number is comparatively higher than averages in states across the nation. As could be expected, rural areas are the strongest contributors to this figure.

Day visitors within Oregon spent \$1.6 billion in 2004, the benefits received both urban and rural areas alike, according to analysis by Dean Runyan Associates. Urban day-travelers come to shop, dine and experience the culture and entertainment the city has to offer. Rural day travelers are often looking for an escape, seeking outdoor activities and natural scenery.

The West Lane County Visitor Market—which includes Veneta—has witnessed a strong rise in travel spending over the past thirteen years, from \$58.8 million in 1991 to \$99.2 million in 2004. In 2004, tourism in West Lane County directly created 1,670 jobs. Day visitor spending is far and above the dominant contributor, representing over half (55%) of total expenditures.

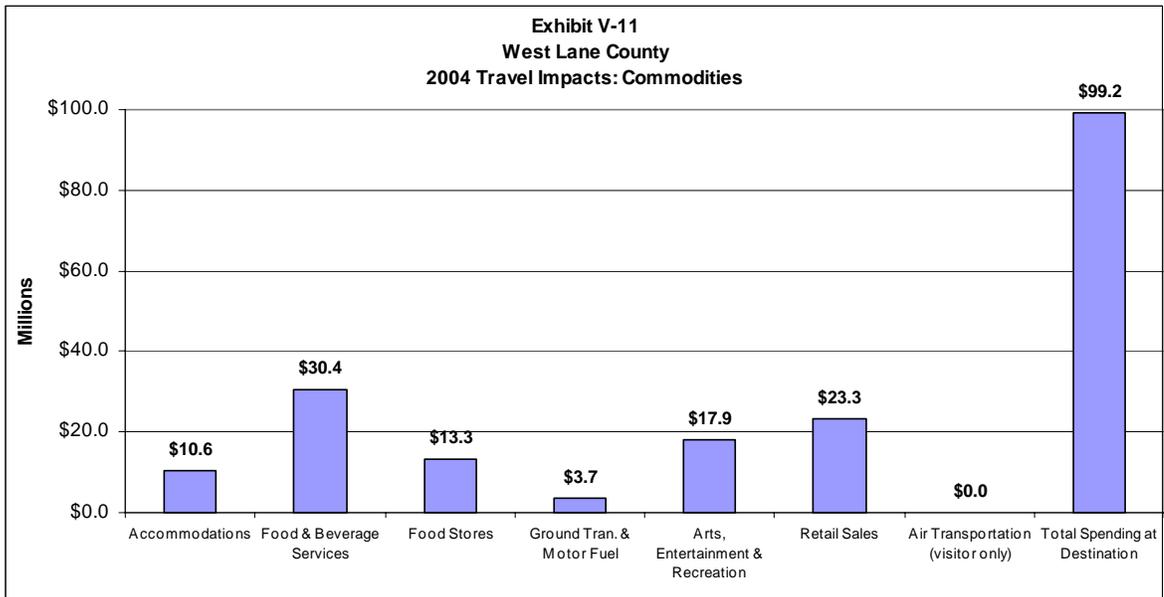
It is also important to note that campground spending (both public and private) is still higher than formal lodging, reflecting the recreational interests of overnight visitors. Camping created an impact of \$17 million compared to \$14.2 million for hotels and motels. (See Exhibit V-10.)



Source: Dean Runyan Associates

Visitor expenditures are best segmented by purchase category. The primary expense is food and beverage, occurring in everything from expensive restaurants to mini-marts. The majority of travelers, regardless of the nature of their visit, will spend money on eating.

In 2004, food and beverage services generated \$30.4 million, 31% of total commodity spending. Retail sales, followed by arts, entertainment and recreation, are also strong contributors at \$23.3 and \$17.9 million respectively. Transportation expenditures had a minimal impact, representing less than 4% of total visitor spending.



Source: Dean Runyan Associates

In the immediate Veneta area are several significant visitor attractions which provide the opportunity for capturing additional retail, restaurant and entertainment spending by this market. Visitor counts for area facilities and attractions appear in Exhibit V-12 on the next page.

**EXHIBIT V-12
Veneta Area Visitors**

<u>Facility/Attraction</u>	<u>Visitor/User Counts</u>	<u>Visitor Characteristics/Trends</u>
Oregon Country Fair	45,000 over 3 days	Mostly day-trippers, but up to 4,000 camp in area
Secret House Winery/ Outdoor Amphitheatre	30,000 est'd (06) summer	Regional market & beyond for many events
Fern Ridge Lake: <i>Perkins Peninsula Park</i> <i>Richardson Park Campground</i>	4,906 (04) 16,325 (04)	Nature+recreation-based tourists: birders, boaters, fishermen
Winery tours <i>1 large 'barrel' tour + privately organized tours</i>	N/A	Eugene-area residents & visitors
Highway 126	east of Territorial, 7,837 west of Territorial, 4,054	nearly 50% estimated to be local travellers

Source: Marketek, Inc.

As downtown Veneta progresses with its physical improvements and related business development and promotional activities, it should be able to draw an increasing number of visitors from throughout the region to spend time and money in a unique rural setting.

II. OPINION RESEARCH

In March 2006, two surveys were prepared and conducted to reach target audiences who are key to strengthening the retail base of the downtown business district: area residents and business owners/operators. Area residents and businesses were urged via announcements, city/chamber of commerce publicity and other public outreach techniques to help shape the future of downtown Veneta by completing an on-line survey. In addition, hard-copy surveys were delivered in-person to key businesses.

The primary objective of this research is to gain an understanding of the perceptions, needs and motivations of local shoppers and businesses. Surveys were augmented with telephone interviews to anchor businesses and key organizations and numerous in-store visits/interviews with business owners and an interactive community presentation held during the second March site visit. Detailed results of the surveys are provided in Appendices A and B. Survey findings are summarized on the next page.

A. Veneta Shopper Survey Highlights

- Sixty-one people participated in the survey.
- Thirty-two (64.2%) reported doing most of their non-grocery shopping at Target and Wal-Mart, while 31.1% do most of their non-grocery shopping in Eugene-Springfield area.
- By far the most common reasons influencing shopping choice were the availability of a wide selection of goods and price-levels, cited by 70% of respondents.
- When people chose to shop in Veneta, their primary reasons were the convenient location and the ability to support local businesses, expressed by 89.1% and 78.2% of participants respectively. The major deterrents to shopping in Veneta were the poor selection of goods/services and the high prices mentioned by 83.3% and 66% of respondents. Poor appearance and inconvenient hours of operation were also key influences.
- The kinds of merchandise most frequently cited as being needed in Veneta were women and men's casual apparel, shoes, linens and towels, garden supplies, appliances and books.
- Lodging, computer training technological repair and a copy center were the primary general service concerns.
- Regarding leisure/entertainment services, about two-thirds cited the need for more restaurants and a movie theatre.
- The predominant restaurant cited was family, followed in demand by a steakhouse, coffeehouse, seafood and fast food.
- When respondents were asked if they would consider living in high quality housing if it were available in downtown Veneta, over 2/3 of the 54 people who responded to the question said "No." Of those who answered yes, the vast majority preferred to own their homes.
- Veneta residents love the small-town feel, but they would like to see a focus on the natural resources, industries and beautiful surroundings of the region.

B. Business Owner Survey Highlights

- The survey generated responses from 26 Veneta business owners with over one-third operating for at least ten years.
- Retail was the single most-common business type in Veneta.
- 48% of businesses operate either Monday - Friday or Monday - Saturday; however, no common range of hours was determinable.
- The Veneta and/or Lane County area are the markets from which the majority of businesses draw sales.
- Over two-thirds of the businesses reported moderate growth in their business. Only a single business was experiencing a decline in sales. The remaining businesses described their situation as stable.
- Almost half of all businesses intend to expand their business during the next one to two years, with 44% planning on maintaining their current operation level. One business plans to relocate.
- In the past two years 38.5% of businesses have made physical improvements to their store, with an additional 38.5% increasing their product offering. An improvement to operations and an expansion of marketing efforts was also common. The median investment size was \$50,000.
- Just 20.8% of businesses do not plan on making improvements or investments over the next two years.
- The factors cited by more than 30% of the respondents as most affecting the success and expansion of their businesses were qualified labor, up-to-date

technology, and public access. The greatest obstacles to success were increasing general operating costs, the current economic conditions and a lack of customer traffic.

- The kind of assistance most desired by business to improve their success was in marketing and advertising, cited by 80%. Almost one-third mentioned market-identification as a crucial factor.
- When asked what qualities of downtown Veneta should be maintained in the face of change, the most overall consensus was to keep a friendly, small-town atmosphere. Also of notable interest was the desire to maintain Veneta's rural appearance and the old-style architecture.
- Businesses identified what they most would like to change in downtown as the old run-down buildings and the lack of pride associated with appearance. Others wanted a more condensed downtown area, or to eliminate the amount of sprawl to create a truly defined downtown.
- The future image seen as most desirable was of a downtown with inviting charm that incorporated the natural surroundings of the area and possessed a unique rural identity.

When asked about shopping needs and interests, business owners expressed an interest in:

- Specialty shops and restaurants, especially ethnic or NW cuisine
- General recreation, especially activities for young people
- Multiplex cinema/theater
- Unique businesses that draw outside attention
- Arts and crafts, sporting goods

Exhibit V-13 on the following page identified goods and services for which 30% or more of residents and a significant number of businesses expressed an interest.

Exhibit V-13

Summary of Top Ranked Shopping Needs and Interests

Business Type	Resident Survey	Business Survey
Books	X	
Music/CDs	X	
Sporting Goods	X	X
Toys & Hobbies	X	
Gifts & Cards	X	X
Pet Supplies	X	
Arts & Crafts Supplies	X	
Computers & Accessories	X	
Electronics	X	
Linens & Towels	X	
Furniture		
Garden Supplies	X	
Appliances	X	
Antiques		
Jewelry		
Women's Casual Apparel	X	
Women's Business Apparel		
Women's Specialty Apparel		
Men's Casual Apparel	X	
Men's Business Apparel		
Men's Specialty Apparel		
Children's & Infant's Apparel	X	
Athletic Apparel	X	
Teen & Young Adult Apparel	X	
Boutiques		X
Shoes	X	
Bakery	X	
Hardware	X	
Groceries	X	X
Trader Joe style store		
Pharmacy	X	
Concerts/Live Music	X	X
Art galleries		
Movie Theater		
Live Theater	X	
Dinner Theater		
Bowling	X	X
Swimming Pool	X	
Exercise Studio/Gym		
Mini Golf	X	
Outdoor Recreation		
Video/ DVD Rental		
Day Care	X	
Car Wash/Detailing		
Tailor/Alterations	X	
Dry Cleaner/Laundry	X	
Computer Repair	X	
Hair/Beauty	X	
Pack & Mail	X	
Copy Center	X	X
Quality Consignment	X	
Building Supplies	X	X
Appliance Repair	X	
Lodging	X	X
Bank/Financial Advice	X	
Legal/Accounting	X	X
Healthy/Natural	X	X
Fast Food	X	
Seafood Restaurant	X	X
Steakhouse	X	X
Fine Dining		
Deli	X	X
Family Restaurant	X	X

III. RETAIL MARKET ANALYSIS

RETAIL SUPPLY

The retail supply section examines the type and characteristics of the existing retail base in the Veneta market area and evaluates downtown Veneta as a retail shopping district.

A. Existing and Planned Retail Development

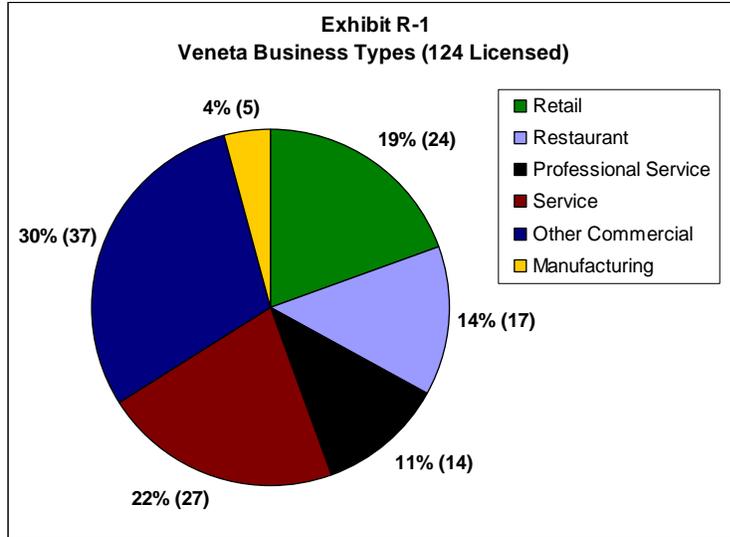
To gain insight into the retail sector of Veneta, summary statistics from the Census of Retail Trade were reviewed. In 1997, the census showed a total of 14 retail establishments in the City of Veneta proper with annual sales of \$16.6 million and a total of 144 paid employees. The 2002 Retail Trade Census indicated 15 establishments with total sales and employees rising to \$25.3 million and 164 employees, respectively. While the business count appears relatively low, keep in mind it is based solely on firms reporting payroll which often does not include sole proprietorship businesses.

The majority of retail in the immediate Veneta area can be characterized as convenience goods and services meeting local market needs, including grocery, drugstore, hardware and related items. Bi-Mart offers a considerable selection of mainly shopper's goods, including household goods, electronics, sporting goods and other products.

The main shopping areas in Veneta are the West Lane Shopping Center, anchored by Ray's Grocery; downtown Veneta anchored by True Value Hardware; Fern Ridge Center, with two restaurants, hair services, health foods, a gym and offices; and Bi-mart (with adjacent commercial space, yet undeveloped). On both Territorial Road and Highway 126 are more than 20 free-standing businesses not affiliated with an organized shopping center.

New commercial development has been suggested in conjunction with new upscale housing under discussion at Fern Ridge Lake as well as off Highway 126 on Jack Kelly Road. No plans are developed for downtown commercial at this point in time.

The City of Veneta's business license data base offers the best inventory available of existing businesses in Veneta. Exhibit R-1 shows the distribution of Veneta businesses by major sector. General commercial businesses comprise the greater percentage of all businesses (30%), followed by service (22%) and retail (19%).



B. Downtown Veneta's Competitive Position

Successful downtown districts of any size have a healthy business climate and a pro-active marketing program. Key amenities and characteristics to draw customers and/or business prospects to a neighborhood or community shopping center are presented in Exhibit R-2. These are particularly critical for older commercial districts seeking to (or having to) compete with new shopping malls, lifestyle centers and big box retailers. Although many of these challenges have already been identified, they are listed here to portray a composite picture and to evaluate the downtown Veneta commercial district from two key perspectives:

1. What customers want from a shopping experience; and
2. Business climate and marketing factors that affect business decision-makers seeking a profitable location.

Key for Rating
S = Strength
W= Weakness
N = Neutral

Exhibit R-2		
Downtown Veneta Analysis – Strengths & Weaknesses		
Critical Success Factors	Rating	What Veneta Offers
Retail Marketplace		
Growing population base	S	Veneta/Fern Ridge Market Area is relatively large and growing
Average or above average incomes	S	Area median HH incomes are above state average

Exhibit R-2		
Downtown Veneta Analysis – Strengths & Weaknesses		
Critical Success Factors	Rating	What Veneta Offers
Strong visitor market	S	The Veneta area has a growing and diverse visitor market—ecotourists, recreational visitors, wine aficionados, concert goers. Visitor spending is rapidly rising in West Lane County.
Business growth/expansion	N	In recent years, industrial development has been stagnant. Bi-Mart is the last significant commercial venture. Promise of additional commercial associated with new housing development.
Available shopping – a selection of quality shopping for a range of incomes available	N	A good base of convenience shopping and services. Limited comparison and specialty goods. Significant retail leakage to Eugene-Springfield.
Business anchors/attractors bringing repeat shoppers to town	W	Very few anchors in downtown area: True Value Hardware, City Hall and the Bakery. However, Bi-mart and the C&K Market (Ray's Food Place) are very good anchors for the community as a whole.
Real Estate		
High occupancy rate	W	Estimated 15-20% ground floor vacancy rate, including undeveloped land in downtown Veneta.
Quality commercial space available with good signage, parking, accessibility and small flexible space options	W	Commercial space in the downtown may be available but not necessarily with these amenities. West Lane Mall is undergoing improvement and will have competitive space available in the near future.
Small spaces for business incubation or an incubator (reduces cost through shared expenses, and access to expertise)	W	None identified.
Real estate investment is occurring	W	No private development projects in the downtown area.
An up-to-date inventory of available commercial buildings and sites for sale and for lease	N	City has a list of vacant property, but no data base has been created of 'marketable' property.
Attractive Shopping Environment		
Inviting, landscaped, well signed and appealing shopping environment that entices auto travelers to stop and shop	N	The physical appearance of downtown is limiting. Broadway Street improvements in 2003 cleaned up the street edges. Core area still needs definition.
Quality built environment creating interest and appeal	W	Overall, downtown's built environment lacks appeal and any sense of unity. Architectural plan elements address this issue extensively.
Attractive city entrances with good signage to downtown	W	Signage to downtown Veneta is not noticeable.

Exhibit R-2		
Downtown Veneta Analysis – Strengths & Weaknesses		
Critical Success Factors	Rating	What Veneta Offers
Storefronts reflect pride and ownership	W	Very few businesses/buildings operate as retail businesses and therefore storefronts largely appear ignored.
Concentrated nodes or linkages of development creating a critical mass or dense shopping environment, attracting more shoppers.	W	The downtown planning process will ‘create a path’ for downtown to become its own unique node. As it is, there are at least 4-5 commercial development nodes in Veneta already, with more critical mass than downtown.
Accessibility		
Parking to support stores and services.	S	Parking is plentiful and well-marked
Walkable shopping district to encourage browsing and impulse shopping.	N	Walking is relatively easy with sidewalks and open space. Pedestrians have few downtown destinations.
Incentives		
Financial assistance (revolving or low-interest loans, etc.)	N	None offered.
Façade improvement/sign assistance	N	None identified.
Landscape design/ assistance	N	None identified.
Business Environment		
Local entrepreneurship	S	Veneta selected as recipient of technical assistance services to strengthen and support rural entrepreneurship through RDI and Kellogg Grant Program
A streamlined, one-stop regulatory process that is clearly articulated in planning documents and that is consistently administered.	N	No issues or hurdles identified. No process outline or promotional tools.
Growing, diversified economic base	W	Veneta is eager to attract family-wage jobs to its underutilized industrial sites.
A coordinated network of organizations or resource providers that provide a comprehensive array of technical assistance and financing for business.	N	Significant network of resources exists in the Eugene area from LCOG to University. Unclear to what extent Veneta accesses these.
Networking Opportunities	S	The Fern Ridge Chamber of Commerce is a recipient of local funding for staff and office to create sustainable office and chamber program over 4 years
Ongoing Business Recognition Program	W	None in existence

Exhibit R-2 Downtown Veneta Analysis – Strengths & Weaknesses		
Critical Success Factors	Rating	What Veneta Offers
Business District Marketing		
Special Events: <i>frequency, mix</i>	S	Community is actively working to increase number of events, w/ Wings & Wine Festival an example of a recent success
Business Promotions	W	None identified. Opportunity exists tied to special events such as Oregon Country Fair
Public Relations	S	Convention and Visitor Association of Lane County actively seeks to promote the Fern Ridge area
Positive Community Outlook & Salesmanship	S	Individual leadership and attitude toward Veneta's future appear to be very positive; commitment to downtown Veneta's success is less clear
Web site/other promotional materials	S	Both the City and the Chamber have websites that provide the foundation for additional marketing, information exchange. The City's visitor map and guide is well done and asset for promotion.
Community Newsletter/Newspaper	S	West Lane County and the Eugene Register-Guard help promote Veneta and the Fern Ridge area.
Design, logo, slogans, identity	W	None identified
Business Attraction/Lead Generation Activities		
Specific types of businesses &/or merchandise identified to target	N	Market analysis and follow-up training will help community focus on target commercial businesses for downtown and elsewhere
Business recruitment campaign/lead-generating activities	N	Recently formed Economic Development Committee is eager to take on these activities

RETAIL MARKET DEMAND

This section provides estimates of existing retail leakage and future potential market demand for retail uses in the Veneta market area.

A. Existing Retail Balance

Retail market activity can be measured by the supply of existing retail and potential demand from the consumer marketplace. Exhibit R-3 provides a general snapshot of current retail activity in the greater Veneta market area using the industry sectors defined by the North American Industry Classification System (NAICS), comparing supply and demand estimates and the resulting leakage or surplus of sales.

Retail 'supply' is based on estimates of actual retail sales for Veneta trade area businesses from ESRI Business Information Solutions, using the Census of Retail Trade and a variety of other business and government data bases. ESRI also estimates consumer demand or retail potential. Retail 'demand' represents the expected amount spent by residents of the defined trade area for various retail goods and services, based upon consumer

expenditure patterns derived from the U.S. Consumer Expenditure Survey. Bear in mind this data only reflects potential spending from local shoppers and does not include spending from visitors, second home owners and employees working in the greater Veneta market area but living elsewhere.

Retail leakage or conversely, surplus is estimated by measuring the difference between Supply and Demand. The difference is either a leakage of sales out of the trade area, where retailers outside the trade area are filling demand for retail product, or a surplus of sales, meaning that certain business categories are 'importing' sales from shoppers who live outside the trade area.

In reality, the consumer marketplace is quite fluid. Even if goods are locally available, priced appropriately and of good value, local shoppers will always do a certain amount of shopping away from home. Certain businesses such as restaurants are often dependent on drawing customers from beyond the local residential population. However, the estimate of sales leakage and surplus provides a reasonable indication of the availability of goods in the local market. Gasoline and auto sales/service are not included in this analysis as these are ordinarily not retail targets for downtown shopping districts.

Exhibit R-3
Existing Retail Supply/Demand Balance: Selected Categories
Veneta Market Area, 2005

NAICS	Supply (Retail Sales)	Demand (Spending Potential)	Difference Leakage/(Surplus)
442: Furniture & Home Furnishings Stores	\$60,829	\$4,021,303	\$3,960,474
443 Electronics & Appliance Stores	\$259,368	\$3,669,084	\$3,409,716
444: Bldg Materials, Garden Equip. & Supply Stores	\$2,360,108	\$8,667,970	\$6,307,862
445: Food & Beverage Stores	\$18,854,280	\$21,914,530	\$3,060,250
446 Health & Personal Care Stores	\$5,974,358	\$3,822,421	-\$2,151,937
448: Clothing & Clothing Accessories Stores	\$173,094	\$5,643,893	\$5,470,799
451: Sporting Goods, Hobby, Book, & Music Stores	\$2,533,227	\$3,540,789	\$1,007,562
452: General Merchandise Stores	\$3,865,208	\$28,425,311	\$24,560,103
453: Miscellaneous Store Retailers <i>florist, office supplies, gift stores etc.</i>	\$1,457,524	\$4,406,986	\$2,949,462
722: Food Services & Drinking Places	\$2,760,251	\$24,950,017	\$22,189,766
TOTAL LEAKAGE			\$70,764,057

Source: ESRI BIS, Marketek, Inc

Exhibit R-3 depicts a surplus of sales occurring in only one out of ten of the retail categories included, and that is in the Health & Personal Care store category where there is approximately \$2.1 million in sales not supported by demand from the local marketplace.

In the case of health/personal care, Veneta offers drugstore goods/pharmacy services in three stores: Tiffany's Drugstore, Ray's and Bi-Mart. The Bi-Mart in fact draws from a market beyond the identified trade area for Veneta, as the number one rated store by customers out of 16 Bi-Marts in the region. This may be a contributing factor to the surplus of drugstore sales.

The total estimate of retail sales leakage is significant at \$70.7 million. Again, these figures only reflect the difference in actual and potential sales for the greater Veneta *resident* market area. In selected segments of these retail categories, most notably convenience goods, additional retail sales may be supported by visitors and passers-through.

B. Retail Sales Potential and Supportable Space

The methodology for estimating statistical market support for retail space in the local and greater trade areas is displayed in Exhibits R-4 and R-5. This methodology applies expenditure potential¹ by type of merchandise to Veneta trade area population figures in order to obtain potential sales volume for trade area residents. Potential sales are divided among five merchandise and service categories: *shopper's goods, convenience goods, food & beverages, personal services* and *other retail expenditures*. Again, gas and auto-related sales and service are not included as these are not retail sales typically desired in the downtown business district. Exhibit R-4 defines the types of goods and services within several of these categories. For instance, "apparel" includes women's apparel, men's apparel, children's apparel, footwear, watches and jewelry.

¹ Consumer spending is estimated from the Bureau of Labor Statistics' Consumer Expenditure (CEX) Surveys. The CEX surveys have been used for over a century to provide data to study consumer spending and its effect on gross domestic product.

Exhibit R-4

SUMMARY OF MERCHANDISE AND SERVICE CATEGORIES

Merchandise/Service Category	Types of Goods/Services
Apparel	Women's Apparel, Men's Apparel, Children's, Footwear, Watches & Jewelry
Home Furnishings	Furniture, Floor Coverings, Major and Small Appliances, Household Textiles, Floor Coverings, PC Software and Hardware, Housewares, Dinnerware, Telephones
Home Improvement	Maintenance and Remodeling Materials, Lawn & Garden
Misc. Specialty Retail	Pet Care, Books & Periodicals, Sporting Equipment, Toys & Hobbies, Video Cassettes & Games, TV/VCR/Cameras, Audio Equipment, Luggage, Eyeglasses
Groceries	Food at Home, Nonalcoholic Beverages at Home, Alcoholic Beverages, Smoking Products, Housekeeping Supplies
Restaurants	Food Away From Home, Alcoholic Beverages
Entertainment/Recreation	Admission to Movie/Theater/Opera/Ballet, Recreational Lessons, Club Participation, Video Rental, RV Supplies/Services
Personal Services	Shoe Repair, Laundry & Dry Cleaning, Alterations, Clothing Rental & Storage, Watch & Jewelry Repair, Photo Processing & Supplies, Child Care

Source: ESRI BIS, Marketek, Inc.

**Exhibit R-5
RETAIL EXPENDITURE POTENTIAL
Veneta Market Area
2005-2015**

Merchandise or Service Category	Per Household Expenditure	*Target Sales (\$/SF)	2005 Retail Potential		2010 Retail Potential		2015 Retail Potential	
			Sales	Space (SF)	Sales	Space (SF)	Sales	Space (SF)
Apparel	\$1,757	\$209	\$13,611,479	65,127	\$14,897,603	71,280	\$16,238,194	77,695
Home Furnishings	\$1,172	\$199	\$9,079,484	45,626	\$9,937,388	49,937	\$10,831,624	54,430
Home Improvement	\$1,486	\$140	\$11,512,042	82,229	\$12,599,794	89,999	\$13,733,612	98,097
Misc. Specialty Retail	\$2,321	\$216	\$17,980,787	83,244	\$19,679,759	91,110	\$21,450,682	99,309
Shoppers Goods			\$52,183,792	276,225	\$57,114,544	302,326	\$62,254,112	329,531
Grocery	\$5,304.00	\$390	\$41,090,088	105,359	\$44,972,616	115,314	\$49,019,568	125,691
Health & Personal Care	\$1,182	\$365	\$9,156,954	25,088	\$10,022,178	27,458	\$10,924,044	29,929
Convenience Goods			\$50,247,042	130,447	\$54,994,794	142,772	\$59,943,612	155,620
Restaurants	\$3,164	\$263	\$24,511,508	93,200	\$26,827,556	102,006	\$29,241,688	111,185
Entertainment	\$1,536	\$90	\$11,899,392	132,215	\$13,023,744	144,708	\$14,195,712	157,730
Personal Services	\$550	\$151	\$4,260,850	28,218	\$4,663,450	30,884	\$5,083,100	33,663
Total			\$143,102,584	660,305	\$156,624,088	722,696	\$170,718,224	787,729
Five Year Net Gain					\$13,521,504	62,391	\$14,094,136	65,033

* Target sales are based on the Urban Land Institute, "Dollars and Cents of Shopping Centers."

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

© 2006 by Marketek, Inc.

Exhibit R-5 depicts potential retail sales for Veneta market area households for the 2005-2015 timeframe. Estimates of sales per square foot of store space derived from the Urban Land Institute's *Dollars and Cents of Shopping Centers* are used to convert adjusted potential sales to supportable space estimates. In Exhibit R-5, for example, in the case of apparel, potential sales of \$13,611,479 in the trade area at sales per square foot of \$209 will support 65,127 square feet devoted to this type of merchandise.

Exhibit R-5 shows that in 2005, there is the potential for approximately 660,305 square feet of retail space based on potential expenditures of residents who reside full-time in the local trade area, which are estimated to total \$143,102,584. At present, because of the abundant supply of retail in the Eugene-Springfield area and a limited selection within Veneta, a good portion of potential expenditures by residents are occurring outside of the Veneta trade area.

Exhibit R-5 also conveys the same analysis for the 2010 and 2015 time periods. By 2010, potential local trade area sales of \$156.6 million will support 722,696 of retail space, growing (with an increasing number of households) to \$170.7 million by 2015 with 787,729 square feet in retail space potential.

The net gain in both potential sales and square feet from 2005-2015 for the Veneta trade area appears in five year increments in the last row of Exhibit R-5. By 2010, growth in the local residential population could support an increase of 62,391 square feet in retail space demand. By 2015 an *additional* 65,033 square feet of retail space potentially can be supported.

How much of the existing and new retail demand that downtown Veneta can realistically capture or absorb is dependent on numerous factors including improvements to downtown's physical environment, the availability of quality commercial space, aggressive marketing, changes in retail supply in other locations within the market area and other factors identified in the Veneta Business Development Action Plan.

If downtown Veneta sought to capture just 15% of the growth in retail, restaurant and service demand over the next ten years, this would be the equivalent of 19,000 square feet. This is a realistic expectation assuming that a comprehensive redevelopment program is underway. In other words, a passive approach to economic revitalization would likely result in downtown achieving only a fraction of its estimated potential.

In an effort to put the demand estimates into context, Exhibit R-6 shows the average size of several types of businesses that may be appropriate for the study area. In addition to the median size of all businesses within a particular business category, the median size of national, local chain and independent retailers is also shown.

Market area expenditure data can also be utilized to reveal what prices residents will pay and/or the level of their discretionary income they are willing to devote to various goods or services. The Spending Potential Index (SPI) is a measure of market activity that denotes actual dollars spent on certain goods and services. An SPI equal to 100 indicates that consumers are buying or spending at a rate equal to the national average; a SPI greater or less than 100 indicates that consumers are buying/spending above or below the national average, respectively.

Exhibit R-7 shows that households in Veneta's market area overall spend at a rate very close to the national average, reflecting the area's healthy incomes. However, there is a good deal of variation in selected categories. Spending is highest for pet supplies, recreational vehicles, lawn and garden and maintenance and remodeling supplies. Spending is well below average for apparel and other selected merchandise, such as sports-exercise equipment and home telephones/supplies. These figures are as apt to imply what purchases residents' value and are interested in making as they are an indication of how much money shoppers have to spend. One message for retailers focusing on local market sales is to provide and promote a diverse selection of merchandise particularly in categories where spending is above average. Merchants should also provide good value but not at the risk of reduced quality in the goods and services offered.

Exhibit R-6

TYPICAL SIZE OF SELECTED BUSINESSES

Merchandise or Service Category/Business	Median	National	Local Chain	Independent
Specialty Retail				
Appliances	5,956	6,292	5,911	-
Art Gallery	1,802	-	1,802	1,907
Arts/Crafts Supplies	8,928	20,957	-	3,070
Beauty Supplies	1,807	1,634	2,450	1,829
Bike Shop	3,440	-	-	2,596
Bookstore	10,093	23,000	9,990	2,740
Cameras	2,000	2,000	-	-
Children's Wear	3,913	4,879	3,054	2,105
Family Shoe Store	4,000	4,113	5,100	2,460
Family Wear	8,000	8,500	3,474	5,132
Gift/Cards	4,200	4,900	3,780	1,653
Hardware	13,200	13,900	-	-
Home Accessories	7,595	10,215	5,365	2,462
Jewelry	1,500	1,610	1,968	1,200
Luggage	2,500	2,499	-	-
Men's Clothing Store	3,500	4,319	3,065	2,750
Pet Supplies	7,995	17,600	3,201	3,200
Record/Tapes	4,464	6,178	-	2,017
Sporting Goods	8,465	22,000	4,980	2,995
Toys	7,855	12,000	-	3,344
Women's Ready to Wear	4,400	4,503	3,960	2,145
Convenience				
Drugstore/Pharmacy	10,920	10,860	16,668	4,977
Supermarket	50,420	49,071	51,495	23,300
Bakery	1,990	4,000	-	1,700
Gourmet Grocery	18,000	-	-	-
Wine/Liquor	3,440	-	6,237	2,920
Personal Services				
Day Spa	2,875	-	2,563	3,060
Women's Hair Salon	1,400	1,450	1,250	1,361
Nail Salon	1,200	-	1,200	1,200
Picture Framing	1,600	1,703	-	1,588
Health Club	10,249	9,548	5,508	10,249
Mail/Packaging/Photocopying	1,278	1,240	-	1,236
Tailor/Alteration	950	-	900	1,035
Video Rental	6,000	6,333	4,240	4,733
Shoe Repair	855	-	-	795
Drycleaners	1,800	-	1,800	1,649
Film Processing	1,252	1,600	1,304	1,150
Day Care	4,000	-	-	3,901
Laundry	2,114	-	2,150	1,955
Restaurants				
Restaurant with Liquor	5,204	6,669	5,600	3,362
Restaurant without Liquor	3,581	6,500	3,025	2,625
Bar/Cocktail Lounge	3,821	-	-	3,821
Ice Cream Parlor	1,137	1,144	1,137	1,116
Coffee/Tea	1,578	1,650	1,624	1,400
Entertainment				
Cinema	35,022	37,161	35,022	21,250

Source: Urban Land Institute, "Dollars and Cents of Shopping Centers"

Exhibit R-7

SPENDING POTENTIAL INDEX OF SELECTED GOODS AND SERVICES
Veneta Market Area

Merchandise/ Service Category	Spending Potential Index: Veneta	Merchandise/ Service Category	Spending Potential Index: Veneta
Apparel	65	Financial Services	
Men's	69	Investments	79
Women's	60	Auto Loans	103
Children's	78	Health	
Footwear	36	Nonprescription Drugs	97
Watches & Jewelry	88	Prescription Drugs	106
Apparel Products and Services	105	Eyeglasses and Contact Lenses	100
Computer		Home	
Computer/Hardware for Home	90	Home Improvement	
Software/Accessories for Home	89	Maintenance/Remodeling Serv	102
Entertainment & Recreation	97	Maintenance/Remodeling Supp	113
Entertainment Fees & Admissions	90	Household Furnishings	
Membership Fees	95	Household Textiles	93
Sports Participation	93	Furniture	93
Theater/Movies/Ballet/Opera	83	Floor Coverings	93
Sporting Events	92	Major Appliances	100
Recreational Lessons	91	Housewares	79
Television & Sound Equipment	91	Small Appliances	96
Cable Television	94	Luggage	88
Color Television	90	Telephone & Accessories	36
VCR/Video Camera/DVD Player	92	Child Care	83
Video Cassettes and DVDs	90	Lawn & Garden	112
Video Game Hardware/Software	88	Moving/Storage	79
Satellite Dishes	105	Housekeeping Supplies	97
Video/DVD Rental	86	Insurance	
Audio Equipment	83	Homeowners/Renters	106
Rental & Repair of TV/Sound	83	Vehicle	96
Pets & Supplies	117	Life	105
Toys & Games	96	Health	102
Recreational Vehicles & Fees	120	Personal Care Products	92
Sports/Exercise Equipment & Supplies	77	School Books & Supplies	79
Photo Equipment & Supplies	94	Smoking Products	98
Books/Magazines/Subscriptions	93	Transportation	
Food & Beverages	92	Vehicle Purchases	102
Groceries	93	Gas & Oil	100
Bakery & Cereal Products	93	Vehicle Maintenance & Repair	95
Meats, Poultry, Fish & Eggs	94	Travel	
Dairy Products	94	Air Fare	89
Fruits & Vegetables	91	Hotels/Motels	98
Other Foods at Home	95	Rental Cars	92
Meals at Restaurants	91	Food/Drink	96
Alcoholic Beverages	86		
Nonalcoholic Beverages at Home	96		

Source: ESRI BIS

IV. NEXT STEPS FOR COMMERCIAL / RETAIL DEVELOPMENT

Based upon the findings of the commercial assessment, the statistical market analysis, the business and shopper survey research and Marketek's experience in working with dozens of downtown business districts, recommendations for next steps are provided related to:

- Redevelopment Guidelines
- Product Readiness
- Business Mix
- Business Retention and Recruitment
- Marketing and Promotion

Successful implementation of downtown Veneta's business development program requires strong coordination, consistent communication and commitment to a vision for change. Veneta is fortunate to have an Economic Development Committee in place and ready to move forward with the marketing and business development component of Veneta's Downtown Master Plan. The recommendations below assume that this group in partnership with the City of Veneta and the chamber of commerce will spearhead business development.

A. Redevelopment Guidelines

At the heart of Downtown Veneta's long term success is its ability to offer businesses, residents and visitors an environment different from and more inspiring than what they can find elsewhere. The following guiding principles should be considered throughout the redevelopment process. These principles reflect the values and philosophy that should be adopted and promoted repeatedly in the years ahead as downtown Veneta strives to become a destination.

1. **Brand Yourself.** Downtown Veneta must perceive itself as a 'product' and market itself to compete with other nearby business districts. Developing a common message or an identity upon which all other initiatives are based – e.g., logo, urban design, signage, advertising, marketing collateral, website, etc. – is a key step in the marketing process. In the short term, downtown Veneta needs to clearly define for the community where it is. Several comments from the survey process evidence that the boundaries and location are not clear. Over the longer term, downtown Veneta needs *aggressive* marketing to residents, visitors and quality retailers promoting downtown as a prime choice for shopping and business location.
2. **Looks Count.** Downtown Veneta must recreate itself as a vibrant, clean and safe business district in the eyes of prospective businesses and target markets, Implementing consistent design standards/signage, promoting infill development and eliminating unattractive/obsolete structures are just a few remedies. Physical enhancements should begin now and will be guided by the design component of the Downtown Veneta Master Plan.
3. **Housing Link.** A critical strategy in support of retail vitality in the downtown core is to encourage the addition of a substantial number of housing units, especially market rate. Housing will contribute to demand for additional shops, services and home-oriented products and food facilities.
4. **Cluster and Focus.** Downtown Veneta's success in capturing new and expanding retail development and its long term viability will be strongly influenced by a number of factors including the community's willingness and desire to encourage development

to locate in the urban core and to limit development on the edges of the City. A related critical success factor for downtown development is the creation of a compact, unified district with complementary businesses that benefit from each other's sales, customers and markets. The primary vehicle for developing unified groups of stores and businesses is clustering – creating mutual advantages in terms of pedestrian flow and shared markets between businesses. Through this planning process, the corner of Broadway and Territorial has been identified as a key development node for business clustering. In addition, building upon Kelley's True Value Hardware, one of downtown's only businesses anchors, will be key.

Successful clustering is dependent on having the appropriate mix of businesses that generate market synergies and an uninterrupted grouping of retail businesses that draw customers to and through the entire business district. Educating business owners, property owners and real estate professionals about the importance of using this business development tool is critical. The city may want to consider zoning and regulatory measures to encourage contiguous retail frontage and discourage office, warehouse and other users in the core downtown that do not contribute to a positive street life.

5. **Walkable Core Area.** To overcome existing negative perceptions of downtown Veneta, creating a safe, pleasant and convenient atmosphere for pedestrians should be a priority redevelopment initiative. The relatively long, scattered development of Broadway will make it important to encourage pedestrian activity initially in a particularly node or core area, which as earlier noted begins with Broadway and Territorial heading west. Over time, this area will spread out to include more blocks. This guideline is directly linked to branding and clustering and speaks to the need to *call out* in all possible ways what the retail focus is in downtown Veneta.
6. **Strive to be Different.** Downtown Veneta's rural and historic character calls for combined unique local merchants and merchandise to set it apart from nearby malls and shopping districts. One-of-a-kind unique specialty stores and restaurants initially should be the focus of business recruitment efforts. Downtown Veneta can be known as the 'hometown' shopping district with some focus on attracting local entrepreneurs to fill the retail gaps in town.
7. **Know What You Have to Offer.** One of the best strategies for recruiting business prospects and developers is to be able to provide an inventory of available real estate, and better yet, be in the position to bring key properties to the table. The Product Readiness Initiative described more fully in the next section is an important part of the business development action plan.
8. **Get the Word Out.** Working with the local and metro papers and community and business organizations, highlight positive change and monitor new business and construction/redevelopment throughout downtown Veneta. Maintaining strong communication with area residents and businesses will also be important to convincing your local marketplace that downtown Veneta is on the path to create an attractive and unique place to do business.

B. Product Readiness

To be competitive for commercial business attraction and expansion, downtown Veneta must have adequate physical locations or 'product' (buildings and land) to accommodate identified business opportunities. As is true for industrial development, downtown Veneta needs ready-to-go quality properties. That means that the buildings are in shape for immediate occupancy or tenant improvements customized to the needs of the business operations.

It will be important to have buildings not only for sale but available for lease since many retailers prefer to lease over buying property. An overall game plan is needed to target key development sites, to clarify the interests and intentions of downtown property owners to sell, improve or lease to retail or service businesses, and move ahead targeting one property at a time. Often, one downtown property conversion or redevelopment will serve as the catalyst for the next.

Specific steps that the City and Economic Development Team can take to begin work on this initiative are:

1. Review the existing database inventory of vacant downtown buildings/lots.
2. Systematically contact property owners to discern motives and interests in making improvements, selling the property, etc.
3. Evaluate each property based on needs, issues and readiness for occupancy or a new tenant. Also consider opportunity sites identified in the downtown master plan.
4. Establish priorities. Identify top three properties for fast track development-readiness.
5. Identify and package incentives and grant/loan opportunities for physical improvements.
6. For any properties that are available and in good condition for showing, work with the property owner and/or a local realtor to begin to market these to business prospects. Prepare a one-page marketing fact sheet with key features, price information, a photograph, contact person and target businesses for the location.
7. Brainstorm approaches for 'taking charge' of problem properties without waiting for the market to respond. Consider property purchase, swap or redevelopment. Explore a community-initiated development process through local investor groups, nonprofit development corporations or other means to creatively move key properties out of dormancy and into functional space.
8. Review allocated land uses in the downtown (commercial, industrial, residential) and update plans to match the community's vision for growth and development.

C. Business Mix

A successful business district in virtually any size community will have a balance and mix of uses that includes retail shopping, professional, financial and government services, entertainment, housing and personal services. Even with a small number of businesses, Downtown Veneta already exists as a mixed-use center bringing residents, businesses and employees to the business district for many purposes. At present, downtown Veneta's business base includes all of the uses noted above but with limited and highly dispersed retail selection. A critical goal over the next five years and longer will be to increase the number of retail businesses in the core downtown area and maintain ground floor space for retail businesses. Category descriptions are provided below.

1. Retail

The retail category includes grocery, pharmaceuticals, apparel, dry goods, hardware, cards and gifts, home furnishings, and any other category that provides goods with or

without services. Successful small downtowns offer a mix of largely convenience and specialty goods, with a good selection of restaurant venues. The most likely retailers for the Veneta downtown core will be locally owned proprietorships, regional chains, franchises, or small local corporations. National corporate chains prefer mall locations though are increasingly seeking alternative sites in successful and emerging downtown districts. If large development sites can be packaged, downtown Veneta may interest larger format retailers.

2. Professional and Financial Services

This category includes banks, savings & loans, physicians, insurance agencies, financial advisors, attorneys, certified public accountants, home designers, and any other office situation that provides professional services. The function of this category is to provide the community with needed services and to enhance downtown with employees that will use, and are able to pay for, other available services. This category tends to pay higher rents and have fewer turnovers than the retail and entertainment categories.

3. Entertainment

This category is closely related to retail except that businesses function as attractors for customers seeking entertainment venues. Entertainment establishments include restaurants, movie theatres, live performance spaces, galleries, bars and taverns, coffee shops and any other business that attracts customers for social or entertainment purposes. Veneta's historic museum would also be included in this category.

4. Government Services

Downtown has been the traditional location for government offices and services such as the post office, fire hall and library. Government offices, such as the post office are essential in developing the personality of a community through their scale, character and design. They too are meeting places for local residents to gather and exchange information. In the case of Veneta, City Hall is a significant physical and institutional anchor in the downtown.

Downtown Veneta has the capability to serve local residents, area workers, visitors and passers-through with a wide range of goods and services. The keys to downtown's business development success are to:

- Offer unique, quality merchandise, restaurant and entertainment outlets
- Target high dollar volumes per square foot for a business to succeed. IE, smaller spaces, in-depth merchandise and high turnover inventory
- Focus on the 'middle market' with moderately priced goods
- Work with downtown's existing business anchors to provide complementary product lines and encourage cross-over sales.

The results of the statistical market analysis as well as the opinion research indicate that Veneta has ample opportunity to grow its retail base and fill niches and voids in the local marketplace. Identifying the most appropriate business mix for Veneta, as earlier noted, is a function of demographics and lifestyle characteristics, spending potential, survey research, the existing business base and retail trends.

Downtown Veneta is urged to seek business owners who will contribute to the business district's success with dedication to:

- Providing a good quality product at a fair price
- Providing *exceptional* customer service
- Responding to the changing needs of both trade area customers and visitors
- *Aggressively* marketing to these target customer groups
- Offering multiple, complementary product lines and/or services
- Filling specific, unique niches
- Having focus, imagination and a deep desire to meet the needs of the customer

Downtown Veneta's best commercial business opportunities are for specialty retail, restaurants and entertainment-type businesses. Convenience goods will best be located at the highway commercial centers where they have already clustered. Attraction of additional anchors—particularly restaurant and entertainment—that will animate downtown in the late day and evening hours is critically important.

The significant expansion of the Veneta area housing market calls attention to the need for more home furnishings products and services of all kinds. Combinations of the goods and services as well as many others that have unique appeal to area markets should be considered for business development efforts. In fact, one consideration for downtown business development is to create a cluster that would be highly marketable locally and beyond focused on home furnishings. This emphasis would complement the hardware store as well. Sample businesses include: furniture, accessories, lighting/lamps, art, framing, bed & bath, garden shop, kitchen shop, upholstery, etc. Throughout rural Oregon are many illustrations of highly successful specialty shops with a focus on one or more of these products/services. A few examples include: Gourmet & Gadgets, Burns; Blackberries Home Accessories, Mt. Angel; Heritage Arts Studio, North Plains; and Lunaria Gallery, Silverton.

Each of Veneta's shopping centers will capture business from a variety of target markets, though grocery-anchored centers will draw more heavily from area residents. In the short term while working on physical improvements and site identification/assembly, Veneta will need to work hard and intelligently to encourage quality businesses to locate in downtown over the West Lane Shopping Center (under refurbishment), the Bi-Mart center, Renee's Fern Ridge Center or attractive freestanding commercial space. The following list of business and merchandise opportunities are suggested based upon the market analysis and the priorities identified by shoppers and business owners. Note that many of the niches are home furnishings-related. In many instances, a start-up business in Veneta will combine complementary product/merchandise types to fulfill identified consumer needs.

Exhibit A-1 TARGET BUSINESS/MERCHANDISE OPPORTUNITIES Downtown Veneta		
Merchandise	Unique apparel/accessories Outdoor gear: hiker, biker Casual men's & women's apparel, including golf Books/cards/music Bed & bath linens/accessories Kitchen accessories shop Furniture-locally made & other Garden & outdoor accessories Drapery/home décor Pet supplies Building supplies	Art—locally produced Made in Fern Ridge Jewelry Sporting goods Lighting Home accessories Decorating center/interior design Arts & crafts Gifts/home accessories Photography service Computer-office supply/ Copy center
Restaurants/Food	Family/buffet Deli/yogurt/ice cream Steakhouse/seafood	Bakery/chocolate shop Ethnic/Northwest Fast food
Entertainment	Movie theatre Live entertainment @ restaurant, pub, coffee house Brewpub Community Art Center	
Personal care	Health & dental care Naturopathic/homeopathic/alternative health Vision care Tailoring/alterations	

D. Business Retention and Recruitment

On average in all communities, 70-80 percent of job and economic growth can be attributed to established, local companies. Although there is clearly demand for new commercial businesses to locate in Veneta, providing support to already existing businesses is recommended will contribute to a positive business climate and enhance business recruitment efforts. Many business owners base their impressions of a community on how existing businesses are treated and the attitude they convey. If local companies are satisfied and optimistic about Veneta (as the majority indicated from the survey research) they will be advocates for the City and a source of leads for new business. Some simple steps for strengthening the bonds and support of the established business community include:

1. Create a business-to-business marketing program that encourages Veneta businesses to become well acquainted with local products/services and to support each other through cross marketing and selling and 'buying locally' from each other.
2. Start a local business appreciation or Kudos award program recognizing the positive contributions and investments of Veneta area businesses to the community. Recognize a range of accomplishments from exceptional service to business and property improvements.

3. Actively share the findings of the market study with established and emerging Fern Ridge area businesses helping them see ways to capitalize on identified opportunities.
4. Provide incentives (grants, revolving loans, etc) to established commercial businesses to expand. Establish criteria to qualify, such as: tenure in business, use to expand inventory, etc.
5. Over the longer term, with sites and buildings identified and ready to market downtown, carry out a targeted commercial business recruitment program for the top three-to-five retail/business priorities as identified by the Economic Development Committee from the Business Opportunity List. The recruitment program will include a variety of techniques ranging from packaging your market data as collateral 'sales' material to making personal visits to established businesses in the region that the team identifies as good candidates for a downtown Veneta location.

E. Marketing and Promotion

Marketing, promotion and image enhancement activities encompass a range of tactics from signage and façade improvements to public relations and brochures. Physical improvements are addressed in the Downtown Veneta Master Plan. A downtown marketing plan and program will evolve with the changes and progress that the business district experiences over time. In the short term, downtown Veneta's image should be viewed as integrally linked to the community's identity as a whole. The recommendations for action that follow encompass downtown, but relate to building a positive community image for all.

1. Work to build a positive external image for Veneta in the Eugene-Springfield metro area. The awareness and identity developed for Veneta within the external market is critical to attracting entrepreneurs and businesses to the community. Image is developed in a multitude of ways that should involve the whole community. Examples include: Organizing a community pride campaign that includes schools, civic organizations, churches, businesses, etc. Promote the dozens of reasons that residents and business owners are 'proud of Veneta.' If there are costs involved, approach the Ford Family Foundation for a community capacity-building grant. Related to this activity might be a contest that encourages residents to respond to or complete statements such as 'Why I Love Veneta,' 'Veneta is My Hometown Because...,' or 'Top 10 Reasons to Live in Veneta.' Publicize the campaign in all local/metro media and beyond. A bumper sticker may emerge that would help promote the community far beyond Veneta. Identify a community volunteer with public relations experience to generate monthly press releases about all the positive initiatives underway in Veneta—from downtown redevelopment and park improvements to residential expansion and new business.
2. Another idea connecting image and business development is to provide hospitality training for local retail, service and restaurant employees offered by Travel Oregon. For a community eager to gain recognition and additional stops from visitors, Veneta should be well prepared to provide exceptional service.
3. Promote local shopping through Frequent Shopper Programs, specials, discount days, etc. aimed at residents and area employees. Target the dozens of new Veneta households with a traditional Welcome Wagon basket of samples and discounts from Veneta businesses. Two-thirds of the business owners who responded to the business survey said "yes" they would be interested in participating in a cooperative business marketing effort to attract customers to Veneta or to encourage residents to shop locally. Initiatives should include businesses throughout the community. The

Chamber of Commerce is the natural organization to spearhead business marketing efforts. Businesses responding to the survey had the following ideas for getting more spending from local residents:

- Cooperative sales and events
 - Seasonal special event sales
 - Keep prices reasonable while maintaining quality
 - Advertise, promote local buying, support of local businesses
 - Improve appearance and expand offerings
4. Directly tied to getting more business from local residents is the need for businesses to work to capture commuter spending. The business survey found that few businesses in town share the same operating hours. Retailers and service businesses should work to open earlier, close later and commuter appreciation specials or programs to encourage residents to bring their money home. Organize a periodic 'Alive after 5' shopper discount program.
 5. Increase spending by visitors is a goal for many. Start by encouraging those coming to the Country Fair, area wineries, the Wings & Wine Festival and Secret House Winery events to visit Veneta stores and shops. Provide a simple rack card listing area businesses, a coupon book for special events, special discounts or other enticements. Lane County Parks Department noted that if Veneta businesses or the Chamber purchased ad space in the annual Richardson Campground brochure, then they could place an information pamphlet at the campground to encourage shopping in Veneta.

Through the business survey, Veneta business owners shared several ideas about what local businesses could do to attract more visitors and other shoppers who live out of the area:

- Develop signs from Hwy126 letting people know of more shopping options in downtown
 - More community activities and events: BBQ, holiday bazaar, etc
 - Clean or update the interior and exterior areas of businesses
 - Eliminate the sprawl feeling; condense the downtown; make it a unique destination
 - Create cottage type businesses
 - Decrease chain stores and provide unique retail
 - More joint offerings or sales coordinated among businesses
 - Condemn/renovate old buildings
6. Respond to the top needs identified by businesses in the business owner survey--*marketing*— with a series of workshops and one-on-one technical assistance visits ranging from merchandising and window displays to target marketing and retail promotions.
 7. Engage the Veneta business community more fully in discussions, plans and implementation programs for downtown. They can be the best advocates for its future, but in the survey, many asked 'where is downtown?' Provide ongoing communication and information sharing through the Chamber, the City website and other venues so that businesses are 'on the same page' with the City and community leaders about downtown's future as a viable business district.

DOWNTOWN HOUSING

STRATEGIES FOR SUCCESS

A critical strategy to support of retail and business development in Veneta's downtown core is to encourage the addition of a substantial number of housing units, especially market rate. Housing will contribute to demand for additional shops, services and home-oriented products, entertainment and food facilities.

The City of Veneta is eager to understand the key elements and guiding principles of successful downtown housing. A comprehensive housing market study is not included in this review. Instead, information and examples are shared on strategies for success, elements of the Live/Work housing concept, as an important strategy to develop a downtown housing base, and next steps for Veneta to create an environment that encourages residential development in the commercial core. The sections that follow are organized by these topics.

I. CASE STUDIES, SUCCESS FACTORS & CHALLENGES

This section reviews the contributions of housing to a downtown district and economy, explores the experiences and lessons learned from downtown housing initiatives of other Oregon communities and considers common barriers to mixed-use projects especially in suburban areas.

Today, planning and development professionals interested in creating vibrant downtown business districts recognize that housing is a key element of the formula for success. A healthy downtown residential district generates a constant flow of foot traffic to support nearby retailers, services, restaurants and other businesses. The concentrated mix of retail, office and entertainment typical of a downtown puts residents within walking distance of most daily activities. Living downtown is particularly attractive to many who work in or near downtown because of the great convenience of shopping and doing business and the elimination of 'commute time.' By incorporating a higher density of residents in the downtown mix, the amount of purchasing activity increases, so long as the appropriate mix of goods and services are available. This in turn creates an even more vital, desirable downtown economy.

In many communities, downtown housing development has been the catalyst for economic revitalization producing 'success stories' for the district's revitalization. Development professionals have commented that 'retail follows rooftops,' implying the critical role that residents play in economic success.

Downtown housing helps to:

- Create an active, vibrant community center 24 hours/day and 7 days/week.
- Enhance public safety with more eyes and ears paying attention to activity and adding people to the streets during evening hours.
- Support retail and commercial services. People spend money where they live.

- Attract and retain a qualified workforce as the convenience of downtown living appeals greatly for those working nearby.
- Create a *neighborhood community* in the heart of town.

In addition,

- Downtown living represents a unique opportunity for the right demographics—seniors, empty nesters, young/single professionals, non-traditional 20-somethings.
- Smart growth concepts are becoming widely accepted: mix economic activities, minimize sprawl and create walkable communities.
- The ability of residents to walk to work and services promotes energy conservation and reduces pollution and traffic congestion downtown.
- Residential development adds to the quality of life in downtown and the community and is an important part of a successful economic development package.
- Properties in quality, mixed-use settings hold their value better in down markets and appreciate more in up cycles according to a 2002 Price Waterhouse study.
- Downtown housing often viewed as *lifestyle* housing can provide a one of a kind living environment.
- Housing represents economic opportunity and the chance to diversify downtown's economic base and market mix.
- Long term, property values and rents increase when buildings are *completely* occupied with positive economic activity.

Among the general trends favoring downtown housing are high unmet demand for apartments (particularly affordable) in rural communities; land constraints throughout Oregon and the push for infill development; increasing numbers of one and two-person households, a growing number of baby boomers looking to downsize, simplify or purchase second homes; continued higher gas and oil prices dampening tolerance of long commutes; and energy bills accompanying big houses and increasing numbers of people working from home and interested in live/work space.

Communities that have succeeded in creating an economic environment that favors downtown housing have many of the following elements in common:

- Clear market support—what is needed and what will sell.
- A focus on 'best bets' for success, i.e., select catalytic projects and sites.
- A commitment from local government to work with developers to enhance the financial feasibility of housing projects.
- Local incentives to encourage risk-taking—tax abatement, loan pool, fee reduction, flexible parking program, etc.
- Shared vision for healthy downtown with explicit, aggressive goals for what the community wants.
- Public infrastructure investment and physical environment improvements signaling that downtown is a community priority.
- A downtown environment conducive to 'living, working and playing' with an enticing atmosphere, quality amenities, shopping, dining, etc.
- A variety of housing options and a mix of rents from which to choose.
- Recognition that commercial and residential revitalization go hand in hand and communities can and should address both simultaneously.

Communities throughout Oregon recognize the value of a downtown residential population and are seeking innovative ways to encourage upper story redevelopment and infill housing projects. Ten small cities that have active projects or programs are highlighted in Exhibit V-1 that follows. They are indicative of the high level of interest and success in small towns with downtown housing across the State. Like Veneta, they understand the critical contribution of housing to downtown vitality.

**Exhibit V-1
Downtown Housing Case Studies
Oregon Communities**

Note: All of these projects are mixed-use with ground floor commercial, emphasizing retail tenants.

Project Name & Location	Project Developer & Description	Funding Sources	Incentives or Tools	Persons Interviewed	Key Success Factors
Bella Vita –On-Main Project Medford Pop. 63,154 <i>(pre-construction phase)</i>	Cook Development, Portland Mixed use, multi-story, multi-building project In-fill, market rate housing: Phase One: 22 condos, 100% reserved Phase Two: 44 condos, 25% reserved Phase Three: office/retail Parking included	Urban renewal paid for \$7.7 million Evergreen Parking Structure; Conventional loans	\$600,000 state housing loans Tax abatements Parking lot lease back Land assembly SDCs write downs CDBG \$ Vertical Housing Development Zone	Jackie Rodgers, Executive Director, Medford Urban Renewal Agency	Focused on providing a <i>mix</i> of incomes in downtown; gap financing is key; cooperative city government; creating a flexible, workable 'package'
Commodore II The Dalles Pop. 12,400 Opened April '03; housing 90% leased; ground floor commercial fully occupied; 3 vacant offices upstairs	Cook Development Mixed-used redevelopment; 4 story, 55,000 sq. ft., Floors 2 & 3 will have 24 affordable apartments: 60% median hh income or less; 4 th fl targets office tenants.	Urban renewal (\$280,000 low/no interest loan); City-owned parking lot leased for \$1/yr; Perm loan of \$345,000 using OAHTCs and \$1.2 million in historic credits. CIF Loan through HCS @ \$500,000; other sub-market rate loans through HCS @ \$505,000	Urban renewal financing: Property Rehab Grant & Loan Program (\$3,000 for prof'l services) Interest buy downs Vertical housing zone (applied for)	Dan Durrow, City of The Dalles, Terry Cook, Cook Development, Ruby Mason, Mid-Columbia Housing	Quality historic building renovation. Office rates above average for local market and struggle to lease up.

Project Name & Location	Project Developer & Description	Funding Sources	Incentives or Tools	Persons Interviewed	Key Success Factors
Grand Hotel Roseburg 20,170 pop. (completed 2004)	Umpqua Community Development Corporation (CDC); mixed-used redevelopment of derelict hotel abandoned for 45 years; 32 affordable units with 5 market rate. 100% leased. Market rents, \$525/1-BR. Received National Trust for Historic Preservation award, 2005	LIHTC Equity Investment Historic Tax Credits; Housing Trust Funds Neigh. Reinvestment Corp.; Federal Home Loan Bank of Seattle – Grant, Ford Family Foundation Grant; Cow Creek Tribe Grant; Rural LISC Grant, Meyer Memorial Trust, City of Roseburg, rental rehab -urban renewal funds, Wells Fargo Bank, NOAH loans; Community Incentive Fund loan & grant	<u>Key incentives:</u> Historic tax credits; Oregon Housing grants/loans <u>Other tools:</u> Downtown parking district adapted to resident parking; 'defederalized' CDBG funds can be used for public safety retrofit on blgs w/in historic downtown district	Betty Tamm, Executive Director, Umpqua CDC; Dan Huff, City of Roseburg	Tenacity, creativity, vision, patience; target funder interests to project elements; experience with other housing projects; <i>"It takes the support of a lot of agencies working together."</i>
Taylor-Dale Apartments, McMinnville (completed 1996) Pop., 27,500	Jeff Dale 5 market rate apartments from 600-1200 sq ft and \$450-\$600 in rent	Private financing	National Historic Register listing froze property taxes 15 years.	Jeff Dale, owner Patti Webb, McMinn. Downtown Assoc.	Jeff was able to self-finance & his timing in the market place was very good.
Union Block Building Newberg (completed 2000) Pop., 18,100	Jules and Joan Drapkin Mixed-use redevelopment project, 12 market rate lofts, 600-850 sq ft, \$550-\$615 rents	Newberg Economic Development Revolving Loan Fund; historic tax credits; private financing	City low interest loan; National Historic Register listing froze property taxes 15 years.	David Beam, City of Newberg Jules & Joan Drapkin, owners	Emphasis on good design & <i>quality</i> in development; affordable; maintained historic integrity of property; creative financing
Cascade Lofts Hood River (completed 2005) Pop., 6,500	Glacier Development 11 market rate loft condos (live/work), 2 custom units on ¼ acre 100% sold, 1,739-2,050 sq ft., \$375-\$475,000	Private financing	Informal subsidy—City sold property below market value	Mark VanderZanden, Surround Architects	Quality design, river views, very productive relationship w/ City

Project Name & Location	Project Developer & Description	Funding Sources	Incentives or Tools	Persons Interviewed	Key Success Factors
Two small projects, Albany (2002-2003) Pop., 42,200	Private developers Mixed-use, redevelopment, market-rate apartments 1 st 7 apartments at build-out; 3 so far 2 nd 1 large loft of exceptional quality	Urban renewal and private financing	Urban renewal grants for professional services and redevelopment costs (\$35,000 total)	Julie Johnson, Albany Downtown Association; Chris Norman, Albany Urban Renewal Agency	Vision for downtown housing; organized task force on upper story housing; organized public forum to raise awareness/share incentives; strong city cooperation & flexibility.
Pythias Lofts Corvallis Pop., 50,500 <i>Opened in 1/2001</i>	Endex Engineering 5 loft apartments, 6,700 SF total, varying sizes; \$690/mo.	Conventional commercial loan	Economic Improvement District has \$73,000 revolving loan fund: <i>no interest</i> loans for façade & building improvements, including upper stories; no parking requirements in core area due to longstanding agreement w/ City	Joan Wessell, Downtown Corvallis Assoc., Kathy Gager, City of Corvallis Dave Livingston, Endex Engineering	Persistence to overcome hurdles; ensure market exists; have a building feasibility study completed; work with friend or knowledgeable person on building code issues.
Goodwin Court Pendleton Pop. 18,000 <i>(completed 2002)</i>	Telos Development Company, Salem Mixed-use, infill, 4 story, 26 studio & 1 BR units for low income seniors, 26,200 sq. ft. (\$2.9 mil total)	\$305,000 Network for Affordable Housing loan; low income housing tax credits; Oregon Housing Trust Fund; City of Pendleton; interest rate subsidy, Oregon Affordable Housing Tax Credit Program	Tax credits were most critical	NOAH & City of Pendleton websites; David Glennie, Telos	Public investment, mix of uses, ground floor retail,
Cannery Lofts Astoria Pop., 9,660 <i>(Under construction)</i>	Urban Pacific Builders, Long Beach, CA Mixed-use, waterfront redevelopment. 93 condo units with Ph 1-33 loft units, \$249,000 to \$350,000 for 1,030 to 1,377 square feet	\$21 million private investors & Bank of Astoria conventional finance.			Site; experienced developer; strong market knowledge

Project Name & Location	Project Developer & Description	Funding Sources	Incentives or Tools	Persons Interviewed	Key Success Factors
Blocks 136 and 138 Lake Oswego Pop. 30,500	Various. Diamond Development & Gramor Development (lead) 100 new attached housing units	Lake Oswego Development Agency (LORA)	\$4.6 mil for parking structure, land assembly/sale, friendly condemnation	Robert Galante, Director, LORA	Infrastructure and design investments, quality development, demonstrated results, active downtown programming

Source: Marketek 2003; 2006

KEY FACTORS FOR SUCCESS

While the immediate potential for downtown housing varies widely from one community to the next, there are several key factors that appear to be common themes for the long-term success of new housing. Successful housing programs in Oregon's downtowns and downtowns throughout the nation typically have the following common elements:

Make a Bold Commitment to Residential Development. Local government needs to make a strong commitment to downtown housing development with appropriate land use regulatory policies, assistance with land acquisition, creative financing to bridge economic gaps, tax incentives and adequate infrastructure. A continuing commitment from the local government to support new housing is critical to nurture developer and resident confidence, as well as to enhance financial feasibility. Local governments should also make efforts to strengthen the residential areas immediately surrounding downtown (e.g., zoning, tax abatement, rehab incentives, etc.).

Create a Livable Environment. Significant challenges to ensuring a high quality of life are not only economic but also environmental and physical. Attention must be paid to public image, safety, parking, traffic flow, access, design and architecture, street life and the sense of community created.

Ensure Security without Overly Emphasizing it. New housing located in downtown should include security features such as alarm systems, controlled access to parking and interior areas, exterior lighting, intercoms, and illumination of all areas where residents circulate and design features that discourage crime. Housing units that are elevated above retail and parking foster a sense of security. While security features are a prime marketing asset, it is vitally important that they are not so overwhelming that they create a feeling of fortification between the development and the surrounding community.

Integrate Parking. Secured, convenient parking will be a requirement for new housing. Experience in other communities has shown that many prospective residents see a possible lack of parking as a disadvantage of mixed-use living. While parking is a necessity for housing development, it is important that it is well designed and integrated into the community.

Implement a Public Relations Program. Working with the local media to highlight success stories and monitoring construction throughout downtown will help convince target markets and prospective developers that new housing development downtown is an attractive and unique lifestyle choice. Other effective forms of communication include newsletters and websites that keep potential residents up-to-date on special events and redevelopment activity. The marketing recommendations will further address this topic.

Require a Quality Product. New and rehabbed housing must offer high quality product in terms of construction, design and amenities. The challenge is balancing what consumers can pay with what they want. Residential design should relate to the historic fabric of the downtown and be distinctive – not “Anywhere USA.” Niche projects that have a small number of units and unique architectural style have proven popular in other communities, particularly in the for-sale market.

Provide a Range of Housing Options. Developing rental and for-sale housing that appeals to a variety of income and age groups will help to create a “real” community. More and

more, consumers are demanding authenticity in their purchases, in their recreational/service activities and in the communities in which they choose to live.

Ensure Nearby Support Services. Many activities of daily life should occur within walking distance of residential development allowing independence for those who cannot or choose not to drive – including retirees. Although downtown residents will more than likely use their cars to commute to work, the promise of being able to walk to shop, eat out or run errands is a significant selling point for new housing. Besides proximity to restaurants and shopping, downtown residents will desire easy access to groceries and convenience goods, pharmaceutical services, a post office and a range of services such as dry cleaner/laundry, apparel and footwear repair, video rental, film processing, hairstyling, etc.

COMMON CHALLENGES

Small towns most commonly face these challenges in developing downtown housing:

- Redevelopment may be cost prohibitive costing more than what market rents will support in the short term. Codes and regulatory barriers are most often cited as the cause.
- Subsidies are often needed to fill financial gap.
- One project is not enough to encourage both developers and renters/owners to consider downtown as an option.
- Parking for residents must be addressed; public-private partnering is key.
- Challenging spaces: smaller spaces often don't provide economies of scale to make redevelopment financially feasible and larger multi-story buildings require creative financial and development packages.
- Amenity issues: overall ambiance, public safety, convenient parking, street life, sense of community *may be lacking*.

A 2004 Public Officials' Forum sponsored by the Urban Land Institute discussed the barriers to smart growth and town center developments in suburban communities, including creating mixed-use residential projects. Common challenges to building 'sustainable' communities were identified as follows:

Local politics. Often, local officials lack the experience to deal with growth issues. Revolving leadership and shifting political priorities impede a focus on smart growth.

External factors. Rapid population growth in fringe metropolitan areas often creates undesirable development patterns.

Uncoordinated, conflicting planning. Disjointed planning between local, regional and state planning agencies can result in uncoordinated development boundaries and a lack of cooperation and planning on important transportation and infrastructure projects.

Conflicting community perceptions. A major divide often occurs within a community itself between long-term residents and those who are new to town, resulting in a lack of shared vision, NIMBYism and poor quality developments being approved.

Land fragmentation. High cost and fragmented property ownership can impede land assembly for medium to large-scale development projects.

Sprawl-inducing local development regulations. Bad zoning (single-use, excessive, etc) can deter high-quality development. Other impediments include rigid regulations and general public and private inexperience with innovative, smart growth development strategies.

The ULI Forum defined some key principles or themes for suburban smart growth:

1. Education is needed at all levels on smart growth principles for infill or fringe areas.
2. Strong public-private partnerships are required to advance smart growth goals.
3. Transportation infrastructure is a critical factor to reduce congestion, improve air quality and provide alternative modes of travel.
4. A truly regional vision is key to articulate what development should occur and to address the pace and scale.
5. The private sector needs to lead vision implementation while the public sector can provide encouragement through incentives.

INCENTIVES FOR DOWNTOWN HOUSING DEVELOPMENT

Exhibit V-2 on the following page lists the most common development incentives provided by local or state governments and development organizations to encourage market rate housing in downtown districts. This list provides a starting point for Veneta to create its own package of resources and incentives.

Exhibit V-2 Sample Development Incentives or Subsidies For Market Rate Downtown Housing

• Low/no interest loans through development agencies or private sector loan pool
• Gap financing: reduced interest rates (buy-down the interest on commercial loan), grants, revolving loan funds
• Parking: Low cost parking space leases or reduced requirements; city owned lots; Parking lot construction or parking 'grants'
• Land cost subsidies
• Lower SDCs for projects within downtown
• Technical assistance grants for professional services—architectural, engineering, etc
• Property tax abatements or freezes
• Land swaps with property owners to gain control of a piece of property
• Regulatory flexibility: flexible building codes, reduced hook-up fees, etc
• Façade rehab grants, loans
• Density/mixed-use bonuses. See example below.
• Optimum density bonus at \$2,000 or more per bedroom. (# of units developed / # of units allowed x \$2,000 x # of bedrooms = density bonus)
• Vertical Housing Development Zones: program through Oregon Housing & Community Services that allows tax abatement (up to 80% for 10 yrs) for floors of housing above retail.

Source: Marketek 2006

TARGET MARKETS

The target markets for downtown housing may vary to some extent from community to community contingent upon the job base, university and other institutional facilities and the overall character of the built environment. Marketek's field experience and market research indicate that the majority of downtown residents are smaller households (generally not families with children), empty nesters, young singles and couples, and retirees. Prospective downtown residents are generally interested in both ownership and rental product and are often attracted to a unique, walkable living environment. Exhibit V-3 below summarizes the general target market characteristics for downtown residents.

EXHIBIT V-3

PRIMARY TARGET MARKET CHARACTERISTICS FOR DOWNTOWN HOUSING

	For-Sale Product	Rental Product	Live/Work Units For-Sale and Rental
Occupation	Entry-Level White Collar	Entry-Level White Collar	Professionals
Age	25 to 35	25 to 35	28+
Household Size	1 to 2 persons, few with children	1 to 2 persons, few with children	1 to 2 persons, few children
Income	\$50,000-\$70,000	\$30,000-\$45,000	\$30,000+
Approximate Price Point	\$200,000-\$300,000	\$700 Alone/\$950 roommate	\$160,000+ Buy/\$800+ Rent
Motivations/Preferences	Reasonable home values Location with identity/sense of place Tired of rentals/first time buyer Investment and resale important Seek access to downtown, recreation Relatively mobile Some commuters	Access to I-5 Seek vibrant, mixed-use setting Location with identity/sense of place Highly Mobile	Seek mixed-use lifestyle Access to suppliers, customers Work in IT, law, accounting/ finance, education, various types of consulting Relatively mobile
Occupation	Mid-Higher Level Professionals	Mid-Higher Level Professionals	
Age	30 to 50	30 to 50	
Household Size	1 to 2 persons, some with children	1 to 2 persons, few with children	
Income	\$75,000+	\$40,000+	
Approximate Price Point	\$225,000+	\$850-\$1,000	
Motivations/Preferences	Move-up or move-over buyer Value community, quality, design Seek access to downtown, amenities Investment and resale important Relatively mobile	Access to I-5 Location with identity/sense of place Relatively mobile	
Occupation	Empty Nesters/Retirees	Empty Nesters/Retirees	
Age	55+	55+	
Household Size	1 to 2 persons	1 to 2 persons	
Income	\$40,000 and/or available equity	\$35,000 or available equity	
Approximate Price Point	\$170,000-\$290,000	\$850-\$1,000	
Motivations/Preferences	Value community Walk to services, shopping Easy Access to cultural activities Less maintenance, more security Move-over, move-down buyer Highly settled Value over-investment Primary or secondary residence	Possibly close to children Walk to businesses/services Proximity to cultural activities Less maintenance, more security Relatively settled Primary or secondary residence	

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II. LIVE/WORK HOUSING

According to the Live/Work Institute, live/work housing began when underutilized buildings such as former industrial or commercial buildings were used as residential and work space. The Institute identifies three types of live/work space, which are summarized in Exhibit V-4.

Exhibit V-4 Live/Work Unit Types	
Live/Work	The predominant use is residential, with commercial as a secondary use. Typically employees and walk-in trade is not permitted.
Work/Live	The predominant use of the unit is for commercial or industrial work activity and the needs of the work component take precedence over residential uses.
Home Occupation	The unit is clearly a residence but may or may not contain a workspace such as an office or workshop.

Historically, most live/work units were rented through commercial leases. Artists with studios in their homes or adjoining their homes were typical of early Live/Work housing occupants. However, many former rental units are being converted to condominiums as live/work units increase in popularity. These units work best in commercial and mixed-use zones or as a buffer between residential and commercial zones.

Live/work units range from smaller (1,000 square feet) open floor plans with exposed structural features and curtains/low walls to separate living/working space to higher end commercial first floor space (retail, office, service, technology-based) with upper level (one or two floors) living areas accessed by a separate entrance.

BENEFITS OF LIVE/WORK HOUSING

In *Turning Around Downtown: 12 Steps to Revitalization*, Chris Leinberger identifies the provision for an array of moderate and high density housing as one of the most crucial steps to the redevelopment of downtowns. Live/work units are one such type of housing and are attractive options for the young singles that often are the first demographic group to move to a revitalizing downtown. The Live/Work Institute also identifies these units as integral to town and neighborhood redevelopment because they combine urban amenities, such as coffee shops, art galleries and boutiques, with neighborhood-serving services and residences. Further, live/work units tend to increase diversity, thus leading to interaction between a variety of age, race and income groups and a livelier, more vibrant community.

Other benefits of live/work housing include:

- Sustainable use of property
- Capitalize on scarce resources by combining multiple uses in one property
- Reduce reliance on transportation
- Save money and time for business owners
- Create business clusters and networks, which are especially important in rural areas

DEVELOPING SUCCESSFUL LIVE/WORK HOUSING

Local governments can take several steps to encourage the development of live/work space in their downtowns.

1. First and foremost, they can introduce the concept to the community and make development of these units a priority in their master plans.
2. Amending zoning codes to encourage and support live/work units is another crucial step. Live/work units should be a dedicated type of mixed-use zone and city officials should pick out specific sites or areas where this zoning category is appropriate.
3. The city could also assist in development financing and reduce infrastructure improvement costs for these units. A streamlined and expedited regulatory approval process would also aid development of live/work units.
4. Promoting live/work units to local and regional business service organizations and higher education career centers would help potential residents understand the benefits these units offer to small business owners and the self-employed and make them aware of their availability.
5. Finally, creating connections with developers likely to build live/work units is another way local governments can encourage their creation.

Once live/work space is available, one of the most important factors contributing to its success is the prevention of reversion to solely residential uses. The Live/Work Institute identifies three measures local governments can take to stop residential reversion:

1. Differentiate between the different types of live/work space in zoning codes. This measure will prevent live/work units in predominately residential areas, which may be suitable for home occupations rather than more intense commercial uses.
2. Pass regulations and financial or tax policy incentives designed to prevent live/work units from becoming solely residential units.
3. Promote development that creates a balance of live/work units and small and medium-sized businesses rather than allowing purely loft development.

III. NEXT STEPS TO DEVELOP DOWNTOWN HOUSING

Veneta's housing base has been fast growing in recent years with nearly 300 single-family residential units permitted since 2002. More than double that number of new units is on the drawing board. However, the housing stock reflects little diversity and is predominately subdivision housing. As Veneta plans for a redeveloped and new downtown center, quality housing should be an integral part of the mixed-use environment, will offer a unique alternative to the community's current housing stock and will play an important role in creating street-life.

Many of Veneta's market area residents share the characteristics of the typical target market for downtown housing. The lifestyle characteristics of market area households (presented in the demographic section of the Retail Market Analysis), identified 14% of households as 'Ex-urbanites' and 3% as 'In-style' households, both of which include a large number of higher income empty nesters and many with an interest in townhouse living. Veneta reportedly has a severe shortage of rental housing with no multi-family units constructed for many years. Although this conclusion cannot be substantiated without a

comprehensive market study, it is true that none of Veneta's three main apartment complexes have vacancies at this time: Parkview, Applegate and Pioneer Park. Units in Pioneer Park are limited to seniors and low-income residents. As Veneta explores housing as part of its downtown development mix, it would be beneficial to consider the housing choices that are affordable to people of diverse incomes and tenure interests.

Live/work units downtown – rental and for-sale – should be considered in the Veneta housing mix to accommodate growing numbers of people who are seeking space that is adaptable to living and working. The live/work housing concept though untested in the Veneta market area is gaining momentum in a wide variety of settings as more people are choosing to work from home.

The biggest challenges for downtown housing are economics, land availability and physical environment. Higher density housing on infill lots costs more to develop than traditional suburban single family product. This is often the main hurdle in producing more downtown housing. Unlike many other downtowns, Veneta has a number of infill lots for development. Land assembly of small lots with single story buildings may be needed to enable larger scale projects, often key to economic feasibility. Environmental or contextual issues such as convenient parking, noise and perceived public safety are smaller concerns but must be addressed by any housing project.

A significant commitment from the City of Veneta and other key stakeholders is critical to promote downtown housing. This is the most common factor cited by cities across Oregon and the U.S. that have succeeded with downtown housing. Local governments are instrumental in advocating for town center residential and in addressing development economic and environmental issues. Developers and residents alike need to believe that the public sector is behind downtown living. Financial assistance and tools such as those identified in the prior section may be needed to bridge the economic gap and make housing development feasible.

All key downtown interests--the city, business owners and property owners--should agree that housing is a shared priority and need to work together to promote this shared vision. It's important in this process to think long term and big picture. It's not just about one parcel or one block on Broadway. Looking at many infill parcels as part of a whole is critical.

Marketing downtown Veneta's housing (and other development) opportunities should be an integral part of the strategy. Among the key themes to promote are:

- A clear statement of the favorable local regulatory environment and creative development process related to zoning, building and other issues. Bottom-line: promote a developer-friendly image.
- Strong advocates and champions (both public and private) with a vision, goals and strategies for action.
- A view of housing as a vital component of downtown Veneta's economic development.
- The identity of downtown Veneta as a 'celebration of small town living' where social, business, shopping and natural environments intersect. The power of place that

downtown Veneta has the potential to offer is a significant factor in marketing residential development.

- Ideally, a catalytic project to generate interest and demonstrate market demand/receptivity.

In the near term, specific action steps to jump-start private interest in downtown Veneta housing should include:

1. Inventory/prepare collateral specifications sheets of existing target downtown Veneta development sites. Document specifications, owner, terms of sale/lease, etc. Develop a list of downtown properties which are 'best bets' and most desirable locations for residential/mixed-use development. This process would include careful research of the interests and intent of current property owners as related to the ability to acquire or swap the property in pursuit of housing development.
2. Prepare a marketing package for developers/investors highlighting information on downtown Veneta, opportunity sites and related information.
3. Create a Downtown Veneta Housing Initiative. At a minimum this would include formulating a vision for housing as part of downtown revitalization and its role as a downtown anchor, identifying and packaging any development incentives, promoting specific sites, identifying target goals for new downtown housing units, residents, etc. and widely promoting this effort to the media. Educating the public about the value of downtown housing is another valuable component of this endeavor.

LODGING MARKET ANALYSIS

Veneta is eager to improve the face of the community and capture appropriate market opportunities for positive, sustainable long term growth. This element of the Veneta Market Readiness Analysis provides valuable information for understanding and pursuing the realistic potential for lodging in the Veneta area. The assessment relies principally on secondary data and information sources as well as interviews with local market observers. These resources provided the basis to analyze supply and demand indicators, draw conclusions about the Veneta market and propose steps for pursuing development in the lodging sector. No specific development sites have been identified for lodging facilities as part of this assessment. However, it is understood that Veneta will take a long and broad view of various lodging types and as such, hotels, Bed and Breakfasts and RV Parks are considered potential options for development.

This analysis includes an overview of lodging trends within the industry as a whole, key industry drivers and success factors, available secondary information on area supply and demand, finalized with a competitive assessment for Veneta on its potential for lodging and key conclusions and next steps.

I. LODGING INDUSTRY OVERVIEW

HOTELS & MOTELS

The hotel/motel sector of the lodging industry serves the needs of several different markets, including business travelers, leisure travelers and large groups. The following table outlines characteristics of each of these market segments:

Lodging Market Segments	
Business Travelers	Represent a large portion of lodging demand Peak demand is Monday – Thursday nights Represent commercial, industrial, government sectors Purpose in area: conducting business, training, vendor/supplier sales
Leisure Travelers	Vacationers, visiting attractions, attending events, visiting friends/relatives, traveling to other destinations Seasonal in nature; peak on weekends Interested in recreational amenities at or near lodging properties
Group Meeting Travelers	Includes both business and leisure travelers Bus tours, athletic events Business group meetings, trade shows, training events
Other Travelers	Construction workers, utility crews, pass through travelers

To meet the diverse needs of travelers, the lodging industry offers a variety of hotel/motel products as summarized in the table that follows.

Types of Hotels/Motels	
Boutique	An intimate, usually luxurious or quirky hotel environment that differentiates itself from large chain hotels. Often furnished in a themed and/or stylish manor with between three and 100 rooms. Usually feature 24-hour guest services, on-site dining facilities and bars and lounges.
Condo Hotel	Building with units that are used as both condominiums and hotel rooms. Owners purchase condo units that are rented as hotel rooms when the owner is not living in them. Often have a restaurant and guest services that owners can use when living in their units.
Extended Stay	Offer guestrooms or suites with kitchens that have sinks, refrigerators, microwaves and a stovetop. Usually have onsite self-serve laundry facilities and discounts for extended stays of at least 5 to 7 days. Popular with business travelers and families or other travelers who desire more space.
Full Service	Usually high-rise establishments that offer a full range of on-site food and beverage service, a cocktail lounge, entertainment and conference facilities, shops and recreation activities. They also provide a wide range of guest services on a 24-hour basis.
Limited Service	Have no on-site restaurant or beverage services and provide only limited guest services. Designed to be clean, comfortable and functional but without guest services typical of full service hotels.
Luxury Hotel	Feature well-integrated, high quality décor, full range of first-class amenities and customized guest services. High staff-to-guest ratio. May have several upscale restaurants, beachfront location and beautifully landscaped grounds.
Resort Hotel	Located in popular vacation spots such as beaches, lakes or on golf courses. Offer fine dining, exceptional services and amenities such as landscaped grounds, luxury indoor and outdoor pools, spas and transit to nearby attractions.

Source: Wikipedia, AAA

Recent activity in hotel/motel lodging reveals the following trends:

- **Increased chain affiliation and consolidation:** To take advantage of economies of scale, independent hotels/motels are being sold and converted to national chains and large chains are consolidating.
- **Increased third-party reservation:** Online booking services such as Travelocity, Priceline and Hotels.com are becoming increasingly popular methods for booking reservations; One in five reservations are now through such third parties.
- **Popularity of alternative-style hotels:** Where full-service hotels once dominated the lodging industry, limited service hotel/motels, extended stay hotels and boutique hotels are gaining in popularity.
- **Emphasis on refinancing, consolidation and renovation over new construction:** As the number of available rooms outpaced demand, financing for new construction slowed, requiring stronger project characteristics such as excellent locations, national branding and solid management plans. Construction is expected to pick up in 2007 to 2008.

Two common measures used to gauge activity in lodging industry are the average daily occupancy rate and the average daily room rate. The first, occupancy, is defined as the average number of rooms sold divided by the number of available rooms. Average daily

room rate is the average total room revenue for a given day divided by the number of rooms sold on that day.

As of 2005, lodging profit margins were down nationwide to 18.4% compared to 20.1% in 2000 according to industry analysts. Occupancy rates were up to 63% versus 59% in 2002, indicating that the industry is rebounding. Further indication of this rebound is the fact that the average daily room rate is up to \$90, on the rise after a deep drop after September 11th, 2001.

Critical success factors to the hotel and motel industry and facility operations include:

- Consumer confidence and overall economic conditions. Business travel fluctuates directly with economic conditions and leisure travelers tend to postpone travel until the economy improves.
- Visible, accessible and convenient location. Commercial locations should be accessible from major highways and/or convenient to business districts, colleges or convention centers. Resort locations should be near attractions and provide greater amenities and services.
- Continuous renovation of furniture, fixtures and equipment and maintenance of building and property.
- Friendly and convenient booking experience for guests
- Competitive prices
- Excellent guest services and clean rooms
- Continuous advertisement
- Understanding of competitors' prices, features and services and amenities offered

OREGON MARKET

The Oregon Lodging Association reports that occupancy is up in the first four months of 2006 over the same period last year in most regions of the state. The exhibit below highlights occupancies, room rates, room supply and demand and overall revenue by region.

OREGON LODGING STATISTICS January - April 2006 (YTD)

Region	Occupancy		Room Rate (\$)		Room Supply		Room Demand		Room Revenue (\$)	
	YTD 06	% Chg	YTD 06	%	YTD 06	% Chg	YTD 06	%	YTD 06	%
Statewide	53.1	4.5	72.31	5.2	6,988,199	-0.8	3,711,457	3.7	268,387,455	9.2
Eastern	44.8	0.0	51.52	3.5	499,800	0.0	223,894	0.1	11,534,456	3.5
Central	41.0	2.8	80.22	3.7	559,440	0.0	229,343	2.8	18,397,323	6.5
Southern	50.9	-0.8	64.28	5.0	955,759	2.0	486,185	1.1	31,251,023	6.2
Willamette Valley	57.7	7.9	71.49	6.9	1,097,370	-2.8	633,009	4.8	45,254,956	12.1
Mt Hood/Gorge	54.4	16.2	63.15	4.3	246,240	0.0	134,003	16.4	8,462,572	21.4
Portland Metro	62.3	7.4	88.36	6.8	2,376,550	-2.4	1,480,754	4.9	130,844,408	12.1
Coast	44.6	-1.8	80.46	5.1	1,250,760	1.1	558,035	-0.5	44,901,693	4.5

Source: Smith Travel Research

Overall room revenue statewide is up over 9% year to date. Regionally, room revenue growth has ranged from 3.5% in Eastern Oregon to almost 22% in the Mt Hood/Gorge

region over 2005. Statewide occupancy rates are up almost 4.5% over last year. The demand for rooms statewide is also up nearly 4%. According to the Association, many areas are actively looking to add or expand lodging properties.

In order to provide insight to lodging product and markets relevant to Veneta, telephone interviews were conducted with two hotel/motel management companies that focus on small, limited-service, independently owned facilities in Oregon and Washington. The discussions revealed the following:

- A strong dependable job base able to attract professionals is critical to sustaining occupancy throughout the year unless there is a visitor attraction(s) that draws year round.
- Business travelers generally comprise 40-50% of the lodging market with the balance being tourists and area visitors. The business sector is counted on to provide a stable, dependable base of occupancy throughout the year.
- A customer base of 50% business and 50% leisure is an optimum mix to strive for.
- A growing residential population is an important consideration but will not generate more than 10-15% of occupancies year round in smaller communities
- Average cost to build motel property is \$50,000/unit with a 40 unit minimum to create critical mass.
- Local/regional investment groups can offer a viable approach to pursuing lodging projects that are often challenged to locate adequate financing through traditional sources.

One recent example of a successful hotel project in a rural setting is the 40-room Clatskanie River Inn, (Clatskanie, OR) for which construction was completed just over two years ago. After extensive research of the growing employment base it was determined that sufficient demand could be garnered to satisfy minimum occupancy requirements. Construction of Cascade Grain Products' ethanol plant, a PGE generation facility, and Georgia Pacific plant expansion are among the local initiatives creating support for the hotel. An Enterprise Zone location on Highway 30 helped defray start-up costs by reducing property taxes by 80% the first three years. Meeting space—a feature highly recommended by the industry management— accommodates up to 90. The Inn is set to add about a dozen rooms in the next two years.

BED & BREAKFASTS

The following table on the next page outlines three different types of bed and breakfasts, ranging from small, family-operated two to five bedroom establishments to larger country inns which often have up to 30 rooms and a full service restaurant. There is considerable variety in the scale and scope of these business models. Bed and breakfast owners frequently supplement income from lodging with other related ventures including a full-scale restaurant open to the public, event space, catering facilities and/or a gift shop selling souvenir or novelty items.

Bed and Breakfast Definitions	
Bed and Breakfast	Formerly a single family dwelling usually in the 2-5 room range, this owner-occupied establishment has an equally mixed use as home and lodging with lodging superseding home more often than not.
Bed and Breakfast Inn	Generally a small, owner occupied inn. The building's primary usage is lodging. Breakfast is the only meal served and only to overnight guests. The inn may host events such as weddings, small business meetings, etc. Room numbers range from 4 to 20.
Country Inn or Bed and Breakfast Hotel	Offer over-night lodging and meals where the owner or manager is actively involved in daily operations, and is on site 24-hours a day. These establishments generally serve at least one meal in addition to breakfast, and operate as "restaurants" as well as overnight lodging accommodations. Room numbers tend to range from 6 to 30.

Source: Oregon Bed & Breakfast Guild

Bed and breakfasts frequently face two forms of competition. Primary competitors are other bed and breakfasts and small inns with similar target markets. Secondary competitors are establishments such as hotels, motels or campgrounds, which provide lodging but appeal to a different clientele than bed and breakfasts.

A 2002 survey of bed and breakfast owners conducted by BedandBreakfast.com revealed that proprietors experienced a 7.9% increase in occupancy over 2001, indicating that this sector remained strong despite sluggish performance of the travel industry overall during that time period. Performance varied by region with the Great Lakes and Southwest showing the greatest increases and the West Coast and New England showing a decline in occupancy from 2001 to 2002. The average occupancy rate nationally for bed and breakfasts in 2002 was 60.5% and the average room rate was \$85.24 a night.

A literature search of the bed and breakfast lodging sector pointed to the following critical drivers to success for individual proprietors:

- Strong and growing local lodging market
- Visibility and proximity to business demand generators, tourist attractions, transit and highways
- Quality signage and logo
- Charm and appeal of home
- Amenities such as off-street parking and private bathrooms
- Advertisement including web marketing, a brochure and neighborhood/business support to create "word-of-mouth" references
- Knowledge of competitor's prices, minimum stay requirements, breakfasts and other amenities

RV PARKS

Recreational vehicles (RVs) combine transportation and temporary living quarters for travel, recreation and camping. These vehicles fall into two categories:

Motorhomes – range from large motorized vehicles to small van campers. Their prices range from around \$48,000 for small campers to up to \$400,000 for large motorhomes. Towables – include folding camping trailers, truck campers and conventional and fifth-wheel travel trailers. Prices for these types of campers range from as low as \$4,000 for truck campers to up to \$140,000 for large travel trailers.

A variety of RV parks serve multiple target markets.

1. RV parks located near and easily visible from major interstate highways attract transient overnight campers and have few amenities.
2. Destination parks draw vacationers interested in staying in a more remote location and offer amenities such as swimming pools, game rooms, playgrounds, snack bars and places to fish.
3. Luxury “resort” parks seek to attract leisure travelers by offering facilities such as tennis courts, golf courses and health spas.

Recent statistics indicate that RVs are becoming an increasingly popular form of leisure activity. As of 2005, 8 million households owned at least one RV. This represents a 15% increase from ownership rates in 2001 and a 58% increase from rates in 1980. Reports are that rising fuel prices are moderating sales somewhat. As fuel prices rise, RVers tend to drive fewer miles while on vacation and instead spend more time at their campgrounds. Thus, amenities and activities offered by RV parks become more important.

The RV Industry Association indicates that RV demand will continue to grow over the next decade, with nearly 8.5 million households owning an RV by 2010. Reasons for this growth include the aging baby boomer population and increased advertising to younger market segments. Studies show that the largest number of RVs are owned by people between the ages of 30 and 54; the typical RV owner is 49 years old and married, with an income of about \$68,000. Other reasons for the success of RVs and RV parks are the flexibility and convenience they offer, their versatility and ease of access, affordability and family appeal and their ability to help vacationers enjoy the outdoors.

Successful RV parks and park owners/managers possess the following attributes:

- Accessible, attractive and convenient location
- Strong local tourism market
- Cleanliness
- Proximity to attractions (for destination parks) and visibility from major highway (for parks designed for transient, overnight stays)
- Amenities including swimming pools, playgrounds, snack bars or small shops
- Ability to accommodate a variety of vehicle types
- Water frontage for fishing, boating and swimming
- Knowledge of customer desires
- Understanding of competitors’ operating characteristics (such as price, amenities, etc.) and their performance

II. OVERVIEW OF LOCAL LODGING SUPPLY AND DEMAND

Hotels and other lodging businesses are among the most complex of real estate investments. Understanding the underlying dynamics of supply and demand is critical to making an informed decision and thus affects the success of an investor, lender, operator, or hotel company. A detailed market analysis estimating lodging demand and supply by sub-sector, number of rooms, pricing, market penetration, target markets, required amenities and related factors is beyond the scope of this research endeavor. However, if at any given time a particular lodging project is proposed, its potential viability should be tested through an in-depth analysis.

Exploring the opportunity for lodging in Veneta must necessarily take into account the greater Eugene-Springfield market area due to its close proximity to the significant lodging product there. This section summarizes key trends within the metro area's lodging industry, based upon recent study groups, information provided by the Convention & Visitors Association of Lane County Oregon (CVALCO) and telephone interviews with industry observers.

HOTEL/MOTEL

On the regional level, much of the discourse on hotel/motel lodging needs has occurred within the context of the visitor industry as a whole, and in association with convention and meeting facilities, as well. In February 2005, EcoNorthwest prepared a brief summarizing the findings of a Lane County Regional Tourism Infrastructure Task Force and several years of discussion about the need for a convention facility.

Report findings concluded that "Lane County has a serious, growing gap both in available lodging and convention and meeting space." Compared to other markets the size of Eugene, the area is falling behind with insufficient hotel rooms and meeting space. A series of recommendations advised multiple steps from regional collaboration to incentives for full service hotel development.

CVALCO reported 2005 hotel occupancy rates of 68.3% in Eugene-Springfield, well above Oregon averages (59%) and national averages (62.5%) and believed to reflect in part the short room supply in the area. Over the last decade, Eugene's occupancy levels have consistently remained above 60% with the exception of 2003 when they dropped to 58.7%. Steadily rising room tax collections reflect the strong occupancies as do rising room prices.

In 2005, the Convention & Visitor's Association estimated the total rooms available from all facilities in the Greater Eugene/Springfield area at 3,898. In recent years the number of hotel rooms lost in the metro area due to closure or property redevelopment has nearly matched new hotel rooms added (574 lost vs. 562 gained). This includes the February 2006 closure of the Country Squire Inn (105 rooms) at the Coburg interchange. The greatest share of the room additions (193) has occurred in the north Eugene/Gateway area.

In 2007, Sycan Development Corporation will open two new hotels also in the Gateway Center: a 90-room Towneplace Suites by Marriott and a 142-room Holiday Inn. Sycan's estimates of increased room demand are tied to expansion of the local job base with a new PeaceHealth Hospital and Royal Caribbean call center nearby. Eugene developers

report plans for between 60 and 250 additional hotel rooms as new or expanded facilities in the near future.

In connection with the lodging market, the Convention & Visitors Association is actively promoting opportunities for new meeting facilities where market studies have repeated identified gaps in the market for Eugene particularly compared to other regional destinations. Meeting space is one of many variables that provides important synergies for the success of lodging facilities. This convention and meeting industry has a wide range of products and markets, an analysis of which is not included within the market readiness assessment for Veneta.

LODGES & RESORTS

The CVA reports an estimated 15 resorts and lodges in the McKenzie River area on or off Oregon Highway 126 with 198 rooms and several with small meeting facilities. Many of these facilities are situated on the McKenzie River, which is a major recreation attraction in Eugene area.

BED & BREAKFASTS

The CVALCO estimates as many as 15 Bed & Breakfasts in the greater metro area. The majority of the Bed & Breakfasts are located within Eugene. Two are established in Cottage Grove. The closest B&B to Veneta is the Blue Rooster Inn on Territorial Highway south of Eugene. This includes event facilities with seating for up to 200. With only two rooms, this facility is already booked on weekends through the summer months.

RV PARKS

Approximately 710 RV sites exist within greater Eugene-Springfield metro area. Of those, approximately 423 are year-round sites. Larger facilities, such as Premier RV Resorts in Coburg often have a significant year-round tenancy, which contributes to their economic success.

Eugene Area RV Park Facilities				
Name & Location	Availability		Number of RV Sites	
	April-October	Year-Round	Full hook-up	No hook-up
Baker Bay Campground, Dorena	X			49
Dexter Shores RV Park, Dexter		X	46	
Kamping World RV Park, Coburg		X	90	
Lane County Parks, Eugene	X	X	126	49
Premier RV Resorts of Eugene		X	151	
Richardson Park Campground, Junction City	X		88	
Premier RV Resorts, Coburg		X	130	
Fern Ridge Shores, Veneta*		X	61	

*55 sites are full-time occupants

Source: Lane County Convention & Visitors Association, Marketek, Inc.

Several small campground/RV parks are open during the Oregon Country Fair and are noted on the Fair's website. Most are oriented toward campers and not RVs.

III. COMPETITIVE ASSESSMENT

To help provide insight to Veneta’s competitive posture for attracting and developing lodging facilities, a broad evaluation is provided of how Veneta measures up against factors identified as key to success. These focus on locational influences, market characteristics and infrastructure elements and are outlined in the exhibit that follows.

Key for Rating S = Strength W= Weakness N = Neutral
--

Veneta’s Competitiveness for Lodging		
Critical Success Factors	Rating	What Veneta Offers
Business & Economic Characteristics		
Major employers	W	No large employers to generate regular business travel demand. In the market area are small businesses--277 employers w/ 1,600 estimated employees
Business growth/expansion	N	In recent years, industrial development has been stagnant. Bi-Mart is the last significant commercial venture.
Available shopping – a selection of quality shopping for visitor needs	N	A good base of convenience shopping and services. Very limited selection of comparison and specialty goods or visitor-oriented retail.
Business services & amenities, including restaurants/entertainment	W	No up-to-date meeting facilities; modest choice for eating out; no entertainment facilities; limited business services such as copy center.
Tourism & Recreation Characteristics		
Visitor attractions (parks, casinos, boating, museums, etc.)	N	No single, large draw. Highly seasonal. Multiple attractions appealing to diverse visitor market—ecotourists, boaters, wine aficionados, concert-goers.
Special events and festivals	S	Oregon Country Fair and Secret House Winery Events
Strong market position/niche	N	Best known for single event-Country Fair. Developing recognition for wineries, birding.
Market Demand		
Visitor/Leisure Market	N	Highly seasonal; largely local/regional
Business Market	W	No demand generators for stable overnight lodging clientele
Group Market	W	No established infrastructure to support meetings/group events

Veneta's Competitiveness for Lodging		
Critical Success Factors	Rating	What Veneta Offers
Residential Market	S	Veneta/Fern Ridge Market Area is relatively large and growing
Market Supply		
Hotel/Motels	S	Fairly convenient and proximate to significant choices in facilities, price, amenities. This factor, however, is a <i>challenge</i> from the standpoint of Veneta's ability to compete within this marketplace.
RV Parks	N	Limited choices, particularly for year-round market.
Bed & Breakfasts	N	A good supply of B&Bs in Eugene city center and to the south. Limited product in pastoral, rural settings. None in Veneta, which points to potential opportunity.
Lodges/Resorts	N	A wide selection of properties exists along the scenic McKenzie River, though many are aging facilities. None in Veneta. May be an opportunity for Veneta w/ nearby water vistas.
Location		
Proximity to competition	W	Veneta's close proximity to both Eugene-Springfield and Florence/coastal destinations & lodging base is a competitive disadvantage for attracting overnight visitors.
Proximity to market/customer base	W	Veneta's visitor attractions draw mostly from the Eugene metro area. Visitors are largely 'day trippers.' (EX: 57% of Richardson Park users are local.)
Highway access/visibility	S	A main route to the Oregon coast from Eugene. Hotel would necessarily need highway visibility; RV Park, Lodge and/or Bed & Breakfast could be off the main highway with well-marked signage.
Surrounding area attractiveness	N	Mixed. Natural scenery/Fern Ridge Reservoir is alluring. Main highway & built environment from Veneta's edge and through town is not attractive.

Source: Marketek, Inc.

IV. NEXT STEPS FOR LODGING DEVELOPMENT

Veneta's close proximity to the abundant Eugene-Springfield lodging supply and array of visitor amenities challenges it to attract and compete within the hotel sector of the lodging market. At the same time, locally-generated market demand is not measurably sufficient to support a hotel of sufficient size (40 rooms) and occupancies (of 55-60% or higher), necessary to maintain and sustain a profitable operation.

Fern Ridge Lake recreation opportunities and other emerging tourism attractions such as wine tours offer largely day use, seasonal usage. Even together with pass through highway travelers, limited business use and stays generated by the local residential population, there appears to be insufficient market demand to support a hotel facility at this time. Note that even with 80 wineries, heavy highway traffic volume and two dozen bed and breakfast throughout Yamhill County wine country, only recently has the first 50-room boutique hotel sought to locate in the area.

Lodging development goes hand in hand with expanding the jobs base, revitalizing downtown Veneta and aggressively promoting the Fern Ridge area's visitor offerings. Although a hotel facility may not succeed on its own without new demand generators, Veneta can and should pursue other lodging alternatives, including a destination RV park and bed and breakfast facility. The idea of a lodge facility on the lake in conjunction with a restaurant, moorage facilities and other commercial amenities has been identified as another possibility by local developers. This is a larger development concept that by its scope and nature will be driven by private leadership.

RV parks and bed and breakfast facilities offer less capital intensive approaches to filling local lodging demand and focus on the recreation/visitor market in response to Veneta's most developed assets. Either or both of these lodging options also encourage Veneta to focus on its unique characteristics and market position as a quaint, welcoming rural community with high scenic value and strong recreational opportunities.

The success of any lodging venture in Veneta will be driven by the proper location, favorable site characteristics, quality development and excellent management and marketing. Assuming a location in or close to Veneta's core commercial area, downtown businesses and attractions, such as the local museum will benefit from increased traffic and spending which can be up to three times higher in a community for overnight visitors than day visitors.

A Bed and Breakfast location in downtown Veneta would create a win:win effect by adding a much needed visitor/economic attractor in downtown while simultaneously helping to fill lodging demand on an incremental basis. Broadway and adjacent streets have a number of craftsman style homes that may be suitable to Bed and Breakfast operations.

Suggested next steps for Veneta in pursuit of lodging market opportunities are outlined below:

1. Immediately begin to track visitor counts from all sources on a regular basis. Produce a semi-annual, then annual report of findings on an ongoing basis. The Oregon Country Fair organization and county parks maintain a good data base related to their

facilities/event, but other attractions and destinations appear to have anecdotal visitor count information. Accurate records demonstrating a large and growing visitor market with as long a season as possible provide vital information to any potential lodging investor considering a Veneta location. The Chamber and Economic Development group can spearhead this effort.

2. To obtain sound information on the business travel market, contact the 10-15 largest employers in Veneta and ask about the number of overnight visitors they may generate from business activity throughout the year. Develop a composite picture of demand from this market.
3. Through the Chamber of Commerce and Economic Development group, begin to talk up the possibility of developing an RV park and/or bed and breakfast facility in town. Gather names of potentially interested owners, operators and investors. Contact all the campground hosts in the area listed on the Oregon Country Fair webpage to see if they have interest in developing their property into a full-fledged RV park. Identify other properties in the community with good access and the potential for development. Explore what incentives the city may offer such as reduced sewer hook-up fees as an enticement to developers. If one or more marketable properties are identified, a target marketing campaign can be created and implemented focused on RV developers and managers.
4. If interest among local Veneta residents and entrepreneurs warrants, host a workshop with the Lane County Small Business Development Center and the Oregon Bed and Breakfast Guild on 'Starting and Operating a Bed & Breakfast.' Identify any barriers that may fall in the public sector realm, such as zoning and work to address those directly.
5. Send Veneta representatives to the annual conferences of the Oregon Lodging Association (September 17-19 in Sun River), the Oregon Bed and Breakfast Guild and the Oregon RV Park & Campground Association. Network with industry leaders and operators to get to know first hand what other rural communities have done to successfully develop lodging sectors and learn from their experience.
6. Plan for Veneta's continued growth and development in the residential and industrial sectors that ultimately will support a hotel facility. Identify highway frontage property now for a future hotel facility to locate in Veneta.

APPENDICES

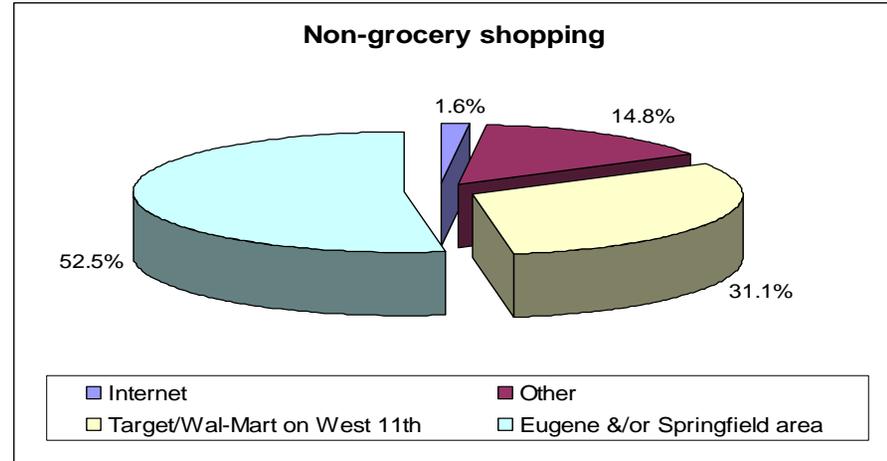
APPENDIX A: RESULTS OF SHOPPERS SURVEY

APPENDIX B: RESULTS OF BUSINESS SURVEY

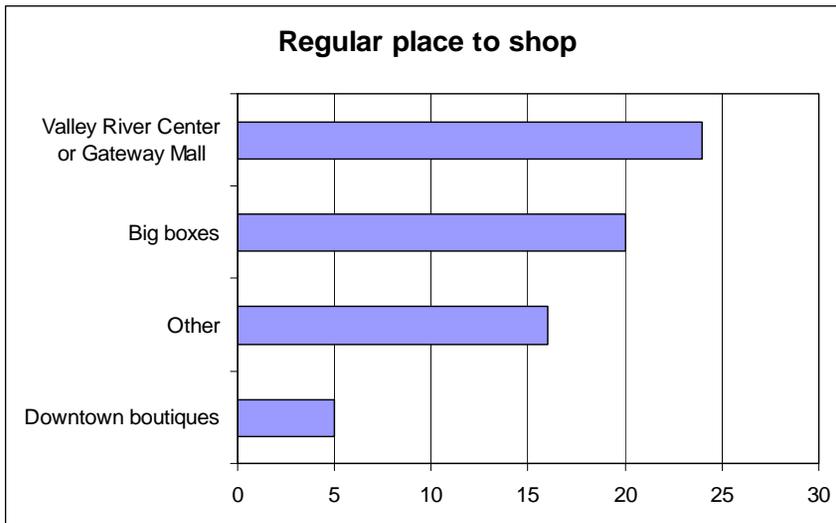
APPENDIX A Veneta Market Area Shoppers: Opinion Survey Summary

Where do you do most of your non-grocery shopping (e.g., apparel, home furnishings, sporting goods, etc.)?

- Sixty-one people responded to this question.
- Thirty-two (52.5%) do most of their non-grocery shopping at Target and Wal-Mart. Eugene and/or the Springfield area were also identified as popular places to do non-grocery shopping.
- Nine (14.8%) reported other for their non-grocery shopping which includes Bi-Mart and Jerry's depending on particular needs.
- Less than 2% of the people do their non-grocery shopping on the internet



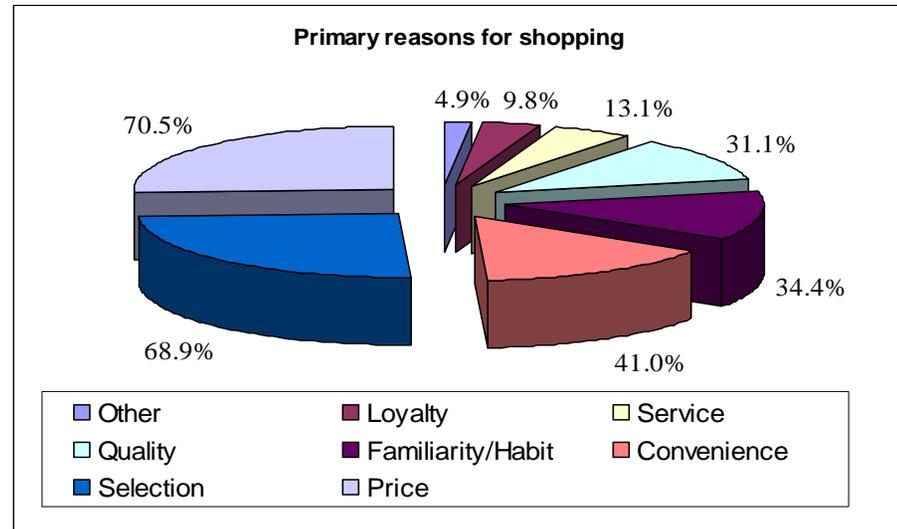
If you shop regularly in Eugene/Springfield where do you do most of your shopping?



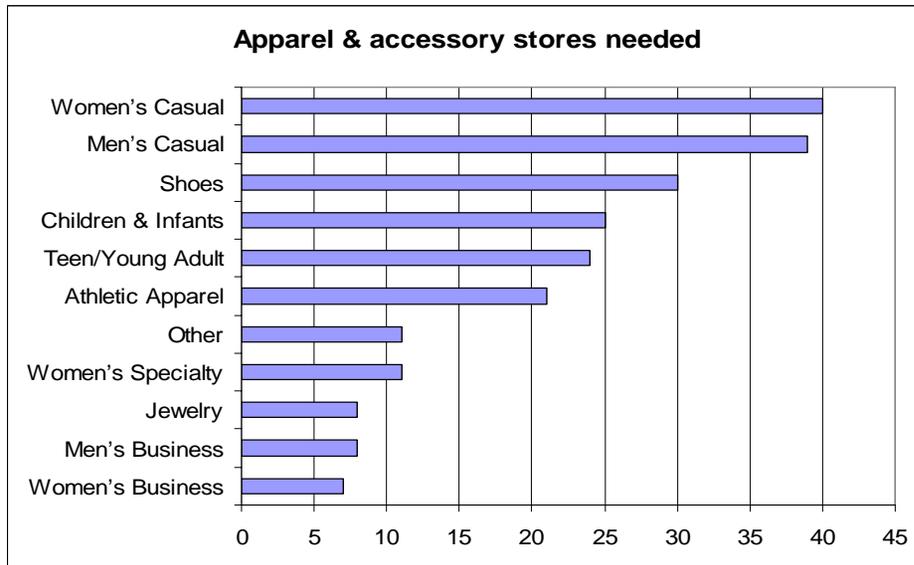
- Fifty-five people responded to this question.
- Of those shopping in Eugene and Springfield, 24 (43.6%) reported the most common place they shop is Valley River Center or the Gateway Mall, while 20 (36.4%) reported Big Box Stores as their most likely choice.
- Shopping at other locations ranked third and included large discounters such as Costco, WinCo, Wal-Mart and other department stores.
- Just over 9% shop in downtown boutiques.

What are the primary reasons for shopping where you do?

- Sixty-one people responded to this question.
- The most common influence of shopping choice is the availability of a price of goods, 70.5%. Wide selection is the second most important factor affecting shopping preference.
- A large portion also cited convenience, with 41.0% ranking this a primary reason.
- Familiarity/habit and quality are also strongly represented at 34.4% and 31.1% respectively.



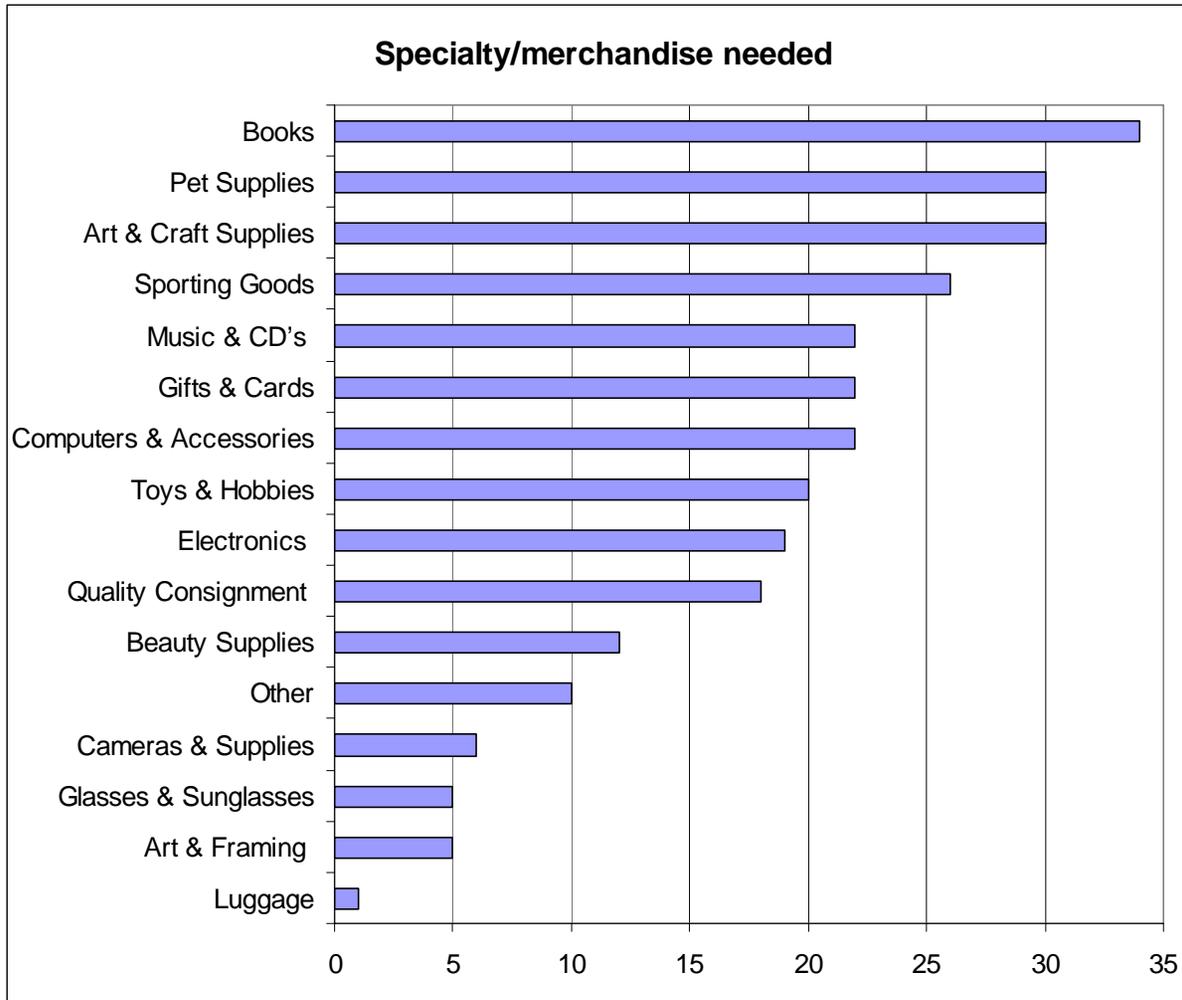
Shopping Needs in Veneta



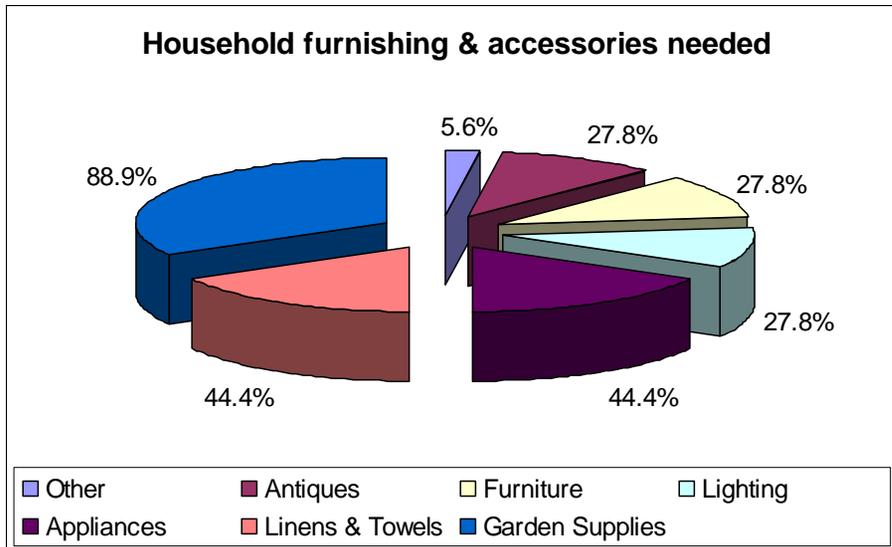
What kinds of apparel and accessory stores are needed and would be supported in Veneta if they existed?

- Fifty people responded to this question.
- Forty (80%) reported that women's casual clothing is needed, with men's casual garnering equally strong support—39 respondents or 78%.
- Thirty (60%) reported the need for shoe stores.
- Between twenty and twenty-five percent expressed for the children and infants, teen/young adults and athletic apparel segments.

What types of specialty/merchandise do you think are needed and would be supported in Veneta if they existed?



- Fifty-six people responded to this question.
- Books were most commonly reported as a specialty shopping need in Veneta (60.7%). Pet supplies, art & craft supplies and sporting goods were highlighted by forty-six to fifty-three percent.
- Music & cd's, gifts & cards, and computers & accessories were equally reported at 39%.
- Greater selection of grocery stores, music, office supplies and a zoo, water park, or educational center were also mentioned.



What kinds of household furnishings and accessories are needed and would be supported in Veneta if they existed?

- Fifty-four people responded to this question.
- Forty-eight (88.9%) reported garden supplies as the most needed household accessories in Veneta, followed by linens & towels and appliances, equally ranked at 44.5%.
- Lighting, furniture, and antiques ranked each received 27.8% of the response.
- Others commented on a desire for hardware selection and fabric stores.

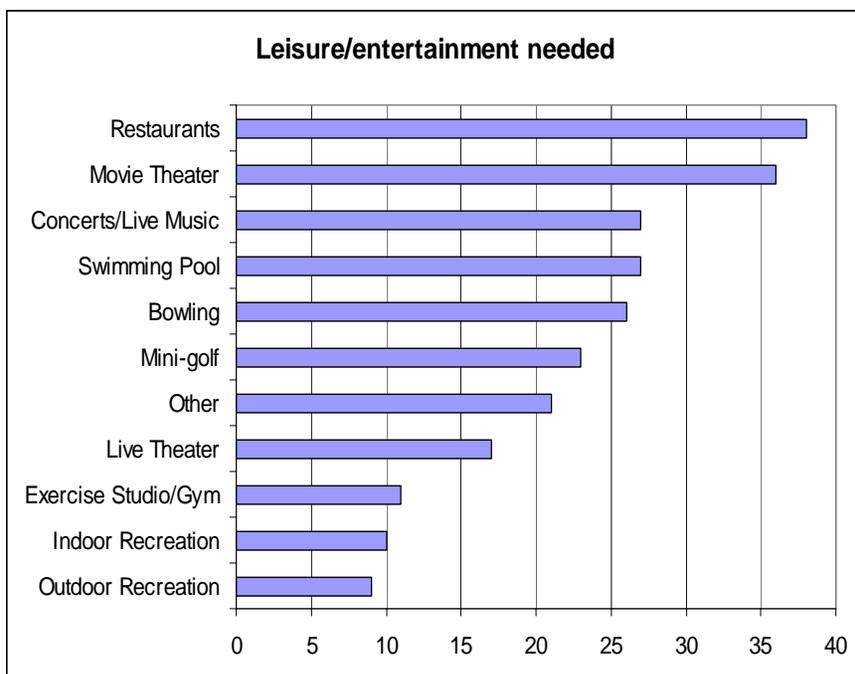
What kinds of convenience merchandise are needed and would be supported in Veneta if they existed?

- Fifty-five people responded to this question
- Building supplies was reported as the most needed convenience good/service in Veneta by 39 (70.9%) people.
- The need for groceries was the second most needed convenience merchandise at 61.8% followed by baked goods at 60%.
- Twenty-seven (49.1%) people reported the need for hardware. Others expressed desire for natural foods, construction materials and plants.

When asked to explain why you may not be buying these products locally, even if the merchandise may be available, high prices and a lack of selection were the most-common responses.



Service needs in Veneta

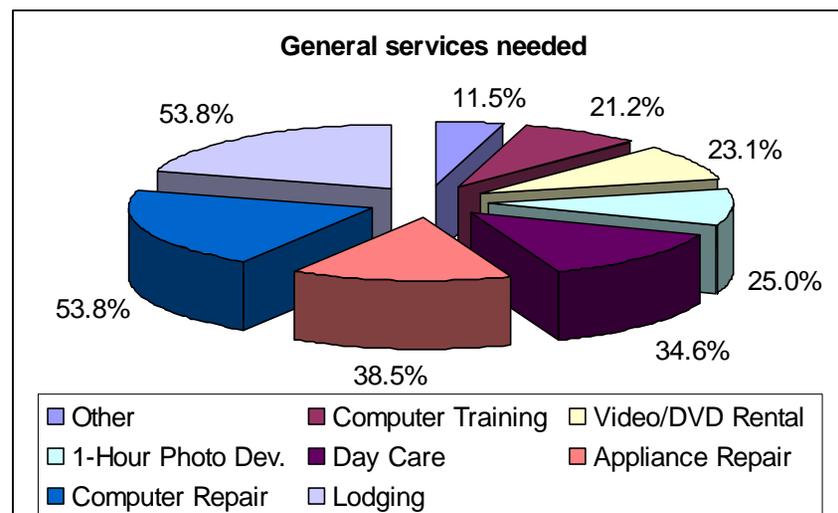


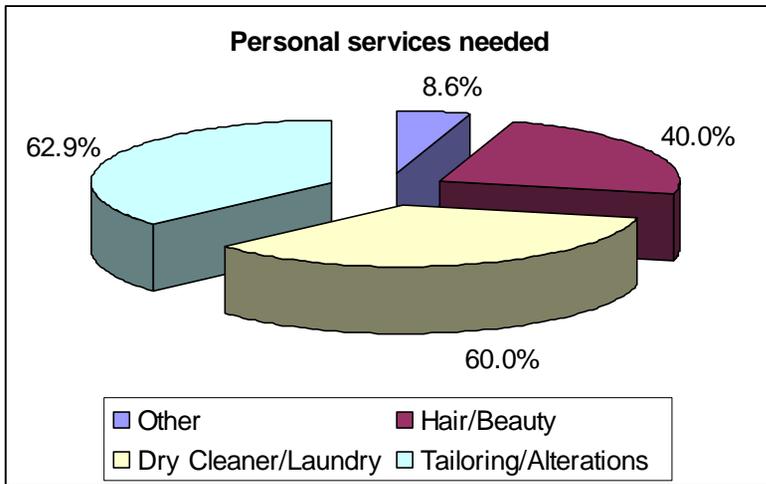
What kinds of leisure/entertainment services are needed and would be supported in Veneta if they existed?

- Fifty-eight people responded to this question.
- Thirty-eight (67.9%) people reported restaurants as the most needed leisure/entertainment service in Veneta.
- Movie theaters were a close second with 36 respondents, followed by live music/concerts and swimming pools at 26 each.
- For indoor recreation, the need for a covered pool was the biggest concern. Respondents also mentioned an indoor playground or a gym for youth activities.
- For outdoor recreation, additional playing fields, playground areas, bike/walking paths and a golf course were suggested.

What kinds of general services are needed and would be supported in Veneta if they existed?

- Fifty-two people responded to this question.
- Lodging (53.8%) and computer repair (53.8%) were reported fairly equally in terms of the general services needed.
- Appliance repair (38.5%) and day care (34.6%) also garnered substantial response levels.
- Others comments included home repair, home care, art supplies and a satellite community college campus for all of West Lane County.



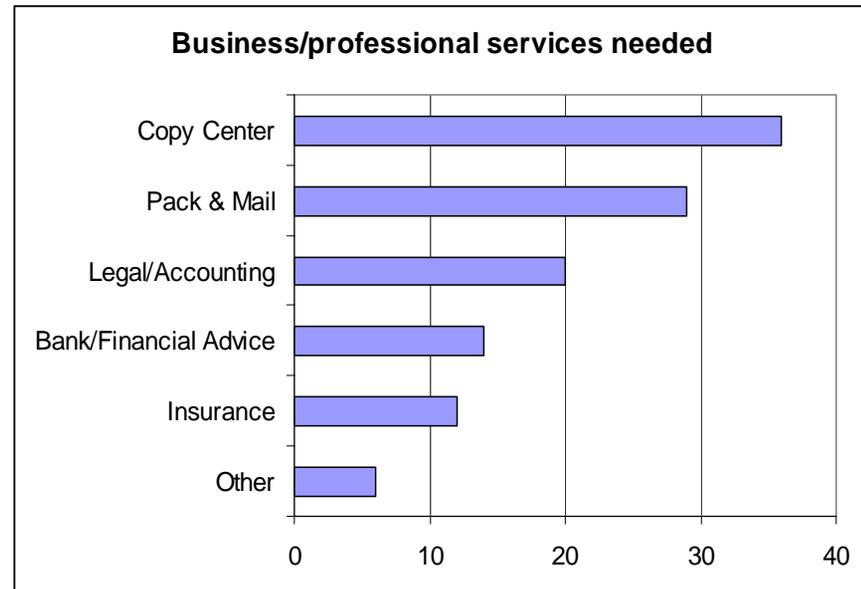


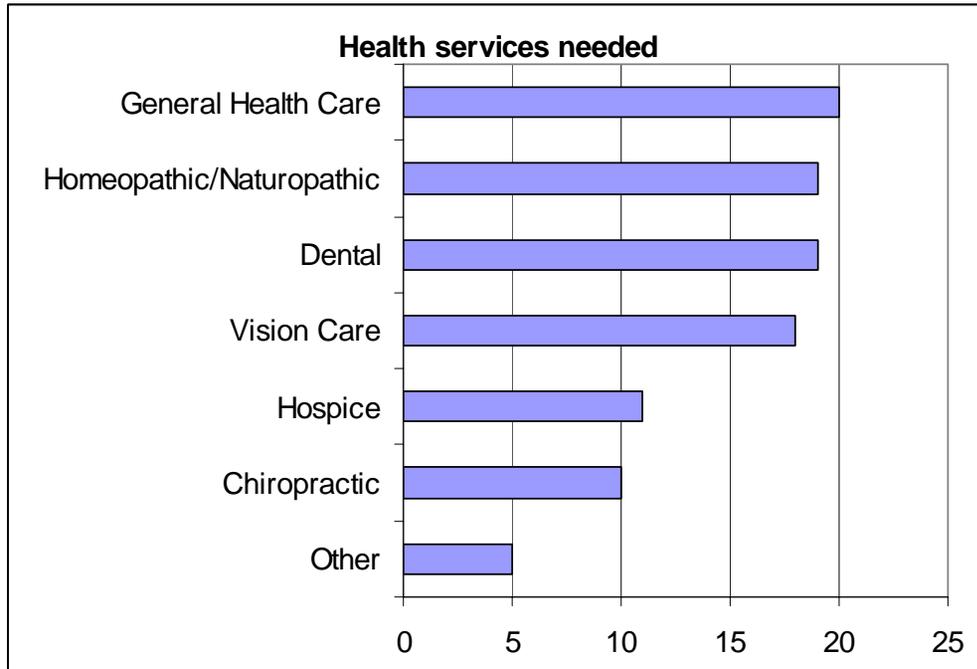
What kinds of personal services are needed and would be supported in Veneta if they existed?

- Thirty-five people responded to this question.
- Twenty-two (62.9%) reported tailoring/alterations as the most need personal service, closely followed by dry cleaner/Laundromat (60.0%)
- Hair/beauty (40.0%) was the only other service receiving great support.
- Noteworthy comments included the need for real estate sales office and a salon that could accommodate the hours of working women (as the current one does not).

What business/professional services do you think are needed and would be supported in Veneta if they existed?

- Forty-four people responded to this question.
- Thirty-six (81.8%) reported that a copy center is the most needed business/professional service in Veneta.
- Pack and mail (65.9%) and legal/accounting (45.5%) were next to follow.
- Others commented on having secretarial/office services, a real estate office and someone specializing in small business/self employed taxes, forms, insurance.



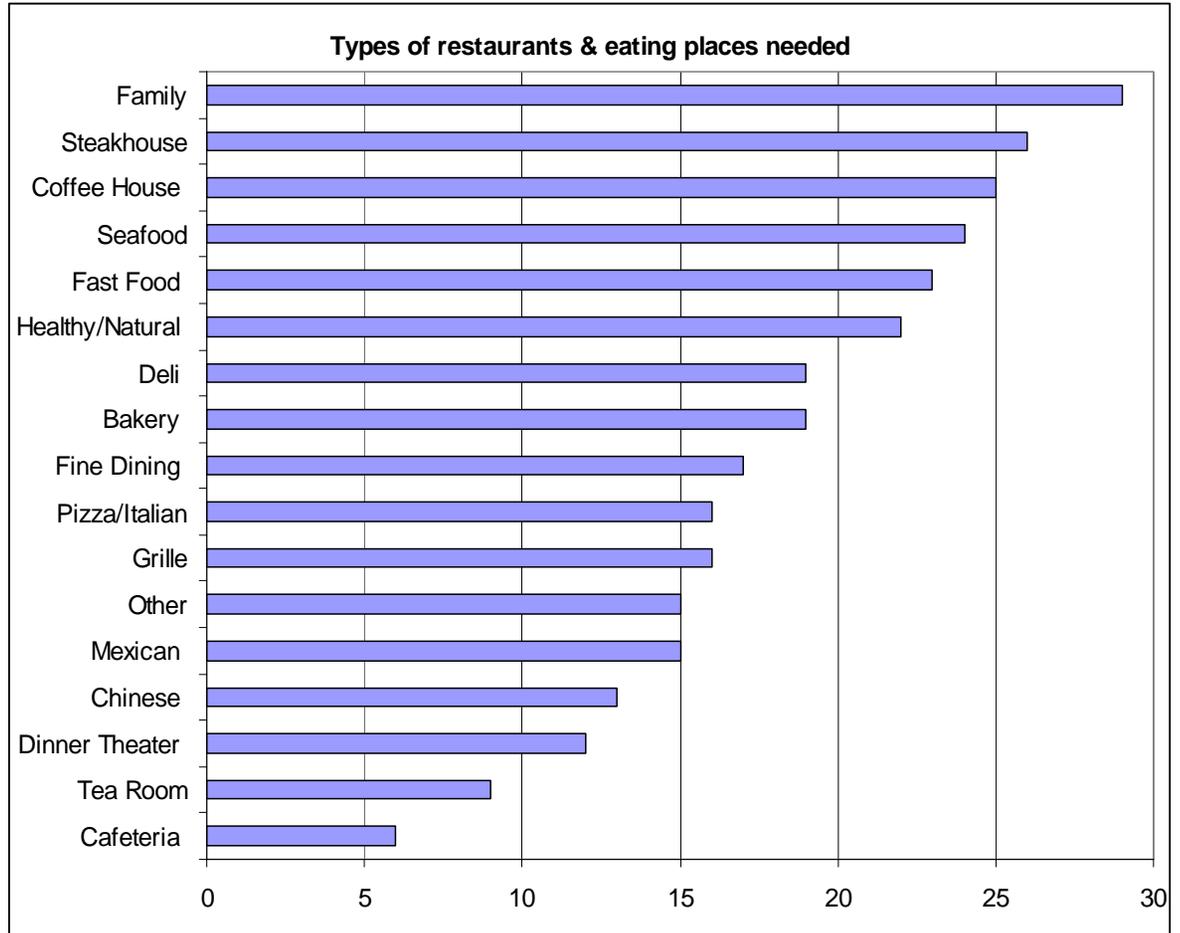


What health services do you think are needed and would be supported in Veneta if they existed?

- Thirty-six people responded to this question
- Twenty (55.6%) reported general health care was needed as a health service in Veneta. The need for Homeopathic/naturopathic (52.8%) and dental (52.8%) were reported equally.
- Eighteen (50.0%) expressed the need for vision care.
- Others commented on needing an emergency health care clinic and hospital for West Lane County as well as home health care.

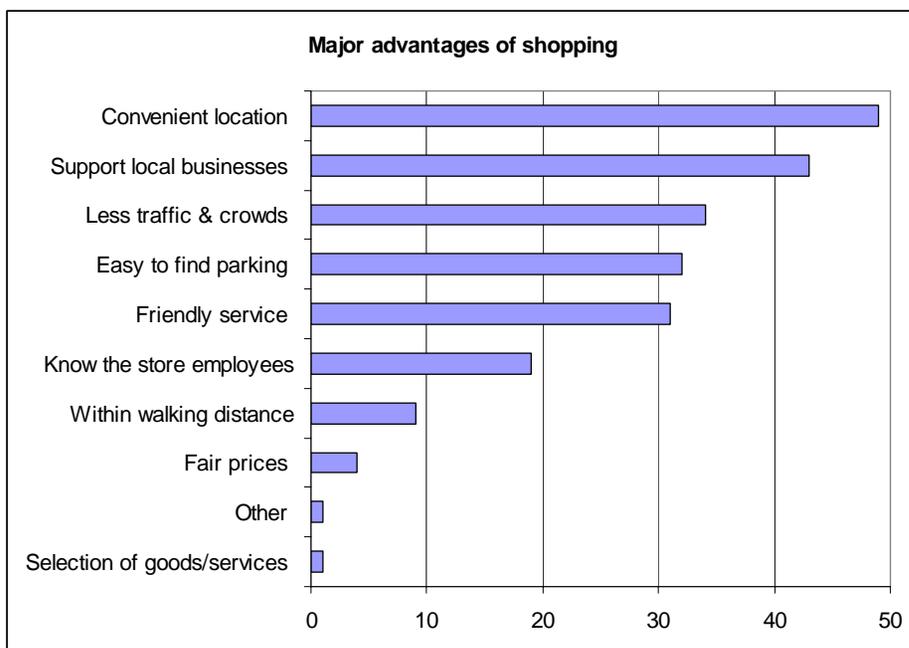
In your opinion, what types of restaurant and eating places are needed in Veneta and would be supported if they existed?

- Fifty-seven people responded.
- Family restaurants are the most needed type in Veneta, with 29 (50.9%) people reporting.
- Steakhouses (45.6%) are the second most desired type of restaurant.
- Between thirty-eight and forty-two percent of people said they wanted a seafood, fast-food or healthy/natural restaurant.
- Tea room and cafeteria are among the least wanted dining options.
- A Thai restaurant or any nice Asian/ethnic place were commonly requested
- *Please explain why you may not choose local service providers, if you are aware of their services:* many said, "I think convenience eating is a HUGE need. If you



want a quick burger, your only choice is Dairy Queen--and they are really expensive. Places like Wendy's, Taco Bell, Arby's would add some variety to our choices. More entertainment/recreational opportunities are needed also. There is very little to keep you in Veneta on a Friday night if you don't want to drink". Many more expressed the price, selection and quality of food needed improving.

Shopping/Personal Business Preferences

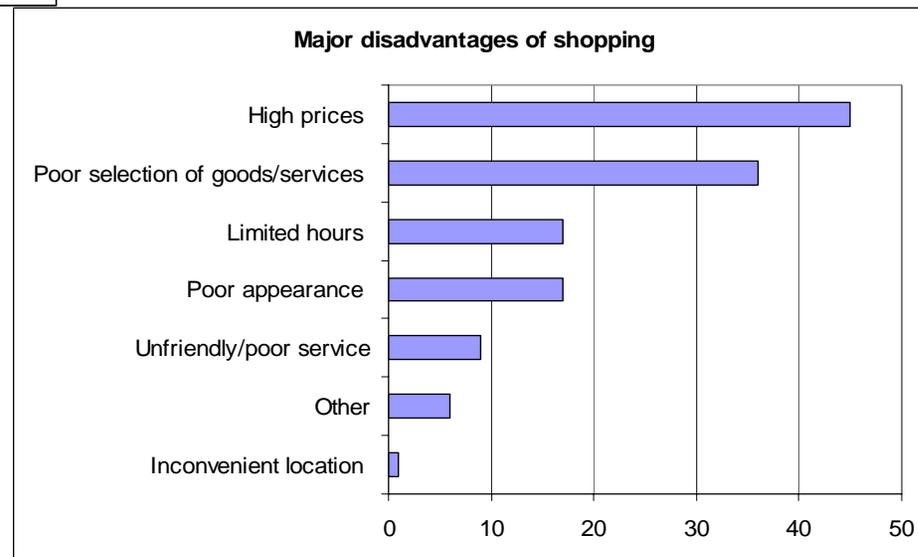


Currently, what are the major advantages of shopping or doing personal business (e.g. banking) in Veneta?

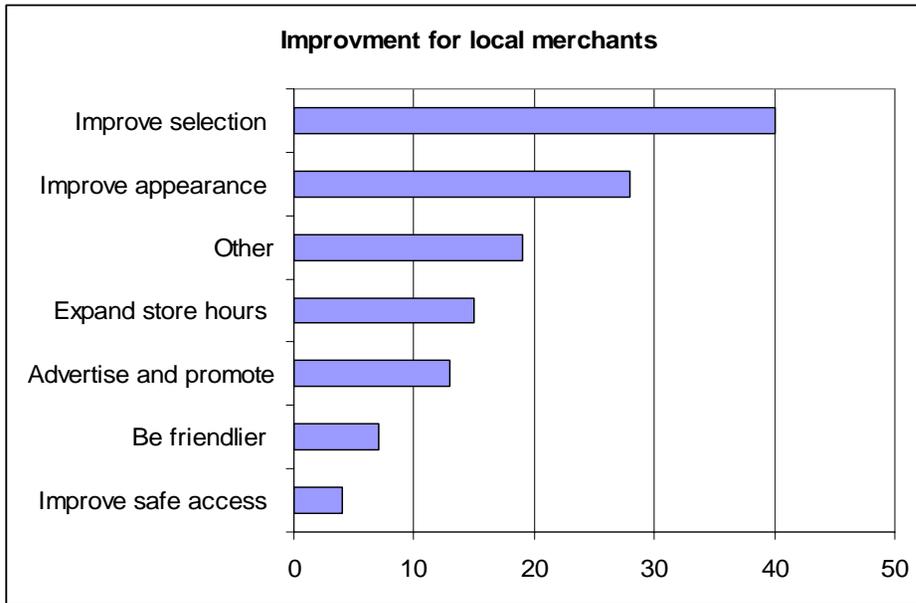
- Fifty-five people responded to this question.
- The greatest advantage of shopping in Veneta is the convenient location according to Forty-nine (89.1%) of the people.
- Forty-three (78.2%) of the people reported that a major advantage of shopping in Veneta is its support of local businesses.
- The lack of traffic and crowds attracted 61.8%, while 58.2% appreciate the ease of parking and 56.4% enjoy the friendly service.

Currently, what are the major disadvantages of shopping or doing personal business (e.g. banking) in Veneta?

- Fifty-four people responded to this question.
- The greatest disadvantage of shopping in Veneta are the high prices according to 40 (83.3%) people.
- Two-thirds reported a major disadvantage of shopping in Veneta to be the poor selection of goods/services.
- Limited hours (31.5%) and poor appearance (31.5%) were also represented disadvantages



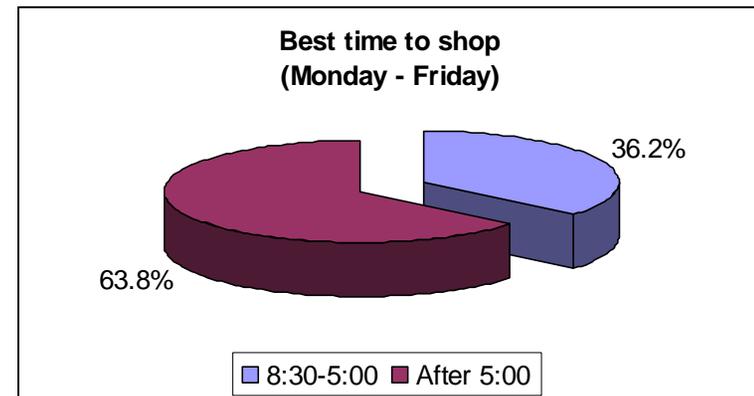
What can local merchants do to improve their stores?

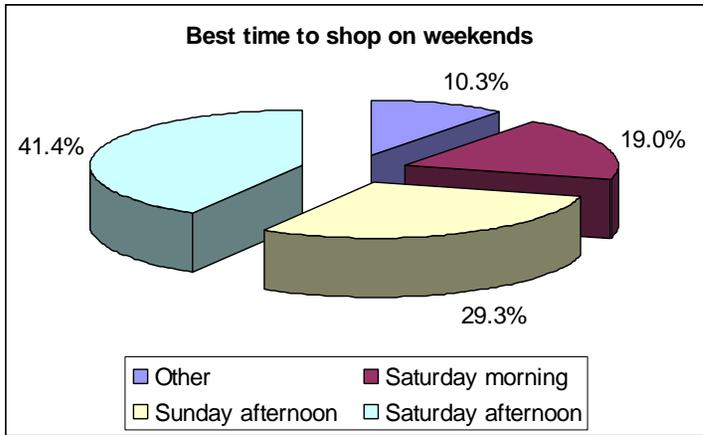


- Fifty-six people responded to this question.
- Forty (71.4%) reported greater selection in local stores would be a strong improvement
- Twenty-eight (50.0%) reported an improvement in appearance as second most important.
- Prices also played a key role, as many expressed the need to have reasonable/competitive price on items purchased locally.
- Clean stores with good service as well as employee hygiene and cleanliness were also noted.

What are the best times for you to shop during the week (Monday-Friday)?

- Fifty-eight people responded to this question.
- About 64% reported that the best time for them to shop is after 5:00 pm on the weekdays.
- Approximately 36% reported that the best time for them to shop is between 8:30 am – 5:00 pm on the weekdays.



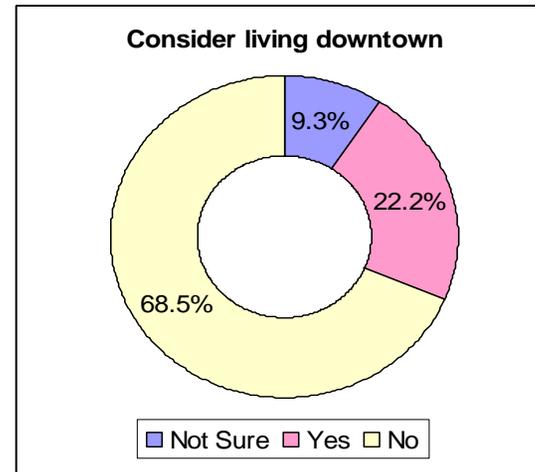
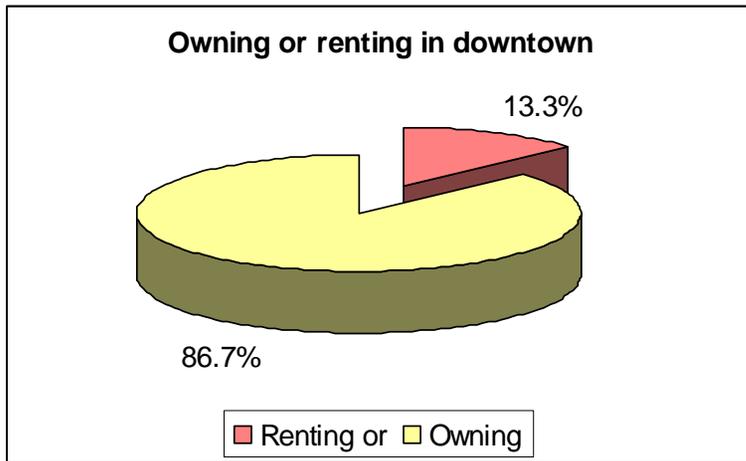


What are the best times for you to shop on the weekend?

- The best time to shop on the weekends is on Saturday afternoons.
- Many don't have a special time to shop on the weekend though do feel that it would be nice if the stores were open till later or they just don't shop on the weekends.

Would you consider living in downtown Veneta if high quality new or renovated units were available?

- Fifty-four people responded to this question
- Thirty-seven (68.5%) reported they would not want to live in downtown Veneta if high quality and renovated units were available.
- Among those who would consider downtown living, 78.9% would prefer home ownership.

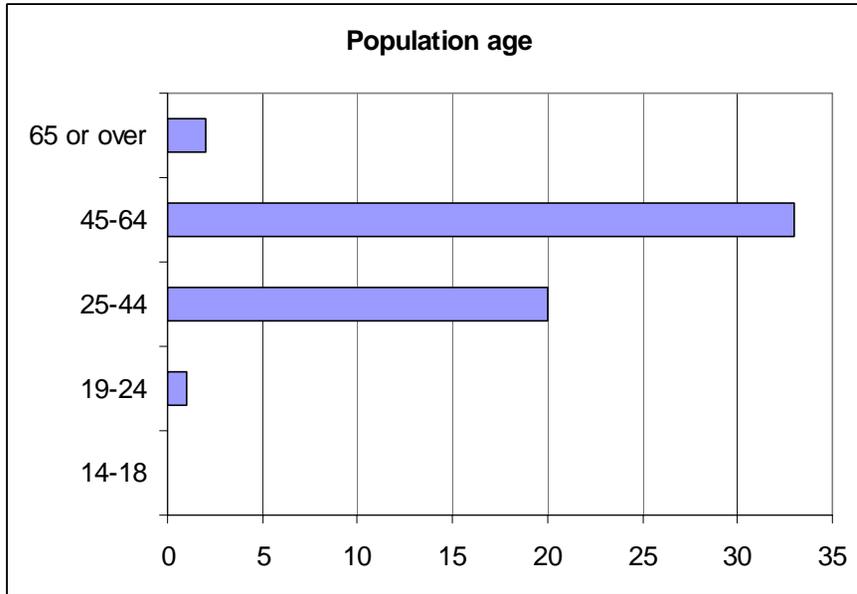


Your Thoughts about Downtown Veneta

When asked, **as downtown Veneta continues to redevelop and change, if you could keep one thing the same what would it be?**, many said to keep the small town feel and local businesses with easy parking. *"The small town feeling - I do not want large commercial businesses. If the business end could be kept in one area and have a 'theme or some character (like Sisters) that would be nice. I recognize we need to bring \$ in - but, I don't want to see HOUSES and HOUSES and no school improvement. Our schools are IN BAD SHAPE - we need to take care of what we have before we add more people!"* Some seemed to worry that this quality would deteriorate with expansion.

When asked, **if you could change one thing about the downtown Veneta what would it be?**, people said to improve the appearance, make it look attractive. Others felt that there needs to be more selection in terms of the stores for shopping. One comment sums up these feelings: *"Improve the schools & the community atmosphere. A central shopping and entertainment zone with great access and easy pricing. Places for kids to go with 'good' activities movies, bowling, swimming and a way to get a round. A nice trolley or something with character in our town that feels both fun and small townish."*

When asked **what identity or image would you like to see downtown Veneta develop for itself** as a unique shopping/business district?, many people said they want a natural environment. Many people like the friendly community and the feeling of family in the town and would like to see that but would stress the need to keep the community clean and earth-friendly. *"Veneta should showcase its natural resources, wine industry, local farms, and artisans. Again, people need to think what it means to support their community. We should not have big box stores which pay minimum wage and put our local businesses out of business."* Many also would like to see more restaurants and have more outdoor activities in the community.

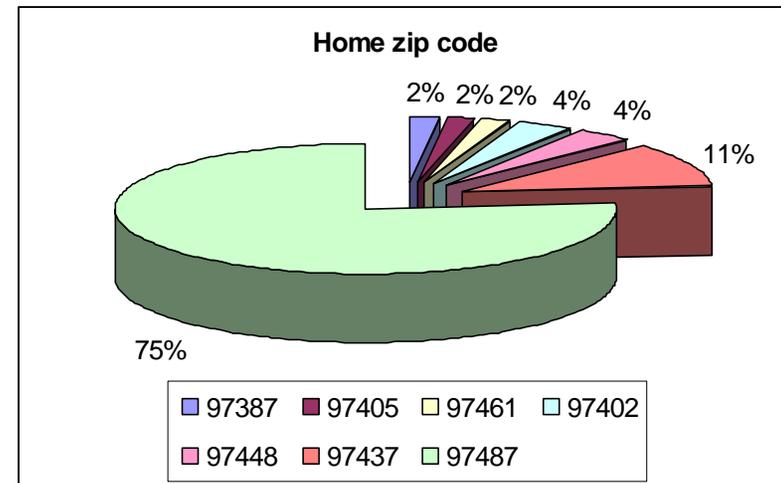


General Information

- Fifty-six people responded to this question.
- Thirty-three (58.9%) were between the age of 46-64 years.
- The second highest age group representing 35.7% of respondents was between 25-44 years of age.

Zip codes reported

- Fifty-five people responded to this question.
- Three-quarters reported they live in the 97487 zip code, Veneta.
- Eleven percent reported to live in 97437 zip code



General comments

Respondents throughout touched on the desire to see the town cleaned up and made more attractive: *"I firmly believe Veneta has a quality of living and scenery that could attract people from Eugene Springfield and from the coast. We need a boutique hotel and we need to concentrate on creating a unique city, not a scaled down version of a big city. People in the area pride themselves on their creativity and decision to live outside the metro area. I hope our creativity will translate into a unique and special city focus."*

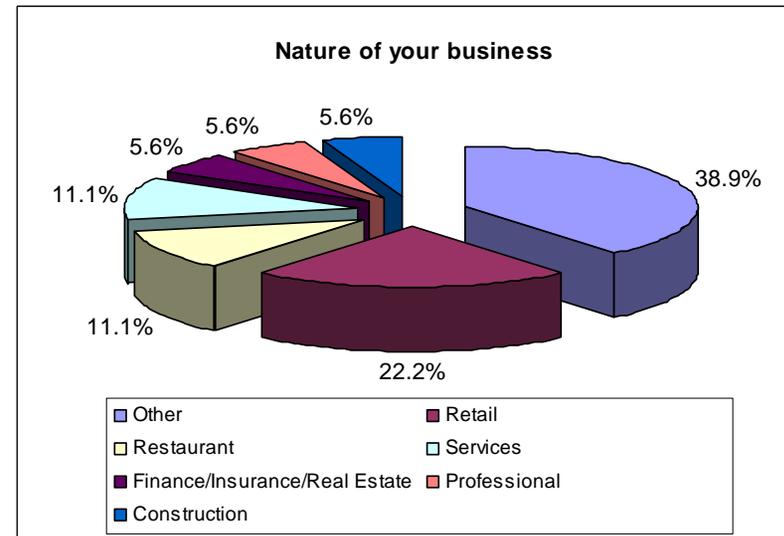
One respondent expressed that *"Veneta is a very liveable community, (and) with the new development comes people with entertainment needs... I believe the emphasis should be on movie and live theater [including concerts] and taking advantage of the natural beauty of our surroundings."*

Many respondents were happy to have the chance to participate in redeveloping their town; *"I appreciate having the opportunity to voice my opinions,"* was a resounding statement.

APPENDIX B Veneta Business Owner Opinion Survey Summary

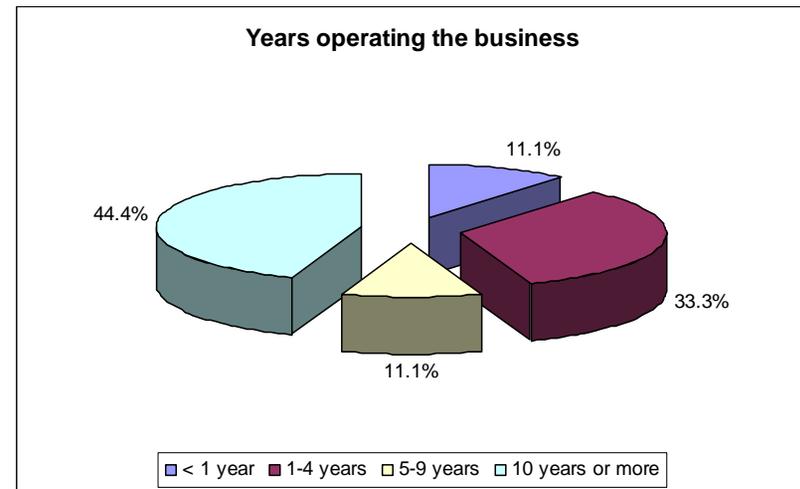
What is the nature of your business?

- 22% of business in Veneta is retail
- Restaurants and service-oriented businesses make up an additional 11% each
- "Other" included medical care, agriculture, publishing



How long have you been operating this business in Veneta?

- 35.7% of the people operating business in Veneta have been operating it for 10 years or more
- 26.2% of the people operating business in Veneta have been operating it for less than one year
- 38.1% of the people operating business in Veneta have been operating it for about 1-9 years



Name up to 3 advantages or strengths you associate with doing business in Veneta.

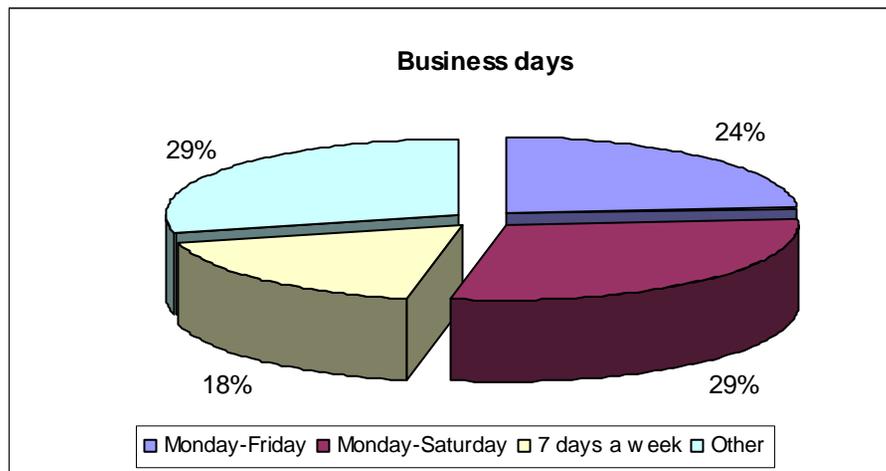
- Growing population
- Small town values
- Friendly shoppers
- Easy access from Eugene
- No large, dominating stores/companies
- Repeat customers
- Affordable housing
- Strong sense of community
- Close to home
- Ability to work at home
- Business interaction
- Little competition

How many employees does your company have including yourself?

- 83.3% of those responded said that they have part time employees at their company, with an average number of 5 employees.
- 88.9% of those responded said that they have full time employees at their company including themselves with an average of 3.5 employees.

What are your business days?

- 43% operate their business from Monday through Friday
- 35 % operate their business from Monday through Saturday
- 12% responded other
- 10% operate their business seven days a week
- Others said from Tuesday through Saturday and also Monday through Thursday



What are your business hours?

- 13% operate their business from 8:00 - 5:00
- 7% operate their business from 10:00 – 6:00
- 7% operate their business 24 hours
- The remaining 73% operate on other hours

Do you own or lease your space?

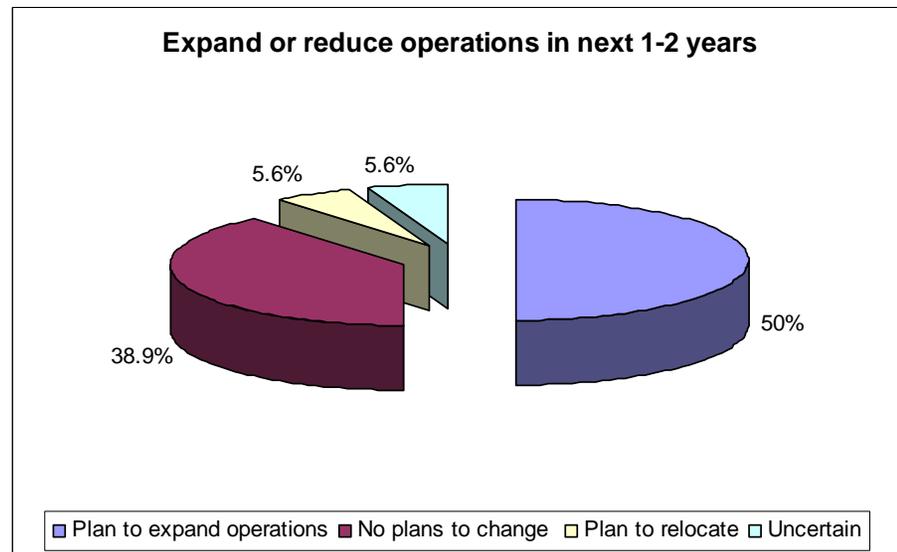
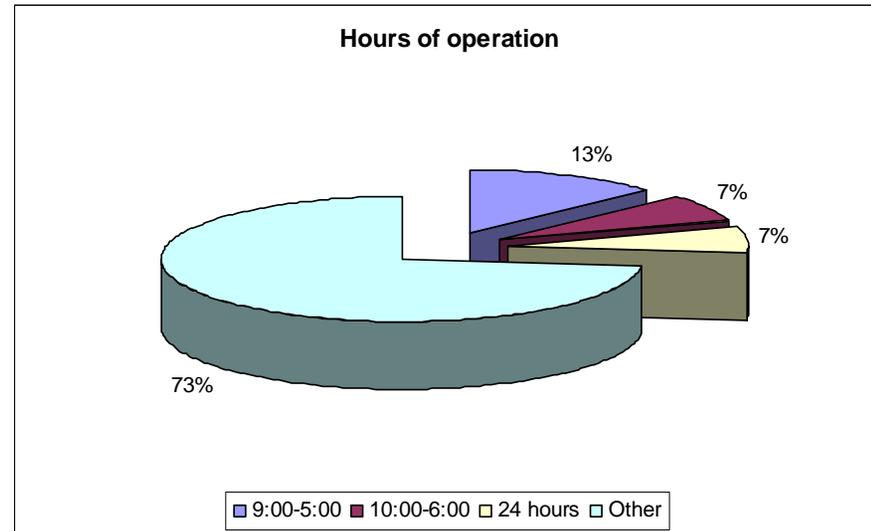
- 44.4% lease or rent their space
- 61.1% own their space

How would you characterize your current business' activity level (i.e. last 24 months of operation)?

- 61.1% characterize their current business activity level as moderately growing and increasing
- 38.9% characterize their current business activity level as "holding our own" or fairly stable business levels.
- 0% reported that their business is declining in activity level

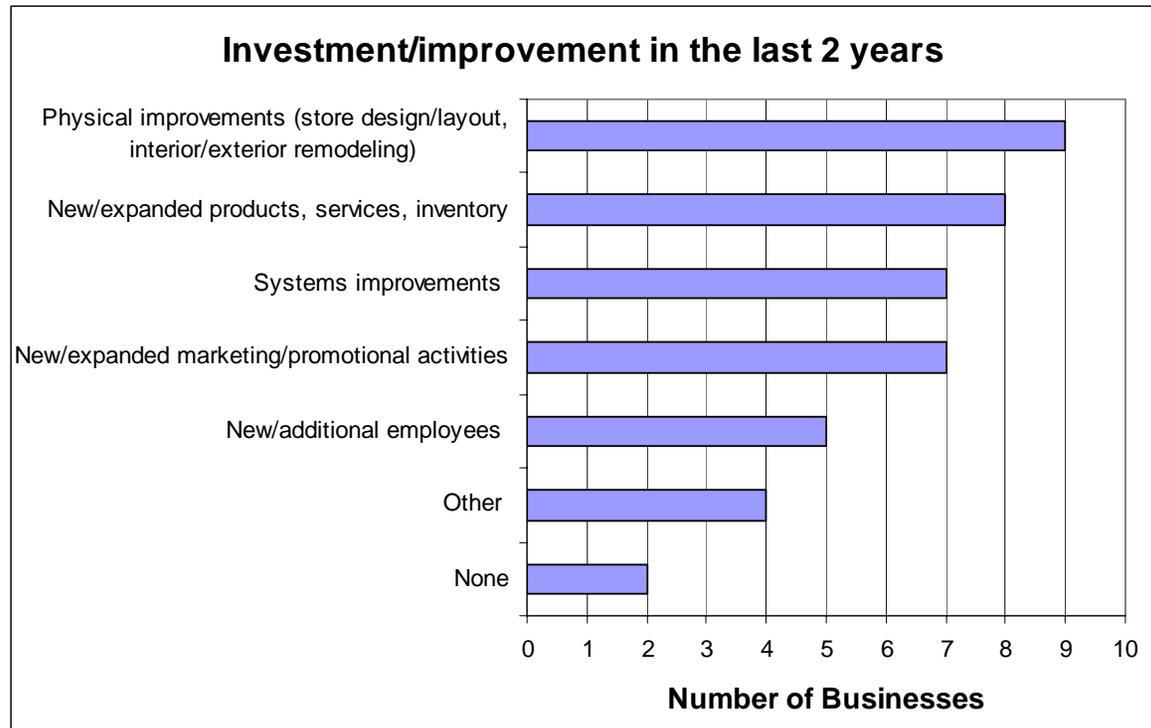
Which description below best characterizes your plans to expand or reduce your operations in the next one-two years?

- 50% plan to expand operations within the next one to two years
- 39% have no plans to make changes
- Only 5.6% are considering relocating



Please check any type of investment or improvement you have made in your business in the last two years.

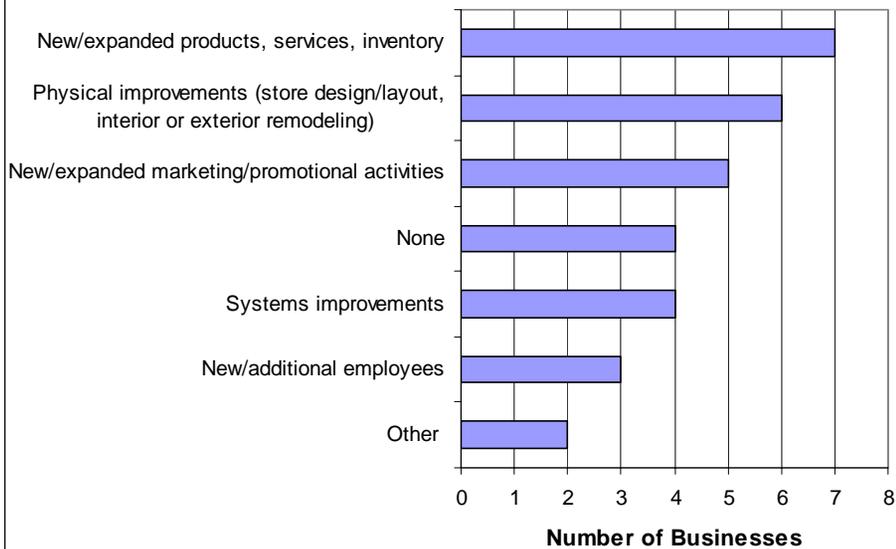
- 50% of businesses have made physical improvements to their store
- 44% of businesses have expanded product or service offerings
- 39% of businesses have made operational improvements
- 39% of businesses have increased marketing and promotional activities
- 28% of businesses have increased their workforce



The estimated dollar value for each investment/improvement checked in previous question:

- There was a range of \$1,000 to \$275,000 with an average investment of \$55,000

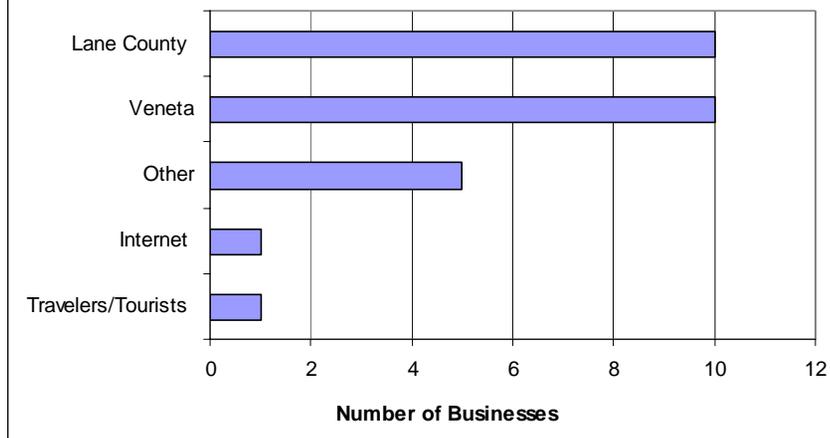
Plan of investments/improvement in the next 1-2 years



Please check any type of investment or improvement you plan on making in the next one-to-two years.

- 41% of businesses expect to expand their products and services over the next two years
- 35% of businesses will be making physical improvements to their store or office
- 30% will be spending more on marketing and promotional activities
- 24% responded that no types of investment or improvements are planned for the next two years

Primary market area

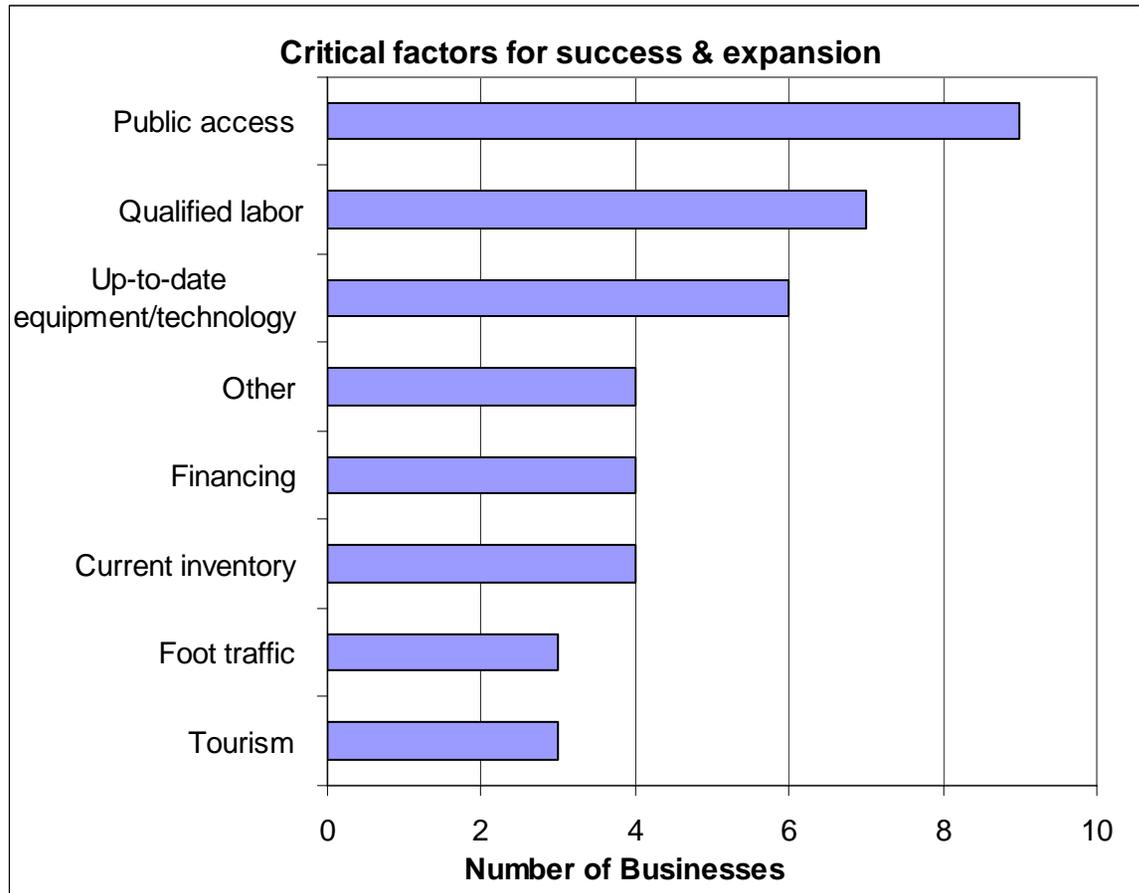


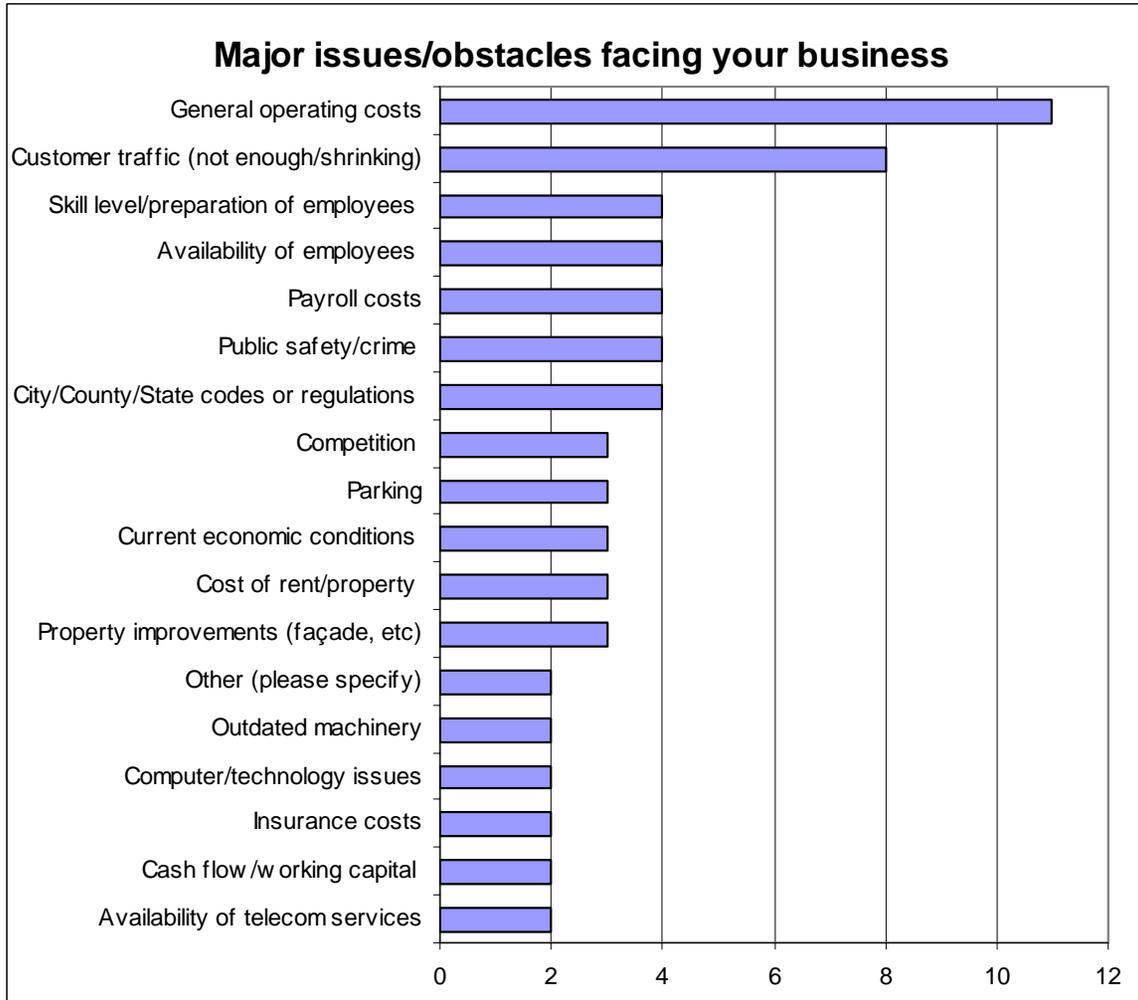
What is the primary market area from which the majority of your sales are derived?

- 55% said that Veneta and/or Lane county represent their primary market area and the majority of sales
- Tourists and the internet comprise an additional 5.5% of sales
- Elmira was mentioned in the other section as a major market

In addition to a strong economy, what are the critical factors for the success and expansion of your business?

- 50% cited public access as a critical success factor
- 39% considered qualified labor as an important influencer
- 33% felt it was crucial to maintain up to date technology and equipment



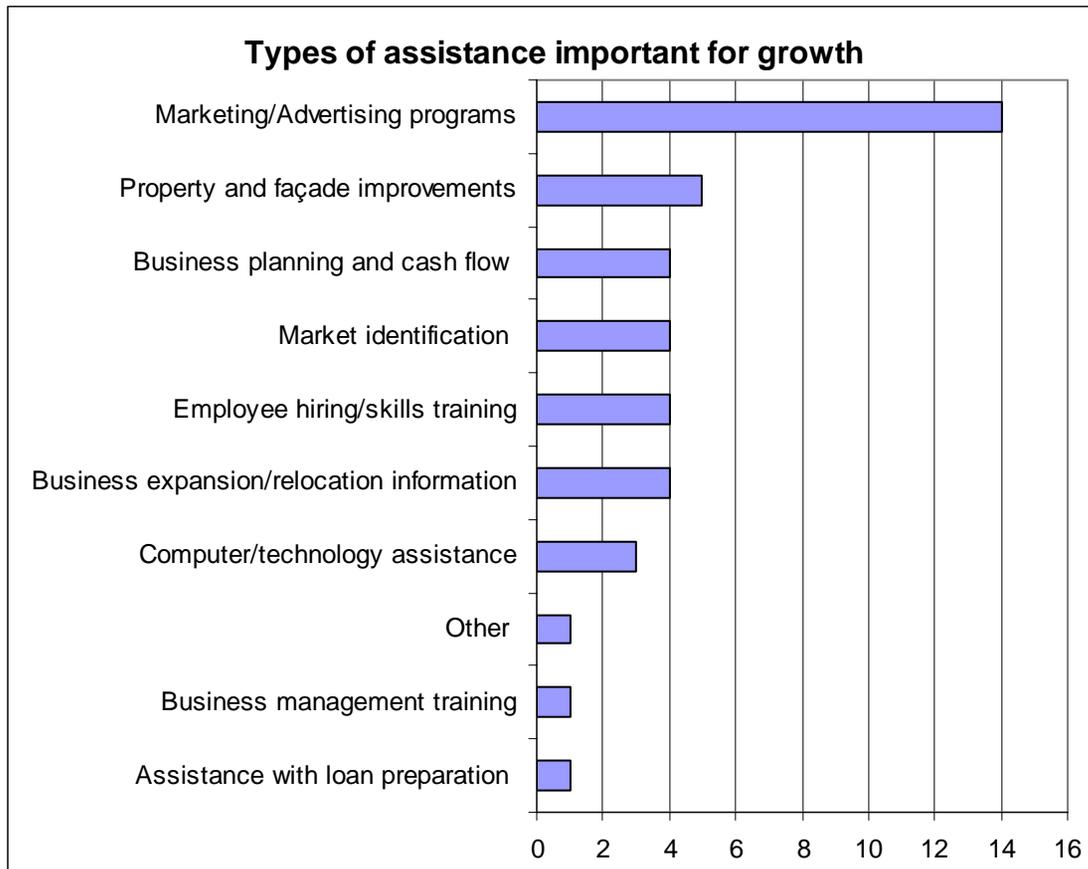


What are some of the major issues or obstacles facing your business today?

- 69% listed general operating cost as the greatest obstacle facing their business
- Half reported that customer traffic is lacking or shrinking
- 19% reported that well prepared employees, payroll costs, public safety and city regulations were key business issues
- Others commented on the small population base of Veneta

To keep your business healthy and competitive, which of the following types of assistance are important to your company's growth?

- An overwhelming majority (83%) reported that to keep their business healthy and competitive, marketing/advertising programs are necessary assistors.
- Property and façade improvements or appearance was considered important by 30% of respondents.
- Others cited business planning and cash flow, market identification, employee skills training and business expansion as activities needing support.



Are you interested in participating in a cooperative business marketing effort to attract customers to Veneta or to encourage residents to shop locally?

- 58.8% reported “yes” they would be interested in participating in a cooperative business marketing effort to attract customers to Veneta or to encourage residents to shop locally
- 41.2% reported “no” they would not be interested in participating in a cooperative business marketing effort to attract customers to Veneta or to encourage residents to shop locally

The Future of Veneta and Doing Business in Downtown Veneta

As downtown Veneta continues to grow and change, if you could keep one thing the same about the shopping/business district what would it be?

- Small town atmosphere
- The old style architecture
- Friendly attitude
- What exactly is the “downtown”
- The rural appearance
- Incorporation of natural resources
- The landscaping
- The great service

If you could change one thing about downtown Veneta, what would it be?

- Condemn/renovate/restore old buildings
- Lack of design standards
- Decrease chain stores/fast food locations
- More retail/antique shops
- The bums and the drunks
- Consider either HWY126 or Territorial rd as DT
- The lack of pride indicated by poor appearance
- Create cottage type businesses
- What do you consider downtown?

What identity or image would you like to see downtown Veneta develop for itself as a unique shopping district attractive to residents and visitors alike?

- A quaint old town appearance
- The rural identity
- A location for family-outings
- Modernized buildings with country feel
- Small people-friendly shops
- Inviting charm
- The feeling of safety or security in the area
- Emphasis on the watershed
- Focus on what the surroundings have to offer

How would you rate your overall confidence in the economic future or vitality of downtown Veneta?

- 86% rated high and moderate overall confidence in the economic future or vitality of downtown Veneta
- 14.3% rated overall confidence in the economic future or vitality of downtown Veneta low

In your opinion, what types of retail, restaurant and/or service businesses are needed in the downtown Veneta area and would be supported?

- Specialty shops and restaurants
- Home town buffet, Walgreens, Winco, Home Depot, Safeway, Staples, etc.
- Multi-plex cinema/theater
- Ethnic or NW cuisine
- Unique businesses that draw outsiders
- General recreation, especially activities for young people
- Arts and crafts
- Sporting Goods

Are there products or services that your business currently purchases out of town that you would purchase in town if they were available?

- 57.1% reported “no” there are no products or services that their business currently purchases out of town that they would purchase in town if they were available
- 42.9% reported “yes” there are products or services that their business currently purchases out of town that they would purchase in town if they were available

Those who reported *yes* commented:

- We need a store like Cash & Carry—something with a large grocery supply
- Computer and office supplies, copy shop
- Building supplies as well as home decor

In your opinion, what could local businesses do to attract more local residents who are currently shopping in other areas?

- Cooperative sales and events
- Keep prices reasonable while maintaining quality
- Advertise, promote local buying, support of local businesses
- Seasonal special event sales
- Coordination of all businesses
- Improve appearance and expand offerings

What could local businesses do to attract more visitors and other shoppers who live out of the area?

- Signs away from 126 letting people know of more shopping options
- Make it unique in nature from other areas
- Eliminate the sprawl feeling, condense the downtown
- Different community activities, BBQ bazaar etc.
- Clean or update the interior and exterior areas
- More joint offerings or sales, coordinated promotions

Businesses that participated in the survey who shared their identities are:

- Veneta Medical
- Tom's Courtyard Market
- Figaro's Pizza
- The Farm Store
- Pioneer 32 of Oregon
- Typing Solutions
- Stillpoint Farm
- Winter Green Farm
- Veneta Veterinary Hospital
- Saving Grace Supply