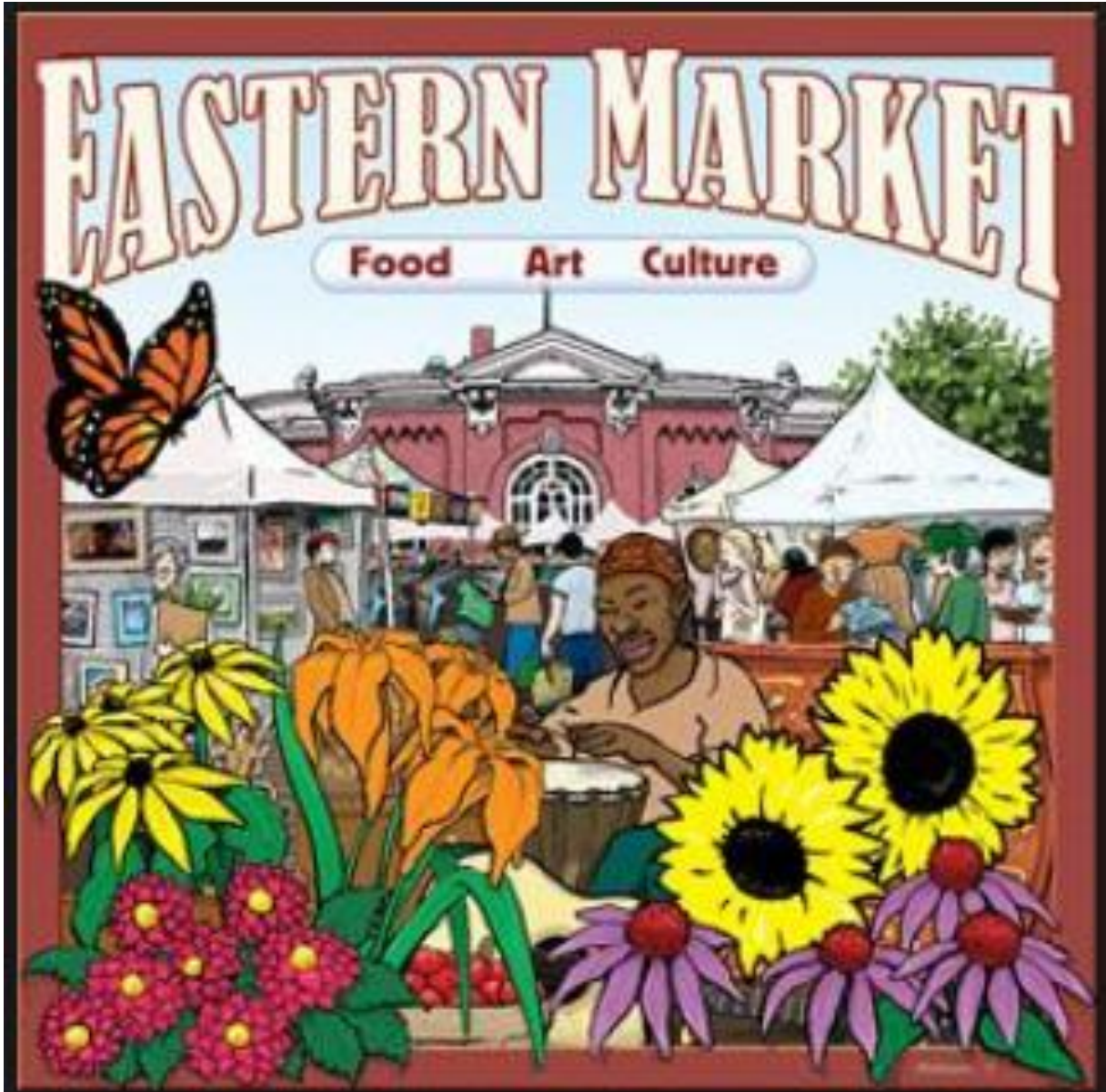


DC's Eastern Market: How to Save An Endangered Treasure



Prepared for: Eastern Market Preservation and Development Corporation

By: Aaron Zaretsky:
Public Market Development,
pohlzaret@aol.com, 828) 645-9291
www.publicmarketdevelopment.com

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Acknowledgements

Many people contributed to the history, observations and concerns noted in this Report. Since, for most people, their livelihood is at stake, the clear majority who were interviewed expressed a desire for anonymity. Many expressed a fear of retribution from the current management of the Market, the author has therefore chosen to generically identify those providing input into this Report by the group or organization that they belong to, rather than by individual names.

While the author has visited the Eastern Market roughly 50 times over the last 45 years, he is not a resident of the District and has no financial interest in the outcome of these recommendations. The section on “Who is the author of this Report?” details the author’s 40-year experience in planning, designing and/or managing more than 50 Public Markets across the US and internationally.

The author was hired by the Eastern Market Preservation and Development Corporation to assess the current condition of the Eastern Market and to make recommendations for its improvements. He visited DC for 4 days, from 3-23 – 3-26-2018. During that time, he had over 20 formal interviews with Eastern Market principals for at least an hour each, as well as many informal discussions with a variety of tenants, residents, customers, etc. He was able to interview all but one of the permanent South Hall merchants, several craftspeople and farmers and a few nearby shop owners, as well as several nearby residents who had lived in the District for scores of years. In addition, the principals in the Eastern Market Preservation and Development Corporation were interviewed.

Additionally, roughly four inches of documents relating to the Eastern Market were reviewed, as well as a variety of material available on the internet.

One of the common themes of nearly all the 20+interviews that were conducted was tremendous dissatisfaction with the current manager of the Eastern Market. In attempt to get both sides of the story, more than six separate attempts were made to arrange a telephone interview with the current manager. He responded that he needed to check with his two supervisors before taking the phone call and that he required answers to five questions before he would be interviewed. The five questions were answered in a new request for a short phone interview on 4-29-18. To date, there has been no response to the most recent letter requesting an interview.

While there was a surprising consensus regarding the concerns expressed herein and the solutions desired, the recommendations contained in this Report, as well as any mistakes contained in this Report are solely the responsibility of the author.

Eastern Market – A Brief History

The Pierre L'Enfant plan for the District of Columbia, developed in 1791, called for the creation of three Public Markets, a Central, Western, and Eastern Market.

In 1805, President Thomas Jefferson issued a proclamation calling for the 'Eastern Market' to be created at 7th St. and L. St. The resulting Market was damaged during the war of 1812 and subsequently repaired. The Civil War disrupted the distribution of fresh food supplies and the Market fell into disrepair.

The current "Eastern Market", located at 7th and C SE, was designed by Adolf Cluss and was built in 1873. The Central Market closed in 1931 and the Western Market was razed in 1951. The Eastern Market has endured....until now.



DC's Central Market in the 1920's. Razed in 1951 As part of urban renewal.

For 145 years, the Eastern Market has primarily served as the principal fresh food pantry for residents of the surrounding Capitol Hill's 6th Ward District. It has also served all District residents and tourists as a place to buy fresh and locally produced foods and handmade crafts.

Throughout its history, there were attempts led by local developers or the District government to transform the Market into something other than the beloved fresh food Market that has endured for 145 years.

Health inspectors tried to shut it down in 1907 and 1917. District government planners had plans to demolish the building in 1928. In 1943, District government proposed transforming Eastern Market into a “streamlined supermarket”. In 1953 the District government proposed that it become a children’s theatre. In 1955 the City License chief declared the Market to be uneconomical and advocated its closure. And, in 1964 the District Health Commissioner declared the Market a “Menace to Public Health”. He suggested replacing it with a “huge supermarket with plenty of parking”. Later in the 1960’s, there was a proposal to run a freeway through the site and in 1981 the District developed a plan to transform Eastern Market into a “quaint tourist Bazaar” In 1985, plans were developed to add a mezzanine “boutique” to the Market. (*See Washington Post, May 6, 2007 article “Eastern Market’s history of survival”).*

The more recent attempt at the destruction of the Eastern Market should be seen in the context of the Urban Renewal (Urban Removal) movement. This mentality targeted anything historical and traditional as “out-of-date” and in need of renewal with “modernity”. Under this principle, Main Street businesses throughout the country were ripped out and replaced by strip centers and shopping malls. Magnificent historic buildings were bulldozed by the thousands and replaced with box-like office and condo towers, and literally thousands of Public Markets were demolished by the wrecking ball.

In 1971, when the City of Seattle proposed tearing down the historic Pike Place Public Market and replacing it with office towers and condos, a ragtag citizen group (Friends of the Market), formed to demand the Market’s preservation. A citizen’s initiative favoring preservation was circulated and a vote was forced through the initiative process. The City spent over a quarter of a million dollars to defeat the initiative. When the votes were counted, the preservation initiative had won overwhelmingly.

Pike Place Market’s successful preservation and renewal led to 14,500,000 annual customer visits. The Market became the most visited destination in a 4-state region. It became home to many incredibly successful businesses that grew from mom-and-pop start-ups to multi-billion-dollar corporations. Starbucks, Sur La Table, Cascadian Foods, etc., all got their start as small owner-operated Pike Place Market businesses. The successful Market’s renovation led to Seattle downtown’s transformation from the original “skid row” into the most economically diverse, successful and healthy downtown in the US. Since the successful preservation of Pike Place Market, over 300 new Public Markets have been built lending economic strength and vitality to their individual communities.

In Washington DC, every time the Market’s demise was planned by District government, neighborhood residents rose up to try and put a stop to it. Endless street protests, petitions, public hearings, and public outrage led to the preservation and continued

operation of the Eastern Market as the place for which it was originally designed – as a fresh food and farmer’s Market.

When a three-alarm fire struck the Eastern Market in 2007, the District government wisely agreed to rebuild the historic Market. Thankful neighborhood residents demonstrated with placards that read “Please don’t fix it up too much.”

Following the fire, a 5-1-2007 article in the Washington Post observed”

“A successful city is a collection of successful neighborhoods, and the popularity of Cluss's market building means the loss isn't just to the residents of Eastern Market. The economic vibrancy of the neighborhood has been due, in part, to the power of Cluss's market to attract people from across the region. It broke all the usual rules of contemporary shopping: There were no aisles, no chutes to feed the crowd through a phalanx of cash registers, no carefully calculated funneling of customers for the maximum economic squeeze. There was, instead, a vibrant mob crowded into a single, bustling, wonderfully disorganized space. It was a brick box that forced you into proximity with strangers, a drug powerful enough to attract suburbanites in number.

Rebuilding Eastern Market will be particularly difficult because it was a social space. It reeked of a century of sour milk and fish and fried food. The danger is that it will be closed so long that the vendors leave and the crowds dry up and with a new grocery store opening just down Pennsylvania Avenue, suburban habits of car shopping will supplant the local habit of walking home with too many bags cutting into the flesh of your fingers.

The temptation to ruin it will be strong. It could be cleaner, filled with new vendors, managed more corporately to supply a more predictable stream of yuppie foodstuffs. The test for the neighborhood, and for the city, will be to resist anything that changes the social character of the building as it was on any given Saturday afternoon. The challenge will be to rebuild where it was, as it was, and what it felt like.”

Following the fire, the Eastern Market was successfully rebuilt and repopulated with many of the same merchants that had contributed to its success over the century. Many of the current fresh food merchants still enjoy high ratings among various lists of the ‘best in DC’.

Today however, the Eastern Market is in danger of falling to many of the same ‘redevelopment’ forces that have historically tried to undermine it.

Who is the author of this Report?

The author of this Report spent fifteen years as a Director at Seattle’s Pike Place Public Market, the nation’s most successful Public Market with fourteen and a half million annual customer visits. He was a Director during the \$65 million renewal of Pike Place Market. The Market’s redevelopment is credited with transforming downtown Seattle from the nation’s original ‘skid road’, with countless derelict buildings, abandoned housing, and relatively low employment, into the nation’s healthiest and most prosperous downtown.

When the author began his tenure at Pike Place Market, there were no upper-income downtown residents, a handful of middle-income downtown residents, and a few hundred low-income and homeless downtown residents. Today, 54,000 Seattleites live downtown. Some of the most expensive condominiums in the U.S. are located overlooking the Market. Pike Place Market is universally credited with leading and causing this renewal. Furthermore, there are *more* middle and low-income housing units in and around Pike Place Market today than when its renewal begun in the mid 1970's.

For 38 years, through his company, Public Market Development, the author has helped to plan, redevelop, develop, and/or manage over fifty Public Markets across the country. He has worked for cities, states, counties, CRA's, Downtown Development entities, neighborhood groups and private developers.

He has spoken on community and economic development at numerous national conferences, has helped to advise a variety of national initiatives for the federal government, and has convened a task force of national funders led by the Ford Foundation focused on utilizing Public Markets as a proven tool for community economic development. Finally, he has helped to raise over \$100 million in grants helping to create Public Markets nationwide.

Additional information about the author, as well as Public Markets in general will be found at the author's professional website – www.publicmarketdevelopment.com

The Eastern Market today – A Market in Jeopardy

The author has worked with Market merchants for over 40 years. During that time, he has never met a Market merchant that reported that they were making a decent profit. With the City and the IRS lurking in the background, it is not unheard of for Market merchants to complain about the success of their business.

Unfortunately, this is *not* the case with the South Hall merchants at the Eastern Market. They are *not* crying wolf.

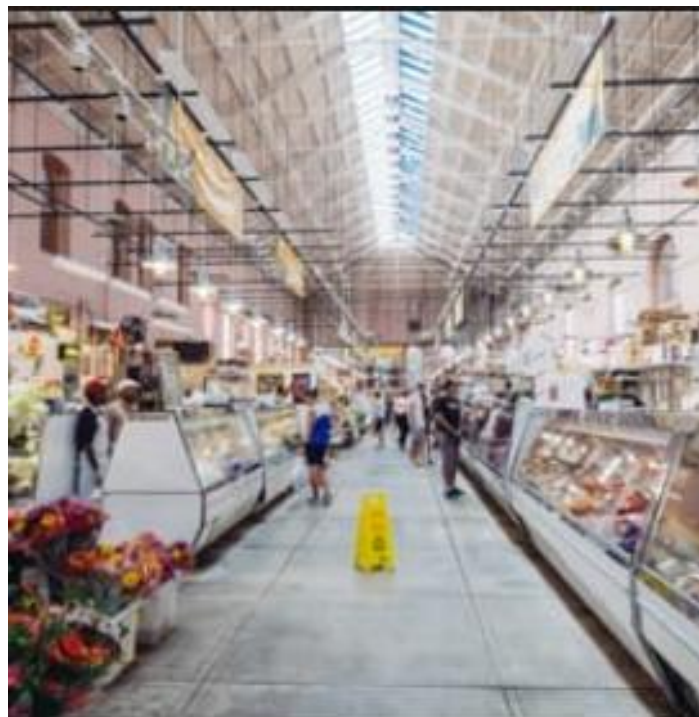
In recent years the author has visited the Market several times a year. He has noted a dramatic decline in the number of customers (except at Market Lunch). It used to take 40 minutes to cross from the South to the North Entrance due to the crush of customers. During the Saturday and Sunday that the author visited, the inside Market was sparsely populated with customers (again – except for Market Lunch). This, in spite of the fact that these two days should be the busiest days, and over half a million visitors were in the District for the “March for our Lives” event.

It was thus believable and unsurprising when every one of the South Hall merchants that were interviewed, reported that their gross receipts were down 10 - 12% last year and 20

- 25% this year. This had occurred during a time when the overall US economy has significantly expanded. This is simply not sustainable. If not addressed, it will certainly lead to the bankruptcy of many of the Market businesses and the inevitable end of a 145-year-old treasured institution.



South Hall of Eastern Market packed with Customers – around 2010 (PPS)



**South Hall of Eastern Market devoid of Customers – 3-24-18
Saturday – should be the busiest day of the month**

Current threats to the Eastern Market:

There are many obvious reasons why the Eastern Market is in trouble. It is clear that if underlying problems are not addressed, the current situation will inevitably lead to the demise of the Eastern Market.

Typically, when the author has done similar reports regarding the health of other Public Markets, there is a predictable debate regarding the issues that are problematic, with vendors, residents, and customers lining up on various sides of the issues. This is to be expected in a complex environment with lots of economic self-interests and lots of moving parts. It was *not* the case with the dozens of people interviewed at Eastern Market.

While not every interviewee mentioned every issue, the degree of unanimity was shocking.

There were common threads that were reported by nearly everyone as significant problems.

They included:

- Reportedly inept and unresponsive management that plays favorites among South Hall merchants and outside vendors.
- District control that was not transparent, not accountable and that ignored its own legislation.
- Inefficient and costly contracted employees hired through an employment service, tends to produce employees with no personal accountability to the Eastern Market.
- Advisory Board with no real power.
- Street closures on weekends that prevented fresh food shoppers from efficiently being able to shop at their merchants.
- Flea Market dilutes the image of the Market and takes up valuable parking spaces.
- Lack of a consolidated budget for the Market.
- A lack of a stated Mission and Goals for the Market.
- Numerous Design issues as outlined below.
- A physical plant that is badly in need of repair.
- Lack of signage.

- No plan to compete effectively with nearby Trader Joes and Whole Foods supermarkets.
- Lack of food production on site with good smells.
- Lack of proper ventilation to vent bad smells.
- Tenant mix - An insufficient representation of fresh foods.
- Crafts people who were not making their product, importing from Asia, or making inferior products that did not require much creativity – bead stringers, tee-shirts, etc.
- An underrepresentation of real farmers and the presence of farmers who were buying and selling rather than growing their products.
- North Hall uses that made the Market feel empty as people approached the Market from that side and did not contribute to the success of the inside merchants.
- Lack of parking.
- One African-American inside-tenant in a community that has 52.2% Black residents.
- A push from surrounding tenants and developers to “Yuppify” the Markets offerings.
- A lack of promotion of the inside tenants.
- An unrealistic expectation on the part of the District regarding Market finances combined with a wasteful and inefficient and unsupportive approach to spending money on the Market.
- A lack of tenant leases – most merchants have not had a lease since 2008(!).
- Threats of rent increases.
- Deteriorating refrigeration equipment with no obvious ability to repair or replace it.
- The lack of training regarding display, and other critical business practices.
- The lack of special events geared toward educating and attracting customers (health education, etc.).

- Prepared food located on the outside surrounding the Market dilutes the image of the Market.
- The Market needs to reflect a self-conscious appeal to diverse economic groups

This is quite a lengthy list and easily explains the current problems facing the Eastern Market.

Addressing these issues will allow the Eastern Market to reassert its historic role as an iconic Market that showcases the best of DC's fresh foods and benefits all District residents and visitors.

The sections that follow flesh out each of the issues and makes specific recommendations **(bolded in red)** regarding how to address the issue.

Management Problems

The universal message from the South Hall Market merchants was that the current manager and his assistants, are woefully unprepared and unsuited for their jobs. Descriptions such as “inept”, “unresponsive”, “bureaucratic”, “always playing favorites”, repeatedly were mentioned.

The DC code, in Section 37-105 regarding the Eastern Market says that the Manager should have “experience operating an historic urban fresh food or farmers’ market”. The current manager’s previous experience was as a craftsperson at the Market.

The Market manager’s actual job title is “Realty Program Specialist”. The job description for this position is defined by DC code CS-1170-14.

The author of this Report has managed two Public Markets for over 25 years. He is familiar with dozens of job descriptions for a Public Market Manager. In the opinion of the author, virtually none of the tasks outlined in the job description for the Realty Program Specialist have anything to do with managing a Public Market. Furthermore, the author heard no evidence that the current manager had the skillset listed under the District’s “Knowledge Required by the Position”.

The current manager is reported to make an annual salary of \$120,000. His assistant makes nearly that amount. The Executive Director of Seattle’s Pike Place Market makes a roughly equivalent salary. Seattle has a higher cost of living than DC. Pike’s Executive Director manages roughly 450,000 square feet that includes nearly a thousand permanent merchants, farmers and craftspeople as well as hundreds of

residents, offices, and a network of social services. The Eastern Market building has 12,000 SF, a dozen permanent merchants as well as a few dozen surrounding outside farmers and vendors.

The current manager is reported to be present on the floor of the Market for under 10 hours a week. Some attribute his lack of presence to laziness, others report that he is managing other properties for the District. In either case, 100% of his full-time salary is paid by rent from Market tenants.

Several of the South Hall tenants reported that the Manager's constituency was the crafts community – the community from which the Manager came. However, in speaking with several craftspeople, all reported the same kinds of complaints about favoritism, incompetence, and mismanagement that was emphasized by the inside tenants. The same was true of several of the owners of nearby private privately-owned stores.

Several craftspeople mentioned a particular craftsperson that did support the current manager. They reported that this person had declared himself as the 'crafts representative'. Quite a few crafts people reported that they felt physically threatened by this individual and that he was a "bully".

Finally, several tenants reported that they could face eviction by the manager if they complained. Some reported that their rents were raised following complaints. Others reported that crafts people who supported local management, were given desirable parking permits adjacent to the Market.

Inappropriate management quotes like, "I don't have to listen to you since I don't work for you" were reported by several tenants.

Recommendation #1 – As Market governance is reconstituted, transfer the current management staff to less demanding District Real Estate Projects. Ideally, change out management immediately with temporary placements until the governance issues are resolved.

District control that was not transparent, not accountable and that ignores its own legislation.

The DC Statute governing the Eastern Market, in Section 5. 37-105 {b}, in a discussion of Market management, states, "The CPMO shall contract ... with one not-for-profit association or corporation having experience operating an historic urban fresh food or farmers market..."

In many instances, Public Market management by a private corporation has proven to be a disaster for the Market.

Management by a properly constituted Nonprofit has been the model for success in hundreds of Public Markets across the country.

Sadly, direct management by a City (or District) has all too often been accompanied by wasteful inefficiency, lack of accountability, political influence, and an overly bureaucratic governance style that is anything but streamlined. Many Cities such as Baltimore, have changed from direct City management to management by a Nonprofit.

Tenants reported that they never saw District officials in the Market providing management oversight of the existing manager. None of the people interviewed knew who the Market manager's direct superior was.

There was no evidence of public hearings regarding such critical items as annual budgeting, staffing, promotion, rent levels, tenant mix, etc. In the eyes of most Market tenants, the District's presence was unseen. The current manager was perceived to operate autonomously and often, not in the best interests of the permanent tenants.

Recommendation #2 – Maintain District ownership of the Eastern Market but contract the management to a newly created, sole-purpose, not-for-profit management entity charged with managing the Eastern Market.

This entity should hire an Executive Director who should directly hire additional staff to run the Market. Annual budgets, management policies, rent levels, and other management decisions should be reviewed at open public hearings.

The new Nonprofit should be financially independent and should run the Market operationally, on a break-even basis. The District should provide the initial start-up funds and ongoing funds for all needed capital improvements. The Nonprofit should be subject to and guided by the mission and goals for the Market to be adopted by the District. The Nonprofit should be able to be removed and replaced by a new Nonprofit if they clearly stray from that adopted mission and goals.

The Nonprofit should have a 12-member governing Board with the Board slots mandated in legislation to be the following:

- 1 permanent fresh food tenant elected by the permanent South Hall tenants
- 1 craftsperson representative elected by the craftspeople
- 1 farmer representative elected by the farmers
- 1 representative of the Eastern Market Preservation and Development Corporation
- 1 representative selected by the ANC Area 6b Neighborhood Commission who has lived in the Capitol Hill neighborhood and shopped at the Eastern Market for at least 5 years
- 1 representative selected by Unidos or another Hispanic organization with a presence in DC, who has lived in the Capitol Hill neighborhood and shopped at the Eastern Market for at least 5 years
- 1 representative selected by the District Council who is a past or current senior government official who has lived in the Capitol Hill neighborhood and shopped at the Eastern Market for at least 5 years
- 1 representative selected by the DC chapter of the NAACP or another African American organization with a presence in DC, who has lived in the Capitol Hill neighborhood and shopped at the Eastern Market for at least 5 years

These 8 members should choose 4 additional members representing the following:

- 1 professional with at least 5 years of retail property management experience
- 1 attorney with relevant experience
- 1 accountant with relevant experience
- 1 marketing and promotion professional with relevant experience

The members should draw lots to see who serves, 2, 3, or 4-year terms to assure that their terms are staggered. No member should serve more than 8 years.

Contracting employees through an employment service is inefficient, costly, and tends to produce employees with no personal accountability to the Eastern Market.

Currently, it appears that many of the janitorial, maintenance and security personnel are hired through outside employment and/or management corporations. In practice, this means that the Market may have an employee who might be making \$24,000/year yet the employment entity is being paid about \$80,000/year for providing that employee. The contracting entity must supposedly adhere to +/-80 pages of legal and bureaucratic requirements from the District.

In practice, there is greater turnover with these kinds of contract employees and they tend to not have a stake in or identification with the Market.

Operational personnel should be hired directly by the Market's management entity. They should be encouraged to get to know tenants and customers. They should be uniformed and should be seen as helpful servants of the Market. For example, the security guard should not be standing guard. He/she should be helping elderly customers to carry their shopping bags to their cars.

Recommendation #3 – Do away with contract personnel for operational employees. They should be hired and supervised, directly or indirectly by the Executive Director of the new Nonprofit. Job descriptions should be created and approved by the Board of the Nonprofit.

Advisory Committee has no real power

A review of the Advisory Committee's (EMCAC) minutes, and interviews with several of their members, reveal dedicated and hardworking individuals who believe they have the best interests of the Eastern Market at heart. However, the Committee has no real power. In spite of EMCAC's good intentions, the Market has been allowed to deteriorate for years due to decisions which for the most part, they had no meaningful input into.

Recommendation #4 – Once the new nonprofit is formed, disband the Advisory Board once the Nonprofit managing entity is created and functioning. There is no problem with current members of the current Advisory Board becoming members of the new Nonprofit if they align with the appropriate mandated slot.

Street closures on weekends prevent fresh food shoppers from efficiently being able to shop at their merchants.

Closing the streets on the busiest shopping days has been a disaster for the permanent fresh food Merchants. As potential customers approach the Market, they are offered tube socks instead of zucchinis. Critical parking is eliminated. Customers who do make it into the Market are forced to carry their groceries several blocks to get to their cars.

The street closure has been a critical factor in the decline of the Market as a fresh food and farmers market that is legally mandated. Many reported that the newer, millennial, family residents enjoyed strolling the street with their children. However, the wide sidewalks surrounding the Market can easily accommodate this use.

Reportedly, there are often empty vending spaces on the Market's perimeter sidewalks while vendors are in the street. Also, the Market apparently currently pays \$113,000 annually to the City to compensate for lost parking meter revenues because the street is closed. There are much better uses for these funds.

Recommendation #5 - The streets around the Market should be open 7 days a week. These streets, including 7th St. should be reserved for slow moving traffic and customer parking. The number of craftspeople and farmers should be reduced consistent with the recommendations below (new additional real farmers should be recruited). The wide sidewalks should have a clear path for strollers and families with children but the sidewalks should be for pedestrians and vendors. The streets should be reserved for slow moving traffic and parking. Currently, vendors are told they have 15 minutes to unload. This is often not possible. They should be given sufficient time to provision their shops and then their vehicles should be removed and parked offsite at sites that the Market should help identify.

The Flea Market dilutes the image of the Market and takes up valuable parking spaces.

The weekend Flea Market in the 300 block of 7th St., was permitted as a temporary use in the years following the fire. It was supposed to be removed or relocated once the Market was operational. This never happened.



The Flea Market dilutes the Market's identity and takes up valuable parking on what should be the busiest weekend shopping days

Tube socks and print reproductions have never been what the Eastern Market was envisioned to be for. Other Markets, like the French Market in New Orleans have been totally destroyed by the encroachment and dilution by flea market uses. New Orleans arguably has the most exciting food culture in the US but its Public Market has become *the* place to buy imported plastic covers for cell phones. In DC, some residents enjoyed shopping the Flea Market when it featured quality used goods and antiques but even this use has disappeared. In the permitted uses for the Eastern Market, a flea market use is never mentioned.

Recommendation #6 - Apparently, the 300 block of 7th SE's Flea Market's current street permit expires in October of 2018. Do not renew it. In the interim, help them to identify an alternative place to relocate the Flea Market.

Lack of a consolidated budget for the Market

Currently, as far as the author can tell, the Eastern Market budget is reflected in several disparate District accounts, contracts and line items. The total cost of running the Eastern Market according to the Mayor's proposed 2019 budget appears to be roughly a million dollars annually. Years ago, when the Market was run by one of the South Hall tenants, the annual cost was reported to be roughly \$180,000.

The difference is to be found in overly high management salaries, contracting for operational employees, and inefficient management. It was reported that the District uses management personnel on other District projects and that the District recently repurposed an operating Eastern Market surplus of several hundred thousand dollars for other non-Market related District uses. The 2019 Mayors budget reports an apparent end of year operating surplus of \$630,420. This would be unconscionable in a Market that is failing in part because of a lack of funds for desperately needed capital repairs and promotion.

The most recent audit available to the author (2014) concluded "Overall, we found control deficiencies while determining whether revenue was collected and deposited to the Eastern Market Fund. These deficiencies were noted for deposits related to South Hall, North Hall and Weekend Market activities."

Recommendation #7 - The operation of Eastern Market should be run under one consolidated budget that is submitted by the Executive Director and approved by the new Nonprofit Management Board following commentary at open public meetings. Financial controls should be transparent and strengthened. The District should pay for needed major capital improvements to Eastern Market (see below) and any remaining operating surplus should be reserved solely for uses that directly benefit the Eastern Market.

A lack of a stated Mission and Goals for the Market

Time and again it been shown that it's nearly impossible to arrive at a destination if you don't know where you're going. Nowhere in the 4- inch stack of legal and management documents that the author reviewed, could be found a clear statement of what the Market was for, who it should serve, and why it should exist.

Recommendation #8 - Working with a consultant familiar with Public Markets, the District and the new Management Nonprofit should adopt a clearly stated mission

and goals for the Market. Public hearings should provide input into their formulation.

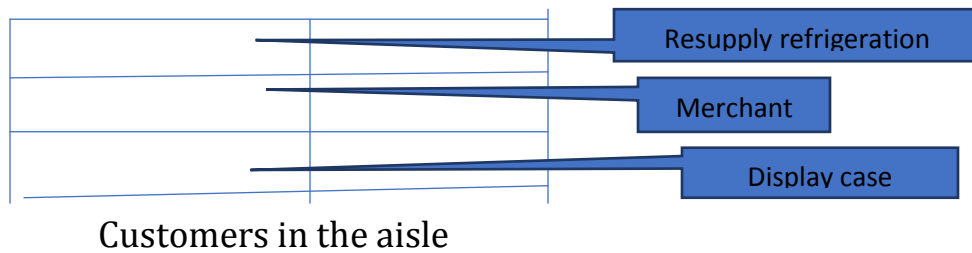
This District adopted Mission and Goals should be the basis for the lease between the District and the Nonprofit. The District should have the power to replace the Nonprofit with a new Nonprofit if the managing entity strays from the Market's mission and is not making progress towards meeting its goals. The Nonprofit should make an annual report to District representatives regarding its progress in adhering to the Markets mission and goals.

Numerous Design Issues

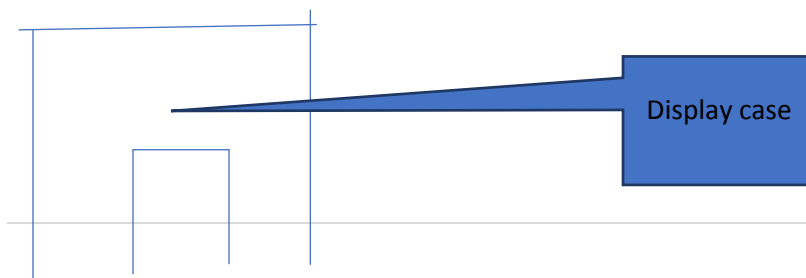
Currently, the Market is laid out as a continuous hallway with most merchants standing behind their refrigerated display case with a refrigerated storage cooler or freezer behind them. Thus, even though their space may be roughly 20' on all sides (a total of 80 feet of perimeter space) they are only selling off the front space of 20'. For merchants with highly perishable products such as meat and flowers, this might make sense as they need to access their resupply coolers/freezers dozens of times a day.

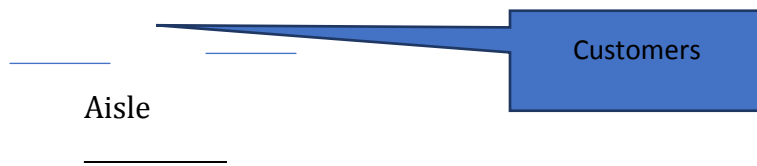
However, for merchants with less perishable products, such as cheese, merchants may wish to reconfigure their space to more of a U, L, or T shaped space that would encourage customers to come into their space and buy from double or nearly triple the retail sales space. Merchant's resupply cooler/freezer should be relocated to the basement and used every morning before the Market opens for restocking their retail shelves.

For example, a cheese merchant should buy brie by the carton but they should only display 4-5 wheels of brie at a time. The balance should be stored in the basement and used for daily restocking. **Current Configuration:**



Possible new Configuration - with basement resupply





Recommendation #9 – The amount of sales space inside the Market building can be roughly doubled by reconfiguring the retail sales space as suggested above and by repurposing the North Hall as recommended below. The District should cost share with South Hall tenants for the capital design improvements necessitated by the refrigeration reconfiguration. Change should be voluntary, not mandated. Where appropriate, additional resupply refrigeration units should be located in the basement if necessary.

A physical plant that is badly in need of repair

Market tenants report years of ignored complaints about the following capital issues:

- Exterior doors that are not properly sealed that permit the entry of rats and mice. Several merchants have been forced to contract for their own pest control, however, this should be the responsibility of Eastern Market management. A couple of merchants have been temporarily closed down by the Health Department due to the presence of rodent droppings.
- Ventilation, heating and cooling systems that do not work as designed. Tenants report lengthy periods of no heat during the coldest part of winter. The current system apparently heats and cools from above rather than through the basement and floor system. This means that the high volume of the whole Market space must be climate conditioned, rather than where the customers and tenants are.
- Tenants such as meat fish and poultry must stand on fixed platforms to peer over their high display cases. Since the platforms are fixed, it is therefore not possible to properly clean the rotting blood and other noxious byproducts that inevitably fall under the platforms.

Recommendation #10 – The District should pay for needed Eastern Market capital improvements. Doors should be sealed, ventilation, and heating and cooling systems repaired, and platforms should not be fixed and should be easily removed to facilitate proper sanitizing.

Lack of signage

The few signs located in the neighborhood are not attractive and give no indication of what the Eastern Market is. Several residents report walking by the Market for months before realizing that there was a fresh food Market inside. The weekend street closures contribute to keeping a potential customer base away from the Market.

Recommendation #11 – Develop a logo for the Eastern Market that communicates what it is. Increase neighborhood signage and wayfinding signs throughout the District. Develop entryway signage at the various entries to the Market building. Commission new Market murals in the Eastern Market Metro station.

No Plan to Compete Effectively with Nearby Trader Joes and Whole Foods

Customers shop at Public Markets for fundamentally social reasons. Many Markets thrive amongst nearby supermarkets. For example, Seattle’s Pike Place Market with its 14,500,000 annual customer visits has 3 large supermarkets within one block of the Market. Customers shop at ‘their’ Pike Place for fresh food because it is a vibrant, fun, diverse, and colorful space that encourages social interaction with street musicians, special events, etc... They then visit the supermarket to buy canned and boxed goods, pharmaceuticals and other non-fresh food items.

During the 1990’s, when the Eastern Market was a vibrant place that was almost entirely about fresh foods, farmers and fine crafts, the Market was full of customers despite a Safeway that was located across from the Market.

The following anecdote captures this issue:

When the author of this Report was a Director at Seattle’s Pike Place Market, we commissioned a customer intercept survey. Customers in the Public Market and in a nearby mall were asked – “Why did you come down here today” and “How much did you spend here today”.

At the mall, 94% of respondents said one form or another of “I came to shop” – “I needed to buy a vacuum cleaner bag and this was the place to get it.” In contrast, at the Public Market, only 26% of respondents “came to shop”.

Public Market customers however, came for fundamentally social reasons. They came to meet a friend, to people watch, to enjoy the street musicians, to mix with people who were different from themselves in a secure and vital environment.

Even though Public Market customers did not “come to shop”, they actually spent roughly twice as much money per customer visit at the Public Market, then the shoppers at the Mall.

This is the key to a successful Public Market.

Recommendation #12 – Develop a program to effectively compete with Whole Foods and Trader Joes. Retool the uses in the Market as recommended in this Report. Develop special events, colorful wall hangings, allow (juried) street musicians, Make every day of the week special. Develop targeted programs for special populations – ethnic food festivals with tastings, ‘senior days’ with 10% off on Wednesdays, etc. Make the Market vibrant and fun while maintaining its authenticity.

Limited food production on site with good smells

Successful Public Markets engulf the senses of their customers with attractive smells. As a customer enters the Market, they should be tantalized with the smells of homemade chocolates, fresh baked crusty bread, fresh squeezed juices, coffee ground on site, freshly made tortillas, steaming greens, etc. While the current Market does offer some on-site food production, it is neither highlighted or promoted.

Recommendation #13 – As the Market expands into the North Hall (see below), good smelling production uses should be sought. Good smells should be vented into the customer aisle. Consider locating a small, cooperative, institutional kitchen that several merchants could use to produce items such as fresh baked pies, spanakopita, etc. Interesting production processes should not only be sought for their good smells but for their appeal as ‘eye candy’.

For example, an antique, commercial tortilla press with specialized tortillas containing herbs, garlic, leeks, peppers, etc. could be an attractive use that would create a unique product, attract an ethnic clientele, be visually interesting, and would smell good.

Lack of proper ventilation to vent bad smells

Currently, the jarring smells of poultry, meats, and fish waft through the customer aisles. This makes for an unappealing environment for fresh food shopping.

Recommendation #14 – Install hoods with negative air pressure that vent unwelcome smells through the roof. Apologize to the pigeons!

Tenant mix - An insufficient representation of fresh foods

First and foremost, the Eastern Market should be about fresh foods – represented by both the inside permanent tenants and the outside farmers. Customers are much more likely to

shop the Market if they can do all of their fresh food shopping in one place. Currently, there are many gaps in the Market's fresh food, offerings.

Recommendation #15 - The retail space in the Market's inside can be roughly doubled by 1) reconfiguring the display cases, 2) moving 'resupply' uses to the basement as mentioned above and 3) by repurposing the North Hall as recommended below.

Many uses such as food production referenced above, are missing. Additionally, uses such as herbs and spices, ethnic foods, dairy goods, fresh eggs, dried fruits and roasted nuts, an authentic Italian, African American, or Jewish deli, etc. should be added.

Crafts people who were not making their products, importing from Asia, or making inferior products that did not require much creativity – bead stringers, tee-shirts, etc.

The Eastern Market has many creative and dedicated craftspeople who are doing a great job at producing and marketing their products, However, there are a number of crafts vendors who are selling imported products and/or making products that do not require much creativity or artistry.

Recommendation #16 - Develop a jury system that weeds out tee-shirt makers, simple bead stringers and importers. Imports that simply create crafts more cheaply by paying substandard wages to factory workers should be banned. True, one-of-a-kind ethnic products might be allowed to increase ethnic diversity among the vendors. Seattle's Pike Place Market has developed detailed regulations to assure authenticity and creativity for crafts people. These regulations might be sought and used to guide crafts selection in the Eastern Market.



Taiwanese imports hurt true creative craftspeople

An underrepresentation of real farmers and the presence of farmers who were buying and selling rather than growing their products

Current District regulations call for a minimum of 70% of products being sold on the farm tables to be locally produced. A walk through the outside farm table quickly reveals that some of the “farmers” appear to be middlemen who are merely buying produce at wholesale venues and reselling them at retail prices at the Market.

During an informal survey of Eastern Market vendors that occurred at the end of April, 2018, 53% of farm products were locally produced, 31% of the “farmers” were actually producing farmers. 16% of the “craftspeople” were craftspeople who were selling what they made, and 32% of the remaining vendors were selling products illegal to be sold at the Eastern Market under DC code. This included items such as sunglasses, baseball caps, and imported, mass produced jewelry. This is an obvious management issue.

Furthermore, even though the author visited in winter, there was a dearth of value-added farm products that typically characterize many farmers markets in winter. While there were people selling olives (locally grown?) and pickles, many other value-added farm products - such as jams and jellies, local honey, preserved and dried fruits and vegetables, nuts, herb vinegars, baked goods, homemade pies, locally made cheeses, etc. were absent.



Oranges for sale at the “farmer” table. Not fresh. Not local. Not grown near D.C.

On the other hand, it was heartening to see the many farmers who clearly were growing their own products – apples, winter vegetables, etc., some of whom had driven 3 hours each way to sell at Eastern Market.

Recommendation #17 - Do not allow people who are not producers to sell at the Market and do not allow real farmers to fill out their stalls with products, such as oranges, that are never locally produced. Do not allow farmers who were ‘grandfathered’ in 1997, to pass that right to their relatives.

Recruit and encourage farmers who are currently selling at regional farmers markets to try selling an additional day at the Eastern Market. Have the local Cooperative Extension office work with farmers to encourage more value added, greenhouse, and hoop house production products. Consider starting a program modelled after Pike Place Market’s Indochinese farmer project (started under the leadership of the author) which created dozens of new farmers selling at the Market. Target Latino farmworkers instead of Hmong immigrants.

North Hall uses that make the Market feel empty as people approached the Market from that side and did not contribute to the success of the inside merchants

All tenants agreed that the use of the North Hall as a place for nannies and their charges, lobbyist dinners, weddings, etc. did not contribute to the success of the Market and in fact hurt the Market by giving many the appearance that for most of the time the Market was half empty.



**An empty North Hall on Saturday at 11am the busiest time of the week.
This is an inexcusable waste of valuable space.**

Although utility chases would have to be created (since there is no basement under the North Hall), that area is ideally located to expand the fresh food uses throughout the Market to allow the Market serve its historic function - as a place where District residents could buy fresh foods.

Recommendation #18 - Relocate the event and meeting functions that currently occur in the North Hall to the nearby, underutilized 'Hill Center'. That center is publically owned, has been repurposed as an event and meeting space, and is two blocks from the Market. It is currently underutilized. Fill the North Hall with the kinds of complementary fresh food production and fresh food uses that are outlined earlier in this proposal.



**The Hill Center has ample and oft unused meeting space.
It is two blocks from the Market.**

Lack of parking

Currently, it would appear that everything is being done to minimize customer parking adjacent to the Market. Favored tenants are given permits to park in the Market alley, the streets are closed on the busiest shopping days removing scores of parking spaces. Likewise, the Flea Market removes dozens of customer parking spaces. Finally, customer parking spaces are taken by those merchants and employees of the Market and the flea Market who arrive early to set up. There is no requirement preventing this from happening.

The 1999 Task Force on Parking and Traffic recommended that parking priority be given to customers over vendors and employees.

The weekend Arts and crafts and flea markets on 7th St. remove scores of customer parking spaces on the two busiest shopping days.

Roughly 60 parking spaces that should be available for customers are lost on weekends on the 200-300 blocks of 7th St. SE and the 600 block of C St. SE.

Successful Public Markets all have adjacent, dedicated free or validated parking for their customers.

Recommendation #19 - The Stanton Development has a nearby underground 150-car parking garage that is largely underutilized especially on weekends when the Market is busiest. In addition, there is a parking garage close by on Pennsylvania Ave. and additional weekend parking available for vendors and employees in the nearby Hine Building. Require that all merchants provide their own and their

employees license numbers to Market management. Fine any Market merchant or employees who park on the street within two blocks of the Market. This should be a leasehold requirement of all Market tenants. Cancel all current tenant parking spaces in alleys or streets adjacent to the Market.



Union Market has an adjacent, huge, free parking lot. While there is no equivalent at the Eastern Market, the problem is made worse by poor management of the parking that is available on the street.

One African-American inside tenant in a community that has 52.2% Black residents.

For a City with a majority African American residential population, it is unfortunate that there is only one African-American permanent tenant. Additionally, Black customers represent only a small minority of Eastern Market shoppers.

Recommendation #20 - Efforts should be made to recruit additional African American vendors. Sponsor “Heritage Day” annual events celebrating the contributions of past African American vendors.

Support additional uses especially targeted toward the African American community. Provide promotional campaigns focused on majority Black residential District and surrounding communities.

A push from some surrounding tenants, residents and developers to “yuppify” the Market’s offerings

The obvious gentrification that has occurred around the Market has created a push toward uses and activities that are not always in the best interests of the Market. For example, part of the justification for the street closures that are harming the Market vendors is that nearby millennial family residents enjoy taking their strollers on the street in a ‘festive’ atmosphere. Obviously, the Market should serve this population through diverse offerings that appeal to all DC residents. However, as much as it should serve all District residents, this should not be at the expense of the health of the Market as a whole.



The concentration of newer gentrified residents sometimes encourages the “chocolate chipification” of the Market.

Recommendation # 21 - While some new Eastern Market uses should serve the newer millennial residents of Capital Hill, the Market will only succeed if it recreates its historic role as the District’s sole fresh food and farmers Public Market. The Eastern Market remains an important icon of DC’s history. It needs to take its iconic role in practice as well as in theory. Target outreach and festivals etc., to ethnic communities in DC.

A lack of promotion of the inside, South Hall tenants

Successful Public Markets devote very significant portions of their annual budgets to promotion. The proposed 2019 Eastern Market budget has no line item for promotion. The South Hall tenants believe that the little promotion that does occur is largely targeted towards tourists. Tourist do not buy much fresh food.

Successful promotion has 4 separate components – advertising, special events, public relations and signage.

Recommendation #22 – Professionally develop an annual program of promotion that incorporates all 4 components of promotion – primarily focused on the Eastern Market as a source of fresh foods, locally produced farm products and creative hand-crafted items.

Utilize social media such as Facebook to promote the Market.

Once many of the other issues reflected in this report are addressed, the merchants who were queried supported the following approach to advertising:

Have merchants report their monthly gross income to a trusted management entity which would charge a 1-2% promotional surcharge to be solely reserved for institutional advertising of the Eastern Market. Have the merchants contributing to this fund approve all expenses related to the use of this fund solely for institutional advertising.

This approach has the following benefits:

- It gives management a way to track the overall health of the Eastern Market as well as individual businesses.**
- It provides a reliable source of income for institutional advertising controlled by the tenants who are contributing.**
- It provides a way to track the success or failure of individual advertising campaigns.**
- It allows merchants to purchase at a lower cost, advertising for their individual businesses. For example, a professionally laid out whole page newspaper or web ad could be used 1/2 for individual advertising and 1/2 for 12 individually purchased tenant ads. This kind of advertising is far cheaper and more effective than having each tenant purchase their own individual ads.**

An unrealistic expectation on the part of the District regarding Eastern Market finances combined with a wasteful and inefficient and unsupportive approach to spending money on the Market.

The District seems focused on “making the Eastern Market pay for itself”. While it is reasonable for established Public Markets to pay for their own operating costs, typically, the public entity that owns the Public Market pays for capital costs and capital improvements. In the case of Eastern Market, the fact that there are several hundreds of thousands of dollars in wasteful expenditures that are still producing a surplus in excess of a half million dollars suggests the need to reallocate resources in favor of proper promotion, efficient management and needed tenant expansion, training and repairs.

The District needs to understand that the financial benefits from the Eastern Market are not to be found in the micro impact reflected in items such as fees generated by the weddings in the North Hall or the street use permits paid by the Flea Market.

The economic value of the Economic Market comes from its huge macro impact, not the crumbs generated by the Market itself. Roughly 400 vendors pay \$1,200 annually to the District in Business Licenses fees not to mention daily rent and other fees. The license fees alone (excluding rent) generates half a million dollars annually. This does not include the additional millions in licenses and fees generated by the scores of retail businesses who choose to locate near the Eastern Market because of the fees that are generated.

Much more significant are the many millions of dollars in real estate taxes and development fees generated by the surrounding office and residential development engendered by the fact that people want to live and work adjacent to Public Markets.

The most expensive housing in North America (figured by \$/SF) are the condos adjacent to Pike Place Market. A map of where the most gentrification in the District is occurring will quickly reveal the correlation between the location of Public Markets (Eastern Market, the Maine Avenue Fish Market, and Union Market) with new, high end residential and office development.



A billion SF (!) of upscale development currently under construction adjacent to the Union Market & Maine Ave Fish Market

By ignoring the health of the Eastern Market and by overspending and underdelivering services to the Eastern Market, the District risks killing the goose, that has for 145 years, laid the golden egg.

Recommendation # 23 – Organize the recommended Nonprofit management entity and charge it with running the Market according to the District adopted Mission and Goals and operating it on a break-even basis for its operational expenses. Use the surplus generated by the Market, as well as other District funds to pay for the needed repairs and capital improvements recommended in this document.

A lack of tenant leases – most merchants have not had a lease since 2008(!)

This fact testifies to the degree to which the Eastern Market has not been well served by direct District Management. Tenants with huge investments in time and money in their business can be legally put out on the street without notice.

This is especially critical as the refrigerated display and resupply cases that were purchased roughly 10 years ago – after the fire, are reaching the end of their mechanical natural life and are in need of repair or replacement.

When tenants try and attain bank financing, they are turned down because they have no leasehold interest in their business.

Tenants cannot get licensed to accept food stamps because they have no leases. This prevents the Market from effectively serving an economically diverse population.

Finally, the lack of leases for most permanent merchants gives management the ability to be arbitrary in their decisions as merchant's fear being evicted if they complain.

Recommendation # 24 – Immediately provide short term leases to all Market tenants during the period that the Market Nonprofit management entity is being formed. Allow that new entity to sign fair, long-term leases with Market tenants as soon as it is formed and operating.

Threats of rent increases

It is a fact that, for most merchants, there has not been a regular rent increase in several years. However, the recent appraisal that was done recommends increasing tenant rents by 25 – 200%. That is not tenable in an environment when tenants are losing double digits in gross income annually.

Several merchants who had been at the Market for generations believably reported that they would be forced into bankruptcy if these increases actually occurred.

It is noteworthy that the majority of “market comparables” used in assessing what rents should be, came from Markets that were privately owned and/or managed, appealed primarily to tourists, or had a homogenous upscale tenant mix and customer base. This is not a fair comparable for the Eastern Market.

Recommendation # 25 – Freeze tenant rents until the management, parking, capital and other deficiencies reported herein are addressed, and, until Nonprofit management is in place. Once the tenant's financial issues turn around, increase rent by a fair % tied to CPI – currently, legally limited to 102% annually.

The lack of training regarding display, and other critical business practices.

Public Markets are very different than supermarkets. Successful Markets train their tenants in display practices to create an exciting, colorful and vibrant environment.

Colors and forms should be balanced. Baskets, boxes, bins and barrels should provide the foundation for many displays. While the displays in front of customers should be counter-high to allow the Market to be visually permeable. It is fine for objects such as sausages, braided garlics, freshly made pasta, strings of peppers, etc. to hang down from above as long as they don't act as a visual wall.

The mostly underwhelming displays in the Eastern Market reflect the fact that tenants receive no professional help in formulating their displays.



Attractive displays create a vibrant and effective sales atmosphere.

Recommendation #26 – Hire an expert in Public Market display to provide workshops to Eastern Market tenants. Also, offer trainings in bookkeeping, affordable guerilla marketing, customer relations, etc.

The lack of special events geared toward educating and attracting customers (health education, entertainment, etc.).

Successful Public Markets use special events that entertain and/or educate their customers to serve and expand their existing customer base.

Care needs to be taken to respect the surrounding residential neighborhood by avoiding noisy performances, particularly at night. However, the Market should be a place that delights its customers.

Acrobats, street musicians (properly vetted and controlled), jugglers, story tellers, movies, musical and dance performances, etc. can all take their place as part of a regular, carefully curated, special events calendar.

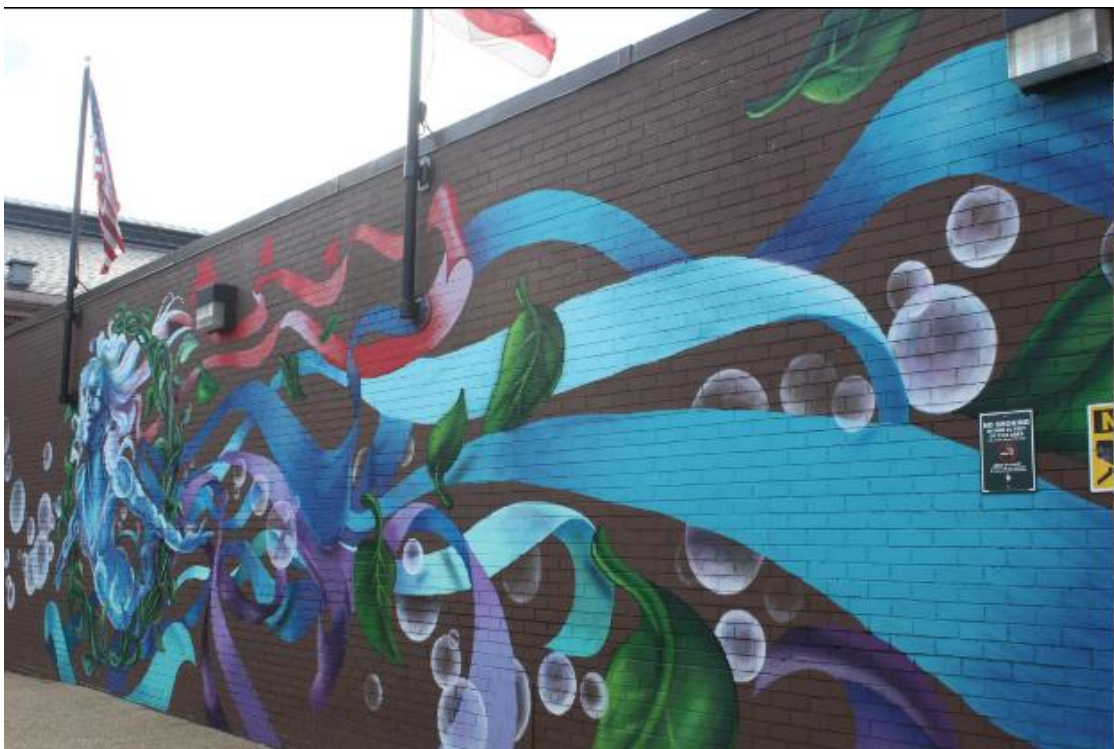
Likewise, working with public health officials, the Market should offer blood pressure screenings, nutritional education, tests for diabetes, etc.

The Market should be known not simply as a place to shop for fresh foods but as a place to be entertained and educated.

Recommendation #27 - Develop a curated and balanced annual calendar of special events and educational activities.

Prepared food located on the outside surrounding the Market dilutes the image of the Market

It is critical that the Market be seen as a fresh food and producers Market. Prepared food surrounding the Market dilutes the image of the Market.



Natatorium Plaza

Recommendation #28 - Restrict outside prepared foods to the Natatorium Plaza.

Encourage ethnic food festivals focused on a particular ethnic group. It may be important to bring in food trucks for these festivals. Promote ethnic festivals as a means to expand the customer base for the overall Market.

Strive to have the prepared food offerings selling from the Natatorium plaza represent as many ethnic cuisines as possible.

The Market needs to reflect a self-conscious appeal to diverse economic groups

The Market needs to intentionally have businesses that appeal to customers in diverse economic circumstances. At Pike Place Market, there were two kitchen supply shops. Sur La Table was the place to buy a \$350 hand wrought copper fry pan. Kitchen Basics sold to the areas low income elderly residents and was the place to purchase an overstocked or seconds frypan for \$1.75. Both stores were full of customers, both contributed to the success of the Public Market. Sur La Table paid many times the rent per SF then Kitchen Basics.

Eastern Market too, needs to have businesses with an appeal to diverse economic groups.

The fact is that Public Markets, whether managed privately, publicly, or by a Nonprofit, with a homogenous appeal to a uniformly upscale audience, do not do nearly as well Markets with an intentionally economically diverse tenant mix.

The shop selling \$8 per pound tuna at DC's Maine Avenue Fish Market was packed with customers while the Union Market shop selling the same tuna for \$32 per pound was devoid of customers.



\$32/lb tuna at the Union Market. The same tuna cost \$8/lb at the Maine Ave. Fish Market

At Union Market, the more affordable prepared food venues were packed with customers while the high priced fresh food stalls were nearly empty.



While the upscale fresh food stores in Union Market were nearly empty, the more affordable prepared food shops were packed. (These pictures were taken at the same time, on a Saturday afternoon.)



Throughout history, Public Markets have succeeded because they were rooted in fresh foods and appealed to a diverse customer base.

Another illustration of the same principle may be found at Seattle’s Pike Place Market. The Public ‘Main Arcade’ at the Market is always packed with customers while the privately developed and more homogenous, upscale “South Arcade” was nearly empty.



The public arcade at Pike Place Market – diverse, fresh food shops



The immediately adjacent 'Private' arcade at Pike Place Market – homogenous upscale, non-fresh food uses. These pictures were taken within five minutes of each other.

The Ferry Building Market on San Francisco's waterfront is the place to buy a bunch of carrots for \$6/pound or \$64/pound cheeses. The Market is an architectural gem but it has scant customers.



San Francisco's Ferry Building Marketplace at 11am on what should be the busiest day - a Saturday

Recommendation #29 – In spite of the gentrification that has occurred around it, the Eastern Market should resist the temptation to offer uniformly upscale offerings. It should intentionally appeal to a racially and economically diverse customer mix. Shops that offer less pricey goods should get a significant break in their rent.

Next steps

This Report makes dozens of detailed recommendations for the renewal of the Eastern Market. If, after this Report is circulated, there is a consensus among District and Market

stakeholders, decision makers and staff, that there are real problems with the Market and that the Eastern Market is worth saving, then there are steps that should be taken.

- 1) There is a general consensus among key stakeholders who understand very well what the issues are. Rather than spend \$75,000-\$300,000 on a proposed “strategic plan”, hire an expert in the development and management of Public Markets to work with the District, Market Management, and key stakeholders, to implement the 29 specific recommendations in this Report.
- 2) Start with addressing the management issues.
- 3) Sponsor a Grand Reopening of the Eastern Market accompanied by lots of fresh foods and champagne!

Conclusion

Any Report that seriously attempts to capture the multiple, difficult issues contained in any Public Market that impacts the financial interests of thousands of merchants, farmers, craft people, flea market venders, residents and developers, is bound to be controversial.

Some misstatements of fact and failure to sometimes understand all the complexities of a multifaceted situation are inevitable. However, if only half of the observations contained in this report are correct, then urgent action is immediately called for.

If the District of Columbia is willing to lose an institution that has fed and delighted District and Capitol Hill residents for 145 years, then it can continue things as they are, or alternatively, turn the Market’s management over to a private management entity which would reorient the Market’s mix to only serve the surrounding upscale millennial residents.

If, however, the District is committed to the preservation of the Market as the iconic fresh food and farmers Market that has ably served the District and the neighborhood so well through the last century and a half, then the recommendations contained in this Report should provide a roadmap towards its successful renewal.

