

WHAT'S UP DOWNTOWN?

EXAMPLES FROM AROUND OREGON

2026 Update

OREGON MAIN STREET

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The Institute for Policy Research & Engagement (IPRE) is a research center affiliated with the School of Planning, Public Policy, and Management at the University of Oregon. It is an interdisciplinary organization that assists Oregon communities by providing planning and technical assistance to help solve local issues and improve the quality of life for Oregon residents. The role of IPRE is to link the skills, expertise, and innovation of higher education with the transportation, economic development, and environmental needs of communities and regions in the State of Oregon, thereby providing service to Oregon and learning opportunities to the students involved.



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INTRODUCTION

Oregon communities face a massive housing shortage, as well as a lack of work, event, and cultural spaces. At the same time, many upper stories in our towns sit vacant. Upper story redevelopment offers a creative approach to addressing the housing crisis, increasing usable downtown space, creating income opportunities, correcting historical social disparities, and building a resilient, sustainable future.

In partnership with Oregon Heritage, the University of Oregon's Institute for Policy Research and Engagement published ***What's Up Downtown: A Playbook for Activating Oregon's Upper Stories***, providing regulatory and financial guidance to encourage upper story development.

To support and encourage communities to increase use of existing buildings, the playbook includes examples of redevelopment projects and upper story approaches around Oregon. This document centralizes those examples together for property owners thinking about redevelopment, Main Street organizations, downtown associations, local government staff and elected officials, and anyone else who might be interested in upper story redevelopment.[1]

Examples are organized into two sections:

- **Part 1: Project Showcases** – each example included here showcases how a property owner and community worked together to assemble funding and complete an upper story redevelopment project. While the process isn't always easy or quick, **it is possible**! We hope these stories provide inspiration and lessons for those who want to reinvigorate their downtowns.
- **Part 2: Community Practice Showcases** – each example included here profiles a different community's upper story practices. We hope these examples inspire local organizations and officials to consider how they might adopt practices to encourage upper story redevelopment.



[1] This document combines three community spotlights captured in the original 2022 report as well as four redevelopment examples documented in 2026.

PART 1: PROJECT SHOWCASES



Bodenkamp Building 2nd floor apartment interior
Photo Courtesy of Mavis Hartz

Bohnenkamp Building
La Grande, Oregon

Key Project Information

Project Detail	Information
Community	La Grande, Oregon
Project	Bohnenkamp Building (1301 Adams Ave)
Property Owner	Mavis Hartz
Building constructed	1900; Rebuilt after fire in 1913, adding a fourth story
Original use	Hardware Store
Current upper story use	3 upper stories: 2nd floor apartments, 3rd and 4th not yet renovated (empty)
Primary redevelopment uses	Bicycle shop and upstairs apartments
Approximate project cost	$1.2 million
Major grant funding	$200,000 Oregon Main Street Revitalization Grant Approx. $75,000 grant from City of La Grande
Other financing	Bank loan from Old West Federal Credit Union
Key partners	City of La Grande; Main Street/Oregon Main Street
Major challenges	Extended timeline, up-front costs, building condition, fire safety and utility upgrades, accessibility, setting project priorities
Key outcomes	Preserved building and historical features, activated second story space, created downtown housing, fire and safety upgrades

A Long Time Family Business, Rebuilt



Bodenkamp Building exterior
Photo courtesy of Mavis Hartz

The Bohnenkamp Building, in La Grande, Oregon, was first built in 1900 to house the family hardware business of William H. Boehnenkamp. The original brick building was three stories tall and built on the site of the former hardware store, which maintained business through construction by moving operations into the street.

In 1913, the building caught fire and the upper two stories were badly damaged. When the building was rebuilt, a fourth story was added. The first floor remained the Boehnenkamp family's hardware store through the late 1970s. It then housed a series of other businesses, before the current owner, Mavis Hartz, moved her Mountain Works Bicycle Shop into the space around 2015.

Throughout the building's history, the upper stories were primarily used as professional office space. Previous uses also included a photographic dark room located on the second story. The top two floors have been vacant since the 1990s.

Renovation Realities – Securing Funding and Setting Priorities

In 2022, Hartz was awarded an Oregon Main Street Revitalization Grant of $200,000, to put toward building repairs and renovation. Additional grants from the City, as well as financing by local Old West Credit Union, helped to fund restoration. This work included building exterior upgrades, repairs and upgrades for safety and stability, and conversion of the second story into apartments.



Bodenkamp Building window view
Photo courtesy of Mavis Hartz

Deferred maintenance since the 1980s meant that the building was in poor repair, with outdated wiring, and needed seismic and fire safety upgrades. The bulk of the renovation focused on bringing the building up to code, including replacing and upgrading wiring and plumbing, and adding a fire suppression system.

The sewer exit was also redesigned, and an alternate entrance and stairwell were opened that had been blocked since the building's early days. To complete all the upgrades, it was necessary to tear up the alley behind the building so workers could access the space from underneath.

Unfortunately, the project budget was not large enough to finance elevators repairs. The main elevator was gutted and used to run wiring through the building. The building also has a freight elevator shaft, and Hartz said that adding a working elevator would be on the wish list for a future project if funding could be found, as well as replacing broken windows in the top two stories.

As the project's timeline lengthened during the work, Hartz stressed how important it became to set priorities. She and her husband fought for the chance to preserve one of the building's unique features: a tin ceiling on the ground floor. By painting the ceiling

with intumescent paint, it was possible to meet requirements for burn time without covering the ceiling with gypsum board. Other elements they were able to preserve included uncovering the exterior of the building's transom windows, as well as uncovering and restoring molding.

Lessons for Upper Story Redevelopment



Bodenkamp Building preserved brick interior
Photo courtesy of Mavis Hartz

Renovating a historical building, and activating the upper floor by creating new housing was rewarding, according to Hartz. She also appreciates how downtown housing can support a thriving neighborhood. The project, however, came with several challenges. One of these was the structure of the project's grant funding, which was not receivable until after completion. This meant that initiating work required borrowed funds with interest paid during the project's implementation. Further complications included a project timeline that extended nearly a year beyond projections.

Hartz also described feeling pressure, both personally and due to receiving targeted grant funding, to preserve as much as possible. She identified the challenge of focusing on what could realistically be done and has a personal wish list of renovations that she might like to complete in the future, including potentially adding more apartments on the third and fourth floors.

The new second-floor apartments brought a few challenges of their own. Hartz described trade-offs to balance creating beautiful, appealing spaces for renters, while also maximizing the building's ability to "pay for itself" in the future. She said that if she had to do it over, she might have opted for building more, smaller apartments. She also estimated that the lack of an elevator and off-street parking have impacted the units' value to a greater extent than expected.



Bodenkamp Building 2nd floor apartment kitchen
Photo courtesy of Mavis Hartz

Hartz also pointed out the challenge of balancing family, running a business, and the stresses of a major renovation project. She suggests looking at the long-term plan and considering a project's break-even timeline. "I want my building to be producing revenue before I'm 90," she laughed.

In terms of advice for communities considering upper-story redevelopment, Hartz suggests they be prepared to support owners through funding. "Nobody can afford to do it," said Hartz, "It's not going to happen with just the owners of the businesses and the buildings. They need assistance to upgrade."



Google Streetview of Crooked Creek Brewery and upstairs apartment. May 2026

Crooked Creek Brewery
St. Helens, Oregon

Key Project Information

Project Detail	Information
Community	St. Helens, Oregon
Project	Crooked Creek Brewery
Property owners	Dave and Christine Lauridsen
Building constructed	1947
Original use	Neighborhood bar/tavern; upper story apartment added in 1950's
Current upper story use	One apartment, now operated as a short-term rental
Primary redevelopment uses	Brewery/restaurant and upper-story lodging
Approximate project cost	Approximately $300,000 in renovations to date
Major grant funding	$200,000 Oregon Main Street Revitalization Grant
Other financing	Owner savings and a home equity line of credit (HELOC)
Key partners	Local architect, general contractor and subcontractors; City of St. Helens; Main Street/Oregon Main Street
Major challenges	Financing, permitting timeline, conflicting regulatory direction, building condition, accessibility, and parking
Key outcomes	Rehabilitated existing building, activated upper-story space, created downtown lodging, and established a community gathering place

Bringing an Upper Story Back Into Use

The building now occupied by Crooked Creek Brewery was built in 1947 as a small neighborhood bar. An apartment was added above a portion of the building in the mid-1950s, followed by an expansion of the ground-floor dining room in the 1980s. Although the building had not been vacant for an extended period before the current owners acquired it, years of deferred maintenance had left it in poor condition. Water damage, deteriorated structural elements, and outdated building systems created significant rehabilitation needs throughout the property.

The upper-story apartment presented its own challenges. Before redevelopment, access required climbing the hillside behind the building and crossing a makeshift walkway after an earlier deck and stairway had deteriorated. The apartment had also been used intermittently, with uncertainty surrounding its previous occupancy.

Reactivating the apartment became an important part of the larger redevelopment. Because the upper story contains only one unit and covers only part of the building footprint, the project demonstrates that upper story activation does not necessarily require a large, multi-story building. Even a relatively small space can be returned to productive use as part of a broader downtown rehabilitation project.

Rehabilitating the Upper-Story Apartment

The apartment was essentially gutted and rebuilt. The owners had not initially planned such an extensive renovation, but unexpected conditions expanded the project's scope. During drywall repairs, for example, the old plaster ceiling came down, requiring more extensive work than originally anticipated. The broader building project also involved substantial upgrades to deteriorated electrical, plumbing, HVAC, and structural systems.



Crooked Creek Brewing 2nd floor short term rental interior
Photo Courtesy of Oregon Heritage

The project significantly changed access to the upper story. Rather than approaching the apartment from the hillside and crossing the previous makeshift walkway, the entrance was moved to the opposite side of the building. A new opening, deck, and exterior staircase were constructed to provide direct access to the apartment.

As of 2026, the rehabilitated apartment operates as a short-term rental, with rates varying by date and what's going on in St. Helens. This has returned an underused upper story space to productive use while providing an additional lodging option in downtown St. Helens. Its location near the waterfront, brewery, and other downtown destinations helps connect the upper story use with activity in the surrounding downtown.

Working Within the Constraints of an Existing Building

The project illustrates some of the physical and regulatory challenges that can accompany upper story adaptive reuse. Limited space made improving accessibility particularly difficult. The owners initially hoped to construct a simpler, switchback-style staircase to bring access closer to ADA compliance. However, the building's configuration and regulatory requirements ultimately resulted in a straight-run exterior staircase, and the apartment is not ADA accessible.

Designing the new entrance also revealed challenges in coordinating with local regulatory departments. The project initially received guidance that the proposed stairway could terminate at the sidewalk. After the design was prepared and engineered, the subsequent building review identified a different setback requirement. The stairway therefore had to be redesigned and re-engineered.

The permitting process took about five months. Based on the anticipated review timeline, the previous restaurant tenant planned to vacate before construction began. The building then sat vacant for about four months while the owners waited for permits, even though the intent had been to begin construction almost immediately. The owners noted that a more predictable timeline could have allowed the previous tenant to remain longer and continue generating rental income.

The experience demonstrates that coordination and predictable timelines among local planning and building departments can be especially important for redevelopment projects. Existing buildings often leave little room for alternative designs, so regulatory changes or conflicting directions can lead to additional design costs, delays, and lost income.

Financing the Redevelopment

Financing was another significant challenge. Approximately $300,000 has been invested in building renovations, including $200,000 from an Oregon Main Street Revitalization Grant. Additional costs were covered by the owner's savings and a home equity line of credit secured against the owner's residential property.

Conventional commercial financing proved difficult to secure, so the owners had to piece together available funding sources to move the project forward. The project was also relatively small in scale, with the owners working directly with a local architect, contractor, and subcontractors, and taking on portions of the project themselves where possible.

Although the approximately $300,000 investment applies to the entire building rather than exclusively to the upper-story apartment, the project shows how upper story rehabilitation can be integrated with improvements elsewhere in the building. Structural repairs, building systems, access improvements, and other investments can all affect whether an upper floor can successfully return to use.

Creating a Downtown Destination

The redevelopment has produced benefits beyond the rehabilitation of the building itself. Crooked Creek has developed into a community gathering place, with the brewery and

restaurant providing a space for people to meet and spend time downtown. The owners described becoming a “community hub” as one of the project's major successes.

The apartment complements the ground floor business by adding lodging to the property. Its short-term rental use brings overnight visitors directly into the downtown and extends the activity generated by the building beyond the brewery and restaurant. Together, the uses demonstrate how ground floor commercial activity and upper story activation can complement one another within a single property.



Crooked Creek Brewing interior (ground floor)
Photo Courtesy of Crooked Creek Brewing

Lessons for Upper Story Redevelopment

Crooked Creek demonstrates the potential of small-scale upper story activation. The project did not involve converting an entire multi-story building or creating numerous housing units. Instead, one existing apartment was substantially rehabilitated as part of a broader investment in an aging downtown property.

The project also highlights several lessons for other communities and property owners. Existing buildings may require creative solutions to address access, building systems, and code requirements, while unexpected physical conditions can significantly alter the scope of a renovation once construction begins. Consistent communication among local permitting departments can help reduce costly redesigns, and realistic permitting timelines can help property owners better plan construction and minimize lost income.

Access to flexible financing is equally important. The combination of grant funding, personal resources, and available equity enabled this project to move forward when conventional commercial financing was difficult to obtain. For smaller property owners, having multiple funding options may be essential to making redevelopment feasible.

The owners also emphasized the importance of investing in quality improvements rather than cutting corners during rehabilitation: “I would say don’t skimp on the details.” Their experience demonstrates that upper story redevelopment may require patience, flexibility, and a willingness to respond to unexpected conditions as they arise.



Jones-Knudson Building exterior
Photo Courtesy of Oregon Heritage

Jones-Knudson Apartments
Tillamook, Oregon

Key Project Information

Project Detail	Information
Community	Tillamook, Oregon
Project	Jones-Knudson Apartments (312 Main Avenue)
Building constructed	1909
Original use	Ground floor and upper story retail; upper story eventually separated from ground floor and used as storage
Current upper story use	Three 2-bedroom apartments and one 1-bedroom apartment
Primary redevelopment uses	Ground-floor commercial/dance studio and upper story housing
Approximate project cost	Approximately $1.2 million
Major funding sources	Oregon Main Street Revitalization Grant, Tillamook Urban Renewal Agency, Tillamook County Housing Commission, Business Oregon Strategic Reserve Fund
Other financing	Property-owner capital and conventional financing; Oregon Coast Bank provided final lending needed to complete the project
Key partners	Tillamook Area Chamber of Commerce, Oregon Main Street Program, Business Oregon, Tillamook Urban Renewal Agency, Tillamook County Housing Commission, Oregon Coast Bank
Major challenges	Financing, building code requirements, seismic upgrades, fire and life-safety improvements, permitting, unexpected costs
Key outcomes	Four new downtown housing units, additional income supporting the ground-floor business, more downtown residents and activity, and momentum for additional upper-story redevelopment

Reactivating Underused Upper Story Space

The Jones-Knudson building is located in downtown Tillamook. Historically, both floors were used for retail space until the 1980's when the ground and upper stories were separated. By the time redevelopment began, the second floor had been vacant or used for storage for more than 40 years.

While the ground floor was occupied by a dance studio, the upstairs was essentially a blank canvas when the project began. The challenge was not simply remodeling an existing apartment. The building first had to be brought to a condition capable of safely supporting residential use on the second floor. The project ultimately transformed the vacant upper story into four apartments in 2024, returning long-unused downtown space to productive use.

Rebuilding the Building Before Building the Apartments

One of the most important lessons from the project is that upper story redevelopment can require substantial investment before work on the apartments even begins.

The building was nowhere close to current structural and building code standards for supporting upper story residential development. The project required structural reinforcement, seismic engineering, fire suppression, and other fire and life-safety improvements. Approximately $300,000 to $400,000 went into these types of improvements before the team could even begin constructing the apartments themselves.

This illustrates a major challenge for older downtown buildings: much of the cost of redevelopment is tied to infrastructure that is not visible in the finished project. Seismic improvements, fire barriers, fire detection, structural reinforcement, and similar work may be necessary before the space can generate any new revenue.

Navigating Building Codes and Permitting

Meeting modern building code requirements was one of the most difficult parts of the project. The cost and time associated with engineering and code compliance were particularly challenging. Older downtown buildings may lack the structural capacity, fire protection, and other systems required for new residential uses. Requirements to bring the building up to standard can include seismic upgrades, fire suppression systems, and fire barriers.



Jones-Knudson Building interior upper story – under construction
Photo Courtesy of Oregon Heritage

The project also experienced unexpected costs as different stages of review identified additional requirements. There were approximately $250,000 in additional improvements that had not been anticipated even though parts of the plans had already been

approved. Fire and life-safety review ultimately led to additional seismic and fire-protection work.

The project team came away with a clear lesson for future redevelopment: hold a pre-application meeting with the local planning department before beginning design or construction that includes a full report by the permitting agency. Interpretations of codes can change as personnel change, so having a written report that includes planning, building, and fire and life-safety can help property owners have a reliable path forward for development.

Financing the Redevelopment

Financing was a major obstacle. The owner of the Jones-Knutsen property is a small business owner, not a developer. Access to resources can be a challenge for a lay-person trying to make a positive difference. The challenge was partly circular: the new apartments could eventually produce rental income that would help pay for the project, but lenders could not necessarily rely on that income before the apartments existed, and the income of a small business owner of the property did not service the debt. The team found only one bank open to a financing conversation.

Grant funding therefore played a critical role. Major funding partners included the Oregon Main Street Program, Business Oregon, Tillamook Urban Renewal Agency, and Tillamook County Housing Commission. The Tillamook Area Chamber of Commerce worked with the property owner as a coordinator, helping navigate grants like the Oregon Heritage Main Street Revitalization Grant and other project needs. Oregon Coast Bank later became an important financial partner by providing the final lending needed to complete the apartments – the only bank who understood the local need for housing and was willing to see the project in its entirety.

The project likely would not have happened without grant support. The grants helped cover some of the extraordinary costs associated with adapting an older downtown building for upper story residential use.

Creating Housing and Supporting Downtown Business

The project created four apartments. It provides housing for four households in a community where workforce housing is limited. All four apartments were occupied within weeks of opening. Having people live downtown also increases opportunities for residents to patronize nearby restaurants, stores, and other businesses.

The redevelopment also benefits the building owner. Previously unused square footage now generates rental income: while the dance studio still supports its share of costs, the apartments play a part in offsetting the costs of owning and operating the mixed-use property.

Creating Momentum for Additional Redevelopment

An important outcome extended beyond the building itself. Completing the Jones-Knudson project demonstrated to other property owners that upper story redevelopment in Tillamook was possible when communities and funding partners are willing to support it.



Jones-Knudson Building interior upper story – almost completed apartment
Photo Courtesy of Oregon Heritage

After seeing the first project succeed, another property owner pursued redevelopment of the nearby National Bank Building/Plaza View Apartments. “The first project is like the first domino: once one successful redevelopment demonstrated what could be accomplished, additional investment became easier to imagine.”

Lessons for Upper Story Redevelopment

The Jones-Knudson project demonstrates that the greatest challenge in upper story redevelopment may occur before anything new is built. Structural upgrades, fire and life-safety systems, permitting requirements, and other infrastructure improvements can create substantial costs that are difficult to recover through rents alone.

The project team highly recommends that property owners begin with a pre-application meeting to understand the building's regulatory requirements. This ensures full documentation of infrastructure needs which helps a project team prepare a financial plan that accounts for these needs. It may also be useful to assume that project costs could exceed the initial budget by approximately 20-30%. This emphasizes the importance of maintaining sufficient cash flow throughout construction.

A realistic pro forma is also important. Rather than assuming financing will become available later, property owners should understand how the finished building will perform financially and identify sources of capital needed to reach completion before construction begins.

For communities, the advice is equally important: supporting upper story redevelopment requires more than stating that it is a priority. Cities, chambers of commerce, Main Street organizations, and other partners need to provide tangible assistance, including helping property owners identify grants, navigate regulatory processes, and work through unexpected challenges. “Support should be demonstrated through actions, not just words.”



Merwyn building exterior
Photo Courtesy of Oregon Heritage

Merwyn Apartments
Astoria, Oregon

Key Project Information

Project Detail	Information
Community	Astoria, Oregon
Project	Merwyn Apartments / former Waldorf Hotel (1067 Duane Street)
Building constructed	1922
Original use	Waldorf Hotel
Current upper story use	4 stories total: all used for housing
Primary redevelopment uses	Affordable and workforce housing (40 studio and one-bedroom apartments)
Approximate project cost	Approximately $6 million in construction costs and $2 million in soft costs
Major funding sources	Oregon Main Street Revitalization Grant, LIFT, Low-Income Housing Tax Credits, Historic Tax Credits, and other project financing
Other financing	Oregon Community Foundation, Business Oregon Brownfields funding
Key partners	Innovative Housing, Astoria Downtown Historic District Association, Oregon Community Foundation, and Business Oregon
Major challenges	Building condition, building code requirements, infrastructure and utilities, parking, and financing
Key outcomes	Returned long-vacant upper stories to use, created 40 housing units, preserved historic building features, and revitalized a prominent downtown property

Bringing Long-Vacant Upper Stories Back into Use

The Merwyn Apartments project transformed the former Waldorf Hotel, a four-story historic building in downtown Astoria, into affordable and workforce housing by January 2021. Dating to 1922, the building had experienced decades of deterioration and underuse. Its upper stories had been largely vacant for approximately 30 years, and the building had at one point come close to demolition.

The building's condition made redevelopment particularly challenging. While portions of the concrete structure remained intact, the wood components had deteriorated significantly, and hidden dry rot was discovered during the project. The building also featured different construction types, including post-and-beam on the first floor and wood-frame on the upper floors. Returning the upper stories to use therefore required addressing substantial existing-building conditions rather than simply remodeling vacant rooms.

Despite these challenges, the Merwyn remained a recognizable downtown building that community members wanted to preserve. Its rehabilitation created an opportunity to save an existing historic resource while returning long-unused downtown space to productive use.

Transforming the Upper Stories into Housing

The redevelopment created 40 studio and one-bedroom apartments for affordable and workforce housing. The project required improvements throughout the building to enable residential reuse of the upper stories, including seismic upgrades, fire sprinklers, a new elevator, and rehabilitation of the main floor and basement.

The project also extended existing light wells to activate the lower portions of the building. Accessibility improvements included installing ADA-compliant doors and a new elevator. The elevator does not extend to the basement, a decision the project team would reconsider if undertaking the project again.

In addition to adding new features, rehabilitation sought to preserve features that reflected the building's historic character. Original hardwood floors, vertical-grain fir windows, historic corridors, and the historic lobby were retained during the redevelopment.

The project illustrates how upper story reuse in a historic building can require coordinated improvements of the entire property. Housing could not be created upstairs without simultaneously addressing access, seismic safety, fire protection, building systems, and deteriorated conditions elsewhere in the building.

Combining Multiple Funding Sources

Financing the Merwyn required several funding sources. Construction costs totaled approximately $6 million, with an additional $2 million in soft costs. Construction began in 2019, and the project was completed in early 2021.

The financing package included an Oregon Main Street Revitalization Grant, along with resources for affordable housing and historic preservation. Additional sources included Local Innovation and Fast Track (LIFT) funding, Low-Income Housing Tax Credits (LIHTC), and Historic Tax Credits.

The project team noted that Astoria had few local financial incentives available to support the redevelopment. In that context, relationships with the downtown association and other partners became especially valuable for connecting the project with resources that could help make rehabilitation feasible. For example, the Oregon Community Foundation helped raise funds and supported the building's common room, while Business Oregon assisted with brownfield funding for environmental conditions in the basement.

The project demonstrates the importance of layering funding sources for large upper story rehabilitation projects. Rather than relying on a single grant or financing program, multiple resources helped address needs in affordable housing, historic preservation, and redevelopment.



Merwyn Lobby
Photo Courtesy of Oregon Heritage

Partnerships Helped Move the Project Forward

Partnerships were a significant part of the Merwyn redevelopment. The project brought together affordable housing expertise, downtown revitalization organizations, philanthropy, historic preservation resources, and state funding programs.

The relationship with the Astoria Downtown Historic District Association was particularly important. The downtown association partnered with the redevelopment project to apply for the Oregon Main Street Revitalization Grant, linking the rehabilitation of an individual historic property to broader downtown revitalization efforts.

The support of local organizations like the downtown association and statewide resources like Oregon Community Foundation and state agencies connected the project with the broad range of resources required for financial viability.

Addressing Building and Infrastructure Challenges

The age and condition of the Merwyn created significant challenges during redevelopment. Hidden deterioration became apparent as work progressed, adding complexity and cost to an already substantial rehabilitation project.

Infrastructure outside the building also became a major obstacle. Astoria's aging infrastructure affected the project, and utility improvements added to redevelopment costs. The sewer system was a particularly significant challenge, ultimately requiring replacement of a sewer main.

Parking posed another constraint. Like many historic downtown properties, the Merwyn was not designed to meet contemporary parking needs and had limited capacity to accommodate additional on-site parking. The project ultimately obtained a parking variance, allowing redevelopment to proceed.

These challenges demonstrate that the feasibility of upper story redevelopment can depend on far more than the condition of the upper floors. Sewer capacity, utilities, parking requirements, accessibility, and other building- and site-level conditions can significantly affect the cost and complexity of returning vacant space to use.

Lessons for Upper Story Redevelopment

The Merwyn demonstrates both the opportunity and complexity associated with rehabilitating long-vacant upper stories in historic downtown buildings. Returning the building to productive use required much more than renovating individual apartments. The project had to address deterioration, accessibility, fire and life-safety requirements, seismic improvements, environmental conditions, utilities, parking, and financing.

The experience also underscores the importance of persistence. The building had been largely underused for decades and had come close to demolition, while the redevelopment itself encountered numerous financial, physical, and regulatory obstacles. The advice from the project team to other property owners and communities considering similar projects was to continue looking for alternatives when obstacles arise: “Persevere. Don’t take no for an answer. Always look for a way.”

The project also demonstrates the importance of partnerships. Downtown organizations, affordable housing developers, state agencies, philanthropic organizations, and other partners can bring diverse resources and expertise to a project that may be difficult for a single property owner or organization to navigate on their own.

PART 2: COMMUNITY SHOWCASES



Cottage Grove[2]

- Population: 10,698
- Area: 3.9 sq. mi.
- Size of Downtown Area: 5 sq. blocks
- Median Household Income - Homeowners: $85,863
- Median Household Income - Renters: $55,064
- Traditional lands of the Kalapuya, Yoncalla, Umpqua, Siletz, and Grand Ronde peoples

Community's Upper-Story Practices

Upper-story development strategy

- **Building and Business Inventory –** The City of Cottage Grove maintains an inventory of historic buildings and businesses. Within this they document historic building name and construction date, current use, property owners, and market value of the building, among other details. The data they have collected allow them to see the distribution of business types throughout their downtown corridor as well as vacant spaces that can be occupied or rehabilitated.
- **Main Street Revitalization Project (via Main Street Refinement Plan) –** In 2016 the city completed a Main Street Refinement Plan, which assessed the current conditions and established a 5-year plan to improve downtown Main Street conditions. They are currently in the process of completing a Main Street Revitalization Project, which is tied to the plan and focuses on streetscape improvements, ADA compliance, and the creation of a more "dynamic" downtown Historic District. The catalyst for developing the Main Street Refinement Plan was the need to make downtown an accessible space for all people. While not specifically mentioned it is believed that if the plan is implemented and the street is re-built that downtown will be open for business and will attach new development of existing and new mixed-use developments.

[2] U.S. Census Bureau. *2024 American Community Survey (ACS) 5-Year Estimates*, data accessed through data.census.gov. Population and median household income estimates derived from the ACS 5-Year Estimates.

Financial Support

- **Vertical Housing Tax Credit –** Cottage Grove passed a vertical housing tax credit, which provides tax exemptions to multi-use commercial/residential construction in the downtown area. The purpose of the program is to encourage mixed use development where residential development is included above commercial spaces by lowering property taxes for a ten year period. This abatement period can be very helpful in the first years of a project to off-set debt and get projects into a breakeven or profitable position.
- **Local Funding –** The City provides local funds to support Main Street Facade rehabilitation, which is financed through the General Fund and has an annual budget of $10,000. The decision on who receives the funds is determined by the Historic Preservation Commission.
- **Oregon Main Street Revitalization Grants –** The City has assisted property owners with Main Street Revitalization Grants in the past and offers to be the financial passthrough for successful projects. Potential projects are selected with the assistance of the Downtown Cottage Grove Association, an agency separate from the City that supports economic development activities downtown.

Klamath Falls[3]

- Population: 22,115
- Area: 20.89 sq. mi.
- Size of Downtown Area: 11 blocks along Main Street
- Median Household Income - Homeowners: $71,849
- Median Household Income - Renters: $33,125
- Historic milestones: In the early part of the 20th century, Klamath Falls experienced an economic boom thanks to thriving agriculture and timber industries. Many of downtown historic buildings were constructed during this time. Though an earthquake in 1993 struck many buildings, the rest that stand till today contribute to the city's portfolio of historic assets with unique architectural values. Klamath Falls' economy today has shifted to rely more on healthcare, education, and retail services.
- Traditional lands of the Klamath, Modoc, and Yahooskin peoples.

Community's Upper-Story Practices

In this section, we highlight some strategies the city of Klamath Falls has been using to facilitate upper-story development. **Some strategies have contributed to successful project implementations:**

[3] U.S. Census Bureau. *2024 American Community Survey (ACS) 5-Year Estimates*, data accessed through data.census.gov. Population and median household income estimates derived from the ACS 5-Year Estimates.

Upper-story development strategy

- **Conducting market analyses –** Based on the suggestion of Sherri Stuart – Oregon Main Street Program Coordinator, the city of Klamath Falls conducted a downtown housing analysis in 2016.[4] This study helped set the vision for downtown housing, identified housing needs for a five-year period, and identified potential downtown residents. Some recent renovation projects have successfully targeted these groups, which include college students, medical professionals, and military staff. For example, a building owner recently renovated their building into a 22-room dormitory for medical students. The owner was successful in winning a 10-year contract with a local university.
- **Inventorying downtown building portfolio –** The Klamath Falls Downtown Association partners with a local realtor to inventory downtown buildings. This is a response to a requirement by the Oregon Main Street Revitalization Grant to report project impacts, ranging from impacts on properties such as building and block occupancies, number of housing and lodging units, rental rates and property values to impacts on the local communities such as number of jobs created and businesses retained, income levels and downtown activity levels. The inventory is focused on grant-receiving properties and not comprehensive of the whole downtown area. This inventory has helped to validate the positive impact of upper-story renovation and attract more funding from the city.

Development financing

- **Utilizing state grants –** The downtown association is active in responding to the Oregon Main Street Revitalization Grant's call for application.
- **Pursuing programs and designations that allow access to additional funding –** Klamath Falls is working to become a Certified Local Government[5]. If approved, the city will have access to annual grants for rehabilitation of any historic building within the jurisdiction, regardless of whether the building belongs to a Historic District Designation. According to Klamath Falls Downtown Association, being a Certified Local Government is an involved process on the city's part, and it took a lot of conversation and persuasion by the city council. The city also considered pursuing a Historic District Designation. This designation would entitle the community to more grant funding, but also introduce strict historic preservation standards, which could curtail property owner's interest in development. The community has now suspended the effort to pursue this special designation.
- **Allocating resources –** The city government set aside money from its economic development funding for the first time in 2019 to run a grant program that resembled the Oregon Main Street Revitalization Grant at a local scale, with a priority on façade improvement. The downtown association managed the grant application review and administered funding. The program took a pause in 2020 due to the COVID-19 pandemic

[4] Klamath Falls Downtown Plan

[5] Klamath Falls Downtown Plan

and resumed in 2022 with the total grant funding of $165,000 including $150,000 from the city and $15,000 from the Downtown Association.

Technical support

- **Adapting current regulations to encourage redevelopment –** The city highlights in its downtown plan some potential considerations for current regulations related to zoning, mixed use standard, building code leniency, expedited permitting and transfer of development rights. Though regulatory changes are underway, the downtown association cited the city's willingness to work on individual projects to find alternative ways to meet regulations that do not compromise safety.

Relationship building

- **Engaging the city government with upper-floor redevelopment** – A series of workshops about upper-story redevelopment in 2015 accelerated the city government's interest and cooperation with the downtown association. The workshops involved connecting local stakeholders with national experts to learn about the benefits of utilizing upper floor renovation. The city now has integrated upper-floor renovation into its downtown plan.
- **Engaging with property owners –** Most property owners in Klamath Falls downtown appear to be increasingly interested and engaged in renovating upper floors. The downtown association representatives attributed this success to early efforts in education and engagement. The association maintained regular communication with the public through a workshop series as well as various media outlets. The downtown association staff play a key role in connecting interested stakeholders with relevant resources, especially for funding. One-on-one owner support was considered a key factor in motivating and walking owners through the steps, as well as creating model cases.

Challenges

- **Delayed response to a major project –** A feasibility study conducted during the 2013-2018 period assessed the possibility of a public-private partnership to develop the Balsiger site – a massive historic building in downtown[6]. However, the building collapsed before stakeholders could come up with a development plan. Now a new property owner is considering a new construction project on that land site.
- **Lack of comprehensive inventory –** Though the downtown association is maintaining building records, it is not comprehensive of the downtown area. The current inventory is used more to validate efforts in upper-story redevelopment than to plan upcoming renovations. If the city had an extensive inventory that helped identify and prioritize at-risk assets, it might have been able to avoid significant deterioration or collapse of historic properties, such as the Balsiger site.

[6] Klamath Falls Downtown Plan

- **Under-utilizing financial resources –** The city has a Vertical Housing Development Zone. Residential projects that lie within this area could qualify for a 10-year tax exemption of up to 80% on the costs of new constructions or rehabilitation. The community has not been able to utilize this resource.
- **Lack of technical support** – Few contractors in town that are able or willing to work on upper floor redevelopment, especially for historic buildings and during COVID time. The lack of construction materials at affordable prices adds to the financial problem, though it does not appear to persist in the long term.

Spotlight Project

In this section, we provide examples of completed projects and describe how they were carried out through collaborations among the building owners, the downtown association, the city, and other local partners.

Project name	**Moore Apartments**
Project outcome	4 upper-story residential units
Pre-project conditions	• 100-year-old structurally sound building • Façade was in great shape and well maintained. • Ground floor: Active commercial • Upper floor: previously apartments, vacant for over 30 years and very dilapidated, but had most walls in place.
Types of works required and associated expenses	• HVAC, electrical, sprinklers, framing, plumbing, finish work • Total costs: approximately $490,000
Funding sources	• Oregon Main Street Revitalization Grant: $ 147,000 • Owner's fund: $ 343,000. Owner had been pre-approved for bank loans before construction began.
Regulatory considerations	• The building owner needed to comply with code with all of the new HVAC, sprinklers, electrical etc. • He did ask the city for dedicated parking in a nearby city parking lot. This required the city to develop a "residential parking permit" which was a new thing for the city. Dedicating these parking spaces for its residents required city council and parking district approval.
Project partners and relationship building	• The owner had architectural drawings, estimates and a builder chosen when he presented the project to the KFDA. • The owner heard about the Oregon Main Street Revitalization Grant through the Klamath Falls Downtown Association. He already had a renovation plan on hand, once he heard about the grant, he proceeded to move forward.

Pendleton[7]

- Population: 16,950
- Median Household Income, Homeowners: $93,979
- Median Household Income, Renters: $39,340
- Traditional lands of the Walla Walla, Cayuse, and Umatilla peoples.

Community Upper Story Practices

In this section, we highlight some strategies the city of Pendleton has been using to facilitate upper-story development. **Some strategies have contributed to successful project implementations:**

Upper-story development strategy

- **Inventorying downtown building portfolio –** The Pendleton Urban Renewal Agency, with staff help from Resource Assistance for Urban Renewal Association Environments conducted a thorough community inventory and interviewed each property owner. This led to a ranking system of which owners were more (or less) interested in proceeding with upper story development.

Financing

- **Urban Renewal Association funds upper story projects –** Pendleton Urban Renewal, an urban renewal agency established under Oregon law, works closely with the Pendleton Downtown Association and other local partners to promote economic development and historic preservation. Over time, its grant programs have evolved from supporting access improvements, such as elevators, to funding comprehensive rehabilitation of upper stories and other historic building improvements. Today, Pendleton Urban Renewal offers grants to property owners for upper-story restoration, façade improvements, and related rehabilitation projects. Depending on the grant program and project type, grants generally cover 10% to 25% of eligible construction costs, up to $250,000, helping property owners return underutilized upper-story spaces to productive use.
- **Construction loans** – For projects underway, Pendleton Urban Renewal makes low-interest, short-term bridge construction loans.
- **Utilizing state grants –** The Urban Renewal Association has taken the lead on responding to state grant request for proposals, including the Main Street Revitalization Grant which offers up to $400,000. They also apply for the $20,000 Preserving Oregon Grant. If they have multiple projects that are ready to move ahead, they will package them together in the application, giving the project a theme. In 2019 they had two buildings. In 2021 they had three packaged together.

[7] U.S. Census Bureau. *2024 American Community Survey (ACS) 5-Year Estimates*, data accessed through data.census.gov**.** Population and median household income estimates derived from the ACS 5-Year Estimates.

- **Utilizing tax credits –** Property owners in Pendleton have used Federal Historic Tax Credits for preservation projects, which can cover 20% of project rehabilitation costs. These tax credits are useful, but Pendleton warns that they do not bring down the cost of the construction, and that in order to be eligible, the project must adhere to strict preservation standards that have the potential to decrease marketability and profitability.

Technical Support

- **Supporting building owners throughout the life of the project** – The Pendleton Urban Renewal Association provides building owners with designs, assists them with budgets, pro-formas, and financial projections for costs/revenue, and provides lists of contractors. They review bids to ensure they properly cover the project needs at an appropriate cost. It also assists owners identifying and applying for state and federal funding. Property owners also get assistance with code from the City's community development department and the local building code official.
- **Design Assistance** – Pendleton Urban Renewal Association worked with a Portland firm to create designs for six of its historic downtown buildings to encourage the owners to develop their upper stories. So far only one of those designs has been used (and not for the building that the design was meant to cover.) They have two additional owners who received those designs who are now ready to proceed with projects in their buildings.
- **Local expertise, combined efforts** – An active volunteer sits on the Urban Renewal Association Advisory Committee and Historic Preservation Committee. She spends significant volunteer time looking over projects and following up on the work that is completed to ensure that it's done according to the Scope of Work approved for the project. Urban Renewal Association staff team with the Downtown Association to complete grant applications.

Relationship Building

- **Engaging Developers –** So far, the city has partnered with one developer. He plans to begin work on the upper story of his building this spring. The building is a former fraternal lodge. When it closed as a lodge, the city connected the developer with the building. The developer's plans are complete and the Urban Renewal Association has approved his application for an upper story grant.

- **Engaging Property Owners** - Each building owner has unique reasons for sitting on a building rather than renovating it for maximum use. The Urban Renewal Association works with building owners to determine barriers to developing upper stories and tries to match them with solutions. They approach property owners who they believe are truly ready to proceed with their projects. They also recommend continuing to contact property owners- even those who don't seem interested – because some have had a sudden change of heart or a change of circumstance.