

WHAT'S UP DOWNTOWN?

EXECUTIVE SUMMARY
A PLAYBOOK FOR ACTIVATING
OREGON'S UPPER STORIES

OREGON
MAIN STREET





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About the Institute for Policy Research and Engagement



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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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1. INTRODUCTION

Many commercial districts across Oregon contain vacant or unused upper floors. At the same time, cities across the state face massive housing shortages and lack work, event, and cultural spaces. Some small communities are bringing a creative approach to these twin challenges—re-activating their vacant upper stories to achieve wide-ranging community benefits.

Recognizing potential for supporting housing affordability, climate friendly development, preservation, and revitalization, Oregon Heritage partnered with the Institute for Policy Research and Engagement to:

- Document current uses of upper story spaces
- Identify what inhibits upper story use
- Outline a pathway for overcoming barriers to upper story use

The team set out to learn more about the current conditions of upper stories across Oregon, identify the primary barriers to their development, and determine what has worked well in successful communities. Using this research, we then compiled a set of recommendations for state agencies, local jurisdictions, downtown associations, and property owners to encourage upper story use.

Table 1 offers an overview of the research and data collection tools.



Table 1: Data Collection at a Glance

Method	Key Topics Explored	Target Population	Number Completed
City & Main Street Representative Survey	<ul style="list-style-type: none"> • Current and desired conditions • Interactions with property owners • Barriers • Goals for upper story redevelopment 	City and Main Street organization representatives most familiar with circumstances in their downtowns (distributed to representatives in Oregon’s 66 Main Street Communities)	48 (representing 33 communities)
Property Owner Survey	<ul style="list-style-type: none"> • Current and desired conditions • Barriers 	Property owners in Oregon Main Street Communities (distributed to property owners by city and Main Street representatives who volunteered to share it)	28 (from 11 communities)
Advisory Group Interviews	<ul style="list-style-type: none"> • Affordable housing needs and connections with upper story redevelopment • Equity considerations for downtown development • Ideas and resources available for supporting upper story redevelopment 	Housing and underserved community advocacy and support nonprofits; State agencies	5
Community Interviews and/or Site Visits (Case Studies)	<ul style="list-style-type: none"> • Current conditions • Barriers • Successes • Tools and strategies for promoting upper story redevelopment 	Oregon Main Street Communities identified by Oregon Heritage: Albany, Astoria, Cottage Grove, Independence, Klamath Falls, Lebanon, Pendleton, and Woodburn.	8
Oregon Heritage Conference Focus Group	<ul style="list-style-type: none"> • Current conditions • Tools and strategies for promoting upper story redevelopment 	Oregon Heritage Conference Attendees (mostly city and Main Street representatives)	15
Topical Expert Focus Group	<ul style="list-style-type: none"> • Tools and strategies for promoting upper story redevelopment 	Topical experts identified by Oregon Heritage from: Business Oregon, Homes for Good, Oregon Building Codes Division (BCD), Oregon Heritage, Oregon Housing & Community Services (OHCS), Oregon Department of Land Conservation & Development (DLCD), Oregon Department of Transportation (ODOT), and Regional Solutions	9

2. CONTEXT FOR UPPER STORY REDEVELOPMENT OVERVIEW

What is the benefit to communities of pursuing full upper story occupancy? Why should agencies and other partners such as downtown associations and Main Street programs support this goal?

Development & Disinvestment

Oregonians love their hometowns and aspire to see them flourish, but the health of the community is tied to the local economy and public policy. As conditions shift, we need to bolster Oregon's small cities.

- **Development:** As railroad lines brought prosperity to the towns, merchants built multi-story buildings to accommodate shops and production spaces.
- **Disinvestment:** Beginning in the 1950s new freeways bypassed downtowns. In later decades town centers were further disinvested due to suburban sprawl, mall development, and weakening industrial economies.
- **Revitalization:** Community driven revitalization efforts have helped restore centrally-located commercial vitality, but opportunities to develop upper stories should not be overlooked.

Property Ownership & Exclusion

Property ownership is the primary method of building generational wealth in the United States, but for generations, all residents except those perceived or legally identified as white were excluded from ownership through various discriminatory legal and social structures.

- **Inequitable History:** Historic racist policies and ongoing social stratification continue to negatively impact access to real estate by Oregon's communities of color.
- **Repercussions and Obligations:** We have an obligation to correct this history. A genuine commitment to equity must be a central element of housing and community development policy as Oregon defines its future.



Untapped Potential

With the right vision, upper story redevelopment can generate energy, excitement, and economic activity; support more equitable outcomes for marginalized groups; and contribute to a sustainable future.

Community Benefits

- **Sense of Community and Identity:** Activation of upper floors in historic buildings has a multiplier effect on the vitality of a community.
- **Housing:** Oregon is facing an historic shortage of housing at every level. Unused or underused upper stories can help fill that gap.
- **Community Space:** Upper stories have been redeveloped into a range of event venues and art spaces, including dance studios, artist studios, galleries, and even small theaters.
- **Offices and commercial space:** Upper stories can serve as co-working spaces or as expansion space for growing local businesses.

Social Benefits

- **Affordable Housing:** Some upper story apartments are naturally affordable due to their compact size. Subsidized affordable housing and creative models of real estate investment can also extend access for lower income individuals.
- **Preservation:** Historic designations initiate access to resources for revitalization. Other creative methods such as Multiple Property Designations can support equity through upper story redevelopment and building preservation.

Environmental Benefits

- **Minimizing Waste:** Renovation can reduce environmental impacts that would take 80 years for new construction to overcome.
- **Reducing Transportation Emissions:** Renovation of downtown spaces supports climate action by creating more opportunities to live and work within walkable, full-service areas and reducing car reliance.

3. CURRENT CONDITIONS OVERVIEW

What are the current conditions and needs of underutilized downtown upper-story spaces statewide?

Based on responses from 48 city and Main Street respondents representing 33 Oregon Main Street Communities



Downtown Upper Story Use

Upper Floor Occupancy Status	Average % Reported
Unusable and unoccupied (needs repairs or renovations for it to be used)	28%
Usable but NOT regularly occupied or used by people (for example, primarily used for storage)	19%
Occupied/regularly used by people	53%

Current & Desired Uses for Downtown Buildings

Retail and restaurants/dining dominate downtown use, but respondents notably expressed a desire for an increase in **residential** and **lodging** space allocation:

- On average, only about 9% of respondents' downtown spaces are residential and 3% are lodging, but respondents indicate that in an ideal scenario, residential use would be closer to 14% and lodging 6%.



Downtown Districts & Designations

Economic and historic designations create access to funding and support, but can also complicate development:

- Almost all the communities we surveyed (26 of 30 who answered this question) have some kind of special economic designation including urban renewal, enterprise zones, economic improvement districts, or business improvement districts.
- 73% of respondents were aware of downtown buildings being listed on the Historic Registry. 54% confirmed their city has a preservation program that requires design review. Many confirmed their downtown is either in a National Register Historic District (31%) or in a Local Historic Landmark District (17%).

Property Owners

Relationships between city/Main Street representatives and property owners can greatly facilitate the upper story redevelopment process.

- **Communication usually happens occasionally and is reactive.** While 21% of respondents communicate monthly with property owners, 64% of respondents communicate just a few times a year.
- **Few communities track property owner information.** Only 13% of respondents reported some form of property owner information tracking.

Community Support & Action

Both city and Main Street representatives say they **would like to see Oregon's small downtowns fully occupied.**

- 78% of respondents reported that their communities support upper-story development projects.
- 64% of respondents report that there have been efforts to increase upper story use in their communities.

4. BARRIERS OVERVIEW

Based on case studies and responses from community-level experts, what are typical barriers that prevent property owners from converting unused upper-story space into usable space?

Based on responses from 48 City and Main Street respondents representing 33 Oregon Main Street Communities, interviews, and site visits

Cash, Codes, and Capacity

In sum, “**cash, codes, and capacity**” is the shorthand for the barriers that stymie upper story development. Respondents in Oregon’s Main Street network ranked barriers to their community’s upper story development by degree of significance (significant, moderate, small, not a barrier):

Top Three Significant or Moderate Barriers Identified by City/Main Street Representatives	Average % Reported
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Economic feasibility concerns or uncertainty (market demand, cost-benefit analysis, etc.)	74%
Lack of financial assistance, incentive, or awareness of financial resources	58%
Lack of property owner interest	56%

Top Three Significant or Moderate Barriers Identified by Property Owners	Average % Reported
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Lack of financial assistance, incentive, or awareness of financial resources	83%
Economic feasibility concerns or uncertainty (market demand, cost-benefit analysis, etc.)	68%
Building code compliance (safety, accessibility, design/aesthetics, etc)	63%



Cash

Economic feasibility and lack of financial assistance pose the greatest challenges to upper story development.

- Potential rents often don't justify renovation expenses, unless property owners/developers assemble many additional sources of funding.
- A "rural tax" means that project costs run higher in rural areas due to lower levels of access to labor and building materials.

Codes

Upper story renovation requires compliance with many codes and regulations, creating confusion and frustration for would-be developers.

- Building codes are complicated and can feel inflexible, particularly due to regional variation and local liability concerns.
- Zoning ordinances carry parking requirements that can create complications for upper story redevelopment.
- Code compliance often increases the overall cost of projects.

Capacity

Property owners are often unaware of technical assistance from government, Main Street organizations, or other partners. Or it simply may not be available.

- Project complexity can pose a daunting and sometimes insurmountable barrier.
- Many resources to support upper story redevelopment do exist, but they may be difficult for property owners to find.
- The different priorities and motivations of property owners and regulators can cause tension.

The building owners in Oregon's smaller communities acquired their properties in a variety of ways and with a range of intentions.

- Property owners may be disengaged in their properties for a variety of reasons, but city and Main Street representatives referenced two primary causes: Absenteeism and complex inheritance structures.
- Property owners may be hesitant to invest if they have limited examples of success.

5. RECOMMENDATIONS OVERVIEW

What resources and policies can state agencies, local jurisdictions, and key partners use to encourage greater upper-story utilization?

Addressing the multifaceted issues in upper story development requires the collaboration of multiple actors across fields from the state to local scale. The following table summarizes our recommendations, what actions each of them require, and who should be leading the efforts.

Recommendation	Action	Scale	Primary actors	Collaborating actors
Groundwork	Identify and track conditions of upper stories			
Develop a strategy for utilizing upper story assets	Continue to track statewide development progress	State	Oregon Heritage	Downtown Association
	Track local conditions and progress by inventorying downtown properties	Local	City's planning office, Downtown Association	Property owners
	Know the property	Project	Property owner	
	Develop a strategy for upper story development			
	Engage elected officials and other decision-makers	Local	City council, Downtown Association	
	Target specific goals for upper stories in existing planning processes	Local	City's planning office	Downtown Association
	Know the market	Project	Property owner	Downtown Association



Recommendation	Action	Scale	Primary actors	Collaborating actors
Addressing Financial Barriers Increase access to financial support for upper story redevelopment	Improve property owners' access to funding at the local level			
	Build capacity to manage grant programs and support property owners	Local	Downtown Association	Oregon Heritage
	Package financial resources	Local	Downtown Association	
	Introduce property owners to financial planning tools	Local	Downtown Association	
	Maintain existing and create additional financial supports at statewide and local levels			
	Continue and expand funding for the Oregon Main Street Revitalization Grant	State	State Legislature	Oregon Heritage
	Encourage use of funding for purposes other than historic preservation	State	Oregon Heritage	Various state departments
	Appropriate funding to address specific needs	State	State Legislature	Oregon Heritage
	Pursue programs and designations that allow access to additional funding	Local	City council, City government	Downtown Association
	Allocate existing local resources to downtown development	Local	City council, City government	Downtown Association
	Develop a policy for reducing or waiving permit fees and impact fees to incentivize upper story redevelopment	Local	City council, City government	
	Use creative investment and financing strategies tailored to each project's unique circumstances			
	Directly acquire property or support property acquisition	Local	City council, City government, Downtown Association	Property owners
	Explore creative approaches to minimize renovation costs	Project	Property owner	
Seek outside investors	Project	Property owner		



Recommendation	Action	Scale	Primary actors	Collaborating actors
Addressing Regulatory & Technical Barriers Cultivate a regulatory landscape that offers flexibility and support for upper story redevelopment	Evaluate current building code and support flexible applications of the code			
	Evaluate building code and provide support around interpretation	State, Local	State Building Codes Division, City's Building Department	
	Host upper story conferences or trainings	State	Oregon Heritage	State Building Codes Division, nationwide experts
	Develop and adopt upper-story model code language	State, Local	State Building Codes Division, City's Building Department	Statewide/Regional/Local non-profits or associations
	Adopt code according to IEBC update timeline	Local	City's Building Department	
Evaluate historic designation for buildings with significance to marginalized communities	Local	City's Planning Department	Downtown Association, community organizations and minority advocacy groups	
Organize, curate, and publicize existing technical resources				
Create a centralized resource library	State	Oregon Heritage	Various state departments, statewide non-profits	
Designate a local downtown development liaison (or incorporate into existing duties) to help property owners and developers navigate regulatory issues and access relevant resources	Local	City government		
Connect property owners with expert advice	Local	City government, Downtown Association		
Provide construction disruption assistance	Local	City government	Downtown Association	
Partner with state agencies, and statewide or regional affordable housing nonprofits to encourage affordable housing development in upper stories	Local	City government		
Collaborate with downtown development experts to remove the technical burden from individual property owners				
Explore district-level development	Local	City government, Downtown Association		
Build relationships with developers specializing in downtowns and historic buildings	Local	City government, Downtown Association		



Recommendation	Action	Scale	Primary actors	Collaborating actors
Coordination & Collaboration Ensure a coordinated and collaborative approach to supporting upper story redevelopment	Encourage local-level collaboration			
	Build a collaborative relationship between local-level resource and oversight providers	Local	City government, Downtown Association	
	Develop a peer support network for property owners	Local	Downtown Association	Property owners
	Encourage collaboration between local actors and regional/statewide actors			
	Build collaborative relationships between local and state coordinators	State, Local	State departments, Local government, Downtown Association	
	Share cases studies of successful projects	State	Oregon Heritage	Downtown Association
Build collaborative connections with regional and statewide nonprofits that promote affordable housing and opportunities for marginalized communities	Local	City government, Downtown Association	Statewide/Regional/Local non-profits	



CONCLUSION

Underused and vacant upper stories are not problems, but rather opportunities for Oregon communities to leverage as part of a holistic solution to needs for housing, work, and social spaces. To activate the potential of upper stories, the state government, city governments, community-based organizations, and property owners need to work together to understand the property conditions, identify barriers to development, and dismantle roadblocks.

Through activation of unused or underused spaces, Oregon communities can increase vibrancy, inclusivity, and build a resilient economic future. Housing, lodging, office space, event venues, and many other uses can find a home in upper stories. Based on the results of our survey, we estimate that about half of upper story spaces in Oregon downtowns are currently not utilized for human activities: this is a great opportunity and an untapped benefit to communities.

Although cash, codes, and capacity remain major roadblocks to development, many “challenges are overstated and resources not well-marketed.”¹ In fact, state and city governments, community-based organizations, businesses, and property owners all have resources and tools on hand that, when combined through robust collaboration, have tremendous potential to bring upper stories back to life.

Now is the time to start. Initiatives may spark from the ideas of individuals, but they only flourish when taken seriously and supported proactively by the whole community, including the government. We hope the resources we have provided in this report and beyond will support action. We encourage Oregon communities to start with an inventory of spaces gain a better understanding of the conditions and barriers to development—review our practical How-To Guide for Promoting Upper Story Redevelopment for ideas and resources. Next, communities can design solutions tailored to their specific circumstances—review the [recommendations](#) listed in this report for ideas about where to begin!



¹ Timothy Bishop, Economic Development Director, City of La Grande