

Up on the Roof!

A Guidebook to Aid You in
Adding Residential Spaces
above your
Commercial Structure

Portland Bureau of Planning
June 1995



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Portland's Southeast neighborhoods have developed along commercial "mainstreets" such as Powell, Division, Belmont, Hawthorne, Morrison and Burnside. As these neighborhoods grew, the main streets served the neighborhoods with retail, services, jobs, and transportation corridors to downtown. Housing was an important use on some of these main streets, an example being the three and four story brick apartment houses found on Hawthorne.

In recent decades, general retail uses have lost ground to shopping centers and "big box" retailers but many segments of main streets have been revitalized with restaurants and specialty retail shops. The neighborhoods that are adjacent to Southeast Portland's main streets have undergone a dramatic upturn in vitality. Younger households have moved in and upgraded and restored the modest but attractive older houses. As real estate prices in Portland rise rapidly, the stock of still relatively affordable housing in Southeast grows more and more attractive.

Given these positive trends, there is hope that multi-family (or attached single family) residential development will again happen on main streets. Such development would support regional and local land use policies that call for concentrating future growth within Portland.

The City of Portland Planning Bureau undertook the Southeast Portland Main Streets Study to examine the feasibility of one type of multi-family or attached single family housing development: the addition of residential units as second and third story expansions above existing one story commercial and light industrial buildings.

The study focused on four case study buildings, which were representative of structure types and locational characteristics found along Southeast Portland main streets. The work included:

- selecting the case study buildings;
- analyzing the structural type and neighborhood location of each building;
- determining an initial development program that added residential uses above existing ground floor commercial or industrial uses;
- analyzing development costs, including analysis of the costs of the structural upgrades necessary to bring existing buildings up to code and to support upper floor development; and
- refining the development program and cost/revenue analysis to determine if the addition of residential units is feasible under current market conditions.

...there is hope that multi-family residential development will again happen on main streets.

One of the major products of this study is this Guidebook. Aimed at owners of single story commercial and light industrial buildings, it allows such owners to begin to determine if it might be feasible to add residential units. The Guidebook will not substitute for the specific detailed feasibility analysis that should be done before a property owner decides to undertake an expansion and remodel. Rather, it is intended to alert property owners to a potential opportunity and give them some initial indication of whether a more detailed study should be pursued.

The Southeast Portland Main Streets Study is a project of the Portland Planning Bureau. It has been funded in part by a grant from the State of Oregon's Transportation and Growth Management program. Consultants to the project include Tashman Associates (Redevelopment Planning), Stastny Architects, Mater Engineering and the Leland Consulting Group (Real Estate Economists and Advisors).

Southeast Portland's main streets - such as Powell, Division, Hawthorne, Belmont, Morrison, and Burnside - have begun to spring back to life, after several years of inactivity. The City of Portland has a strong interest in promoting development along these main streets (For more background information, see the "Infill and Redevelopment Strategies" report by the Portland Bureau of Planning). The City supports mixed use development projects that combine ground floor commercial space with second and third story residential uses.

Though this type of development can occur in entirely new projects on vacant lots, there are more opportunities to create mixed use projects by adding residential units to the many existing one story commercial and light industrial buildings. Whether these buildings represent real opportunities for adding housing on main streets - and for increasing property values and income for property owners - depends on the feasibility of such projects.

The City of Portland's Planning Bureau has completed a study of Southeast Portland main streets to examine these feasibility issues. One product is this Guidebook, which is intended to help the owners of such buildings begin to gauge the feasibility of a residential expansion.

Using this Guidebook will not allow a property owner to make a final decision about whether or how to expand and remodel an existing building. It will tell a property owner what to look for and how to make an initial decision about moving ahead with such a project.

To get the most from this Guidebook:

- Read Section 1, "What Should You Evaluate?" to see what overall issues affect a project's feasibility.
- Read Section 2, "Case Studies" to see how the issues apply to four buildings and locations that are typical of Southeast Portland main streets. Section 3 reviews the case study conclusions.
- Complete the Checklists in Section 4, "Adding Residential Units", to see if your project makes sense.
- Read Section 5, "What is the Next Step?" to see how to pursue a project.

I OWN THIS COMMERCIAL
BUILDING...



1. WHAT SHOULD YOU EVALUATE?

This section of the guidebook introduces you to factors that should be evaluated before proceeding with a project. They include *location, site characteristics, zoning, building code issues, market issues and project design.*

Location: Availability of Retail and Services

What makes a good site location for a project?

Locations on Portland's Southeast main streets share some important strengths. Pedestrian, public transit, and auto traffic flow along these streets is commonly substantial enough to support commercial uses, but not so heavy or noisy so as to make main streets unpleasant for area residents.

The best site locations are within areas that are already active with commercial uses...

Better locations have the following characteristics;

- 1 They may be in areas with existing retail and entertainment activity.

The best site locations are within areas that are already active with commercial uses - especially small shop retail, services and restaurants. The convenience and accessibility of these retail and entertainment uses are one of the main reasons that people would want to live on a main street.

Main street households may be younger than the average household, and retail and restaurant uses that appeal to younger households are especially valuable. Also important though is that there be neighborhood services - such as grocery stores, laundromats, dry cleaners and video stores - within easy walking distance.

A good example of this type of location is the site of the Hawthorne Travel building at 20th and Hawthorne - one of the four case studies that are shown in Section 3 of this Guidebook.

- 2 They could be in an area that is evolving toward mixed use.

Viable site locations can also be found in areas that are changing from solid residential or commercial toward a mix of uses. For these sites, timing is important, as there must be a critical mass of commercial activity to attract residential uses and to support continued operation of a ground floor commercial use.

A good example of this type of location is the site of the Merritt Microfilming building at 25th and Division. Though the area is currently mostly residential, the development of Nature's at 30th and Division will likely spur more commercial development in this neighborhood.

- 3 They can also be found in an area that is on the edge between residential and commercial uses

Good sites can also be found in areas on the edge of predominantly residential and predominantly commercial or mixed commercial/industrial neighborhoods. Again, there should be a critical mass of commercial uses - and the right type of commercial uses - to provide the amenities for upper story residential uses.

An example of this type of site is the Kienow's Bakery at 14th and Morrison. The site is adjacent to other higher density residential buildings but also has access to the commercial uses on 11th and 12th.

Sites that would be more difficult to develop are within areas of little or no existing or planned commercial activity. Some segments of main streets are almost

exclusively residential, and for the most part, single family residential. These areas have isolated single story industrial or commercial buildings that may not present good opportunities for redevelopment.

An example of a more difficult type of site is the Hydro-Temp site at 42nd and Belmont, a primarily single family neighborhood with little or no commercial activity.

Location: Neighborhood Character

A related location issue is the character of the immediate neighborhood. Better sites will be in areas where buildings have a distinct architectural or historical style. These areas can be attractive to potential residents, and additions to single story buildings can be designed to fit in with and benefit from the character of adjacent buildings.

Security is a major factor in where people live, and some segments of Southeast main streets may have higher crime rates, or perceived higher security problems, than others. Again, commercial activity at the street level is a factor that can lead to greater security and perceived security.

Comprehensive Plan Designation and Zoning

The current zoning of a property tells the owner what types of development are permitted and what development standards must be met. "Primary" uses are permitted without any further planning action, and include "allowed" uses and "limited" uses - which must meet certain limitations, such as a limit on the size of a daycare center. "Conditional uses" are only allowed if specifically approved by the City. "Accessory" uses are allowed if developed in relation to a primary use. "Prohibited" uses are not allowed.

Typical Zones along Southeast Portland main streets include:

- *Storefront Commercial (CS)* is usually found in older, street-oriented commercial areas. It allows residential uses as additional uses to commercial, with the limits on density being set by the following applicable limits on building height, building coverage and setbacks:

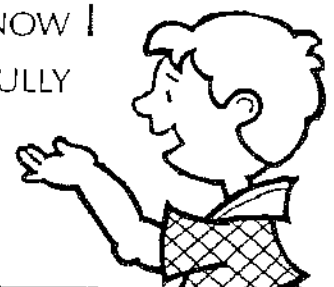
Maximum building height: 45 ft.
Building coverage: minimum of 50%
Minimum setbacks: 0 ft.

- *Mixed Commercial/Residential (CM)* allows local oriented commercial uses, typically on ground floors, and housing, typically above. Again, the limits on housing density are set by the applicable limits on building height, lot coverage and setbacks, which are the same as for Storefront Commercial.

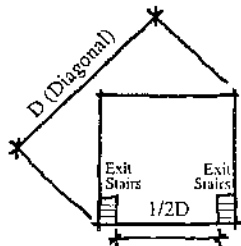
- *Medium Density Multi-Dwelling (R1)*, which allows densities of 43 units per acre (typically four story buildings) and even higher densities (up to 63 units per acre) if certain "amenity bonuses" (e.g. three bedroom apartments, children's play areas), are provided. Commercial uses are not allowed, and existing commercial uses in R1 zones are considered non-conforming uses. Development standards include:

Maximum building height: 25 ft. for portion of building within 10 ft. of front property line, 45 ft. otherwise

HOW DO I KNOW I
CAN SUCCESSFULLY
ADD ON?



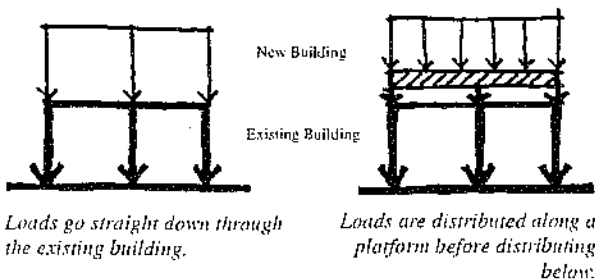
A building's occupancy also helps to determine the number and location of exits required. Most buildings require at least two exits located greater than one-half the diagonal of the building apart.



Exit stairs must be located 1/2 the diagonal apart.

Structural Issues

The structural codes require that buildings be designed to withstand the vertical loads of the existing and new construction as well as the seismic and wind loads of the region. When considering an addition, each of the existing buildings in the study will need to be reinforced to reach today's structural standards. In addition to the structural upgrade, the building must be reinforced to carry the loads of the proposed new floors. Sometimes these loads can be carried directly through the existing structure. Another option is to provide a new platform or floor over the existing roof to more equally distribute the new building over the existing structure, thus increasing design flexibility.



Loads go straight down through the existing building.

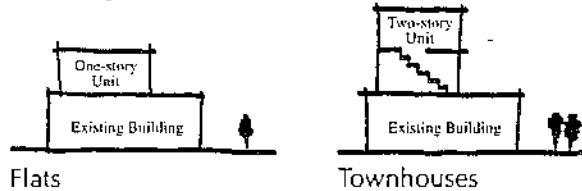
Loads are distributed along a platform before distributing below.

General Design Requirements

General design requirements include the need for day light and ventilation, minimum room sizes and standards for maximum sound transmission.

Design Issues

Building designs should consider all of the above issues but also include the external appearance of the building, the unit type (flats or townhouses), the character of the building and how the building fits into the neighborhood, and if the building has historic value. Some buildings have historic value whether it be of historic or architectural significance. The State of Oregon has a current list and rating system for buildings on the historic survey. Buildings of historic value may require special procedures, restrictions and complications that will vary from non rated buildings. The City of Portland's Permit Center can provide Historic Survey information if given a building address.



Flats

Townhouses

Market Issues

The financial feasibility of the redevelopment project depends on all the other conditions which have been discussed so far. The rental or sales revenues from residential development will be affected by adjacent property values and neighborhood character. The costs will be affected by code requirements and design issues.

The issue is whether projected revenues will be high enough to cover development costs (including financing costs) and allow a reasonable return on the investment. Financial feasibility analysis is done through a analysis of revenues and costs (usually summarized in a project "pro forma").

The following is a summary of revenues and costs for the Kienow's Bakery project - the addition of apartments over a single story building. It is included in this section of the Guidebook so that the terms used in the analysis can be explained. In the case study section (Section 2), the specific pro forma analyses of each building will be discussed.

Though a property owner may or may not be able to do a pro forma analysis on his or her own, it is important to understand what factors will be analyzed. A property owner can begin to gauge the feasibility of the project by researching existing rent levels and sales prices. The rent and sales price figures will reflect to some extent the vacancy rate in the neighborhood. Relatively high rental levels will indicate high demand in relationship to the existing supply of units, in other words, low vacancy rates.

The following derives a market driven maximum construction price for a rental unit on a square foot basis. It does not consider the cost of site acquisition as it assumes that the underlying use is already self-supporting. Project rental rates assume that the project is completed in 1997.

Construction Cost Feasibility

1	Total Annual Rent per square foot	\$ 14.00
	Less Vacancy of 5%	- \$.70
	Effective Gross Income	\$ 13.30
	Less Expenses at 40%	- \$ 5.32
	Annual Net Operating Income	\$ 7.98
	divided by Debt Ratio	+ 1.32
	Maximum Supportable Debt	\$ 6.05
2	Annual Net Operating Income	\$ 7.98
	Less Supportable Debt (mortgage)	- \$ 6.05
	Annual Cash flow before tax	\$ 1.93
3	Annual cash flow before tax	\$ 1.93
	Cash Flow divided by Rate of Return	+ .12
	Equals Maximum Equity at 12 % Return	\$ 16.08
4	Loan Value, 30 years at 10%	\$ 57.45
	Less 3% Fees	- \$ 1.72
	Total Loan Proceeds Available	\$ 55.73
	Plus Maximum Equity at 12% return	+ \$16.08
	Equals Total Debt and Equity Available	\$ 71.81
5	Less Developer Fee of 5%	- \$ 3.59
	Less 18% Soft Costs	- \$ 12.93
	Less Seismic Upgrade	- \$ 7.39
6	Amount Available for Construction	\$ 47.90
	Less New Platform Floor	- \$ 4.75

1 Basically, starting with the market rent, you subtract all expenses to calculate how much is left to pay for the mortgage. The maximum debt is calculated using a ratio called the Debt Coverage Ratio. Banks set the debt coverage as the amount more than debt required in income-- in other words, the income in this case must be 1.32 times higher than the mortgage payment or the bank will not loan the money. We calculate the maximum supportable debt by dividing income by the debt coverage ratio.

2 The next step is to subtract the debt service (mortgage payment) from the Net Operating income to see how much cash flow is left. Cash flow is the money that is left over after all operating expenses and debt, but before taxes. It is not taxable income. Cash flow before tax is the number typically examined by investors to understand feasibility.

3 The next step is to consider how much money an investor could afford to spend to make the \$1.93 of cash flow. We do this by applying an investment rate to the cash flow. This is done by dividing the cash flow by the investor's targeted rate of return. In this case, an investment yielding \$1.93 at 12 percent is equal to \$16.08, or looking at it from the inverse, if one invests \$16.08, a 12 percent yield equals \$1.93.

4 The total sources of project funding consist of investor equity and funding from debt (the mortgage). Thus if we know how much can be invested, and we know how much debt can be supported, we can calculate the amount to support total project cost.

5 Project costs include hard construction costs, soft costs, and developer fees. In this case, part of the hard costs are seismic upgrades and platform costs. If we subtract soft costs, developer fees, and seismic upgrades from the total project funding available, the resulting number is the hard cost amount left for construction to build the apartments. If this number is close to prevailing average construction cost, then the project is feasible for a developer who needs a 12 percent return on equity.

6 The result for this study is about \$48 per square foot for hard construction cost. New platform costs are incorporated into this number. This is comparable to prevailing construction costs per square foot which are around \$45 to \$50 for better quality construction.

The following four case studies show how the above factors (Location/Character, Zoning, Parking, Code Issues, Design Issues, Market Issues) were applied to actual locations, sites and buildings along Southeast Portland main streets. The buildings were selected after an inventory of the entire study area, recommendations of buildings from neighborhood residents and business people and discussion with members of the study advisory committee.

The case studies were chosen to reflect a variety of locations, neighborhood characteristics, site opportunities and building types. The case studies are:

Merritt Microfilming Building	2502 SE Division
Hawthorne Travel Building	1939 SE Hawthorne
Kienow's Bakery Building	1401 SE Morrison
Hydro-Temp Building	4244 SE Belmont

The case studies were chosen to reflect a variety of locations, neighborhood characteristics, site opportunities and building types.

The Merritt Microfilming building is a single story service-commercial, office and storage building.

Location

The building is located adjacent to an autobody shop in a mostly single family residential neighborhood. Recently, Nature's (a popular gourmet grocery/health food store) and a related restaurant have located at Division at SE 30th. Given the success of this development, the area may be evolving toward a more mixed residential/commercial character.

Zoning

The building is zoned R1, medium density multi-dwelling. The proposed residential units are allowed. The existing use is non-conforming, but can be continued.

Site, Parking, and Transit Issues

There is no surface parking available on site. There is some potential to provide parking in space currently used for storage by Merritt Microfilming. There is also the possibility of use of the space currently occupied by the autobody shop, if that shop relocated. The pro forma analysis assumes that some covered parking spaces are available for rent. The opportunity to earn revenue from alternative uses of this space was not considered in the analysis. Merritt Microfilming is served by bus #4, with service just under every ten minutes during peak hours.

Code Issues

- Eleven-foot setbacks on the South and East property line
- Two exits are required for new construction, both located 1/2 the diagonal of the building apart from each other

- One-hour fire separation between new residential and existing commercial, three-hour between parking and commercial and residential
- Construction Type: Type V, non-rated

Design Issues

Because of the character of the surrounding neighborhood and the integrity of the existing roof structure, a single additional story of apartments is added. A total of ten flats are added varying from one bedroom units of 500 sf to two bedroom units at 750 sf. The new building design respects the already good character of the existing building.

Market Issues

The feasibility analysis of the Merritt Microfilming project showed that a rental project of one and two bedroom flats would result in a reasonable return on investment. Though profits would be higher for a for-sale project, the market in this location favors rental units.

Key elements of the analysis included:

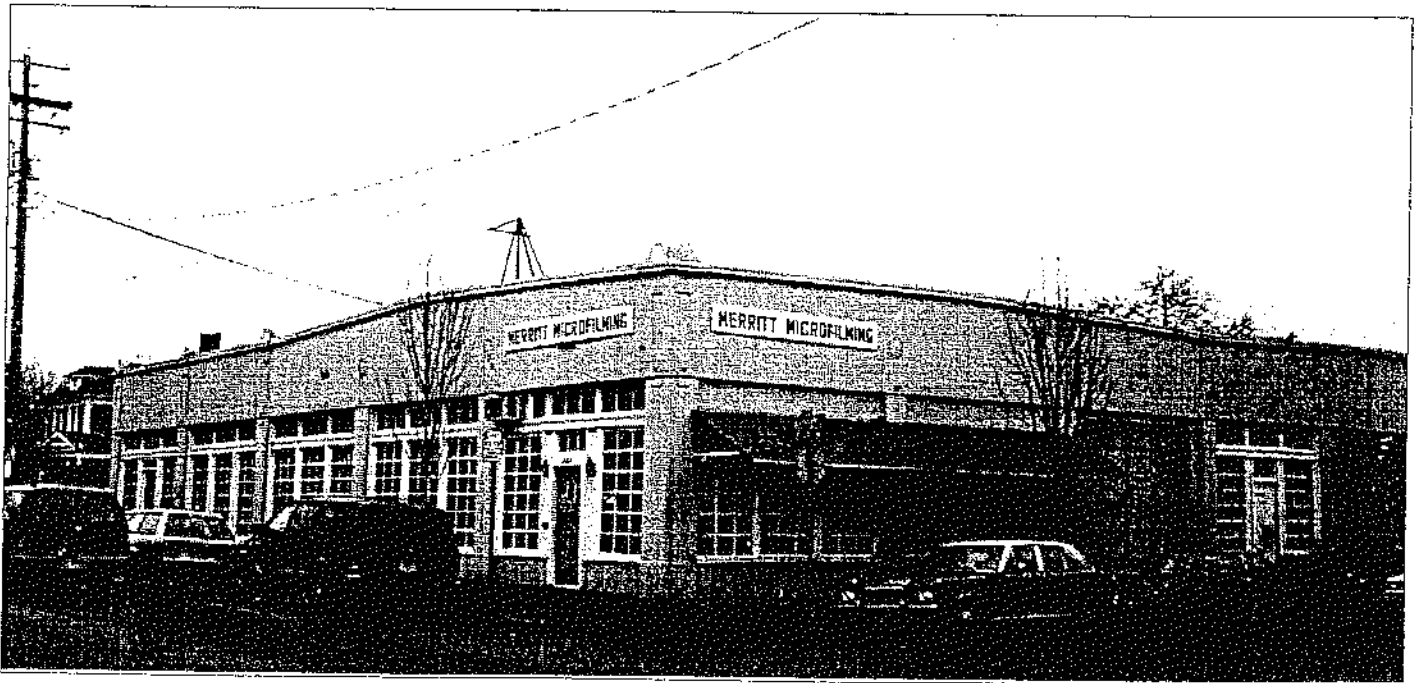
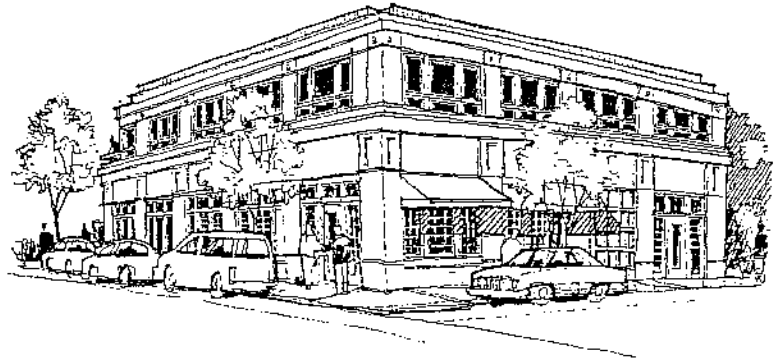
Building construction cost per square foot	\$40.00
Structural upgrade cost per square foot	\$4.65
Rent (Projected 1997):	
One bedroom flat, 500 sf	\$500.00
Two bedroom flat, 650 sf	\$650.00

Analysis and Conclusions

The Merritt Microfilming building site has moderate locational advantages at present, and may have a stronger site location if the immediate vicinity continues to develop a broader range of retail and services. The character of the area is not as strong as some areas in Southeast but there are signs of investment in the area's building stock.

There is no on-site surface parking, and the feasibility of using existing indoor storage areas for parking needs further study.

The pro forma analysis indicates that if the rents were achievable and costs did not exceed the projections, the project would be economically feasible. Achieving the pro forma rents in this area may prove difficult.



View from SE Division

HAWTHORNE TRAVEL

1939 SE Hawthorne

The Hawthorne Travel building is a mixed commercial / light industrial building.

Location

The building is located at the intersection of SE 20th and Hawthorne, in a very active commercial area adjacent to the Ladds Addition neighborhood. The adjacent neighborhood has a relatively strong older street front commercial character.

Zoning

The site is zoned Commercial Storefront (CS). The existing travel agency and the addition of residential units are allowed within the height, coverage and setback limits.

Site, Parking, and Transit Issues

Parking was assumed to be available on the adjacent property, which is currently partly vacant and partly used for storage in connection with a granite monument business located in the same building as Hawthorne Travel. The possible revenues from alternative uses of this space were not considered in the analysis. This location is served by bus #14, with bus service every five to ten minutes during peak hours.

Code Issues

- Eleven-foot setback on the north side
- Two exits are required at least 1/2 the diagonal of the building
- One hour separation required between existing uses or new residential construction
- Construction type: Type V one-hour

Design Issues

The existing building has a strong commercial storefront character and a corner orientation to the intersection of Hawthorne & 20th Avenue. The proposed additions would provide fifteen townhouses ranging from 650 sf to 900 sf. Since townhouses are two-story units, the total number of floors to be added would be two along Hawthorne and 20th and three stories on the Northwest corner. The second floor of the units along Hawthorne and 20th would step back away from the street to maintain the scale of the other buildings at the intersection. A platform is proposed to distribute the loads of the new townhouses to the existing structure.

Market Issues

The feasibility analysis of the Hawthorne Travel project indicated that a rental project would not support a large enough profit, but that developing for-sale townhouses would result in a reasonable return. For-sale units would be desirable in this area because of the high level of amenities.

Key elements of the analysis included:

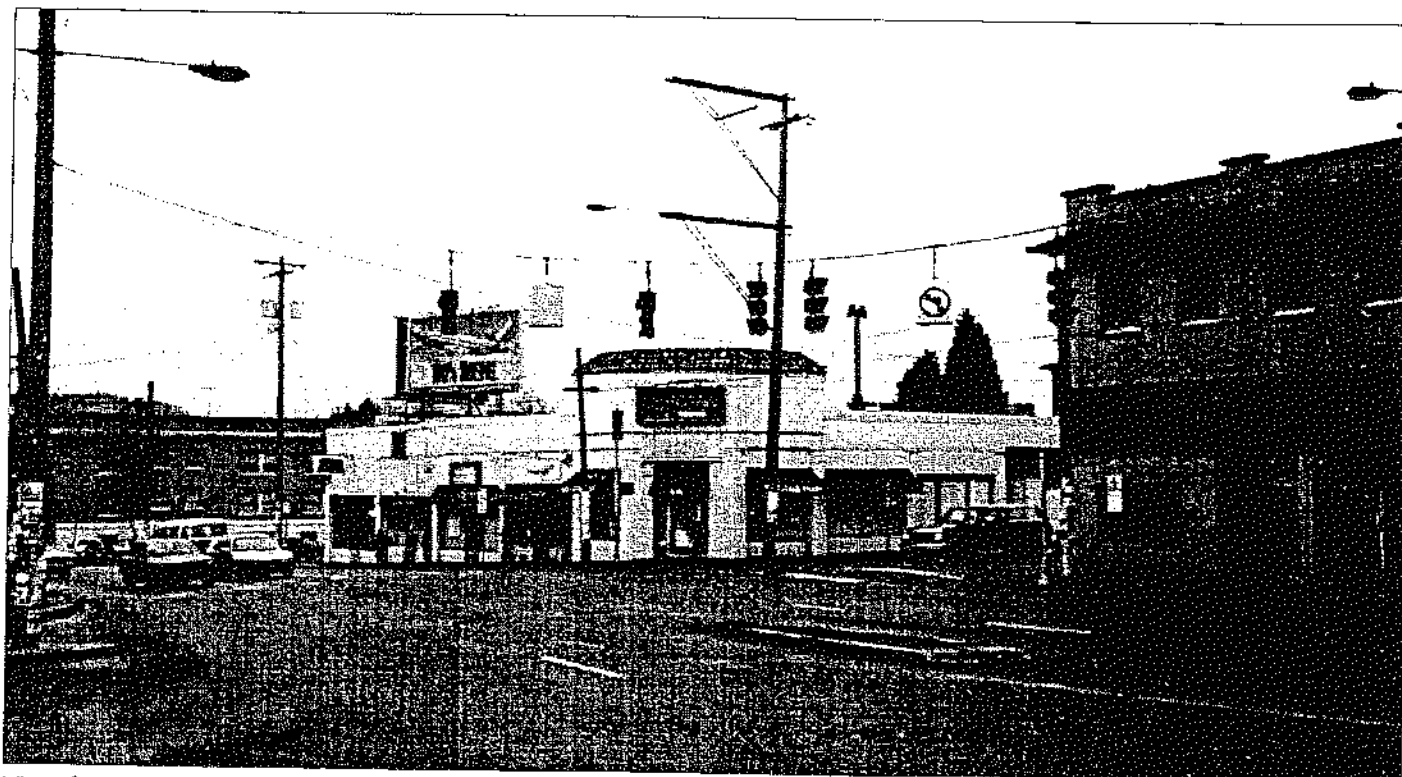
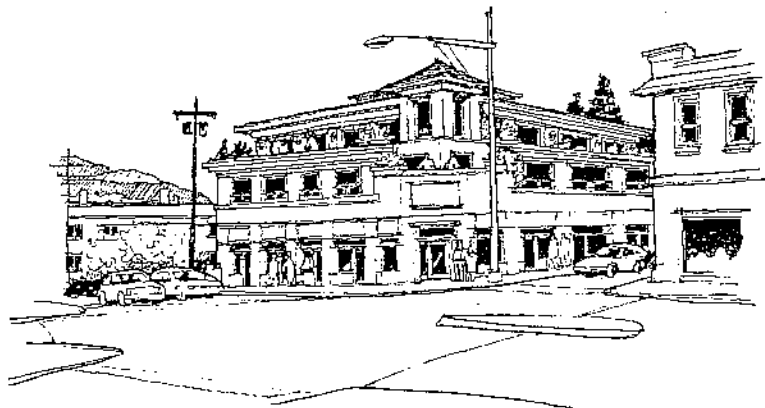
Building construction cost per square foot	\$47.00
Structural upgrade cost per square foot	\$11.74
Prices:	
One bedroom townhouse @ 650 sf	\$75,000
Two bedroom townhouse @ 800 sf	\$85,000
Two bedroom townhouse @ 850 sf	\$90,000
Three bedroom townhouse @ 900 sf	\$100,000

The residential units added to the Hawthorne Travel building are most economically viable as attached single family townhouses that would be owned rather than rented (this is more complicated than rentals: check with an attorney). The above brief summary of the feasibility analysis shows a substantial profit that could be achieved with sales prices of between \$80,000 and \$100,000 for one bedroom and three bedroom townhouses, respectively.

Analysis and Conclusions

The location of the Hawthorne Travel building is very strong, in a currently active area with especially attractive commercial uses. The building and the neighborhood have strong architectural character, and a high degree of perceived safety.

The zoning is CS and allows the proposed uses. The pro forma indicates that projected revenues would cover costs and provide a substantial return.



View from SE 20th

KIENOW'S BAKERY

1401 SE Morrison

The Kienow's Bakery building houses a bakery in a single story building.

Location

The location is on the boundary between a primarily residential neighborhood and the commercial/industrial uses located along the SE 11th and SE 12th couplet. The site is across the street from a Kienow's supermarket.

Zoning

The site is zoned Commercial Storefront (CS) and allows the existing bakery and would allow residential units, within the applicable height, coverage and setback limits.

Site, Parking, and Transit Issues

The Kienow's Bakery site itself contains no on-site parking, but for the purpose of this analysis, the parking lot directly east of the building was assumed to be available as parking for the new residential units. (It was also assumed that this additional lot was contributed to the project with no additional land costs.) Kienow's Bakery is served by bus #15, with bus service every five to ten minutes during peak hours.

Code Issues

- Eleven foot setbacks on south and east property lines
- Two exits required at 1/2 the diagonal of the building
- One-hour fire separation is required between existing bakery and new residential construction
- Construction type: Type V, one-hour

Design Issues

The design could use the existing character to influence the details and exterior design. A platform is necessary to distribute the loads to the existing structure and to create a mechanical plenum to vent the bakery exhaust to the sides of the building. The new construction could add a total of 28 townhouses, each at 650 sf. This would add three additional floors to the building, matching the density of the surrounding area. This design attempts to break up the building masses rather than create a "box". The concept is not site specific and could be used in other locations.

Market Issues

The feasibility analysis of the Kienow's Bakery project indicated that a rental project would support a reasonable return on investment. Key elements of the analysis are shown below:

Building construction cost per square foot	\$40.00
Structural upgrade cost per square foot	\$12.14
Rent:	
Two bedroom townhouse @ 650 sf	\$725.00

Analysis and Conclusions

The Kienow's Bakery building was found to be a feasible remodel/addition project. The location was strong in terms of neighborhood character and access to retail shops and services, there was adjacent off-street parking that was assumed to be available, and the mix of rental apartments and for-sale townhouses results in strong returns for the project.



View from SE Morrison

HYDRO-TEMP

4244 SE Belmont

The building currently houses a light industrial use in a single story building with some store front retail character.

Location

The Hydro-Temp building is located on SE Belmont at SE 42nd. The area is primarily single family residential, with few commercial services available nearby. The site is served by bus #15, with bus service every five to ten minutes during peak hours.

Zoning

The building is zoned R1, medium density multi-dwelling. The proposed residential units are allowed. The existing use is non-conforming.

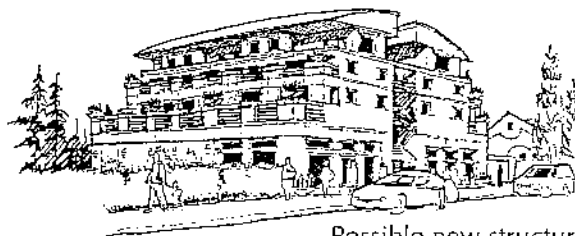
Conclusions

Hydro-Temp dates back to about 1900. Because of the eclectic building construction and the condition of the existing structure, it would be too costly to provide the structural upgrades required to accommodate the new residents' units. Adding units above is not feasible. Demolition and reconstruction are always an option, and in this case would be less costly than expansion. Hydro-Temp is on the historic building inventory, and this will involve acquiring approval for demolition.

Market Issues

The feasibility analysis indicated that the cost of adding units could not be supported by projected sales revenues. Key elements in the analysis included:

Building construction cost per square foot	\$40.00
Structural upgrade cost per square foot	\$34.20
Sales Value:	
One bedroom flat @ 650 sf	\$62,400
Two bedroom flat @ 840 sf	\$80,000



Possible new structure on Hydro-Temp site



Existing Building

3. OVERALL CONCLUSIONS FROM CASE STUDIES

In three of the four case studies that were studied, the remodelling and residential additions were found to be economically feasible. The critical factors were:

- Their locations offered at least some of the retail, services, and transit service that are valued by main street residents;
- The building was capable of being structurally upgraded to meet code and support additional residential stories at a reasonable cost, relative to the projected rental or sales revenues.
- Off-street parking was available, either on-site or on adjacent vacant property
- The projected rental and sales revenues allowed for profits that would encourage building owners to undertake these projects; a combination of ownership and rental housing units was necessary to achieve the necessary revenues.

In the case of Hydro-Temp, the project was not judged feasible. Factors included the lack of retail and services in the immediate vicinity and, most importantly, the excessive costs of remodelling and enhancing the structure of the building to support additional residential uses.

WHAT DOES ALL THIS
MEAN?!



4. ADDING RESIDENTIAL UNITS

Complete your own checklist! (See page 26 for further sources of information)

Location: Availability of Retail and Services

- 1. yes no Is your location currently "active" with shops and restaurants?

- 2. yes no Beginning to develop with shops and restaurants

- 3. yes no On the edge between residential and commercial area

- 4. yes no Few retail shops and services nearby

Answering "yes" in question #1 is the best indicator of an "active" street.

A "yes" answer in questions #2 and #3 may indicate a trend towards more activity along your street.

A "yes" in question #4 indicates that your building may not support residential units, as the services are not available to support the residents.

Established Neighborhood "Tenants"

Notes:

Nearby Restaurants:	How many blocks away?
_____	_____
_____	_____
_____	_____
_____	_____
Stores/Services:	How many blocks away?
_____	_____
_____	_____
_____	_____
_____	_____

Location: Neighborhood Character

1. yes no Do the nearby buildings have a distinct architectural style?
2. yes no Does your neighborhood exhibit some architectural style?
3. yes no Does your neighborhood have sufficient street lighting, pathways and cross walks?
4. yes no Does your neighborhood lack a distinct or attractive building style, and are there dark streets and unsafe intersections?

A "yes" for questions #1-3 indicates that your building is located in a neighborhood that is pedestrian "friendly" and would support additional housing.

If you answered "yes" in question #4, the perceived safety issues and building "stock" may not be an attractor for potential tenants.

Place Building/
Neighborhood Photo
here:

Zoning

1. yes no Is your property zoned
 Commercial Mixed Use (CM)?

2. yes no Is your property zoned
 Commercial Store Front (CS)?

3. yes no Is your property zoned Moderate
 density multi-dwelling (R1)?

Answering "yes" to questions #1 and #2 indicate little to no zoning difficulties if you were to add residential flats or townhomes above your current space.

A "yes" answer to question #3 may mean that you may have to check on the non-conforming status of the commercial use.

Notes:

Code Issues

1. What planning and zoning issues exist, such as setbacks, parking requirements, etc.?
2. What is the occupancy of your existing building?
What are the proposed new uses?
3. Given your target occupancy, what construction type can you build?
4. What are the fire separation requirements between existing and new uses?
5. What is your proposed unit layout and orientation?
How many units can you add?
6. What are the building egress conditions? Can you easily integrate the required exits into the existing uses?
7. Does your building have an elevator? Will you need to provide an elevator to achieve your goals?

Notes and Sketches here:

Market Issues

*The figures in this section reflect 1997 projections.
Please be sure to check with realtors and contractors
regarding current rents and construction costs.*

1. yes no Are rental rates for new
apartments in area currently over
\$1.00/sf/month?

2. yes no Are construction costs for new
apartments less than \$40.00/sf?

3. yes no Are your seismic code
compliance costs less than
\$12.00/sf? (Check with a
structural engineer)

4. yes no In your neighborhood, are there
currently low vacancy rates?

5. yes no Is there any new apartment
construction in your area?

If you answered "yes" in questions #1, #2, #3, #4, or #5,
the housing market in your neighborhood is strong and
may stay that way for a while. If seismic code
compliance costs are more than \$14.00/sf, the project
may not be feasible.

Economic and Financial
Notes:

5. WHAT IS THE NEXT STEP?

So what have you learned? Should you proceed? What's the next step?

If your responses in all of the above categories supported future development, you may wish to proceed to check on the feasibility of an expansion and remodeling project. Logical next steps are:

- ① *Visit the Permit Center in the first floor of the Portland Building. Many "self-help" brochures are available, as well as personnel to answer your questions.*
- ② *Meet with Planning staff in the Portland Building Permit Center or call 823-7526 to check your zoning information. Also check with representatives of the Bureau of Buildings in the Permit Center about regulations that may apply to your building. Check with the Permit Center to see if your building has historic significance.*
- ③ *Meet with your local bank to discuss financing options and perhaps special programs for which you may be eligible. If you encounter financial difficulties as a result of your local bank review, please contact the Livable City Housing Council at 790-7689 to find out about other options that may be available.*
- ④ *Select and hire an architect or engineer to aid you in realizing your ideas and goals.*
- ⑤ *Check your economic and technical work with a professional to back up your ideas.*
- ⑥ *Using all of the above meetings, studies and advice, determine if it is a viable business decision to proceed with your plans.*

GOOD LUCK!

WHERE DO I GO
FROM HERE?



HELPFUL ORGANIZATIONS AND REFERENCES

Southeast Uplift
3534 SE Main Street
Portland, Oregon 97214
232-0010

City of Portland Bureau of Planning
1120 SW Fifth Avenue, Room 1002
Portland, Oregon 97204
823-7700

- *Infill and Redevelopment Strategies Report*
- *Community Plans, Neighborhood Plans, Design Guidelines, and Compatibility Standards*
- *Historic Resources Inventory*

The Portland Chamber of Commerce
221 NW 2nd Avenue
Portland, Oregon 97209
228-9411

American Institute of Architects
Portland Chapter
315 SW 4th Avenue
Portland, Oregon 97204
223-8757

Available at your local library:

- *City of Portland Zoning Code*
- *Uniform Building Code*

In the Permit Center served by the Portland Bureau of Planning, and the Portland Bureau of Buildings, you will find a variety of informative brochures.

Case Study Pro Formas

Merritt Microfilming Building Pro Forma			Kienow's Bakery Building Pro-Forma		
<i>Project Capital Cost Pro Forma</i>			<i>Project Capital Cost Pro Forma</i>		
Operation Start-up			Operation Start-up		
Marketing as a percent of Gross	5%	\$ 3,489	Marketing as a percent of Gross	5%	\$12,180
Commission on 65% prelease, 1 year	6.5%	\$ 2,801	Commission on 65% prelease, 1 year	6.5%	\$9,777
Total Operation Start-up		\$ 6,290	Total Operation Start-up		\$21,957
Land and Construction Cost		\$ 366,244	Land and Construction Cost		\$1,152,660
Total Project Cost as a Rental		\$ 372,533	Total Project Cost as a Rental		\$1,174,618
Cash Equity	35%	(\$ 130,387)	Cash Equity	35%	(\$411,116)
Total Amount to be Financed		\$ 242,147	Total Amount to be Financed		\$763,502
<i>Rental Pro Forma</i>			<i>Rental Pro Forma</i>		
Gross Rents		\$ 69,780	Gross Rents		\$ 243,600
Less Vacancy and Credit Loss	5%	(\$ 3,489)	Less Vacancy and Credit Loss	5%	(\$ 12,180)
Effective Gross income		\$ 66,291	Effective Gross Income		\$ 231,420
Less Operating Costs (% of EGI)	26%	(\$ 17,236)	Less Operating Costs (% of EGI)	26%	(\$ 60,169)
Less Reserves	3%	(\$ 1,989)	Less Reserves	3%	(\$ 6,943)
Less R/E Tax (% of Cap Value)	1.80%	(\$ 7,497)	Less R/E Tax (% of Cap Value)	1.80%	(\$ 26,173)
Percent of EGI -- Total Expenses	40.31%	(\$ 26,722)	Percent of EGI -- Total Expenses	40.31%	(\$ 93,285)
Net Operating Income		\$ 39,569	Net Operating Income		\$ 138,135
Less Debt Service		(\$ 25,500)	Less Debt Service		(\$ 80,403)
Cash Flow Before Tax		\$ 14,069	Cash Flow Before Tax		\$ 57,732
Return on Equity		10.79%	Return on Equity		14.04%
Hawthorne Travel Building Pro Forma			Hydro-Temp Building Pro-Forma		
<i>Project Capital Cost Pro Forma</i>			<i>Project Capital Cost Pro Forma</i>		
Operation Start-up			Operation Start-up		
Marketing as a percent of Gross	5%	\$ 6,630	Marketing as a percent of Gross	5%	\$ 8,880
Commission on 65% prelease, 1 year	6.5%	\$ 5,322	Commission on 65% prelease, 1 year	6.5%	\$ 7,128
Total Operation Start-up		\$ 11,952	Total Operation Start-up		\$ 16,008
Land and Construction Cost		\$ 795,322	Land and Construction Cost		\$ 1,263,878
Total Project Cost as a Rental		\$ 807,274	Total Project Cost as a Rental		\$ 1,279,887
Cash Equity	35%	(\$ 282,546)	Cash Equity	35%	(\$ 447,960)
Total Amount to be Financed		\$ 524,728	Total Amount to be Financed		\$ 831,926
<i>Sales Pro Forma</i>			<i>Sales Pro Forma</i>		
Gross Sales		\$ 1,290,000	Gross Sales		\$ 1,400,000
Less Marketing Costs	2%	(\$ 19,350)	Less Marketing Costs	2%	(\$ 21,000)
Less Commission	7%	(\$ 90,300)	Less Commission	7%	(\$ 98,000)
Net Sales Proceeds		\$ 1,180,350	Net Sales Proceeds		\$ 1,281,000
Less Project Cost		(\$ 795,322)	Less Project Cost		(\$ 1,263,878)
Net Proceeds		\$ 385,028	Net Proceeds		(\$ 17,122)
Profit per unit		\$ 25,669	Profit per unit		(\$ 856)
Profit as a Percentage of Cost		48.41%	Profit as a Percentage of Cost		-1.35%