



April 12, 2023

Sen. Kayse Jama, Chair, and Members Senate Committee on Housing and Development
Oregon Legislature
Salem, OR 97301

RE: **SUPPORT HB 2984A** (Commercial Conversion to Housing)

Dear Chair Jama and Committee Members,

Thank you for the opportunity to comment in support of HB 2984A. As Oregon's only statewide non-profit historic preservation organization, Restore Oregon works with thousands of people across the state each year to preserve, reuse, and pass forward the historic places and spaces that embody Oregon's diverse cultural heritage. By helping our fellow citizens preserve our state's unique built, natural and cultural environments, we help celebrate and promote much of what makes Oregon special.

Restore Oregon strongly believes in the power of adaptive re-use to convert existing commercial buildings, currently vacant or underutilized, into housing. This is an expedient and climate-friendly strategy to increase housing supply in Oregon.

See the attached case study of Medford's Palace Hotel, the renovation of which will provide 40 market-rate units of much-needed housing in Medford's downtown commercial core. There are other examples like the Merwyn Hotel in Astoria that converted a long blighted and vacant old hotel into 40 units of housing that is now serving that community, right next to their City Hall. In Salem, Fork Forty Food Hall reactivated retail space and the long vacant second floor, bringing back housing downtown.

HB 2984A is simple and straightforward in addressing real barriers to this important work. There are a LOT of underutilized or vacant properties in our downtowns all across the State that could effectively and efficiently add to the housing supply with these tools.

This is an issue in communities all across Oregon, including our historic downtown Main Streets of all sizes. This [report](#), "Whats Up Downtown? A Playbook for Activating Oregon's Upper Stories" was recently prepared for Oregon Parks & Recreation Department – State Historic Preservation Office and Oregon Main Street. It supports and affirms the need to address barriers in order to create more housing in existing commercial properties. This study of 33 participating Oregon Main Street communities throughout the state, **shows that nearly 50% of downtown upper floors are vacant**. Multiple that by every downtown in Oregon and that's a lot of potential space to tap for housing!

If property owners and communities are supported with the right mix of incentives: funding, land use and code solutions, and technical support, these existing properties can be part of the immediate solution .

We urge support of HB 2984A. Thank you for the opportunity to comment and for taking Restore Oregon's comments into consideration.

A handwritten signature in black ink that reads "Nicole Possert". The signature is written in a cursive, flowing style.

Nicole Possert
Executive Director

Medford's Palace Hotel: A Housing Case Study

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About Restore Oregon

Founded in 1977, Restore Oregon is a statewide, 501(c)(3) nonprofit organization, supported by members/donors, led by a volunteer board, and staffed by professionals who help people save and revitalize historic places. We work on the front lines and behind the scenes to leverage relationships, resources, and creativity to preserve, reuse and pass forward the historic places and spaces that reflect Oregon's diverse cultural heritage and make our communities inclusive, vibrant, liveable and sustainable.

Preservation Financial Incentives Help Breathe New Life into Vacant Units

For half a century, Medford's former Palace Hotel sat empty. Once a "workingman's hotel"—akin to an SRO—, the Palace Hotel (1893- 1939), later the Crater Hotel (1939- 1972), provided temporary, affordable lodging to Medford's working class. In 1972, the hotel closed its doors. While life bustled in the commercial spaces below, and the Palace's seventy-some rooms languished.



Now, the Palace Hotel is being given a second chance. Fortify Holdings, a developer with experience in motel/hotel conversions for housing, is using Oregon's Special Assessment benefit, the Federal Historic Preservation Tax Credit, and some local incentives to restore/rehabilitate the space and transform it into approximately forty small-footprint, market-rate units, providing much needed housing in the downtown Medford core.

Existing Incentives

Special Assessment. Oregon's Special Assessment of Historic Properties program offers a specially assessed value to formally listed National Register properties for a 10-year benefit term.

Federal Historic Preservation Tax Credit. The federal government offers an income tax credit as an incentive for rehabilitating income-producing, historic buildings listed in the National Register of Historic Places.

A Need for Something More

While existing financial incentives have proved instrumental in supporting Fortify Holding's conversion of the Palace Hotel, there are issues:

The Special Assessment program is expiring and has yet to be replaced. **This will take legislative action.**

The federal tax credit alone is often insufficient. **Thirty-nine other states have adopted a state tax credit as a supplement**, making reuse projects more financially feasible. A state historic tax credit could also be catered to provide additional or special financial benefit to those projects which most serve Oregon's need, in particular housing production.