



Memorandum

To: City of McMinnville Historic Landmarks Committee
From: Li Alligood, AICP; Casey McKenna, AIA; Gary Reddick, AIA
Copies: HD McMinnville LLC; Schwabe Williamson & Wyatt; File
Date: November 4, 2022
Subject: 619 NE 3rd Street (HL 6-24) – Response to requests for additional information
Project No.: 19914.000

This memorandum provides additional information for the demolition request of 619 NE 3rd Street (HL 6-24) as requested by staff within the Historic Landmarks Committee (HLC) staff report, and requests from the HLC at the September 29, 2022 public hearing for the application.

Since the HLC hearing, the applicant team has prepared additional information to respond to staff requests for additional information. Additional responses are provided below.

Additional Information Requested by Staff

1. *OAR 660-023-0200(8)(a) Factors to Consider – Condition of the Property*

CITY RESPONSE: *MORE INFORMATION NEEDED TO DETERMINE IF CONDITION OF THE PROPERTY IS A FACTOR TO SUPPORT DEMOLITION. The structural analysis is very cursory and did not include any load testing sites. Without load testing on the unreinforced masonry walls, the structural analysis does not indicate any structural issues that were significant or imminent public safety hazards, the condition of the building is not a significant determining factor requiring demolition of the property.*

APPLICANT RESPONSE: The applicant is not requesting demolition of the property due to significant structural issues or imminent public safety hazards. However, additional information from the structural engineer has been provided in response to HLC requests. See Attachment 1.

2. *OAR 660-023-0200(8)(a) Factors to Consider – Historic Integrity of the Property*

CITY RESPONSE: *IT APPEARS THAT HISTORIC INTEGRITY IS SIGNIFICANTLY COMPROMISED AND IS NOT A SIGNIFICANT FACTOR TO PREVENT DEMOLITION, BUT MORE INFORMATION IS NEEDED TO MAKE A DETERMINATION. The City agrees that the identification of primary and secondary contributing resources in the 1987 McMinnville Downtown National Register of Historic Places Historic District was based primarily on the estimated age of the structure and not the historic integrity of the extant structure. The City also agrees that the structure underwent significant modifications with the ground floor storefront modification to add gas pumps between 1928 and 1948 (See Figure 5, Series of Sanborn Maps and Figure 6, Series of Photos in this decision document), the new storefronts installed in 2000 and the stucco application to the brick external*

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vener, all of which have compromised the historic integrity of the structure. The applicant should provide more information about the individual elements of the structure, such as the windows and storefronts to identify whether those elements have been modified as well.

APPLICANT RESPONSE: The applicant has contracted with Architectural Resources Group to complete an evaluation of the property and the status of individual elements of the structure. See Attachment 2.

3. OAR 660-023-0200(8)(a) Factors to Consider – Age of the Property

CITY RESPONSE: NEED MORE INFORMATION. IT DOES NOT APPEAR THAT MANY ORIGINAL COMPONENTS STILL SURVIVE ON THE BUILDING. Although the building was constructed in 1904, many of the original elements of the building no longer exist except for the overall form and massing of the building, and perhaps some individual components.

MORE INFORMATION NEEDED TO DETERMINE IF IT IS A FACTOR: To determine if age is a factor to consider of whether the property can be demolished or not, the applicant should provide a historic inventory of original external façade elements of the building.

APPLICANT RESPONSE: The applicant has contracted with Architectural Resources Group to complete a historic inventory of the original external façade elements of the building. See Attachment 2.

4. CP GOAL II 1: TO PRESERVE THE QUALITY OF THE AIR, WATER, AND LAND RESOURCES WITHIN THE PLANNING AREA.

FINDING: NOT SATISFIED. NOT ENOUGH INFORMATION PROVIDED. A Contaminated Media Management Plan (CMMP) was prepared for Oregon Lithoprint, Inc. on July 20, 2022, to address residual petroleum contamination that may be encountered in soil and groundwater in the vicinity of the Oregon Lithoprint site located at 609 NE Third Street due to a former Leaking Underground Storage Tank (LUST). The Lithoprint LUST site involves underground gasoline storage tanks that were removed in the mid-1980s. The tanks were located beneath the sidewalk on the east side of NE Ford Street, just north of NE Third Street. Some gasoline-contaminated soil was excavated during the tank removal, but further investigation indicated that soil contamination extended beneath the O'Dell Building, which is owned by Lithoprint and is adjacent on the east of the former tanks. Groundwater contamination originating at the former tanks' location extends to the southwest beneath NE Ford Street, the Oddfellows Building across NE Ford Street on the west, and into NE Third Street. Soil and groundwater conditions associated with the LUST site have been monitored for the past 30+ years and contamination persists in both soil and groundwater at concentrations exceeding Oregon's cleanup requirements. Lithoprint's consultant produced a Supplemental Site Investigation Summary Report in June 2022 that does not contemplate redevelopment of the O'Dell Building and states: "Based on the current Site use, the primary potential risk exposure that was identified as being of potential concern is limited to construction worker exposure beneath the southwest corner of the O'Dell Building and in the vicinity of MW-4. This exposure would only present a potential risk if construction or excavation activities were undertaken without appropriate precautions. The potential for unacceptable risk to construction workers beneath the O'Dell Building is further limited by the fact that the building would need to be razed or excavation activities would need to be conducted within the existing building footprint for potential exposures to occur." This implies that if the building is razed and excavation occurs, there is a potential exposure that should be considered. The Supplemental

Site Investigation Summary Report does not recommend whether additional remedial activities should occur if the O'Dell Building is demolished and allows access to contaminated soil. The Supplemental Site Investigation Summary Report should be expanded to consider the demolition of the O'Dell building.

APPLICANT RESPONSE: A draft Contaminated Media Management Plan (CMMP) that addresses all three properties has been included as Attachment 3. The CMMP is a requirement of the Prospective Purchaser Agreement between the Applicant and Oregon Department of Environmental Quality (“DEQ”). As a practical matter, former automotive shops and fuel stations are routinely redeveloped and there is nothing about these buildings that presents a unique risk. The draft CMMP requires removal and safe disposal of any contaminated media (i.e. soil or ground water), and recommends only standard protective measures to mitigate the limited identified risk of petroleum contamination.

This is sufficient to satisfy Goal II of the City’s Comprehensive Plan, which implements Statewide Planning Goal 6. Goal 6 requires that the local government establish that there is a reasonable expectation that the use for which land use approval is requested will also be able to comply with the state and federal environmental quality standards that it must satisfy to be built. *Hess v. City of Corvallis*, 70 Or LUBA 283 (2014). The City’s comprehensive plan does not address spoil contamination, and with respect to water, Policy 10.00 of the Comprehensive Plan provides that “The City of McMinnville shall cooperate with the Oregon Department of Environmental Quality, the Mid-Willamette Valley Council of Governments, and other appropriate agencies and interests to maintain water quality and to implement agreed upon programs for management of the water resources within the planning area.” The Applicant’s ongoing work with DEQ through the PPA process is evidence not only that DEQ will provide sufficient oversight to ensure the safety of workers and the public, but also demonstrates that the Application will be able to comply with DEQ’s standards.

5. *B. The Historic Landmarks Committee shall base its decision on the following criteria:*

17.65.050(B)(2). The economic use of the historic resource and the reasonableness of the proposed action and their relationship to the historic resource preservation or renovation;

FINDING: NOT SATISFIED. NOT ENOUGH INFORMATION WAS PROVIDED TO DETERMINE THAT THE ECONOMIC CONDITIONS OF THE PROPERTY IS SIGNIFICANT. *The applicant has not provided enough information to demonstrate that rehabilitating the property is not economically viable. There are many variables that determine whether a project is financially viable or not. The basis for the calculations in the renovation/change of use discussion was not provided. Local lease market rates were not provided. Property purchase price versus a determination of property value was not provided. The applicant could have provided the purchase price of the property, the property tax statement showing the assessed value, real market value and property taxes for the past two years, a current fair market value as determined by an appraisal in the past twelve months, a profit and loss statement for the property as is, rehabilitated and fully leased and new construction as proposed, any expenditures associated with the property’s structural maintenance in the past ten years, an estimate of the cost of rehabilitation of the property from a third-party licensed contractor, a report from a real estate professional exploring the viability of alternative uses of the property if rehabilitated, and a report of available economic incentives, including any federal tax credits available for rehabilitation of the property.*

APPLICANT RESPONSE: The applicant has provided the following additional information as described in Attachments 4-8:

- Phillip Higgins, a licensed commercial real estate broker, has provided a memo addressing existing net income, net income of a fully-leased building at market rate, and an evaluation of the existing rental/lease market. This memo includes high-level profit and loss information. See Attachment 4.
- 2022 Yamhill County Tax Assessor data including Assessed Value, Taxable Value, and Real Market Value and property taxes paid between 2018 and 2022 has been provided. See Attachment 5.
- An estimate of the cost of rehabilitation of the property from Hugh Construction, which is an entity separate from Hugh Development, provided the enclosed pro-forma showing the costs and likely returns from rehabilitation of the three structures. While no other contractors could provide an estimate without a more developed renovation plan set, the contractors Hugh consulted confirmed that Hugh Construction's estimate was reasonable. See Attachment 6.
- A report of available economic incentives for rehabilitation of the existing buildings is included as Attachment 7.
- A report by Johnson Economics comparing the economic value of the project vs. preservation of the buildings is enclosed as Attachment 8.

The following table, provided by Hugh Construction, further defines the findings included in Attachment 6:

	Current Results	Ideal Results (Gwendolyn Hotel)
Cash on Cash return	3%	23%
Unlevered IRR	-9.10%	13%
Levered IRR	0%	26.80%
Equity Multiple	0.82x	4.11x

17.65.050(B)(4). *The physical condition of the historic resource;*

FINDING: NOT SATISFIED. NOT ENOUGH INFORMATION WAS PROVIDED ABOUT THE PHYSICAL CONDITION OF THE PROPERTY. *The applicant provided a structural analysis of the property, but no other physical conditions report. The structural analysis is very cursory and did not include any load testing sites. Without load testing on the unreinforced masonry walls, the structural analysis does not indicate any structural issues that were significant or imminent public safety hazards, the condition of the building is not a significant determining factor requiring demolition of the property.*

APPLICANT RESPONSE: The applicant is not requesting demolition of the property due to significant structural issues or imminent public safety hazards. However, additional information from the structural engineer has been provided in response to HLC requests. See Attachment 1.

17.65.050(B)(6). *Whether the historic resource is a deterrent to an improvement program of substantial benefit to the City which overrides the public interest in its preservation;*

FINDING: NOT SATISFIED. NOT ENOUGH INFORMATION WAS PROVIDED TO SUPPORT THAT THE PRESERVATION OF THE HISTORIC RESOURCE IS A DETERRENT TO AN IMPROVEMENT PROGRAM. The applicant should provide an analysis describing how the preservation and rehabilitation of the existing buildings would not advance the tourism goals of the MAC TOWN 2032 Economic Development Strategic Plan.

APPLICANT RESPONSE: As noted in the land use application narrative dated August 6, 2022, the MAC-Town 2032 Economic Development Strategic Plan includes several relevant goals. The application to these goals focused on the potential of the proposed new Gwendolyn Hotel to implement the MAC-Town 2032 Plan.

Per staff's request, these additional responses focus on how the existing buildings could, or could not, implement the Plan.

Goal 6 : Be a leader in hospitality and place-based tourism

Goal 6.1: Make downtown the best it can be.

Evaluate current zoning, historical districts and designations, and existing land use patterns, including underutilized parcels, to ensure that key downtown parcels offer the highest and best use for their location.

[..]

Following the adoption of the MAC-Town 2032 plan, the City revised its off-street parking and site landscaping requirements to exempt large portions of downtown, allowing more efficient use of the limited area in the downtown core.

Staff does not dispute that the current 1- and 2-story buildings do not represent the highest and best use of the site. The C-3 zone is applied to downtown McMinnville and other commercial areas, and includes a height allowance of 80 ft. The zero setback requirements, off-street parking exemptions, and landscaping exemptions encourage buildings that occupy the entire site. The proposed development will intensify the use of the corner of NE 3rd and Ford streets and will offer the highest and best use for the site under current zoning regulations.

Goal 6.2: Become the preferred destination for wine-related tourism.

[..]

Connect hoteliers and other hospitality professionals in Oregon and elsewhere to local opportunities for high-quality additions to McMinnville's current hospitality offerings.

"Hospitality" generally includes housing and entertaining visitors, including lodging, food and drink, and activities. Likewise, "local opportunities" typically refer to available properties with willing sellers.

The proposed development includes hotel, restaurant, and retail uses, as well as a rooftop deck and lap pool. The rooftop space will be available for rent for special events and gatherings, filling an identified need in downtown McMinnville.

The existing buildings are available for sale by willing sellers. They do not currently include hospitality uses and cannot be upgraded to accommodate them without triggering substantial seismic and building code upgrades.

As noted in Attachment 6, upgrading the buildings to add 13 hotel guestrooms would cost almost \$25 million, which is not financially feasible. The building could be converted to a wine tasting or food service use, which would trigger the same seismic and building code upgrades noted above and would provide even less income.

Goal 6.4: Market and promote McMinnville.

[...]

Work with Visit McMinnville and local hoteliers to identify gaps in available conference space and to establish a plan to expand McMinnville's offerings for small and large conferences.

The current buildings include small meeting areas to serve the tenants. They do not include conference space or lodging for conference attendees. In order to accommodate conference space, the existing uses would need to be removed or downsized.

17.65.050(B)(7). Whether retention of the historic resource would cause financial hardship to the owner not outweighed by the public interest in the resource's preservation; and

FINDING: NOT SATISFIED. NOT ENOUGH INFORMATION WAS PROVIDED TO DETERMINE IF THE PRESERVATION OF THE HISTORIC RESOURCES CREATE A FINANCIAL HARDSHIP FOR THE PROPERTY OWNER: *The applicant has not provided enough information to demonstrate that preserving the property is a financial hardship for the property owner. The basis for the calculations in the renovation/change of use discussion was not provided. Local lease market rates were not provided. Property purchase price versus a determination of property value was not provided. The applicant could have provided the purchase price of the property, the property tax statement showing the assessed value, real market value and property taxes for the past two years, a current fair market value as determined by an appraisal in the past twelve months, a profit and loss statement for the property as is, rehabilitated and fully leased and new construction as proposed, any expenditures associated with the property's structural maintenance in the past ten years, an estimate of the cost of rehabilitation of the property from a third-party licensed contractor, a report from a real estate professional exploring the viability of alternative uses of the property if rehabilitated, and a report of available economic incentives, including any federal tax credits available for rehabilitation of the property.*

APPLICANT RESPONSE: See the response to #5 above.

17.65.050(B)(8). Whether retention of the historic resource would be in the best interests of a majority of the citizens of the City, as determined by the Historic Landmarks Committee, and, if not, whether the historic resource may be preserved by an alternative means such as through photography, item removal, written description, measured drawings, sound retention or other means of limited or special preservation.

FINDING: NOT SATISFIED. NOT ENOUGH INFORMATION WAS PROVIDED TO DETERMINE THAT THE ECONOMIC AND PHYSICAL CONDITIONS OF THE PROPERTY MADE A PRESERVATION PROJECT UNFEASIBLE.

APPLICANT RESPONSE: Additional information has been provided as noted previously in this memo. Based on the information contained in this submittal, the Committee can find that the economic and physical conditions of the property make a preservation project unfeasible.

Additional Information Requested by the HLC

Questions from the HLC during the September 29, 2022 hearing included whether an evaluation of the extent of remaining brick and detail behind the building stucco had been conducted; and whether an evaluation of restoring the buildings to their former appearance had been completed. The Architectural Resources Group report included as Appendix 2 addresses these questions.

The Committee also posed questions about the length of occupancy of the current tenants and whether there had been period of vacancy, as well as whether the building ownership had yet changed hands. Though these questions are unrelated to the approval criteria being considered, Appendix 5 addresses this question.

The water table was raised, and a question posed about how it would be addressed given the proposal for a below-grade garage. As noted during the hearing, this is related to “means and methods” and will be determined by the contractor during construction.

Attachments

1. Memo: *Documentation of Existing Building Structures Response to City of McMinnville Staff Report Dated September 29, 2022* dated November 4, 2022, prepared by HHPR Inc.
2. Memo: *Historic Resources Assessment* dated November 2022, prepared by Architectural Resources Group
3. Contaminated Media Management Plan dated October 13, 2022, prepared by EVREN Northwest, Inc.
4. Memo: *McMinnville Lease Rates* dated November 2, 2002, prepared by Pacific Crest Real Estate Advisors
5. Yamhill County Assessor records retrieved October 31, 2022
6. News Register/Wild Haven Hotel Financial Model prepared by Hugh Construction; Rehabilitation Concept dated October 11, 2022, prepared by Otak, Inc.
7. Memo: *Historic Preservation Incentives* dated October 31, 2022, prepared by Otak, Inc
8. Memorandum regarding the Economic Value of the Existing Structures, dated November 2, 2022, prepared by Johnson Economics