

December 15, 2022

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VIA E-MAIL

Ms. Heather Richards
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RE: Applicant's Response - The Gwendolyn Hotel (DR 2-22); 611 NE 3rd Street (HL-6-23) & 619 NE 3rd Street (HL 6-24)

Dear Heather:

This office represents HD McMinnville LLC, applicant in the above-referenced land use applications. McMinnville City Planning Staff has requested that Applicant provide additional information and proposed findings to the Historic Landmarks Committee ("HLC") regarding certain approval criteria expressed below, concerning applications to demolish three buildings within the McMinnville Downtown Historic District (the "Historic District") and construct the proposed Gwendolyn Hotel in their place. The Applicant addresses each of those criteria in this letter. This letter should be considered an addendum to the above-referenced applications and the Approvability Memoranda provided by Otak, dated Nov. 4, 2022, which address each building separately.

This letter enclosed the following exhibits, which support the supplemental findings below:

1. Historic Resource Assessment (the "HRA"), Architectural Resource Group, Nov. 2022.
2. Existing Building Structural Summary, HHPR, Nov. 6, 2022.
3. Documentation of Existing Building Structures, HHPR, July 29, 2022.
4. Contaminated Media Management Plan (Draft)
5. Economic Value of Structures in Downtown McMinnville, Oregon, Johnson Economics, Nov. 2, 2022.
6. Construction Cost Estimate and Financial Model for Re-Use of Historic Buildings, Hugh Construction, Nov. 2022.

7. McMinnville Lease Rates, 611 NE 3rd & 609 NE 3rd McMinnville & 619 NE 3rd McMinnville, Phillip Higgins, Nov. 2, 2022.
8. Memorandum Regarding Historic Preservation Incentives, Otak, Oct. 31, 2022.
9. 2022 Tax Statements
10. The Gwendolyn Financial Pro-Forma, December 15, 2022.

For the reasons explained below, consideration of the several factors addressed herein demonstrates that the value of these buildings to the historic character of the Historic District is relatively low, that the buildings' values with their current or similar uses are very limited and likely insufficient to provide for needed repairs, that the buildings cannot be economically seismically-retrofitted in their current configuration to allow for a hospitality or other adaptive re-use, and that the public interest in preserving them is outweighed by the public and private benefits achieved by construction of the proposed Gwendolyn Hotel.

1. OAR 660-023-0200(8)(a) Factors to Consider

RESPONSE: OAR 660-023-00200(8)(a) provides as follows:

“(a) [Local governments must] protect National Register Resources, regardless of whether the resources are designated in the local plan or land use regulations, by review of demolition or relocation that includes, at minimum, a public hearing process that results in approval, approval with conditions, or denial and considers the following factors: condition, historic integrity, age, historic significance, value to the community, economic consequences, design or construction rarity, and consistency with and consideration of other policy objectives in the acknowledged comprehensive plan. Local jurisdictions may exclude accessory structures and non-contributing resources within a National Register nomination;”

The above provision requires local governments to consider a number of factors when deciding whether to allow demolition of structures that are located within National Historic Districts. However, the obligation of the City is to *consider* these factors; the applicant is not required to prove that one or all of them are “met” as would be the case with a mandatory criterion begging a “yes or no” question. *Frankton Neighborhood Association v. Hood River County*, 25 Or LUBA 386, 395 (1993); *Von Lubken v. Hood River County*, 18 Or LUBA 18, 21-22 (1989). No particular balancing of these factors is required, either.

The Historic Landmarks Committee (“HLC”) can find (1) that these factors have all been considered with respect to the three buildings proposed for demolition and (2) consideration of these factors supports the Applicant’s demolition proposal for each building, which are addressed separately, below.

A. 609 E Third Street.

609 E Third Street designated as a “Primary Significant Contributing” and is described in the Staff Report as follows:

“This is a stucco-covered square brick building of two stories facing south and situated on a corner. The entire SW portion of the ground floor is cutaway to accommodate automobiles and gasoline pumps. The roof is flat and only a simple ledge articulates the cornice line.”

“The property originally started off as a dwelling, prior to 1889, and between 1902 and 1912 it was redeveloped into an automobile garage and dealership. Then between 1928 and 1948 it was modified at the corner of Ford and Third Street to accommodate gas pumps.”

- Condition. The condition of the building in general was not characterized by the HRA. Condition of the original features of the building are described as follows:
 - The three original wood storefront windows and transoms, and south, west, and north elevation second-floor windows, are in fair to good condition.
 - The second-floor interior, at the south side of the building, is vacant and has been unused for a significant time period. As noted previously, the windows are in fair to good condition, including original millwork surrounds. Where plaster remains, it is in poor condition.
 - Original wood trusses at the interior appear to be in good condition.

It is notable, however, that a return of the ground-floor façade to its historic character is likely very difficult:

“The brick may have been scarified for application of the stucco, and there may also be areas of wire mesh, wood blocking or other materials added to infill the original corbelled brick configuration. If a return to the original brick appearance were desired, the removal of the stucco would likely require substantial if not full replacement of the underlying brick.”

The HHPR Existing Building Structural Summary (**Exhibit 2**) identifies the following structural deficiency in the building:

“The most southern roof truss in the building has a top chord node that is out of plane by over 6 inches. This represents a significant structural concern and should be evaluated further with possible remedial actions should the building remain. The remedial action includes installing a new girder and columns to support the truss thereby removing mezzanine and roof loading from the truss.”

HHPR's initial structural review of the building, dated July 29, 2022 (**Exhibit 3**), identified the following issues:

- The roof framing over the original 2nd level offices is significantly deteriorated in several locations.
 - The south brick wall at the 2nd level offices is deteriorating and the mortar is no longer sound.
 - There are multiple diagonal cracks following the mortar lines at the 2nd level offices.
 - The 1st truss from the south elevation is displaced over 6 inches horizontally at the top which represents a significant structural concern.
- Historic Integrity. In this context, the "Historic Integrity" of the building refers to features that existed within the date range of secondary significance. The building has been updated since 1983, when the Historic District was established. The Historic District Nominating Form did not identify any period after 1937 as historically significant; therefore, features added after that date are not considered historically significant.

The historic integrity of the building has been substantially compromised since it was originally constructed, based on the HRA report (**Exhibit 1**). The following is a list of alterations to the building since it was constructed:

- Resurfacing with stucco.
- Reconfiguration of the ground floor at the southwest corner of the building between 1928 and 1940 to a more open plan to accommodate gas pumps. Infill of these same bays (west two bays facing NE 3rd Street and south three bays facing NE Ford Street) after 1983.
- Storefront infill of north bay of NE Ford Street.
- Replacement of ground floor windows at easternmost bay (original transom windows remain above).
- Loss of historic garage blade signage.
- Addition of brick chimney at rear (north) elevation.
- Likely addition of the one-story north bay at the rear of the building (its materials differ from the original structure, with stucco-covered concrete masonry unit walls, and steel windows).

Exhibit 1 goes on to conclude that the only “character defining features” confirmed to be remaining on the building¹ include the following:

- Wood sash windows.
- One wood storefront window and transom at the easternmost bay of NE 3rd Street, although the glass at the storefront unit was replaced and subdivided with metal mullions.
- Two bays of wood storefront windows and transoms at the NE Ford Street Elevation.
- Interior finishes, such as window millwork, remain at several second-floor offices at the south end of the building.

Note that the HRA, while helpful, does not address “historic integrity” specifically but only “character defining features.” Even if the above are components of “historic integrity,” these are far outweighed by the fact that the building has been reskinned, its corner removed and later replaced in a manner not reflective of its original historic character, windows have been replaced, a chimney added, and addition of a one-story garage bay at the north side of the building.

For the above reasons, the historic integrity of the building is minimal.

- Age. The building was constructed in 1904. While this is within the 1881–1912 date range for a “primary contributing resource,” it is the latter end of that range. Other than its age qualifying it as a contributing resource in the Historic District, its build year does not convey significance.
- Historic Significance. The City’s Historic District’s 1983 statement of historic significance is as follows:

¹ The Report also lists the building’s location, massing, flat roof, and structural members (i.e. the building’s existence) as “character-defining features,” but loss of these features would only occur if the building had been demolished to some extent and are not properly considered part of the building’s “historic integrity,” as they indicate no more than that the building still exists with the same number of stories. Indeed, all of these characteristics would be the same even if the building had been gutted and refinished entirely. Regardless, the above factor concerns “historic integrity,” not “character defining features.”

This is a stucco-covered square brick building of two stories facing south and situated on a corner. The entire southwest portion of the ground floor is cutaway to accommodate automobiles and gasoline pumps. The roof is flat and only a simple ledge articulates the cornice line. Fixed inset windows of three vertical lights and set-in panels course the second story. Windows on the ground level are large fixed triple lights with multi-lighted transoms.

The building was erected by prominent lawyer Frank W. Fenton whose name still appears on a door upstairs. A photograph from 1904 shows the building's exposed brickwork and double row of dentils above the windows. The present cutaway portion was an enclosed storefront.

Tony Christianson and Russell Turner had a battery shop in the building prior to the 1920's; during the 1920's Dick Wilson and Charles Newman ran a Plymouth agency in the building. Odell's, who had been in business across the street since 1924, move to this location in 1933.

The first paragraph explains how the building looked in 1983. The second paragraph explains who constructed the building, and describes a photograph of the building taken in 1904. The third paragraph explains which businesses operated in the building (a battery shop, Plymouth dealership, and auto shop) between 1904 and 1933.

“Historic Significance” is not defined in OAR 660-033-023. However, OAR 660-033-023(5)(a) explains that the “evaluation of significance” should be based on the following²:

“(A) Significant association with events that have made a significant contribution to the broad patterns of local, regional, state, or national history;

“(B) Significant association with the lives of persons significant to local, regional, state, or national history;

“(C) Distinctive characteristics of a type, period, or method of construction, or represents the work of a master, or possesses high artistic values, or represents a significant and distinguishable entity whose components may lack individual distinction;

“(D) A high likelihood that, if preserved, would yield information important in prehistory or history; or

“(E) Relevance within the local historic context and priorities described in the historic preservation plan.”

With respect to (A), the Historic District's significance statement does not connect the building with any significant events. With respect to (B), while the building's original owner was

² Note that these are virtually identical to the National Register's “Criteria for Evaluation.”

identified as prominent attorney Frank W. Fenton, the statement of significance does not explain how Mr. Fenton's life was particularly significant to local, regional, state or national history. It is also notable that by at least 1912 it was an automobile garage and dealership. With respect to (C), there is no evidence that the building possessed a particularly distinctive or notable design, artistic values, "or represents a significant and distinguishable entity whose components may lack individual distinction." Even if it did, the substantial changes to the building would have eliminated any such distinctiveness. With respect to (D), given the substantial changes to the building since Mr. Fenton built it, there is nothing about this building that "yields information important in prehistory or history." Assuming that Mr. Fenton was important to local history, the building's appearance and use as an auto-shop for most of its existence does nothing to evoke his importance to history, unlike the other building he constructed in the Historic District, which is not proposed for demolition.³

Finally, with respect to (E) the Historic District's nominating form describes the local historic context for primary contributing buildings as follows:

"Structures are classified as Primary Significant if they were built in or before 1912, or reflect the building styles, traditions, or patterns of structures constructed before this date. These buildings represent the primary period of construction and development in downtown McMinnville from its initial settlement in 1881 to 1912, when city improvements and use of the Oregon Electric and Southern Pacific Railroad Service promoted new construction in the downtown area."

According to its nomination form, the building was included because it was built before 1912, not because it "reflects the building styles, traditions or patterns of structures constructed before this date." Therefore, it appears to be a "primary contributing" building by virtue of its date of construction alone.

- Value to the Community. Within living memory the building has been used as an automotive repair shop, gas station, and more recently, as offices of the New Register and small retail space, which occupies only the bottom floor. The building is not associated with any particularly meaningful community history, has never been used as a community gathering place, and does not appear to have any value to the community beyond its inclusion in the Historic District.
- Design or Construction Rarity. The building is not identified as being rare at all in terms of design or construction.

³ Mr. Fenton built the Fenton Building at 448 E Third Street, which is the only building in the District bearing his name, and which (according to the Historic District Nomination Form), he considered to be his "masterpiece."

- Consistency with and consideration of other policy objectives in the acknowledged comprehensive plan. Comprehensive Plan goals and policies were extensively addressed in the original application narrative.

OAR 660-023-0200(8)(a) Conclusion: For the above reasons, the HLC can find that the factors in OAR 660-023-0200(8)(a) weigh in favor of allowing demolition of the building.

B. 611 NE 3rd Street

The property at 611 NE 3rd Street is classified as a “Secondary Significant Contributing” building in the Downton Historic District. **Exhibit 1** explains that property was developed sometime between 1912 and 1919 as an automobile garage, but it does not appear on Sanborn Fire Insurance Maps until 1928. At all times within the secondary historic period, the property was used as an automobile garage and by 1940 was used as a car dealership.

According to **Exhibit 1**, while the building’s second story and parapet remains intact, the ground floor has been significantly modified.

- Condition. **Exhibit1** described the second floor elevation as being in good condition, but the building appears to be in poor/marginal condition overall. Its upper parapet and roof system are intact. However, the HRA identifies a number of issues:
 - No original portions of the original ground floor storefront were visible at the interior side of the storefront.
 - Significant areas of damaged ceiling finishes and areas of water infiltration are visible at the north end of the second floor.
 - The roof surface drains to a drain at the rear, NW corner of the building, with an overflow scupper to an external leader emptying to the lower roof of 609 NE 3rd Street below. The roof drain is completely clogged, and it is therefore likely that during rain events water pools at this area of roofing, possibly infiltrating to the interior before reaching the overflow scupper.
 - The second-floor interior is vacant and has been unused for a significant period of time. Little of the original finishes remains. Finishes at the northern portion of the second floor are in poor condition. Outlines of removed partitions are visible in the remaining finish floor. Round pipe columns supported on added wood beams appear to have been added throughout to shore up the wood joists above and to distribute the load to joists below. The underside of the roof deck was not visible. Windows at the north elevation have been removed, and the openings enclosed with plywood with visible daylight at the perimeter, allowing air and water infiltration.

The HHPR Existing Building Summary (**Exhibit 2**) identifies the following structural deficiency in the building:

“Built up beams spanning in the north south direction supported by round pipe columns bearing on built up laminate beams to spread the load across the floor below. In some cases, the built-up laminated beams across the floor have been cut and removed. This condition compromises the structure’s ability to spread the concentrated roof load across the floor below.”

HHPR’s initial structural review of the building, dated July 29, 2022 (**Exhibit 3**), identified the following issues:

- In some cases, the built-up laminated beams across the floor have been cut and removed. This condition compromises the structure's ability to spread the concentrated roof load across the floor below.
- The built-up beams across the floor do not appear to align with the beam lines in the floor below, which would complicate any future work.
- The north elevation has a series of old window openings along the 2nd level that have been filled in, however the condition of the wall and infill is poor with a significant amount of water entering the building and debris from bird nests.
- Historic Integrity. In this context, the “Historic Integrity” of the building refers to features that existed within the date range of secondary significance. While the building is largely in the same configuration as it was in 1983 when the Historic District was established, the Historic District Nominating Form did not identify any period after 1937 as historically significant; therefore, features added after that date are not considered historically significant.

As explained in **Exhibit 1** and the Staff Report, the historic integrity of the building has been substantially compromised since it was originally constructed, principally due to:

- Reconfiguration of the ground floor interior.
- Replacement of the entire ground floor between 1928 and 1948 to include a car auto sales office, as shown in the Sanborn Maps.
- Removal and replacement of all original ground-floor windows and window openings and re-cladding of the ground floor in stucco.
- Construction of a new inset façade with round columns.

Exhibit 1 goes on to identify the following “character defining features” confirmed to be remaining with the building⁴ include the following:

- Second Story
 - Buff colored brick cladding with dark grey pigmented mortar joints.
 - Parapet with central pediment, with copings surfaced with painted stucco.
 - Pressed metal entablature with modillions and brackets.
 - Five bays of paired wood one-over-one windows surmounted by a brick soldier course and squares of cast stone.
 - Low relief belt course at windowsills.
- Interior
 - Southeast entry stair to second floor, with pair of dual-swing doors at stair landing.
 - Portions of the ornamental wood flooring at the rear area of the second floor.

Note that the Report, while helpful, does not address “historic integrity” specifically but only “character defining features.” Even if the above are components of “historic integrity,” these features pertain almost exclusively to the second floor, which is unoccupied. The entire first floor of the building has lost virtually all of its historic integrity.

- Age. The actual date of construction is unknown, the Historic District Nominating Form identifies its construction year as between 1912 and 1928. A photo dated 1919 included in the application materials show the building nearing completion.
- Historic Significance. The City’s Historic District’s 1983 statement of historic significance is as follows:

⁴ The Report also lists the building’s massing and number of stories as “character-defining features,” but loss of these features would only occur if the building had been demolished to some extent and are not properly considered part of the building’s “historic integrity,” as they indicate no more than that the building still exists with the same number of stories. Indeed, all of these characteristics would be the same even if the building had been gutted and refinished entirely. Regardless, the above factor concerns “historic integrity,” not “character defining features.”

This is a square brick two story structure situated middle block between Ford and Galloway facing south on Third Street. The façade is five bayed, the second story windows being one over one double hung sash, paired, each pair articulated by rows of stretchers. A prominent bracketed and modillioned cornice line stretches the length of the façade above these windows. A parapet wall with a central gable rises three feet above the cornice line. The façade is faced with common bond buff brick above the first floor. Extensively altered, the first story of the façade is faced with scored stucco and has been cutaway to expose two pillars. A stairwell opens onto the street at the extreme east end. The building has been joined to another at its rear which faces Fourth Street on the north. In 1928, the building housed a garage.

The statement of significance explains the original physical characteristics of the buildings, but notes that the first floor façade was “extensively altered” with stucco cladding and has been “cutaway to expose two pillars.” The photos below illustrate the scope of how the building’s façade was altered after its period of significance:

1 611 NE 3rd Street (1948)



2 611 NE 3rd Street (1983)



“Historic Significance” is not defined in OAR 660-033-023. However, OAR 660-033-023(5)(a) explains that the “evaluation of significance” should be based on the following⁵:

“(A) Significant association with events that have made a significant contribution to the broad patterns of local, regional, state, or national history;

“(B) Significant association with the lives of persons significant to local, regional, state, or national history;

“(C) Distinctive characteristics of a type, period, or method of construction, or represents the work of a master, or possesses high artistic values, or represents a significant and distinguishable entity whose components may lack individual distinction;

“(D) A high likelihood that, if preserved, would yield information important in prehistory or history; or

⁵ Note that these are virtually identical to the National Register’s “Criteria for Evaluation.”

(E) Relevance within the local historic context and priorities described in the historic preservation plan.”

With respect to (A), the Historic District’s significance statement does not connect the building with any significant events. With respect to (B), the building is not noted as being associated with any particular person significant to local, regional, state, or national history. With respect to (C), there is no evidence that the building possessed a particularly distinctive or notable design, artistic values, “or represents a significant and distinguishable entity whose components may lack individual distinction.” With respect to (D), given the substantial changes to the building, only the second-floor façade is indicative of historic character, but it is not clear how this “yields information important in prehistory or history.”

Finally, with respect to (E) the Historic District’s nominating form describes the local historic context for primary contributing buildings as follows:

“Structures are classified as Secondary-Significant if they were built in or between 1913 and 1937. These buildings represent the secondary period of construction and development from the increase of city improvements and auto traffic.”

All that is required to qualify a building as Secondary-Significant is construction within the date range above. According to its nomination form, the building was included because it was built sometime between 1912 and 1928.

- Value to the Community. Within living memory the building has been used as an automotive repair shop, car dealership, and as an office of the New Register and small retail space, which occupies only the bottom floor. The building is not associated with any particularly meaningful community history, has never been used as a community gathering place, and does not appear to have any value to the community beyond its inclusion in the downtown historic district.
- Design or Construction Rarity. The building is not identified as being rare at all in terms of design or construction.
- Consistency with and consideration of other policy objectives in the acknowledged comprehensive plan. Comprehensive Plan goals and policies were extensively addressed in the original application narrative.

OAR 660-023-0200(8)(a) Conclusion: For the above reasons, the HLC can find that the factors in OAR 660-023-0200(8)(a) weigh in favor of allowing demolition of the building.

C. 619 NE 3rd Street

The property at 619 NE 3rd Street is classified as a “Secondary Significant Contributing” building in the Downton Historic District. **Exhibit 1** explains that the property was developed as

an automobile garage in 1923. At all times within the secondary historic period, the property was used as an automobile garage and by 1940 was used as a car dealership. At that time, ground floor building openings included an entry at the westernmost bay, with five windows to the east. Each of these six bays has been modified, including substantial reconfiguration of masonry openings. There were not then, and are not now, any upper-floor windows.

According to **Exhibit 1**, the ground floor has been significantly modified.

- Condition. The HRA notes that the roof and signage are in good condition, but identifies a number of issues:
 - The original white brick of the attic story/parapet remains, although it has been painted. Original unpainted white brick remains visible at the corner of the east elevation. Significant areas of brick cracking and displacement were observed in the attic story at the southeast corner of the building.
 - Little remains of the original building materials at the ground floor. The original brick moulding at the westernmost opening remains, although the opening has been infilled with a new door.

The HHPR Existing Building Structural Summary (**Exhibit 2**) identifies the following structural deficiency in the building:

“The bearing points of the trusses are deteriorated along the west wall and supplemental support has been framed under the trusses. This condition exists at the connection to the 611 Building and is the result of water penetration along the north south valley between the buildings.”

Exhibit 2 also notes that there is cracking in the brick façade along the south exterior elevation.

HHPR’s initial structural review of the building, dated July 29, 2022 (**Exhibit 3**), identified the following issues:

- “The bearing points of the trusses are deteriorated (rotten) along the west wall and supplemental support has been framed under the trusses.
- This condition exists at the connection to the 611 Building and is the result of water penetration along the north south valley between the buildings.
- The brick and mortar at south elevation show signs of deterioration and diagonal cracks along the mortar lines.
- The east wall exterior has significant deterioration and is exposed due to the separation between the 619 Building and the recently constructed building to the east.”

- **Historic Integrity.** In this context, the “Historic Integrity” of the building refers to features that existed within the date range of secondary significance. While the building is largely in the same configuration as it was in 1983 when the Historic District was established, the Historic District Nominating Form did not identify any period after 1937 as historically significant; therefore, features added after that date are not considered historically significant.

As explained in **Exhibit 1** and the Staff Report, the historic integrity of the building has been substantially compromised since it was originally constructed, principally due to:

- Insertion of paired doors with wood trim elements in westernmost bay.
- Removal of all five windows and window openings that were originally east of the westernmost bay (four have been replaced with two double-wide storefront windows and one has been replaced with a door with sidelights and awning).
- White brick has been painted.

Exhibit 1 goes on to identify the following “character defining features” confirmed to be remaining with the building⁶ include the following:

- Brick cladding.
- Flat parapet with corbelled cornice and six bays articulated by seven pilasters.
- Metal flue at southeast corner of building.
- The original wood brick mould and protective bollards at the westernmost opening (wood posts, entry and transom at this location are not original).
- Wood trusses spanning east-west over the width of the interior space.

Note that the report, while helpful, does not address “historic integrity” specifically but only “character defining features.”

The photo and caption from the HRA is illustrative of the magnitude of the alterations of the building from its characteristics during the period of significance:

⁶ The HRA also lists the building’s massing, flat roof, and structural members as “character-defining features,” but loss of these features would only occur if the building had been demolished to some extent or added on to, and are not properly considered part of the building’s “historic integrity,” as they indicate no more than that the building still exists with the same number of stories. Indeed, all of these characteristics would be the same even if the building had been gutted and refinished entirely. Regardless, the above factor concerns “historic integrity,” not “character defining features.”



By the time of this 1983 historic survey photograph, the window to the east of the double-wide opening had been converted to an entry and the windows in the two easternmost bays had been replaced with a storefront window spanning both bays (Historic Resources Survey, City of McMinnville, Yamhill County, Oregon).

- Age. The Historic District Nominating Form identifies its construction year as 1923.
- Historic Significance: The City's Historic District's 1983 statement of historic significance is as follows:

This building is a one story brick structure facing south on Third Street and extending north the entire depth of the block with a similar elevation on Fourth. A flat roof is concealed by parapet walls on either end and the facades each have seven stepped forward piers and corbelled cornice lines. The south facade has a large window and three doors. Two of them are large enough to accommodate automobiles. Three low gabled projections creating a partial second story, protrude from the roof toward the rear. The building has always accommodated garages.

Bennette Family (John, then Richard) operated
Auto agency from 1936-1977

“Historic Significance” is not defined in OAR 660-033-023. However, OAR 660-033-023(5)(a) explains that the “evaluation of significance” should be based on the following⁷:

(A) Significant association with events that have made a significant contribution to the broad patterns of local, regional, state, or national history;

(B) Significant association with the lives of persons significant to local, regional, state, or national history;

(C) Distinctive characteristics of a type, period, or method of construction, or represents the work of a master, or possesses high artistic values, or represents a significant and distinguishable entity whose components may lack individual distinction;

(D) A high likelihood that, if preserved, would yield information important in prehistory or history; or

(E) Relevance within the local historic context and priorities described in the historic preservation plan.”

With respect to (A), the Historic District’s significance statement does not connect the building with any significant events. With respect to (B), the building is not noted as being associated with any particular person significant to local, regional, state, or national history. With respect to (C), there is no evidence that the building possessed a particularly distinctive or notable design, artistic values, “or represents a significant and distinguishable entity whose components may lack individual distinction.” With respect to (D), given the substantial changes to the building

⁷ Note that these are virtually identical to the National Register’s “Criteria for Evaluation.”

and its historic use as an automobile garage and car dealership, it does not “yield information important in prehistory or history.”

Finally, with respect to (E) the Historic District’s nominating form describes the local historic context for primary contributing buildings as follows:

“Structures are classified as Secondary-Significant if they were built in or between 1913 and 1937. These buildings represent the secondary period of construction and development from the increase of city improvements and auto traffic.”

All that is required to qualify a building as Secondary-Significant is construction within the date range above. According to its nomination form, the building was included because it was built in 1923.

- Value to the Community. Within living memory the building has been used as an automotive repair shop, car dealership, and small retail spaces. The building is not associated with any particularly meaningful community history, has never been used as a community gathering place, and does not appear to have any value to the community beyond its inclusion in the Historic District.
- Design or Construction Rarity. The building is not identified as being rare at all in terms of design or construction.
- Consistency with and consideration of other policy objectives in the acknowledged comprehensive plan. Comprehensive Plan goals and policies were extensively addressed in the original application narrative.

OAR 660-023-0200(8)(a) Conclusion: For the above reasons, the HLC can find that the factors in OAR 660-023-0200(8)(a) weigh in favor of allowing demolition of the building.

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

RESPONSE: A draft Contaminated Media Management Plan (CMMP) that addresses all three properties has been included as **Exhibit 4**. 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 soil 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.

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

A. 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;

RESPONSE: The Application proposes demolition of the three structures discussed above in order to allow it to construct the Gwendolyn Hotel. The economic value of the three buildings and their future use case are substantially limited. When compared to the potential economic value of the proposed hotel, the economic factors weight in favor of demolition for all three buildings.

While certainly not a model of linguistic clarity, 17.65.050(B)(2) appears to get at the comparative economic value when compared to the historic value of the buildings proposed for demolition. It appears to also evaluate the comparative economic value of the buildings if preserved or renovated.

The potential economic value of the Gwendolyn Hotel is addressed in **Exhibit 5**, and can be summarized as follows:

- Total project value: \$59,735,000
- Construction cost: \$36,500,000
- Annualized property tax project: \$576,197 (2026), \$590,602 (2027), \$605,367 (2028).

In comparison, a preservation use case (with similar occupancies and no renovation) are of very limited future value. 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 memorandum includes projected profit and loss information. **Exhibit 7**. Mr. Higgins findings are summarized below:

“Combined rents across all 3 properties are \$11,365 (assuming fully occupied) or \$136,380 annual gross. The owners did not report taxes, insurance, utility costs, but an easy assumption is that a buildings operating costs are 45-55% of the gross revenue. Using the lower ratio: $\$243,280 - 45\% = \$75,009$ Net operating income. At a 6% CAP rate this would result in a [current] Market Value of \$1,250,150.”

Mr. Higgins notes that the lease rates result in a net operating income is roughly \$75,000 annually, before any loan service, tenant improvements, or major repairs:

“The Current Market Valuation excludes any debt service, excludes tenant improvements, excludes any cost to bring the buildings up to current occupancy standards / code compliance, with the addition of these line items the [net operating income] would shrink significantly below lender underwriting standards for DCR / Debt Coverage Ratios for income to payments.”

Based on this analysis, the buildings in their current form are of little or no net economic value to a new owner, given the need to service acquisition debt at their current value. Stated simply, the cost of debt and tenant improvements is likely so near the net operating income that a sound financial institution is unlikely to lend on such an acquisition with an as-is use case.

Even so, the July 29, 2022 HHPR Report (**Exhibit 3**) demonstrates that significant work must be done on these buildings in order for them to remain viable even for this use case. Necessary repairs would include the following:

- “The 2nd level of the 609 Building would require repair and remediation should that space be occupied.
- The 2nd level of the 611 Building would require repair and remediation should that space be occupied.
- As noted in the General Conditions section, each of the three buildings have structural conditions that we recommend be further analyzed for possible remedial actions should they remain.
 - This includes the roof truss node that is out of plane in the 609 Building, the removed built up floor beam in the 611 Building, and the rotten truss bearing in the 619 Building.
- Additionally, all three buildings have sections of the roof framing that is deteriorated and requires repair.”

While there are some grants and historic preservation tax credits that may be available, work to bring the buildings back into a sound condition is likely in the hundreds of thousands of dollars. The primary historic tax benefit, the “Special Assessment of Historic Property Program” is no longer available for the 609 and 611 Buildings. The most beneficial available federal program,

the Federal Historic Tax Preservation Tax Incentive Program, provides a 20% income tax credit. With a current federal income tax rate of 21%, this would yield only about \$5,700 per year for all three buildings collectively, and this assumes that the gross income from these properties would otherwise be fully taxable. State grants for particular historic buildings generally yield a maximum \$20,000. **Exhibit 8.** All of this assumes successful competition for such grants, which is certainly not a guarantee given the diminished historic character of these buildings. In summary, there is no reason to believe that historic grant programs and tax credits will be even close to sufficient to provide the repairs identified in the HHPR report.

Upgrading the buildings to a different use would almost certainly require seismic upgrades. To explore an alternative use case that would preserve but reuse the buildings for a hotel, the Applicant engaged its subsidiary Hugh Construction Company to prepare a financial pro-forma for re-use of the buildings as a hotel with ground-floor retail.⁸ This is enclosed as **Exhibit 6.** The key findings are as follows:

- The base construction costs are anticipated to be \$11,430,000, with a total project cost of roughly \$20,000,000, excluding land acquisition.
- The total construction costs, along with soft costs and land acquisition costs are anticipated to be \$24,994,838.
- Due to the limited number of rooms, high cost of historic rehabilitation and retrofit, and debt service, the total net operating income from the project will be approximately \$813,419, with an annual cash flow of only \$516,922. Note that this is before debt service. Net cash flow from the property as a whole is negative, with cash investments in the negative throughout the period to fiscal year 2032, as demonstrated by the cash income statement on pg. 8 of **Exhibit 6.**

Considering this alternative program, the Johnson Economic Study dated Nov. 2, 2022 analyzed the potential returns as follows:

“Renovation of the site for lodging uses would require a significant investment in restoration to bring the structure into conformance with current code. The estimated current costs to develop this program is just under \$20 million in current dollars (excluding acquisition), with an overall cost of roughly \$25 million. The projected net operating income at stabilization is estimated at \$580,500, representing a 2.3% return on cost.”

“The estimated capitalization rate for this type of project is likely in the 6.5% to 7.5% range. Assuming a 7.0% cap rate, the estimated value of the project would only be \$8.3 million in this configuration, roughly a third of estimated costs.

⁸ 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.

While the assumptions may shift, renovation of the current structure for retail and hotel space is highly unfeasible.”

“Renovation of the structure does not provide the owner with a “reasonable economic use”. There would be no expectation that the property owner or a rational developer would pursue this project as a renovation.”

The upshot of the above discussions is that there is no rational economic value to a rehabilitation and re-use case for the buildings.

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

RESPONSE: HHPR’s Existing Building Summary identified a number of structural issues with these buildings, which are explained in detail below. Its general conclusions are that the buildings need significant work soon: “If we were in a position to advise the building owner, we would recommend that these items be addressed in the very near future.” **Exhibit 2.** This is just to get the building back to something resembling their original design structural capacity. All have significant structural issues. For example, the 609 Building has a major truss that must be replaced. The 611 Building has load-bearing laminated beams that have been cut. Most of the roof trusses in the 619 Building are rotten where they intersect the party wall along the 611 Building. All of these conditions must be addressed.

The buildings are also all constructed of unreinforced masonry. **Exhibit 2** provides a detailed literature review explaining why seismic reinforcement of these buildings is advisable, and concludes as follows:

“Like other similar URM buildings, the three buildings under review in this report would have the potential for similar failure points. Generally, these failure points could be attributed to the lack of ductility associated with URM construction and the lack of positive connections between the floor and roof framing and the walls of the structure. The anticipated failure points could be:

- In plane shear failure of the URM walls
- Out of plane bending failure of the URM walls
- URM walls pulling away from the roof or floor framing resulting in roof or floor collapse

Given their higher risk profile, URM buildings represent a unique and complicated challenge to the structural engineering community, to the building owners and to the community at large.”

It is important to recognize that any significant changes to these buildings (such as significant tenant improvement) would likely trigger seismic retrofit to some degree. This is a likely

scenario, for example, if the upper floors of the 609 and 611 Buildings are put back into use and qualify as an “alteration.” Also, changes in occupancy and structural alterations (such as those required to address the buildings’ identified structural problems) would likely trigger additional upgrades under the Existing Building Structural Code, as adopted by the State Building Codes division.

The costs of such upgrades are likely infeasible for these buildings in their current occupancy; as explained by the Western States Seismic Policy Council, “upgrading existing buildings to resist earthquake forces is more expensive than meeting code requirements for new construction.” <https://www.wsspc.org/public-policy/legislation/oregon//>. This is also demonstrated by the memorandum provided by Mr. Higgins (**Exhibit 7**), which demonstrates that such improvements are not financially feasible.

The physical condition of certain building elements—particularly those from the historic period of significance—is provided in the HRA. **Exhibit 1**. However, the HRA does not characterize the general condition of the buildings as a whole. The physical condition of the buildings is explained below:

- 609 E 3rd Street. The condition of the building in general was not characterized by the HRA. Condition of the original features of the building are described as follows:
 - “The three original wood storefront windows and transoms, and south, west, and north elevation second-floor windows, are in fair to good condition.
 - The second-floor interior, at the south side of the building, is vacant and has been unused for a significant time period. As noted previously, the windows are in fair to good condition, including original millwork surrounds. Where plaster remains, it is in poor condition.
 - Original wood trusses at the interior appear to be in good condition.”

It is notable, however, that a return of the ground-floor façade to its historic character is likely very difficult:

“The brick may have been scarified for application of the stucco, and there may also be areas of wire mesh, wood blocking or other materials added to infill the original corbelled brick configuration. If a return to the original brick appearance were desired, the removal of the stucco would likely require substantial if not full replacement of the underlying brick.”

The HHPR Existing Building Summary (**Exhibit 2**) identifies the following structural deficiency in the building:

“The most southern roof truss in the building has a top chord node that is out of plane by over 6 inches. This represents a significant structural concern and should

be evaluated further with possible remedial actions should the building remain. The remedial action includes installing a new girder and columns to support the truss thereby removing mezzanine and roof loading from the truss.”

HHPR’s initial structural review of the building, dated July 29, 2022 (**Exhibit 3**), identified the following identified the following issues:

- “The roof framing over the original 2nd level offices is significantly deteriorated in several locations.
 - The south brick wall at the 2nd level offices is deteriorating and the mortar is no longer sound.
 - There are multiple diagonal cracks following the mortar lines at the 2nd level offices.
 - The 1st truss from the south elevation is displaced over 6 inches horizontally at the top which represents a significant structural concern.”
- **611 E 3rd Street: Exhibit 1** described the second floor elevation as being in good condition, but the building appears to be in marginal condition overall. Its upper parapet and roof system are intact. However, the HRA identifies a number of issues:
 - “No original portions of the original ground floor storefront were visible at the interior side of the storefront.
 - Significant areas of damaged ceiling finishes and areas of water infiltration are visible at the north end of the second floor, but it is unknown if water infiltration is active or if it pre-dates the roofing replacement.
 - The roof surface drains to a drain at the rear, NW corner of the building, with an overflow scupper to an external leader emptying to the lower roof of 609 NE 3rd Street below. The roof drain is completely clogged, and it is therefore likely that during rain events water pools at this area of roofing, possibly infiltrating to the interior before reaching the overflow scupper.
 - The second-floor interior is vacant and has been unused for a significant period of time. Little of the original finishes remains. Finishes at the northern portion of the second floor are in poor condition. Outlines of removed partitions are visible in the remaining finish floor. Round pipe columns supported on added wood beams appear to have been added throughout to shore up the wood joists above and to distribute the load to joists below. The underside of the roof deck was not visible. Windows at the north elevation have been removed, and the openings enclosed with plywood with visible daylight at the perimeter, allowing air and water infiltration.”

The HHPR Existing Building Summary (**Exhibit 2**) identifies the following structural deficiency in the building:

“Built up beams spanning in the north south direction supported by round pipe columns bearing on built up laminate beams to spread the load across the floor below. In some cases, the built-up laminated beams across the floor have been cut and removed. This condition compromises the structure’s ability to spread the concentrated roof load across the floor below.”

HHPR’s initial structural review of the building, dated July 29, 2022 (**Exhibit 3**), identified the following issues:

- “In some cases, the built-up laminated beams across the floor have been cut and removed. This condition compromises the structure's ability to spread the concentrated roof load across the floor below.
 - The built-up beams across the floor do not appear to align with the beam lines in the floor below, which would complicate any future work.
 - The north elevation has a series of old window openings along the 2nd level that have been filled in, however the condition of the wall and infill is poor with a significant amount of water entering the building and debris from bird nests.”
- 619 E 3rd Street: The HRA notes that the roof and signage are in good condition, but identifies a number of issues:
 - “The original white brick of the attic story/parapet remains, although it has been painted. Original unpainted white brick remains visible at the corner of the east elevation. Significant areas of brick cracking and displacement were observed in the attic story at the southeast corner of the building.
 - Little remains of the original building materials at the ground floor. The original brick mould at the westernmost opening remains, although the opening has been infilled with a new door.”

The HHPR Existing Building Summary (**Exhibit 2**) identifies the following structural deficiency in the building:

“The bearing points of the trusses are deteriorated along the west wall and supplemental support has been framed under the trusses. This condition exists at the connection to the 611 Building and is the result of water penetration along the north south valley between the building.”

Exhibit 2 also notes that there is cracking in the brick façade along the south exterior elevation.

HHPR's initial structural review of the building, dated July 29, 2022 (**Exhibit 3**), identified the following issues:

- "The bearing points of the trusses are deteriorated (rotten) along the west wall and supplemental support has been framed under the trusses.
- This condition exists at the connection to the 611 Building and is the result of water penetration along the north south valley between the building.
- The brick and mortar at south elevation show signs of deterioration and diagonal cracks along the mortar lines.
- The east wall exterior has significant deterioration and is exposed due to the separation between the 619 Building and the recently constructed building to the east."

The July 29, 2022 HHPR report describes the general condition of the buildings as follows:

- "Each of the three buildings has portions of brick wall that are in poor condition that would require significant work to remediate including new mortar and the replacement of bricks.
- Each of the three buildings has portions of the roof structure that are rotting and are in poor condition. While it may be that the roofing has been repaired, it does not appear that in certain areas the supporting structure has been repaired. These areas also coincide with areas of the brick wall that are in poor condition
- The most southern roof truss in the 609 Building has a top chord node that is out of plane by over 6 inches. This represents a significant structural concern and should be evaluated further with possible remedial actions should the building remain. The remedial action includes installing a new girder and columns to support the truss thereby removing mezzanine and roof loading from the truss
- The removed floor beams distributing roof load in the 611 Building represent a significant structural concern and should be evaluated further with possible remedial actions should the building remain.
- The rotting bearing points of the roof trusses in the 619 Building represent a significant structural concern and should be evaluated further with possible remedial actions should the building remain."

Based on the information provided in **Exhibits 1, 2, and 3**, the general condition of the buildings is best characterized as poor or marginal at best, depending on the proposed use case. While the buildings are not "dangerous" (which condition would require removal of the existing tenants), it is clear that significant work must be undertaken to ensure these buildings' future preservation,

even if they are not seismically upgraded. Bear in mind that this is the requirement for continued use of the buildings for ground-floor retail or limited-occupancy offices; any more intensive uses will require substantially more structural upgrades. It is also important to note that, under both state and local criteria, the buildings need not be considered “dangerous” in order for their condition to be a major factor in allowing their demolition.

C. 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;

RESPONSE: The HLC can find that this factor favors demolition for the following reasons.

- As explained in detail in response to OAR 660-023-0200(8)(a), the buildings are listed as contributing to the district primarily due to their dates of construction. All appear to have been constructed (or at least re-constructed) for use as automobile garages and a car dealership and, in the case of the 609 Building, a gas station. The buildings were designed and adapted to this purpose. The buildings have each lost at least half of their historic facades (indeed, the 609 Building has lost its entire original façade), and the upper floors of the 609 and 611 Buildings are unoccupied and have few remaining interior historic finishes. Remaining historic features generally include some window casings on the 609 Building, the parapets on the 611 and 619 Buildings, and some interior features. Otherwise, their remaining characteristics are simply their masses and structural elements. For this reason, their historic value is low after having been substantially compromised prior to establishment of the Downtown Historic District.

There is no evidence that any of these buildings are connected with important historical events. While the 609 Building was built by McMinnville resident Frank W. Fenton, Mr. Fenton was a developer and built several buildings, and there is no evidence that he made personal use of the building for long, if at all. And, this building does not resemble at all its original exterior during the period in which Mr. Fenton might have made use of it. There is also no evidence that these buildings served as community gathering spaces during their periods of historic significance.

Based on the above, the public interest in preservation of these buildings is confined to the fact that they are listed as contributing structures within the Historic District. There are no other factors that reasonably weigh in favor of preservation. On the other hand, they are not remarkable in relation to the other contributing buildings within the Historic District and they retain very little of their respective historically-relevant features, most of which have been covered with stucco or removed. For all of the above reasons, the HLC can find that the public interest in their preservation is low.

- The buildings will require substantial structural repairs to continue to be used for the limited retail and office uses they have been used for since the establishment of the Historic District. Seismic retrofit of the buildings is unaffordable if their current

configuration is maintained, and there is no positive return on investment if they were to be rehabilitated for use as a hotel.

- As explained in the HRA, the primary historical value of these buildings is their location, massing, and roof configuration. Assuming that the buildings massing must be retained for that reason, no owner will be able to meaningfully intensify their uses. This is a further headwind against any substantial repair or seismic upgrade. Therefore, the economic value of the buildings to the City is represented by their current uses, with a Current Market Value of \$1,250,150 for all three buildings, collectively. **Exhibit 7.** This is *less* than the combined assessed value of the buildings, noted below. Even excluding debt service obligations and tenant improvements, the collective market value of the buildings is only \$2,230,066. On the other hand, the projected market value of the Gwendolyn after construction and occupancy in FY 2025 is roughly \$64M after an investment of approximately \$61M. **Exhibit 10.**

The combined assessed value of all three buildings in 2022 is \$1,793,470; at a combined rate of 16.4925 these collectively generate roughly \$29,500 in annual property tax revenue, with roughly \$10,670 of that amount going to the City of McMinnville. **Exhibit 9.** Assuming a standard rate (non-historic) of 16.5854, property taxes after completion and occupancy of the Gwendolyn in 2025 would be \$327,917. **Exhibit 10.**

Construction of the Gwendolyn will be a significant draw to McMinnville's downtown, increasing traffic to businesses within the Historic District. Given that this will increase the value of the other buildings in the Historic District, construction of the hotel is likely not only a benefit to the City from a financial perspective, but also a long-term benefit to the district itself. According to the Nov. 2, 2022 Johnson Economics Report, "[t]he proposed new hotel would provide significant economic value on the site, supporting the ongoing positive investment patterns in downtown McMinnville. Keeping the existing structures would effectively preclude new investment on the site, and result in underutilization of the parcels while yielding no economic return."

For the above reasons, the HLC can find that the proposed Gwendolyn Hotel is an "an improvement program of substantial benefit to the City." Preservation of these buildings presents a substantial barrier to this program because these buildings must be removed to allow for construction of the Gwendolyn, because they have little to no economic viability for adaptive re-use, and because their value under their current use case is miniscule compared to the proposed development. It is also worth considering that the value of the buildings is likely to decline even in their current or similar tenancies unless structural repairs are made; as explained above, such repairs are likely not financially rational without a more intensive use case for the buildings, which itself may trigger seismic upgrades.

- Based on the above discussion and evidenced referenced therein, the HLC can find that preservation of these particular buildings constitutes "a deterrent to an improvement

program of substantial benefit to the City which overrides the public interest in its preservation.”

D. 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

RESPONSE: The public interest in the resource’s preservation is not clearly articulated in any adopted document. However, the HLC can find that the public interest in preservation of these buildings is related to their ability to reflect their historical period of significance. As explained above, these buildings do so to only a limited degree because their facades have been largely replaced. Therefore, the public interest in their preservation should be viewed as reduced as compared to buildings that have not been substantially altered, and such interest is largely a factor of their year of construction.

The public interest in their preservation must necessarily include their ability to serve an economic function to McMinnville’s historic Downtown. As explained above, the current economic viability of these buildings and their future prospects are poor. Adaptive re-use is not a realistic option because of the significant structural upgrades that would be required, and re-use of the buildings for the hotel use proposed by the Applicant is not economically feasible.

In view of both of these factors, the public’s interest in these buildings’ preservation seems limited at best, and low when compared to buildings in the District which have better future economic use prospects or better reflect their original appearance, or both.

The question posed by this criterion was directly evaluated in the Johnson Economics Report (**Exhibit 5**). This report concludes as follows:

“Keeping the buildings in their current use would negate the requirement to upgrade the structures but would also limit the amount of investment that could be made within triggering the requirement. The buildings have structural deficiencies and obvious deterioration that would need to be addressed prior to re-tenanting in any of the buildings.

Building the hotel above the existing structures would require a complete seismic upgrade of the structures, and new columns to support the hotel would need to penetrate the structures. The cost of this type of structure would be substantially higher than new construction and the resulting development would be significantly less efficient.

As a result of these myriad factors, the retention of the existing structures would cause substantial financial hardship to the owners. Based on our previous experience, the likely cost of the necessary improvements and upgrades would render the cost of space to likely be hundreds of dollars more per square foot than new construction. If the redevelopment was not done and the buildings were kept

in their current use without significant upgrades, they would pose a life safety hazard and may not be insurable. The structures are depreciated to a point in which Investments in the structures would be unlikely over time as they would not yield an economic return. As a result the properties would be likely to face an extended period of declining condition and underutilization for the foreseeable future.”

This conclusion is consistent with the other information discussed above, which generally demonstrates that the buildings are not likely to generate a meaningful return for Hugh Development with a current or similar tenant mix. This is reflected by the fact that the actual market value when accounting for debt service is actually *less* than the assessed value of the property. See **Exhibits 7 and 9**.

For the above reasons, the HLC can find that retention of the buildings in their current configurations would not just be a financial hardship to the owner, but will likely result in the eventual degradation of the buildings to the point where demolition for safety reasons becomes increasingly likely. These practical headwinds against continued use of the buildings in their current configurations far outweigh the buildings’ relative contribution to the objectives of the Historic District, as discussed above, and therefore outweighs the public’s interest in preservation.

E. 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.

RESPONSE: For the above reasons, the HLC can find that the retention of these three buildings would not be in the best interests of the citizens of the City. These reasons can be summarized as follows:

- The buildings do not reflect their appearance or use during their respective periods of significance.
- The building have few remaining residual historic features charactering the Historic District, aside from their masses, structural frames, and roof lines.
- The buildings have limited value under current uses.
- Current or similar uses are probably unable to generate sufficient value to repair the buildings.
- Adaptive re-use would require seismic upgrades and the buildings cannot be economically used for hospitality.

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December 15, 2022
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On the other hand, the economic opportunity for the Historic District presented by the proposed Gwendolyn Hotel far outweighs the limited benefits of building preservation, as discussed above.

Historic features identified by the HRA, such as belt courses and cornices, are emulated by the proposed architectural design of the Gwendolyn. Any moveable historic features of these buildings, such as windows, can be incorporated into the proposed building. The remaining characteristics of the buildings—their massing and roof line—can be easily documented with photographs.

For these reasons, the HLC can find that on balance, retention of these buildings would not be in the best interest of the City's citizens when weighed against the benefits of the proposed Gwendolyn Hotel.

Best regards,



Garrett H. Stephenson

GST:jmhi
Enclosures

Cc: Li Alligood (*via email w/enclosures*)
Casey McKenna (*via email w/enclosures*)
Gary Reddick (*via email w/enclosures*)
Andrew Clarke (*via email w/enclosures*)
Mark Vuong (*via email w/enclosures*)

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