



February 28, 2023

Hon. Maxine Dexter, Chair  
Hons. Mark Gamba and Jeffrey Helfrich, Vice-Chairs  
House Committee on Housing and Homelessness  
Oregon Legislature  
Salem, OR 97301

**RE: SUPPORT HB 2984, -1 (Commercial Conversion to Housing)**

Dear Chair Dexter, Vice Chairs Gamba and Helfrich, and Committee Members,

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

Restore Oregon would like to voice our support for HB 2984, with the -1 amendment. We strongly believe in the power of adaptive re-use to convert existing commercial buildings, current vacant or underutilized, into housing. This is an expedient and climate-friendly strategy to increase housing supply in Oregon.

See the attached case study of Medford's Palace Hotel, the renovation of which will provide 40 market-rate units of much-needed housing in Medford's downtown commercial core. We would like to highlight this from 1000 Friends of Oregon's testimony: **"enabling and incentivizing reuse of existing, underutilized buildings capitalizes on infrastructure that is already in place and fills "economic holes" in our communities, contributing to their vitality.**

This is an issue in communities all across Oregon, including our historic downtown Main Streets of all sizes. This [report](#), "Whats Up Downtown? A Playbook for Activating Oregon's Upper Stories" was recently prepared for Oregon Parks & Recreation Department – State Historic Preservation Office and Oregon Main Street. It also supports the need for addressing barriers in order to create more housing in existing commercial properties.

Thank you for the opportunity to comment on HB 2984, -1 and for taking Restore Oregon's comments into consideration.

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

Nicole Possert  
Executive Director

# Medford's Palace Hotel: A Housing Case Study

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## About Restore Oregon

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

Find out more about the Palace Hotel and preservation's role in helping to address Oregon's housing crisis:



## Preservation Financial Incentives Help Breathe New Life into Vacant Units

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



Front elevation, prior to rehabilitation



Back elevation, prior to rehabilitation

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

## Existing Incentives

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

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

## A Need for Something More

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

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

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