

Redeveloping the OSH North Campus could be a \$100 million project with key benefits for Salem

The Oregon State Hospital North Campus would become a \$100 million private real estate development under a plan recommended by a group of state-hired consultants.

In a draft report prepared by Leland Consulting Group and Cushman & Wakefield for the Oregon Department of Administrative Services, consultants outline the possibilities for the north campus. The study, which cost \$103,500, shows a preliminary vision for the property along Center Street NE in Salem:

- As many as 490 housing units could be built on the site. Apartments, row houses, condominiums, and assisted living homes would be part of the mix on the 47-acre north campus.
- Two historic structures would be redeveloped. The Dome Building might be suitable for lodging, adding another 45 dwelling units to the site. A remodeled Breitenbush Hall would include retail.
- A “public-private partnership” between the state and business interests would drive the redevelopment, the report says. A “master developer” would oversee the process. The north campus likely would be sold and split up among multiple developers.

Salem City Manager Linda Norris, who has reviewed the report, said “it was compatible with the neighborhood and a good use of this parcel.”

“The state of Oregon is wanting to be very collaborative,” said Salem Mayor Anna Peterson. The property, she said, represents “an opportunity to do it right” and create a development that will please neighbors.

Salem officials are eager to see state-owned land, which is exempt from property taxes, sold to private owners and placed on the tax rolls. If the north campus were developed in the manner suggested by the consultants, property tax revenue to the city of Salem could amount to more than \$522,000 per year.

The obstacles

The city would have a pivotal role in clearing obstacles for potential developers. Located in a national and local historic district, the north campus has old buildings that would be expensive to rehabilitate. That raises thorny questions about which buildings should be preserved.

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Moreover, the north campus would need to be rezoned to accommodate mixed-use development. Some new interior roads would be needed.

“A master developer is not going to want to take it on without those questions resolved,” said Eric Grindy, a real estate policy analyst with the Oregon Department of Administrative Services.

Preservation versus new development has been an issue before at the location of Oregon’s oldest mental hospital.

At the south campus, construction crews razed more than half of the J Building to make way for a new \$280 million Oregon State Hospital. The building’s oldest sections, known as the Kirkbride U, were remodeled and incorporated into the complex. Preserved portions include space for patient programs, administrative offices and a museum.

Why now?

Completion of the new Oregon State Hospital has prompted officials to look at the remainder of the campus. The Oregon Department of Human Services and Oregon Department of Corrections still occupy space at the north campus, but other buildings are vacant.

Although DAS isn’t facing a deadline to dispose of the property, keeping it in state ownership costs taxpayers. Annual operating costs associated with the vacant buildings, such as security and maintenance, amount to more than \$500,000, Grindy said.

Seeking public comment and outreach to neighbors likely are the next steps, said state and city officials.

The north campus’ location, in the middle of Salem and along a main street, might make it attractive to developers.

H. Roger Qualman, chief operating officer for NAI Norris, Beggs & Simpson in Portland, said multi-family housing such as that proposed for the site currently is in high demand.

Norris Beggs, a prominent commercial real estate firm, isn’t involved with the north campus.

“It will attract a lot of interest (from developers)” Qualman said. “Whether or not it moves is in the details.”

Historic buildings an asset?

The Leland report strongly suggests that many buildings on the north campus aren’t worth saving, calling them “functionally and economically obsolete.”

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Upgrading five buildings built in the 1940s and ’50s to modern standards would cost an estimated \$74

million to \$92 million, according to the report. Required renovations would include seismic structural upgrades, remediation of lead paint and asbestos, improved heating and cooling systems, and significant interior remodels.

Even if the buildings could be rehabilitated, the likely result would be “structures inefficient for traditional market rate housing, office use, or other purposes,” the report states.

Furthermore, the report recommends that all but the Dome and Breitenbush buildings be “de-listed” from national and local historic districts.

“I am disappointed, I guess, but I’m not surprised,” said Hazel Patton, who, in 2008, was one of five volunteers behind the effort to have the entire Oregon State Hospital campus placed on the National Register of Historic Places.

The property’s listing on the National Register, which is under the purview of the federal government, wouldn’t stop a developer intent on removing buildings.

Kimberli Fitzgerald, a historic planner with the city of Salem, said a developer of the north campus could go to the city’s Historic Landmarks Commission and make the case for demolition. To succeed, she said, the developer would have to show that a proposed use is of higher benefit to the community than the existing use.

Roger Roper, a historic preservation officer with the State Historic Preservation Office, said the state typically defers to local jurisdictions. Roper said he would encourage an aggressive request for proposals before removing any buildings.

“It was the campus that was listed in the historic register. If you start to break that apart, there is a loss of overall integrity,” Roper said.

Historically significant portions of the campus were developed between 1883 and 1958. The application for the site’s inclusion on the National Historic Register of Historic Places notes it originally was built outside of city limits to protect its residents from “the distractions and influences of the outside world.”

During Salem Mayor Janet Taylor’s term in office, representatives of McMenamins, an Oregon company known for its flair at creating hotels and restaurants from historic properties, toured the state hospital grounds.

City and state officials said they haven’t had any recent discussions with McMenamins.

mrose@StatesmanJournal.com, (503) 399-6657 or [Twitter.com/mrose_SJ](https://twitter.com/mrose_SJ)