



Request for City Council Committee Action from the Department of Community Planning & Economic Development – Planning Division

Date: October 16, 2008

To: Council Member Gary Schiff, Chair, Zoning and Planning Committee
Members of the Committee

Referral to: Zoning and Planning Committee

Subject: Appeal of the Heritage Preservation Commission action denying a Certificate of Appropriateness to allow for the demolition of the Dole Building at 321 2nd Avenue North, a contributing property to the North Loop Warehouse Historic District.

Recommendation: The Heritage Preservation Commission adopted staff recommendation and denied a Certificate of Appropriateness to allow for the demolition of the Dole Building at 321 2nd Avenue North, a contributing property to the North Loop Warehouse Historic District.

Previous Directives: N/A

Prepared or Submitted by: Brian Schaffer, Senior City Planner, 612-673-2670

Approved by: Jack Byers, Planning Supervisor, 612-673-2634

Presenters in Committee: Brian Schaffer, Senior City Planner

Financial Impact (Check those that apply)

- No financial impact (If checked, go directly to Background/Supporting Information).
- Action requires an appropriation increase to the _____ Capital Budget or _____ Operating Budget.
- Action provides increased revenue for appropriation increase.
- Action requires use of contingency or reserves.
- Business Plan: _____ Action is within the plan. _____ Action requires a change to plan.
- Other financial impact (Explain):
- Request provided to department's finance contact when provided to the Committee Coordinator.

Community Impact (use any categories that apply)

Ward: 7

Neighborhood Notification: The Downtown Minneapolis Neighborhood Association and the North Loop Neighborhood Association was notified of the appeal application on October 6, 2008.

City Goals: See staff report.

Comprehensive Plan: See staff report.

Zoning Code: See staff report.

Living Wage/Job Linkage: Not applicable.

End of 60/120-day Decision Period: Not applicable

Other: Not applicable.

Background/Supporting Information Attached: Richard D. Snyder, on behalf of Marquee Properties LLC, has filed an appeal of the decision of the Heritage Preservation Commission **denying** a Certificate of Appropriateness to allow for the demolition of the Dole Building at 321 2nd Avenue North, a contributing property to the North Loop Warehouse Historic District.

The Heritage Preservation Commission voted 7-1 to adopt staff recommendation and deny the Certificate of Appropriateness on August 26, 2008. The appellant filed an appeal on September 5, 2008. The appellant's statement is included in the attached supporting material.

Supporting Material

- A. Appellant Statement of Appeal
- B. August 26, 2008 HPC Meeting Minutes
- C. August 26, 2008 HPC Staff Report with Attachments
- D. August 26, 2008 Supplemental Materials Provided by Applicant

**CITY OF MINNEAPOLIS
CPED PLANNING DIVISION
HERITAGE PRESERVATION COMMISSION STAFF REPORT**

FILE NAME: 321 2nd Avenue North, Dole Building

CATEGORY/DISTRICT: Contributing Structure, North Loop Warehouse Historic District

CLASSIFICATION: Certificate of Appropriateness

APPLICANT: Richard Snyder, on behalf of Marquee Properties LLC, (612) 492-7145

DATE OF APPLICATION: July 31, 2008

PUBLICATION DATE: August 19, 2008

DATE OF HEARING: August 26, 2008

APPEAL PERIOD EXPIRATION: September 5, 2008

STAFF INVESTIGATION AND REPORT: Brian Schaffer (612) 673-2670

REQUEST: Demolition of locally designated property

A. BACKGROUND

The subject property is located at the northeast corner of 2nd Avenue North and 4th Street North. The address used for this application and for tax purposes is 321 2nd Avenue North. The mailing addresses of the building are 301-321 2nd Avenue North and in the National Register of Historic Places nomination the building is referenced as 124-130 4th Street. The building's historic name is the Dole Building, but has been commonly referred to as the New French Café Building. The Dole Building is a contributing structure to both the North Loop Warehouse Historic District and the Minneapolis National Warehouse Historic Districts. The applicant is proposing to demolish the structure and build a three-story building on the property.

B. DESCRIPTION:

In 1887 a building permit was issued to A.M. Dale to construct a 40 by 138 foot store designed by W. Murther. The structure had some minor alterations in 1909 and then in 1912 a 66 by 135 foot addition designed by Charles A. Bergen was constructed. The current two-story rectangular building is largely a result of the 1912 expansion. The simple Commercial Style building is covered in white glazed brick and features Chicago windows and a projecting cornice. Some of the storefront windows have been altered, but the original scale and rhythm of the façade remains intact.

The parcel is approximately 10,692 square feet and has 170 feet of frontage along 2nd Avenue North and 66 feet of frontage along 4th Street North. The two-story structure contains approximately 19,602 square feet of gross building area (GBA). The first and second stories each have 8,910 square feet and the partial basement contains 1,782 square feet of GBA. The structure is currently vacant and the most recent tenants of the building include the New French Café, Urban Wildlife Bar and Grill, an art gallery and various office uses on the second story.

C. CONSIDERATION FOR DEMOLITION

The Minneapolis Code of Ordinances, Title 23, Heritage Preservation, Chapter 599 Heritage Preservation Regulations states that before approving a certificate of appropriateness that involves the destruction, in whole or in part, of any landmark, property in an historic district or nominated property under interim protection, the commission shall make findings that the destruction is necessary to correct an unsafe or dangerous condition on the property, or that there are no reasonable alternatives to the destruction. In determining whether reasonable alternatives exist, the commission shall consider, but not be limited to, the significance of the property, the integrity of the property and the economic value or usefulness of the existing structure, including its current use, costs of renovation and feasible alternative uses. The commission may delay a final decision for a reasonable period of time to allow parties interested in preserving the property a reasonable opportunity to act to protect it.

Physical Integrity of Property

In January of 2008 Bernie Stroh of Stroh Engineering provided the owners of the building at 321 2nd Avenue North with a Structural Inspection Report (see attachment A). The report investigated the conditions of the main floor, second floor, roof framing and exterior brick walls. The report concludes that the building is in “poor structural condition.” And that renovation “will require extensive structural remedial repairs” including foundation work, replacement of main floor joist framing, strengthening and repairs to second floor and roof framing, extensive brick repair and replacement (due to moisture damage), tuckpointing and window replacement.

The Stroh Engineering report did not evaluate the roof of the building due to the snow cover, but in 2000 a building permit was issued to install a new roof system. The current roof is eight years old and should be in good condition based on the life expectancy of a flat roof system.

The applicant has also included pictures of the interior and exterior of the Dole Building (see attachment E). The pictures illustrated the condition of the brick and mortar on the exterior of the building and the condition of the first floor joists and a variety of other features.

The current owners, Marquee Properties LLC, purchased the property on October 10, 2006 from 2000 Wyman LLC. Since this time, nearly two years ago, no building permits have been applied for. Chapter 599.660 of the Minneapolis Code of Ordinances states that no person with a legal or equitable interest in a landmark, property in an historic district or nominated property under interim protection, whether occupied or not, shall permit the property to fall into a serious state of disrepair or to remain in a serious state of disrepair so as to materially impair the integrity of the property or historic district. While the current condition of the building cannot be fully attributed to the current property owner, the current property owner has not pulled a building permit to stabilize or protect the structure.

Economic Value of the Existing Structure:

In 2006 Marquee Properties LLC purchased the subject property and the adjacent property, 118 4th Street North, from 2000 Wyman LLC for \$3,297,000. According to Hennepin County

Assessor's data the current assessed value of the property is \$1,575,000 with an estimated market value of the land at \$801,900 and the estimated market value of the building at \$773,100.

The applicant has included an economic feasibility report that was prepared by The Herman Group for the applicant on June 30, 2008 (see attachment B). The report was done considering a "shell finish" that did not include the value of tenant improvements required for new tenant spaces, only the improvements needed to allow for the occupation of the building. The economic evaluation was based on a bar and restaurant use of the building, and not any other uses.

Like many reports of this kind there are numerous assumptions and findings. The following are highlights from the report.

- For the basis of the study the appraisal determined that the \$800,000 of the \$3,297,000 purchase price of the two buildings is allocated to the subject property at 321 2nd Avenue North.
- The study states that the structure contains approximately 19,602 square feet of gross building area (GBA). The first and second stories each have 8,910 square feet and the partial basement contains 1,782 square feet of GBA. The net rentable area of the first and second stories is 8,550 and 8,000 square feet, respectively, for a total of above grade rentable area of 16,550 square feet.
- The renovation cost estimate report prepared by NAI Architects from December 13, 2007 (see attachment C) concluded that the second floor is designed for office uses and does not have the load capacity to support a restaurant or bar use without being reinforced. The same was stated for the roof load capacity, which was not designed for a for a roof top deck for a bar or restaurant use. The NAI architects report concluded that direct construction costs for a "shell finish" to allow for the proposed bar/restaurant use is \$1,849,200.
- The appraisal states that the proposal would have an Annual Net Operating Income (NOI) of \$216,599. This figure was based on the following rents: first floor tenant space \$14.50, second floor tenant space \$12.50, and basement tenant space \$8.00. This analysis can be found on page L in the appendix of the economic feasibility assessment (attachment B).
- The appraisal concluded that the "after renovation" market value of the subject property would be \$1,970,000. The appraisal states that the cost of renovation, \$1,849,200, added to the allocated cost of the building, \$800,000, would be \$2,649,200. The report concludes that the property has a negative indicated value of -\$679,200 based on subtracting the renovation and acquisition costs, \$2,649,200, from the after renovation market value of \$1,970,000. The report concluded the proposed renovation of the subject property is economically infeasible.

Staff has a variety of concerns with the economic feasibility report provided by the applicant. The feasibility report is based on a restaurant and bar use that uses the first and second stories and the roof top of the structure. This proposed use requires the reinforcement of the second

story floor and the roof, which increases the cost of the renovation. This increased cost effects the economic feasibility assessment. The applicant has not provided any other feasibility analysis based on other uses.

The subject property is a contributing property to the National Warehouse Historic District and the rehabilitation is eligible for a 20 percent tax credit. According to the NAI Architects report the cost to renovate the structure is \$1,849,200. Based on this figure the 20 percent tax credit could provide nearly \$370,000 to the property owners, which could offset some of the costs of renovation. The federal tax credit has not been considered in the economic feasibility analysis.

The economic feasibility analysis includes the acquisition costs in determining the feasibility of the proposed rehabilitation. This cost, \$800,000, needs to be factored into the cost of new construction as well. Including the 20 percent tax credit, the proposed cost of renovation is approximately \$1,480,000. The applicant states that they propose to construct a three story structure in the place of the subject structure. The applicant has not provided staff with what the cost would be to construct a new two-story structure similar to the existing structure or the cost to construct the proposed three-story structure. Any new construction costs would have to include the costs of demolition of the existing structure in its feasibility analysis.

The subject property has the ability to apply for the Transfer of Development Rights (TDR). The purpose of the TDR process is to allow historically designated properties to sell the remaining available Floor Area Ratio (FAR) left on the property to another property to help offset the rehabilitation costs of the historic structure. The applicant has not included an analysis of this tool in their evaluation of the economic analysis of the structure.

Usefulness of the Existing Structure:

The subject structure is a two story commercial building. Historically it has housed a variety of uses, but its most recent configuration has had restaurant and bar tenants on the first floor and offices on the second story. The structural engineers report states that the foundation is need of repair and the first floor framing is in poor structural condition. Other than these two items the structural report mainly focuses on cosmetic and accessibility problems and the ability of the structure to hold the proposed loads of a full restaurant and bar use. The NAI architects report and the economic feasibility analysis only consider a full restaurant and bar use of the entire building, the applicants do not include any analysis of alternative uses.

The applicant's analysis has illustrated that the cost to renovate the building for their proposed use as a two story bar and restaurant with a roof top deck is significant, but the applicant has failed to provide substantial evidence that the structure is not useful. Staff believes that while the structure exterior is in need of repair and is in need of modernizing the structure is still a highly useful structure that can accommodate a variety of commercial uses.

D. PROPOSED CHANGES:

The applicant is applying for approval to demolish the Dole Building at 321 2nd Avenue North. The applicant states they intend to build a three-story structure in the place of the Dole Building. The applicant has submitted a rendering of a proposed building (attachment D), but has not submitted any other specific information. The submitted rendering does not show how the

proposed structure relates to the fabric and character of surrounding properties, the District Guidelines, the Secretary of the Interior Standards, or the specific site conditions. The submitted rendering of the proposed structure is exactly that a rendering, there is no guarantee that this will represent the design of the structure the applicant will pursue.

E. APPLICABLE ORDINANCES:

Chapter 599. Heritage Preservation Regulation

ARTICLE VI. CERTIFICATE OF APPROPRIATENESS

- 599.310. Purpose. Certificates of appropriateness are established to protect landmarks, historic districts and nominated properties under interim protection by providing the commission with authority to review and approve or deny all proposed alterations to a landmark, property in an historic district or nominated property under interim protection. (2001-Or-029, § 1, 3-2-01)
- 599.320. Certificate of appropriateness required. Any alteration of a landmark, property in an historic district or nominated property under interim protection shall be prohibited except where authorized by a certificate of appropriateness approved by the commission. (2001-Or-029, § 1, 3-2-01)
- 599.330. Application for certificate of appropriateness. An application for a certificate of appropriateness shall be filed on a form approved by the planning director and shall be accompanied by all required supporting information, as specified in section 599.160. (2001-Or-029, § 1, 3-2-01)
- 599.340. Hearing on application for certificate of appropriateness. The commission shall hold a public hearing on each complete application for a certificate of appropriateness as provided in section 599.170. The commission may approve, approve with conditions, or deny an application for certificate of appropriateness. (2001-Or-029, § 1, 3-2-01)
- 599.350. Required findings for certificate of appropriateness. (a) In general. Before approving a certificate of appropriateness, the commission shall make findings that the alteration will not materially impair the integrity of the landmark, historic district or nominated property under interim protection and is consistent with the applicable design guidelines adopted by the commission, or if design guidelines have not been adopted, is consistent with the recommendations contained in The Secretary of the Interior's Standards for Rehabilitation, except as otherwise provided in this section.
- (b) Destruction of any property. Before approving a certificate of appropriateness that involves the destruction, in whole or in part, of any landmark, property in an historic district or nominated property under interim protection, the commission shall make findings that the destruction is necessary to correct an unsafe or dangerous condition on the property, or that there are no reasonable alternatives to the destruction. In determining whether reasonable alternatives exist, the commission shall consider, but not be limited to, the significance of the property, the integrity of the property and the economic value or usefulness of the existing

structure, including its current use, costs of renovation and feasible alternative uses. The commission may delay a final decision for a reasonable period of time to allow parties interested in preserving the property a reasonable opportunity to act to protect it. (2001-Or-029, § 1, 3-2-01)

- 599.360. Certificate of appropriateness conditions and guarantees. (a) In general. Following commission approval of an application, the applicant shall receive a signed certificate of appropriateness and approved plans stamped by the planning director. The applicant shall produce such certificate of appropriateness and plans to the inspections department before a building permit or demolition permit may be issued. The signed certificate of appropriateness and stamped plans shall be available for inspection on the construction-site together with any inspections department permit.
- (b) Mitigation plan. The commission may require a mitigation plan as a condition of any approval for demolition or relocation of a landmark, property in an historic district or nominated property under interim protection. Such plan may include the documentation of the property by measured drawings, photographic recording, historical research or other means appropriate to the significance of the property. Such plan also may include the salvage and preservation of specified building materials, architectural details, ornaments, fixtures and similar items for use in restoration elsewhere.
- (c) Additional conditions and guarantees. The commission may impose such conditions on any certificate of appropriateness and require such guarantees as it deems reasonable and necessary to protect the public interest and to ensure compliance with the standards and purposes of this chapter. (2001-Or-029, § 1, 3-2-01)
- 599.370. Changes in approved certificate of appropriateness. (a) Minor changes. Minor changes to an approved certificate of appropriateness may be authorized by the planning director where it is determined by the planning director that the changes are not significant and are consistent with the approval made by the commission.
- (b) Other changes. Changes to an approved certificate of appropriateness other than changes determined by the planning director to be minor shall require amendment to the certificate by the commission. The requirements for application and approval of a certificate amendment shall be the same as the requirements for original approval. (2001-Or-029, § 1, 3-2-01)

The Secretary of the Interior's Standards for Rehabilitation (1990)

Building Site

Recommended:

-Identifying, retaining, and preserving buildings and their features as well as features of the site that are important in defining its overall historic character. Site features can include driveways, walkways, lighting, fencing, signs, benches, fountains, wells, terraces, canal systems, plants and trees, berms, and drainage or irrigation ditches; and archeological features that are important in defining the history of the site.

-Retaining the historic relationship between buildings, landscape features, and open space.

-Providing continued protection of masonry, wood, and architectural metals which comprise building and site features through appropriate surface treatments such as cleaning, rust removal, limited paint removal, and re-application of protective coating systems; and continued protection and maintenance of landscape features, including plant material.

Not Recommended:

-Removing or radically changing buildings and their features or site features which are important in defining the overall historic character of the building site so that, as a result, the character is diminished.

-Removing or relocating historic buildings or landscape features, thus destroying the historic relationship between buildings, landscape features, and open space.

-Removing a historic building in a complex, a building feature, or a site feature which is important in defining the historic character of the site.

F. FINDINGS:

1. 321 2nd Avenue North, the Dole Building, is a contributing structure to the locally designated North Loop Warehouse Historic District.
2. 321 2nd Avenue North, the Dole Building, is a contributing structure to the nationally designated Minneapolis Warehouse Historic District.
3. The Dole Building is a significant structure to the Warehouse Historic District. The two-story white glazed brick structure is representative of structures that were constructed to support the Minneapolis warehouse industry and its employees. It is critical to the character and fabric of the local and national Warehouse Historic Districts.
4. The current owners, Marquee Properties LLC, purchased the property on October 10, 2006 from 2000 Wyman LLC. Since this time, nearly two years ago, no building permits have been applied for. While the current condition of the building cannot be fully attributed to the current property owner, the current property owner has not pulled a building permit for work to stabilize or protect the structure.
5. The rehabilitation of the structure is eligible for a 20 percent Tax Credit through the National Parks Service.
6. The applicant's economic feasibility analysis does not consider the financial benefits from the use of historic tax credits or the Transfer of Development Rights. Nor does the applicant's analysis include an evaluation of constructing a new similar structure with the cost of demolishing the structure.
7. The analysis provided by the applicant only evaluates the building for a two-story restaurant and bar use with a roof top deck. The analysis does not provide a cost for rehabilitation for other uses or an economic feasibility analysis of other uses.
8. The applicant's analysis has illustrated that the cost to renovate the building for their proposed use as a two-story bar and restaurant with a roof top deck is significant, but the applicant has failed to provide substantial evidence that the structure is not useful. While the exterior of the structure is in need of repairs and the structure is in need of

modernizing, it is still a highly useful structure that can accommodate a variety of commercial uses.

G. STAFF RECOMMENDATION:

Staff recommends that the Heritage Preservation Commission adopt staff findings and **deny** the demolition application of the property at 321 2nd Avenue North.

ATTACHMENTS

- A. Stroh Engineering Structural Report
- B. Economic Feasibility Report
- C. NAI Architects Report
- D. Rendering of Proposed Structure
- E. Pictures of Property
- F. Applicant's Statement
- G. Map of Local North Loop Warehouse Historic District
- H. Map of National Minneapolis Warehouse Historic District

Minneapolis Heritage Preservation Commission

August 26, 2008, Room 317 City Hall

Staff: Brian Schaffer

Planning Supervisor: Jack Byers

Date of Appeal: October 2, 2008

ITEM SUMMARY

321 2nd Avenue North – Dole Building, North Loop Warehouse Historic District, Ward 7
Certificate of Appropriateness to allow for demolition
Action: Demolition application denied

TRANSCRIPTION

Acting Chair Crippen: Mr. Schaffer, our final item for the evening, 321 2nd Avenue North in the Warehouse District.

Staff Schaffer: Commissioners, Chair Crippen, before I start I'll just call your attention to the materials that the Clerk just passed out. It's a package from the applicant. I received a copy of that as well, I have not familiarized myself with that yet, as it was dropped off right before the meeting. I'll let the applicant speak to that when they have their turn. I'll just call your attention to, I believe you were handed out another piece of information that was a correspondence between the applicant and myself, a fax, and material from yesterday, and an e-mail response today regarding the transfer of development rights in cases where it has been done before in Minneapolis. Just wanted to make sure that was there as part of the record and we'll dive right into it here.

The subject property, the applicant is proposing to demolish the subject property. The property is located at 321 2nd Avenue North, here on the corner of 4th Street N and 2nd Street here. It's actually near the off ramp from 94 and 394 as it comes back into downtown. The address of the building for tax paying purposes is 321 2nd Avenue N, our records have indicated as anywhere between 301 and 321 2nd Avenue N and the National Register of Historic Places nomination for this building recognizes the subject property as having an address of 124-130 40th Street N. All those addresses correspond to this one building, the Dole Building. It's historic name is the Dole Building, commonly known as the New French Café Building or the building that held Urban Wildlife if you went to eat or drink. The Dole Building is a contributing structure to both the North Loop Warehouse Historic District and the Minneapolis National Warehouse Historic District. The applicant again is proposing to demolish the building and build a three story structure on the property. Again, here is the boundaries of the Warehouse Historic District and here is the subject site. Here is the boundaries of the National Warehouse Historic District, as I think many of you are aware the boundaries of the Local and the National Warehouse District are not the same. In this situation, both districts cover this property. The property is here in this location and again here in this location. To give you a little bit of visual reference, this is not

included in your staff report but hopefully just helps to identify the location for you a little bit better. The location again is here on 4th and 2nd Avenue N – it's this white building here. Across the street would be I think the A parking ramp and below is the cut for the railroad and ramp C. To give you a little bit of a description to the building to help you understand the structure, it was built originally in 1887 by A.M. Dale to construct a 40 by 138 foot store designed by W. Murther. The structure had some minor alterations in 1909 and then in 1912 it had a significant alteration. A 66 by 135 ft addition was designed and then built by Charles A. Bergen. That resulted in what you see now today, the two story rectangular building. It's a simple commercial style building covered with white-glazed brick and features Chicago windows and a projecting cornice. Some of the store front windows have been altered but the original scale and rhythm of the façade still remains intact. To give you an idea of the size of the area, the parcel is approximately 10,692 sq ft, has 170 ft of frontage along 2nd Avenue N and 66 ft of frontage along 4th Street N. The two-story structure contains approximately 19,602 sq ft of gross building area. The first and second stories each have approximately 8900 sq ft and has a partial basement that has about 1700 sq ft. The building is currently vacant, the most recent tenants of the building as mentioned before include the New French Café, also the Urban Wildlife Bar and Grill, an art gallery was also housed in the building and also various office uses on the second story. In fact I actually had an interview in one of the offices on the second story about 8 years ago, just a little personal caveat.

The Minneapolis Code of Ordinances, Title 23, Chapter 599 of the Minneapolis Heritage Preservation regulations state that before approving a Certificate of Appropriateness that involves the destruction in whole or in part of a landmark or property in an historic district or any nominated property in an historic district or nominated property under protection, the commission shall make findings that the destruction is necessary to correct unsafe or dangerous conditions on the property or that there are no reasonable alternatives as to the destruction. When determining the reasonable alternatives, the commission shall consider but not be limited to the significance of the property, the integrity of the property and the economic value or usefulness of the existing structure, which includes its current use, the cost of renovation, and feasible alternative uses. Also the commission has the ability to delay the final decision for a reasonable period of time until all parties interested in preserving that property have reasonable opportunity to act to protect it. So with that staff report and my presentation will follow kind of the ability of the integrity of the structure and the economic usefulness, the applicant has had professionals write up materials which were included in your packet and will be addressed by me today.

Just to give you a little bit more of a visual street level view of the structure. This is the 4th Street view, this is the corner looking down 2nd Street, and here is 4th Street or 2nd Avenue N and here's 4th Street. This again, this is 2nd Avenue N façade, and another picture. There are numerous pictures in your staff report and I believe they are all in color so they are easy and good for you to look at.

Speaking of the physical integrity of the property. In January 2008, Stroh Engineering provided the owners of the property with a structural inspection report, Attachment A in your staff reports. The report investigated the conditions on the main floor, the second floor, the roof framing, and the exterior brick walls. The report concluded, and I quote, "the building is in poor structural

condition.” And that renovation “will require extensive structural remedial repairs.” That report goes on to outline that the work will be needed to the foundation, replacement of the main floor joist framing, strengthening and repairs to the second floor and roof framing, extensive brick repair and replacement due to moisture damage, and tuck pointing and window replacement. The engineering report did not evaluate the roof as the roof was covered in snow, but staff looked at past building permits and found in 2000 a new rubber roof was added to the structure. So staff’s interpretation of that, understanding that the roof is in fairly sound condition, the life of a rubber roof should be more than just 8 years.

To speak to the condition of the building, the current owners of the building, Marquee Properties purchased the property on October 10, 2006 from 2000 Wyman LLC. Since this time, nearly two years have past, and no building permits have been applied for on this structure. Chapter 599.6660 of the Minneapolis Code of Ordinances states that no person with a legal or equitable interest in a landmark property in an historic district or a nominated property under interim protection shall permit the property to fall into a serious state of disrepair or to remain in a serious state of disrepair so as to materially impair the integrity of the property or the historic district. We cannot fully assess the fact of the current condition of the property under the current owners of the property as they acquired it two years ago, but looking at building permits, there is no evidence that the property owners have moved forward to stabilize or protect that structure. In the pictures they did include some of the concerns brought up that the floor joists are in a rotten condition and they are sitting in some areas that seem to be quite closed and what would be soil or some footings. The structural engineering report, again, outlines that more thoroughly. If you wish I could dive into that but I will move on to an economic value of the structure and we can come back to that if there’s questions.

In 2006 the Marquee Properties LLC purchased the property from Wyman LLC. They also purchased at the same time 118 4th Street N. These two properties were purchased together for \$3.2 million. To draw your attention to what that building is, 118 4th is the building next door immediately adjacent. That building is currently occupied by Sawatdee and a few other office spaces and I think Koyi Sushi are current tenants of that structure. According to the Hennepin County Assessor’s data the assessed value of this property is about \$1.5 million with an estimated value of the land at approximately \$800,000. The estimated market value of the building at \$773,000. The applicant has included in the staff report an economic feasibility report which was prepared by the Herman Group for the applicant on June 3, 2008. That report is attached, and there are highlights in the staff report. I’ll just quickly touch on those highlights. That report was done for the idea of a “shell” finish. The idea of a shell finish would be that the exterior would be repaired and it sounds like HVAC would be secured and the interior build outs for the tenants would have to be done after this work, so it was not concerning interior build outs. The evaluation is based purely on a bar and restaurant use and not any other uses. For the basis of this study, the appraisal determined that of the \$3,297,000 purchase price of this property along with the other property, \$800,000 of that purchase price could be assessed to this property. The study states that this structure contains approximately 19,602 sq ft of gross building area and the first and second stories have 8900 sq ft and a basement of 1700 sq ft. They assume that the net rentable area of the first floor and the second story would be 8500 sq ft and 8000 sq ft respectively, for a total of about 16,550 sq ft of net leaseable space. Why they talk about net

leaseable spaces, that's how they came up to the analysis of what this building is worth, they used an income analysis approach which is a standard approach used for evaluating whether or not a project is economically feasible.

Commissioner Morse Kahn: Mr. Schaffer, excuse me for interrupting but are you referring to revenue from a new structure that would replace this or the possibility from the current structure.

Staff Schaffer: Chair Crippen, Commissioner Morse Kahn, the current analysis is purely on the existing structure and the renovation that would be done and what they feel they could recoup from those costs of that renovation.

Commissioner Morse Kahn: Thank you.

Staff Schaffer: Attachment C in your staff report is a renovation cost estimate which was prepared by NAI Architects, which was done December 2007. This report concludes that the second floor is designed for office uses and does not have a load capacity to support the restaurant or bar use without being reinforced. The same was thought about the roof, the load capacity was meant for an office which I think was about 40 pounds per foot and would need a 100 ft load support a restaurant use. The overall construction costs to do the shell finish for the two story with a rooftop bar and deck was about \$1,849,000 is what they assumed or bided out for the construction costs from NAI Architects. The appraisal states that the proposal would have an annual net operating income, this is again based on the leaseable square footage of the building, that the annual net operating income would be about \$216,000. This was based on the following figures: the first floor tenant space would go for about \$14.50 per sq ft; the second floor space would be \$12.50 per sq ft; and they propose to put a basement tenant in this area and that would be \$8 per sq ft. In your staff reports it's called B21 by my numbering but also L on the attachments under attachment C. It's just a quick analysis on how they came to the figures they had done. The appraiser concluded that after the renovation the market value of the subject structure would be approximately \$1,970,000. The way they calculated that figure just to kind of spell it out, because I actually had to learn all about the income analysis approach to really do any analysis on this and work with our partners in economic development who also reviewed the numbers with us, that they assume that the \$216,000 annually, the capitalization rate would be 11%, so you basically divide the \$216,000 by 11% and you come up to what the value of what that building would be. They came up with the idea that was \$1.9 million roughly. The appraisal states that the cost renovation would be \$1,849,000 and then add the allocated costs of purchasing the property already which is about \$800,000 which was an assumption that was made by the Herman Group. So the total cost of the renovation in their eyes was \$2,649,000. The report concluded that the property has a negative indicated value of -\$679,000. This is the difference between the renovation costs added to the acquisition costs versus what their income analysis approach showed at \$1.9 million. So the report concluded concisely that the proposed renovation of the subject property is economically infeasible. I'm sorry to dive into the details of this but this seems to be the merit of a lot of the applicant's position for the demolition, so if there's questions, please ask and I'll do my best to answer.

Staff has a variety of concerns with the analysis, or the feasibility report. First and foremost, the feasibility report is based on a bar restaurant use that uses the first and second stories and even the rooftop. This proposed use requires the increased support of the second story floor and also the rooftop floor to support the intended occupant loads, which actually increases the cost of renovation. While it's not particularly called out, you can look at the cost breakdown in the NAI report and there seems to be substantial increases in what that cost would be. The applicant has not provided any other feasibility analysis based on any other uses for this structure.

Second, the subject property is a contributing property to the National Warehouse Historic District. As such, as many of you are aware, contributing properties are properties eligible for a 20% national tax credit. That tax credit was not considered in this analysis, but based just on pure numbers estimated by NAI Architects, that 20% tax credit could provide nearly \$370,000 to the property owners, which either could offset their own owner's property tax or sold on a market to raise revenue for the project. Again the federal tax credit has not been considered in the feasibility analysis.

Third, the economic feasibility analysis includes acquisition costs in determining the feasibility of the proposed rehabilitation. This cost, \$800,000, needs to be factored into the cost of new construction as well. So including the 20% tax credit the proposed cost for the renovation, or deducting the benefit from the tax credit purely on the numbers they've shown us shows that the cost renovation as proposed to be \$1,480,000. The applicant stated they propose to construct a three-story structure on the site. I will show you a rendering of that shortly. The applicant has not provided staff with the cost to construct that new, even a new two story structure is to be similar to the existing structure, or the cost to construct that three story structure as well. Any new construction costs would also have to include the cost of demolition of the existing structure in the feasibility analysis. So any work that they would do to provide that would also have to include that demolition cost.

Fourth addressing the economics, the subject property has the ability to apply for transfer development rights, TDR, is what it's commonly known as. The purpose of the transfer development rights process is to allow for historically designated properties to sell their remaining floor area ratio, which is the remaining bulk that building could build under the current zoning ordinance that would be left on the property based on what's currently there to help offset the rehabilitation cost of that structure. (?) is not included in the analysis of this tool, in their evaluation, or the economic analysis of the structure. Some of the information that I passed out today, which was the fax, e-mail, and correspondence back and forth with the applicant, was about have transfer development rights been done in the past in Minneapolis. Usually we have in the downtown zoning districts we don't have a maximum height, we have what's called a maximum floor area ration, which is the maximum, I guess the maximum bulk you could build. The base standard is 8. So if you cover the lot completely, you could have 8 stories. If you cover the lot half way you could have 16 stories. There's tons of bonuses that are available and one way to do it is through a TDR process where you take that right. So if this property had a floor ration of 6 to transfer over and sell they could add that to a new project going up in downtown. That would allow that to be increased. The zoning ordinance caps out, I'm not sure if it's 8 stories in this instance, but I believe it is as a base. So that if a new building

was constructed, not in an historic district but in one of the downtown districts, a zoning district along Nicollet Mall or other places it could be added. The example that was included in the correspondence between the applicant and myself was addressing the Nicollet project which was on the corner of 10th and Nicollet Mall where they actually used part of the floor/area ration from the Handicraft Guild Building next door to increase the floor/area ration of their structure which ultimately increased the height, one of the reasons the height was proposed.

I'm sorry if that confused you, I went down to minutiae but I just wanted to make sure that was explained thoroughly because I know the applicant has had questions about it as well. So moving back into the staff report, the usefulness of the existing structure. The subject structure is a two-story commercial building. Historically it has housed a variety of uses but most recently it housed restaurant and bar tenants on the first floor and offices on the second story. The structural engineering report states that the foundation is in need of repair. On the first floor, framing is in poor structural condition with some of that rusting and showing in the photographs what looks to be soil on the ground. Other than the two items really listed under structural conditions, the focus of that report addresses mainly the cosmetic and accessibility problems of the building and the ability of the structure to hold the proposed loads of a full restaurant and bar use on all three levels of the structure. The NAI Architects report on the economic feasibility analysis only consider a full restaurant and bar use in the entire building. The applicants do not include any analysis of any alternative uses. The applicant's analysis has illustrated that the cost to renovate the building for the proposed use as a two story bar and restaurant with a rooftop deck is significant but the applicant failed to provide substantial evidence that the structure is not useful for the requirements of our consideration for demolition or destruction. Staff believes while the structure exterior is in need of repair and obviously the structure is in need of modernizing, the structure is still highly useful and can accommodate a variety of commercial uses.

So what is the applicant proposing? The applicant has submitted the following rendering for the proposed project. These are the proposed changes to the site, so the proposed structure would be demolished and this rendering has been submitted as a potential idea of what they would construct on the site. The applicants state they intend to build a three story structure in the place that the Dole building resides. The applicants submitted a rendering but has not submitted any other specific information regarding this project. The submitted rendering does not show how the proposed structure replaces the fabric or character of the surrounding properties or district, how it relates to the district guidelines, the Secretary of the Interior standards, or the specific site conditions or layout. The submitted rendering of the proposed structure is exactly that, a rendering. There is no guarantee that this will represent the design of the structure that the applicant would pursue.

I'll move onto findings quickly and then move to staff recommendation and then open it up to questions.

1. 321 2nd Avenue North, the Dole Building, is a contributing structure to the locally designated North Loop Warehouse Historic District.
2. 321 2nd Avenue North, the Dole Building, is a contributing structure to the nationally designated Minneapolis Warehouse Historic District.

3. The Dole Building is a significant structure to the Warehouse Historic District. The two-story white glazed brick structure is representative of structures that were constructed to support the Minneapolis warehouse industry and its employees. It is critical to the character and fabric of the local and national Warehouse Historic Districts.
4. The current owners, Marquee Properties LLC, purchased the property on October 10, 2006 from 2000 Wyman LLC. Since this time, nearly two years ago, no building permits have been applied for. While the current condition of the building cannot be fully attributed to the current property owner, the current property owner has not pulled a building permit for work to stabilize or protect the structure.
5. The rehabilitation of the structure is eligible for a 20 percent Tax Credit through the National Parks Service.
6. The applicant's economic feasibility analysis does not consider the financial benefits from the use of historic tax credits or the Transfer of Development Rights. Nor does the applicant's analysis include an evaluation of constructing a new similar structure with the cost of demolishing the structure.
7. The analysis provided by the applicant only evaluates the building for a two-story restaurant and bar use with a roof top deck. The analysis does not provide a cost for rehabilitation for other uses or an economic feasibility analysis of other uses.
8. The applicant's analysis has illustrated that the cost to renovate the building for their proposed use as a two-story bar and restaurant with a roof top deck is significant, but the applicant has failed to provide substantial evidence that the structure is not useful. While the exterior of the structure is in need of repairs and the structure is in need of modernizing, it is still a highly useful structure that can accommodate a variety of commercial uses.

So with that Staff recommends that the Heritage Preservation Commission adopts staff findings and deny the demolition permit for 321 2nd Avenue N. I'll open it up to questions.

Acting Chair Crippen: Thank you. Commissioner Morse Kahn?

Commissioner Morse Kahn: Mr. Schaffer, would it be fair to say that a significant number of the buildings in our doubly designated district have required extensive restoration, repair and stabilization for use and they are in good working order today?

Staff Schaffer: Chair Crippen, Commissioner Morse Kahn, I think that would be a fair characterization of many of the structures as they have gone through the rehabilitation. A lot of the structures, again, were warehouse historic structures or other supporting structures of the warehouse district, which is why they were nominated and designated that way. Again, adaptive reuse is something we always encourage to make structures useful.

Acting Chair Crippen: Commissioner Elliott?

Commissioner Elliott: I had a question about the history of the building that you went over in the beginning, and I'm just ahead a little bit because I thought that I read somewhere further down the line in our documentation that this had originally been a one story building? There's two things, you mentioned one a 1912 expansion and then there's this issue of the second story.

Do you have any further clarification on how the building started and how it got to where it is today?

Staff Schaffer: The historic building permits show that it was once a 40 ft by 138 ft structure, so if you look at the lot dimensions that 40 ft would likely be what faces forward and would be running depth wise. Again, a 66 by 135 ft addition was added. I believe that addition likely could have been a two-story addition but it was not very specific. The façade that we see now is representative of 1912 and those changes, which is still well within the period of significance for both the national and local historic districts, and the building was evaluated as a contributing structure for both those districts with that knowledge well known how it had been constructed. So I can't speak to how that might be engineered over time, which may be what your point was.

Acting Chair Crippen: Commissioner Anderson?

Commissioner Anderson: Mr. Schaffer, is this in the North Loop neighborhood district?

Staff Schaffer: I believe, yes it is. It's bordering ... and I believe also adjacent to the Downtown West neighborhood.

Commissioner Anderson: Has the neighborhood taken any position on the demolition?

Staff Schaffer: They've been notified but I have not received any correspondence from the neighborhood on the demolition at this time.

Acting Chair Crippen: If there are no further questions for staff at this time, we'll open up the public hearing. Anyone who wishes to speak to this application, please come forward.

Richard Snyder: Good evening, I'm Richard Snyder, representative of Marquee Properties, the owners of the subject property. And also owner of the adjacent building that was mentioned, the building in which Sawatdee is located. That building is not an issue in this, that building is in much better condition structurally and is being rented and is an economically useful building. This building, unfortunately, is not economically useful. The focus of this application today is really on the economic value and usefulness of this existing structure. Before getting into it I should point out that I do have other people that are going to be talking today, people that have prepared the reports. With me are Bernie Stroh who did the structural work, he is going to speak next. Ken Nordby is the president of NAI Architects who did the cost estimate for repairing the existing building and Jim Wise is with the Herman Group and did the economic analysis of this. I should also point out that today we, after getting the staff report which indicated that we didn't look at certain things that staff felt was appropriate to look at, that we did have these gentlemen look at those issues and that is partly why what has been handed out to you today, and I understand you haven't had an opportunity to read it but all of those issues really are addressed in what has been handed out to you included the other uses of the building, using it instead of for a restaurant and bar for the entire building, to have existing office space used as office space with commercial or restaurant space on the first floor, so there is an addendum to the economic report that talks about that. The result of that Mr. Wise will address, but in a nutshell it has not

improved the economic performance of this building, in fact following that option would result in an even worse financial outlook for the viability of this building. One of the categories that the Commission must consider under the ordinance is the economic value and usefulness of the existing building. The criteria that staff mentions is that the building can be demolished if there are no reasonable alternatives to the destruction and then lists three factors that have to be considered in making that determination.

The first one is the significance of the building. This is, as I understand it, some sort of sliding scale. You look at how significant this building is in the overall scheme of the City and the district. Obviously historically designated landmarks would be the most significant and probably at the lower end of that scale non-contributing buildings in a historic district would be at the lower end. This building is somewhere in the middle. It has not been designated as an historic landmark and would not meet the criteria in the ordinance for doing so. It is however in an historic district, on the outer boundary of the district, Minneapolis's district which ends on 2nd Avenue, right across the street from the parking ramps as the photo indicated. The 1978 designation study that was done for this district identifies the theme of this district as being the wholesale trade in Minneapolis that arose between the 1890s and 1920 and the warehouse structures that were built as part of that warehouse trade. This building is not a warehouse, I think staff indicated that it was, it's not a warehouse and it never has been a warehouse. But it was in existence during that timeframe. So I think that there is a credible argument that even though that designation study from the City never identified this as a contributing structure, I think in fairness it probably got to be considered a contributing structure to the overall district that's in place.

The second criteria is the integrity of the property. We have the report from our structural engineer who will talk about that more and the condition of this building. It is in poor structural condition, there is a tremendous amount of work that needs to be done to make it a usable space. It's been really, no significant money has been put into this thing during prior owner's uses and the thing has deteriorated. We'll talk about that a little bit. But integrity I think also somewhat refers to the integrity from an historic perspective as well. This building was, it's not in the original condition it was built in. But staff is right in that the second story was added during that window period, 1890-1920 period of the theme of the warehouse district. Integrity also I think in a property that's in a historic district applies to the integrity of that district itself, as does the, it raises the issue of whether demolishing the building would somehow harm the sense of being in a district, which is important. This is the context, this is the background for the district. I think mitigating that issue somewhat is that fact that this building is on the edge of the district and also mitigating the fact somewhat is that the replacement building that is going to go in here will be designed in a way that it will not stick out as something that is inconsistent with this particular district. Obviously the HPC will have the ability to ensure that fact, through design reviews for any replacement structures that go into this and the owner is obviously happy to work with the HPC to achieve those issues. What we are showing to you is really just a concept, it's nothing more than that. If I looked at it, I would immediately make some changes to that. Instead of rounded windows, I think square windows would be more appropriate for the district, and color of bricks and all that sort of thing would have to be determined. But the point of this is that the HPC will have the ability to make sure any replacement building will not stick out as being

something inconsistent and will minimize any effect losing this building would have on the sense of this being a district.

The third factor is the most important and that's what we spent most of our time in the materials submitted in discussing the economic usefulness of the structure. The factors to evaluate there as identified by staff is the building's current use, first of all. Second of all, cost of renovation of the building. And then feasible alternative uses. The reports that we have submitted and the addendum that we have submitted address all of those issues. And I'm going to not speak further on that but turn the mic over to the parties who put together the report to address those various issues.

Commissioner Morse Kahn: I have a question. Thank you.

Richard Snyder: Oh, I would like to make a couple comments at the end too, after these gentlemen speak.

Commissioner Morse Kahn: Yes, in our materials it is noted that (tape gap) the design for the new building, if you went to the alternative shell would the exterior have a similar appearance to this new building's sketch that you showed us?

Richard Snyder: The shell, what that references is that the building is going to be rehabilitated as is with the necessary things that have to be done like replacing the floor on the first level and doing other, fixing bricks, but it's going to be rehabilitated to a point where it would be available for a tenant to move in and for the tenant then to spend money to finish the build out on it. So when we say shell finish, what we're talking about is that it's not in move in condition but it's in a condition that whatever tenant wants to build out the rest of it can do so.

Commissioner Morse Kahn: Thank you, I'm one of the few non-architects on the commission.

Bernie Stroh: Members of the board, my name is Bernie Stroh, I'm a practicing structural engineer and I did the report that these gentlemen requested back in January. I've been practicing as an engineer for about 33 years, most in Minnesota. I was also a tenant in that building for three years, from 1998 to 2001 upstairs. I found the building to have, while serviceable at the time it doesn't work well to have an office on the second floor above a bar and restaurant. There's numerous issues with that, I mean obviously there's really no separation. I don't really want to dwell on that because that's not my forte, but the building has some severe structural problems. The exterior walls of the building are not merely a façade, they are the load-bearing walls to the building. The problems that you see on the outside are much more evident on the inside of the building. There is efflorescence on the walls, it's a very soft brick and it appears, it looks like mold on the inside. It's a very crusty surface when you look at it closely. Any reuse of the building would require probably an extensive analysis of the brick work itself, cores taken of the brick to evaluate how bad the problem, the moisture problem, is. Typically we see these kinds of problems, I've worked on many many historic buildings in both downtowns for decades, so I've seen these types of problems before and they can be corrected but not without extensive investigation and addressing the moisture problems in that building. Typically it comes from the

parapet when you see problems of this nature. The building does not have a main floor. For many years I frequented the bar downstairs like a lot of people did. It's a wood floor and it looks great, but underneath it's all dirt. The floor is literally on dirt, there is no what you consider a main floor at all. So any renovation of the building would require that to be totally removed and probably even checked for soil contamination and then of course get the floor replaced. The upstairs floors are roller coaster, which many old buildings have roller coasters floors. They're not even by any means, and that indicates to me that there's probably been some undersized footings and the building has settled. And not necessarily an indication of a building that wouldn't function in the future, but an indication that any reuse of the building other than for its past use would be difficult without major upgrade of the foundation system of the building. Which gets into temporary shoring and stabilization of the building while that work is ongoing. Certainly could be done, it's an extensive and costly process. The floors, as my report indicates, I don't want to paraphrase or read the report, but the floor is designed for an office occupancy on the second floor. It's pretty much maxed out at that. You couldn't even do any major re-leveling of the floor with a topping because the floor wouldn't be able to carry the weight. The main floor, of course, once it's repaired, can support any kind of a usage or occupancy. The roof, we had numerous leaks inside our space which is on the second floor. There is areas that are covered with an old tin ceiling. We had leaks constantly. We had buckets to catch the leaks, so we know that there's probably moisture damage in the roof joists, which we really didn't look at in this evaluation, but we suspect it and I've looked at enough of these old buildings to know that there's probably damage to the roof that could be repaired and it may not be repairable easily. The building has no serviceable basement per se, it's just a mechanical space so there's really nothing as far as a useable basement area as such. I shared a space with an architect and several other people. We paid a very low rent because the building really wasn't really worth much more than that for that purpose. The outside of the building, obviously anyone that would walk by the building could see that the building has issues. It's got single pane glass, the windows rattle, no flashing, the brick needs repair. The brick is not readily available so it would take some major architectural, jump through some hoops to make this building look decent in the future for any particular renovation if the building would remain. That's pretty much my take on the building having personal experience with it over the last several years. I welcome any questions, either now or later. Thank you.

Acting Chair Crippen: Looks like none at the moment.

Ken Nordby: Mr. Chairman, members of the commission, I'm Ken Nordby, NAI Architects. We were retained on this project to evaluate the building from a standpoint of putting in a bar and restaurant. We have extensive background in that field so we went over and looked at the building. I'm familiar with Mr. Stroh because we used to use him as structural engineer when he was in that building, so we were somewhat familiar with the building. I guess literally we were a little bit shocked when we went into it to actually do the review as to what it may take to put that together. Our first report did a little bit of a study as to what we thought that it would require in order to make it a feasible bar and restaurant. One was to create a little bit of additional space, and that was the lower level. We can't with the rates today on square footage rent or leases, we can't afford to put some of the facilities on the first floor, the main floor, of a building such as walk-in coolers and mechanical systems and things like that. So we intended to actually create a

sub-structure, a basement. We found out in examination of that building that virtually the walls have little or no footings. The columns that are in the building have little or no footings and were virtually only about a foot below the floor's surface that is there. Not that that is necessarily bad if they are supported right and they have the right footings, but these particular ones do not have the right footings. There is some real deterioration of the footings in our examination. I think some of your pictures also you had shown and Mr. Stroh alluded to that, that the floor joists, the wood joists, we all have them in our home and we have a sub-floor on top of it and a finished floor on top of that, the wood joists in this particular area are set into the soil, they are not above the soil, it's not a crawl space, it's nothing that can be aerated, it's nothing that can be dried out. So if moisture gets in there, the wood joists sit in soil itself. We did some examination of that and we were able to virtually take off about a third of one of the joists just by rubbing it with the edge of our tape measure, so there is significant damage. But anyhow, it was our intention that we would actually create a basement, either a partial or a full basement, and that we would replace the floor. To carry further, we looked at the second floor. Mr. Snyder indicated that the second floor, in fact I think staff did, second floor requires a hundred pound per square foot loading for a commercial space, a bar/restaurant etc. The examination and through structural determination, the second floor of the building is between 40-60 pounds value per square foot, rather than a hundred. So we had to go in there and do some additional shoring. I don't know if anybody has had a chance to go into the building itself, but there are significant columns in the building already for the structural systems that are there. We were going to actually have to increase the size of the columns and do some what we call branch structural to the beams that are there, enhance the beams, or put in additional columns, which would have made the first floor a little bit more, not as useful as we would have like it, but it could have been done. This would have reinforced that. Secondly, besides the second floor being used as part of the restaurant we were going to go to the third floor or the roof as such and create a rooftop deck, and I think maybe some of you have seen the Our Norman's and things like that that are here ... Stellas. Maybe we weren't going to do that extensive of one, but we were going to do it. The trend right now for that is very high and with the no smoking etc it's almost a must that you get some type of outdoor seating or useful area for the bars. That in consideration, that portion of the rooftop on this here would have had to be increased to 100 pound live load. Also the mechanical system which is now in a boiler which is in a tin shed on the back of the building virtually with a sub-basement in it is not really conducive to the type of mechanical system that we would have in a building today with the air conditioning we need, with the makeup air that we need, with the fresh air, etc. So we were actually going to have to put new units up on the roof of this here building, HVAC we call it, heating, ventilating, air conditioning units up on the roof. Again, we were led to believe that the roof structure that is here right now would probably not take those particular loads. We may have to go and put in some beams from outside wall to outside wall to carry those particular units. That being said, we're back to the outside walls of the building. The outside walls of the building as Mr. Stroh alluded to are virtually structural walls that are almost non-structural. If you look at the deterioration of some of the brick that we have there, and I believe your packet had some that showed the brick falling out, etc., those bricks can be or bricks can be put back in if we can get the bricks. If you had a chance at all to read my second addendum to this here, which we actually addressed the possibility of utilizing the building for offices on the second floor or some other use on the first floor. You will also notice at the end of that particular addendum that we did some searching for replacement bricks for this building

which is a white glazed brick, but being a soft brick it's almost a Chicago common type brick, we've struck out so far. Now that doesn't mean we can't find them or have them made to actually repair what's there, but it's going to take some extensive work. Secondly it's piece work so it's going to be very expensive in order to replace those because we're not going to be able to have them do a full kiln of that particular brick, we're not going to have a car load and things like that. We weren't aware of the efflorescence that Mr. Stroh talked about, we just saw the visual evidence of some of the sagging areas around the window sills, some of the deterioration of the brick itself, some of the bricks falling off. We mentioned in our report the extensive tuck pointing, I think we had an error in there we talking of tuck painting I think, in our first report rather than tuck pointing. All leading to the cost that it will be to renovate the building. When we renovate the building into a shell type atmosphere, and I think you asked a question on that, we were going to leave the exterior of the building as it is. We weren't going to touch it with the exception that we had to, the cornice at the top the cornice at mid level, were going to have to be virtually be replaced. Some of that is turn metal covered, which has deteriorated over the years some of it has been re-flashed with some other metal, galvanized metal, that has deteriorated over the years, so virtually it was going to have to be replaced along with the extensive work on the brick. The main flashing up at the top of the roof is gone and I realize he did a rubber overlay, but the rubber overlay did not come up over and under the flashing that is there, so that would also have to be redone. We talked about the windows that are single pane windows, and I realize that in the historical district we may not be able to go in with the full aluminum windows and that really wasn't our intent. We would probably try and do a wood replacement window but it would be a thermopane or insulated type glass replacement window. Whether they be the large panes on the first floor or double hung windows on the second floor. So we were going to try, in our report, we were going to try and keep the integrity of the building. In order to do that, the cost to do that really got extensive and I can't address the economic results of, we can say it's going to cost this much, Mr. Stroh can tell us how we can do it structurally, and go from there, but we can't address whether or not it's a viable fix as far as making money for the owners once this is done. Mr. Snyder mentioned the sketch that is put into this here, shown to you. This is strictly some window dressing, it's not intended to be a building that would replace this building if this building was torn down. Yes, it may be a three story building if it was allowed. It may only be a two with a roof deck, but if we were going to go through that expense and the indication that we got when we were examining the restaurant and the type of restaurant the owner was talking about, it may be very feasible that he would want to do three floors and virtually maybe have some type of open atrium area between the first and the second is what was talked about and that's the reason we're talking about three floors. That would not be done if we were able to renovate the building that is there. We can't do that, but that was the intent. So again it was giving to the owner not necessarily for the intention of the commission here as far as this is what we'd like to do. I think the intent here is we are trying to show the commission that the building is really not a viable fixer upper so to speak, if I put it bluntly it's a very tough building to work on. We have done a lot of renovations over the years. I've had my company since 1971. I would say that probably 45% of our work has been restoration of existing buildings, in other words whether it's the existing use carried forward or it's a new use, a new occupancy that I mentioned in our deal, but we try to save the buildings. In today's market if we can save the buildings usually the cost enhances the end result. In this particular case, I think the cost that

happens here is going to be a negative to the end result. If you have any questions, I'd be more than happy to entertain them.

Acting Chair Crippen: Yes, Commissioner Mack.

Commissioner Mack: Mr. Nordby, I'm wondering if you could tell me what the proposed renovation costs per square foot would be?

Ken Nordby: Well on our first go around, renovation costs we were looking at to put it into the vanilla shell was about a million eight five, I don't have the exact number with me, but about a million eight five. And that was bringing it up with an elevator but with the basement and re-supporting the roof for a roof deck structure. If you noticed in my second report, my addendum, I talked about that. Because it is an existing building, we may be able to get by without having to put an elevator and making a second floor accessible. Because there are some exemptions for existing buildings. However, at least at my age, if I'm going to rent on a second floor, I want something to carry me up and not necessarily walk up. So how viable is a second floor office structure today without the elevator, so we included the costs of the elevator in our report.

Commissioner Mack: Have you calculated with the square footage that exists, that you would create in the building and the cost of renovation, what the per square foot cost would be of the renovation?

Ken Nordby: Well, again, we used the figure of about \$60, in the first report I think we actually had about \$70 per square foot because of the reinforcing and then we had the basement in there that's not in the second report for the first floor. And then I think we were at I believe \$42 per square foot for the second floor but again added some dollars to reinforce the roof. On our second report on our addendum I believe we used a \$60 per square foot cost for the first floor, \$40 for the second floor but then we had to go back, as we did on the first one, and add some mechanical for heating and air conditioning. Although if we are not using it as a restaurant, the building as a total restaurant, our mechanical costs go down. We don't need as much makeup air, we don't need as much air conditioning for office uses as I would do for restaurant use, because I don't have the air changes that is required. So we were able to hold those costs down, but then I also added as a footnote the cost of the elevator. Because even though it may be exempt, it's not a viable building without an elevator in today's market.

Commissioner Mack: How would that compare to the cost of a new building per square foot?

Ken Nordby: Well it's actually less than the cost of a new building, but the new building is going to be designed so that we don't have to do the reinforcing. We don't have to worry about the stairways. In fact if you would examine this here building's stairways that are there, they are not only inadequate they are against code. Our renovation of this particular building we would change the stairways. One of the stairways which is a second stairway doesn't even leave to the outside. You have to go through the first floor to get out, which is against the codes that we have today. We were going to have to create, if we did the second option, an office on the second floor, we were actually going to have to take some of the first floor to create a hallway to extend

our exiting purposes out of the building, and that is not exempt from the codes from an existing building.

Commissioner Mack: I guess just in my figuring here, if you took really round numbers of a million nine hundred thousand for the renovation and about 19,000 square feet, usable square feet, that it's about a \$100 per square foot, am I right about that?

Ken Nordby: It's about a \$100 and that's where the 60 and the 40 come from that we had, but I believe that our, I don't know where the 19,000 sq ft come from, I think our figures are closer to about 17 something. I think we excluded that metal building and machine shed that's out in the back.

Commissioner Mack: That might be gross rather than net, but I curious just what kind of ball park figure cost of a new building would be

Ken Nordby: A new building for a bar and restaurant right now we're looking at about two and a quarter. \$225 per square foot for a new building, plus and I think it was mentioned before we would have the cost of tearing down the existing building which would be beyond that. So there is an extensive difference but we have a building that is going to be safe and sound.

Commissioner Mack: Thanks.

Acting Chair Crippen: Commissioner Morse Kahn?

Commissioner Morse Kahn: Thank you Mr. Nordby. I greatly appreciated your summary review of the issues in this building. Would you permit, would it be fair to say if I reduced it down to three short phrases what we have inside an historic district is a badly designed building with sub-standard specs built on the cheap?

Ken Nordby: You're putting me on the spot. I don't think that the building ... architecturally ...

Commissioner Morse Kahn: It's not so much the cost, but it's a bad building.

Ken Nordby: Architecturally, I don't think the building is a badly designed building. From the outside, when that building when new I think it fit in very nicely. It was an alternative use to the warehouse district and probably served the warehouse district very well. Whether it was a grocery store or, we were led to believe at one time that it was an automobile garage in there. And I think that was in my report, that we may have some phase two considerations to look at for the dirt. So, the building itself had some architectural value in it, but to restore this building to get back to that architectural value is at what cost and then is it economically feasible for the owner of that building to do that and to keep it as that building.

Commissioner Morse Kahn: As a follow up then, do you believe as a professional, that you can restore this building to use? We're talking about load-bearing walls that don't bear. We're talking about brick that is very soft and possibly not replaceable even by an historic preservation

specialist? We've got problems with rot in the roof. In your professional estimation, and I am familiar with your firm and your work, is this building a building that one would want to try and rehabilitate? Would it be successful if you attempted it?

Ken Nordby: I think the building could be restored. Could it be restored for the dollars that we have in here? I think that I indicated that we were very conservative in our figures. But basically if it was restored again, would it be viable. If we're only restoring it to keep it as part of the historical area of the warehouse district but it has no economic value to the owner, then is it really a viable building within the district? I don't believe so, but we were retained to put some numbers together as to what it would take to restore it and some of our documentation didn't include a few of the things that Mr. Stroh had so it might go up higher.

Commissioner Morse Kahn: Thank you very much.

Acting Chair Crippen: Commissioner Kelley?

Commissioner Kelley: I just have a real quick, I'm comparing the two estimates, the first one for 1.8 million and the second for 1.2 and I just wanted to be sure I understood what was in and out of each. The 1.2 no basement, elevator in both of them?

Ken Nordby: Yes.

Commissioner Kelley: Ok, was there any other differences? Was it just the basement?

Ken Nordby: The structural reinforcing of the roof, because on the second one we didn't have a roof deck up there.

Commissioner Kelley: Ok, so those are the two big changes?

Ken Nordby: Those are the two things, the other though is from the time we did our first report, and we actually did our study of the first report in November of 2007 but the letter wasn't drafted until December. Since that particular time we took a 3.5 increase of the cost to do everything at this point also.

Commissioner Kelley: Ok, thank you.

Acting Chair Crippen: Ok, is there anyone else who wishes to speak?

Jim Wise: My name is Jim Wise with the Herman Group. Our job in this matter was to look at the economic feasibility of renovating the actual building. The way we approached this assignment was to take a very conservative look at it, erring on the side of preserving the building. So on our assumptions we looked to try to maximize the highest and best use of this building, the maximum rents that we felt we could generate. In doing that, in our report, primarily as the City has referred to, as our income approach. An income approach is a way to determine the value of the structure. In doing so, we set out to determine the highest and best use

to the building, and that highest and best use was to go with the restaurant bar on two floors with a roof deck. We looked around the neighborhood, what are similar uses, how would that fit, it's like the old saying you're not going to put a restaurant into necessarily an industrial neighborhood. Does the restaurant bar work best here considering the other uses next door, Sawatdee, I think Pizza Luce is across the street ... it really lent itself best to a bar restaurant from a highest and best use in terms of its surrounding neighborhood. There are of course offices in the area but those buildings typically are 4-8 stories in that district. Again, this is two stories and it's kind of on the back side. So we kind of considered all of that in the neighborhood as well as in looking at just a rent standpoint. What was going to give us that highest value when we go through that income approach. We determined at the time of our original report that it was going to be a restaurant bar. From there, we had to then set out to find what the rents would be. We talked to other brokers, we looked at our internal files for other lease comparable rents. In our business, we do appraisal work, we do come across rent rolls and we look at actual leases, and we were able to set forth and look at what we felt we could rent this space for as renovated in a shell condition. Again, in a shell condition we are excluding the tenant improvements, the actual build out of the restaurant space. In a large part that is determined by the lease. You know the lessee coming in who wants the space built on set parameters for what their concepts are and we really needed to back away from that, plus the renovation cost estimates were going to bring us to the shell. So we stopped at that point where these rents would be at before tenant improvements. We talked with brokers to see kind of what that would relate to per tenant improvements compared to their asking rates as well as the existing lease rates so that we could arrive at a net rental number. From that we then proceeded to do an expense analysis and determine the net operating income for the building. The next step as staff has indicated in our approach, we derived a capitalization rate. In doing so we looked to the market and we came up with a range for the capitalization rate and that range had an average of just over 11%. In our analysis we ended up using 11% at the time. The range was anywhere from 7% to 14%, we found 11% was the way to approach the capitalization rate which would bring it in underneath the average for full service restaurants. In doing that, we came up with an overall value of close to \$1,907,000 which equated to approximately \$79.84 per square foot of gross building area. It should be pointed out that our gross building area included the renovation cost of adding the basement space that does not exist currently. So we gave that value, we gave the second floor value as renovated for office space. So when you look at our rental numbers, we've concluded \$14.50 per square foot of net rental area for that first floor, \$12.50 for that second floor, and I believe \$8 per square foot for that basement in which we would house the entire kitchen and storage for the restaurant. Once we determined that overall value, we had to look to the costs of renovation. We relied on Mr. Nordby's report for the renovation costs. And second we had to take out the actual costs to acquire the building. Again, to err on the side of being conservative since we're concluding the building in its current condition has no value we allocated solely to the land's assessed value of \$800,000. Again, if we'd allocated more of that purchase price or gone to the assessor's value of a million five, it would just simply decrease that difference and make it that much more unfeasible to do this project. So again we wanted to be conservative and that's why we chose to use just the land's assessed value of \$800,000. Since that time of doing the report we had a chance to look at the City's analysis. One of the questions that has been raised was the issue of the tax credits and why did we not do that analysis. There is a couple reasons for it. One is it's a complicated process. We'd have to look at the actual cost of the

renovation and then we'd have to determine which costs would actually apply. Secondly when you apply the tax credits there's another piece to it, it also reduces your basis for depreciation purposes. Well the owner of this building then has less depreciation expense, so you have to adjust that tax credit to account for the loss of appreciate of expense and their return. And there's one other piece to it that said they'd have to hold it for five years to get the entire 20% otherwise you have to take it incrementally and we'd have to factor in a different set of analysis on how that would impact the value of that tax credit. The bottom line is even if you take the 20% of the million nine, it doesn't change our overall analysis. We're still \$300,000 deficient in this analysis which we concluded was it's highest and best use. So instead of spending the time to do an analysis that doesn't make sense in the end, we simply did not do it because in our report it just doesn't matter. The transfer of development rights was another questions. We went back and we talked to people who we use, architects, other developers, whom we asked the question have you used this, have you seen it, what's your take on this, is it something that's done? Their response back to us was no. We'd not done it, we don't know anyone who's done it. We proceeded to have the City answer the question and they came back with the Nicollet Towers project. It should be noted in the Nicollet Towers project, the Handicraft Building, is owned I believe by the same owner who is doing the project and it's an integral part of their overall plan. So it's not like it was somebody in the warehouse district who sold the transfer development rights to the Nicollet Project on the Mall, which seems to be the indication here is that there is a ready market for these development rights. And our analysis is that there is not at this time. So there is really no benefit to this project to sell those rights. From there the question was raised, and what we did is prepare a supplemental report which said Ok, did you really consider leaving this as a bar restaurant on the first floor and renovating the second floor for office use, it's last real use for. And the answer to that is we considered that in our initial evaluation for highest and best use. When we initially looked at this project, we said does that work? And the answer was no. So for this presentation we proceeded to put forth why we did not include it and to show you that yes in fact the result is worse. And the main reason for it is when you do the renovation on office spaces and we do not add the basement, we lose the basement space for rental and secondly we are not going to be able to command the same amount of rent for the office space. We then proceeded to say Alright, what can we get for the office space. We looked in our files for actual leases and due to the time constraints I did not include the actual leases that are available. We did look at quoted leases and talked to brokers to come up with a range of anywhere from approximately \$8 to \$13.50 a square foot. Again, those lease rates are net rent basis and they also include tenant improvements which is very important. Again, we're building this building out to a shell condition, it does not have the tenant improvements. We need to subtract those out from those lease rates and when doing so we came to a conservative estimate of \$7 a square foot for the office space. A typical rule of thumb would be anywhere probably on the very very low end of \$3 a square foot for tenant improvements. So if you were to start at a low end of \$7 and you add \$3 you'd be at \$10 which is well in the middle part of our range of \$13.50. More likely you'd be looking at \$5 per square foot for tenant improvements which would bring that number to the high end of \$13.50. Again, we're talking about second floor space and we're kind of on the outside edge of downtown. So it's not as desirable. On top of it, you're sitting on top of a bar and restaurant. As Mr. Stroh indicated, you get that noise, you get those things. It's not as desirable a space as I believe \$13.50 rental rate would be for Butler Square, much more prominent on First Avenue. You might be on 4th floor, you're not getting the impact of the bar and restaurant in your lease rate. In

doing that analysis we left the cap rate at 11%. We looked at both restaurant capitalization rates as well as office capitalization rates in determining our overall value. And our overall value became approximately \$1,150,000 after we do the second renovation phase. In that, of course, we kept the elevator - office tenants were going to demand an elevator if they are on the second floor. Their visitors, clients, are going to expect an elevator to get to those office suites. After we've done that analysis we then looked at Mr. Nordby's second renovation cost. We subtracted out his renovation cost of \$1,216,720 and again took the conservative land value only for the acquisition and we were at approximately \$866,720 deficient in our economic analysis of this property on the alternative use. And that compared to approximately \$670,000 under the first analysis as a bar and restaurant, which only just shows why we didn't include it in the first place because it's highest and best use was as a restaurant bar. Is there any questions?

Acting Chair Larsen: Forgive me if I'm going to rudimentary levels, but if I understand your analysis where you come up with the negative, I'm looking at your addendum that you distributed, so you've got your negative economic feasibility of \$866,000 and that's based on one year's rent after the renovation I'm wondering of that capitalization of 11% or whatever percent you end up working with factors to that.

Jim Wise: It's called a direct capitalization approach and what it does is assume a stabilized income at the rental rate that's quoted and at the vacancy rate that we quoted. We've assumed a 5% vacancy credit loss on this for the restaurant space and we've assumed 15% vacancy credit loss which would mirror what the downtown market central business district is currently at for a combination of class B and C office space. It's a snapshot of the income, the net operating income, as projected out at what the rate would be at a set vacancy rate in the market. There's a different way in which you could approach the income approach, which would be a cash flow analysis which would assume potential increases in rent over time. It would assume a set leasing structure of how the leases would come in, would they come in the first year you might have a 50% lease and the next year might be at 75 and you could project out a cash flow. There's another method to do it has a number of assumptions

Acting Chair Larsen: I guess that's my question. The numbers work differently depending on which scenario you're going with but it seems that eventually over the course of a number of years the owner could get their money back out of the renovation. It wouldn't be making money certainly for the near term, am I wrong in that analysis?

Jim Wise: I really can't answer that question because it really depends on a number of other issues. What this analysis says is what the operating income is. It does not consider their debt service, I'm not privy to their actual debt service. I'm not privy to what they're paying in taxes, if there's other properties, it just simply shows what this property could do. One reason to do direct capitalization approach and not a cash flow is it tends to have less assumptions to it in the sense that we're not trying to project out the future as much as we're saying let's assume x, y, and z. We're going to assume it's this rental rate, which is what you could get in the market today. Typically a lease might have stepped increases over time. It might not. We've tried to approach it from a conservative standpoint, putting what we felt was the highest rental rate we could put on it and being fairly conservative with a vacancy and credit loss. Five percent is quite

low for a vacancy credit loss and we didn't want to create an approach that skewed this in any way against the building but actually in favor of the building in the end. To say what do you think we could really get ...

Acting Chair Crippen: Commissioner Morse Kahn?

Commissioner Morse Kahn: Thank you Mr. Wise, your team is exceptionally well prepared. It's greatly appreciated. You mentioned quickly and passed on the possibility, actually I would say probability, of contaminated soil under the flooring where there is no basement. That would certainly take you to phase two and what we're really talking about is a contained brown fields issue. You have not factored that in, and that soil be contaminated you're further in the hole, financially, am I correct?

Jim Wise: We would be further in the hole and our assumptions typically, I believe it's in our certification of assumptions of living conditions, we actually exclude out any knowledge of environmental on the property. But if there were, we'd have to factor that in and if it were found to be true, yes, it would further put us in the hole on this project.

Acting Chair Crippen: Alright. Commissioner Kelley.

Commissioner Kelley: There's some supplementary material from 2001 regarding buildings around the St. Thomas college campus and I wondered if you'd care to comment on those. Are they meant to just show a similar analysis that you are using as a precedent?

Jim Wise: I'll have to defer to Mr. Snyder on that.

Commissioner Kelly: Ok

Acting Chair Crippen: Ok, is there anyone else who wishes to speak? Mr. Snyder, very quickly. I think we've gotten a pretty good analysis from your team, but if you want to quickly wrap up that presentation, then we can get some other voices.

Richard Snyder: Yes, that's fine. I did want to answer the question. That was included by me to show that, yes, this issue has come up in the past. This is not the first time this has ever happened and if a building is not going to be economically useful and can't be made through the renovation to be economically useful, there really is no alternative. It's a dying building, and that's what we see with this building. And I don't know if your question was answered to your satisfaction or not about using the income approach here. I'm not an accountant and I don't understand all the nuances about this, but I've always understood it as being, a way of valuing the property looking at the stream of income that the property generates and the issue here is that the owner would have to sink a bunch of money into this property without really the chance of having that investment increase the value of the property. So unless it's been grossly misstated, that counts up to, I think that's it. But my concluding remark, really two things, one is that I think we've identified we've strove to identify all the issues raised by the City in the staff report and addressed those. And I think we've done that in this case. The administrative record is what

it is now and I think all the questions the City asked have been answered and the evidence in the record is that this is not an economically viable building going forward and therefore meets the criteria. Unfortunately, although we would like to preserve all buildings, not all of them can be preserved and I think this is one that I think falls into that category.

Acting Chair Crippen: Alright. Anyone else? Yes.

Doug Kress: I'd say good afternoon, but I think it's good evening now. I'm Doug Kress from Councilmember Goodman's office. We've had a chance to review this and we are here hoping that you will support the staff recommendation that is on this. First I'd like to say it was a great staff report. I think they did an excellent job putting this through, Brian, and we really looked at it closely and did some reading on it and reviewed it, and I think you gave some great advice. He did look at some of the things such as the tax credits, the transfer development rights, etc. There are a couple other issues that I think we need to consider also. This particular parcel of land is extremely close to the new Twins stadium. I think when we look at this in this particular spot, there are potential for precedence that you will be setting here if you allow this building to be torn down, which one will be next? And as most of you know, Councilmember Goodman is very much for historic preservation and looking at these things. To the applicants, we thank you for considering doing business in the City of Minneapolis. We love that, and we agree that it's a wonderful city to do business in and we encourage you go come downtown and to spend your money downtown as well. However, one of the things as I sat here and was listening to the presentations, I don't believe the applicant truly did a very good rebuttal in giving us information that did an analysis of cost to rebuild versus rehab. In looking at some of the information, what I believe we heard was from NAI, Mr. Nordby, that it was \$228 per square foot for rebuilding. If you did the current building as it is at 19,602 square feet that's over \$4 million, \$4.4 million approximately with what he was doing to rebuild this. Additionally that doesn't include, in your case, if there was any additional soil contaminations, if there's anything along that line, or in demolition of that particular parcel of land. I do think that's even higher and about than the cost it would be to rehab something like this. Some of the other things that we have to look at with this, it is a contributing factor, it's a contributing structure to this district, that's an important factor in this. We don't want to lose anymore of our buildings in downtown that are in the historic district. We work very hard to preserve those. Councilmember Goodman fights very hard for those as well and continues to push that, in fact not just in the downtown area but in our neighborhoods we're working very hard at saving some of those and we're happy to say that all the ones that we have saved have turned out to be beautiful and continue to be beautiful and the buildings that we save continue to flourish within our community as well. So we do recommend that you stay with the staff recommendation and deny this wrecking permit. If you have any questions, I'd be glad to take them.

Acting Chair Crippen: Thank you. Anyone who wishes to speak? Um, do you have something to clarify or respond? Quickly please then, thank you.

Ken Nordby: Mr. Chairman again, and member of the board. What the gentleman just stated here was the figure of about 4 million and some odd dollars if we build a new building. What we've been talking about here all along tonight is a shell building for a bar and a restaurant. The

shell building we're talking about somewhere in the area of \$1,900,000. It's a shell. When we go in and actually put a restaurant in, we're probably going to be adding some close to \$2.4 million to it, to that building. We're only bringing it up to a shell so that we can now entertain putting in our bars, our flooring, our lighting, our kitchens, our booths or tables and everything else. Typically when we're doing our buildings in bars and restaurants, and let's use Champs for an example, we're spending close to \$5 million on a Champs, but that is total build out. If we go back and we build out the shell of a Champs only, before we put in all of the equipment, we're probably only talking 2/3 of that on a new building and then we have to put in all of the FF&E, it's called, fixtures and equipment. So when I'm talking \$225 per square foot I'm talking a total building equipped and ready to start serving food, liquor, etc. So I just wanted to clarify the difference on what we're talking about. We were only addressing to the commission a shell build out ready for the occupancy of either a bar and restaurant or in the case of the amendment an office.

Acting Chair Crippen: Alright, thank you. Anyone else who wishes to speak? I think we'll close the public hearing then. Commissioners? Commissioner Lemmon.

Commissioner Lemmon: Well, I'm going to make a motion that (tape break) though I understand the burden of (tape break) as an historic district (tape break) change (tape break) and why the guidelines exist. I'm a little (tape break) intrigued, especially in a building like this. This building (tape break) deterioration from anyone, and this building (tape break) deteriorated. And upon (tape break) it is an 18 (tape break) scenario where it can be revitalized (tape break).

Commissioner Anderson: Mr. Chairman I'm going to second that motion, because I want to remind the commission that our preview is to determine whether this historic building can be saved and I haven't heard any, though it needs a lot of tender loving care, which it has not had in recent times, I haven't heard anything that tells me that repair and correction cannot be made to the building. Now, economics is always an issue, but it's not our primary issue. Our primary issue is is this an historic building that can be saved, so I'm seconding the motion.

Acting Chair Crippen: Alright, we have a motion and a second, further discussion? Commissioner Mack?

Commissioner Mack: (tape break) to go along with what you just said (tape break)

Acting Chair Crippen: Do you want to specify which findings you are thinking of eliminating?

Commissioner Mack: Right. (tape break)

Acting Chair Crippen: So that's your friendly amendment? And is that acceptable?

Commissioner Lemmon: Unfortunately, no. I guess for me the findings are fact and I guess the reality is there is a fact that the current property owner, whether that

Commissioner Mack: That's still in there actually.

Acting Chair Crippen: You struck the last sentence.

Commissioner Mack: Just the last sentence. Since the time they purchased the property, no building permits have been applied for is still there. It's only the last sentence that is ...

Acting Chair Crippen: She's saying that the finding would still read since this time nearly two years ago no building permits have been applied for.

Commissioner Mack: It would still read that but it wouldn't have the last sentence which just seems to be an implication rather than a fact.

Commissioner Elliott: I almost think it implicates the previous owner but ...

Commissioner Anderson: It has no purpose really.

Commissioner Lemmon: I guess I would still keep number 5 just for the reality that although they have not, the current owner has not found it viable, there is a reality that (tape break) and it has to do with an (tape break) overall (tape break).

Commissioner Mack: How about if we said may be eligible?

Commissioner Lemmon: It is eligible because it is within ...

Commissioner Mack: Ok, it doesn't mean they have to use it.

Acting Chair Crippen: Might I suggest that since the proposer is not finding this very friendly, I would also add if you look at page 2 of the staff report on consideration for demolition, referring to the code of ordinances, while Commissioner Anderson may be right that economics may not be our primary mode, that's something that we are supposed to consider so I think that these are appropriate as findings of what this property is eligible for, things that could be considered. It's not saying that they will work or they have to work, but it seems to me that they are appropriate.

Commissioner Mack: Ok, well you can vote ...

Acting Chair Crippen: We can see how the vote goes and if the vote doesn't go then we can try again. Any other discussion? Alright, I hear a call for the call of role, so let's vote.

Clerk: Commissioner Lackovic?

Acting Chair Crippen: Oh

Commissioner Mack: Would you want to just repeat the motion so that we're all clear?

Acting Chair Crippen: Sure, the motion is to adopt staff findings as written 1-8 in the staff report on page 7 and adopt the staff recommendation to deny the demolition application.

Commissioner Mack: Thank you.

Acting Chair Crippen: Alright.

Clerk: Commissioner Lackovic?

Commissioner Lackovic: Aye.

Clerk: Mack?

Commissioner Mack: Aye.

Clerk: Elliott?

Commissioner Elliott: Aye.

Clerk: Anderson?

Commissioner Anderson: Aye.

Clerk: Crippen?

Acting Chair Crippen: Aye.

Clerk: Lemmon?

Commissioner Lemmon: Aye.

Clerk: Morse Kahn?

Commissioner Morse Kahn: Aye.

Clerk: Kelley?

Commissioner Kelley: Sorry, nay.

Acting Chair Crippen: Alright, the motion carries. Thank you all for your time and attention, it's been a good discussion I think.