

**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