

**CITY OF SAINT PAUL
HERITAGE PRESERVATION COMMISSION STAFF REPORT**

FILE NAME: 716 Wilson Avenue, Schornstein House
DATE OF APPLICATION: February 6, 2014
APPLICANT: Saint Paul Housing and Redevelopment Authority (HRA)
OWNER: HRA
DATE OF PUBLIC HEARING: February 27, 2014
HPC SITE/DISTRICT: Dayton's Bluff Heritage Preservation District
CATEGORY: Non-Contributing
CLASSIFICATION: Demolition Permit
STAFF INVESTIGATION AND REPORT: Christine Boulware
DATE: February 24, 2014

A. SITE DESCRIPTION: The Schornstein House, at 716 Wilson Avenue, is a one-and-one half-story frame house with a front gabled, asphalt shingle roof with wide, flared eaves and cornice returns. A single brick chimney rises from the roof ridge. A gabled dormer on the left (east) side of the house and a gabled wall dormer on the right side of the house further embellish the roof. A hipped, bay window projects beneath the wall dormer. The rectangular windows are currently one-over-one double hung, except for a leaded glass transom on the bay. The foundation is contour block. The hipped, full width front porch has been in-filled with double-hung windows, obscuring the front entry and fenestration. Other alterations include the addition of vinyl siding, the addition of decorative shutters to the upstairs front windows, and the addition of PermaStone to the porch foundation and front knee wall.

B. PROPERTY HISTORY AND CONTEXT: The Schornstein Grocery and Saloon at 707 Wilson (223 Bates) was constructed in 1884. It is architecturally and historically significant as one of the most unusual and ornate small Victorian era commercial buildings still standing in Saint Paul. The building was designed by Saint Paul architect, Augustus F. Gauger and has served as a focal point for the Wilson/Bates neighborhood since the late nineteenth century.

William Schornstein and his wife, Wilhelmina, were born in Germany and immigrated directly to St. Paul in 1873. William worked as a bartender for several years before moving to the predominantly German Wilson/Bates neighborhood in 1880. In that year he opened his first grocery store and saloon in rented quarters at the corner of Bates and Plum. In 1882, Schornstein purchased a lot a few blocks away at the NW corner of Wilson and Bates (site of the present building) and built a \$6000, two-story brick store. This building was destroyed by fire two years later. In the summer of 1884, he commissioned St. Paul architect Augustus F. Gauger to design the present building, which was completed in the fall of 1884 at an estimated cost of \$5000. Gauger was a prolific German-born architect with a carpentry background who came to Saint Paul in 1875 and first worked in the office of architect Edward P. Bassford. Gauger designed a large number of houses, schools, commercial buildings, and at least one church in Saint Paul. He eventually gained a national reputation.

The new Schorenstein Grocery and Saloon originally housed a grocery store in the main storefront, a saloon in the rear storefront (entry at Bates), the Schornstein's apartment on the second floor, and a meeting hall on the third floor. The one-story store attached to the west side was used by Schornstein's brother-in-law as a harness shop. Sometime after the turn of the century, the

second floor was divided into two apartments. William Schornstein operated the saloon and grocery store until his retirement in 1910 when his son, Otto, assumed control of the business. William dies in 1920 and one year later Otto closed the store and sold the building.

The Schornstein Garage at 216-218 Bates was constructed in two phases: the two-story portion (216) in 1886 and the one-story portion (218) in 1912. When the one-story portion was constructed for Schornstein in 1912, he purchased the two-story portion.

The William Schornstein residence at 716 Wilson (Hudson Ave.) was constructed in 1912 (the same year as 218 Bates). The original building permit number is #59131.

On the 1903-1925 Sanborn Map, the house and garage are shown occupying the same lot. Historically, Bates Avenue between Wilson and Hudson had been a commercial block.

C. PROPOSED CHANGES: The applicant proposes to raze the residence; there are no current plans for new construction. The lot would be graded and seeded.

D. TIMELINE:

October 27, 2005 - the property became a Category 2 vacant building

May 19, 2006 - Code Compliance Report generated

August 2006 - building permits for Vacant Category 2 Repairs were reviewed and approved.

January 10, 2007 - Certificate of Code Compliance is issued.

December 7, 2007 - the HRA purchased the property for \$150,000 with CDBG funds

April 2012 - Karen Gjerstad, architect, is hired by Dayton's Bluff Neighborhood Housing Services (DBNHS) to evaluate the property in partnership with Load Bearing, Inc (construction management)

August 2, 2012 - Karen Gjerstad and DBNHS applied for HPC review to rehabilitate the property into one, four-bedroom, rental unit. Staff determined that this would be an administrative review.

November 15, 2012 - the project went out to bid as a package with 216-218 and 208-210 Bates Avenue

December 2012 - bids received

February 2013 - proposal from DBNHS to PED for subsidy

April - September 2013 - PED Housing staff discussed options to reduce the cost of the project with DBNHS

October 2013 - PED Housing staff begin discussing rehabilitation vs. demolition scenarios with HPC staff

February 6, 2013 - The HRA applied to the HPC for demolition of the property

E. GUIDELINE CITATIONS:

Dayton's Bluff Historic District Guidelines

Leg. Code § 74.87. General principles.

(1) *All work should be of a character and quality that maintains the distinguishing features of the building and the environment. The removal or alteration of distinctive architectural features should*

be avoided as should alterations that have no historical basis and which seek to create an earlier appearance. The restoration of altered original features, if documentable, is encouraged.

(2) Changes which may have taken place in the course of time are evidence of the history and development of a building, structure, or site and its environment. These changes may have acquired significance in their own right, and this significance shall be recognized and respected.

(3) Deteriorated architectural features should be repaired rather than replaced whenever possible. In the event of replacement, new materials should match the original in composition, design (including consideration of proportion, texture and detail), color and overall appearance.

(4) New additions or alterations to structures should be constructed in such a manner that if such additions or alterations were to be removed in the future, the form and integrity of the original structure would be unimpaired.

(5) The impact of alterations or additions on individual buildings as well as on the surrounding streetscape will be considered; major alterations to buildings which occupy a corner lot or are otherwise prominently sited should be avoided.

(6) New construction should be compatible with the historic and architectural character of the district.

§ 74.90. – New construction and additions.

- (j) Demolition. Demolition permits will be reviewed on a case-by-case basis and will be determined by the category of building (pivotal, contributing and noncontributing) and its importance to the district, the structural condition of the building and the economic viability of the structure.

§ 73.06(i)(2): Demolition

When reviewing proposals for demolition of structures within the district, the Heritage Preservation Commission refers to § 73.06 (i)(2) of the Saint Paul Legislative Code which states the following:

In the case of the proposed demolition of a building, prior to approval of said demolition, the commission shall make written findings on the following: the architectural and historical merit of the building, the effect of the demolition on surrounding buildings, the effect of any proposed new construction on the remainder of the building (in case of partial demolition) and on surrounding buildings, and the economic value or usefulness of the building as it now exists or if altered or modified in comparison with the value or usefulness of any proposed structures designated to replace the present building or buildings.

SECRETARY OF THE INTERIOR'S STANDARDS FOR REHABILITATION

District/Neighborhood

Recommended:

-Identifying, retaining, and preserving buildings, and streetscape, and landscape features which are important in defining the overall historic character of the district or neighborhood. Such features can include streets, alleys, paving, walkways, street lights, signs, benches, parks and gardens, and trees.

-Retaining the historic relationship between buildings, and streetscape and landscape features such as a town square comprised of row houses and stores surrounding a communal park or open space.

-Protecting and maintaining the historic masonry, wood, and architectural metals which comprise building and streetscape features, through appropriate surface treatments such as cleaning, rust removal, limited paint removal, and reapplication of protective coating systems; and protecting and maintaining landscape features, including plant material.

-Repairing features of the building, streetscape, or landscape by reinforcing the historic materials. Repair will also generally include the replacement in kind - or with a compatible substitute material - of those extensively deteriorated or missing parts of features when there are surviving prototypes such as porch balustrades, paving materials, or streetlight standards.

-Replacing in kind an entire feature of the building, streetscape, or landscape that is too deteriorated to repair - when the overall form and detailing are still evident - using the physical evidence to guide the new work. This could include a storefront, a walkway, or a garden. If using the same kind of material is not technically or economically feasible, then a compatible substitute material may be considered.

Alterations/Additions for the New Use

-Designing required new parking so that it is as unobtrusive as possible, i.e., on side streets or at the rear of buildings. "Shared" parking should also be planned so that several business' can utilize one parking area as opposed to introducing random, multiple lots.

-Designing and constructing new additions to historic buildings when required by the new use. New work should be compatible with the historic character of the district or neighborhood in terms of size, scale, design, material, color, and texture.

-Removing non-significant buildings, additions, or streetscape and landscape features which detract from the historic character of the district or the neighborhood.

Not Recommended:

-Removing or radically changing those features of the district or neighborhood which are important in defining the overall historic character so that, as a result, the character is diminished.

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

-Failing to undertake adequate measures to assure the preservation of building, streetscape, and landscape features.

-Removing a feature of the building, streetscape, or landscape that is unrepairable and not replacing it; or replacing it with a new feature that does not convey the same visual appearance.

Design for Missing Historic Features

-Introducing a new building, streetscape or landscape feature that is out of scale or otherwise inappropriate to the setting's historic character, e.g., replacing picket fencing with chain link fencing

Alterations/Additions for the New Use

-Placing parking facilities directly adjacent to historic buildings which cause the removal of historic plantings, relocation of paths and walkways, or blocking of alleys.

-Introducing new construction into historic districts that is visually incompatible or that destroys historic relationships within the district or neighborhood.

-Removing a historic building, building feature, or landscape or streetscape feature that is important in defining the overall historic character of the district or the neighborhood.

F. FINDINGS:

1. On July 23, 1992, the Dayton's Bluff Heritage Preservation District was established under Ordinance No. 17942 (Council File #92-900). The Heritage Preservation Commission shall protect the architectural character of heritage preservation sites through review and approval or denial of applications for city permits for demolition within designated heritage preservation sites **§73.04.(4)**.
2. **Leg. Code § 74.90.(j)** - The Preservation Program for the Dayton's Bluff Historic District states that consideration of demolitions will be determined by the category of building (pivotal,

contributing and non-contributing), its importance to the district, the structural condition of the building and the economic viability of the structure.

3. **The category of the building.** The Schornstein House is classified as non-contributing to the Dayton's Bluff Historic District. Aluminum siding wraps and conceals the original siding and trim, the porch has been enclosed and Permastone has been applied to the exterior. Staff considers the building's historic context to be good, as it is associated with the adjacent Schornstein Garage and Schornstein Grocery. The architectural integrity of the Schornstein House is good, as the aluminum siding and Permastone are seen as a reversible condition and if they were to be removed, the property would be re-categorized as contributing.
4. **The importance of the building to the district.** The Schornstein House was constructed in 1912 during the period of significance for the Dayton's Bluff Heritage Preservation District. The inventory form classified the building as non-contributing because the house was wrapped in aluminum siding and the front porch was enclosed with a synthetic stone material.

The Schornstein House was constructed in 1912, the same year as the Schornstein Garage at 216-218 Bates Avenue. The Dayton's Bluff Handbook states the following:

In the 1880s, and particularly during the peak years 1882-1884, Dayton's Bluff became a densely-built urban neighborhood. The construction of a series of bridges and the extension of streetcar service brought a new and diverse population to the bluff. Factory and railroad workers purchased small lots and erected a great variety of single and multiple-family houses. The newly-arrived settlers included recent immigrants from Sweden, Ireland, and Germany, but German-Americans were the predominant group. They joined a large contingent of well-established German-American business owners...

The residential context of this house is strong as there is a row of several houses on this block face that were all built during the period of significance. They relate in form, massing, style and setback. The 716 Wilson house is the last in a row before the character transitions to the commercial corner. There are a few buildings across the street and down the block that were constructed outside the period of significance, these include: 224 Bates Avenue (1962), 740 Wilson Avenue (2005) and 215 Maple Street (1957) and the demolition of a house at 721 Wilson Avenue (2012).

Staff did not research any historical associations other than Schornstein that have contributed in some way to Saint Paul's history and development or an architect or association with an important event, with this property. The 1989 Dayton's Bluff inventory form did not identify other individuals.

The Sanborn Insurance map for this site indicates the footprint of the building has not changed since 1925. There is no alley on this block and the grade rises steeply to the east and the south.

5. **Structural condition of the building.** A Code Compliance Report was generated on May 19, 2006. In August of 2006, permits were reviewed and approved for work at the property. The permits were finalized and a Certificate of Code Compliance was issued on January 10, 2007. Essentially, the property was approved for occupancy and met the requirements listed in the Code Compliance Report in early 2007. There was no mention of foundation or structural issues during the time permits were issued and finalized to repair the structure. The Code Compliance Report called for repointing the interior/exterior foundation as necessary. The HRA acquired the property in late 2007 along with the adjacent 216-218 Bates.

During a June 7, 2011 site inspection, HPC staff did not observe any conditions on the interior to raise concern. Much of the original or early architectural or decorative features the interior were intact and in good condition. The exterior features of the house have either been covered with aluminum siding and trim as well as Permastone at the enclosed front porch. The

changes are considered to be reversible. HPC staff considers the architectural and historical integrity of the Schornstein House to be good. The January 24, 2014 letter from Jeffrey Garetz, Load Bearing, Inc (project construction manager) states, "This single-family dwelling has a full basement which has deteriorated over time due to water infiltration. The structure was built into a hillside, and water movement within this topography has cased the masonry foundation to disintegrate.... repair is not an option, and that even if repairs to the foundation were possible, the water infiltration would continue to be an issue at this particular site, given its topography." The letter from the construction manager indicated that the structural integrity of the foundation is poor. While a structural engineer was consulted for the initial design, there was no structural report submitted that addressed repair options for the foundation that did not include the garage, driveway, shifting the house five feet, exposing much of the basement walls and adding two bedrooms in the basement.

6. **The economic viability of the structure.** The HRA estimates the demolition costs to be \$10,000 to \$30,000. The cost range to rehabilitate the building into a four bedroom residence, based on the bids received in 2012 were \$255,440 to \$402,031 which included: kitchen and bath remodels, a complete new basement which would provide two additional bedrooms and bath in addition to the two bedrooms on the second floor, new plumbing, heating, air conditioning, and electrical system, hardwood floor finish, all interior painted surfaces and trim refinishing, a new detached garage, and concrete retaining wall along the east property boundary. The HRA purchased the property in 2007 for \$150,000 with CDBG funds. Ramsey County estimates the land value at \$15,900 and the building value at \$54,400. The property is sited on the south side of Wilson Avenue, east of Bates Avenue and the parcel size is .12 acres.

The property is currently zoned RTI with the use as Single Family - Residential.

The HRA posted an RFP for rehabilitation of the building from a two bedroom to a four bedroom single-family home with a new, detached garage.

7. The Secretary of the Interior's Standards for Rehabilitation recommend against removing buildings that are important in defining the overall historic character of the district or the neighborhood. Given the architectural and historical integrity and context, HPC staff finds that the building reinforces the District's architectural and historic character. The Standards also recommend against destroying historic relationships between buildings and open space. The demolition of the building would have a significant impact on the relationship of residential buildings along the south side of Wilson Avenue.

The Dayton's Bluff Historic District Design Guidelines, General Principle (1) states *All work should be of a character and quality that maintains the distinguishing features of the building and the environment. The removal or alteration of distinctive architectural features should be avoided...* The proposal to demolish this property does not comply with the guidelines as loss of the property would result in the loss of historic character.

8. HPC staff finds that the proposed demolition of the Schornstein House at 716 Wilson Avenue will adversely affect the Program for the Preservation and architectural control of the Dayton's Bluff Heritage Preservation District (Leg. Code §73.06 (e)). Also, there was no report from a structural engineer that justifies the complete foundation replacement, shifting the house and recommended site work if rehabilitated on its own versus being lumped together with site work for 208-210 and 216-218 Bates. A vacant lot would have a negative impact on the historic district and the loss of historic fabric is irreversible.

G. STAFF RECOMMENDATIONS: Based on the findings staff recommends denial of the demolition permit application.

H. ATTACHMENTS

1. HPC Design Review Application
2. Applicant Submittals:
 - A. *Letter from Hess Roise*
 - B. *Letter from Load Bearing, Inc.*
 - C. *Structural Analysis & Mold Evaluation of 208 Bates*
 - D. *Photographs and background information regarding project analysis*
3. Code Compliance Report
4. Certificate of Code Compliance
5. Ramsey County Property Information
6. 2012 Specification for Bids
7. 2012 Bid Submission Tally
8. Aerials, Photographs, and Historic Map



Saint Paul Heritage Preservation Commission
Department of Planning and Economic Development
25 Fourth Street West, Suite 1400
Saint Paul, MN 55102
Phone: (651) 266-9078

HERITAGE PRESERVATION COMMISSION DESIGN REVIEW APPLICATION

This application must be completed in addition to the appropriate city permit application if the affected property is an individually designated landmark or located within an historic district. For applications that must be reviewed by the Heritage Preservation Commission refer to the HPC Meeting schedule for meeting dates and deadlines.

1. CATEGORY

Please check the category that best describes the proposed work

☐ Repair/Rehabilitation

☐ Sign/Awning

☐ New Construction/Addition/
Alteration

☐ Moving

☐ Fence/Retaining Wall

☐ Pre-Application Review Only

☒ Demolition

☐ Other _____

2. PROJECT ADDRESS

Street and number: 716 Wilson Zip Code: 55106

3. APPLICANT INFORMATION

Name of contact person: Roxanne Young

Company: Saint Paul Housing & Redevelopment Authority

Street and number: 25 W 4th St, Suite 1100

City: St Paul State: MN Zip Code: 55102

Phone number: (651) 226-6581 e-mail: roxanne.young@ci.stpaul.mn.us

4. PROPERTY OWNER(S) INFORMATION (If different from applicant)

Name: Same

Street and number: _____

City: _____ State: _____ Zip Code: _____

Phone number: (____) _____ e-mail: _____

5. PROJECT ARCHITECT (If applicable)

Contact person: N/A

Company: _____

Street and number: _____

City: _____ State: _____ Zip Code: _____

Phone number: (____) _____ e-mail: _____

6. PROJECT DESCRIPTION

Completely describe ALL exterior changes being proposed for the property. Include changes to architectural details such as windows, doors, siding, railings, steps, trim, roof, foundation or porches. Attach specifications for doors, windows, lighting and other features, if applicable, including color and material samples.

Proposal to demolish 216 Bates, 716 Wilson, +
208 Bates. See attached narrative.

Attach additional sheets if necessary

7. ATTACHMENTS

Refer to the *Design Review Process sheet* for required information or attachments.

****INCOMPLETE APPLICATIONS WILL BE RETURNED****

ARE THE NECESSARY ATTACHMENTS AND INFORMATION INCLUDED?

☒ YES

Will any federal money be used in this project?
Are you applying for the Investment Tax Credits?

YES ☒ NO ☐
YES ☐ NO ☒

I, the undersigned, understand that the Design Review Application is limited to the aforementioned work to the affected property. I further understand that any additional exterior work to be done under my ownership must be submitted by application to the St. Paul Heritage Preservation Commission. Any unauthorized work will be required to be removed.

Signature of applicant: _____

Date: _____

Signature of owner: _____

Date: _____

FOR HPC OFFICE USE ONLY

Date received: 2-6-14

FILE NO: 14-013

District: _____/Individual Site: _____

Contributing/Non-contributing/Pivotal/Supportive/:

Type of work: Minor/Moderate/Major

____ Requires staff review

Supporting data: YES NO
Complete application: YES NO

The following condition(s) must be met in order for application to conform to preservation program:

It has been determined that the work to be performed pursuant to the application does not adversely affect the program for preservation and architectural control of the heritage preservation district or site (Ch.73.06).

HPC staff approval

Date _____

____ Requires Commission review

Submitted:

- ☐ 3 Sets of Plans
- ☐ 15 Sets of Plans reduced to 8 1/2" by 11" or 11" by 17"
- ☐ Photographs
- ☐ City Permit Application
- ☐ Complete HPC Design Review application

Hearing Date set for: _____

City Permit # _____ - _____



CITY OF SAINT PAUL
Christopher B. Coleman, Mayor

25 West Fourth Street Telephone: 651-266-6655
Saint Paul, MN 55102 Facsimile: 651-266-6559

Saint Paul Heritage Preservation Commission
Department of Planning and Economic Development
25 Fourth Street West, Suite 1400
Saint Paul, MN 55102

RE: 716 Wilson, 216 Bates, and 208 Bates Request for Demolition

January 31, 2014

To the Saint Paul Heritage Preservation Commission,

The Housing Division of the Planning and Economic Development Department (PED) requests review of a demolition permit for 216 Bates, 208 Bates, and 716 Wilson. After careful consideration and review of a rehabilitation concept for the properties by Dayton's Bluff Neighborhood Housing Services (DBNHS), the Housing Division has concluded that the proposed redevelopment plan to rehabilitate the projects is not fiscally responsible. As a result, our recommendation is demolition of all three structures.

Property history

All three properties were acquired from private owners that neglected the buildings, leading to their condemnation and registration as vacant buildings. At the time of HRA purchase of the addresses, all three had been registered vacant buildings for over 2 years. The HRA acquired 208 Bates in 2005 and 216 Bates and 716 Wilson in 2007 to ensure public control of the redevelopment and with the intent to rehab all three structures. The timing of acquisition was just prior to the housing market crash. As a result the public cost to ensure control of the properties redevelopment was high: \$585,000 for all three addresses, which the HRA paid for with federal Community Development Block Grant (CDBG) and Neighborhood Stabilization Program (NSP) funds. In 2010, Dayton's Bluff Neighborhood Housing Services (DBNHS), a Saint Paul based community development corporation with 30 years of experience, was approached by the HRA to develop a proposal for the projects.

Economic Considerations

Original proposal: rehabilitate 5 units of housing

Originally, DBNHS proposed to rehabilitate all three structures as 5 units of rental housing. The scope of work for rehabilitation was brought to the HPC for approval in August 2012 and bid in December of 2012. Four contractors responded to the bid request; the lowest bid

was for \$1.6 million. When additional costs for acquisition, professional fees, holding costs, and developer fee were added to the cost of construction, the estimated expense for the five units of housing was \$2.7 million, or \$557,000 per unit. Through the Inspiring Communities program approved by the HRA Board of Commissioners, there is a cap of \$150,000 value gap per unit of housing created for HRA subsidy. In the case of ownership housing, "value gap" means the difference between the cost to do a project and its appraised value. In the case of rental housing, "value gap" means the difference between the cost to do a project and the amount of debt service that can be supported by a rental projects cash flow. Throughout the analysis below, per unit subsidy requested by the HRA will be used as a measurement of economic viability.

Because of the federal dollars used to acquire the properties, DBNHS is required to ensure that the units are affordably priced. As a result of this requirement, the rents charged for each unit are sufficient to cover operating costs (like maintenance, leasing fees, utilities, and taxes) only. There is not sufficient cash flow to pay for debt service on the projects, which means that the HRA or other public sources of funding will need to provide the entire \$2.7 million of development cost.

When staff analyzed the cost per square foot for the three buildings, it became clear that the cost per square foot for 208 Bates was significantly higher (\$170/sq ft) than what is typical for a new construction home (\$125/sq ft). Reasons for the remarkably high cost of redevelopment for this address include:

- **Structural damage:** there is substantial rot throughout the building and deterioration of the brick façade due to water damage that was first documented in 1999 by Saint Paul code compliance officials.
- **Mold abatement:** there is extensive mold throughout this property that requires removal and replacement of all surfaces on the interior by a licensed abatement professional.

Despite the high cost of 208 Bates, HRA staff and DBNHS continued to pursue rehabilitation of all three buildings, in the hope that federal or state historic tax credits could generate sufficient private equity to assist with project costs. HRA staff contacted both the State Historic Preservation Office and Historical Consultants Hess Roise to evaluate this possibility (see Attachment A). Upon analysis it became clear that tax credits would not be a reasonable option to pursue, for the following reasons:

- **To be successful, all three properties would need to qualify for the historic register.** The smallest tax credit projects are typically around \$3 million, which is the total projected development cost of renovating 208 Bates, 216 Bates, and 716 Wilson.
- **There is a low likelihood that all three properties would qualify for the historic register.** None of the three addresses (208 Bates, 216 Bates, or 716 Wilson) were identified in the 1982 historic survey that is typically a starting place for SHPO part 1 evaluations as being architecturally or historically significant; as a result qualification is not likely. Although 216 Bates and 716 Wilson were owned by the Schorenstein family, who own another property on the national register, eliminating 208 Bates from the project results in a total cost of \$1.8 million, which is significantly below the size of other successful tax credit projects.
- **The economic impact of securing tax credits is minimal.** At most, \$600,000 out of a \$2.7 million budget would be generated; meaning that the HRA would still need to provide \$2.1 million (\$431,000 per unit).
- **Pursuing historic tax credits will significantly add to the project's timeline and**

cost. The timeline for historic tax credits is typically 1-2 years and requires a significant application fee of \$15,000.

Given the low likelihood of successfully securing tax credits and the limited impact that tax credits would have on per unit subsidy, staff do not recommend pursuing this option further.

Revised proposal: Demolish 208 Bates and rehabilitate 216 Bates as rental and 716 Wilson as ownership

The HRA consulted with DBNHS to explore options to reduce the scope of the project or generate private investment to reduce public costs. By demolishing 208 Bates, rehabbing 716 Wilson as a 2 bedroom home for homeownership, and rehabbing 216 Bates as two 4 bedroom rental units, the HRA was able to reduce project costs by \$1 million. Construction costs are more reasonable for 216 Bates and 716 Wilson (\$132/sq ft and \$145/sq ft, respectively). Nevertheless, the per unit subsidy needed to achieve the project is still high: cost would be \$1.8 million and the HRA's per unit cost is \$572,000. Some of the reasons for these higher than typical per unit costs include:

- **Acquisition cost:** The HRA has already paid \$585,000 for acquiring the three addresses. Because this expense has already been paid it cannot be changed.
- **Foundation problems and stormwater management:** Both 216 Bates and 716 Wilson are suffering from water seepage into the basements (see Attachment B) that must be addressed. Addressing these concerns requires replacing portions of the foundation at both addresses and implementing site improvements that direct stormwater directly into the storm sewer system.

Adaptive Reuses Explored

Reuse as commercial buildings

208 Bates, 216 Bates, and 716 Wilson are currently zoned as residential buildings. Both 208 Bates and 716 Wilson were originally constructed as residential buildings and therefore a different use is not recommended.

216 Bates was originally constructed as an automotive garage and operated as a transmission repair business through 1997, and then as an appliance repair company from 1997 through 2005, when the Certificate of Occupancy for the property was revoked. Staff conducted an analysis of the subsidy needed for 216 Bates based on current market trends for commercial projects, and found that the subsidy needed for the project is similarly incrementally affected by the change in concept; it is projected that \$700,000 of subsidy would be needed for a commercial project to move forward. Based on configuration of the building, it is assumed that one business would occupy the entire building, which was the history of the site from 1997 – 2005. Therefore the per unit subsidy for a commercial concept is higher. Moving forward with a commercial concept at the site is also inherently high risk, due to the low traffic counts and residential character of the surrounding neighborhood. Since the HRA bought the property in 2007, there have not been any inquiries from commercial tenants that have interest in this location. Based on this analysis staff do not recommend pursuing reuse as a commercial building.

Demolition of all three buildings and new construction of 8 units of housing

Acquisition and stormwater management costs can be absorbed more easily by development of a denser project at the three sites. It is projected that a denser development could be constructed for \$3 million. A denser development has a significant economic impact of increasing the number of units, and thus the amount of income, that a project at the

Bates/Wilson site can generate. By demolishing the three buildings the immediate blight of three vacant buildings is removed from the neighborhood, providing an opportunity to seek a leverage of funding from other public sources for creation of affordable rental housing. Based on staff experience, it is believed that \$1 million could be leveraged through a combination of a commercial loan that can be supported with the increase in cash flow for the project and public sources from the state of Minnesota. As a result, HRA subsidy for a new construction project is anticipated at \$1.7 million, or \$214,000/unit subsidy. Although the subsidy level is still higher than what is typically allowed by the program, it is substantially lower than any other redevelopment strategy analyzed.

Structural Report

A complete structural report was provided for the 208 Bates property (Attachment C). For 216 Bates and 716 Wilson, structural engineers were part of the project team along with the architect and construction manager selected for the property (Attachment B). The attached letter from Load Bearing, Inc, regarding the structural condition of 216 Bates and 716 Wilson describes the structural considerations that were included in the scope of work for both properties.

Photographs of exterior sides and features/conditions

Please see the enclosed Attachment D, which includes photographic evidence of the exterior and interior condition of all three buildings. The Attachment D also includes additional detail regarding the facts summarized in this cover letter.

Conclusion

The HRA has made every attempt to cost effectively rehabilitate 216 Bates, 208 Bates, and 716 Wilson. However, the deteriorated condition of the three properties, combined with their high acquisition cost and hydrology challenges that have been present for decades have proved prohibitive. Based on staff analysis of several redevelopment scenarios it is recommended that demolition of all three buildings be pursued in order to facilitate construction of a denser new construction project.

Thank you for your time and consideration,

Roxanne Young
Senior Project Manager

Attachments:

- A) Charlene Roise letter RE: Historic Tax Credits
- B) Jeff Garetz letter RE: Structural Condition
- C) 208 Bates Structural Engineering Report and mold report
- D) PowerPoint demonstrating photographs of conditions, economic considerations, and options explored