Item 3—Agenda of August 21, 2014 **August 14, 2014**

PROPOSAL:
700 O LLC requests a preservation certificate to demolish the building at 700 O Street in Haymarket Landmark District, and a preservation certificate to construct a three story mixed-use building on the site.

Note:

The Commission's adopted procedures for reviewing requests for demolition, substantial new construction, Landmark designations, and Landmark Special Permits include public hearings at two successive monthly meetings, with action at the second meeting. The Commission may opt to act after a single hearing upon a motion and affirmative vote (by 4 members) to waive the standard procedure.

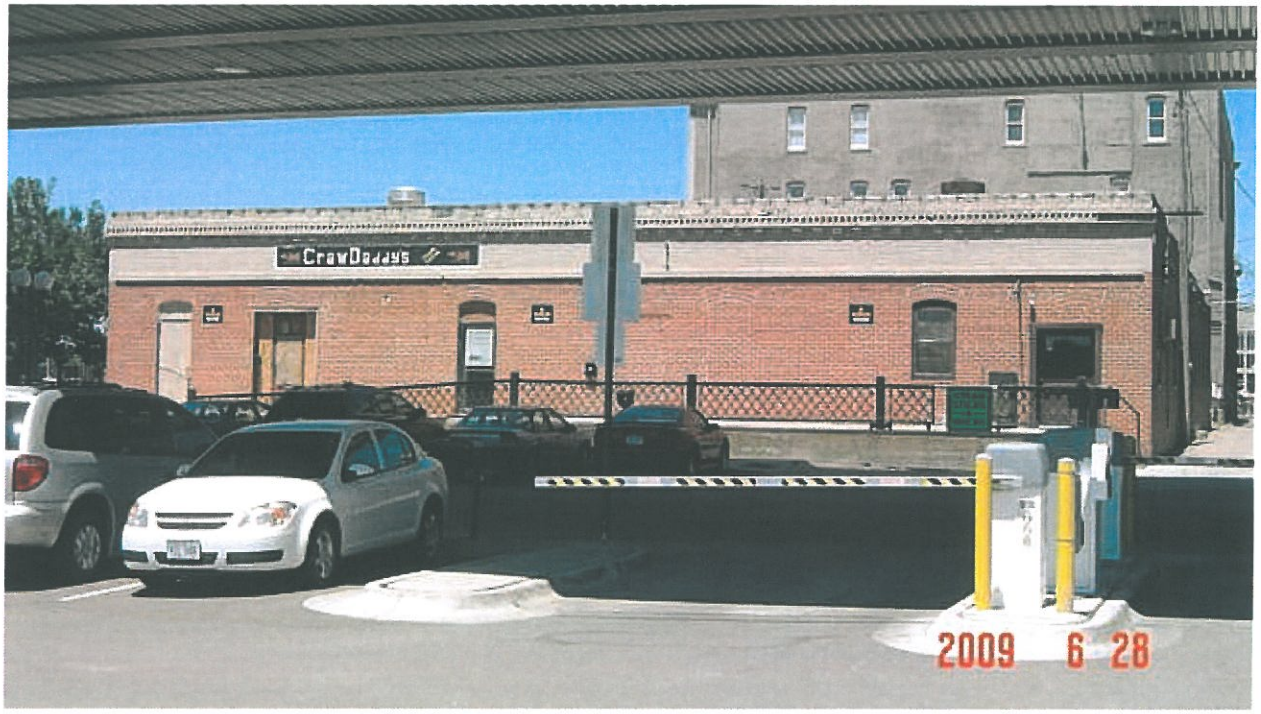
The Historic Preservation District chapter of the Municipal Code (LMC 27.57) requires action by the Commission on requests within 30 days of the first hearing. (The Sept. meeting will be held Sept. 18th, within the required 30 days.) If the Commission's action does not approve a preservation certificate (by at least 4 affirmative votes), a 90 day negotiation period commences. If no plan acceptable to the applicant and the Commission is reached within 90 days, a second period of 3 months commences when "the city may proceed by eminent domain proceedings to acquire the...affected property...but if the city does not initiate proceedings within ninety days, the Planning Director shall issue a certificate of 'allowance'..." permitting the requested work to proceed.

DISCUSSION:

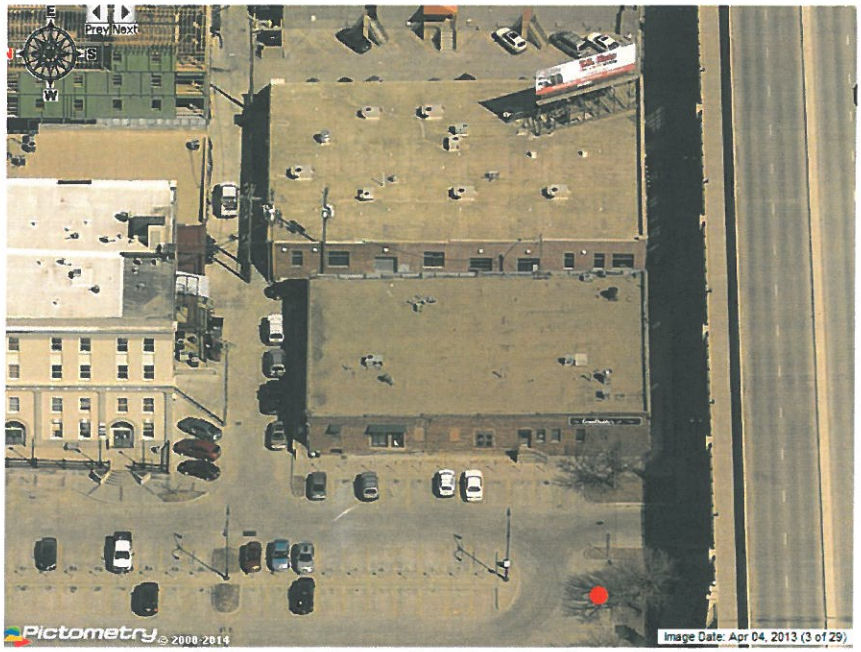
1986 view of 700 O Street, looking NW

Request for demolition:
700 O Street (site number LC13:C09-096) is a single story-over-basement, brick-bearing wall structure with a timber interior. It was constructed in 1915 by

Proudfit Lumber Company and used by a variety of occupants, including John Morrell Co. and the Cudahy Co. which adapted the building as a cold-storage warehouse for meat products. Bluestem Bookstore operated for decades from the southeast portion of the building. In more recent years Crawdaddy's restaurant occupied the southwest portion of the building. Upon Bluestem's relocation to S. 9th Street, the O St. building has stood vacant for several years.



2009 View of 700 O St., looking north



Aerial View of 700 and 720 O St., from W, 2013

Looking NW at 720 O Street, with 700 O at left, 2013

East of 700 O Street is a similar but larger building at 720 O Street, constructed in 1924 (also by Proudfit interests). 720 O Street was rehabilitated as offices and basement parking in 2003.

Both "Proudfit" buildings were identified as resources which contributed to the historic character of the Haymarket Landmark District in 1982 when the district was designated by the city. Their "contributing" status was confirmed in the recent nomination of the Lincoln Haymarket Historic District to the National Register of Historic Places.

The applicant's request for a certificate for demolition is based on 27.57.150 which empowers the Commission to consider issuing a certificate of "exception on the ground of insufficient return or hardship" if the property cannot yield a reasonable return if the requested work is not permitted, that the plight of the applicant is due to unique circumstances, and that the hardship is the result of the application of the ordinance and is not the result of any act or omission by the applicant."

WRK's statement (attached) points out their experience rehabilitating 720 O Street in 2003 for office space, and draws contrast between the two structures in that 700 is of wooden interior structure, and low head clearances in the basement and first floor, compared to reinforced concrete structure and adequate ceiling heights in 720 O. By

WRK's analysis, a rehabilitation budget of $2.7 to $2.9 million would be the required investment to render 700 O St. fully renovated and rentable. They estimate market rents of $12 per sq. ft. would result in a negative cash flow of over $30,000 per year, and that an infeasible rent of $27/SF would be necessary "to hit required returns."

Lincoln's ordinance does not define "insufficient" or "reasonable" rates of return. Here the example of other jurisdictions may be useful. Peter Byrne of Georgetown University Law Center serves as an administrative judge for Washington D. C.'s economic hardship cases. He notes that New York State case law sets "reasonable" return on investment (ROI) at 6% "if a project is well-run."[1] By the WRK analysis, the ROI on their conceptual rehabilitation of 700 O Street would be approximately 7% below NY State's standard—roughly a negative 1%.

The other tests in the Lincoln ordinance address "unique circumstances," and hardship that is "not the result of any act or omission by the applicant." The property transferred into WRK's ownership in 2007 and 2008 when the property was approximately 90 years old. It apparently had not received a substantial renovation during that time, but instead had incremental changes including blocking up of several of its openings. The structural system of the building of wooden structure within brick bearing walls is not uncommon among Haymarket's 19th and early 20th century buildings, but most are multi-story warehouses, with very ample headroom, and can meet substantial loading requirements. If 700 O requires interior reconstruction from the basement floor up, that would be a unique circumstance in Haymarket.

WRK brings relevant experience to this analysis both in their experience with the neighboring 720 O Street, and their rehabilitation of another single story, brick bearing wall, wooden interior structure at 8th and S Streets. Now called the Sawmill Building, it is similar in scale and date of origin (1908) to the 700 O Street building but was more substantially constructed for a thresher company.

The Commission asked at the July 2014 meeting for information on demolitions that have occurred in Haymarket since the designation of the district in 1982. I will recount them in order, to the best of my ability, including whether the property was considered "contributing" or "not contributing" to the historic character of the area:

- Tires Inc. building, SW corner of 9th and R, 1990s, non-contributing. The district boundary included part of this building, and only the alley wall of the former gas station included historic fabric. A surface parking lot followed demolition, then the Haymarket Parking Garage was well-designed (my opinion) and constructed in 2003.
- Lincoln Vacuum Cleaner building (remnant of Lincoln Bottling Works), 822 O Street, non-contributing. The Commission denied a request for demolition, which was appealed to City Council and the denial was overturned, early 1990s. CH Ltd. operates a parking lot on the site, east of the Armour Building.

---

[1] Presentation of Takings and Historic Preservation Law at National Association of Preservation Commission's annual conference, July 19, 2014.

- Capitol Bedding/ Larson Building, 727 R Street, **contributing** (1923 factory/warehouse). The Commission approved this demolition for construction of a multi-story housing building in 2004. That project was scaled down to the Option 13 rowhouses, again approved by the Commission in 2005 and built in 2006.
- 350 N. 8th Street, "Star" Warehouse, non-contributing. This much altered early 20th century building was removed for the Hilton Garden Hotel in 2012.
- The Toolhouse project (800 Q Street) removed the north additions and a portion of the north end of the 1890s Jones, Douglas & Company/Henkle & Joyce building, currently still under construction. The removal of the addition was approved by the Commission.

The purpose of conducting two hearings over successive months is so the Commission and the public can ask questions, seek additional information, and make a well-founded decision. Staff will offer a recommended finding and action with next month's agenda, based on the information then at hand.

Since the Commission could choose to act at the Sept. 21st meeting, I feel obligated to offer a preliminary opinion. Based on the current information and the language of Chapter 27.57, my opinion is that the applicants can be granted a certificate of exception "on ground of insufficient return."

Request for new construction:
The Commission in the past has set a precedent of reviewing requests for demolition and proposals for new construction on the site as separate matters, each on its own merits. Given the nature of the Lincoln preservation ordinance, such an approach is necessary if the Commission seeks to guide the eventual outcome.

WRK has applied to construct a three-story, mixed-use retail and office building on the 700 O Street site of approximately 30,000 square feet, with some storage and 18 parking stalls in the basement and approximately 1,000 square feet of outdoor deck and conference room at the roof level. The preliminary proposal is attached.

The design is strongly reminiscent of the Grainger Building at 105 N. 8th Street, designed by F. C. Fiske and constructed in 1912 on the east end of the block on which the new 700 O Street is proposed, using buff brick and groups of three windows organized between simplified piers. The same grocery wholesaler and architect Fiske also constructed a similar warehouse at 733-737 P Street on the north side of the block in 1906 and Bill Schlaebitz of the Clark & Enersen design firm based the Salvation Army Building at 151 N. 8th Street on some of the same design elements in 1966. The 700 O St. design emphasizes the southwest corner with bolder projecting piers, which on the west side enframe a projecting glass curtain-wall element rising above the roofline to a shed roof with wide eaves. A glass conference room with a similar flat roof is indicated at the southeast corner of the roof. The east alley façade of the building retains the existing one-story wall of the Proudfit Building, which has not been painted or abrasively cleaned,

to accommodate an existing design proposal for a light-art treatment of the pedestrian alley east of the building.

(Top) View from Canopy and O St. of proposed 700 O St.
(Bottom left) Grainger Building, 105 N. 8th St., built 1912
(Bottom right) 151 N. 8th, 1966, at left; 733-737 P St., 1906, center

The most relevant preservation guidelines for reviewing this proposal are Nos.3 and 9 of the Secretary's Standards and related guidelines. Standard 3 states:
All buildings, structures, and sites shall be recognized as products of their own time. Alterations that have no historical basis and which seek to create an earlier appearance shall be discouraged.

Standard 9 states:
Contemporary design for alterations or additions to existing properties shall not be discouraged when such alterations and additions do not destroy significant historical, architectural or cultural material, and such design is compatible with the size, scale, color, material, and character of the property, neighborhood or environment.

Neither of these explicitly address demolition followed by new construction but they do provide a starting point for review. The following more detailed guidelines for "New Construction" are more explicitly relevant than the broad Standards, especially the final two:

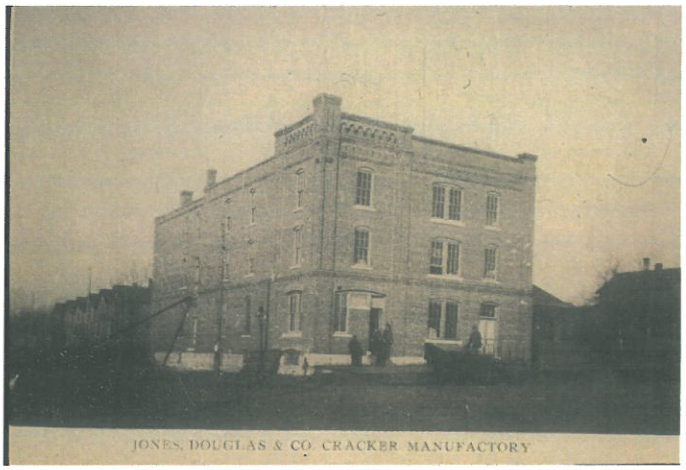
Recommended

- *Keeping new additions and adjacent new construction to a minimum, making them compatible in scale, building materials, and texture.*
- *Designing new work to be compatible in materials, size, scale, color, and texture with the earlier building and the neighborhood.*
- *Using contemporary designs compatible with the mood of the building or the neighborhood.*

Not Recommended

- *Imitating an earlier style or period of architecture in new additions, except in rare cases where a contemporary design would detract from the architectural unity of an ensemble or group.*

The Commission's judgment on the proposed design should consider whether it meets the description of a contemporary design "compatible with the mood of the ...neighborhood" without creating a false sense of history. The overall design of the main west and south facades of the proposal is closely compatible with the warehouses of Haymarket, so much so that it might risk the historicism. However, the bold treatment of the southwest corner elements is clearly of a modern time, although it has some precedent in a Haymarket building--800 Q Street-- which emphasizes the corner as a "tower" with little or no additional height.



Early view of 800 Q St. from SW.

Recommended finding:
The proposed is compatible with the character of Haymarket district, without creating a false sense that it was constructed within the area's historic period of significance.

Recommended action:
Approval of a Certificate of Appropriateness, reserving further review by the Commission as the design moves from preliminary to final.

F:\Boards\HPC\HPCReports\REPORTS\2014\08-August\Item 3_700O.docx

DEVELOPMENT COMPANY, LLC

700 O Street Project
Demolition Request

The 700 O Street project is applying for a Demo Permit based upon the following exception in the code. The section on the various types of preservation certificates is 27.57.150 which includes that the Preservation Commission:

(b) May issue a certificate of "exception on the ground of insufficient return or hardship" if it finds that the landmark or property within the landmark district cannot yield a reasonable return if the proposed work is not permitted, that the plight of the applicant is due to unique circumstances, and that the hardship is the result of the application of the ordinance and is not the result of any act or omission by the applicant;

The current building has a first floor area of approximately 10,800 sf and a basement which is approximately the same square footage. The existing building has exterior brick load bearing walls and the structure is wood. The current lower level is unusable due to low head clearances and the ceiling (floor of the first floor) is unstable and sagging in many locations. It does not provide the appropriate fire rating for a lower level. The floor of the first floor is insufficient to support any loading for Office or Retail uses. The structure would have to be completely redone for the floor and again, it does not meet the fire rating for either use and parts are failing. The roof structure is not built sufficiently to meet the current loading requirements or fire rating requirements either. To reuse the building, the interior of the property would have to be redone in its entirety including the basement floor, the first floor and the roof structure.

The exterior of the building could be reused however, in its current condition, there are not sufficient exterior openings to make a project or tenant feasible. Many openings have also been added over time which have removed any architectural significance. The exterior brick and mortar is failing in many locations and would need significant rework to make workable. The exterior brick has been sandblasted and/or painted and is beginning to fail in many locations as well. The historic loading docks have failed in many locations and have been removed or would need to be replaced. The exterior would need significant rework of the exterior design to make it feasible to re-lease.

The 720 O Street project, which was redeveloped by WRK is a precedent. However, there are some critical differences. First of all, the first floor and basement are concrete. This allowed the project to meet the loading and fire rating requirements. Second, the heights of the lower level allowed for parking in the lower level which added to the income stream. Third, the exterior skin was in much better shape as well as there were more exterior windows and original openings which make it a much better office environment.

440 N 8th Street, Suite 140 • Lincoln, Nebraska 68508 • 402.477.6767 p. • 402.477.6781 f. • www.wrkllc.com

DEVELOPMENT COMPANY, LLC

A proforma was run with the existing building which is estimated to require $800,000 worth of structural work and $300,000 of exterior façade work and improvements including reconstruction of the dock areas and improvements to the exterior window openings. We would also have to add in an ADA accessible entrance and elevators. This investment, with soft costs and allocations for the current building value and TI allowances for the tenant create a total project value of $2.7 million. If we are able to get a fully renovated building, similar to the 720 O street building, and are to charge market rents of $12/SF, the project would have a negative cash flow of over $30,000 per year. To make the venture profitable and to hit required returns, the rents would have to be $27/ SF which is not within the market rents for a building in this location and for reuse.

Conceptual Budget	
Base Core and Shell Budget	$1,080,000
Tenant Improvements	$ 324,000
Basement Build Out	$ 116,000
Design Costs	$ 118,000
Building and Land Assignment	$ 800,000
Financing Costs	$ 96,000
Other Development Costs	$ 265,000
Contingency	$ 115,000
Total Costs	$2,914,000

The project, in its current configuration, layout, existing requirements for improvements that need to be fixed are not feasible as a project. Therefore, we are requesting that demo of the 700 O street project be allowed.

Sincerely,

Brett D West

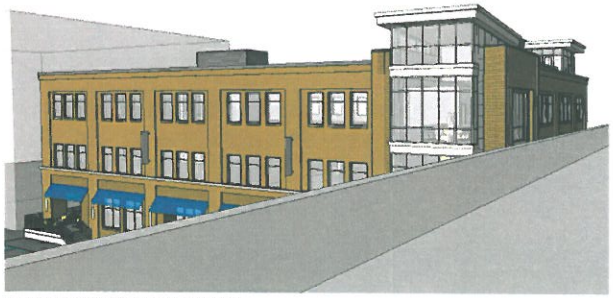
Brett West
Director of Development
WRK Development LLC

ENCOMPASS
architects, pc
Lincoln Phoenix

ENCOMPASS

ENCOMPASS
Lincoln Phoenix
obest

PRELIMINARY



VIEW FROM OVERPASS

VIEW FROM CANOPY STREET

700 O Street
WRK LLC
Lincoln, NE

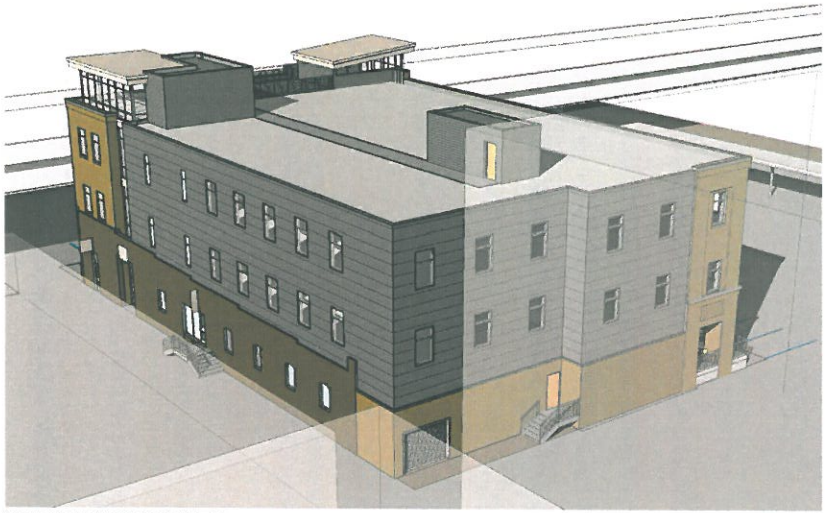
3D VIEWS
Issue Date: 08/08/14

© Copyright Encompass Architects

PRELIMINARY

SOUTHWEST CORNER

SOUTHEAST CORNER



NORTHEAST CORNER

NORTHWEST CORNER

WRK
REAL ESTATE + INNOVATION

700 O Street
WRK LLC
Lincoln, NE

3D VIEWS
Issue Date: 08/14/14

ENCOMPASS architects | pc Lincoln Phoenix

© Copyright Encompass Architects

PRELIMINARY

VIEW FROM O ST.

VIEW FROM O ST.

700 O Street
WRK LLC
Lincoln, NE

3D VIEWS
Issue Date: 08/12/14

© Copyright Encompass Architects

PRELIMINARY

VIEW FROM OVERPASS EASTBOUND

VIEW FROM OVERPASS WESTBOUND

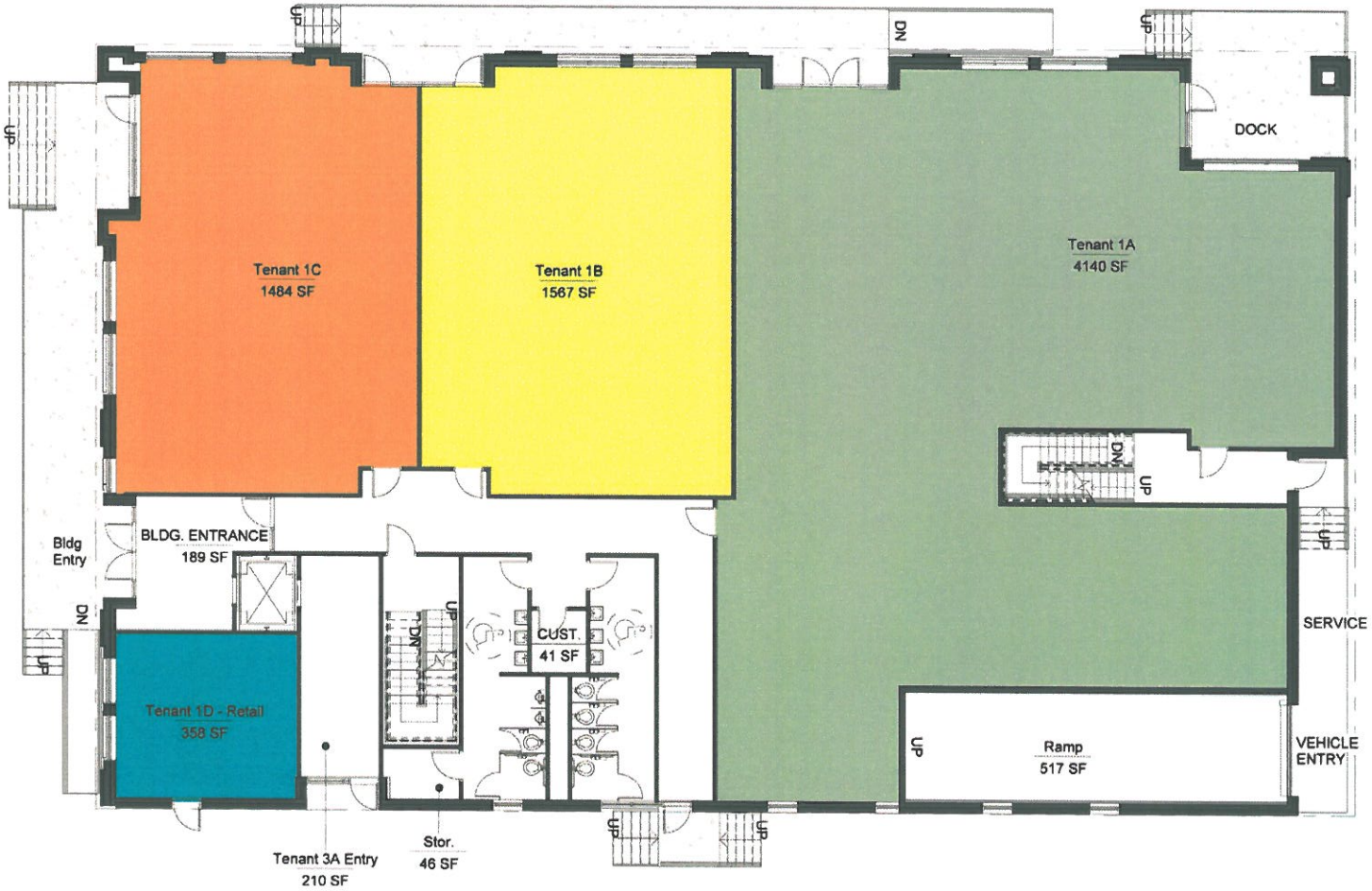
© Copyright Encompass Architects

PRELIMINARY

VIEW FROM OVERPASS EASTBOUND

© Copyright Encompass Architects

PRELIMINARY



N

1
A1

FIRST FLOOR LEVEL

SCALE: 1 : 150

WRK
REAL ESTATE + INNOVATION

700 O Street
WRK LLC
Lincoln, NE

FIRST FLOOR PLAN
Issue Date: 08/14/14

ENCOMPASS
architects pc
Lincoln Nebraska

© Copyright Encompass Architects

PRELIMINARY

N

1
A2

SECOND FLOOR LEVEL

SCALE: 1 : 150

WRK
REAL ESTATE + INNOVATION

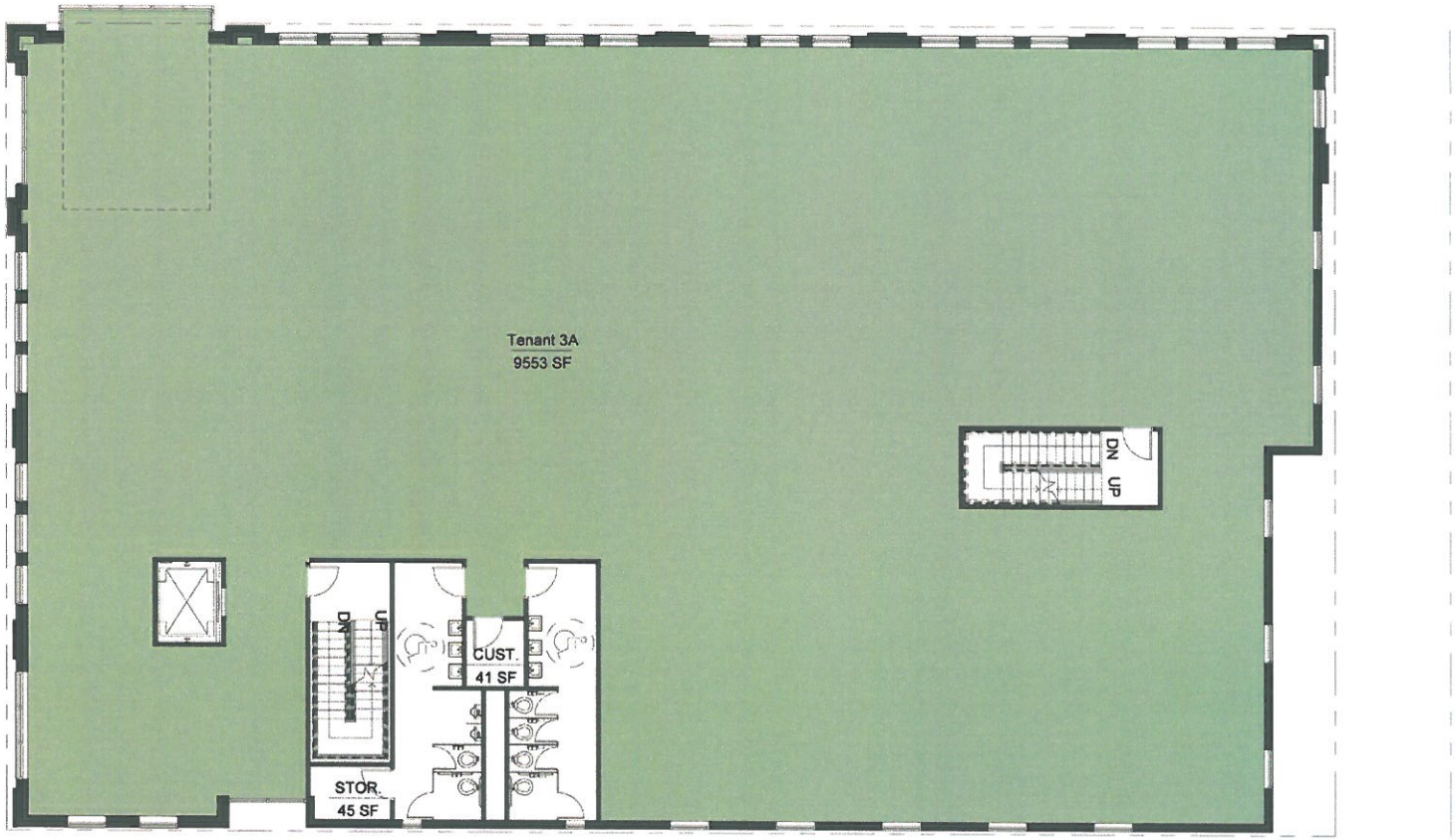
700 O Street
WRK LLC
Lincoln, NE

SECOND FLOOR LEVEL
Issue Date: 08/14/14

ENCOMPASS architects pc Lincoln Phoenix

© Copyright Encompass Architects

PRELIMINARY



N

1
A3

THIRD FLOOR LEVEL

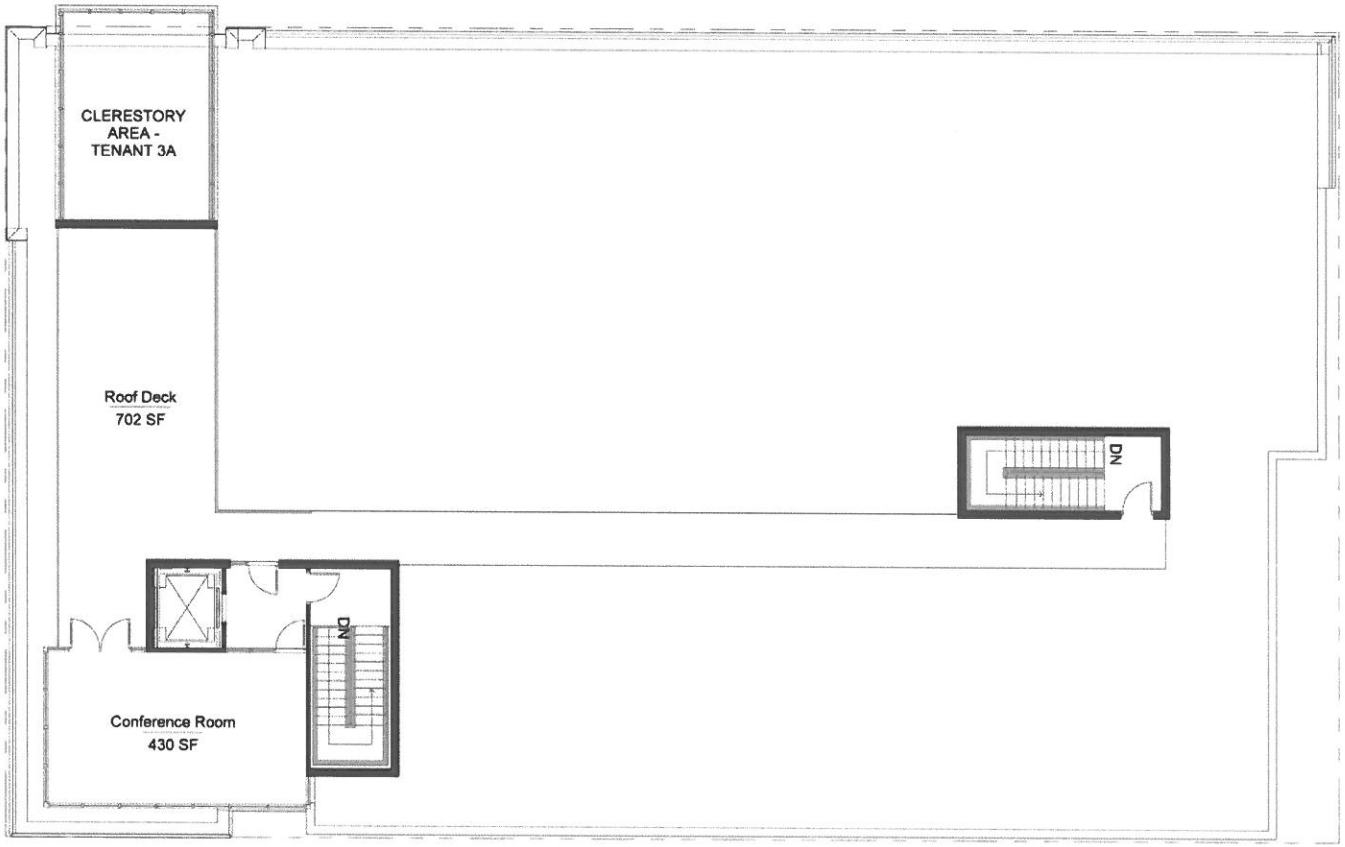
SCALE: 1 : 150

700 O Street
WRK LLC
Lincoln, NE

THIRD FLOOR LEVEL
Issue Date: 08/14/14

© Copyright Encompass Architects

PRELIMINARY



N

1
A4

ROOF LEVEL

SCALE: 1 : 150

WRK
REAL ESTATE + INNOVATION

700 O Street
WRK LLC
Lincoln, NE

ROOF LEVEL
Issue Date: 08/14/14

ENCOMPASS architects pc Lincoln Nebraska

© Copyright Encompass Architects

PRELIMINARY

N

1
A0

BASEMENT

SCALE: 1 : 150

WRK
REAL ESTATE + INNOVATION

700 O Street
WRK LLC
Lincoln, NE

BASEMENT PLAN
Issue Date: 08/14/14

ENCOMPASS architects pc

© Copyright Encompass Architects