

8.08.070 – Removing the designation of a historic district

(1) Whether a building, structure, or site within the historic district continues to meet the criteria for inclusion in a historic district as set forth in this chapter. The determination must state specifically the criteria that are applicable to the buildings, structures, or sites within the district. Per HAND's Unsafe Building Order, it **must** be demolished at least to 60 feet. This required demolition will remove architectural features or elements which define or contribute to its historic character. It will reduce the height by more than half, and the "Johnsons" lettering will be removed.

(2) Whether failure to remove the designation of the historic district would deny an owner of a building, structure, or site within the historic district reasonable use of the owner's property or prevent reasonable economic return. Evidence provided by the petitioner may include information on:

1. **Costs to comply with regulations;** We have been ordered by HAND to demolish the smoke stack to no more than 60' in height. Just to comply with HAND's order, it is estimated to cost us \$350,000. This adds ZERO revenue to our asset, and is more than 7x the amount we have ever collected from the Cellular Equipment Lease.
2. **Income generation;** We purchased the property with a revenue producing tenant that is leasing space on the smoke stack. Given the condition of the smoke stack AT&T is breaking their lease and we are losing ~\$24,500/year in income. Keeping the smoke stack will continue to hurt our income as current tenants in the office building do not renew for safety reasons, and new tenants avoid our building.
3. **Availability of contractors to perform work;** There are a very limited number of contractors who work on Masonry Smoke Stacks, and all of them are from out of state. This lack of depth in contractors causes costs to be extremely high.
4. **Real estate values;** Our property value is hurt by the presence and condition of the smoke stack. #1 - Safety Liability and Ongoing Maintenance put a financial strain on the property owner. #2 The current tenant, AT&T is terminating the lease, which reduces our asset's income by \$24,500/year. This equates to roughly \$350,000 in lost building value, which is ~10% of what we paid for the property. Further loss in office tenants will cause further loss of property value.
5. **Assessed values and taxes;** N/A
6. **Revenue projections;** The smoke stack will no longer be a source of revenue for this asset. In fact, if it remains, it will jeopardize the current revenue from the existing adjacent office.
7. **Current level of return;**
8. **Operating expenses;** Keeping the smoke stack will increase operating expenses on a go-forward basis, due to the ongoing maintenance of a ~80 year old masonry structure.
9. **Vacancy rates;** N/A

10. **Financing issues;** Given the overall status of the property, in order to renew our loan, our lender required us to down-size the loan from \$2.3M to \$1.5M. The smoke stack and the turmoil around it certainly played a role in this.
11. **Efforts to explore alternative uses of the property;** We have offered to grant easements to the land around the smoke stack for the City to be able to place a historical designation of some sort.
12. **Availability of economic incentives; and** Peerless (with the help of Ratio Architects) applied for a state grant to help fund repair and renovation of the smoke stack. We spent hundreds of hours and tens of thousands of dollars on preparing this application, but ultimately did not receive any funding for this project. Part of the reasons cited for not receiving funding was the lack of local government support.
13. **Recent efforts to sell or rent the property.** Our leasing broker tells us that the publicity and condition of the smoke stack is significantly hurting chances to lease vacant space in the office. We have also spoken to brokers about the possibility of a sale, but they said that no one will buy it given the condition of the smoke stack and the outstanding Order to Repair.

(3) Whether removal of the designation of a historic district would have an adverse economic impact on the owners of real estate abutting the historic district, based on testimony and evidence provided by the owners of the real estate and licensed real estate appraisers or brokers. Removal of the smoke stack will not adversely impact any neighboring businesses. In fact, NOT Removing the smoke stack will negatively impact the adjacent Johnson's Creamery Office Building, because it is currently viewed as a safety hazard, which is scaring off current and future tenants! Additionally, the B-Line and the Farmers Market **cannot** operate with the smoke stack in its current condition.

(4) Whether failure to remove the designation of the historic district would have an adverse impact on the unit's historic resources, and specifically whether it would result in the loss of a building, structure, or site classified as historic by the commission's survey.

The smoke stack could fall on top of the Existing Johnson's Creamery Office building, in fact, this is the likely direction it would fall based on our engineering report. This event could damage the existing building beyond repair.