

ANN ARBOR HISTORIC DISTRICT COMMISSION

Staff Report

ADDRESS: 415 West Washington Street, Application Number HDC18-201

DISTRICT: Old West Side Historic District

REPORT DATE: September 13, 2018

REPORT PREPARED BY: Jill Thacher, Historic Preservation Coordinator

REVIEW COMMITTEE DATE: Monday, September 10, 2018

	OWNER	APPLICANT
Name:	City of Ann Arbor & Ann Arbor Building Authority	Same
Address:	301 E Huron Street Ann Arbor, MI 48103	
Phone:	(734) 794-6430	

BACKGROUND: The main two-story brick industrial building with limestone façade treatment, including piers dividing the building into multiple bays, is articulated with a regular fenestration pattern of multi-light steel sash industrial window units. An operable awning window is centered in each unit. Built for the Michigan Milling Company Cooperage in 1907, the building served the Washtenaw County Road Commission for many years before becoming the operations center for the City’s Parks and Recreation Department. The City vacated the buildings and they were boarded in 2007. Interior spaces have been used for storage on a limited basis since then.

On May 12, 2005 a Certificate of Appropriateness was granted to replace three front-façade steel windows with steel window units equivalent to the existing.

On October 4, 2007 a Certificate of Appropriateness was granted to board the building’s windows, install a 10-foot tall chain link fence, and install a curb cut on West Liberty Street and a parking lot.

LOCATION: The site is located on the south side of West Washington Street, immediately west of the railroad tracks, and east of Third Street. It is across West Washington from the YMCA.

APPLICATION: The applicant seeks a Notice to Proceed to demolish all buildings on the site.

APPLICABLE REGULATIONS:

From Chapter 103 Historic Preservation:

8:407 Definitions.

- (13) *Notice to Proceed* means the written permission to issue a permit for work that is inappropriate and that adversely affects a resource pursuant to a finding under section 8:416.
- (18) *Resource* means 1 or more publicly or privately owned historic or non-historic buildings, structures, sites, objects, features, or open spaces located within a historic district.

8:416. Notice to proceed.

The HDC may approve work that does not qualify for a Certificate of Appropriateness by issuing what is called a Notice to Proceed. There are only four circumstances under which a Notice to Proceed may be granted by the HDC. The City has applied under circumstance (d), shown below.

- (1) Work within a historic district shall be permitted through the issuance of a notice to proceed by the commission if any of the following conditions prevail and if the proposed work can be demonstrated by a finding of the commission to be necessary to substantially improve or correct any of the following conditions:
- (d) Retaining the resource is not in the interest of the majority of the community.

STAFF FINDINGS:

1. To receive a Notice to Proceed under subsection (d), an applicant must show that retaining the historic resource is not in the interest of the majority of the community of the City of Ann Arbor, and that the proposed work is necessary to substantially improve or correct this. That is, the HDC must find that the interest of the majority of the community in removing the structure outweighs the interest of the majority of the community in preserving the existing historic structure and site.

In its application, the City offers five points in support of not retaining the resource. In summary, the application says the following are not in the best interest of the majority of the community:

- 1) The cost to stabilize the buildings would be approximately \$2,910,000. This does not include the cost of bringing the buildings up to code or addressing floodplain issues.
- 2) The cost of total rehab is estimated at about \$7,360,000 in the DRN study (attached to the application). The city has no planned use for the buildings.
- 3) Commercial flood insurance is capped at \$500,000 for rehabbed buildings.
- 4) Spending public funds to list the property for sale, given the cost estimate of rehabilitation for the buyer.

- 5) The City is part of the FEMA Community Rating System which offers lower flood insurance premiums for exceeding minimum floodplain management techniques. Rehabilitating large scale structures that are significantly out of conformance to current floodplain elevation requirements would be inconsistent with the City's commitment to strive for exemplary floodplain management under the FEMA Community Rating System.

2. Staff offers these additional observations:

- The City has allowed the buildings to steadily deteriorate for the eleven years that the complex has been unoccupied.
- The City Building Official, in discussing rehabilitation of the buildings, has indicated that he would likely view the flood elevations on this site as a distinct life safety hazard. As such, Building Code would likely not be waived. Therefore, if rehab work would cost more than 50% of the value of the structure, the buildings would have to be brought up to current floodplain code. This would effectively mean abandoning, or in the high-bay areas raising significantly, the first floor and installing a means for flood water to flow through the site and through the foundation of the buildings.
- Commercial excess flood insurance (for coverage beyond the FEMA \$500,000 limit) is available through private insurers. In a quick search, staff found companies offering building coverage up to \$10,000,000.
- City Council has discussed publicly the possibility of initiating a study committee to consider modification of the Old West Side Historic District regarding 415 W. Washington. On May 16, 2016 a budget amendment was approved 10-1 by City Council to allocate \$15,000 to research and prepare required reports for this purpose. In that resolution, City Council stated that this budget would not prevent an application for a Notice to Proceed to the HDC (which is what you are now considering), prior to initiating a study committee. In June of this year City Administrator Howard Lazarus, in a memo to City Council, advised that this Notice to Proceed would be pursued first.

3. The Historic District Commission must determine whether the stated benefits of removing the buildings outweigh the benefits of retaining the buildings and the historic character of the site in relation to the Old West Side Historic District.

POSSIBLE MOTIONS: (Note that the motions are only suggested. The Review Committee, consisting of staff and at least two Commissioners, will meet with the applicant on site and then make a recommendation at the meeting.)

I move that the Commission issue a Notice to Proceed for the application at 415 West Washington Street to demolish all structures, as proposed. The Commission finds that the retention of the resource is not in the interest of the majority of the community and that the proposed demolition is necessary to substantially improve or correct this condition.

ATTACHMENTS: HDC application, application narrative attachment, Rueter report, DRN report



HISTORIC DISTRICT COMMISSION

PLANNING AND DEVELOPMENT SERVICES

City Hall: 301 E. Huron St. Ann Arbor, MI 48104-6120
 Mailing: P.O. Box 8647, Ann Arbor, MI 48107-8647
 Phone: 734.794.6265 ext. 42608 ithacher@a2gov.org
 Fax: 734.994.8460

OFFICE USE ONLY	
Permit Number	HDC# _____
	BLDG# _____
DATE STAMP	

APPLICATION MUST BE FILLED OUT COMPLETELY

PROPERTY LOCATION/OWNER INFORMATION

NAME OF PROPERTY OWNER <i>City of Ann Arbor : Ann Arbor Bldg. Authority</i>		HISTORIC DISTRICT <i>Old West Side</i>	
PROPERTY ADDRESS <i>415 W. Washington</i>			CITY ANN ARBOR
ZIP CODE <i>48103</i>	DAYTIME PHONE NUMBER <i>(734) 794-6430</i>	EMAIL ADDRESS <i>dgosselin@a2gov.org</i>	
PROPERTY OWNER'S ADDRESS (IF DIFFERENT FROM ABOVE) <i>301 E. Huron Street (City Hall)</i>		CITY <i>Ann Arbor</i>	STATE, ZIP <i>48103</i>

PROPERTY OWNER'S SIGNATURE

 SIGN HERE PRINT NAME *Howard Lazarus* DATE *8/24/18*

APPLICANT INFORMATION

NAME OF APPLICANT (IF DIFFERENT FROM ABOVE)			
ADDRESS OF APPLICANT			CITY
STATE	ZIP CODE	PHONE / CELL # ()	FAX No ()
EMAIL ADDRESS			

APPLICANT'S SIGNATURE (if different from Property Owner)

SIGN HERE PRINT NAME *X* DATE

BUILDING USE - CHECK ALL THAT APPLY

SINGLE FAMILY
 DUPLEX
 RENTAL
 MULTIPLE FAMILY
 COMMERCIAL
 INSTITUTIONAL *vacant*

PROPOSED WORK

Describe in detail each proposed exterior alteration, improvement and/or repair (use additional paper, if necessary).

Request for Notice to Proceed to demolish buildings. See attached "Request for Notice to Proceed for Demolition of City-Owned Buildings at 415 W. Washington Per City Code, Chapter 103, Section 8.146" (Attachment A).

DESCRIBE CONDITIONS THAT JUSTIFY THE PROPOSED CHANGES:

See attachment as referenced above.

For Further Assistance With Required Attachments, please visit www.a2gov.org/hdc



HISTORIC DISTRICT COMMISSION APPLICATION

FEE CHART

DESCRIPTION	
STAFF REVIEW FEES	FEE
Application for Staff Approval	\$35.00
Work started without approvals	Additional \$50.00
HISTORIC DISTRICT COMMISSION FEES	
All other proposed work not listed below	\$100.00
Work started without approvals	Additional \$250.00
RESIDENTIAL – Single and 2-story Structure	
Addition: single story	\$300.00
Addition: taller than single story	\$550.00
New Structure - Accessory	\$100.00
New Structure – Principal	\$850.00
Replacement of single and 2-family window(s)	\$100 + \$25/window
COMMERCIAL – includes multi-family (3 or more unit) structures	
Additions	\$700.00
Replacement of multi-family and commercial window (s)	\$100 + \$50/window
Replacement of commercial storefront	\$250.00
DEMOLITION and RELOCATION	
Demolition of a contributing structure	\$1000.0
Demolition of a non-contributing structure	\$250.00
Relocation of a contributing structure	\$750.00
Relocation of a non-contributing structure	\$250.00

FOR COMMISSION REVIEWS:

- Application withdrawals made before public notice is published will qualify for a 50% refund of the application fee.
- Application withdrawals made after public notice is sent but before the public hearing will qualify for a 25% refund of the application fee.

INSTRUCTIONS FOR SUBMITTING APPLICATIONS

All HDC applications must be signed by the property owner and the applicant, if different, with the exception of staff approvals, which may be signed by only the applicant.

All completed HDC applications and their attachments may be submitted to Planning and Development Services by mail, in person (paper or digital), faxed, or via email to building@a2gov.org.

We accept CASH, CHECK, and all major credit cards. Checks should be made payable to "City of Ann Arbor"

HDC applications that are incomplete or not submitted with the required documentation or payment will not be processed or approved.

APPLICATION EXPIRATION

HDC applications expire three (3) years after the date of approval.

OFFICE USE ONLY

Date of Hearing:		
Action	<input type="checkbox"/> HDC COA	<input type="checkbox"/> HDC Denial
	<input type="checkbox"/> HDC NTP	<input type="checkbox"/> Staff COA
Staff Signature		
Comments		
Fee:	\$ _____	
Payment Type	<input type="checkbox"/> Check: # _____ <input type="checkbox"/> Cash <input type="checkbox"/> Credit Card	

415 W. Washington Application Contents

Historic District Commission Application Form

Attachment A: Request for Notice to Proceed For Demolition of City-Owned Buildings at 415 W. Washington Per City Code Chapter 103, Section 8.416

Attachment B: Historic Structure Assessment by Reuter Associates Architects (August 29, 2013)

Attachment C: 415 W. Washington Historic Structure Reassessment by DRN & Associates, Architects, PC (November 1, 2017)

Attachment A

Request for Notice to Proceed For Demolition of City-Owned Buildings at 415 W. Washington Per City Code Chapter 103, Section 8.416

Background:

The City owns a complex of buildings at 415 W Washington which lie within the Old West Side Historic District.

In 2013, the City retained Reuter Associates Architects to conduct a 415 W Washington Historic Structure Assessment (“Reuter Study”). The final report for that work was issued on August 29, 2013. That study included sections covering History and Architectural Significance, Potential Use Assessment, Condition Assessment, Building Code and Accessibility, Preservation Plan, Conceptual Proposed Additions and Alterations if the buildings were to be rehabilitated, and Cost Estimates for rehabilitation.

The Reuter Study (see Attachment B) historic overview indicated that the present buildings, originally occupied by the Washtenaw County Road Commission were constructed between 1924 and 1934. The study documented 31,486 square feet of enclosed buildings plus an additional 5,624 square feet of open storage building. For study purposes, the complex was divided into buildings A-E based on age and use. For each building, the study identified minor, serious, and critical building deficiencies.

It then evaluated potential uses for rehabilitated buildings under 2009 Michigan Building Code uses for Building Assembly designations A1-A3 or for Business use (B). Potential storage uses for some buildings per Building Code Group S-2 (low-hazard storage) or U (Utility and Miscellaneous were also acknowledged.

The Reuter Study also addressed floodplain issues related to the site. The City elected to survey the building floor elevations and generate formal FEMA Elevation Certificates for each. Based on evaluation of FEMA floodplain maps and the information per the Elevation certificates, the study concluded that the expected water level in the buildings during a 1% Annual Exceedance Probability rain event (commonly called a “one hundred year storm”) would vary from 4.8 feet in Building B to 8.7 feet in Building D.

In the Building Code and Accessibility section, the study identified second floor egress, entrance accessibility, restroom accessibility, and fire separations as areas of concern. It acknowledged that under Michigan Building Code Chapter 34, Section 3409, Historic Buildings, the provisions of the Code are not mandatory for historic buildings if the Building Official rules such elements do not constitute a distinct life safety hazard.

A provision under section 3409.2 also makes compliance with flood hazard provisions not mandatory and allows the Building Official to waive or reduce the requirements if life safety will not be compromised. It does not, however, exempt the buildings from the need to carry FEMA flood insurance if any federal funds would be used in building rehabilitation or if a mortgage were to be carried on the buildings. The maximum amount of annual coverage for FEMA flood insurance is \$500,000. A quote obtained at

the time of the study indicated a premium of approximately \$10,000 per year for that maximum coverage with a \$5000 deductible.

Based on condition information as well as constraints and potential uses as previously identified, the Reuter Study then developed conceptual plans for a potential rehabilitation of Buildings A-D that would include proposed additions and alterations to add an elevator, egress stairway, and main entrance lobby. The Study acknowledged that any such project would require approval by the Historic District Commission.

Two sets of costs estimates were then developed. The first looked at stabilizing the buildings to prevent parts of the structure in good condition from further deterioration and to make repairs to deteriorated exterior building elements. The cost of such stabilization exclusive of “soft” costs such as bond or financing costs and professional fees was estimated at approximately \$2,650,000.

The second cost estimate, for total rehabilitation of the buildings per the conceptual plan, was approximately \$6,400,000.

As part of capital budget deliberations in spring 2016, City council then passed Enactment No: R-16-201, which authorized “the budgeting of \$15,000.00 reporting and related costs of the historic district study committee’s consideration of modification of the Old West Side Historic District regarding 415 West Washington.” It also, however, allowed for the city administrator to seek Historic District Commission authorization to demolish the buildings at 415 W. Washington prior to the initiation of a study committee. The decision was made to first pursue the latter.

In 2017, historic preservation consultant Kristine Kidorf of Kidorf Preservation Consulting was retained to perform an evaluation regarding a possible application to demolish the buildings at 415 W Washington pursuant to a Notice to Proceed per City Code Chapter 103, Section 8.416. Upon evaluating subsections (1) (a)-(d) of Section 8.416, Kidorf recommended certain additional fact-gathering including costs and condition updates to the Reuter report.

She then recommended that any request to the HDC for building demolition be predicated upon Section 8.416 (1) (d) which states that “Retaining the resource is not in the best interest of the majority of the community.” Kidorf stated “I recommend this approach because the City is a government dependent on taxpayer dollars for operations and the expense of stabilizing, or rehabilitating and maintaining the property may not be in the interest of the community.” We note that Kidorf’s report does not indicate any endorsement by Kidorf with regard to the City’s request for this Notice to Proceed, but simply reflects evaluation of the appropriate Code path for the request.

Pursuant to Kidorf’s suggestion, the architectural firm of DRN & Associates, Architects, PC of Northville, Michigan (“DRN”) was, in fall 2017, retained to update site photographs, building deficiency status, and stabilization and rehabilitation cost estimates (see Attachment C). DRN principal Douglas Necci is a licensed architect with over 30 years of experience including design of adaptive reuse projects on historic structures. He also serves as Architectural Consultant to the City of Novi.

Request:

The City of Ann Arbor respectfully requests a Notice to Proceed for Demolition of City-Owned Buildings at 415 W. Washington, pursuant to City Code Chapter 103, Section 8.416 (1) (d), i.e. on the grounds that *retaining the resource is not in the best interest of the majority of the community*. The following points are offered in support of that assertion.

- 1) The City has ceased to use the aging facilities at 415 W Washington. The site remains in use only as a parking lot under the direction of Republic Parking and also provides rough storage. Per the Reuter study, the cost to simply stabilize the site was estimated at about \$2,650,000. The DRN study estimated that due to inflation in construction costs (5%) and continued deterioration (5%), the cost of such stabilization today would be about \$2,910,000. Further, as stated in the DRN study: “This would not address the floodplain issues or bring the building up to current building codes. As such, the building could not provide beneficial occupancy upon completion of said stabilization measures.” **The City believes it is not in the best interest of the majority of the community to expend such significant public funds only to stabilize these buildings with no beneficial occupancy.**
- 2) The Reuter study also looked at the costs of a potential building rehabilitation as discussed in the Background section above. The cost estimate for total rehabilitation of the buildings per the conceptual plan, was approximately \$6,400,000. The DRN Study estimated the present cost of such rehabilitation as about \$7,360,000 in current dollars due to inflation in construction costs (5%) as well as progressive deterioration and more stringent building code requirements such as the Michigan Energy Code (10%). **The City believes it is not in the best interest of the majority of the community to expend such significant public funds on building rehabilitation as the City has no planned use for the buildings.**
- 3) The floodplain on the site poses significant challenges to rehabilitation of the buildings. As discussed in the Background section above, under Michigan Building Code Chapter 34, Section 3409, Historic Buildings, the provisions of the Code are not mandatory for historic buildings if the Building Official rules such elements do not constitute a distinct life safety hazard. However, based on a maximum availability of \$500,000 of flood insurance on rehabilitated buildings for which costs of rehabilitation alone (absent soft costs, and contents) are estimated to be about \$7,360,000 poses a significant challenge to any potential buyer of the site who might be interested in purchasing and rehabilitating the buildings since the resulting improvements would be permanently and

significantly underinsured against flood hazard loss. **The City believes it is not in the best interest of the majority of the community to promote the rehabilitation of buildings which would be underinsured.**

- 4) Further, as pointed out in the DRN Study, based on virtually the entire 31,486 square feet of buildings being in the floodplain: "...beneficial use of the ground floor for other than site amenities and parking has low feasibility. Assuming 25% utilization of the ground floor, total usable area of the buildings (after rehabilitation) is approximately 14,000SF." He then calculated that the actual effective cost per square foot of rehabilitating the buildings (\$7,357,000 divided by 14,000 SF) could be as high as \$525/SF, a figure that "far exceeds the cost of a new structure which would be in the range of \$200/SF..." **The City believes it is not in the best interest of the majority of the community to expend public funds to pursue sale of the property with the stipulation that the buildings be rehabilitated given the significant financial challenge for pursuit of such such work at a cost estimated to be more than two and a half times new build costs.**

- 5) In 2017, the City successfully entered the FEMA Community Rating System, a program that rewards a community with lower flood insurance premiums for all holders of such policies by encouraging more than minimum floodplain management techniques. The initial entry into the system earned a 15% discount off standard rates for all local property owners carrying flood insurance. While, as stated in item 3) above, historic building status could exempt building rehabilitation from floodplain and other building code requirements, **the City believes it is not in the best interest of the majority of the community to encourage rehabilitation of these existing structures which are large in scale and which are significantly (as much as 8.7 feet) out of conformance to current floodplain elevation requirements. To do so would be inconsistent with the public commitment to strive for exemplary floodplain management per the FEMA Community Rating System.** It is noted that, if this request is granted, any new buildings that might be constructed on the site in the future would be required to properly elevate such structures per current City floodplain code.

Taken in their entirety, we believe that the issues as set forth in items 1-5 above, meet the Code test that *retaining the resource is not in the best interest of the majority of the community.*