



The City of Seattle

Landmarks Preservation Board

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LPB 555/18

MINUTES

Landmarks Preservation Board Meeting

City Hall

600 4th Avenue

L2-80, Boards and Commissions Room

Wednesday September 19, 2018 - 3:30 p.m.

Board Members Present

Deb Barker
Manish Chalana
Russell Coney
Kathleen Durham
Rich Freitas
Alan Guo
Garrett Hodgins
Jordon Kiel
Kristen Johnson
Steven Treffers

Staff

Sarah Sodt
Erin Doherty
Genna Nashem
Melinda Bloom

Absent

Chair Jordan Kiel called the meeting to order at 3:30 p.m.

091918.1 APPROVAL OF MINUTES

August 1, 2018

MM/SC/DB/KJ

5:0:4 Minutes approved. Ms. Durham, Messrs. Chalana, Hodgins, and Kiel abstained.

August 15, 2018

MM/SC/DB/ST

6:0:3 Minutes approved. Messrs. Chalana, Hodgins, and Kiel abstained.

Chris Jackins, Save Our Schools, read from a letter noting a number of different landmarks and posing numerous questions to the Board members. He provided a copy of the letter to the staff.

Ms. Doherty said she will prepare a written response to Mr. Jackins.

Mr. Guo arrived at 3:40pm.

091918.2 CERTIFICATES OF APPROVAL

091918.21 NSDAR Rainier Chapter House
800 East Roy St
Proposed tree removal and replacement

Diana Prigger explained the need to remove diseased tree; two arborists assessed the tree. She proposed replacing the tree with a Cherry tree 20' from the fence on Harvard.

Joyce explained that the City requires replacement of a removed tree with two. They selected tree from SDOT approved tree list. The Spire Cherry has a conical shape with a canopy that is not wide; the tree grows to 30' high at maturity. The tree will fit in planting strip.

Ms. Prigger said the tree is in keeping with the neighborhood. There is a range of trees in the neighborhood; on Roy there are mostly Elm.

Ms. Nashem said the committee met. Trees are planted in twos in the area; a columnar tree was preferred. The planting strip is inside the homeowner fence although it is SDOT property.

Mr. Coney asked if the tree was tested for Dutch Elm.

Ms. Prigger said it was.

Mr. Freitas said he read the report and that Dutch Elm was not the cause of the tree's demise.

Mr. Chalana asked what the mature Cherry tree will look like and noted the Elm nicely frames the façade.

Ms. Prigger said the Elm blocks the house and the Cherry will allow it to be visible.

Ms. Barker noted the Cherry tree is deciduous.

Ms. Prigger said they will select at 15' tree with 4 ½" diameter trunk at planting.

Public Comment: There was no public comment.

Mr. Freitas said the Cherry tree is not a compatible replacement as it is different from the neighborhood trees. He said it is attractive but is not the right replacement for a

mature Elm. He said there is a great canopy there now. He said if they can't replace in kind they should find something similar such as a Linden or Maple which are on the SDOT approved list. He appreciated the work done and commended the applicants. He said that on Harvard there are lots of Purple Plum trees but here it would be incompatible as a replacement.

Mt. Treffers suggested pushing replacement tree location further west.

Ms. Prigger was OK with alternate location and species and said she just didn't want the Elm to hit the house.

Action: I move that the Seattle Landmarks Preservation Board issue a Certificate of Approval for Removal a diseased American Elm tree; replacement tree species will be recommended by the Board's Landscape representative, Rich Freitas.

The proposed exterior alterations meet the following sections of the District ordinance and The Harvard Belmont District Guidelines:

District ordinance

The proposed landscaping plans as presented September 19, 2018 do not adversely affect the special features or characteristics of the district as specified in SMC 25.22. The other factors of SMC 25.12.750 are not applicable

The Harvard Belmont District Guidelines

2. The Block

Guideline: Maintain yard space, especially that of front and side yards visible from the street.

Protect or add trees and landscaping to help reinforce yard edges.

3. Landscaping

Guideline: Maintain existing landscaping, especially the mature trees.

Guideline: Maintain the alignment and spacing of street trees. Planting street trees where none now exist is encouraged. Existing street trees are important and pruning should be done only in a professional manner to maintain the trees health and to retain the natural form.

Guideline: Maintain a clear separation between sidewalk and street and between sidewalk and site.

Guideline: Privacy of existing properties should be preserved.

MM/SC/RF/DB 10:0:0 Motion carried.

091918.22

Doyle Building
119 Pine Street
Proposed signage

Ms. Sodt explained the replacement of sign faces in existing frames. The vinyl graphics on window are not part of the application.

The applicant said BECU will handle the vinyl portion. She said the faces will be removed and replaced with new logo at two window headers, corner blade and bronze plaques. She said they are rebranding at 22 locations.

Ms. Sodt said they used the existing attachment when the signs were first installed.

Ms. Barker said ARC had no issues with the new sign face but noted they didn't like the vinyl.

Action: I move that the Seattle Landmarks Preservation Board approve the application for the proposed signage, at the Doyle Building, 119 Pine Street. *This approval does not include the vinyl window film graphics covering the storefront windows.*

This action is based on the following:

1. The proposed changes do not adversely affect the features or characteristics specified in the Ordinance No. **113987** as the proposed work does not destroy historic materials that characterize the property, and is compatible with the massing, size and scale and architectural features of the landmark, as per Standard #9 of the *Secretary of Interior's Standards for Rehabilitation*.
2. The other factors in SMC 25.12.750 are not applicable to this application.

MM/SC/ST/GH 10:0:0 Motion carried.

091918.23

Alki Homestead / Fir Lodge

2717 61st Avenue SW

Proposed ramp, mechanical equipment, and outdoor storage building

Matt Schilling said they will add a walkway on the east side of the building to provide an accessible path to the main entrance. He proposed a 8' x 10' walk-in cooler outside the building on the west (back) of building; the enclosure will be clad in shingles, painted brown similar to the kitchen addition. They will include wing walls to hide dumpster and recycling. He said the two new HVAC registers inside will be installed on the log wall, but it has a low profile.

Mr. Kiel asked about compressor.

Mr. Schilling said it will be outside the building on the north side; lines will be fed under the floor. It will sit on the paving of the former patio. The interior wall units will be painted brown to blend with the wall. The Board members agreed that trimming it out with additional wood trim would make it more visible, than less.

Ms. Doherty said historically the main entrance was on the north, but the porch was later enclosed; now the main entry is on the east side.

Ms. Barker noted the drawings previously presented for the rehabilitation and addition were hand-drawn, a nice change.

Public Comment: There was no public comment.

Board Deliberation:

Mr. Hodgins said it is reasonable.

Mr. Coney noted their good choice the proposed roof shingles.

Action: I move that the Seattle Landmarks Preservation Board approve the application for the proposed interior and exterior alterations at the Alki Homestead, 2717 61st Avenue SW, as per the attached submittal.

This action is based on the following:

1. The proposed alterations do not adversely affect the features or characteristics specified in Ordinance No. 118235 as the proposed work does not destroy historic materials that characterize the property, and is compatible with the massing, size and scale of the landmark, as per Standard #9 of the *Secretary of Interior's Standards for Rehabilitation*.
2. The other factors in SMC 25.12.750 are not applicable to this application.

MM/SC/DB/KJ 10:0:0 Motion carried.

091918.24

Federal Reserve Bank
1015 2nd Avenue
Proposed rehabilitation and addition

Jack McCullough said they just received the MUP.

Eric Mott went over design progression with ARC where they worked through appropriate scale and massing. He said the existing window will remain and be refurbished. The glass block at podium will be replaced with vision glass. They will bring masonry up to Code. He said the materiality of the addition is lighter and differentiates from the historic building.

Mr. McCullough said this is a William Bain Senior building.

Mr. Mott noted the setback at the west portion.

Ms. Sodt explained the building was constructed with an addition in mind.

Mr. Mott concurred and said it was noted on original plans. He said they will do life-safety / seismic improvements. They will remove panels, install expansion joints and reinstall panels. He said the existing plaza was not accessible and is not inviting. They will redesign and reconstruct the roof portion of the podium. ARC suggested to not create a condition needing guard rails, so it still reads as a plinth. He said they will do plantings and skylights. He explained proposed lighting to trees and a wash of light to accentuate building lines and entry.

Mr. Mott said that inside the original marble will be refurbished. They will return the lobby space to original condition, original scallop bronze, elevator doors. He said

they will add a provision for future elevator, hoist way. They will add new ceiling and will refurbish all original finishes. He said that they will remove carpet in teller hall, refurbish stone, clock, grills. He said they will reconstruct ceiling. The teller stone will be stored for tenant.

Mr. McCullough said they are preserving more features than originally planned.

Ms. Barker asked if the teller room was designated.

Mr. McCullough said not the whole room.

Ms. Sodt said the exterior of the building; the interior main lobby and the teller lobby areas were designated. She said the board designated less than they had purview over. She said the teller cages weren't there.

Mr. McCullough said they were replaced in the 1960s.

Mr. Mott went over proposed materials.

Ms. Sodt said this is a real addition, not demolition and reconstruction. She said there are no major disruptions to the interior.

Ms. Barker asked about the vault.

Mr. McCullough said it is under the sidewalk.

Mr. Freitas asked the team to speak to the intention that the original building planned an addition.

Mr. Mott said there were a number of studies. They went over the original design which was designed and engineer to accommodate additional structure.

Ms. Sodt said there had been a tradition of doing additions to Federal Reserve Banks.

Mr. Chanala said they are keeping the entire building and just adding to the top.

Ms. Sodt said that DAHP staff were comfortable with tower and addition.

Public Comment: There was no public comment.

Board Deliberations:

Ms. Barker said the design has come a long way. She said it is special and appropriate. It started large and came together.

Mr. Treffers appreciated all the work but said he can't support it because it is not consistent with the Secretary of Interior Standards for additions. He said it is listed in the National Registry and won't be following this addition. It isn't compatible with mass and scale of the historic building and he can't get past that. He said his job is to ensure a landmark is still a landmark and with this addition, it wouldn't have the integrity.

Mr. Kiel said they are maxing out the mass and it is sensitive. He said there is a dialog between the two and attention is drawn to the landmark. He said the addition lets the landmark converse with the present. He said not every landmark can do this; in this case it was structurally planned.

Ms. Johnson said the original building can be seen strongly as it was; it is solid and indestructible and still reads. She said it was built intended for an addition. What is proposed is reasonable.

Mr. Chalana said he was reminded of the Grand Central case in New York; the tower created the landmark commission. He said he likes the addition; it balances historicity and contemporary well. He said the landmark shouldn't be frozen in time; this is done as best as they could do it. He said that whether or not to do it is a separate question.

Ms. Durham said the building is intact; it is a sensitive and elegant solution given constraints. She said the building still reads strongly. She said they have tread carefully and respected work to protect what is there. She said it is a good solution.

Mr. Freitas said that other buildings at this intersection are not taller than four stories. He said it is a beautiful, great design but pushes the scale a little too far. He appreciated the attention to saving detail. He said the building was meant to be added to, but it gives him a pause because of too much mass.

Mr. Hodgins supported the proposal and said they have done a nice job combining old and new. He appreciated the work done to get here.

Mr. Kiel said the detail is elegant and nice.

Mr. Coney said the scale was reduced. He said this is not precedent, every building stands on its own. He said he was conflicted by the massing but if you were to do it, it is an elegant solution. He said the building was planned for an addition. He said it is a stark building and still reads as it did. He supported the proposal.

Mr. Guo supported the proposal. He said the addition draws the eye to the original building which is nice for the landmark. He supported the lighting plan with highlights on the building.

Mr. Treffers said that if you are to do it, this is the way to do it but that he didn't think it should be done on top.

Ms. Barker read Secretary of Interior Standard #9.

Action: I move that the Seattle Landmarks Preservation Board approve the application for the proposed exterior and interior alterations, at the Seattle Federal Reserve Bank, 1015 Second Avenue.

This action is based on the following:

1. The proposed changes do not adversely affect the features or characteristics specified in the Report on Designation as the proposed work is compatible with the massing, size and scale and architectural features of the landmark, as per Standard #9 of the *Secretary of Interior's Standards for Rehabilitation*.
2. The other factors in SMC 25.12.750 are not applicable to this application.

MM/SC/GH/KJ 7:3:0 Motion carried. Messrs. Chalana, Freitas, and Treffers opposed.

091918.3 NOMINATION

091918.31 Bricklayers Building
318 Fairview Avenue N.

Ron Wright presented the nomination report (full report in DON file). He said the building was constructed in 1959-60 in the International Style with curtain wall. He noted lots of big players at the time were involved with the design and construction of this building. He said the building was constructed as the headquarters for the Bricklayer's Union for \$150,000. He said the masons knew how to build and had a budget; he noted secretary notes from construction meetings. He said an early schematic plan bumped out a section, but the building was constructed as a rectangle. He said the downstairs functioned as the union hall; office entry was on the back side of the building.

He said no major modifications have been made to the building but noted a sewer leak in the basement required the basement to be completely cleaned, and all drywall below four feet has been removed. The toilet fixtures in the basement were also removed as part of this flood incident. Otherwise the restrooms are intact from the original installation.

He provided context of the site and Cascade neighborhood. He went over historical context timeline and said the neighborhood was residential until the late 1950s when it was zoned industrial. The bricklayers had a union building but had to move for the World's Fair. He said that in 1953 54% of the workforce was represented. The building was sold to Vulcan in 2000; Vulcan sold it in 2006 to the City. It is used as construction offices.

Grant Copeland Chervenak was the design firm; the firm won several AIA awards. Structural engineering firm was Skilling Helle and Jackson; construction contractor was Baugh. He said the roof was designed as poured in place concrete, but they used glu-lam beams instead. Glu-lam was new technology; the masons were not happy with the switch and wanted a guarantee.

Mr. Wright explained International Style elements include emphasis on volume over mass, regularity and standardization of elements, minimal ornamentation and curtain wall construction. He said exterior is clad primarily in brick, but also features other types of masonry and tile. The plan for the building comprises a basement with two above grade stories. He said the skin of the building doesn't cover the base, reflecting that it is a skin, which was a new technology. He said that solar screen had to be installed in order to be Code compliant. An ornamental masonry screen made of light grey, glazed terracotta tiles fills in the remaining four bays. Inside this screen, the

interior elevation layer presents a glazed double door entry. An expanse of mosaic tile in various shades of grey is displayed over this entry, beside which a short brick wall is set perpendicular to the facade. A thin veneer of marble or similar stone covers this wall.

Near the left side of the north elevation, a large symbol representing of the bricklayers' union is engraved in the brick cladding. Within the outline of a kiln, a human figure kneels under an artistically rendered trowel and other symbols of the masonry profession. He said the artist is unknown. From the emblem, an expanse of brick stretches to meet a series of uniform windows, six each on the first and second levels, aligned vertically. Typical for this building, the long, rectangular windows have a slight metal reveal on the surface of the brick cladding.

Mr. Treffers asked if the union played a notable role in labor history.

Mr. Wright said he had no definitive answer and noted they were part of a larger union.

Mr. Coney asked if the minutes talked about the art.

Mr. Wright said no, just construction and the art was already up when the minutes were written.

Ms. Durham asked the dimension of the terracotta tiles.

Mr. Wright said the are 6" tiles, mortared in. He said he didn't have the final construction drawings. He said there is steel between the tile.

Mr. Hodgins asked if the west façade behind the tile is a curtain wall.

Mr. Wright said it is a clamp on aluminum system, like a storefront.

Mr. Treffers asked if he has seen terracotta like this.

Mr. Wright said he has seen solar screens in cinder block but not with terracotta like this.

Public Comment:

Eugenia Woo, Historic Seattle and DoCoMoMoWeWa, spoke in support of nomination (letter in DON file). She said she has given South Lake Union / Cascade neighborhood tours, an area they refer to as the 'trail of tears', seeing what is gone. She said the building is intact inside and out and she is glad it was nominated. She said it represents an era of modern movement. She said the design and construction teams are outstanding. She said the terracotta screen help define the building and noted that most are concrete; seeing terracotta screen is unique. She said the building meets criteria C, D, E.

Mr. Treffers supported nomination; he noted the detail and impressive design. He noted the terracotta, mosaic, artwork, and the clear thought that went into the building. He said the building represents the International and Modern styles. He

said there once were many these buildings and now there aren't, with a trail of tears and that adds a layer of importance. He noted the integrity and quality of design. He supported nomination and agreed with the Staff Report, with inclusion of the interior at this point.

Mr. Hodgins said the terracotta screen is interesting and the artwork is interesting, but the building doesn't get there. He didn't support nomination.

Mr. Chalana said it is a nice building from its time and noted the brise soleil and terracotta wall. He said the exterior and interior are well-preserved. He said he was not a fan of Modernism but what is left should be considered as buildings from this era are being lost. He said it is a nice example and it has integrity.

Ms. Johnson said she would support tepidly. She said the building adds up to something interesting and it is interesting. She noted the association with the union and appreciated the information about the history of the union but noted the building is not closely tied to it. She noted the artwork tie to the union. She said it is a nice, Modernist International Style.

Mr. Coney supported nomination and said the building is intact. He said it is an underappreciated style. He did not support inclusion of interior.

Mr. Guo supported nomination and noted the terracotta wall. He noted the Winkenwerder building. He said the design firm was an important one. He supported exterior only.

Mr. Freitas supported nomination and said the International Style is difficult. He supported criteria C, and D. He said the design firm won awards, but not for this building. He said the building is significant in its neighborhood context, urban renewal and the switch from residential to industrial. He said the interior is so intact it is worth including to discuss further. He wanted more information about the labor history association.

Ms. Durham said it is intact and a nice design but doesn't leap out as a landmark. She noted the scarcity of these buildings and rarely are they so intact. She noted the terracotta tiles. She wanted more information about labor history and association with bricklayers. She didn't support inclusion of interior; to do that it would need to be really significant.

Ms. Barker said the building reflects the bricklayers. She noted the brick curtain wall and brick components throughout. She said the building represents its time. She was not a supporter of Modernism but said this building is approachable. She noted the terracotta screen wall, union hall emphasis, brick element in basement, and bas relief. She supported nomination of the exterior.

Mr. Kiel supported nomination with reservations. He said it is rare, but this is not a board of collectors. He said it didn't meet Criterion C and that he didn't see the connection to the union role in the City. He said it is the sum of its parts. It is an intact modest International Style building. It is done well and is a good example.

Ms. Barker was curious about local brick work and noted the 157 Roy Street building.

Mr. Treffers didn't support inclusion of interior and said there is no public benefit to doing that.

Mr. Chalana asked if it is a true example of the International Style or if it is a blend. He said he wasn't convinced for relevance to Criterion C.

Ms. Durham asked if there are more examples of terracotta brise soleil.

Mr. Wright said the fabricator may know.

Ms. Johnson asked if it was installed because it was needed fast to get a building permit.

Mr. Wright said no, that they went all the way to California to get it.

Action: I move that the Board approve the nomination of the Bricklayers Building at 318 Fairview Avenue North for consideration as a Seattle Landmark; noting the legal description in the Nomination Form; that the features and characteristics proposed for preservation include: the exterior of the building; that the public meeting for Board consideration of designation be scheduled for November 7, 2018; that this action conforms to the known comprehensive and development plans of the City of Seattle.

MM/SC/KJ/RC 9:1:0 Motion carried. Mr. Hodgins opposed.

091918.4 CONTROLS & INCENTIVES

091918.41 Sullivan House 1632 15th Avenue

Ms. Doherty explained the Sullivan House is located at 1632 15th Avenue (15th and Olive) and is referred to by the owner as the Thorson House. The property was designated on February 7, 2018, with features that include the site and the exterior of the house.

Ms. Doherty: The memo that you have in front of you is an overview of the negotiation of controls and incentives, and the review of financial analyses that occurred with the Landmarks Board staff and two board members: Jordan Kiel and Garrett Hodgins. Taking into consideration SMC 25.12.580 and the factors outlined in 25.12.590 the staff concluded that the information provided by the owner does not substantiate the assertion that imposing the recommended controls and incentives will prevent the owner from realizing a reasonable return or deny them a reasonable economic use. We recommend that controls be imposed on the Sullivan House and have provided you with a copy of the proposed agreement to read prior to today's meeting. We have included language consistent with other recently approved agreements and added some items tailored to the subject property. I will provide an overview of the agreement like a normally do, but I want to give Garrett and Jordan

an opportunity to offer any comments they have related to their review of the economic analysis.

Mr. Hodgins: I spent a lot of time looking at not only the owner's public comment but Historic Seattle's public comment and then made some of my own assumptions because I felt that some of the owner's conclusions didn't quite fit and weren't quite in line with the conclusions, I would have made regarding market value. The owner was also kind of mixing market value with the ability to attract outside capital. I'm separating those things. The owner repeatedly stated that market value is established by the purchase offer they received, saying their contract is for a property with no landmark controls imposed. The Landmarks staff has clarified they didn't direct the owner to approach it that way, it was the owner's choice. Also, when it came to their proposed cost to do renovations there was a big discrepancy between what they felt was needed and what Historic Seattle felt was needed. Staff toured the building and felt more comfortable with Historic Seattle's proposed renovation costs. I used some of that in my analysis and made some adjustments to Historic Seattle's analysis too, because I felt that they were being aggressive on some of their conclusions. Through all that I did feel that there were scenarios that could attract outside capital from investment.

Mr. Kiel: I was working with Mr. Hodgins on this but he did the legwork. He said a number of times that proformas you put together for these different scenarios are a compilation of best guesses and assumptions, and they always are. Many developers like to say that they've seen a proforma that didn't work. So you can always turn the dial. The conversation has to be about what are reasonable assumptions. What's the market doing today. What can we reasonably get to, and we challenged all kinds of assumptions on both sides – the Historic Seattle numbers and the owner's numbers - and came up with our own sort of a middle ground. There was more than one scenario that we thought could attract capital and provide a reasonable return. Especially when it came up with a couple different ways of getting there we felt like 'we're there, this can work'.

Mr. Hodgins: I think that is a good point. I think based on controls or no controls, the landmark is one thing - and the ability to rehab and sell it is another. The owner's argument that it is worth negative because so much work needs to be done was tough to swallow. Just the fact that it is an income-producing asset at this point. It is relatively rented, or there are tenants that live there now. The ability to develop or subdivide or whatever it might be, it is a pretty large lot. There is significant amount of land in the rear of the landmark that has value as well.

Ms. Doherty: Like I do with every recommended Controls and Incentives agreement I'll touch on the aspects of it that are kind of unique to this property. There is a copy of the agreement in front of you, starting at page 2, the items identified as not requiring a Certificate of Approval are really quite consistent with ones you have seen on other agreements that included the owner's participation. The things that are different are item B, just to orient you the house faces west, it is on a corner – the southeast corner and there is a portion at the east end of the house behind it as Mr. Hodgins mentioned where it is undeveloped. We wanted to give an opportunity to the property owner to not have controls on that aspect of the property, even though you had included the whole site. We defined an area that could either be the north-south boundary that is measured at 10' from the main wall on the east of the house (the

two-story portion) or a new north-south property line that otherwise complies with legal setbacks. So, there are probably two different ways that you can get there. That was one item. That way someone could develop that portion back there if they could build on that and not need the board's review. And you'd still have a buffer between. Item 'h', on that same wall on the east side there is a little one-story add-on that covers the stair to the basement, and because it is not original we thought you could remove that without the board's review. You could always incorporate a new basement stair internal to the house. Item 'i', removing any non-original light wood frame access platforms that are on the northeast and southeast corners of the second floor of the house. If you were here for nomination you heard that the appendages up there were built by the gentleman who does maintenance for Ms. Thorson. On page 3, where we outlined administrative review items, all of those are consistent with things we've done recently the last four are really specifically about this property specifically. Exterior paint colors, as long as you are painting something that has previously been painted; replacing non-original windows and doors and reconstructing original door and window openings. So, the places that had once been windows that were changed to doors so if they wanted to change back, staff could review that. You are basically reconstructing the original intent. Or if they wanted to replace – there are very few if any original doors or windows left, they have all been modified. If someone wanted to replace those with something that met the Secretary of Interior Standards we would review that administrative. Item 'i': Alterations to the west site stair and main entry porch stair, and again in a way that is consistent with the SOI, as that is the original main entry to the house although it has been altered somewhat. Item 'j': any alterations to the house foundation that would be intended to improve the structural performance and weatherproofing. Any questions about the agreement?

Ms. Barker: on the Item 2 b which is dealing with the eastern portion of the site defined as a 1 or a 2, the approximate size of this is the width...60'w by 30'ish, 40'ish. Thank you.

Someone said 120.

Ms. Doherty: That is the full length of the property. This is for the piece on the end.

Mr. Barker: so, 60' by 40'-50'ish. Thank you.

Mr. Kiel: if there aren't any other questions, we'll now offer the owner's representative an opportunity to address the board.

Owner Representatives: Ann Gygi, Amit Ranade, Jason Beatty

Ann Gygi: Good evening.

Mr. Ranade: I thought there would be a projector, so we scrambled to get a projector here and it turns out that of the fist-full of cords that were in the bag, the one I need is not there, so Jason Beatty is going to do a little bit *unintelligible* light impression with his laptop. We wanted as part of this discussion to show all of you pictures of this house, so you can see for yourselves if you haven't already, what it looks like. Good afternoon, my name is Amit Ranade I'm an attorney at Hillis, Clark, Martin and Peterson Law Firm, partnering with Ms. Gygi as well. We represent the estate of

Elaine Constance Thorson, who was the owner of the property. We also represent the executor Ann Thorson, and our economics consultant is Jason Beatty, also the displayer of the pictures. We thought we'd start by just talking a little bit about the client I think as we've said from the outset of this process, the designation and proposed controls here are going to have a catastrophic economic impact on the estate and all of its beneficiaries. The largest beneficiary being Ann Thorson. Ms. Thorson used her entire life savings to release a handful of the beneficiaries of this estate. They wanted to get released early and she thought it would be a good investment given how real estate is in this city. Her whole life savings are tied up in this property. I think it is also worth noting that there are a number of non-profits worthy non-profits that are also tied up in this property including the Sea Shepherd is one of them and is waiting to get to have a sale and get a little bit of money to help them do their work. We've already talked about the provisions in the preservation ordinance that are relevant here. Any applications of the LPO has to or can't deprive an owner of her reasonable economic use. That is the embodiment of a fundamental constitutional principle called substantive due process. No government action, no regulation, no regulatory act can be unduly oppressive on a private property owner. However historic this house might be, the government cannot do something that is going to be oppressive to the property owner. This is a private home we are talking about. That is exactly what is going to happen here. At a minimum it requires there is a careful balancing of the interest which is the preservation of a historic house with the impact it is going to have on its owners. We understand that it has been designated but it is worth taking a minute to recognize what it is that has been designated. This isn't a public building, it is not open to the public, the public has never been able to access it. Mr. Treffers pointed it out when talking about the union hall, how the inside wasn't public. None of this property is public, this is a private home. It has no particular historic association, there was no union that met here or did anything historic. It is just a private home. We want to show some pictures. I know staff has seen it, I've seen it, a number of us have seen it but it is in very poor condition. What is not depicted there is the roof needs to be replaced, what you will see in the pictures is that the foundation is leaking, water is literally seeping in through the wall and running down the wall and pooling on the floor. There is evidence of mold both in the basement and the interior behind some of the siding. There are structural supports that have been cut off from the bearing walls and there is some slipshod repair work that you'll see in some of these pictures. The south turret is actually leaning away from the house and parts of this house are hidden behind overgrown vegetation. This isn't in good shape. And this estate has no capacity to do any rehabilitation work at all. If it holds this property, it is just going to sit there and deteriorate over time. The estate's only option is to sell. I know there has been a lot of talk about raising capital to do a rehabilitation and that sort of thing. All of that analysis, all it really relates to it whether or not there is somebody out there who will buy this property and do the rehab. It can't be this estate. All this estate can do is sell the property and so the impact to our client is what is the land acquisition price. All the proformas you've seen, all of the analysis, the question is what is the land acquisition price because that is the impact to our client. Ms. Thorson has submitted or is going to submit a written statement. She had to leave, she has moved. Because she wasn't able to sell her only source of income now, she is a retired schoolteacher, is her pension and it is not enough to make ends meet. She is now living with family members, in effect homeless, because she hasn't been able to close the sale she thought *untelligible*. She submitted a written statement because she can't go to the meeting. There are a couple of points in there as I said she is a

retired school teacher. She has already lost one sale for \$2.5 million dollars when it got designated. Thankfully there is a buyer who is interested and has signed another purchase and sale agreement for \$2.5 million dollars, but that sale also hangs in the balance unless there is a no controls decision by this month, that sale is lost as well. We have not received any other inquiries by anyone that doesn't involve a substantial discount on the sale price which is again, in all the proforma models that you've seen, that is the land acquisition costs, the acquisition cost. Predictably in all the models you have seen show it, everybody wants a discount of hundreds of thousands of dollars in order to make this pencil. That is what we are talking about here. There are other examples of this architectural firm's work in the city. Parrington Hall, Clark Hall, on the University of Washington campus are two of them. Parrington was designated recently. To the extent the interest of the city is to preserve that style you are doing that through Parrington Hall to preserve this architect's work. There has been, the staff talked about their report, and of course Historic Seattle submitted their own report. I'm going to point out a couple of things to keep in mind in the Historic Seattle report and then I'm going to ask my colleagues here to drill down on a couple specific points dealing with the construction costs and some of the economic analyses. A couple points I want to start with. Historic Seattle's submittal had three options in it. Two of those three options require the sale price to drop to \$1.7 million dollars. That is a hit of \$800,000. Their model, two of their three models only work if our client loses \$800,000. To me that is a lot of money and I don't know anybody who would think \$800,000 is a reasonable economic loss. That is one point. They questioned the \$2.5 million purchase price that we had in hand. I can tell you it is a bona fide arms-length offer from no one related to us, no one is trying to do us any favors. It is a bona fide arms-length offer and they obviously haven't offered anything to the contrary. Instead they say that based on comps they've gathered, they think \$2.5 is far excessive, that \$1.7 is the right number. But if you take their own comps and instead of basing the price per square foot on houses, on the square footage of the house on the property. If you base it on the land...*unintelligible*... I took their comps and I added a column and you will see it – it is the second from the right. The column that is entitled, headed, 'land'. All I did is take the sales price and divide it by the square footage of the lot and that gives you a price per square foot for the entire site. And if you do the math, you see the bookend there at the bottom. If you're basing the purchase price based on the size of the lot, the bookend here is almost \$2.9 million. I'm not suggesting to you that's the price at which our client's property should sell. My point is simply to say that a \$2.5 million sale is within the range demonstrated by their own comps. To the extent anyone doubts that the offer in hand, which by the way is the best evidence of fair market value, a bona fide arms-length purchase of the land in question. To the extent anyone doubts that you can see here using their own comps that it is within the range. I just wanted to point out that we really are talking about a \$2.5 million sale which will allow our client to live her retirement in peace, will fund a significant number of non-profits that are counting on this money. What we are talking about is how much of a discount are they supposed to give in order to cause a buyer to find the project that will pencil out, so they will be interested in buy this. That is the issue. Again, Historic Seattle's valuation, two of their three options require us to give an \$800,000 discount. Ms. Gygi will talk about construction assumptions.

Ms. Gygi: Ann Gygi with Hillis Clark. I worked with the owner and helped her find a contractor-consultant to provide an estimate for rehabilitating the house. We had them do two scenarios, one would be 'what if you rehabbed it to a single-family

home as it originally was” and the other was ‘what if you rehabbed it to the state it is now as a five-unit apartment building. So, we got Better Builders, a local contractor, to tour the house, walk the site, and prepare those estimates for us. Pete Bachman with Better Builders was no able to be here today and he would be much better able to explain these things, but he is out of town. He supervised the preparation of the estimate and he also came with us and we toured the house again just recently with some DON staff and, again, looked over the condition of the house and the estimate and has confirmed that they stand by their estimate as it is. I think it’s important to understand the approach that they took to prepare their estimate. Better Builders prepared a site-specific estimate to bring the house to a safe and sound condition. You’ve all just seen the condition that it is in now, it’s got a lot going on. A lot that is very visible wrong with it, some things that are very strong indicators of potential structural problems, the leaking foundation, the roof that needs to be replaced down through the sheathing, holes in the siding, just many, many things that as he confirmed, present a problem that it is not just the things that you can see that need to be patched or fixed but those are big indicators that there are going to be additional problems behind. He has 30-years-experience doing this, he works here, he has done restoration of old homes in the east coast in here and so he has got a lot of experience in looking at this. I would also say that is consistent with other reports that this board has received from other projects. I’m looking at a contractor estimate from Architectural Building Inspection Inc., that just says, “keep in mind the cost of rehabilitating individual building components tends to be very much higher, two to four times, than installing the same components all at once or during the construction”. So again, they are proposing to take it down to the studs, but they are still rehabilitating an old home. Also keep in mind that when deferred maintenance and repair cause individual component failure they typically inflict secondary damage on related components which, in turn, require additional corrective work. And so, they’re taking into account the fact that what you see is not all what you get. There’s going to be a lot more that needs fixing than just what you see. So, their assumption, based on the roof, the foundation, and all of the conditions, the siding, elsewhere, was that this was going to be a substantial alternative by the time that they did all that work and the only way then to deal with seismic retrofitting, with electrical, with plumbing problems in all the bathrooms, in all the kitchens up to code and all of those things was to take it down to the studs. Again, the interior of the house is not proposed for controls so that wasn’t at all contrary to what has been asked for by the Landmarks Board. But you did take that into account and so from their perspective, that was the best approach to put this house in a safe and sound condition for the tenants that are going to live there in the future and if you are going to preserve historic home you want to preserve the historic home you don’t want to just patch some things and have it continue to degrade because you have left mold or unsupported structures or anything else untended to. So, whether all of that lines up at the exact point on the cost scale that our contractor estimated or not, there is a range there that probably could be met but it defies logic to think that you could rehabilitate this house for \$206/square foot which is what the Historic Seattle provides. In 2012, this board looked at the Carmack House and in that case there again there were disparate estimates on what it would cost to rehab that house and where the board wound up was looking at a cost estimate of \$300 - \$400/square foot in 2012. So, if you escalate that to today’s prices that is at least \$500/square foot in current prices for rehabbing an old house with structural issues. So that is one point in that range that we incorporated into some of our review of Historic Seattle’s work to see how things pencil if you take...from within that range. So, I just want to

provide that background and then we will turn it over to Jason to talk about our economic estimate.

Mr. Beatty: Jason Beatty with, me (laughs), OK the first thing I want to do is address this sort of bonkers negative \$600,000 value. I want to point out that after rehab I broadly agree with the results of Historic Seattle on the page that you are looking at, right? So, they think it is worth about \$1.6, I said it was worth about \$1.7. The problem is you notice the note? What does the note say? Deferred maintenance, right? They haven't adjusted that \$1.6 for deferred maintenance, so how am I getting to negative \$1.2 million and negative \$600,000? Well, my opinion, no sane person is going to want to incur the \$2.9 million problems going on with the property. So, if I were investing and yes, I have invested in real estate, I've *unintelligible* real estate and consulted on billions of dollars of real estate transactions I would be very hesitant to spend \$2.9 million on an asset I could eventually sell for \$1.7 million. Shifting gears over to speaking directly to the proformas that were created by Historic Seattle. So, I have some notes here that I want to speak from. Generally, I have some disagreement and to be frank they're very minor disagreements in the inputs that are in Historic Seattle's numbers. As it turns out, the rate of return on this particular project is super sensitive to the input, right? Very very tiny changes to things like rent. Or cap rate. Or rehabilitation cost. Or time. It costs massive *unintelligible* I'm sure when you guys were fiddling with the proforma you know just really scoshy moves and the rent really blew the numbers up. So, I wanted to take a deep dive into the Historic Seattle numbers to try to understand how they got there to see if I could in a slightly different way. And indeed, I could. I was very troubled with the Historic Seattle numbers and that they had no time allocated to executing the...but they show the moment that you buy the property it starts generating the income of a fully rehabbed property. Silly. Right? It's not going to take you one day to kick everybody out, fix all the stuff, move everybody back in and jack the rent. Everybody knows that doesn't work. And indeed, I believe that your model (*addressing Mr. Hodgins*) – though I haven't seen it – does include some sort of period of vacancy? *Unintelligible background*. You include some period of vacancy, right? People move out and fix things and they move back in?

Mr. Hodgins: I think this is your time to talk.

Mr. Beatty: Oh, sorry. OK. Sure. Right. So, also, I adjusted the rehab cost out and yeah it might not be \$2.9 million, it might not be \$700,000. Anybody here that has rehabbed, and I certainly have, we redid our kitchen, and anybody who has gone through that, well, stuff happens, right? There are rocks. There's asbestos. Nobody really knows what you're going to get until you start knocking down walls, right? Look, it could be \$700,000, it could be \$2.9 million. I just run with the numbers in board member Hodgkins' proforma, and I allocated that to a new proforma that I generated. Let's see. Rent, right? So, when I looked at the rent numbers for Historic Seattle, they combined the studio rent and the two-bedroom rent for some reason to apply to all the units. That didn't make a lot of sense to me so all I did was I disaggregated their rent/comp numbers and I used only the studio comparables to generate studio rent and only the two-bedroom comparables to generate two-bedroom rent. That makes sense, right? I also added one more comp to their new construction rent, in fact I picked another studio in a building that they included that for some reason has lower rent and a square footage closer to the square footage ultimately at the studios here. All those extremely minor changes are shifting around the shells of

Historic Seattle's data make very slight but as it turns out very important impacts on the proforma. So, I made those adjustments I adjust very slightly the new construction studios. Oh Caps. So, you'll notice in the information that I gave you I quoted a cap rate 4.35%. In fact, I think mark is more like 4.43 but I'll give you the basis point. I would love to see how Historic Seattle or the Hodgkins model generates their cap rates, we don't yet have that data. But I'm sure you have it, I would just love to see it. OK. So with those little small changes, changes in the cap rate from 4 to 4.35; changes in the rent by a few dollars, I generate the proforma do I, do we *unintelligible* they have the proforma you can see that these incredibly small changes make a very outside change in *unintelligible*. So yeah look everything could go the way of Historic Seattle, everything could go way of board member Hodgkins' model but if you miss by dollars it devastates the rate of return. And look, we are in a cooling market maybe who knows what is going to happen when this thing actually goes to market but are we so sure that we're not going to miss by 35 basis points on the *unintelligible* 20 – 40 dollars per month on the rent? Because if we do this rate of return is, in my opinion, completely unreasonable. There's a couple other issues here that I don't know at this point that I really understand. I don't understand how the MFT is currently being applied in board member Hopskins' that is a lot of syllables.

Mr. Hodgins: It is Hodgins.

Mr. Beatty: Hodgins. I apologize. And then there is a range for both timing and vacancy rate and I'd love to know where in the ranges those numbers turn up. Anything else?

Mr. Ranade: So just to bring that back to what is it that he is talking about ultimately. We have to have a model with a purchase price in it, an acquisition price that causes this project to pencil out so that someone like Jason or some other developer who's interested in buying this site. So again, our client is not in a position to do anything with it. And every model that you'll see and hear, two out of the three options that even Historic Seattle has presented, they all include a discount of several hundred thousand dollars. And that is the bottom line here is that having Controls and Incentives that will force a drop in the purchase price by as much as \$800,000, some of these models go over \$1 million dollars. That is not a reasonable return for this client, this homeowner as they sit here in front of you today. So where do we go? How do we sort of cut this gordian knot? Right? Because it's been designated. You see value in preserving it. Obviously, our primary concern is saving our clients from economic ruin. So how can we do that? Well, that is where I think Option 3 comes into play. I've been talking about two of Historic Seattle's three options until now. Option 3 that they've put out there is that the acquisition price remains where it is, two million five hundred fifty thousand dollars, the same price we have in hand now. According to them, they could do this project and it would still yield what they believe is an acceptable rate of return. So, if their we would be glad to sell it at that price to Historic Seattle and let them talk to you about Controls and let them rehabilitate the house and get the return they seem to be confident is out there. But if they are not willing to do that, A, that tells you a lot about the value or the credibility of these analyses and B, if they are not willing to do that it also points out what we already know which is we haven't been approached by anybody who is willing to buy this house with Controls that isn't asking for hundreds of thousands of dollars in price reduction. And because of that, unless Historic Seattle is willing to go through

with Option 3, the only option here really to protect our client's constitutional rights, is to impose no controls. We are happy to answer any questions anybody has.

Mr. Kiel: Alright, thank you. Before we do anything else we will do some public comment. If there is any. Think we'll do... There is not a whole lot of public, so we will keep it to a few minutes each. Jeff.

Public Comment:

Jeff Murdock, Historic Seattle: I am the preservation advocacy coordinator. Between 2011 and 2017 I sat on the board as the finance member of the Landmarks Board and reviewed several submissions for "No Controls" during my tenure, which, as a board member was frustrating. Historic Seattle, in this case, felt it was important to demonstrate through clear and documented analysis that Sullivan House could be protected and also provide reasonable economic use to its owner. Historic Seattle has unique expertise in the preservation, development and management of historic properties; this experience informed our approach to develop a pro forma budget related to the development of the Sullivan House property, with controls.

Historic Seattle created several models with varying assumptions, based on information obtained from local real estate agents, development and historic architect professionals. In our approach we used comps, estimate and rates that were all locally based, and not national averages. We used several "flip" scenarios, including one that used the \$2.55 million acquisition prices which reflects a site with no controls, and we also used a 5-year hold scenario, in order to maximize the use of historic rehabilitation incentives. The nine-unit apartment development on the site works within existing setback requirements; we believe that the power lines crossing the site near the alley are not high voltage and could be put underground, in which case the apartments could be larger, resulting in the additional revenue. Our approach to the house was focused on stabilization, addressing some of the deferred maintenance, rather than a complete restoration. In each model, we were able to predict returns which would be considered reasonable to an investor.

We understand that this is a difficult decision for the board but believe that our efforts show conclusively that the Sullivan House can be preserved while the site can be further developed to provide needed density of housing in Seattle and while providing the owner reasonable economic use. Further, we hope this analysis can provide a model for future designated properties that face similar risk. Thank you.

Eugenia Woo, Historic Seattle: I don't have much more to add to what Jeff said but just consider that no one forced the owner to buy out the other heirs. That is an economic hardship that she took upon herself and is not imposed by this process. So, I think that is really important to consider. We have been in contact with a developer colleague who is working on this project and believes it can work out. He is considering another project of the same type. He has done a lot of multi-family and new construction, and his partner has done a lot of rehab and so they think this would be a really good project for them. And so maybe they can be in contact with you guys (*addressing the property owner's team*) to talk about this more. So, I know they haven't come out of the woodwork to give the offer that you want but the \$2.55 is no controls. That is a key thing to remember is with no controls. The listing price was at \$2.2 and so we stand by our public comments and we are not going to do a point

counter-point because we don't have that time and we don't want to confuse the issue with more.

Marvin Anderson: I've been before the board several times particularly with this house I was here for the nomination, the designation and now I am here today. You have seen some of the work that my office did in Historic Seattle's report. The pictures that the attorneys show you don't scare me, they get me excited – this is what I do every day and I have done every day for 30 years. I've got a great deal of experience, the numbers, I stand by them, I'd be happy to answer any questions about them in how we got there, and I can show you projects that we are doing in that price range. We are rehabilitating historic houses in that price range. I think what is exciting to me about this project are two things: 1) it is very unique. We have a great old house here, it's got a lot of integrity. We also have an area on the site that could support redevelopment. Not every project can do that. This is a win-win situation. We can win in saving a historic house and we can win in adding housing in Seattle without tearing down historic buildings. This is a unique case and I think the numbers bear that out.

Steve Clark: I've been in Seattle area for 48 years. I've been involved with construction and real estate for 30. I am not here on behalf of the buyer, but I want you to know that I am the real estate agent that helped them create the contract. I just want to speak to the viability of the offer. The buyer is Denizen Properties, they have a number of town home construction projects that they have done in the Seattle area. They are a group of architects and developers and real estate agents that have been in Seattle for decades. The \$2.55 offering price is based on no controls. But I wanted you to know it is a real offer. They have actually built units right across the street on 15th and Olive that is an example of their work. It is something that they purchase and actually follow with the construction. Some of the other things that I've done is that I've talked to lending companies and they look at this project and they say, 'well you would actually have to bring a lot of money to the table'. This isn't something where you can put 20% down and get a loan to open up Pandora's box and get started. They are talking about you have to show up with 60% down and be able to show a large amount of reserves to have available. So, this isn't a typical construction project or typical restoration. Also, I would think about putting other units on the back of the property. I think that's really speculative to be able to assume that you can get nine when there's that is assuming that you wouldn't have a problem with the setback of the power cables. I was involved with wireless infrastructure for years and worked with PSE and Seattle City Light and we would put cell sites on utility poles. Well often times we'd think great we could just put these power lines underneath the ground and we could put a cell site here without having to raise it. Well there's very few times where you can actually put power lines that at least that I've come across that you can take an overhead powerline and put it underneath the ground. So, I think that there is a lot of speculation in the report. There is a lot of information, but I don't think that you can get the ability to get nine units back there. And also, as much as I love old houses, this is in such disrepair in my opinion it is the opportunity to restore this that passed by years ago. Thanks.

Mr. Kiel: is there any other public comment? Not sure if we missed somebody. Alright.

Mr. Ranade: can I respond to a couple of the comments from Historic Seattle?

Mr. Kiel: there is really not a forum for that. I think we have already had the back and forth from this *unintelligible*. Next we are up to board deliberations. I'll open it up to the board for any comments or thoughts that you have.

Mr. Coney: You know we have gotten into the weeds way too far on this and I think there have been various scenarios presented. You (*addressing the property owner's team*) said it could, maybe meet these – I think you were being sarcastic, but you said it could meet some of the proformas that were presented. So, there is a range of opinion. There is a range of numbers. You've heard opinions on both sides, but I think what it boils down to is there's still for me a reasonable opportunity for this house to be historic and be renovated and to have a reasonable economic use and a reasonable rate of return. So, I'm going to be for the Controls and Incentives as they have been presented by Erin and that's it I guess.

Mr. Kiel: *unintelligible*.

Ms. Barker: I'm going to jump in. I echo what you said. I am saddened that the owner's representation of apples is not apples and apples, it is apples and kumquats. And there is solid information from people who have vast, vast capital V A S T experience in doing this sort of work, and I am supportive of the Controls and Incentives on this property.

Mr. Treffers: I'll jump in. I just first would like to recognize and thank all the time energy effort money by the owners, by our board members, and by Historic Seattle to provide us with this information. As you said, the vast expertise that has provided us with a vast amount of information. A lot of which is conflicting. But I really look back to our Ordinance and the process that it outlines and I'm looking at how we worked through the nomination and designation process and to that I do take little issue with what you said. That there is benefit here because that has been worked through and we already voted and acknowledged that as a board. So, I think that we wouldn't be here if we didn't think there was public benefit and our Ordinance recognizes that. That there's public benefit even in private residences that they contribute to our city and that they are things that we can all enjoy. So, I think that is worth recognizing. Where we are in the process as well. So now we are to Controls and Incentives and I looked through as we worked through this process. What we would normally impose on a building for Controls and it says to consider those things that we identified in the designation. I think that the Controls agreement that staff has put together recognizes that. It feels standard and reasonable with all our other controls and incentives agreements and I appreciate that extra considerations as far as allowing for development on the property. So, with that I know that there is the one final component of our Ordinance, it says we should not deprive a property owner of a reasonable return. I think we have seen that it is subjective where those numbers land. In this case I'm erring on the side that we have heard enough information that there is potential for reasonable rate of return and there is still the opportunity for this to be taken to the Hearing Examiner, so we are not the final say ultimately. We might be at this step in the process, so I feel there is still opportunity to argue that to other at one extra level. I'm losing my train of thought with the *unintelligible*. But so with that I'm in support of the Controls and Incentives that we have here today.

Mr. Kiel: Are there any other comments? We can go for a motion.

Mr. Coney: I don't think there is one written here.

Action: I move that we approve the Controls and Incentives agreement on the Sullivan House at 1632 15th Avenue E., as presented here in the staff report.

MM/SC/RC/KJ 10:0:0 Motion carried.

091918.5 STAFF REPORT

Respectfully submitted,

Erin Doherty, Landmarks Preservation Board Coordinator

Sarah Sodt, Landmarks Preservation Board Coordinator