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Cuti, Celeste

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## BEST PRACTICES



*Rehabilitation Best Practices of Portland Commercial Properties*  
By: Celeste M. Cuti  
Winter 2011



TERMINAL PROJECT APPROVAL PAGE

Student: Celeste M. Cuti

Title: Rehabilitation Best Practices of Portland Commercial Properties

This terminal project has been accepted and approved in partial fulfillment of the requirements for the Master of Science degree in the Department of Historic Preservation by:

Jessica Engeman	Chair
Paul Falsetto	Member
Dr. Kingston Heath	Member

Original approval signatures are on file with the University of Oregon.

Degree awarded March 2011.



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Finally, I thank my family, especially my parents who cultivated my passion of historic preservation and my fiancé who had faith in me every step of the way.

Cover Photos left to right:

Architectural Heritage Center, Deschutes Brewery, Gerding Theater at the Armory, Macy's and The Nines, Musolf Manor, White Stag Block  
Photographed by author



“REHABILITATION MEANS THE PROCESS OF RETURNING  
A BUILDING OR BUILDINGS TO A STATE OF UTILITY,  
THROUGH REPAIR OR ALTERATION, WHICH MAKES  
POSSIBLE AN EFFICIENT USE WHILE PRESERVING THOSE  
PORTIONS AND FEATURES OF THE BUILDING AND ITS  
SITE AND ENVIRONMENT WHICH ARE SIGNIFICANT  
TO ITS HISTORIC, ARCHITECTURAL, AND CULTURAL  
VALUES AS DETERMINED BY THE SECRETARY.”

CODIFIED IN 36 CFR 67.3 OF THE INTERNAL REVENUE CODE

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**EXECUTIVE  
SUMMARY**

Consider the communities where people enjoy spending time. Typically, they are ones that preserve their historic character and architectural integrity. They have vibrant downtowns, diverse cultural activities and comfortable atmospheres. Essentially, they have maintained a sense of place that invites visitors to go back, and residents to want to stay.

As the ideas of sustainability, downtown revitalization and smart growth have grown from buzzwords to implemented concepts, preservation and rehabilitation have been vital for these movements to achieve successful results; and it is no surprise that communities that maintain a sense of place do so with the help of preserving historic properties. While the benefits of historic preservation are increasingly evident, to historic building owners and developers who are inexperienced in historic redevelopments, the rehabilitation process can be daunting and confusing, requiring substantial knowledge of preservation and business practices. Even for those who have rehab experience, there always seems to be something more to learn!

Although historic rehabilitations are not without their complications, challenges, and obstacles, many real or perceived barriers can be overcome or successfully mitigated when the right tools and information are available. Knowing the challenges, incentives and tools for the rehabilitation process is essential.

This guide is an informative resource of rehabilitation tools and strategies demonstrated by a compilation of Portland area historic commercial redevelopments. It explains national, state and local area rehabilitation tools providing preservationists, businesses, nonprofits and neighborhood organizations in the Portland area easy access to valuable redevelopment information and ideas to inform and inspire future projects.

Throughout Portland there are numerous examples of rehabilitation in action. From obsolete warehouses turned into innovative classroom space, to an armory transformed into a theater and even an abandoned school renovated as a unique hotel; opportunities are endless. With the appropriate knowledge and resources, a preservation project can energize, revitalize and strengthen its community. The progress that can be seen in Portland, and around the nation, proves preservation is not just a responsibility but an aspiration.

## WHY REHABILITATE?

There are numerous reasons to rehabilitate a historic building; often the most commonly argued are intangible including the desire to preserve a sense-of-place or to save a piece of our nation's history. But for those who actually redevelop historic properties there are a multitude of additional reasons why rehabilitation is often worth the effort. Ranging from the economic and even the environmental benefits, rehabilitating a historic building for an adaptive use can have extensive positive effects.

To begin, we first have to bridge the real estate and preservation fields, acknowledging the differences in terminology and context. Preservationists utilize a careful vocabulary where rehabilitation is a form of preservation that allows flexibility of use and design. To developers, this type of work is usually referred to as redevelopment or renovation. Essentially describing the same process, the key distinction is that rehabilitation connotes a project that meets the Secretary of the Interior's Standards for Rehabilitation - a set of guidelines that ensures respectful redesign and compatible use.

Next, we must acknowledge the different goals developers may have when undertaking a redevelopment. There are certainly social aspirations of saving a shared heritage or significant architecture, or providing a local catalyst for further development. There are also many valuable economic and environmental benefits. Although the validity of these claims are often called into question, a rehabilitation is often better for the economy than new construction, and can meet many environmental standards due to embodied energy and locations that are often within the heart of cities. Arguments noted below, as well as information summarized throughout the rest of this study will describe the many benefits of rehabilitation, and aim to dispel the common misconceptions about the process.

Confirmation of the effects rehabilitations have within a community are crucial for justifying and advocating the process. There have been many pursuits to verify the affects of redevelopment projects, especially with regard to their benefit to local economies, sustainability, and environmental efforts but additional analysis needs to be completed to provide clear and conclusive evidence of the effect of historic rehabilitations. The scope of this guide does not allow for varification of these sources. This must be a high priority goal for the future though, in order to quantify the tangible values derived from a redevelopment.



Recent surveys by the U.S. Energy Information Administration indicate that nearly 30 percent of the United States' commercial building stock is more than 50 years old - the typical age to be considered "historic." Therefore, buildings constructed in the 1960s are now considered historic and as this limit extends to properties built in the latter part of the decade, and into the 70s, there will be a dramatic increase of eligible historic buildings. The reuse of these properties will be worthwhile not just for the social benefits, but also environmentally, to utilize the embodied energy of these spaces. Adapting a historic building takes advantage of a lifecycle that has already expended the energy originally generated during construction, as opposed to a newly constructed building which has to bear the energy now, when construction and transportation costs are higher. Then imagine, if an existing building is demolished to make way for the new one; twice the amount of energy is used because of the energy expended to tear down the old one (which then adds to our landfills) plus the energy used for rebuilding.

The lifespan of older buildings is also a contributing factor towards the argument for reuse. Most historic buildings were built to last 50 years or more whereas new construction is only built for a limited lifespan of 20-40 years. In an age when sustainability has become an important social value, preservation and reuse of existing infrastructure is a critical piece to the green puzzle.

These points are just a brief overview of the many positive environmental contributions a rehabilitation can make. Add to this the economical factors of the creation of high paying jobs, stimulation of private investments, small business development, increased property values and therefore increased tax revenues, and the benefits of completing a historic rehabilitation are evident.

Renovated historic properties generate marketable spaces that attract diverse populations. Emerging and creative businesses tend to be drawn to these properties because of the unique environment they create. These buildings are often located in the hearts of cities, offering established amenities including public transportation, walkable neighborhoods, nearby entertainment and access to businesses.

Whether intentional or not, redevelopments often act as catalysts for further revitalization in a neighborhood. This fulfills a social goal of reinvigorating a region but it also increases the economic vitality of surrounding properties. Investment in a single building increases the value of that project, but as additional properties are redeveloped, the values of the entire community rises. This, in turn, increases local taxes and acts as a reinvestment in the community at large. Contributions to regional economies is further driven by the local and higher wage jobs created by rehabilitations which tend to be far more intensive than new construction.

From a real estate perspective, the rehabilitation of the right property in the right location at the right time just makes sense. They can be profitable ventures while also accomplishing a social service. The information in this guide supports the vision of an increasing number of developers who understand the potential, and want to effectively complete, a historic rehabilitation.

This study aims to be a valuable resource for the Portland development and preservation community, and even to redevelopment teams around the country striving to learn more about how historic rehabilitations actually happen. With greater knowledge of the benefits of historic preservation, and the understanding of historic rehabilitations as an interdisciplinary approach, the goals of creating compatible design, achieving financial feasibility and meeting market conditions are achievable.

## HOW TO USE THIS GUIDE

This guide is intended to provide information and tools to help throughout a rehabilitation project. It is organized into three parts – Applying the Rehabilitation Process, Case Studies and Best Practices – which are followed by an appendix and list of references and sources.

**Applying the Rehabilitation Process** – this section is meant to provide a brief overview of the steps necessary to complete a historic redevelopment. It is broken down into three subsections including Planning and Development, Design and Construction, and Occupancy. Included are examples of worksheets and timelines that can be used as templates, and instructions and matrices to provide insight into how the tasks are completed.

**Case Studies** – Six examples of completed commercial historic rehabilitations are included in this study. They range in size and scope and offer a contemporary perspective of the realities of redevelopments in Portland, Oregon.

**Best Practices** – a list of 10 best practices were compiled based on the lessons of the case studies. These pieces of advice offer general goals and identify key players who make the idea happen.

**Appendix** – this section holds information about the specific guidelines and incentives that pertain to rehabilitations. It provides an overview of both federal and local design standards and lists a variety of financial incentives available for projects.

! Throughout the guide, look for this symbol indicating a useful reference.

Please keep in mind that this study is merely a reference. Careful review of the relevant standards and guidelines, as well as close collaboration with State Historic Preservation officers and other stakeholders is crucial when undertaking a project. In addition, the following information has been tailored to projects in Portland, Oregon and therefore, development teams completing historic rehabilitations in other locations should research location-specific information for their project.



*Applying the Rehabilitation Process***APPLYING THE  
REHABILITATION  
PROCESS**

**H**istoric buildings often have unique designs, systems and characteristics, as well as required guidelines that demand a different type of planning and construction process than existing or new construction. Most notably, the goal of any rehabilitation is to work in concert with the preexisting building and site. This necessitates a strong understanding of the significant features of the property, compatible design and appropriate programming with respect to both the building and the market. When each of these aligns, opportunities for creating a feasible, and profitable plan are significantly higher. To ensure these objectives are met, there are several phases of activities that, when combined, produce a workable project plan.

The following description of the rehabilitation process is not comprehensive. If a comprehensive guide is needed, there are many resources available via the real estate, development or construction fields that will provide a more in-depth look at the process. The following description is simply meant to be an overview of a typical rehabilitation process with the necessary historic components and considerations that are unique to a historic redevelopment project.

Comprehensive development guides to reference include:

*Real Estate Development: Principles and Process* By Mike Miles

*Real Estate Development and Investment: A Comprehensive Approach* By Stephen P. Peca

*Community Initiated Development: A Manual for Community-Based Real Estate Development* By Donovan Rypkema

To provide an explanatory narrative of the steps of a rehabilitation project, the process is broken down into three parts including Pre-Development and Planning, Design and Construction, and Occupancy. Each of these phases has important tasks that the development team will need to understand to determine whether they should be completed or not. Because each project is unique, having a basic understanding of the process and individual tasks will help in determining whether they are applicable to the project at hand.

Throughout a rehabilitation, it is essential to collaborate among multiple professional disciplines, as well as organizations, to establish a cohesive development team that can successfully navigate each step throughout the process. These projects are inherently interdisciplinary and it is to the benefit of the development team to retain the assistance, expertise and engagement from as many professionals and colleagues as possible. Collaborations between stakeholders and participants will be essential to lay the foundation and ensure a successful outcome for an economically feasible, historically sensitive, and market-driven project. The following matrix outlines the major groups of participants and stakeholders, as well as their individual role in a project.

## STAKEHOLDERS & PARTICIPANTS

There are many parties involved throughout the rehabilitation process. The following is a list of people and organizations involved in a redevelopment. Inevitably there will be additional people or groups that will need to be involved and the list should be adapted to reflect the individuality of each project. Included are the participant, their role and considerations for their involvement.

<b>INVESTORS/ FINANCIAL PARTNERS</b>	<ul style="list-style-type: none"> <li>• Owner</li> <li>• Developer</li> <li>• Bank/Lender</li> <li>• Incentive Partners</li> </ul>	Investors provide project goals and funding.	<ul style="list-style-type: none"> <li>• Each partner has his/her own requirements and interests, these must not be in conflict and should be carefully managed to ensure all commitments are fulfilled.</li> <li>• If partners don't have historic redevelopment experience an educational component may be necessary.</li> </ul>
<b>TENANTS</b>	<ul style="list-style-type: none"> <li>• Current</li> <li>• Future</li> </ul>	Tenants occupy the space and will require tenant improvements.	<ul style="list-style-type: none"> <li>• Are there tenants in the building that will be staying? What are their needs?</li> <li>• What tenant improvements will be made?</li> <li>• How will tenants affect marketability?</li> <li>• Will tenants be staying during construction? If so, methodical phasing during construction may be necessary.</li> </ul>
<b>GOVERNMENT</b>	<p>Local - City of Portland:</p> <ul style="list-style-type: none"> <li>• Planning/Sustainability</li> <li>• Economic Development</li> <li>• Preservation Commission</li> <li>• Public Works</li> </ul> <p>State - Oregon:</p> <ul style="list-style-type: none"> <li>• State Historic Preservation Office (SHPO)</li> </ul> <p>Federal</p> <ul style="list-style-type: none"> <li>• National Park Service (NPS)</li> </ul>	Government agencies enforce regulations, assist with incentives and provide development resources. They manage the National Register, and Tax Credit programs.	<ul style="list-style-type: none"> <li>• Decision-making processes with government agencies can be lengthy, be sure to know timelines and plan accordingly.</li> <li>• If there is uncertainty about regulations, ASK!</li> </ul>
<b>CONSULTANTS</b>	<ul style="list-style-type: none"> <li>• Appraiser</li> <li>• Architect</li> <li>• Engineer</li> <li>• Environmental Consultant</li> <li>• Lawyer</li> <li>• LEED Consultant</li> <li>• Preservationist</li> <li>• Real Estate/Marketing Agency</li> </ul>	Consultants provide expertise from particular fields utilized through a project.	<ul style="list-style-type: none"> <li>• Do all consultants have historic redevelopment experience? If not, an educational component may be necessary.</li> <li>• Collaboration among consultants is vital for a unified plan.</li> </ul>



## STAKEHOLDERS & PARTICIPANTS

<b>COMMUNITY</b>	<ul style="list-style-type: none"> <li>• Neighborhood Associations</li> <li>• Residents</li> <li>• Chamber of Commerce</li> <li>• Businesses</li> </ul>	The local community acts as the public interest in the location the project is done.	<ul style="list-style-type: none"> <li>• Public notice and input can help bolster community support.</li> <li>• Are there community groups that can help build pride and ownership of the project?</li> <li>• Consider current facilities within the locale to help guide programming options.</li> </ul>
<b>PRESERVATION ORGANIZATIONS</b>	<ul style="list-style-type: none"> <li>• National Trust for Historic Preservation</li> <li>• Architectural Heritage Center</li> <li>• Historic Preservation League of Oregon (HPLO)</li> </ul>	Typically nonprofits, these organizations advocate for preservation issues and methods.	<ul style="list-style-type: none"> <li>• These organizations are good resources for preservation methods and case studies.</li> <li>• Many preservation groups provide incentives, or assistance to find and obtain incentives.</li> <li>• Local organizations can be an access point to the regional preservation community.</li> </ul>
<b>CONTRACTORS</b>	<ul style="list-style-type: none"> <li>• General Contractors</li> <li>• Electrical</li> <li>• Masonry</li> <li>• Plumbing</li> <li>• Roofing</li> <li>• Window Repair</li> </ul>	Contractors follow through on the rehabilitation designs, completing construction of a project.	<ul style="list-style-type: none"> <li>• Do all contractors have historic redevelopment experience? If not, an educational component may be necessary.</li> <li>• Maintaining constant communication will reduce surprises.</li> <li>• If the contractor has not worked with the developer before, check the company's qualifications, references, past projects and their availability.</li> </ul>
<b>SUPPLIERS</b>	<ul style="list-style-type: none"> <li>• Doors</li> <li>• Flooring</li> <li>• Fixtures</li> <li>• Millwork</li> <li>• Salvaged Materials</li> <li>• Windows/Storm Windows</li> </ul>	Suppliers make and sell materials and fixtures. Those that need to be historically accurate will need to be sourced from suppliers.	<ul style="list-style-type: none"> <li>• Does the project budget account for repairs, replications or new items which may vary in availability and cost.</li> <li>• Knowing where the suppliers are located and how they make their products can be important for LEED requirements as well as for shipment times and costs.</li> <li>• Have historically sensitive products been recommended or used elsewhere that are likely to be approved again?</li> </ul>

In addition to knowing the individuals and groups involved in a project, planning for and ordering tasks in a timeline or project schedule is a critical step to preparing for a rehabilitation and can be crucial to ensuring that a project is completed on time and on budget. When completing a redevelopment, the timeline should incorporate main phases including Pre-Development and Planning, Design and Construction, and Occupancy. Although it will be difficult to complete the full timeline at the outset of a project, it should be updated throughout the initial planning phase, especially when due diligence and construction estimates are completed.

The following is an example timeline that breaks down each project phase into smaller tasks with associated lengths of time to complete each job. The example should be altered to reflect the specific building and developer requirements for the project being completed. For example, this timeline demonstrates the hypothetical tasks for a 100,000 square foot building that must be bought by the developer as well as nominated to the National Register of Historic Places. These types of circumstances are unique to each project and must be carefully considered and planned in order to align with the project goals.



## Applying the Rehabilitation Process

## EXAMPLE PROJECT TIMELINE

TASKS	YEAR 1												YEAR 2												YEAR 3											
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
Feasibility Analysis • Property in Escrow • Determine Project Goals • Market Analysis • Property Due Diligence • Secure Development Team	█	█	█																																	
• Conceptual Design • Code Analysis • Determine National Register Eligibility • Determine Funding		█	█																																	
Project Initialization • Property Acquisition • Secure Loans/Tax Credits • Secure Construction Team				█																																
National Register Nomination (If appropriate)				█	█	█	█	█	█	█	█	█																								
Architectural Design & Construction Estimate				█	█	█	█	█	█	█	█	█																								
Land Use/Design Review/ Tax Credit Review									█	█	█	█																								
Secure Permits																			█	█																
Environmental Abatement																																				
Close Loans & Tax Credit Partnership																																				
Construction																																				
Tenant Improvements																																				
Lease-Up Period																																				

## *Applying the Rehabilitation Process*

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### **PRE-DEVELOPMENT & PLANNING**

The first phase of a rehabilitation project – Pre-Development and Planning – is comprised of initial research, and determining feasibility and brainstorming potential redevelopment options. In this stage, completing a feasibility study, or general due diligence, is the priority. For a rehabilitation, a feasibility study must focus on two main topics: design and financing. Within financing, attention must be given to market research including locality research and market conditions. Within design, research must be done to determine existing building conditions, the architectural and social history of the property and the regulations and guidelines affecting the site. When all of this information is compiled, the development team can identify possible programming options, which will need to be evaluated for cost variances as well. See below for more in depth information about the components of a feasibility study as it relates to historic rehabilitations.

### **Conduct Market Research**

There are two layers to this task including locality and market conditions. In many ways, these topics are similar and will even overlap. However, there are also several distinctions to each subject and each requires their own substantive consideration.

Understanding the location of the property and its relationship to the neighborhood is crucial for determining site programming. As they say in real estate it's all about "location, location, location." When completing a historic rehabilitation, it is no different. Most of the research completed now is similar to any other construction project because these types of zoning regulations and neighborhood dynamics are relevant and must be adhered to, for all types of construction.

A property's location can have far reaching implications. Specific research should answer questions including:

- What zoning designations is the building required to follow?
- What neighborhood or city design guidelines are required?
- Are there any urban renewal programs affecting the site?
- Are there any significant environmental impacts that affect the property?
- What is the composition of the surrounding population including businesses and residents?
- What are the nearby transportation options?

The results of these findings will help guide design responses for current or future tenants or possible programming as well as market factors that will help or hinder the project. They will set preliminary limits of what can and cannot be done to the building and they will identify areas where further research or inquiry is necessary.



## *Applying the Rehabilitation Process*

Market conditions of the project locale, and the conditions during the time the project is completed, will affect the economic viability of the project, as well as the factors that will make it attractive to participants in the marketplace. Items to research include:

- Are there similar properties near the rehabilitation? If so, what is their supply and demand? How do these compare to your property? (Answers to these questions will affect the appraisal value of your property which, in turn, will affect the loan options and amount available for the project.)
- What is the economic market for tax credit programs and, practically speaking, how does the market affect your project's ability to utilize these programs?
- What is the economic market for construction loans and how does this influence your project?
- Are there currently, or are there plans for nearby development that may instigate further development in the area?
- Is there any public money available for redevelopment projects like yours?

See Appendix  
for financial  
incentives  
available  
for historic  
rehabilitations

Answers to these questions will identify the financial parameters to help determine the project feasibility, as well as its position within the local market. Funding factors will provide a realistic sense of the loan terms for forecasting project costs. This will then help establish additional forms of funding that may need to be sought out to fill gaps in financing. Additionally, these answers will generate comparable properties in order to estimate tenant rents.

When considered together, market research for a historic property requires different logistical concerns than new construction. The development team must take into account the results of the locality research, as well as the marketability of a historic property. The key is to work with the existing property and building and its components to make the most of what it has to offer.

## EXAMPLE PRO FORMA

A pro forma is a type of accounting spreadsheet that projects the financial return that a proposed real estate development is likely to create. Working through a pro forma will help clarify the financial outlook of a project and help determine its feasibility.

This example will work through each section of the table, providing an explanation of the calculations and providing a spreadsheet example with the written formulas as well as an example with numbers filled in. Each of these sections can then be combined to create a full pro forma spreadsheet. The sample pro forma should be altered to reflect the specifics for individual properties, but can be used as a guide demonstrating formulas and key figures.

1. **Building Summary:** This section outlines the specific terms of the proposed space. It will need to specify the rental areas as well as the nonrentable space and quantify the amount of square feet for each. Non-income producing spaces could include lobbies, parking, utility and storage rooms, and stairwells. Depending on the type of programming, it may also be necessary to note the number of rooms by type (in the case of a residential or hospitality use).

Building Summary		% of Total	SQ FT
Tenant 1			
Tenant 2			
Non-Leased Space			
<b>TOTAL SQ FT</b>		100%	

Building Summary		% of Total	SQ FT
Tenant 1		43%	9,000
Tenant 2		46%	9,250
Non-Leased Space		9%	1,750
<b>TOTAL SQ FT</b>		100%	20,000

2. **Project Cost Summary:** These are calculations of all the costs associated with the rehabilitation. They are calculated later in the pro forma but this section will show the cost totals and can be linked to the corresponding totals further in the table.

Project Cost Summary			
Acquisition Costs			
Hard Costs			
Soft Costs			
Financing Costs*			
<b>TOTAL PROJECT COSTS</b>			

Project Cost Summary			
Acquisition Costs			\$900,000
Hard Costs			\$1,500,000
Soft Costs			\$475,728
Financing Costs*			\$101,429
<b>TOTAL PROJECT COSTS</b>			<b>\$2,977,157</b>

## EXAMPLE PRO FORMA

3. Project Value Summary: The result of the calculations in this section will be the projected value of the property after its rehabilitation.

Project Value Summary					
A	Capitalization Rate				
B	Net Operating Income				
	APPRAISED VALUE	Net Operating Income	/	Cap Rate	=
C	PROJECT "GAP"	Total Project Costs	-	Loan Amount	=

Project Value Summary					
A	Capitalization Rate			8%	
B	Net Operating Income			\$207,256	
	APPRAISED VALUE	\$207,256	/	8%	= \$2,590,703
C	PROJECT "GAP"	\$2,977,157	-	\$1,554,422	= \$1,422,735

A. The "Capitalization Rate", or cap rate, is the ratio of the net operating income and the current market value of the property.

B. The net operating income will be calculated later.

C. The "Project Gap" is a crucial piece of information that identifies the amount of money needed for the rehabilitation after the loan is considered. This will identify the money needed from owner equity and financial incentives.

4. Project Sources Summary: Costs listed here will show all sources of money for the project. Some of these prices will be flat amounts obtained from grants or financial incentives. Other sources can be estimated.

Project Sources Summary					
A	Construction Loan	Loan-to-Value "LTV"	x	APPRAISED VALUE	=
B	Historic Tax Credit Equity	20%	x	Qualified Rehabilitation Costs (*)	=
C	Grants				
D	Other Incentives				
E	Owner/Developer Equity	"TOTAL PROJECT COSTS"	x	Total Other Project Sources	=
TOTAL SOURCES					

Project Sources Summary					
A	Construction Loan	60%	x	\$2,590,703	= \$1,554,422
B	Historic Tax Credit Equity	20%	x	\$1,809,352	= \$354,633
C	Grants				\$15,000
D	Other Incentives				\$40,000
E	Owner/Developer Equity	\$2,977,157	x	\$1,964,055	= \$1,013,102
TOTAL SOURCES					

A. Given the economic climate in 2011, the amount of a construction loan can be estimated as 60% (as a general rule for a commercial property with a relatively experienced development team) of the projected appraisal value.

B. If seeking Historic Tax Credits, the "Qualified Rehabilitation Costs" or QREs will equal 20% of the approved costs, notated with asterisks. This will include all hard costs and many soft costs that are directly associated with completing a rehabilitation.

C/D. These line items will show funds from financial incentives and may require further calculations if a source will assist with a percentage of associated costs.

E. The amount of Owner/Developer Equity should be estimated by subtracting the amount of previous funding by the "Total Project Costs". Ideally, the development team will obtain funding from a variety of sources requiring less owner equity.

## EXAMPLE PRO FORMA

5. Hard Cost Summary: "Hard Costs" describe actual assets or costs associated with building a structure. These can also be called "brick-and-mortar" costs. During a preliminary financial analysis, these costs can be estimations based on similar projects or prior experience. Once a project gets into later stages of development, bids and work budgets can replace the earlier figures for a more accurate financial picture.

	Hard Cost Summary	SQ FT	x	\$/SQ FT	=	
A	Shell & Core Construction		x		=	
B	Tenant Improvements		x		=	
C	Hard Cost Contingency	% of Contingency	x	Shell & Core Const	=	
	<b>TOTAL HARD COSTS*</b>					

	Hard Cost Summary	SQ FT	x	\$/SQ FT	=	
A	Shell & Core Construction	20,000	x	\$50	=	\$1,000,000
B	Tenant Improvements	20,000	x	\$20	=	\$400,000
C	Hard Cost Contingency	10%	x	\$1,000,000	=	\$100,000
	<b>TOTAL HARD COSTS*</b>					\$1,500,000

A./B. Each of these line items are calculated by multiplying the amount of square feet affected by the average dollar amount spent per square foot.

C. Having a construction contingency fund is crucial to be prepared for surprises that occur during construction. A safe estimation is 10% of the total "Shell and Core Construction" costs already calculated.

## EXAMPLE PRO FORMA

6. Soft Cost Summary: "Soft Costs" are expenses not considered directly related to construction or "hard costs". Some of these expenses are flat rates, others are calculated. This list can vary depending on the project and scope; it is not inclusive of all soft costs for a rehabilitation but captures the main items.

Soft Cost Summary					
A	Architecture/Engineering*	Firm %	x	"SHELL & CORE CONST" + "HARD COST CONST"	=
B	Project Management Fee*	Mgmt Co. %	x	"TOTAL HARD COSTS"	=
C	Leasing Commissions	Leasing Co. %	x	"GROSS RENT"*5	=
D	General Legal/Accounting*				
E	Appraisal				
F	Survey*				
G	Insurance*	Rate	x	# months	=
H	Property Taxes/Utilities				
I	Permits/Land Use Review Fees*				
J	Environmental Consultant/Testing*				
K	Environmental Remediation*				
L	NPS Fees (Tax Credit App)*				
M	Tax Credit Syndication Costs				
N	LEED Consultant*				
O	Soft Cost Contingency*	% of Contingency	x	Total Other Soft Costs	=
<b>TOTAL SOFT COSTS</b>					

Soft Cost Summary					
A	Architecture/Engineering*	8%	x	\$1,100,000	= \$88,000
B	Project Management Fee*	8%	x	\$1,500,000	= \$120,000
C	Leasing Commissions	8%	x	\$1,686,250	= \$134,900
D	General Legal/Accounting*				\$10,000
E	Appraisal				\$3,500
F	Survey*				\$2,000
G	Insurance*	\$1,500	x	6	= \$9,000
H	Property Taxes/Utilities				\$6,500
I	Permits/Land Use Review Fees*				\$10,000
J	Environmental Consultant/Testing*				\$2,000
K	Environmental Remediation*				\$3,000
L	NPS Fees (Tax Credit App)*				\$2,500
M	Tax Credit Syndication Costs				\$75,000
N	LEED Consultant*				\$0
O	Soft Cost Contingency*	2%	x	\$466,400	= \$9,328
<b>TOTAL SOFT COSTS</b>					<b>\$475,728</b>

A./B./C. These expenses are calculated with the company's fee as a percentage of the associated costs. Typically, these companies charge about 8%. The "Leasing Commission" (C.) is calculated by the company's fee multiplied by the gross rents per the life of each lease.

G. Insurance is calculated by the insurance rate multiplied by the number of months during construction.

M. \$75,000 for "Tax Credit Syndication Costs" is a preliminary estimation although it should be noted that syndication would be unlikely given the scope of this project and the relatively small hard costs.

O. The "Soft Cost Contingency" is a valuable cushion needed in the event that prices change or there is a surprise during the development or construction processes that alter fees. A safe estimation is 2% of the previous "Total Other Soft Costs".

E./G./H./I./J./K./M. These costs can fluctuate widely depending on the circumstances of each project.

## EXAMPLE PRO FORMA

7. Financing Cost Summary: This section sums the loan expenses that accrue during different phases of the project.

Financing Cost Summary						
A	Interest During Construction*	6%	x	"CONST LOAN"* 60%* (6/12)	=	
B	Interest During Lease-Up	6%	x	"CONST LOAN"* (6/12)	=	
C	Loan Fee- Construction*	1%	x	"CONST LOAN"	=	
D	Loan Fee - Permanent	.5%	x	"CONST LOAN"	=	
E	Bank Fees					
TOTAL FINANCING COSTS						

Financing Cost Summary						
A	Interest During Construction*	6%	x	\$466,326	=	\$27,980
B	Interest During Lease-Up	6%	x	\$777,211	=	\$46,633
C	Loan Fee- Construction*	1%	x	\$1,544,422	=	\$15,544
D	Loan Fee - Permanent	.5%	x	\$1,544,422	=	\$7,772
E	Bank Fees					\$3,500
TOTAL FINANCING COSTS						\$101,429

A. The calculation of interest on the loan during the construction period is 6% (as a general rule) multiplied by the amount of the loan times a 60% draw factor (as a general rule) times the construction period.

B. Calculation of interest during lease-up is done the same as during construction, but omitting the 60% draw factor.

C./D. "Loan Fees" are the costs associated with borrowing money. The fee percentage during construction and permanently will be different but both are calculated by multiplying that percentage by the amount of the "CONSTRUCTION LOAN".

E. "Bank Fees" are a one-time up front fee charged by the bank to process the loan.

8. Profit/Loss - First Year Stabilized: These items calculate the rents for each tenant occupying the building's spaces, and in total, establish the "GROSS RENT" of the property.

Profit/Loss - First Year Stabilized		SQ FT		Lease Rate/ SQ FT		
A	Tenant 1		x		=	
B	Tenant 2		x		=	
GROSS RENTS						

Profit/Loss - First Year Stabilized		SQ FT		Lease Rate/ SQ FT		
A	Tenant 1	9,000	x	\$20	=	\$180,000
B	Tenant 2	9,250	x	\$17	=	\$157,250
GROSS RENTS						\$337,250

A./B. The "GROSS RENTS" are calculated by multiplying the square footage of each tenant space by the cost or lease rate per square footage of that space.

## EXAMPLE PRO FORMA

9. Operating Income Summary: This portion of the pro forma is a summary of the expenses associated with operating the building once it is completed. This includes general operating expenses, but also accounts for losses and fees of vacancies.

Operating Income Summary							
A	Operating Expenses	Rentable SQ FT	x	\$/Rentable SQ FT	=		
B	Vacancy/Collection Loss	"GROSS RENTS"	x	% Unrented Space	=		
C	Vacancy Expenses	\$/SQ FT	x	(TENANT 1 SQ FT + TENANT 2 SQ FT)* % Unrented Space	=		
<b>TOTAL OPERATING EXPENSES</b>							

Operating Income Summary							
A	Operating Expenses	18,250	x	\$5	=	\$91,250	
B	Vacancy/Collection Loss	\$337,250	x	10%	=	\$33,725	
C	Vacancy Expenses	\$3	x	\$1,825	=	\$5,019	
<b>TOTAL OPERATING EXPENSES</b>							\$129,994

A. The "Operating Expenses" (including utilities, security, etc) of a building are calculated based on an average per square basis, "\$/Rentable SQ FT" multiplied by the "Rentable SQ FT".

B./C. The vacancy rates are costs of unrented or unpaid space and are included as a safeguard in the pro forma to account for the possibility of vacancies in the building. These projected rates describe the loss of rental fees, as well as expenses related to vacancies. These sums are then deducted from potential gross income.

10. Investment Summary: The final section of the pro forma explains the overall projected income and expenses of the property. It shows the return on investment and therefore, whether the project is feasible or not.

Investment Summary							
A	Net Operating Income (NOI)	"GROSS RENTS"	-	"TOTAL OPERATING EXPENSES"	=		
B	Debt Service						
C	Net Income	Net Operating Income	-	Debt Service	=		
D	RETURN ON EQUITY	Net Income	/	Owner/Developer Equity	=		

Investment Summary							
A	Net Operating Income (NOI)	\$337,250	-	\$129,994	=	\$207,256	
B	Debt Service					(\$93,265)	
C	Net Income	\$207,256	-	(\$93,265)	=	\$113,991	
D	RETURN ON EQUITY	\$113,991	/	\$1,013,102	=	11%	

A. The "NOI" is the total operating income of the property after operating expenses are deducted.

B. "Debt Service" is the principle and interest required on the loan and is obtained from an amortization schedule.

C. "Net Income" describes the total income produced by the property.

D. "RETURN ON EQUITY" explains the property's return on investment and is a performance measure to help determine feasibility. Most developers/investors would like to see a rate of at least 10%, however this will vary based on the developer's goals.

## *Applying the Rehabilitation Process*

### **Historic Research**

There is a variety of information to search for when conducting historic research, but first it's important to know how the information will be used. This question can be answered depending on whether the property is going to be listed to the National Register of Historic Places, or if it is already individually listed or part of a designated historic district. If the property is currently listed then it is important to review the nomination for completeness and accuracy. Identifying areas of clarification or conflicting information will help determine information that should be researched further. If a property is not listed but it will be nominated to take advantage of the honorary designation or financial incentives, or intentionally not nominated so the property will not be subject to the Secretary's design standards, a thorough search for historic sources should be done to know as much as possible about the building and site.

Often historic research requires a lot of digging, using what can be found to lead to additional sources, and then more digging! Generally, you want to find as much information as you can about both the property and building's architectural history as well as the social history of the site. In other words, "know thy building." In and out. But there are several key pieces of information that should be found and used as a guide to locating additional history of the property. Items to research include:

- History of ownership (found through deeds, titles and city directories)
- Occupants of a building (found through local histories, census, newspapers, reverse city directories, etc)
- Changes to structure over time (found through Sanborn Maps, aerial photos, historic photos)
- Architectural drawings

This information is essential to making educated decisions about the historic integrity and significance of the building. It will be critical for identifying historic fabric and character-defining features, writing a National Register nomination if necessary, distinguishing the building's role within the neighborhood and city, and identifying areas of the structure that may need further assessment due to changes over time.

Conducting historic research is a key difference to historic rehabilitations versus other types of construction. The information can be critical to ensuring compatible design and making a case for design choices. Due to the inherent history associated with the property, there is simply more to know about the site, and more consequences during design review and construction if not enough is known about the property. Historic research can bring to light the significance of building features and design decisions that may be influenced by historic research include:



*Applying the Rehabilitation Process*

- The building's form including roof shape, bay system, footprint, etc
- Building materials that make up the facades, ceilings, walls, floors, etc.
- Structural systems
- Interior floor plan and the arrangement of spaces
- Openings including windows, doors and entryways
- The composition of primary elevations including doors, steps, porches, storefronts, etc. Understanding the design and historic functions of primary facades is critical because they are most visible to the public and, therefore, significant spaces to retain historic integrity, scale, and rhythm of the physical context.

**The National Register of Historic Places**

! The National Register of Historic Places is the United State's list of the country's significant historic places deemed worthy for preservation. The list is maintained by the Keeper of the National Register, a job that falls within the National Park Service. Properties can include historic districts, sites, buildings, structures, and objects that are significant in American history, architecture, archaeology, engineering and culture.

Buildings are listed to the register by submitting a nomination that explains the history of the property, its features and significance. The nomination is evaluated by the State Historic Preservation Office who notifies the property owner, government agencies and the public. In Oregon, the state's preservation commission and the public provide feedback on the nomination before it is approved and sent to the Keeper for final approval.

On average the nomination process takes about a year to complete, so adequate time should be allocated to the process. Initial research and writing of the nomination can require several months, the state review process generally takes a minimum of 90 days and the Keeper is allowed between 45-60 days to make the final decision. Revisions can also be requested so it is advisable to discuss the nomination with the Oregon SHPO while you are in the process of writing to get feedback and suggestions.

For more information, see the National Register of Historic Places Overview brochure or visit the National Park Service's website. In addition, there are several National Register Bulletins that can be referenced including 15: How to Apply the National Register Criteria for Evaluation, 39: Researching a Historic Property, and 16A: How to Complete the National Register Registration Form.

## *Applying the Rehabilitation Process*

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### **Building Condition**

In addition to knowing the historical changes to the building over time, it is essential to know the current condition of the structure. Having the original drawings and knowing the historic changes will help identify areas in the building that may need closer inspection. Completing a thorough condition assessment of the building in its current state will bring to light any physical problems, or areas that are especially valuable and should be maintained. It will help reduce surprises during the construction phase, and will provide a general overview of what it will take to redevelop the building. Items to take note of from a building condition assessment include:

- Structural conditions
- Façade treatments (and whether original treatments have been covered)
- Condition of windows
- Original versus current floor plans
- Historic fabric that has been retained and its condition assessed

Having a thorough understanding of the current condition of the building to be rehabilitated can make or break a project. Knowing the architectural demands of what it will take to redevelop the property will first and foremost reveal project costs. It also plays an important role when determining floor plan options and, therefore, programming possibilities, which leads to potential tenants.

### **Condition vs. Integrity**

! When evaluating historic buildings it is important to describe the level to which they the building is intact. In the preservation field there are two ways to do so – either by describing the building's condition and/or integrity. These terms are often misused so it is important to understand the intent behind each term.

*Condition* describes the state of the building's materials and their construction.

*Integrity* has a richer meaning that encompasses the property's ability to convey its significance. It describes the authenticity of a property's historic identity, or sense-of-place, which can be supported by the survival of defining characteristics that existed during the property's period of significance.

## *Applying the Rehabilitation Process*

### **Regulations and Guidelines**

Knowing the restrictions of a property is essential to knowing the limitations of construction. Therefore, compiling a list of zoning and regulatory guidelines, design guidelines and standards, as well as other restrictions to the property is a significant step for a feasibility study. Several of the regulations in this category will overlap with those found in the locality informational search, but there are several other guidelines that should be identified for their impact to the property. Items to research include:

- What zoning designations is the building required to follow?
- If the redevelopment is seeking federal tax incentives, or a recognized historic status, what design guidelines will have to be followed?
- If seeking federal tax incentives or other forms of financial incentive, what guidelines for ownership must be followed?
- What neighborhood or city design guidelines are required?

! See Appendix for flowchart to determine local design guidelines

There are both benefits and drawbacks to the regulations imposed upon historic rehabilitations. As opposed to new construction, historic redevelopments can benefit from the allowance of more flexibility for some city zoning restrictions. Many cities make an effort to assist the reuse and adaptation of historic properties. One way to do so is through code variances. For example, in Portland density and zoning variances are sometimes provided in order to allow the continued use and revitalization of historic buildings.

As opposed to the benefits of regulations which historic properties must comply with, there are also drawbacks to these policies. There tend to be far more design guidelines associated with historic structures, specifically those that are within a historic district that have their own design guidelines. Certainly projects that receive federal tax incentives also have significantly more documentation and design standards to follow however, they also gain a significant financial benefit.

While there are several pros and cons related to the regulatory policies for rehabilitations, the development team must be aware of these restrictions during initial planning as they will guide what can be done to the building and the property.

### **Reuse Concept**

Once the steps of a feasibility study have been completed, the development team can make educated decisions about possible redevelopment concepts. With a historic rehabilitation, there are considerably more variables to consider when determining the feasibility of building uses and tenants. It is crucial during this process that all aspects of the feasibility plan are considered, work together, and inform possible scenarios. Essentially, there needs to be a vision for the building that is feasible given the opportunities and constraints of the property.

*Applying the Rehabilitation Process***DESIGN & CONSTRUCTION**

The second phase of a rehabilitation process includes design and construction. At this point, the development team has decided the project is feasible given the circumstances of the property and the market forces. Now is when plans turn into action. During this phase, deeper consideration must be given to compatible designs in order to be ready for the design review process, and ultimately preparing for construction. There are several strategies that are useful when redesigning historic spaces and will be valuable when making a case for design reviews. In addition, there are several key points to keep in mind during the construction phase that can be valuable when identifying the construction team and going through the process for a redevelopment.

**Compatible Design**

After initial discussions have occurred regarding a feasible vision for the property, a deeper level of consideration for compatible design must be undertaken. A variety of components must be weighed and compromises made to create spaces that are practical for tenants, modernized and marketable, yet retain the historic integrity of the space. Some components of design to keep in mind include:

- Identifying the historic character-defining features
- Identifying preservation zones
- Identifying or clarifying proposed tenants and their needs
- Identifying the effect of codes and upgrades
- Identifying or clarifying overall goals for the building both structurally and socially
- Completing an energy audit and long-term life cycle energy cost analysis

! See Appendix for overview of design guidelines

To ensure responsible design and to prepare for the design review process, the development team will start discussions with the State Historic Preservation Office (SHPO) and the National Park Service (NPS). Identifying and consulting resources early will help gain support for the project and reduce problems later. In addition, having an architect experienced in historic rehabilitations can be a valuable asset when solving problems, working with design guidelines and finding compromises. In addition, bringing a historic preservation consultant into the process to collaborate with the architect can be useful to provide oversight and guidance of design standards and historic features.

**Historic Fabric**

The historic fabric, or character-defining features of a building establish the significance of the property as well as provide a sense of place. They are essential qualities that should be retained and preserved and included in the redesign plans. For projects that take advantage of federal tax credits, retaining these features is a requirement of gaining financial assistance. For each of these reasons, the identification and maintenance of a building's historic fabric is a top priority to the development team.

## *Applying the Rehabilitation Process*

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Research completed during the feasibility study will help make initial recommendations for the significant features throughout the property. Secondly, a walk through with a deliberate plan for evaluating each space can add valuable insight of the role of different features. Having clear research and documentation of original features and historic changes is extremely important as it can help make a case for a proposed change during design review.

Once this has been done, a map of preservation zones can be a helpful tool to show the level of work that can be done in each area of the building. Having a visual plan can be used for educating the development team of the goals of the project as well.

Again, having an architect who has completed historic redevelopment work before is a valuable asset to the redevelopment team. In addition, working closely with a historic preservation consultant who can identify and quantify the significance of the character-defining features, can provide a necessary level of expertise to the project. Keep in mind that features that are identified in the National Register of Historic Places nomination will be crucial to retain, so collaborating with a preservationist throughout both the planning and design phases can be necessary.

### **Sustainability & LEED**

Projects that incorporate sustainable systems or models, or ones that apply LEED standards require another set of design overlay. It will be necessary to learn and understand the current practices, available systems and fixtures, as well as the specific LEED guidelines in order to consider how they will apply in a historic building. It would also be valuable to consult a specialist who can assist during this process, especially when working towards LEED certification.

This guide does not describe the vast opportunities of applying LEED or sustainable systems. For more information on the subject see the [U.S. Green Building Council](#).

Many historic buildings already have many sustainable features which should be acknowledged when determining the applicability of sustainable designs. Often, they are located in cities which provide prime locations for alternative modes of transportation and neighborhood accessibility. They are also often oriented for passive heating and cooling, a great feature for energy efficiency. Although the windows in historic buildings are controversial when it comes to efficiency, old wood windows are generally efficient and usually they just need regular maintenance or repair of the seals and framing to ensure maximum effectiveness. In addition, an easy remedy to enhance the efficiency of windows is to install interior or exterior storm windows.

*Applying the Rehabilitation Process*

**CHARACTER-DEFINING CHARACTERISTICS WORKSHEET**

Determining a building's character-defining characteristics requires three steps of observing a resource. Identifying the visually distinctive features, materials, and spaces of a property from the outset of a project will help ensure that everyone involved with the project maintains the features as required by the Secretary of the Interior's Design Standards.

**1** Look at the building from a distance to identify characteristics that define it. Focus on the main form of the structure rather than its details. Consider:

- **Shape** - What is distinctive about the form of the building?
- **Roof/Roof Features** - Do the roof or chimneys contribute to the design or create a unique profile?
- **Openings** - Is there a pattern or relationship to the openings?
- **Projections & Recesses** - Are there distinct projections or voids?
- **Exterior Materials** - Do the materials contribute to the overall look of the building?
- **Trim & Secondary Features** - Does trim have distinct patterns or coloration?
- **Overall Building Site** - How does the setting affect the building?

**2** Next, walk closer to the building and look at its details. Observe:

- **Materials** - Does the building have distinct textures, colors or patterns from materials?
- **Craft Details** - Do the materials demonstrate a high quality of workmanship?

**3** Finally, go inside the building and consider the interior features including:

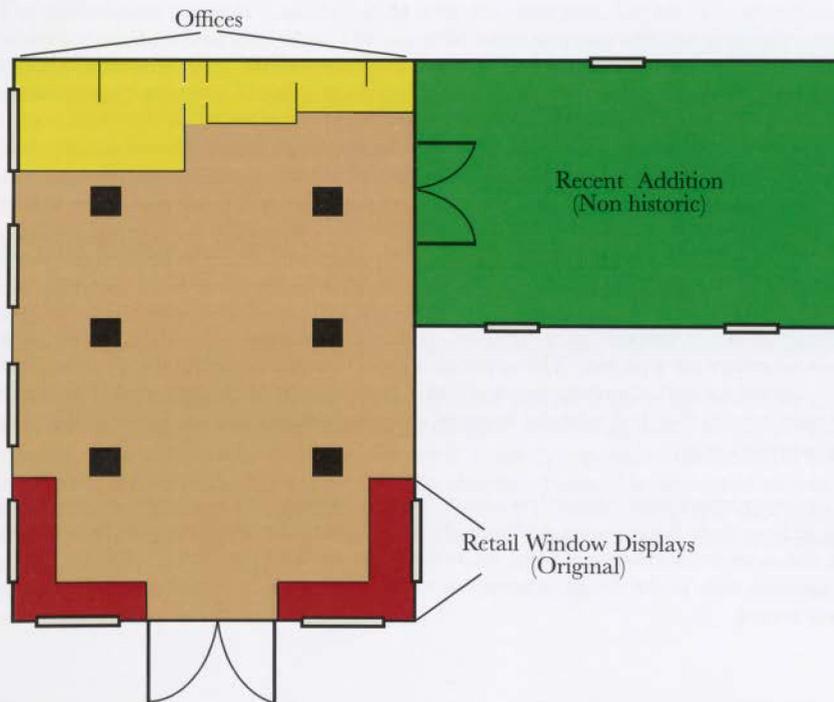
- **Individual Space** - Do rooms have unique sizes, configurations, functions, etc?
- **Related Space** - Do adjoining rooms have important functions or relationships?
- **Interior Features** - Are interior features such as stairs, mantels and moldings, important to the space?
- **Surface Materials & Finishes** - Are there special materials or finishes that impact the building's design, color, or feel?
- **Exposed Structural Elements** - Does the space have exposed materials that define the interior character such as posts, beams, etc?

When identifying defining features, think about what characteristics would change the design or feel of the building if they were removed. If the removal of a feature would drastically change the architectural design or intent of the property, it is an important feature and should be considered character-defining.

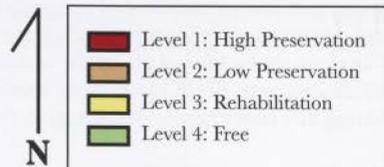


*Applying the Rehabilitation Process***DIAGRAM OF PRESERVATION ZONES**

A series of preservation zones should be developed to help identify and rate spaces and features within a building. This will ultimately denote the range of historic significance throughout a property and should be shared and distributed among the development team. The highest level, Level 1, will be the features that are character-defining in the space and must be retained and restored. Levels digress to Level 4, representing a zone that is not historic or has been changed beyond reasonable repair. In this zone significant alteration will be allowed without harming historic fabric.



In this example, a building functioning as a retail space has a historic main section with a later, non historic addition. The original window displays are character-defining features and therefore must be preserved. The interior of the building retains a fair amount of integrity and therefore is zoned a Level 2. In the back, offices have been altered over time so they can be rehabilitated as needed. Since the addition is not historic, it is a free zone that can be altered significantly without risk of damaging significant historic features.



## *Applying the Rehabilitation Process*

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There are also many things to consider when identifying the types of sustainable features that can be implemented in a historic property. Mainly, the design team needs to consider possible conflicts with the Secretary of the Interior's Standards that may be challenged during design review. Possible conflicts to consider include:

- Historic windows must be retained, not replaced
- Primary facades must be preserved although new windows may be permitted on secondary sides
- The view of rooflines needs to be unobstructed
- Equipment must not disrupt significant features or views

### **Public Notice**

Providing opportunities for public review and input is an important consideration during this phase of the project, especially before entering into design review, if possible. Gaining community support can be helpful beyond the value of community acceptance. Benefits of gaining widespread public support may include assistance obtaining financial incentives, greater flexibility with zoning regulations and help with design guidelines. Receiving public input early before beginning the design review process can also help clarify any design issues early and before they reach the Portland Landmarks Commission or other design review groups.

### **Design Review Process**

Once designs have been made, the design review process can commence. As previously identified, the development team will need to submit designs and project proposals to the City regarding any neighborhood and city-wide design guidelines as well as to SHPO, and then to NPS. Unlike other construction projects, the design review process for historic rehabilitations can be extensive and challenging, but ultimately it will be the gateway for financial incentives and community validation. Reviews can take time, especially with the multiple levels of reviews necessary for a project. The application, and then the actual review process, often require three months of time and should be planned for, with the understanding that if amendments or changes need to be made, additional weeks will need to be added to the project timeline. It should also be noted that amendments may need to be made while construction occurs if conditions change or surprises arise.

Sometimes compromises need to be made, or construction plans adjusted, to obtain design approval. One way to reduce confusion and ensure support for a project's design is to have clear documented evidence of historic features and changes to the property. The more that is known about the building, the more the development team can make a case for their proposals. Secondly, having discussions with SHPO and other review agencies early in the design process can speed up reviews by bringing to light and/or solving any issues before designs go to formal review.



## *Applying the Rehabilitation Process*

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Once design reviews have been successful, the project can move to the next step of obtaining construction permits. After permits are received construction can be started. When the SHPO and NPS approve design choices, the project is also approved for tax credits, which is often a key to a project's funding strategy. Finally, design approval is a formal acknowledgement that plans for the building meet City and national standards for historic rehabilitations, an endorsement that should be celebrated for its ingenuity and achievability. It signifies an important point in the rehabilitation process when all plans can be put into action.

### **Construction**

The construction phase of a rehabilitation is for the most part, just like any other construction project. However, there are some things the development team should be aware of when working with the general contractor that can ensure a smooth process for historic redevelopments. Mainly, having a general contractor on the team that is experienced with historic rehabilitations is an asset that can ensure an overall smooth process with less problems and financial surprises.

Hiring an experienced contractor can be helpful for a variety of reasons but mainly, they can be the clearinghouse for their crew if they already have knowledge of the rehabilitation process. With specialized historic redevelopment expertise, they bring a higher level of education about historic structures and treatments. This also means they have the ability to educate every worker to have a careful approach to construction as well. For example, if a surprise is discovered by a construction worker, the team will know how to react sensitively without making a rash decision that could jeopardize historic features. They will also know to communicate any issues, surprises or concerns. An experienced construction team will know how to do thorough investigations of conditions in order to provide better estimates for schedules and budgets later in the process. Finally, they will also be better equipped to offer solutions to problems that arise; this is an important factor that will inevitably be useful during this phase of a project.

An important consideration during the construction process is the management of hazardous materials. In most older buildings there will be dangerous existing materials in the form of flooring, wall coverings or fixtures. Such materials can hold lead, mold, asbestos, dusts and other matter that is unsafe if routinely exposed to humans. It is advisable to conduct tests early as part of the pre-development due-diligence. This will help identify a reasonable amount of time to allocate in the project timeline and budget toward the removal of any extant hazardous material. It is also crucial that the construction team that is doing any demolishing or removal of these materials use caution and take the necessary safety measures; another reason why working with a contractor with rehabilitation experience is valuable.

## *Applying the Rehabilitation Process*

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### **OCCUPANCY**

Although much of the work for a rehabilitation has been completed by this point in the process, developing guidelines and tools for the building's tenants is a final step to ensuring a successful project. It is important to keep in mind that even though construction is completed, there are still design restrictions that must be followed in order to comply with state and federal tax incentive programs that apply toward a project for the subsequent five years. In order to obtain quality tenants and establish maintenance methods, the development team must consider tenant selection procedures and leasing agreements that acknowledge and enforce preservation policies.

### **Tenant Selection**

Identifying and retaining suitable tenants begins during the pre-development and planning phase when the development team identifies the vision of the project, and is followed through during occupancy. It is important that tenants understand and support the vision of the building, as they will be responsible for taking care of their space under the guiding principles that the property was developed. Some components of finding compatible tenants include:

- A tenant's desired lease period
- The tenant has an interest in locating in a historic building
- Do the tenant's services and values match with the overall vision of the property?
- Is the tenant educated, or willing to be educated, on the components of a historic rehabilitation?

In addition to a general awareness and interest in historic properties, the tenant will need to be educated about the process of improvements. Typically, tenant improvements are completed on an individual basis that fit the needs and wishes of the occupant. However, any changes that are done for tenant improvements must be submitted for design review, just like other building design decisions. This will require collaboration between the tenant and the development team to ensure all designs align with the building and are approved to complete all construction work.

### **Lease Agreements**

One final step to ensuring that building tenants maintain the property is to develop and implement preservation policies that can be included in tenant leasing agreements. Since the building is subjected to the design restrictions of the federal tax credit programs for five years after construction is completed, creating stipulations regarding changes to the building is critical for maintaining the tax credit incentive. This will also simply provide an opportunity to ensure all changes are done responsibly and to the Secretary of the Interior's Standards, as well as to the developer's expectations.



### *Applying the Rehabilitation Process*

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Although preservation maintenance plans can be common in some rehabilitation and preservation projects, creating policies within tenant lease agreements is typical for privately owned buildings. They offer clear procedures for what can and cannot be done to a space, as well as how to get ideas reviewed and approved.

Another important aspect of property management for historic spaces is an educational component for the tenants. Although many occupants of historic buildings enjoy being in the unique spaces, it is important for the developer to educate occupants about how to occupy and live in a historic building. Knowing how to operate and maintain wood and storm windows, cleaning treatments and other types of routine procedures may be different in a historic structure, and educating the occupants about these methods will help instill a strong appreciation and ethic for the historic space.

*Case Studies*

**CASE STUDIES**

The featured case studies provide current examples of rehabilitated commercial properties in Portland, Oregon. They demonstrate the many obstacles and challenges associated with the rehabilitation process, providing valuable insight into innovative strategies and solutions. Each project was carefully chosen to represent a diverse selection of contemporary projects in the city. The cases represent redevelopments with small and large square footage, varied programming, an array of locations and event nonprofit and for-profit goals. Additionally, the projects have been completed within the last 10 years and can demonstrate relevant plans and approaches to rehabilitation.

A list of rehabilitation Best Practices follows the case studies providing a summary of the significant and recurring lessons from the individual projects. The 10 Best Practices were compiled for the purposes of this guide and are offered to provide key insights that can be applied to future projects. Each best practice is written as an overall idea with additional information that is specific to Portland in an effort to appeal to local development teams while providing a core of information that is relevant in other parts of the country, or can be tailored for another location.

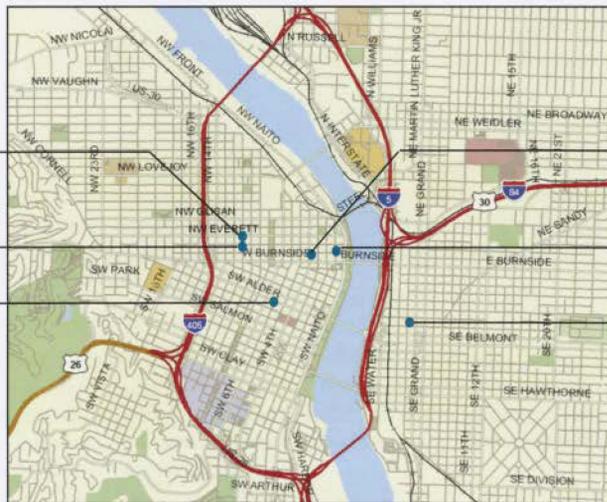
The Deschutes  
Brewery

Gerding Theater  
at the Armory  
Macy's &  
The Nines

Musolf Manor

White Stag Block

Architectural  
Heritage Center



## Case Studies

CASE STUDY PROPERTY	YEAR BUILT	YEAR REHABILITATED	OWNER		TOTAL SQ FT	TOTAL COST	FUNDING	LEED
			FOR PROFIT	NON PROFIT				
ARCHITECTURAL HERITAGE CENTER	1883	1995-1996, 2004-2005		Bosco- Milligan Foundation	7,680	\$2.4 Million	Construction loans, Donations, In- Kind support	
DESCHUTES BREWERY	1919	2008	Mark Edlen, GED; Armory II, LLC		11,000	\$5 Million	HTCs, Special Assessment	
GERDING THEATER AT THE ARMORY	1891	2006	Portland Historic Rehabilitation Fund (PDC)		56,000	\$28 Million	HTCs, NMTCs, Energy Tax Credits, BETCs, Special Assessment	Platinum
MACY'S & THE NINES	1909, 1915, 1932	2007/2008	Federated Department Stores, Sage Hospitality		662,894	\$140 Million	HTCs, NMTCs, Energy Tax Credits, Special Assessment	Silver
MUSOLF MANOR	1910	2008		Innovative Housing Initiative	51,528	\$15.8 Million	HTCs, BETCs, PDC Loans	
WHITE STAG BLOCK	1907, 1883, 1889	2008	White Stag Block, LLC		142,000	\$37 Million	HTCs, NMTCs, PDC Loans, Energy Trust Tax Credits, Special Assessment	Gold

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**ARCHITECTURAL  
HERITAGE  
CENTER**

**701 SE GRAND AVE**

Historic Name:  
West's Block

Built:  
1883

Rehabilitated:  
1995-1996,  
2004-2005

Historic Status:  
National Register  
Individually Listed

Programming:  
Galleries, Library,  
Offices, Classrooms

Owner:  
Bosco-Milligan  
Foundation

Developer:  
Bosco-Milligan  
Foundation

Architect:  
William J. Hawkins

Contractor:  
Robertson Hay and  
Wallace

Total Cost:  
\$2.4 Million

Square Feet:  
7,680

Financing:  
Construction loans,  
donations, in-kind  
support



Architectural Heritage Center before and after rehabilitation. Top Left: Prior to rehabilitation in 2004. Photo courtesy of Oregon State Historic Preservation Office. | Bottom Left: After rehabilitation in 2010, photo by author. | Right: AHC is located on the corner of SE Grand Ave and SE Alder St.

As a nonprofit, rehabilitating a property can be challenging. A preservation nonprofit with the goal of returning a more than century old building to its original appearance adds even more pressure. But the years long efforts of the Bosco-Milligan Foundation paid off in 2005 when work concluded on West's Block, now named the Architectural Heritage Center (AHC).

Built in 1883, the Italianate building is a two-story wood frame building with brick facades. It has original exterior trim of wood and rolled metal along with other features including arched second floor windows, a bracketed frieze and embellishments including modillions, dentils and brackets. The second story windows along the front and north facades have pronounced symmetry and the entrances along the front of the building create an interesting



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sense of depth with recessed doorways surrounded by commercial window displays.

The National Register for Historic Places nomination from 1979 details the successive shopfront remodeling of the Grand Avenue facade in the 20th century and the resulting loss of the original configuration and architectural features. Then owner and local preservationist Jerry Bosco had subsequently recreated the facade with salvaged cast iron from a local property. This effort was noted as a key project in “a revitalization effort spreading through the East Portland neighborhood.”

West’s Block was later entrusted to the Bosco-Milligan Foundation in 1987 by the preservation team Jerry Bosco and Ben Milligan. For years the duo had watched in disappointment as Portland area homes and businesses were renovated or demolished and wanting to safeguard the architectural heritage of the city, they began collecting artifacts from local properties. In this pursuit, they collected more than 40,000 square feet of building parts, the largest collection of its kind in the United States. The collection includes stained glass windows, doors, hardware



A model of West's Block on display at the Architectural Heritage Center illustrates the building's prominent bays and recessed entrances.

and other architectural details that had been left in storage, with a vision to be formally displayed in a center that would also provide preservation education and training programs.

When West's Block was given to the Bosco-Milligan Foundation, previous alterations and inevitable adaptations to changing technologies and tastes left many challenges for a contemporary rehabilitation. With an estimated renovation cost of \$1.4 million, the foundation's finance and fundraising struggles made the idea of a rehabilitation seem distant. As a result, it took several years of persistent fundraising and planning, but by the mid 1990s the preservation dream became a reality.

To prepare for the rehabilitation, the foundation completed a limited building condition analysis for a general idea of what it would take to return the building to its original condition. The next step was a market study to determine the level of support for a capital campaign that would raise the necessary funding for the project. Additionally, comprehensive condition assessments were done, establishing scope of work and cost estimates.

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The market study revealed community support for the rehabilitation, allowing plans to move forward. The next step was to strategize funding but incentive options for nonprofits is limited, or requires significant restructuring. Although nonprofits are eligible for grants and other incentives, they are not eligible for federal tax credits unless a limited partnership is formed that can legally manage the funds. The drawback to this, as Cathy Galbraith Executive Director of the Bosco-Milligan Foundation points out, is that creating a limited partnership is prohibitively expensive for a small organization and it also gives a significant percent of the

ownership to the partner. In addition, partners in this type of venture would want the organization to generate a sizable revenue that would justify the investment, a factor that for the AHC, is currently not possible.

Due to the restraints of funding options, the project required significant fundraising. Galbraith summed up the organization's strategy stating that they "fundraised (and fundraised, and fundraised...) to secure the money to meet [the] budget estimates." During construction some conditions were worse than anticipated, making it necessary to seek additional contributions. In the

end, work was funded by community donations, in-kind support and two private construction loans.

Rehabilitation occurred in two stages; first the Grand Avenue facade and then the remaining redevelopment. Since the property is listed on the National Register of Historic Places and as a Portland Historic Landmark, there were intense design review guidelines. Galbraith also acknowledged that since the foundation is a preservation organization, they knew they had to meet the highest standards. Plans had to meet three sets of Portland design guidelines which were reviewed by the SHPO and the Portland Landmarks



West's Block creative solution of a "brick flip" along the north facade was repeated on the front facade after it was proven to be a perfect solution to uncover the building's original brick color.



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Commission. With successful reviews, work commenced.

In Phase I, from 1995-1996, the original storefront was restored, cast iron that was not original was removed and a paint analysis was done. The analysis concluded that there were at least six layers of paint on the brick. Originally the building was unpainted though so the rehabilitation goal was to remove the numerous layers of paint. This became a challenge however when it was concluded the removal methods had the potential to be damaging to the original surface of the brick.

During this dilemma, a surprise arose when a beam on the front facade was found in extremely poor condition. It had

**“OUR PROJECT FINALLY SUCCEEDED BECAUSE OF STRONG LEADERSHIP, PERSISTENCE, DEDICATION, ADHERENCE TO THE VISION AND A LOT OF GENEROUS PEOPLE WHO SUPPORTED US.”**

to be replaced. But to do so, the bricks above the beam had to be removed. As a creative solution to both problems of the beam and painted bricks, teams painstakingly removed the bricks one

by one, replaced the beam and flipped the bricks to place them back on the wall, revealing their unpainted side. Finding an appropriate resolution for these problems can be attributed to an innovative construction company and steadfast development team who were committed to a preservation ethic.

The remaining work was completed during Phase II, from 2004-2005. Asbestos was removed from floor tiles, mechanical systems were updated, lighting fixtures were replaced and metal roofing was completed. The building's original stairway and wood flooring was diligently restored. Finally, brick on



The intricate architectural details on West's Block were carefully restored during the building's rehabilitation into the Architectural Heritage Center.



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the remaining facades were flipped to display their original coloring.

In 2005, the Architectural Heritage Center held its grand opening unveiling galleries, classrooms, a library, collections storage and offices. Galbraith credits the successful historic rehabilitation to the project's experienced architects and qualified contractor. Further, she acknowledges that "Our project finally

succeeded because of strong leadership, persistence, dedication, adherence to the vision, and a lot of generous people who supported us."

After five years of operation, the foundation knows what it takes to continue the center's financial and preservation success. With a clear understanding of ongoing maintenance, they budget for monthly and yearly

costs. For unexpected malfunctions, they have learned to deal with the challenges when they arise. As for continued funding of basic operations, lectures, exhibits, collections management and other programs, they continue to be supported by significant fundraising efforts. With this proactive mindset, the AHC continues to fill a valuable role as one of the most active preservation organizations in Oregon. ■

For additional information about the AHC rehabilitation see the following:  
Architectural Heritage Center. "West's Block Preservation Story." Architectural Heritage Center. <http://www.visitahc.org/content/wests-block-preservation-story>.  
Bassalyga, Stephanie. "Center to showcase Portland's architectural past." Daily Journal of Commerce Oregon. <http://djcoregon.com/news/2002/12/30/center-to-showcase-portland8217s-architectural-past/>.  
National Register of Historic Places. West's Block. Portland, Multnomah County, Oregon.  
Stransl, Justin. "Volunteers make preservationists' dream a reality." Daily Journal of Commerce Oregon. <http://djcoregon.com/news/2005/02/17/volunteers-make-preservationists-dream-a-reality/>.

Other sources for this case study included:  
Galbraith, Cathy. Interview by author, 28 September 2010, Portland, OR.



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*Case Studies*

**DESCHUTES  
BREWERY**

**210 NW 11TH AVE**

Historic Name:  
G.G. Gerber Building

Built:  
1919

Rehabilitated:  
2008

Historic Status:  
National Register  
Individually Listed,  
Portland Historic  
Landmark

Programming:  
Restaurant

Owner:  
Mark Edlen, GED,  
Armory II, LLC

Developer:  
Gerding/Edlen  
Development

Architect:  
Emmons Architect

Contractor:  
R&H Construction

Total Cost:  
\$5 Million

Square Feet:  
11,000

Financing:  
HTCs, Special  
Assessment



Top Left: 2007 before the G.G. Gerber building was transformed into the Deschutes Brewery. Photo courtesy of the Oregon State Historic Preservation Office. | Bottom Left: The building after rehabilitation in 2010, photo by author. | Right: The brewery's location at NW 11th Avenue and NW Davis Street.

The Brewery Blocks was a critical catalyst for the Pearl District, providing the opportunity for smaller redevelopments including The Deschutes Brewery. Especially after the success of the Gerding Theater at the Armory, historic rehabilitation became not only imaginable in the Pearl District, but plausible. Illustrating how development can feed off of one another, the Pearl District continues to thrive as one of Portland's most unique neighborhoods and caught the attention of Bend's Deschutes Brewery when they

transformed an automotive shop into the brewery's first Portland location.

Located across the street from the Gerding Theater at the Armory, the G.G. Gerber Building was built in 1919 for Gerber's auto repair business. Responding to the boom of the automotive industry after the end of WWI, the business became one of Portland's many auto shops and was included in the city's "auto row". During Gerber's time at the building his business Auto Sheet Metal Works expanded services and became the only company on



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the west coast to offer modern auto sheet metal enameling in addition to repair and fabrication of radiators, fenders and car bodies. Equipment for these services required tall ceilings and an open floor plan which was perfectly suited to the utilitarian space. The building's prominent Pratt Truss system, composed of four rows of exposed and unfinished heavy timbers in a sawtooth design allowed the connection of motor belt system to keep the machinery in operation.

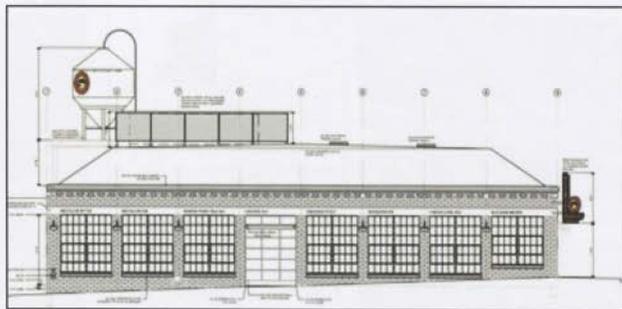
Due to continuous growth of services, Gerber needed a larger building that would accommodate expansion and he moved the business to the auto district at 418 NW 11th Avenue in 1928. After Gerber's relocation, the building was occupied by

a variety of businesses, all of which used the property for automotive services. The second tenant following Gerber divided the interior in 1934 allowing space in the south half of the building to be occupied by another tenant. Since then a variety of auto-related businesses occupied the space, either in its entirety or divided.

The structure is an unassuming single story masonry building. The National Register for Historic Places nomination describes the property as significant for its association with the advent of the automobile and the growth of an auto-related business in the early industrial area of Portland. The Gerber Building is the earliest extant structure in the area to be constructed specifically as an automotive

repair shop and it continues to represent the distinctive characteristics of this building type with features including an open floor plan, large industrial steel-sash windows and a lack of ornamentation. It is further defined by repeating bays on the exterior and exposed trusses in the interior.

When interested in opening their first location in Portland, the Deschutes Brewery had not initially considered opening in the Pearl District. Oregon's second largest brewer with headquarters in Bend reportedly had chosen a different property when the G.G. Gerber building became available. But after working with owners and developers Gerding Edlen, the Deschutes Brewery moved into



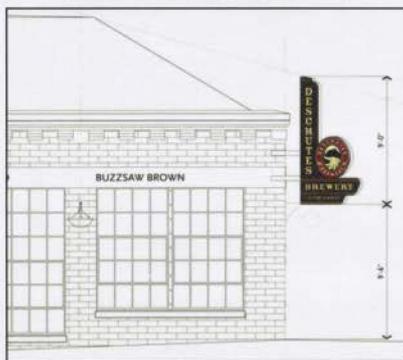
An architectural rendering of the historic G.G. Gerber building rehabilitated as the Deschutes Brewery. Photo courtesy of OregonLive.

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the building in 2008 and the space was transformed into a restaurant and brewery that continues to evoke the architectural characteristics of an auto shop.

Prior to identifying a tenant, Gerding Edlen followed planning and pre-development steps to determine feasibility options for the property. To determine the best use of the building the company completed several pro formas to consider several different project scenarios. This helped guide which tax credits would be applicable and what type of programming would best suite the site. Early discussions with preservation specialists Heritage Consulting Group also helped flesh out design possibilities given the site's architectural features, and the applicability of historic tax credits.

Gerding Edlen were in search of a feasible use when they discovered the Deschutes Brewery was looking for the right space to open a restaurant and pub in Portland. As the Director for Asset Management for Gerding Edlen, Damin Tarlow notes that once the company heard about the brewery's interest in a Portland location, Gerding Edlen contacted them and everything just lined up. He credits much of the success of the rehab to the right team and the fact that the right building joined with the right user.



A scaled drawing of the southwest corner of the rehabilitation illustrates the new signage for the Deschutes Brewery. Bottom photo courtesy of OregonLive.

Additionally, the two companies were in sync when it came to the complexities of a historic renovation. Tarlow explains that the Deschutes team "got it", referring to their interest in occupying an older building and retrofitting it for a unique and historic atmosphere. Their interest, along with Gerding Edlen's expertise, led to a participatory and integrated approach to the rehabilitation.

With just 11,000 square feet, a small project for a historic rehabilitation, the redesign skillfully worked around the building's distinctive architectural features. The goal of the redevelopment design by the Portland architecture firm of Stuart Emmons was to reach a balance between the sleek and modern designs of the Pearl District and the raw historic features of the Gerber building. The property had to accommodate a 190 seat dining room, 56 seat bar and space outdoors to seat 24, while creating space for brewery and kitchen equipment, larger bathrooms, as well as accommodating a seismic retrofit. All of this of course, also had to be completed as a Certified Rehabilitation following the Secretary of the Interior's Standards.

The redesign left the exterior of the building largely unchanged, with only minor projects. Exterior bays with modern metal roll-up doors were

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replaced by ones with windows in an effort to maintain the consistency of the bay systems, while ensuring functional access for restaurant usage. In addition, painted scrollwork along the roofline that originally advertised the services available at the auto shops was replaced by a list of the brewery's beer selections.

Turning the barren interior space into a welcoming and operable restaurant required many more projects. Although changes had to be made to increase the building's seismic stability, the architect was careful to make the updates nearly invisible. Similarly, the new ductwork and mechanical systems were designed to be hidden from plain view. One of the more visible changes included the

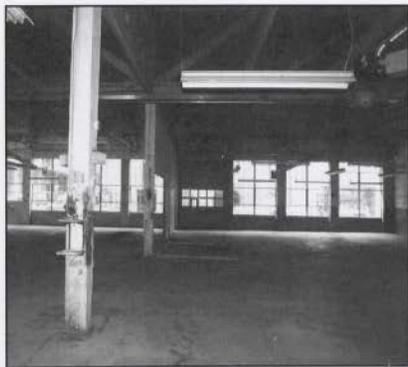
construction of partial walls in the dining spaces intended to maintain the overall openness of the interior. The trusses

### **“YOU HAVE TO FIND A GREAT STORY AND MAKE A GOOD ARGUMENT FOR THE SIGNIFICANCE OF THE PROPERTY.”**

and framework were also reconditioned with sandblasting. Tenant improvements included general changes to create a restaurant and brewery atmosphere but the project was also unique because the brewery added an assortment of salvaged and reclaimed wood pieces from a variety of local projects that were transformed into mantles, tables and the main bar. Many of these pieces were carved into

one of a kind pieces of art that help define and add character to the space.

Of the redevelopment designs, only a couple were challenged for their compatibility. Overall, Joy Sears, Restoration Specialist for the Oregon State Historic Preservation Office (SHPO) claims the project was not too contentious with the only hang-ups being the mechanical systems on the roof and other minor designs that did not transfer from paper. One such project, that in the end did not get approved, was a proposal for hanging planters attached to the exterior facades. In instances such as this, Sears says the development team tend to put more effort into wanting to make a building pretty instead of keeping it



Left: The historic interior of the G.G. Gerber automobile repair center illustrates the building's open interior and bay system along the facade. Photo courtesy of Oregon State Historic Preservation Office. | Right: The interior of the redeveloped Deschutes Brewery include salvaged wood, much of which was carved and displayed throughout the restaurant. Photo courtesy of OregonLive



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in character. It is during these instances when the local design commission and SHPO step in to redirect plans and ensure compatible use and design.

The biggest challenge in the rehabilitation proved to be the exterior rooftop mechanical system mentioned by Sears. Originally, new mechanical systems were to replace the old ones and be positioned behind a low profile metal screen, a design guideline required by the City of Portland. However, conflicting guidelines from the National Park Service required multiple revisions of the placement of the equipment and screen type in order to reduce the visual impact from the street level. After lengthy negotiations, the City of Portland, the SHPO and the National

Park Service agreed to a horizontal, perforated metal screen as opposed to the vertical 7-foot screen originally proposed. In addition, the equipment was further minimized to reduce the negative visual impact seen from the street and other businesses.

When considering the challenges involved with the design review process, and the effort of all parties to retain historic elements of the building, Tarlow asserts it is very difficult to ensure a project's preservation success. He states that "everything's a risk" but you have to be prepared "with a high level of understanding of what you want to do" in the project. This will lead to a calculated and educated risk with greater chances of

yielding positive end results.

Although small properties such as the G.G. Gerber building are not typically feasible as certified historic rehabilitations, this project had several influential factors contributing to its success. One of the keys to funding for a historic project is attaining historic status for the property and the G.G. Gerber building was listed to the National Register of Historic Places in time to receive historic tax credits even though the nomination was challenging. But the ability to acquire the tax credit assistance can make or break a project and in this case the budget had \$2.3 million worth of applicable costs which equated to \$460,000 in Historic Tax Credits.



The building's rehabilitation provided a modern upgrade that was historically sensitive. New roll-up doors were installed, the entrance has a sleek new design and the banner along the roofline was altered to display the brewery's selection of beers.



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As the historic preservation consultant for the project, Robert Mawson, Vice President of Heritage Consulting Group admitted, to have a successful historic rehabilitation, “you have to find a great story and make a good argument for the significance of the property.” At first glance, the G.G. Gerber building appears to be an insignificant property that before the rehabilitation, would have blended in as just another building. To make a valid argument for the significance of the site a deeper look at the building and occupants had to be done. This would place the property’s story in a greater context, giving it a richer meaning. Eventually an important story emerged illustrating the development of Portland’s auto industry. This in turn supported a National Register nomination and property listing.

Another factor leading to the project’s success was that the Oregon SHPO was supportive of the work and helped mediate challenges throughout the design review process. Finally, the real estate market during the period the project was completed was essential to financial success. As Mawson points out now, the project team was fortunate they were able to obtain the tax credits when they did because the current market could not bear the same results.

Finally, a strong tenant has helped to ensure the continued financial and preservation of success of the rehabilitation. Tarlow admits that when Gerding Edlen secured the Deschutes Brewery as tenants, they got lucky because they are a great company to work with. Deschutes put a significant

amount of their own capital into tenant improvements to create an elaborate and unique interior. This established the brewery as a vested company with a piece of the risk making them committed to the success of the project.

The rehabilitation of the G.G. Gerber building is a lesson in timing. With a compatible use, the Deschutes Brewery effectively adapted an automotive shop into a modern yet functional restaurant space while respectfully designing around the building’s defining characteristics. ■

For additional information about the AHC rehabilitation see the following:

Bennett, Sam. “Chaos meets control at Deschutes’ new brewpub in the Pearl District.” Daily Journal of Commerce Oregon. <http://djcoregon.com/news/2008/04/29/chaos-meets-control-at-deschutes8217-new-brewpub-in-the-pearl-district/>.

Gerding Edlen. “Jim Stevens – Deschutes Brewery.” Gerding Edlen. <http://www.gerdingedlen.com/project.php?id=72>.

Historic Preservation Certification Application: Part 1 – Evaluation of Significance. G.G. Gerber Building, Portland, Multnomah County, Oregon. Project #19602.

Historic Preservation Certification Application: Part 2 – Description of Rehabilitation. G.G. Gerber Building, Portland, Multnomah County, Oregon.

National Register of Historic Places. G.G. Gerber Building, Portland, Multnomah County, Oregon.

Other sources for this case study included:

Mawson, Rob. Interview by author, 30, September 2010. Portland, OR.; Sears, Joy. Interview by author, 23 November 2010. Portland, OR.; Tarlow, Damin. Interview by author, 22 November 2010. Portland, OR.

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**GERDING  
THEATER  
AT THE  
ARMORY**

128 NW 11TH AVE

**Historic Name:**  
Oregon National  
Guard Armory  
Annex

**Built:**  
1891

**Rehabilitated:**  
2006

**National Register:**  
Nat'l Register Ind.  
Listed, Portland  
Historic Landmark

**Programming:**  
Theater, Offices

**Owner:**  
Portland Historic  
Rehabilitation Fund  
(PDC)

**Developer:**  
Gerding/Edlen  
Development Co.

**Architect:**  
GBD Architects

**Contractor:**  
Hoffman  
Construction

**Total Cost:**  
\$28 Million

**Square Feet:**  
56,000

**Financing:**  
HTCs, NMTCs,  
Energy Tax Credits,  
BETCs, Special  
Assessment

**LEED:**  
Platinum



Top Left: The Gerding Theater at the Armory before rehabilitation in 2005. Photo courtesy of Oregon State Historic Preservation Office. | Bottom Left: The theater after rehabilitation in 2010, photo by author. | Right: Gerding Theater is situated on the corner of NW 11th Avenue and NW Davis Street in the Portland's Pearl District.

The transformation of the Oregon National Guard Armory Annex into the Gerding Theater at the Armory is a heralded story within the preservation community for its ingenuity and resourcefulness. Unused for years, the building appeared obsolete until surrounding redevelopment left it awaiting new life. With a partnership between Portland Center Stage and Gerding Edlen Development, the Portland-based company that owns and redeveloped the surrounding area into the Brewery Blocks, the Armory Annex was successfully redesigned into a state-of-the-art theater.

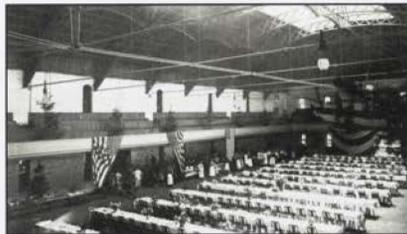
The iconic, fortress like building, was originally part of a larger building complex. In its initial design, the building occupied the entire block. The original portion of the building was built in 1887-1888 for the Oregon National Guard's captains' offices, officers' clubrooms and quarters, dining room and ballroom. This was later demolished by the Blitz-Weinhard Brewing Company in 1968 when they owned the property. The remaining portion called the Annex was constructed in 1891 and was utilized for drill maneuvers as well as an underground firing range.



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Constructed in the Richardsonian Romanesque style, the majestic building stands out among its neighbors. It is two stories and built of brick and ashlar stone. It has unique features including a pentagonal corner tower and an arched entrance that is flanked by high turrets which have crenellated parapets and slots for firing weapons. Although the accompanying structure was demolished, the National Register for Historic Places nomination argues that the extant portion retains its original elements of style, form, proportion and scale that help maintain its sense-of-place making it a valuable cultural contribution.

As well as being used by the Oregon National Guard, in later years the Annex lent itself to large public events because it had one of the largest open interior spaces in the city. With an innovative truss system that eliminated the need for columns inside, the interior provided a large open space for public events. Initially concerts were popular at the venue. Then with the advent of moving pictures, audiences flocked to the building for movie screenings. Trade shows and exhibitions were also held in the space along with political events and rallies. Later when boxing became a popular national pastime, matches were arranged at the Annex for public enjoyment.



Top: A historic photo of the Annex in use as a public facility. Photo courtesy of the Architectural Heritage Center Middle: The interior prior to rehabilitation. Photo courtesy of the Oregon SHPO. | Bottom: The 500-seat main theater after the redevelopment. Photo courtesy of the Architectural Heritage Center.

In 1928, after years of use and deferred maintenance, the Fire Marshal declared the building unsafe leaving the property's future uncertain. The building remained in flux until 1968 when the Oregon National Guard could no longer bear the financial burden of the property and sold it to the Blitz-Weinhard company. The local brewer utilized the space as their storage facility for several years before selling it and their adjoining properties to Gerding Edlen Development who redeveloped the area into the brewery Blocks, a mixed-use neighborhood.

The Annex is located in Block Three of the Brewery Blocks and was one of the last properties in the complex to be redeveloped. Finding the appropriate rehabilitation plan was challenging however and required a lengthy feasibility analysis. Owners Gerding Edlen preferred to sign a single occupant tenant to the site but given the large square footage of the property, approximately 52,000 square feet, this was a tall order. A health club was considered, along with retail but both would be difficult to find to fill such a large space.

It took an unforeseen chain of events to find the right tenant and perfect use for the space. In 2000 the local theater company Portland Center Stage had initiated a study which determined they needed a

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new theater space. During this time the City of Portland was also conducting an analysis that produced a new goal of increasing performing arts facilities in Portland. Combining these efforts, then Mayor Vera Katz, Portland Center Stage Artistic Director Chris Coleman and Bob Gerding of Gerding Edlen agreed the Armory Annex would make a great theater. The project reportedly became the brainchild of Bob Gerding who made the idea become a reality.

As a case study the Armory Annex serves as a critical reminder of the conditions needed for a successful project. Colin Rowan, Principal for United Fund Advisors, previously the Portland Family of Funds, the Portland group that

helped structure financing for the project sums up the rehab's outcome stating that "success begets success." In other words, the surrounding redevelopment of the Brewery Blocks prepared the area for further growth, securing key tenants, a diverse population and a mix of businesses. Robert Mawson, Vice President of Heritage Consulting Group, preservation consultants for the project, claims that the Armory Annex was the last piece of the Brewery Blocks project, and "without the critical mass of the preexisting development, the Armory wouldn't have been feasible" but due to favorable market conditions, the project was achievable.

Financing was sought from a variety of sources. Historic Tax Credits accounted for more than \$4.7 million. The Portland Family of Funds served as a key investor, obtaining federal energy and New Market Tax Credits for the project which together totaled more than \$6 million. Additionally, the project garnered \$650,000 from federal conservation and economic development grants, as well as incentives from the Energy Trust of Oregon and Oregon Department of Energy Business Energy Tax Credits (BETCs). An extra round of contributions which were obtained later in the redevelopment allowed projects that had been identified as needs but not in the core budget to be fulfilled.



The entrance of the Gerding Theater at the Armory has a demanding presence with a crenelated roofline flanked by parapets with keyholes for weaponry.



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In regards to the complex financing, Rowan states that the “tax credits clearly rehabilitation process was to get design review approval. Review of the various acceptable and being willing to push the envelope.” The persistence of all parties

**THE SUCCESS OF THE PROJECT WAS DUE TO “A CLEAR UNDERSTANDING OF THE LAWS, KNOWING WHAT’S ACCEPTABLE AND BEING WILLING TO PUSH THE ENVELOPE.”**

played a significant role.” But the project was financially strong not just due to the multiple funding sources but also because of the confidence it gave investors. As a whole, the rehab was a great preservation story; but it was also a good arts story, sustainability story and development story. The support behind the project reassured partners that it would ultimately be successful.

Once the appropriate funds were guaranteed, the next obstacle in the

projects created tension between what the clients wanted, and what was historically appropriate. The proposed methods of brick repointing and seismic upgrades were challenged. Creation of the main theater and upstairs offices provoked concern of the visibility of original features. There was convoluted debate over the installation of bubbled skylights for daylighting purposes. Mawson stresses that from a preservation perspective, the success of the project was due to “a clear understanding of the laws, knowing what’s

involved led to workable compromises enabling a state of the art theater and community space within 119 year old walls.

In the end, all projects were approved, albeit with some reconfiguring, allowing the multi-phased, 60-month construction plan to begin. On the exterior, the bricks and stonework was cleaned and repointed. New windows matching historic ones were installed and period windows were repaired. The building was seismically



Left: The modern interior lobby proudly gives homage to the building’s historic truss system. With an oval cutaway in the second story floor, the open space and architectural features are also prominent from the main level. Photo courtesy of the Architectural Heritage Center. | Right: A video of the history and rehabilitation of the Portland Armory Annex awaits visitors in the lobby of the renamed Gerding Theater at the Armory. Photo courtesy of Lee’s Better Letters.



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retrofitted with the installation of wall and parapet bracing as well as reinforcement of the roofing system which was in poor condition, all of which were carefully planned to be invisible on the exterior of the building.

On the interior, a variety of other projects were completed to address the basic functionality of the space, and then to upgrade and modernize the fixtures. A 500-seat theater was built within the building skeleton, essentially creating a box within a box. A second "black box" theater located beneath the seats of the main theater holds 200 seats. In addition to the performance spaces, room was allocated for theater offices, rehearsal space and green room areas. The building's main entrance was also redesigned with an oval opening into the second story lobby for an unobstructed view of the original roof trusses, showcasing the site's historic features.

Creating a state-of-the-art theatrical space added another dimension to the rehabilitation. In order to work around the building's skeleton and historic features, consultation with leading theater designers was crucial. Working in collaboration with the theater design firm of Landry and Bogan and audio company Listen Acoustics, the development team was able to create a custom sound system

### Gerding Theater at the Armory Sustainability Features

Rainwater is collected from the roof to a 10,000 gallon underground cistern for use in bathroom fixtures.

Skylights help provide natural light. These and many windows are operable to allow fresh air.

Office and rehearsal room temperatures are individually controlled by chilled beams for greater comfort and efficiency.



Integration of the mechanical and electrical systems allow the building to perform 30% more efficiently than code.

The lobby is heated with radiant heat from hot water tubes in the cement flooring.

Cavities underneath the main theater and second floor rooms allow greater air flow for greater temperature control.

and theater design.

If a historic rehabilitation was not enough, the Gerding Theater at the Armory also attained LEED Platinum status, a goal that was important to the development team to honor the sustainability values of the region. A myriad of projects fulfilled this mission including the installation of low-flow faucets and fixtures, displacement ventilation systems and skylights for daylighting. Occupancy and daylighting sensors were also designed for the lighting systems allowing energy to be managed efficiently. In addition, a rainwater collection system was installed to gather water in a 10,000 gallon underground cistern that then redirects the water to the restrooms. Integrating historic components with modern amenities and sustainable systems is no easy feat because designers have to work with an existing structure with limitations for additions or changes. But with creative designs and solutions, it can be done, demonstrated by the fact that the theater was the first building on the National Register of Historic Places, as well as the first performing arts center in the country to achieve LEED Platinum, the highest level awarded for LEED projects.

To interpret the considerable changes that had occurred during the rehabilitation of the Armory Annex, an education



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component became a capstone to the project. Several displays throughout the building explain the property's history, the process of the redevelopment as well as the details of individual projects. Created by Portland based interactive media company Second Story, one of the presentations is a video interpretation of the site and rehabilitation. The video is

located within an armory building model that can be moved to different locations in the building for public viewing. This feature offers a wonderful sense of discovery as you peek inside to watch the events of the building's transformation. In just a few years the building was transformed from a derelict shell into one of the jewels of Portland. The project is

a clear illustration of the unique nature of a historic rehabilitation but signifies the unlimited potential of these resources. The Gerding Theater at the Armory, with all of its achievements, proves that historic buildings can meet modern needs while respecting design of the past. ■

For additional information about the AHC rehabilitation see the following:

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Portland Development Commission. "A Green Building Primer and the Business Case for Constructing LEED Certified Buildings." PDC. <http://www.pdc.us/pdxleadingitlivingit/reference/Green-Building-Primer.pdf>.

Historic Preservation Certification Application: Part 2 – Description of Rehabilitation. Portland Oregon National Guard Armory Annex. Portland, Multnomah County, Oregon. "More funding, new name for Pearl's Armory Theater." Daily Journal of Commerce Oregon. <http://djcoregon.com/news/2006/01/31/more-funding-new-name-for-pears-armory-theater/>.

National Register of Historic Places. Oregon National Guard Armory Annex. Portland, Multnomah County, Oregon.

Portland Center Stage. "About the Armory." PCS. <http://www.pcs.org/about-the-armory/>. United Fund Advisors. "Gerding Theater at the Armory." UFA. [http://www.unitedfundadvisors.com/project\\_armory.php](http://www.unitedfundadvisors.com/project_armory.php).

Other sources for this case study included:

Mawson, Rob. Interview by author, 30, September 2010. Portland, OR.; Sears, Joy. Interview by author, 23 November 2010. Portland, OR.; Tarlow, Damin. Interview by author, 22 November 2010. Portland, OR.

Case Studies

**MACY'S &  
THE NINES**

**621 SW 5TH AVE  
525 SW MORRISON**

**Historic Name:**  
Meier and Frank Building

**Built:**  
1909, 1915, 1932

**Rehabilitated:**  
2007/2008

**Historic Status:**  
Nat'l Register Ind. Listed, Portland Historic Landmark

**Programming:**  
Retail, Hotel

**Owner:**  
Federated Dpt Stores, Sage Hospitality

**Developer:**  
Same as owner

**Architect:**  
Linane/Drews Architects (Macy's); SERA Architects, Skylab Design Group (Sage)

**Contractor:**  
S.D. Deacon (Macy's), Hoffman Construction (Sage)

**Total Cost:**  
\$140 Million

**Square Feet:**  
662,894

**Financing:**  
HTCs, NMTCs, Energy Credits, Special Assessment

**I.E.E.D.:**  
Silver



Left: The Meier and Frank Building once Macy's and The Nines completed rehabilitation, 2010. Photo courtesy of SERA Architects. | Right: The building occupies a full block in the city's downtown retail core.

Encompassing a full city block in the heart of downtown Portland, the historic Meier and Frank Building, which housed the Meier and Frank store, is a retail icon. Fighting the trend of department store relocation to suburban malls, the retailer strained to maintain sales while contending with an aging building. As the company struggled to sustain their business, city leaders were increasingly concerned about the fate of the building and its impact in the downtown retail core. After several years of planning, organizing and coordinating, a massive rehabilitation was completed in 2008 that has restored the building to

its original glory as a retail mecca with the addition of a luxury hotel on the top floors.

Built in several phases, the building has a complex architectural history. The first Meier and Frank building on the block of 5th Avenue, between Alder and Morrison was built in 1898 as a five story masonry building that occupied half of the city parcel. Anticipating further growth, "The Annex" was completed in 1909 by the Portland architecture firm of Doyle and Patterson which included architect A.E. Doyle. In a surprise redesign, the 1915 addition was built

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as a steel frame, 10-story building with white terra cotta skin and classical and By 1915 the Meier and Frank Company continued to expand and finished a design. At this time, two stories were

**“ALONG WITH COMMUNITY SUPPORT, A REALLY GOOD TEAM OF ENGINEERS AND ARCHITECTS AND COMMITTED DEVELOPERS, THE STARS ALIGNED TO MAKE THE REHABILITATION FEASIBLE.”**

Renaissance ornamentation following the lead of Chicago’s Reliance Building. It was the first in a series of dramatic white terra cotta buildings to be built in Portland, creating a stunning contrast to the predominantly red and tan masonry buildings throughout the city. The unique feature of white terra cotta would later become a character-defining feature, requiring extra care for cleaning and repair during the rehabilitation.

second addition that would be followed by a final wing constructed in 1930. The second addition replaced the original masonry structure with a 12-story building matching the previous addition in style and materials. To complete the final phase, the Meier and Frank Company purchased the parcel of land at the southwest corner of the block where the Stearns Building stood. This was demolished to make way for the 15-story steel frame, also clad in white terra cotta

also added to the 1909 portion of the building. During the rehabilitation, there were several surprises when construction crews found floors they didn’t know where there, and in addition, they were oddly sized, originally designed to match up with previous additions.

When fully built, the Meier and Frank building was a landmark within the city. It was the largest building in the state boasting 650,000 square feet of retail



Left: The Meier and Frank Building, circa 1909. Photo courtesy of Oregon Historical Society. | Right: The Meier and Frank Building circa 1920 with the Stearns Building in the southwest corner of the block. Photo courtesy of Oregon Historical Society.



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space on a full city block. The iconic white terra cotta facades helped catalyze the use of the material in other buildings throughout the city, creating a dramatic cityscape. It was also the first on the west coast to install escalators, an element that would become synonymous with the department store. Characteristic of period department stores, it had an open layout with ground floor displays. Throughout the years the building's interior went through several remodels, each emphasizing various decorative styles including classical, Georgian and Art Deco, but it has since lost most of its original fabric. Each of these features helped establish the building as a historically important landmark and, therefore, special consideration had to be given to them during the redevelopment process.

After occupying the building for nearly a century, the May Company - owners of the Meier and Frank brand - were struggling to maintain sales at the location. At the same time, the Portland Development Commission (PDC) - a city agency that assists with urban renewal projects - started a dialogue with the company. Their hope was to persuade the May Company to upgrade the building and prevent it from simply closing due to building deterioration and loss of sales.

1932

1909



1915

The Meier and Frank building additions, photo circa 1931. Photo courtesy of "Meier and Frank: Saving One of America's Great Stores," Heritage Consulting Group, Jul 2008.

The building was already vacant on floors eleven through fifteen; the PDC couldn't risk further decline of such a significant building that, if closed, would become an obsolete building void of use, discouraging patronage to the area.

In 2002, the PDC initiated a comprehensive study on a downtown retail strategy for the city. One of the resolutions of the analysis noted the importance of the Meier and Frank Building, and how critical an active and full use was for the property and the retail core. Both the PDC and the City of Portland adopted the strategy and subsequently Mayor Vera Katz supported the idea, eventually helping initiate the building's rehabilitation strategy and treatment.

Once the idea of a building rehab was set in motion, the PDC partnered with the May Company to begin feasibility studies. Ross Plambeck, former Senior Project Manager for the PDC, and manager of the Meier and Frank redevelopment, explains the next step was hiring SERA Architects who completed a baseline feasibility analysis to determine existing conditions of the building, the rehabilitation plan, market analysis and development impacts. They initially proposed adaptation of the space into offices; however, due to significant gaps

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in financing, additional options were evaluated with the generous assistance of Mark Edlen, co-founder of Gerding Edlen Development Co. With his help, several redevelopment options were evaluated based on their profitability and compatibility with the building's layout and character-defining features.

Of the available options, residential, office and retail were considered during the feasibility analysis; however, each had their drawbacks. If rehabilitated as residential condos, the project would not be able to take advantage of Historic Tax Credits - a major source of project funding. This is due to the credit regulations that stipulate the program is only applicable towards properties that

are income-producing throughout the five-year limit of the tax credit. In some cases, developers have taken an approach where a historic building is rehabilitated as high-end rental apartments with the long-range plan of converting them to condominiums after the recapture period expires. However, an additional drawback associated with developing the building as condos was that it was believed that the layout of the building and locations of supporting columns could decrease the marketability of upscale condos, making the project financially infeasible. Conversion to smaller, affordable apartments that would have suited the building's footprint better could not generate enough income to leverage an adequate return for the substantial

investment required to complete the building's rehabilitation.

Redevelopment of the building into office space was not an ideal option either. Although the open floor plan would be conducive to large offices, it would have been more appropriate for back-of-house uses for staff, with a lower quality finish instead of what would be necessary for client and the public use. Rehabilitation into offices would result in Class B spaces - facilities that are practical for a wide range of users, but with middle-of-the-road rents. These types of spaces do not qualify for higher market rents and at the time, also had high vacancy rates, which would not leverage enough return on investment. The other drawback of



The exterior of the rehabilitated Meier and Frank Building portrays the elaborate detailing in and white terra cotta facades. Redevelopment provided a facelift for the building, with cleaning of the cladding and modernization of the groundfloor including entrances and windows displays.



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offices is the building would not be used 24/7, one of the critical components for buildings in the downtown core. Continuous use of such a massive and significant building downtown was essential to the city's retail strategy in order to establish a thriving area that invited people all times of the day.

The third option considered was retail on all floors. This idea was rejected because it was argued that operating retail on upper levels of multi-story buildings is extremely difficult. As opposed to companies located on the bottom floors who have the advantage of sidewalk window displays, the multiple companies that would be needed to fill the Meier and Frank Building would not have an advertising advantage and would have a very difficult time encouraging customers to go to the upper floors of the building.

In each of these scenarios, there were two main challenges: parking and the sheer size of the building. The block is bordered on the east and west by the transit mall, and by light rail on the south and city regulations prohibit parking along these facades. In addition, the north side is a dock for loading and unloading. This severely limited the availability of parking, a requirement for residential and office spaces. Secondly, as one of the



An atrium was punched into the core of the historic Meier and Frank building, creating a dramatic interior lobby in The Nines hotel. Photo courtesy of SERA Architects.

largest buildings in Portland, the size of the structure was overwhelming. These challenges made it clear that an elaborate redevelopment plan would have to be devised.

After initial studies, Plambeck notes it became clear there would need to be substantial incentives involved to persuade the May Company to upgrade their facilities. Then came a turning point. Sage Hospitality Resources - a Denver-based hotel development and management company - was looking to enter the Portland market and contacted the PDC about their intentions and interest in redeveloping historic buildings. After walking through the building, reviewing feasibility studies and pro formas, as well as a list of fifteen deal points including several public policy and community investment measures requested by the PDC, Sage was very interested in the prospect of rehabbing the Meier and Frank Building.

With all the parties' approvals, the redevelopment moved forward. First, the building was divided into commercial condominiums allowing Sage to buy the exterior shell and floors six through sixteen to redevelop as a hotel. As opposed to residential condominiums, this restructuring allowed a sale of a

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large section of the building prior to the beginning of the project. With a transfer complete before the building was placed in service, the Historic Tax Credits were still applicable towards the rehabilitation. Proceeds from the sale totaled \$20 million which the May Company combined with \$10 million of their own equity to modernize floors one through five and the basement for retail.

Immediately after the development agreements between Sage, May Company and the PDC were executed, Federated Department Stores acquired all of May Company's assets and began converting all of their department stores to Macy's. This change allowed the company to leverage a comprehensive national advertising campaign, providing a united front for consumers. Subsequently, Federated changed its name to Macy's as well.

The project, completed in separate phases by each company was complex. Significant funding was required and obtained from multiple sources in order to meet a considerable budget of \$140 million. The Portland Family of Funds helped structure the deal, which included a total of three loans from the PDC combined with developer equity, a traditional mortgage and a mezzanine



The Meier and Frank Building rehabilitation plan. Courtesy of the PDC.

loan (a financing tool in which a lender provides a loan and buys an interest in the company, foreseeing a long-term, overall yield that will ensure repayment). With the assistance of several public funding sources, the developer's equity for the project was a combination of \$14 million worth of Historic Tax Credits, as well as significant contributions from New Market Tax Credits, the Oregon Special Assessment program and energy tax credits. The assistance of New Markets Tax Credits, a new program established in 2000 to improve low-income communities, was an instrumental contribution to the project accounting for \$72.5 million; at the time the largest allocation of credits in the country to a single project.

As a requisite for the PDC loans, Sage had to seek LEED certification. The fact that the project's location is centrally located in the downtown core gave the project a valuable advantage of nearby public transit. By introducing interior storm windows and high-performance glazing, developers were able to maximize daylighting. High efficiency lighting and water systems were installed and nearly 90% of the removed materials were recycled. In the end the project achieved LEED Silver, a remarkable accomplishment for a modernized,

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historic building operating as a hospitality space.

The project consisted of a variety of upgrades to the entire building. One of the first phases of construction included the installation of viscous dampers, a form of shock absorber designed to reduce structural damage during an earthquake. This creative solution was ideal as they made no impact on the building's foundations, exterior walls or terra cotta façade and could be installed without a negative visual impact to the building; all of which are important to retaining the historic integrity of the structure. Macy's intended to remain open during this part of the project but this proved to be difficult as it hampered public access and was too interruptive, causing the space to close temporarily.

The rehabilitation included several holistic changes. The terra cotta cladding was cleaned and mortar was repointed. Escalators were rehabilitated. Elevators throughout the building were reconfigured and a new shaft was constructed.

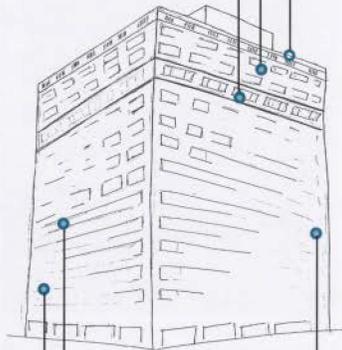
The bottom floors, belonging to Macy's, were the first of the two companies' sections to undergo rehabilitation. During this phase projects included

### Macy's and The Nines Sustainability Features

The Nines committed to a two year contract for green power.

The central atrium gives each hotel room a view of downtown or the atrium.

Low-emitting sealants, paints and carpets preserve air quality.



The hotel's green housekeeping policy reduces the use of toxic chemicals.

Construction waste management diverted more than 24 million pounds of material from the landfill.

Energy conservation methods included resealing the historic windows, along with high efficiency lighting and increased insulation.

modifications to entrances and storefronts, replacement of awnings and repair of marquees. Windows were repaired and all non-historic fixtures and finishes were updated. Overall, the retail spaces were effectively modernized.

On the remaining floors, Sage redeveloped the space to accommodate a luxury hotel aptly named The Nines. Most significantly, a 7,000 square foot atrium starting at the eighth floor was cut into the building to create a dramatic open space that cascades light through every floor and into the lobby. The lower floors were adapted for ballroom and meeting spaces and the upper floors as 330 individual hotel rooms and storage space. All non-period materials were also modernized.

Throughout the rehabilitation process there were several challenges and many compromises that had to be made to ensure compatible design. Design review, while straightforward at the city and state level, proved challenging when it came to the National Park Service. Because of the lack of historic fabric throughout the building, the National Park Service was demanding about retaining the character-defining features that were still present. Disagreements of how to preserve material from the Georgian Room, a

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beloved Portland restaurant during the first half of the 20th century, was also controversial and in the end features from the room were displayed elsewhere in the building. Joy Sears, Restoration Specialist for the Oregon State Historic Preservation Office and manager of the tax credit programs affirms that the project “ended up being a massive infill” because there were so little remaining historic features. Nine amendments to tax credit designs proved many changes

had to be made as the project team found unknown conditions and had to figure out new plans as the project progressed.

Although the final result was successful, there are several lessons to learn from the project about process. Despite many obstacles the development team had to overcome, the project had invaluable support from community leaders who championed the work. Rob Mawson, Vice President of Heritage Consulting

Group, the preservation consultants on the project, stresses that the leadership from then mayor Vera Katz and the PDC was “vital” to ensure the project moved forward. Additionally, he claims that “along with community support, a really good team of engineers, architects and committed developers, the stars aligned to make the rehabilitation feasible.” ■

For additional information about the Meier and Frank Building rehabilitation see the following:

Heritage Consulting Group. Meier and Frank: Saving One of America's Greatest Stories. PDC, Jul 2008.

Historic Preservation Certification Application: Part 2 – Description of Rehabilitation. Meier and Frank Department Store. Portland, Multnomah County, Oregon.

National Register of Historic Places. Meier and Frank Building. Portland, Multnomah County, Oregon.

National Trust for Historic Preservation. “Meier & Frank Building.” 2009 National Preservation Awards. <http://www.preservationnation.org/take-action/awards/2009-national-preservation-awards/portland-development.html>.

PDC. “Meier and Frank Redevelopment.” [http://www.pdc.us/flash-presentations/meier-and-frank/meier-and-frank\\_pres.htm](http://www.pdc.us/flash-presentations/meier-and-frank/meier-and-frank_pres.htm).

PDC. “Report to the Board of Commissioners.” 25 May 2005. [http://www.pdc.us/pdf/ura/river\\_district/mf-may-sage-dda\\_boardrpt\\_05-25-05.pdf](http://www.pdc.us/pdf/ura/river_district/mf-may-sage-dda_boardrpt_05-25-05.pdf).

Other sources for this case study included:

Mawson, Rob. Interview by author, 30, September 2010. Portland, OR.; Plambeck, Ross. Interview by author, 23 November 2010. Portland, OR.; Rowan, Colin. Interview by author, 19 November 2010. Portland, OR.; Sears, Joy. Interview by author, 23 November 2010. Portland, OR.

Case Studies

**MUSOLF  
MANOR**

216 NW 3RD AVE

Historic Name:  
Foster Hotel

Built:  
1910

Rehabilitated:  
2008

Historic Status:  
National Register  
Listed in a District

Programming:  
Low Income  
Housing,  
Restaurants, Retail,  
Offices

Owner:  
Innovative Housing  
Initiative

Developer:  
Innovative Housing  
Initiative

Architect:  
Carleton Hart  
Architecture

Contractor:  
Walsh Construction

Total Cost:  
\$15.8 Million

Square Feet:  
51,528

Financing:  
HTCs, BETCs, PDC  
Loan



Top Left: The Historic Foster Hotel in 2007. Photo courtesy of the Oregon State Historic Preservation Office. | Bottom Left: The renovated building renamed Musolf Manor in 2010, photo by author. | Right: Map of building located on NW Davis Street between 2nd and 3rd Avenue.

**D**uring rehabilitation in 2006, the Foster Hotel, now Musolf Manor, underwent a careful update while retaining much of its original function. Located in the heart of the Portland Old Town/Skidmore Historic District the building is considered contributing to the area. Over the course of the project, the unimposing brick building was outfitted to meet current code requirements and modernized for contemporary use.

Built in 1910, the Foster Hotel operated for the working class with restaurants and a saloon on the lower level storefronts. It is a three-story unreinforced masonry building that originally had 180 rooms, all about 7 by 11 feet. By the 1950s, the neighborhood, and consequently the hotel, fell into disrepair although it remained in use as a hotel with mixed use below. After years of neglect, it closed in 1973. Just a few years later the building was bought and turned into senior housing with restaurants and commercial



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retail below. At this time many interior walls were removed to make the rooms larger, thereby significantly reducing the total number of rooms.

By 2006 a significant change was imminent. Innovative Housing Initiative (IHI), a Portland-based affordable housing nonprofit, had been operating the building for a couple years when a proposal was made for a historic rehabilitation of the property. In a phased plan that allowed nearly continuous occupancy of the building, code updates, cleaning and repair treatments and overall updating to the storefronts, public spaces and individual rooms was planned.

Prior to beginning the project, IHI completed a feasibility study to analyze several facets of the building and its condition. With the assistance of a local architect, IHI conducted a comprehensive needs analysis, they had a seismic evaluation completed by a structural engineer and they also worked with Rob Mawson of Heritage Consulting Group to anticipate the historic elements of the building. Julie Garver, IHI Housing Development Director, explains that these three steps gave them the basis for scope of development for the project, although in retrospect she adds that it would have been advisable to do more thorough analysis of the plumbing and electrical

systems as they ended up needing more work than was originally anticipated.

Following the pre-development tasks, IHI selected a project team and contractors that helped with budgeting and design decisions. The organization hired Walsh Construction who prepared the construction budget, which then allowed planning of the overall project budget. In collaboration with their development consultant the Housing Development Center (HDC), IHI determined the project was feasible and together they began to strategize for funding sources.

The project budget totaled approximately \$16 million including



Left: Entrance of the historic Foster Hotel before rehabilitation in 2007. Photo courtesy of Oregon State Historic Preservation Office.  
| Right: During the rehabilitation, the building's entrance was returned to its historic appearance. Photo by author.



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an 11.1% contingency fund for the \$9 million construction costs. Financing was sought from a variety of private and public sources and Garver estimates the organization spent about a year applying for public affordable housing funds and talking with private lenders and investors about the project before all of the pieces were in place.

Due to the nature of the project being an affordable housing historic rehabilitation, IHI was able to secure many public funds. The Portland Development Commission contributed \$4 million to the project to help meet their goal of maintaining affordable housing units downtown. At the time,

Musolf Manor was one of six low-income housing projects the PDC had helped fund in the downtown urban renewal area. With qualifying costs of \$9.4 million, Historic Tax Credits totaled more than \$1.8 million for the project. Additionally, a loan from the Network for Oregon Affordable Housing and Business Energy Tax Credits (BETCs) helped leverage renovation costs of what are now 95 apartments and ground floor retail.

Once funding was in place, careful review of the building's attributes lead to an attentive design plan that valued the historic features of the space. Garver acknowledges that one of the

important aspects of the design plan, which was created with the assistance of preservation consultant Mawson, was to identify the components that had changed so much over time they were no longer historic, and therefore not character-defining.

Meeting the neighborhood design guidelines proved difficult as well. The Portland Old Town/Skidmore Historic District guidelines were written in the mid 1970s and at that time individual properties were not designated "contributing." In an updated version of the nomination by the City of Portland Planning Bureau in 2006, the property was being identified as contributing.



Left: The building's residential windows became a point of contention during design review as hard evidence could not be found to support their date of installation. As a result, they were removed, repaired and reinstalled. | Right: The building's lobby was reconfigured for greater functionality and ease of use. Photo courtesy of Carleton Hart Architects. | Far Right: The construction schedule of the rehabilitated Musolf Manor was completed in three phases, allowing nearly continuous occupancy of the building by retail and residential tenants.



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However as Mawson points out, the earlier version of the report which was the nomination on file at the time of construction, was outdated and vague and resulted in confusion about the property's significance and character-defining features. Added to this, Sears explains many of the City of Portland's design goals do not match those of the National Park Service, leaving projects such as this one in a challenging position where ultimately the National Park Service has the final say.

In conjunction with the historic analysis, IHI completed an energy audit to identify areas where energy efficiency could be improved. The report identified several improvements although the most contentious came to be the replacement of the residential windows. Unfortunately, as Garver points out, there was very little documentary evidence of changes made to the building, or what the original features looked like.

Originally, IHI had planned to replace the single pane, wood residential windows since they had reason to believe they were not original. This would allow the windows to be replaced with higher efficiency models. When this went for review to the Oregon SHPO

and the National Park Service, they did not agree with the identified age of the windows. As a result they did not allow replacements.

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**“THERE WAS AN EXTENSIVE AMOUNT OF PUBLIC MONEY IN THIS PROJECT, WHICH ENABLES THE LOW RENTS TO SERVE A VULNERABLE POPULATION.”**

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To keep to the construction schedule, IHI decided to remove the windows, strip them and repair them for reinstallation and remove all of the storm windows. Because this was decided at the last minute however, an updated energy model was not completed and at the end of construction, Garver notes that the windows are drafty and “all cost savings that would have been gained by multiple energy saving techniques have been obliterated by extremely high heating costs (as all the heat is going out the windows).” In retrospect she adds that adding interior storm windows would have been a better solution.

In addition to the windows, many other features throughout the building had to be repaired or replaced. Original metal transom windows were in poor condition

and had to be repaired while others were so severely damaged they required custom wood replacements, both of which were expensive. Additional projects included preservation of existing trim, the wooden stairway balustrade and original apartment doors, all of which the development team met with resistance to repair rather than replace. All storefronts were upgraded, the ground floor lobby was reoriented for safety reasons and the revised unit layouts allowed five new ADA residential rooms. During all of the construction, work was completed in a three-part plan so that only one-third of the building's occupants were displaced at a time.

Rehabilitating the Foster Hotel provided a much needed facelift for the building even though in retrospect, things could have been done differently. Both Garver and Mawson agree that the project's success relied on timing and market conditions. Since IHI owned and operated the building for fifteen years prior to the project they were aware of its deficiencies which helped in scope development. They already owned the building so purchasing it was not an issue, and since most occupants stayed during construction, leasing was easy. Sears adds that “the fact that IHI kept the

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building occupied and retail open was fantastic,” providing an easier transition once construction was completed.

Another key of success was that IHI did not have to raise rents because as Garver states “there was an extensive

amount of public money in this project, which enables the low rents to serve a vulnerable population.” Another supporting factor was the neighborhood who appreciated the improvements made. Finally, the market conditions allowed the organization to receive a

great price for the Historic Tax Credits, making the project financially feasible. Together, these circumstances allowed Musolf Manor to maintain much of its original function along with a much needed update. ■

For additional information about the Musolf Manor rehabilitation see the following:

Carter, Dan. “Walsh Construction Co.: Lyndon Musolf Manor.” Daily Journal of Commerce Oregon. <http://djcoregon.com/news/2008/02/27/walsh-construction-co-lyndon-musolf-manor/>.

Historic Preservation Certification Application: Part I – Evaluation of Significance. Hotel Foster. Portland, Multnomah County, Oregon.

Historic Preservation Certification Application: Part 2 – Description of Rehabilitation. Hotel Foster. Portland, Multnomah County, Oregon.

PDC. Board Report Number 09-75, Briefing on PDC Housing Production and Activities. 10 June 2009. <http://www.pdc.us/commission-archive/2009/Board-Reports/Report-No-09-75-Housing-Production-and-Activities.pdf>.

Tucker, Libby. “Not all Portland Housing is in a Slump.” Daily Journal of Commerce Oregon. <http://djcoregon.com/news/2007/12/04/not-all-portland-housing-is-in-a-slump-2/>.

Other sources for this case study included:

Garver, Julie. Interview by author, 20 September 2010. Portland, OR.; Mawson, Rob. Interview by author, 30, September 2010. Portland, OR.; Sears, Joy. Interview by author, 23 November 2010. Portland, OR.



*Case Studies*

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Case Studies

**WHITE STAG  
BLOCK**

70 NW COUCH ST

Historic Name:  
White Stag Block,  
Bickel Block,  
Skidmore Building

Built:  
1907, 1883, 1889  
Respectively

Rehabilitated:  
2008

Historic Status:  
National Register  
Listed in a District,  
Portland Historic  
Landmark

Programming:  
Classrooms, Cafe,  
Library, Offices

Owner:  
White Stag Block, LLC

Developer:  
Venerable  
Development, LLC

Architect:  
Fletcher Farr Ayotte

Contractor:  
Bremik Construction

Total Cost:  
\$37 Million

Square Feet:  
142,000

Financing:  
HTCs, NMTCs,  
PDC Loans, Energy  
Trust Tax Credits,  
Special Assessment

LEED:  
Gold



Top Left: The Bickel Block Building and part of the White Stag Building prior to renovations in 2006. Photo courtesy of Oregon State Historic Preservation Office. | Bottom Left: The White Stag Block after rehabilitation in 2008. | Right: The block fronts NW Naito Parkway along the Portland waterfront. Photo courtesy of Venerable Properties.

In Portland's Skidmore/Old Town historic district, the White Stag Block stands out as a vibrant example of a successful historic redevelopment. Recently purchased and rehabilitated by Portland's Venerable Development, the block houses an extension of the University of Oregon along with other small businesses. As a project, the block presented many challenges but with careful navigation of funding, design and construction, the buildings successfully met historic standards and fulfill the tenant's needs.

What is now considered the White Stag Block was originally three separate buildings. The Bickel Block building, the Skidmore building and the White Stag building were joined together in the redevelopment effectively creating a unified space totaling approximately 142,000 square feet. The buildings were historically utilized as warehouses but each have distinct histories.

The Bickel Block building was the first to be built in 1883. It was constructed in the Gothic style with a cast-iron facade

## Case Studies

which was a new and popular material. The original tenant was the Parke and Lacey Machinery Company which made logging equipment. It was later bought by the Fraser Paper Company who had a product called "wonderstone" installed on the storefront level in 1958. This alteration concealed the original cast-iron features and even destroyed parts of the facade details. A subsequent owner in 1972 intentionally set fire to the building to collect insurance money. These damages would become important tasks to fix during the future redevelopment.

The next building constructed was the Skidmore block in 1889. Built in the Italianate style, it also had cast-iron as a prominent facade material. This building was also utilized as a warehouse with significant alterations occurring in 1926 when the south facade was removed and

rebuilt at an angle to make room for the construction of the current Burnside Bridge.

The final building occupying the block is the White Stag building. It was completed in 1907 and the first occupants were the Willamette Tent and Awning Company. Like the Skidmore building, the White Stag's south facade was also reconstructed to accommodate the Burnside Bridge.

Most recently, the majority of the buildings were utilized for storage, but also as artist's studios and offices but were devoid of redevelopment prospects. The state of the three buildings provided a glimpse as to the state of the surrounding neighborhood. Comprising the Old Town Historic District the area was declared a U.S. National Historic Landmark in 1977 primarily due to the collection of

cast-iron facades. But in recent years there had been little investment in the neighborhood.

When the University of Oregon began looking for a new location for their Portland campus, they collaborated with Venerable and their search eventually led to the three Old Town warehouses. Together the companies considered several options in downtown, searching for a space that would meet the university's needs as well as their desire to locate in a part of town where they could spur economic development. After one deal fell through, the Naito family of Portland offered their three buildings that together, would create the White Stag Block.

Venerable studied the feasibility of the Naito's properties. The company,



The interiors of the three buildings that comprise the White Stag Block had open layouts for the original warehouse programming. The fifth floor of the White Stag building with original light monitor was retrofitted as an architectural studio for The University of Oregon.

## Case Studies

familiar with the neighborhood and market conditions, completed typical due diligence including environmental and seismic studies to identify options and limitations of the buildings. They also considered the University's needs. Jessica Engeman, Preservation Specialist at Venerable, verified that the University's functions fit with the character of the buildings, and the need to meet the Secretary of the Interior's Standards. In 2006, Venerable purchased the buildings and the University of Oregon agreed to lease the space with an option to purchase.

Initially, the surrounding neighborhood was a concern for a new university campus. Many critics felt the poor condition of the area would not be appropriate or even safe for students and faculty. It became important for the University to overcome this image barrier and they effectively launched a campaign in support of their decision to relocate. Senior Vice President and Provost of the University of Oregon released a statement announcing that "In the end, we think that while there are concerns about the current state of the neighborhood, people at U of O are excited about the location, accessibility, visibility and revitalization of the neighborhood."



An interior light well was created where two of the White Stag Block's buildings meet. This was not only a solution for bridging the gap between buildings, but also to increase daylighting in the corridor. Photo courtesy of The University of Oregon.

Solidifying a strategy for financing was the next step in the rehabilitation process. Funding was acquired from multiple sources, a factor Engeman claims is "absolutely crucial." Key Community Development Corporation joined the project as the historic tax credit investor. They were a great resource since they were able to enhance their historic tax credit pricing with contributions from their own New Markets Tax Credit allocations, making their total equity investment more than \$6.8 million. In total the project received more than \$19 million in New Markets Tax Credit derived debt and equity, a \$2.5 million low-interest construction loan and more than \$225,000 in grants from the Portland Development Commission.

Having the multitude of partners and investors required to adequately fund the project had its own set of challenges. Each partner has their own stake in the project and it became critical to balance the needs and demands of the stakeholders. Engeman adds it is also important "that the whole network understands and are educated about the preservation process," to ensure there are clear goals and outcomes.

## Case Studies

Joy Sears, Restoration Specialist for the Oregon State Historic Preservation

Once designs passed reviews construction included a myriad of projects. One of the

windows in the buildings were repaired.

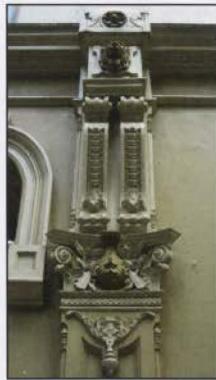
### **“YOU HAVE TO HAVE THAT CONTINGENCY OF MONEY SET ASIDE TO BE ABLE TO DO WHAT’S RIGHT.”**

Office agrees with this approach. Sears trusted Venerable, given their prior experience, and therefore didn't worry much about the project but added that Engeman “had to be careful to monitor contractor meetings to make sure all decisions were made correctly.” There were a few surprise decisions made amongst team members that did not fit with the project goals. Luckily, Engeman was able to oversee the work to ensure everyone was on the same page.

major tasks was dealing with the windows in the three building. Although Venerable wanted to add new windows for additional daylighting, they were only allowed on facades that had original “blind” windows. Additionally, preservation guidelines restrict window replacement to severely damaged windows which greatly limited replacement options. As a result, steel sash windows on the south facade of the White Stag were eligible for replacement with higher efficiency low-emissivity windows while select wood

Additional projects were completed to meet contemporary codes and modernize the space. Seismic and electric upgrades were completed, the roof was redone and repairs were made to the fire damage in the Bickel Block. Original doors provided templates for new replacements and the White Stag's fifth floor light monitors were preserved and retrofitted.

Facades of the buildings also required significant time and attention. They were each carefully repaired and treated,



Ornate detailing on the exteriors of the White Stag Block were meticulously cleaned, repaired and preserved in the completion of a dramatic rehabilitation.



## Case Studies

leading to several surprises. Cast-iron that had previously been damaged on the Bickel Block had to be assessed and repaired. Venerable was committed to repairing the original ironwork, however it required additional funding. In response, Engeman notes that “you have to have that contingency of money set aside to be able to do what’s right.”

Additionally, there were many sustainability features that garnered the project LEED Gold accreditation. During the design phase, the project team participated in an eco-charette and brainstormed a common sustainability vision for the White Stag Block. The result was a list of goals that included creating a safe and friendly environment, integrating and communicating green building strategies, meeting budget and scheduling goals, and planning for the future.

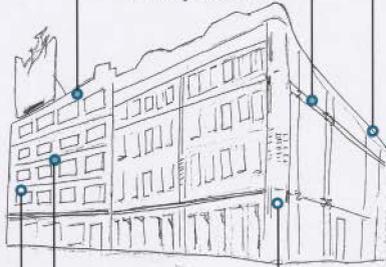
These goals were actualized with projects throughout the building. Points were earned for building reuse and the urban location near public transit. Throughout construction materials were salvaged and reused including the use of reclaimed brick to fill existing holes, joists were used to fill old stairway gaps and wood was remilled and used for trim. Other materials were recycled and many new

### White Stag Block Sustainability Features

Rainwater is collected in an underground 10,000 gallon tank that is then used in restroom fixtures reducing water use by 40%.

Lightwells between buildings increase interior daylighting.

Green cleaning products are used throughout the building, reducing harmful pollutants.



Local artisans created replicas of historic wood doors, damaged cast-iron, and other historic features.

Many materials were recycled including timber cut from stairwells and elevator shafts that were remilled and recycled as interior trim.

At least 75% of the existing building was reused, including structural flooring, roof decking and structural framing.

materials were sourced locally or made of recyclable content. Also part of the redesign are rainwater collection systems and additional daylighting. In total the project received 44 LEED points.

By 2008 the White Stag Block was completed and the University held its grand opening showcasing classrooms, offices, a library and event space. Over the last few years, Venerable has instilled several values and stipulations to maintain the building’s financial, preservation and sustainability success. The long-term 18-year lease with the anchor tenant ensures financial security and profitability. All lease agreements have a preservation clause that safeguards the building and its owner and there has been open communication with tenants and visitors about the historic nature of the property, ensuring continued awareness and respect for the historic features. Finally, in order to verify the impacts of the sustainable elements in the building, university students will complete a yearly energy analysis.

Additionally, the project has had a significant impact within the community. Sears relayed her excitement that the entire building is now being used, adding critical mass to the community. As one of the largest redevelopments in the

## Case Studies

area at the time, it spurred additional development including the newly rehabbed Mercy Corps building across the street from the White Stag Block. Together, these historic rehabilitations are acting as significant catalysts in an area that has been devoid of major growth and improvement in several years.

Engeman acknowledges that the White Stag Block “has a lot of original features to create juxtaposition of old and new, embodying shared values.” This led to a marketable project that is now proof to other building owners in the area that historic rehabilitations are feasible and even profitable. ■

For additional information about the Musolf Manor rehabilitation see the following:

Bennet, Sam. “White Stag Block wasn’t the typical renovation.” Daily Journal of Commerce Oregon. <http://djcoregon.com/news/2009/01/15/white-stag-block-wasn8217t-the-typical-renovation/>.

Culverwell, Wendy. “A surprising renovation.” Portland Business Journal. <http://www.bizjournals.com/portland/stories/2007/03/26/smallb1.html>.

Historic Preservation Certification Application: Part 2 – Description of Rehabilitation. White Stag Building. Portland, Multnomah County, Oregon.

“Managed risk key to funding historic renovation projects.” Daily Journal of Commerce Oregon. <http://djcoregon.com/news/2007/04/26/managed-risk-key-to-funding-historic-renovation-projects/>.

“Northern migration.” Daily Journal of Commerce Oregon. <http://djcoregon.com/news/2006/05/10/northern-migration/>.

PDC. Report to the Board of Commissioners. Report Number 06-10. Approval of reservation of Portland New Markets Fund I, LLC New Markets Tax Credit Allocation to support Venerable Properties’ rehabilitation of the White Stag Building. 25 January 2006. <http://www.pdc.us/commission-archive/2006/Board%20Reports%20-%202006/Report%2006-10%20-%20White%20Stag%20Block%20NMTIC%20Allocation.pdf>.

University of Oregon. “The White Stag Block.” University of Oregon. <http://pdx.uoregon.edu/leed/index.html>. United Fund Advisors.

“The White Stag Block.” UFA. [http://www.unitedfundadvisors.com/project\\_whitestag.php](http://www.unitedfundadvisors.com/project_whitestag.php).

Other sources for this case study included:

Engeman, Jessica. Interview by author, 28 September 2010, Portland, OR. Sears, Joy. Interview by author, 23 November 2010, Portland, OR. Rowan, Colin. Interview by author, 19 November 2010, Portland, OR.

Case Studies

**BEST  
PRACTICES**

**1 Do your research**

Know about the project location including design guidelines, zoning regulations, municipal requirements and neighborhood dynamics.

- Developer: Know location and building limitations, financing options and tenant needs.
- Architect/Engineer: Learn the property's history including design changes over time, and regulatory limitations.
- Contractors: Complete relevant testing to be confident about building conditions.

**2 Timing is Everything**

Know the real estate market to determine project feasibility. Consider Portland neighborhood dynamics, and projects that have been developed or are in process.

- Developer: Know national and local market conditions to accurately estimate feasibility.

**3 Be Thorough**

Be rigorous when completing due diligence to create an accurate redevelopment strategy and reduce surprises.

- Architect: Locate, study and compare original drawings, historic permits, Sanborn maps and other historic documents.
- Condition Analyst: Complete testing to determine seismic and material requirements.
- Preservationist: Research deeds, permits, photographs, articles, National Register nomination, etc., for historic significance.

**4 Multiple Funding Sources**

Obtain funding and incentives from a variety of sources to fill financing gaps. Consider tiers of sources: Federal, National, Oregon State and City of Portland.

- Developer: Calculate pro-forma. Research and apply for other funding sources.
- Preservationist: Apply for tax credits and Oregon State Special Assessment, as well as other applicable preservation-related funding.

**5 Educate**

Ensure all partners understand preservation practices. The development team and other partners should have a strong understanding of the Secretary of the Interior's Standards and Guidelines, as well as Oregon and Portland regulations.

- Developer: Refer team to Secretary Standards, City of Portland guidelines and goals of project.
- Architect: Teach team, and thoroughly discuss the property's character-defining features and compatible design strategy.
- Contractor: Teach team about making educated on-the-spot construction decisions.



## Case Studies

**6 Use Available Resources**

Take advantage of available preservation tools, especially local resources such as SHPO staff support and local preservation organizations including the Historic Preservation League of Oregon and the Architectural Heritage Center.

- Developer: Partner with these organizations to establish a working relationship for guidance and support, as well as to identify experienced members for your team.
- Preservationist: Contact groups for assistance with research and assistance with nominations.
- Architect/Engineer: Collaborate with these organizations to discuss design ideas and project examples.

**7 Make Allies**

Find community partners who support the project; they can help mediate challenges. Ask for guidance and support from SHPO and City of Portland staff, elected officials, and local businesses.

- Developer: Ask for guidance and support from SHPO and City of Portland staff, elected officials and community businesses.

**8 Be Prepared**

Budget for surprises that occur during construction; they are bound to arise so be ready for them and have funds set aside to deal with them appropriately.

- Developer: Create a reasonable contingency fund to allow for unplanned needs and stay in contact with development team to stay on budget.
- Architect/Engineer: Be aware of the project budget and design possibilities to balance the two.

**9 Have A Back-Up Plan**

Be ready for possible objections to design plans and have additional options or compromises ready to prevent delay to the review process either from SHPO, NPS or City of Portland.

- Developer: Be in constant communication with team members to stay on time and discuss changes when necessary.
- Architect/Engineer: Be prepared to support design decisions.

**10 Consensus Building**

Gather input and understand values of participants, stakeholders, and the public to establish common project goals.

- Developer: Know requirements of each investor and communicate progress. Invite and consider public input.

**BEST PRACTICES**

## CONCLUSION

**H**istoric rehabilitations and the challenges, solutions and outcomes they produce are as varied as the properties being redeveloped. With evidence of the benefits of historic redevelopments, completing them not only adds value to the developer, but to the surrounding community as well. However, the necessity for preservation education continues to be essential in achieving these positive results.

As illustrated by the Portland case studies, it cannot be more apparent that a feasible project vision is crucial to a project's success. However, a variety of contributing factors, including financing, programming, and compatible design must align to establish a unified vision and achievable goals. To this end, those who are actively engaged in rehabilitations must embrace the interdisciplinary nature of these projects.

Historic buildings are not limited to preservation ideals; recognizing and reconciling the management of historic buildings can produce exciting results that improve neighborhood conditions, financial prospects, and environmental measures. When an interdisciplinary approach is applied, these projects can meet heritage development objectives, while simultaneously solving other social and economic challenges.

To meet interdisciplinary demands of a rehabilitation, development teams need a range of skills. A combination of preservation, construction, real estate, planning and environmental tools are essential. Ideally, and as provided in this guide, the team needs a strong knowledge of the rehabilitation process, financial, design and market condition resources, and contemporary redevelopment examples. Together, these will provide a comprehensive approach that will prove vital for future projects.

To optimize the reuse and adaptation of historic buildings in Portland and the country, education of the rehabilitation process is critical. Understanding the contents of this guide is a significant step to that goal, but as illustrated by the case studies, there is always something new to learn, a creative solution that has not been considered, or a different way of looking at a problem. Step-by-step directions for historic rehabilitations just aren't possible! Best practices will have to be learned and shared as projects and markets evolve.

This guide demonstrates the need for continuous education that examines current impacts to redevelopments. As a community we must be equipped with this information to make educated decisions regarding the legacy of historic properties - ensuring we create places that are attractive and inviting. Only by understanding these influences will we continue to achieve innovative and prosperous historic rehabilitation projects.





*Appendix***DESIGN  
STANDARDS  
& GUIDELINES**

**R**ehabilitation may seem overly complicated because they require protection of historic design components along with alterations that help make a building functional and comfortable. A balance between historic and contemporary demands must be met, often requiring compromises between significant historical characteristics of a building, and modern amenities.

Proposals for changes to a historic building usually go through a local, state and/or federal review process, ensuring proper care of the cultural resource and the area it is located. The Secretary of the Interior's Standards and City of Portland Design Review should be followed for a rehab in the city of Portland.

**When to Use Design Standards**

Design standards should be reviewed early in a rehabilitation as they can have a significant impact on treatments and potential project proposals. They should continue to be observed throughout the project to ensure proper care of the historic resource, as well as compliance for a certified rehabilitation if federal financing is acquired or for Portland city code.

**Who Should Use Design Standards**

Ideally, all professionals involved in a rehabilitation should be aware of, and adhere to, relevant design standards. Knowing the guidelines is especially crucial for the building owner, developer and managers. Preservation consultants, architects and contractors will also need to adhere to any standards and tailor designs to fit them.

**Secretary of the Interior's Standards**

The Secretary's 10 Standards for Rehabilitation are the key factors for protecting historic properties. Supporting these are Guidelines to provide suggestions for achieving the Standards. Both were written generally in order to be applied to a variety of historic buildings. They should be used for interiors and exteriors and adhered to within reason, accounting for economic and technical feasibility. Adhering to the standards, and consulting with the State Historic Preservation Office (SHPO) will ensure a Certified Rehabilitation, a requirement for federal tax incentives.

**City of Portland Design Review**

The City of Portland's historic design guidelines are the essential design components identified by the City for maintaining the historic character of buildings and neighborhoods. Depending on the location and designation of the historic property, a variety of regulations may apply, including the Central City Fundamental Design Guidelines, district or sub-district guidelines, Community Design Guidelines or the regulations in Section 33.846.060 G of the City Code. When adhering to these standards, seek consultation with the City's Development Services Center.

! Use example timeline to determine project deadlines.



*Appendix***The Secretary of the Interior's Standards for the Treatment of Historic Properties**

The Secretary of the Interior's Standards for the Treatment of Historic Properties are the fundamental guidelines for preservation projects. They are used to determine whether a rehabilitation qualifies as a Certified Rehabilitation, required when applying for Federal tax incentives. They have also been adopted by many historic districts and planning commissions throughout the country, and are therefore the most influential guidelines for preservation work.

Rehabilitation is a common buzz word throughout the preservation community and certainly in the redevelopment world. But it is commonly confused with other building treatments and the concept must be thoroughly understood in order to ensure a responsible construction method for historic properties.

The method of rehabilitation is one of four historic treatment approaches distinguished by the Secretary of the Interior. Outlined in The Secretary of the Interior's Standards for the Treatment of Historic Properties, sites can undergo preservation, rehabilitation, restoration and reconstruction and each has its own list of standards. The methods indicate a different level of authenticity and are arranged in hierarchical order with preservation being the preferred method.

When beginning a project, it is important to consider the overall goals to ensure it is truly following the intent of a rehabilitation. Reviewing the purpose of each preservation method will help determine the final objectives.

Most  
Retention

**Preservation:**

Retention of all historic fabric is valued. Treatments include conservation, maintenance and repair, and work is completed to reflect all changes over time.

**Rehabilitation:**

Retention of historic fabric is valued but more flexibility is allowed to update the resource for a new or contemporary function while still showing the resource's evolution.

**Restoration:**

This method focuses on retaining historic fabric from the most significant period in the property's history, allowing removal of material from other periods.

**Reconstruction:**

Although rarely suggested, this method allows the re-creation of a site or structure that is no longer extant; utilizing new materials.

Less Retention

*Appendix*

**The Secretary of the Interior's Standards for Rehabilitation**

The Standards for Rehabilitations recognize the need to change or add to a historic building in order to meet a new use or contemporary market demands. However, they demand within reason, retaining a building's character-defining features.

This approach is commonly utilized for commercial redevelopments due to its flexibility of alterations and additions for alternative and modern uses.

**Secretary of the Interior's Standards for Rehabilitation**

*\* Summarized from the Secretary of the Interior's Standards for Rehabilitation*

1. A property will be used as it was historically or given a new use requiring minimal change to character-defining features.
2. The historic character of a property will be retained and preserved. The removal of distinctive materials or alteration of features, spaces, and spatial relationships that characterize a property will be avoided.
3. Each property will be recognized as a physical record of its time, place, and use. Changes that create a false sense of history, such as adding conjectural features or elements from other historic properties, will not be undertaken.
4. Changes to a property that have acquired historic significance in their own right will be retained and preserved.
5. Distinctive materials, features, finishes, and construction techniques that characterize a property will be preserved.
6. Deteriorated historic features will be repaired rather than replaced. Where the severity of deterioration requires replacement of a distinctive feature, the new feature will match the old in design, color, texture, and, where possible, materials. Replacement of missing features will be substantiated by documentary and physical evidence.
7. Chemical or physical treatments, if appropriate, will be undertaken using the gentlest means possible. Treatments that cause damage to historic materials will not be used.
8. Archeological resources will be protected and preserved in place. If they must be disturbed, mitigation will be undertaken.
9. New additions, exterior alterations, or related new construction will not destroy character-defining features. New work shall be differentiated from the old and will be compatible with the historic materials, features, size, scale and proportion, and massing to protect the integrity of the property and its environment.
10. New additions and adjacent or related new construction will be undertaken in a such a manner that, if removed in the future, the essential form and integrity of the historic property and its environment would be unimpaired.



*Appendix***Guidelines for Rehabilitating Historic Buildings**

Accompanying the Secretary of the Interior's list of Standards, the Guidelines for Rehabilitating Historic Buildings are suggestions for achieving the Standards. They are a valuable tool to further guide a project as they are general concepts that can be applied to any historic resource regardless of size, materials or programming.

The Guidelines should be applied in the order they are listed.

As with the Standards, all professionals involved in a project should be aware of the Guidelines in order to follow them appropriately through all phases of the rehabilitation.

**Guidelines for Rehabilitating Historic Buildings**

*\* Summarized from the Secretary of the Interior's Guidelines for Rehabilitation*

- Identify, Retain, and Preserve - The form and detailing of character-defining features.
- Protect and Maintain - Character-defining features with least degree of intervention and sensitive treatments.
- Repair - If character-defining features require additional attention, repair is recommended.
- Replace - If a feature is beyond repair due to extreme deterioration, replacement in kind is warranted.
- Design for Missing Historic Features - If a feature is missing, it is no longer character-defining and is not recommended to be replaced unless it can be recovered utilizing historical, pictorial and/or physical evidence.
- Alterations/Additions to Historic Buildings - It is understood some alterations or additions may be necessary to allow continued use of a building however, they should not radically change, obscure or destroy character-defining spaces, features or materials.
- Energy Efficiency/Accessibility Considerations/Health and Safety Considerations - Often changes must be made for compliance with codes or safety requirements, again, these changes should not substantially change, obscure or destroy character-defining spaces, features or materials.

Appendix**City of Portland Design Review**

The City of Portland's historic design guidelines are required design components for historic properties located within the city. The guidelines are outlined in the City Code under Zoning and Land Use. Review of the code as it relates to a historic property is crucial for determining requirements for a particular site.

A property may be subject to several guidelines, however if they conflict, City Center Fundamental Design Guidelines are superseded by district or sub-district rules, which are superseded by City Code 33.486.060 G.

! Review Historic Designations descriptions to clarify differences.

! Use Design Review Flowchart to find guidelines to follow.

**City of Portland Section 33.486.060 G Approval Criteria:**

*\* Summarized from the City of Portland's City Center Fundamental Design Guidelines*

1. Historic Character - Character-defining features will be retained and preserved, their removal will be avoided.
2. Record of its Time - The resource will remain a physical record of its time, place, and use. Changes that create a false sense of history will be avoided.
3. Historic Changes - Properties change over time. Changes that acquired historic significance will be preserved.
4. Historic Features - Deteriorated historic features will be repaired rather than replaced unless the severity of deterioration requires replacement. Then the new feature will match the old in characteristics. Replacement of missing features must be substantiated by documentary, physical, or pictorial evidence;
5. Historic Materials - Historic materials will be protected and damaging treatments will not be used.
6. Archaeological Resources - Significant archaeological resources will be protected and preserved to the extent practical. When such resources are disturbed, mitigation measures will be undertaken.
7. Differentiate New from Old - New additions, exterior alterations, or new construction will not destroy historic character-defining feature and new work will be differentiated from the old.
8. Architectural Compatibility - New additions, exterior alterations, or new construction will be compatible with the resource's architectural features including massing, size and scale. When retrofitting, design solutions will not compromise the resource's architectural integrity.
9. Preservation of Form and Integrity - New additions and new construction will be designed so that if it is removed, the essential form and integrity of the historic resource and its environment would be unimpaired.
10. Hierarchy of Compatibility - Exterior alterations and additions will be compatible primarily with the original resource, secondarily with adjacent properties, and finally, if located within a Historic or Conservation District, with the rest of the district. Where practical, compatibility will be pursued on all three levels.



## Appendix

## FINANCIAL OPPORTUNITIES & OPTIONS

As the advantages of redevelopments are more widely understood, so to are the available funding options. As the preservation movement has evolved from a vehicle for merely saving old buildings to a force that improves city revitalization, job creation, small business incubation, affordable housing, tourism and sustainability it is easier to see the tangible benefits of preservation. Due to this, more funding is increasingly available for the work. Whether through public subsidies including federal grants or tax incentives, or through private loans, a variety of options help leverage rehabilitation costs. Crucial to financing a rehabilitation though, is the ability to obtain funding from several sources to close the gap between acquisition and construction costs and fair market value of the space. For support through this process, consult a financial or tax advisor.

### Loans

Traditional bank loans can be applied towards acquisition and/or construction costs of a rehabilitation project. Terms and conditions vary as well as loan amounts. Some community organizations may provide loan programs and should be considered along with traditional lending institutions.

### Tax Incentives

Tax incentives for historic properties help owners and developers offset rehabilitation expenses. They apply towards federal income taxes and are typically administered as a tax credit, lowering the total amount of taxes owed. For example, a dollar tax credit equals a reduction of income tax owed by one dollar.

### Regulatory Relief

Zoning and code relief allows flexibility when rehabilitating a historic resource. Municipal regulatory relief works in conjunction with historic design standards to protect character-defining characteristics of a property and can often provide both design flexibility and a source of income.

## Types of Incentives

### Revolving Loan Fund

A revolving loan fund (RLF) is a pool of money set aside for a specific purpose. Loans from the pool are provided to a limited number of borrowers at one time and as each loan is repaid, the funding pool is reallocated and loaned out again. Terms and conditions vary, as well as loan amounts.

### Grants

Grants are usually awarded through a competitive application process where a project must meet specific criteria. They can sometimes require a matching amount by the applicant. When administered by a federal agency, grants are only eligible towards other government agencies or nonprofits.

### Easements

Easements are voluntary agreements by a property owner that ensures appropriate care of a site in perpetuity. The value is the difference of the market value of the site before and after an easement is applied. Assuming an easement limits development, it will reduce the property value often creating a lower tax rate when the property is assessed.

! Use example Pro Forma to pencil-out project.

## Appendix

There are four tiers of available incentives including federal, national, state and local. At each level there are a variety of resources and programs to encourage redevelopment.

Although the incentives for rehabilitation work are constantly changing, the programs listed below have recently provided substantial value for redevelopment projects. Due to funding and mission changes research should be undertaken to find current requirements and additional sources.

### Federal Incentives

#### **Federal Historic Preservation Tax Incentive: 20% Credit**

<http://www.nps.gov/history/hps/tps/tax/index.htm>

- Administered by the National Park Service (NPS) and SHPO
- Must be Certified Rehabilitation of Certified Historic Structure
- Must be income-producing property
- Must be major project greater than \$5,000 or pre-rehab costs
- Applicable towards certain rehabilitation costs

#### **Federal Historic Preservation Tax Incentive: 10% Credit**

<http://www.nps.gov/history/hps/tps/tax/index.htm>

- Administered by the NPS and SHPO
- Available for non-historic buildings, in service before 1936
- Must be major project greater than \$5,000 or pre-rehab costs
- Must be non-residential site

#### **New Markets Tax Credits (NMTC)**

[http://www.cdfifund.gov/what\\_we\\_do/programs\\_id.asp?programid=5](http://www.cdfifund.gov/what_we_do/programs_id.asp?programid=5)

- Administered by U.S. Department of Treasury
- Available for projects benefitting low-income populations
- Lasts seven years and totals 39% of project investment

#### **Low Income Housing Tax Credit (LIHTC)**

<http://www.hud.gov/offices/fheo/lihtcmou.cfm>

- Administered by U.S. Department of Housing and Urban Development (HUD)
- Must be residential rental property
- Must meet income restriction thresholds for at least 30 years
- Available for rehabilitation costs of an existing building

#### **Save America's Treasures Grant Program**

<http://www.nps.gov/history/hps/treasures/>

- Administered by NPS via Historic Preservation Grants Division
- Requires dollar-for-dollar, non-Federal match
- Requires minimum request of \$125,000 for a historic property project, and maximum of \$700,000
- Must be a historic property of national significance
- Applicable towards certain rehabilitation costs



*Appendix***National Trust Incentives****National Trust Preservation Funds**

[www.preservationnation.org/resources/find-funding/grants/](http://www.preservationnation.org/resources/find-funding/grants/)

- Administered by the National Trust for Historic Preservation
- Provides \$500 - \$5,000 matching grants for preservation planning and education, or emergency funds
- Applicable towards certain rehabilitation costs
- Available for nonprofit organizations and public agencies

**Johanna Favrot Fund for Historic Preservation**

[www.preservationnation.org/resources/find-funding/grants/](http://www.preservationnation.org/resources/find-funding/grants/)

- Administered by the National Trust for Historic Preservation
- Provides \$2,500 - \$10,000 grants for projects contributing to an authentic sense of place
- Applicable towards certain rehabilitation costs
- Available for nonprofit organizations and public agencies

**Lowe's Charitable and Educational Foundation Preservation Fund**

[www.lowes.com/cd\\_The+Lowe's+Charitable+and+Educational+Foundation\\_474741445](http://www.lowes.com/cd_The+Lowe's+Charitable+and+Educational+Foundation_474741445)

- Administered by the National Trust for Historic Preservation
- May have specific building type requirements
- Provides grants with a maximum amount of \$50,000

**Cynthia Woods Mitchell Fund for Historic Interiors**

[www.preservationnation.org/resources/find-funding/grants/](http://www.preservationnation.org/resources/find-funding/grants/)

- Administered by the National Trust for Historic Preservation
- Provides \$2,500 - \$10,000 grants for historic interiors
- Applicable towards certain rehabilitation costs
- Available for nonprofit organizations and public agencies

**National Trust Loan Fund (NTLF)**

<http://www.preservationnation.org/resources/find-funding/loans/national-trust-loan-fund/>

- Administered by the National Trust for Historic Preservation
- Provides loans for historic buildings
- Available for residential, commercial and public projects by nonprofits, revitalization organizations and developers

## Appendix

### State Incentives

#### Special Assessment of Historic Property

[www.oregon.gov/OPRD/HCD/SHPO/tax\\_assessment.shtml](http://www.oregon.gov/OPRD/HCD/SHPO/tax_assessment.shtml)

- Administered by Oregon SHPO
- Provides 10 year property assessment "freeze"
- Property must be on National Register of Historic Places
- Must have a preservation plan that establishes rehabilitation work for 10 year period
- Must show 10% of real market value of rehab improvements invested in in first five years
- Must get approval of major rehabilitation projects

#### Preserving Oregon Grant

[www.oregon.gov/OPRD/HCD/grants.shtml](http://www.oregon.gov/OPRD/HCD/grants.shtml)

- Administered by Oregon SHPO
- Provides matching grants of up to \$20,000
- Applicable towards rehabilitation work of National Register listed property

#### Cultural Development Grant

[www.culturaltrust.org/programs/grant\\_opportunities.php](http://www.culturaltrust.org/programs/grant_opportunities.php)

- Administered by the Oregon Cultural Trust
- Provides grants for preservation of cultural heritage
- Applicable towards certain rehabilitation costs
- Available for nonprofit organizations

#### Historic Preservation League of Oregon Historic Conservation Easements

[www.historicpreservationleague.org/easementsProcess.php](http://www.historicpreservationleague.org/easementsProcess.php)

- Administered and maintained by Historic Preservation League of Oregon
- Provides easements to historic properties throughout the State of Oregon

#### LEED Track Incentives

[//energytrust.org/business/incentives/other-businesses/new-construction/custom/leed/](http://energytrust.org/business/incentives/other-businesses/new-construction/custom/leed/)

- Administered by the Energy Trust of Oregon
- Provides variety of cash incentives LEED projects
- Available for commercial and multi-family properties

#### Custom Track Incentive

[energytrust.org/library/forms/nbe\\_pg\\_customtrack\\_techguidelines.pdf](http://energytrust.org/library/forms/nbe_pg_customtrack_techguidelines.pdf)

- Administered by the Energy Trust of Oregon
- Provides cash incentive up to \$500,000 for building systems that are more energy efficient than those installed to meet minimum Oregon code requirements
- Available for commercial and multi-family properties



## Appendix

## Portland Incentives

**Commercial Property Redevelopment Loan Program**

[www.pdc.us/dev\\_serv/development-assistance/commercial-property-redevelopment-loan-program.asp](http://www.pdc.us/dev_serv/development-assistance/commercial-property-redevelopment-loan-program.asp)

- Administered by the Portland Development Commission (PDC)
- Available for commercial or mixed use properties within Portland's urban renewal areas (URAs)
- Must demonstrate significant public purpose as defined by PDC
- Must contribute to PDC's community goals
- Available for projects in advanced design with primary financing
- Applicable towards certain rehabilitation costs

**Storefront Improvement Program**

[www.pdc.us/city\\_wide/storefront/index.asp](http://www.pdc.us/city_wide/storefront/index.asp)

- Administered by the PDC
- Provides matching grant up to \$20,000 for building facades
- Provides design assistance from architect
- Available for certain commercial properties as defined by PDC

**Signage and Lighting Improvement Program (SLIP)**

[www.pdc.us/city\\_wide/signage-lighting/default.asp](http://www.pdc.us/city_wide/signage-lighting/default.asp)

- Administered by the PDC
- Provides supplement grant to PDC's Storefront Improvement
- Maximum SLIP grant is 60% of the required applicant contribution to the Storefront program, up to \$12,000
- Available to projects in Portland's Downtown Waterfront, South Park Blocks and River District URAs that first meet the Storefront Improvement Grant

**Development Opportunity Services (DOS) Program**

[www.pdc.us/dev\\_serv/dos.asp](http://www.pdc.us/dev_serv/dos.asp)

- Administered by the PDC
- Provides up to 80% reimbursement of pre-development services
- Must have reasonable chance of being done in 3-5 years
- Available for properties zoned mixed-use or high density housing in the Central Eastside, Gateway, Interstate, Lents, Oregon Convention Center, River District and South Park Blocks URAs

**Community Livability Grant Program**

[www.pdc.us/dev\\_serv/development-assistance/community-livability.asp](http://www.pdc.us/dev_serv/development-assistance/community-livability.asp)

- Administered by the PDC
- Provides grants to projects that enhance the livability of the Interstate Corridor Urban Renewal Area including the preservation of historic community assets
- Applicant must have ownership or lease property
- Available for properties located in the Interstate Corridor URA
- Applicable towards certain rehabilitation costs

**Transfer of Density and Floor Area Ratio (FAR)**

[www.portlandonline.com/bps/index.cfm?a=133692&c=39750](http://www.portlandonline.com/bps/index.cfm?a=133692&c=39750)

- Administered by the City of Portland Bureau of Planning and Sustainability
- Provides the transfer and sale of unused density or FAR from a historic or conservation landmark to another site
- Transfer must be to another site within two miles of landmark
- Available to properties in Multi-Dwelling, Commercial and Employment zones

**Additional Density, and Changes of Uses**

[www.portlandonline.com/bps/index.cfm?a=133692&c=39750](http://www.portlandonline.com/bps/index.cfm?a=133692&c=39750)

- Administered by the City of Portland Bureau of Planning and Sustainability
- Provides the opportunity to change the density or use requirements of historic and conservation landmarks
- Applicable towards certain properties and zoning regulations

**Relaxed Seismic Upgrade Requirements**

[www.portlandonline.com/bps/index.cfm?a=133692&c=39750](http://www.portlandonline.com/bps/index.cfm?a=133692&c=39750)

- Administered by the City of Portland Bureau of Planning and Sustainability
- Provides relaxed seismic upgrades for existing and historic unreinforced masonry buildings
- Applicable towards certain seismic conditions as outlined by the City of Portland city code

## Appendix

MARKET  
CONDITIONS

Many factors are at play during a rehabilitation project that can facilitate or hinder its success. Understanding the interaction of public policy, financial incentives and real estate market conditions is fundamental to deciding whether a project will be financially feasible and marketable to the public.

The historic preservation movement is constantly evolving from a primarily regulatory tool to a market-driven industry. Whereas cultural resource protection through laws and ordinances are the cornerstone of preservation ensuring governmental responsibility, the increasing support through financial and policy incentives encourages private sector involvement.

These projects are, after all, real estate ventures, often with the goal of profitability for developers and investors. In order to guarantee financial success however, there are several fundamental characteristics the property or property local should have with regard to policies, funding and market conditions. Consideration of these factors is crucial when managing the potential risks involved with a historic rehabilitation.

- Are federal, national, state, local and private financial incentives available to support a historic rehabilitation?
- Is there a substantial market that will buy, rent or invest in or near historic properties?
- Are there redeveloped properties nearby acting as catalysts to encourage further redevelopment?
- Are there a growing number of experienced developers and lenders to support a historic redevelopment?
- Do the city and state have supportive public policies for historic preservation including ordinances, a preservation commission, availability of zoning variances, etc?
- Does the property and surrounding area have appropriate infrastructure including parking, public facilities, etc?

! Review types of Stakeholders to be aware of roles and collaboration of players.

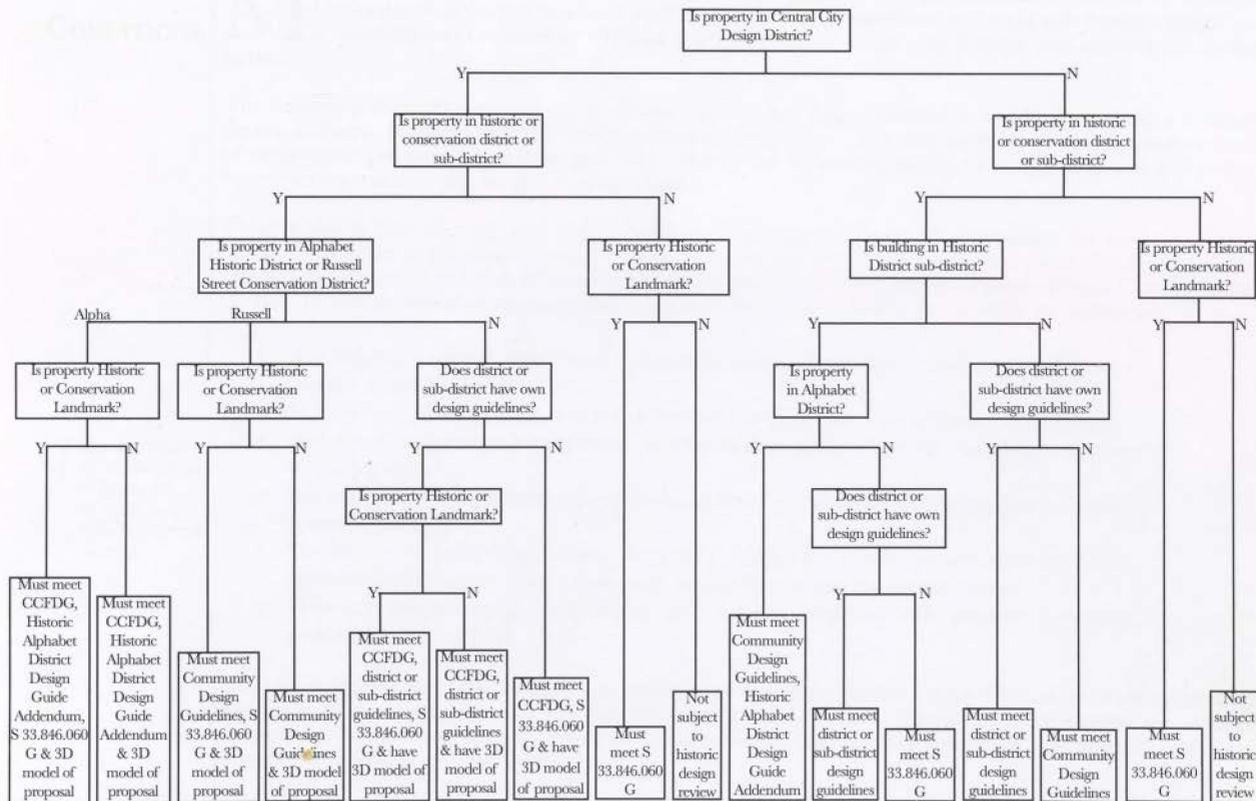
Although financial risks can be high, opportunities to redevelop historic properties can produce innovative projects that receive positive market response and demand. These possibilities demonstrate the critical partnerships between public policy initiatives, tax incentives and funding programs, and market conditions required to complete successful projects.

*Appendix*

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## CITY OF PORTLAND DESIGN REVIEW FLOW CHART



\* CCFDG: Central City Fundamental Design Guidelines



## HISTORIC DESIGNATIONS

For historic properties in Portland, there are several levels of historic designation that provide different levels of protection for the resource and affects its status for design review as well as its eligibility for incentives. Multiple designations are possible for a property and the most significant one determines which regulations or incentives apply.

### National Designation

A National Register Historic Landmark is an individual historic resource that has been classified by the Secretary of the Interior as a significant resource. The property must be significant for its role in American history, for its architecture, archaeology, engineering or for its association with a significant person.

### Portland Designation

“Local” or “Portland” Landmarks are historic resources that are locally significant and recognized by the City for their historical, cultural, archaeological, or architectural significance, or for the role in influencing Portland’s character.

Conservation Landmarks are individual properties identified by the City as significant for their local or neighborhood impact.

A “Local” Historic District is like a National Register District except it is approved by the City of Portland. A “contributing” or “noncontributing” status affects eligibility for incentives.

	Individual Resources	Group of Resources	Approved by Portland Historic Landmarks Commission	Approved by State Historic Preservation Office	Approved by the National Register	Requires Historic Design Review	“Contributing” Status Dependent
National Register Landmark	X		X	X	X	X	
National Register District		X	X	X	X	X	X
Portland Historic Landmark	X		X			X	
Portland Conservation Landmark	X		X			X	
Portland Historic District		X	X			X	X
Portland Conservation District		X	X			X	X
Historic Resources Inventory	X						

\* In Portland’s Zoning Code, “Landmarks” refer to both Portland and National Register Landmarks, as well as Portland Conservation Landmarks.

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**ADDITIONAL  
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**DESIGN REVIEW**

National Park Service. "Technical Preservation Services." National Park Service. [http://www.nps.gov/hps/tps/online\\_ed.htm](http://www.nps.gov/hps/tps/online_ed.htm).  
Eight interactive online reference tools and classes cover historic materials and their treatment with guidelines and examples.

Oregon State Historic Preservation Office. "Federal and State Compliance for Historic and Archaeological Resources." State of Oregon. Oregon SHPO. [http://www.oregon.gov/OPRD/HCD/SHPO/preservation\\_106.shtml](http://www.oregon.gov/OPRD/HCD/SHPO/preservation_106.shtml).  
Descriptions of federal and state design compliance with links to necessary forms and examples.

City of Portland Bureau of Planning and Sustainability. "Historic Resource Rules & Benefits." City of Portland. <http://www.portlandonline.com/bps/index.cfm?c=39750&a=133692>.  
Comprehensive reference for city preservation topics including zoning, design review, building codes and historic designation with links for additional reading.

City of Portland Bureau of Planning and Sustainability. "Summary of Portland Historic Resources Zoning Regulations." City of Portland. <http://www.portlandonline.com/bps/index.cfm?c=39764&a=146263>.

Review of City of Portland zoning regulations for historic properties including summaries of types of historic properties, the designation process, design review and zoning incentives.

**DESIGN COMPATIBILITY/TREATMENT**

National Park Service. "Preservation Briefs." National Park Service. <http://www.nps.gov/hps/tps/briefs/presbhom.htm>.  
47 briefs give technical guidance on preservation subjects ranging from interpretation to property assessment to repair.

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An interactive online reference, "Incentives! A Guide to the Historic Preservation Tax Incentives Program," discusses the tax credit program available for rehabilitation projects.

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Describes the New Market Tax Credit Program including eligibility and application requirements.

Community Planning and Development. "LIHTC Basics." U.S. Department of Housing and Urban Development Office of Community Planning and Development. <http://nhl.gov/offices/cpd/affordablehousing/training/web/lihtc/basics/>.  
Explains the Low Income Housing Tax Credit program and outlines the eligibility requirements and the allocation process.

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National Trust for Historic Preservation. "Commercial Funding: For those restoring or preserving income-producing properties." National Trust for Historic Preservation. <http://www.preservationnation.org/resources/find-funding/commercial-funding.html>.

Lists and describes the National Trust's funding opportunities for commercial properties.

Oregon State Historic Preservation Office. "Tax Incentive Programs for Historic Properties." State of Oregon. <http://www.oregon.gov/OPRD/HCD/SHPO/tax.shtml>.  
Guide to State of Oregon rehabilitation financial incentives including the Federal Tax Credit and Oregon Special Assessment program.

Oregon State Historic Preservation Office. "Heritage Program



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Grants." State of Oregon. <http://www.oregon.gov/OPRD/HCD/grants.shtml>. This website provides a thorough guide to Heritage Program Grants offered by the State of Oregon including application information.

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Historic Preservation League of Oregon. "Historic Conservation Easements...." HPLO. <http://www.historicpreservationleague.org/easementsAbout.php>. Outlines the goals of a preservation easement and how to obtain one through the HPLO.

Energy Trust of Oregon. "Create a Better Climate for Business." <http://energytrust.org/business/>. Energy Trust of Oregon. The Energy Trust's website has a tool for easily determining energy incentives for different types of properties and building functions.

Portland Development Commission. "Development Services." City of Portland. [http://www.pdc.us/dev\\_serv/default.asp](http://www.pdc.us/dev_serv/default.asp). The economic development agency for the City of Portland, the PDC's Development Services page shows the incentives available for development, with links to details of each program.

City of Portland Bureau of Planning and Sustainability. "Financial Incentives for Historic Preservation: A Summary of Selected Grant, Loan and Tax Benefit Programs." Historic Resources Research Guide Series, No. 10, Jan 2007. <http://www.portlandonline.com/bps/index.cfm?c=39764&a=146265>. Complete listing of available financial incentives available to Portland area preservation projects.

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Provides statistics and a list of annotated references of economic benefits of preservation and rehabilitation.

Donovan Rypkema. "Culture, Historic Preservation and Economic development in the 21st Century." Sept 1999, <http://www.placeeconomics.com/publications.html>.

Outlines values of preservation, key factors of practice and the movement's role in the 21st century.

### NATIONAL REGISTER

Oregon State Historic Preservation Office. "Oregon Parks & Recreation Dept.: Heritage Programs: National Register." State of Oregon. <http://www.oregonheritage.org/OPRD/HCD/NATREG/index.shtml>.

The Oregon SHPO website provides links to information needed for understanding and completing a National Register nomination including an example of a site nomination.

Oregon State Historic Preservation Office. "Heritage Bulletin 5, National Register Benefits and Restrictions." Vol 5, Nov 2007. [http://www.oregon.gov/OPRD/HCD/NATREG/docs/HB\\_5\\_Nat\\_Reg\\_Benefits.pdf](http://www.oregon.gov/OPRD/HCD/NATREG/docs/HB_5_Nat_Reg_Benefits.pdf).

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Labeled as an overview of sustainable strategies for rehabilitations, it is really the fundamental strategies for a LEED building.





