



City of San Antonio

Agenda Memorandum

File Number:14-1975

Agenda Item Number: 25.

Agenda Date: 9/17/2014

In Control: Historic and Design Review Commission

HDRC CASE NO: 2014-224
COMMON NAME: Friedrich Complex
ADDRESS: 1617 E Commerce
LEGAL DESCRIPTION: NCB 595 BLK 1 LOT N 98 FT OF 1 & 2 AND 3 THRU 18
ZONING: AE-3 HS
CITY COUNCIL DIST.: 2
DISTRICT: Dignowity Hill Historic District
LANDMARK: Yes
APPLICANT: James McKnight
OWNER: Friedrich Lofts, Ltd
TYPE OF WORK: Demolition with conceptual approval of new construction

REQUEST:

The applicant is requesting conceptual approval to:

1. Demolish 8 contributing buildings (Buildings 3, 5, 7, 9, 10, 11, 12 and 14 as identified in the exhibits for this request) of the Friedrich Complex. Three other buildings that have been previously identified as non-contributing will also be demolished. The applicant claims that retaining these buildings will result in an unreasonable economic hardship on the owner of the property if retained; and
2. Develop the remaining three buildings and cleared land as a mixed use development. A site plan and architectural renderings have been submitted for conceptual review.

APPLICABLE CITATIONS:

UDC Section 35-614 - Demolition

Demolition of a historic landmark constitutes an irreplaceable loss to the quality and character of the City of San Antonio. Accordingly, these procedures provide criteria to prevent unnecessary damage to the quality and character of the city's historic districts and character while, at the same time, balancing these interests against the property rights of landowners.

(a)Applicability. The provisions of this section apply to any application for demolition of a historic landmark (including those previously designated as historic exceptional or historic significant) or a historic district.

(3)Property Located in Historic District and Contributing to District Although Not Designated a Landmark. No certificate shall be issued for property located in a historic district and contributing to the district although not

designated a landmark unless the applicant demonstrates clear and convincing evidence supporting an unreasonable economic hardship on the applicant if the application for a certificate is disapproved. When an applicant fails to prove unreasonable economic hardship in such cases, the applicant may provide additional information regarding loss of significance as provided in subsection (c)(3) in order to receive a certificate for demolition of the property.

(b) Unreasonable Economic Hardship.

(1) Generally. The historic and design review commission shall be guided in its decision by balancing the historic, architectural, cultural and/or archaeological value of the particular landmark or eligible landmark against the special merit of the proposed replacement project. The historic and design review commission shall not consider or be persuaded to find unreasonable economic hardship based on the presentation of circumstances or items that are not unique to the property in question (i.e. the current economic climate).

(2) Burden of Proof. The historic and design review commission shall not consider or be persuaded to find unreasonable economic hardship based on the presentation of circumstances or items that are not unique to the property in question (i.e. the current economic climate). When a claim of unreasonable economic hardship is made, the owner must prove by a preponderance of the evidence that:

A. The owner cannot make reasonable beneficial use of or realize a reasonable rate of return on a structure or site, regardless of whether that return represents the most profitable return possible, unless the highly significant endangered, historic and cultural landmark, historic and cultural landmarks district or demolition delay designation, as applicable, is removed or the proposed demolition or relocation is allowed;

B. The structure and property cannot be reasonably adapted for any other feasible use, whether by the current owner or by a purchaser, which would result in a reasonable rate of return; and

C. The owner has failed to find a purchaser or tenant for the property during the previous two (2) years, despite having made substantial ongoing efforts during that period to do so. The evidence of unreasonable economic hardship introduced by the owner may, where applicable, include proof that the owner's affirmative obligations to maintain the structure or property make it impossible for the owner to realize a reasonable rate of return on the structure or property.

(3) Criteria. The public benefits obtained from retaining the cultural resource must be analyzed and duly considered by the historic and design review commission.

As evidence that an unreasonable economic hardship exists, the owner may submit the following information to the historic and design review commission by affidavit:

A. For all structures and property:

i. The past and current use of the structures and property;

ii. The name and legal status (e.g., partnership, corporation) of the owners;

iii. The original purchase price of the structures and property;

iv. The assessed value of the structures and property according to the two (2) most recent tax assessments;

v. The amount of real estate taxes on the structures and property for the previous two (2) years;

vi. The date of purchase or other acquisition of the structures and property;

vii. Principal balance and interest rate on current mortgage and the annual debt service on the structures and property, if any, for the previous two (2) years;

viii. All appraisals obtained by the owner or applicant within the previous two (2) years in connection with the owner's purchase, financing or ownership of the structures and property;

ix. Any listing of the structures and property for sale or rent, price asked and offers received;

x. Any consideration given by the owner to profitable adaptive uses for the structures and property;

xi. Any replacement construction plans for proposed improvements on the site;

xii. Financial proof of the owner's ability to complete any replacement project on the site, which may include but not be limited to a performance bond, a letter of credit, a trust for completion of improvements, or a letter of commitment from a financial institution; and

xiii. The current fair market value of the structure and property as determined by a qualified appraiser.

xiv. Any property tax exemptions claimed in the past five (5) years.

B. For income producing structures and property:

i. Annual gross income from the structure and property for the previous two (2) years;

ii. Itemized operating and maintenance expenses for the previous two (2) years; and

iii. Annual cash flow, if any, for the previous two (2) years.

C. In the event that the historic and design review commission determines that any additional information described above is necessary in order to evaluate whether an unreasonable economic hardship exists, the historic and design review commission shall notify the owner. Failure by the owner to submit such information to the historic and design review commission within fifteen (15) days after receipt of such notice, which time may be extended by the historic and design review commission, may be grounds for denial of the owner's claim of unreasonable economic hardship.

When a low-income resident homeowner is unable to meet the requirements set forth in this section, then the historic and design review commission, at its own discretion, may waive some or all of the requested information and/or request substitute information that an indigent resident homeowner may obtain without incurring any costs. If the historic and design review commission cannot make a determination based on information submitted and an appraisal has not been provided, then the historic and design review commission may request that an appraisal be made by the city.

(d) Documentation and Strategy.

(1) Applicants that have received a recommendation for a certificate shall document buildings, objects, sites or structures which are intended to be demolished with 35mm slides or prints, preferably in black and white, and supply a set of slides or prints to the historic preservation officer.

(2) Applicants shall also prepare for the historic preservation officer a salvage strategy for reuse of building materials deemed valuable by the historic preservation officer for other preservation and restoration activities.

(3) Applicants that have received an approval of a certificate regarding demolition shall be permitted to receive a demolition permit without additional commission action on demolition, following the commission's recommendation of a certificate for new construction. Permits for demolition and construction shall be issued simultaneously if requirements of section 35-609, new construction, are met, and the property owner provides financial proof of his ability to complete the project.

(4) When the commission recommends approval of a certificate for buildings, objects, sites, structures designated as landmarks, or structures in historic districts, permits shall not be issued until all plans for the site have received approval from all appropriate city boards, commissions, departments and agencies. Permits for parking lots shall not be issued, nor shall an applicant be allowed to operate a parking lot on such property, unless such parking lot plan was approved as a replacement element for the demolished object or structure.

(e) Issuance of Permit. When the commission recommends approval of a certificate regarding demolition of buildings, objects, sites, or structures in historic districts or historic landmarks, permits shall not be issued until all plans for the site have received approval from all appropriate city boards, commissions, departments and agencies. Once the replacement plans are approved a fee shall be assessed for the demolition based on the approved replacement plan square footage. The fee must be paid in full prior to issuance of any permits and shall be deposited into an account as directed by the historic preservation officer for the benefit, rehabilitation or acquisition of local historic resources. Fees shall be as follows and are in addition to any fees charged by planning and development services:

0-2,500 square feet	= \$2,000.00
2,501-10,000 square feet	= \$5,000.00
10,001-25,000 square feet	= \$10,000.00
25,001-50,000 square feet	= \$20,000.00
Over 50,000 square feet	= \$30,000.00

Historic Design Guidelines, Chapter 4, Guidelines for New Construction

4. Guidelines for New Construction

2. Building Massing and Form

A. SCALE AND MASS

i. *Similar height and scale*-Design new construction so that its height and overall scale are consistent with nearby historic buildings. In residential districts, the height and scale of new construction should not exceed that of the majority of historic buildings by more than one-story. In commercial districts, building height shall conform to the established pattern. If there is no more than a 50% variation in the scale of buildings on the adjacent block faces, then the height of the new building shall not exceed the tallest building on the adjacent block face by more than 10%.

C. RELATIONSHIP OF SOLIDS TO VOIDS

- i. *Window and door openings*-Incorporate window and door openings with a similar proportion of wall to window space as typical with nearby historic facades. Windows, doors, porches, entryways, dormers, bays, and pediments shall be considered similar if they are no larger than 25% in size and vary no more than 10% in height to width ratio from adjacent historic facades.
- ii. *Façade configuration*- The primary façade of new commercial buildings should be in keeping with established patterns. Maintaining horizontal elements within adjacent cap, middle, and base precedents will establish a consistent street wall through the alignment of horizontal parts. Avoid blank walls, particularly on elevations visible from the street. No new façade should exceed 40 linear feet without being penetrated by windows, entryways, or other defined bays.

3. Materials and Textures

A. NEW MATERIALS

- i. *Complementary materials*-Use materials that complement the type, color, and texture of materials traditionally found in the district. Materials should not be so dissimilar as to distract from the historic interpretation of the district. For example, corrugated metal siding would not be appropriate for a new structure in a district comprised of homes with wood siding.
- ii. *Alternative use of traditional materials*-Consider using traditional materials, such as wood siding, in a new way to provide visual interest in new construction while still ensuring compatibility.

FINDINGS:

Findings related to request item #1:

- a. The Friedrich Refrigeration Complex is a local historic landmark and is also listed in the National Register of Historic Places. The earliest part of the complex was constructed in 1923 for the Edward Friedrich Refrigeration Company, which was founded in 1883. In 1925, this location became the consolidated operations for the business when the old plant nearby burned down. Architect Harvey P. Smith was hired to design a new showroom and office space. The plant was expanded over the next 30 years and remained in operation until its closure in 1990. The complex remains a prominent landmark on the City's East Side.
- b. Industrial buildings are plentiful in some part of the country but are relatively rare in San Antonio. Preservation priorities are often evaluated based on the relative rarity of the resource in question. In that sense, the demolition of the Friedrich Complex must be approached with great caution. Demolition is not reversible.
- c. A site visit was conducted by staff and the Design Review Committee on May 30, 2014. At that meeting, all agreed that the reuse of the existing historic buildings presented a number of design challenges. There was concern over the extent of the proposed demolitions, especially those located along the street edge. The applicant was encouraged to explore ways to retain the buildings on the perimeter of the complex in order to preserve the integrity of the block face.
- d. Based on City Code, demolition should be a last resort for designated properties. Generally, property owners are encouraged to explore ways to incorporate historic and contributing buildings into new developments. Rehabilitation work for designated buildings is eligible for local, state and federal tax incentives.
- e. The Friedrich Complex is listed on the National Register of Historic Places in addition to being a local historic landmark. Adaptive reuse of the buildings would qualify for both Federal and State tax credits in addition to local tax incentives and the Center City Housing Incentive Policy (CCHIP), subject to available funding and eligible use. All available incentives should be weighed when making any claims regarding the feasibility of a project. The selected demolitions, as proposed, would have an irreversible negative impact on the integrity of the designated property, and the remaining buildings would no longer be eligible for the Federal and State credits. No pro forma has been submitted that takes advantage of both rehabilitation credits.
- f. Given the complexity of the site and variation of building and construction types, staff finds that further explorations may indicate whether more portions of the complex could be retained, while meeting the goals of the proposed development, versus the proposed demolitions. OHP staff has organized a task force to review the proposed demolitions. The task force includes members of the Design Review Committee, the Dignowity Hill Neighborhood Association, San Antonio Conservation Society, Texas Historical Commission, SAGE, Office of

Historic Preservation, Development Services and Center City Development and Operations. The task force met with the applicant three times on August 15, 22 and 29.

- g. Through discussions with the applicant, members of the task force agreed that reuse of the buildings presented a number of challenges. In general, there was agreement that investment in the site was desired and that a development at this location would have a positive impact on the neighborhood. However, there remained concern over the extent of the demolitions requested, particularly due to the historical context of this property which is conveyed through its piecemeal construction. Retention of buildings visible from the public right-of-way was emphasized by the task force. Structures that are strictly located within the interior of the complex, such as Building 7, were identified as structures that could potentially be removed without a negative impact to how the complex could be viewed. The task force was also open to discussing partial demolitions on a building-by-building basis as designs were developed in the future. While some members of the task force expressed support for the proposed demolitions, the majority of those present agreed that other configurations of retained buildings, which necessitated fewer demolitions, should to be further explored by the applicant.
- h. The loss a historic landmark constitutes an irreplaceable loss to the quality and character of San Antonio. Demolition of any contributing buildings within the complex should only occur after every attempt has been made, within reason, to successfully reuse the structure. Clear and convincing evidence supporting an unreasonable economic hardship on the applicant if the application for a certificate is disapproved must be presented by the applicant in order for demolition to be considered. The criteria for establishing unreasonable economic hardship are listed in 35-614 (b) (3). The applicant must prove by a preponderance of the evidence that:

A. The owner cannot make reasonable beneficial use of or realize a reasonable rate of return on a structure or site, regardless of whether that return represents the most profitable return possible, unless the highly significant endangered, historic and cultural landmark, historic and cultural landmarks district or demolition delay designation, as applicable, is removed or the proposed demolition or relocation is allowed;

[The applicant claims that without significant demolitions, the owner would experience a negative rate of return for the property. The property was acquired by the current owner in 1999 for \$800,000. In total, applicant has indicated that the current owner has invested over 7 million dollars throughout the period of ownership in taxes, interest, planning & development costs and safety/code upgrades. A small portion of the complex was occupied by office tenants between 2002 and 2012. The applicant is reporting a five-year rental income of \$959,246 between 2008 and 2012. However the applicant has claimed a net loss of \$315,039 during that period. The applicant estimates that the property today is valued between 2.8 and 3.6 million dollars, although no formal appraisal or comparative market analysis has been done since 2011. The applicant has also received offers for purchase of the complex that were not accepted.

B. The structure and property cannot be reasonably adapted for any other feasible use, whether by the current owner or by a purchaser, which would result in a reasonable rate of return;

[The applicant claims that, due to issues related to building and safety codes, the buildings proposed for demolition are not suitable for adaptive reuse as either residential units or commercial lease space. Educational & institutional uses have also been explored by potential buyers. In information submitted by the applicant, partial demolitions or demolitions limited to the interior of the complex do not appear to have been explored.]; and

C. The owner has failed to find a purchaser or tenant for the property during the previous two (2) years, despite having made substantial ongoing efforts during that period to do so. The evidence of unreasonable economic hardship introduced by the owner may, where applicable, include proof that the owner's affirmative obligations to maintain the structure or property make it impossible for the owner to realize a reasonable rate of return on the structure or property.

[The applicant has submitted evidence that the property has been actively marketed throughout the current ownership, and several potential purchasers/tenants have expressed interest, including a contract on the property held by the City of San Antonio. However, the applicant claims that all attempts by the owner to secure a deal while assuming the adaptive reuse of complex have not been successful due to a lack of feasibility for such proposals. The applicant has submitted information (based on past feasibility studies that retain a greater number of buildings than the current proposal) which illustrates that the retention of

existing structures on the property reduces the potential number of residential units and leasable commercial space which could be introduced into the property. The applicant has inferred that, under the current proposal for major demolition with new construction, developers have expressed a greater interest in the site due to increased feasibility of introducing 250-300 residential units in a single deal. However, the applicant has been presented with opportunities to sell the complex that were not pursued.]

- i. The applicant has also indicated that current feasibility studies consider a multi-family development due to the increased likelihood that such a project would be funded in today's market. However, UDC Section 35-614(b) (1) states that circumstances or items that are not unique to the property in question (i.e. the current economic climate) are not to be considered when reviewing a claim for an unreasonable economic hardship.
- j. Staff finds that the applicant has submitted evidence and has made a legitimate claim for an unreasonable economic hardship, and that some demolitions may be necessary in order for the owner to make reasonable beneficial use of the site. If the HDRC finds that the claim for an economic hardship has been thoroughly substantiated and that the conditions of UDC 35-614 apply, a recommendation for approval of any demolitions will not authorize the issuance of a demolition permit. A permit will not be issued until replacement plans for the new construction are approved and all applicable fees are collected. The UDC states that permits for demolition and new construction shall be issued simultaneously if the requirements for new construction are met, and the property owner provides financial proof of his ability to complete the project.
- k. If the HDRC does not approve demolition of a particular portion of the complex at this time, there is nothing that limits a future owner or developer from making a future request for demolition based on their own attempt to reuse the building unsuccessfully. A new application can be made at any time.

Findings related to request item #2:

- l. The submitted plans for new construction are in the conceptual phases of development. Details for the adaptive reuse of the remaining historic buildings have not been submitted, although the applicant has indicated that portions of the buildings and significant interior spaces would be restored. The historic, roof-mounted sign on Commerce Street will also be preserved.
- m. Based on renderings submitted by the applicant, the proposed new construction appears to be generally consistent with the Guidelines for New Construction 2.A. and 2.C. in terms of height, scale, window patterns and façade configuration. The applicant should continue develop future iterations of the design in accordance with the Historic Design Guidelines.
- n. The existing buildings at this location feature brick and concrete as exterior materials. Although exterior finishes have not been fully developed for the proposed new construction, future iterations of the design should reference the existing historic buildings consistent with the Guidelines for New Construction 3.A. Opportunities for salvaging and reusing historic materials should be considered.

RECOMMENDATION:

1. Demolition of contributing buildings constitutes an irreplaceable and irreversible loss to the quality and character of the City of San Antonio. Removal of any buildings or structures within the Friedrich Complex will result in a negative impact to the integrity and character of the site. Staff does not recommend approval of the full request for all demolition at this time based on findings c through h. While the owner has worked diligently to explore options and has presented substantial information for a finding of economic hardship, the Friedrich property is an unique and complex site which warrants a careful approach to demolitions. Economic hardship has been presented regarding the site in general but is not detailed enough in most cases to apply to each specific building within the complex. Staff understands that the owner may continue to work with potential developers for the site and encourages that future applications for development, which may include partial demolitions, are submitted for preliminary review. If the HDRC finds after the public hearing that economic hardship has been proven, staff recommends consideration of the request in two parts. Part I is the southern portion of the site to the south of the abandoned portion of Paso Hondo Street. Part II is the portion of the site to the north of this former right-of-way.
2. As it relates to Part I, staff recommends that at least the first structural bay is retained for potential adaptive reuse in between Building 6 and Building 5 along Olive Street. Staff also recommends that Building 5 is retained for reuse in addition to Buildings 1, 6, and 8, which the applicant already plans to reuse. The demolition of Building 7

and the infill construction connecting buildings in the center of the complex would not have a significant impact on the overall fabric of the neighborhood because they are interior to the complex and not readily visible from the public right-of-way.

3. The currently proposed replacements plans provide a more detailed strategy for the southern portion of the site. There are no conceptual renderings for the northern portion of the site. As it related to Part II, staff recommends that Building 10 is of the greatest significance and should be further evaluated for reuse along with Building 9, which was constructed at the same time. At least a portion of Building 11 along with the 1948 connector construction between Buildings 7 and 10 will require removal in order to reestablish Paso Hondo Street, which staff finds acceptable. Staff also recommends approval of the removal of Building 14.
4. If the HDRC does not approve a finding of economic hardship, the Commission may then consider a loss of historic significance. While the applicant has not yet provided a claim of loss of historic significance, staff finds that this may apply in the case of Building 7, Building 11 and Building 12 in particular, if appropriate evidence is submitted.
5. Staff recommends conceptual approval of the proposed development on Part I of the site with the following stipulations:
 - i. That the applicant make further attempts to incorporate Building 5 and at least the first structural bay of the buildings along Olive Street between Building 6 and Building 5.
 - ii. That the applicant presents more detailed information about plans for Part II and evaluate the reuse of Buildings 9 and 10 at a minimum.
 - iii. That the applicant provide a salvaging plan for incorporating historic materials from buildings that are not retained that are indicative of the history of the property into the proposed development based on finding h; and
 - iv. That the applicant returns to the Design Review Committee as plans for new construction are developed in accordance with the Historic Design Guidelines. Staff recommends that conceptual approval is applied for again in the future as the design of the project develops and that the applicant not wait until final approval to return to the Commission.

CASE MANAGER:

Cory Edwards