MEETING OF THE COMMITTEE ON FINANCIAL HARDSHIP
OF THE PHILADELPHIA HISTORICAL COMMISSION

WEDNESDAY, 8 SEPTEMBER 2010
COMMISSION CONFERENCE ROOM, ROOM 578, CITY HALL
SAM SHERMAN, CHAIR

PRESENT
Sam Sherman, Chair
John Haak, City Planning Commission
Dominique Hawkins, AIA, LEED AP
Scott Wilds, Office of Housing & Community Development

Jonathan Farnham, Executive Director

ALSO PRESENT
John Gallery, Preservation Alliance for Greater Philadelphia
Ben Leech, Preservation Alliance for Greater Philadelphia
Joe Lukach, Siloam
John Frondorf, Becker & Frondorf
James J. Scott, Colliers International
Michael Barmash, Colliers International
Kevin Boyle, Esq., Stradley Ronon
Marissa Parker, Esq., Stradley Ronon
Bevan Lawson, PE
Cathy Maguire, Siloam
Lori Curtis, Siloam
Bernadette Kinniry, Siloam
Susanne Cassidy, Siloam
Sheila Breen, Siloam
Marti Harrington, Siloam
Robert Lucas
Sarah McEneaney
Alex Generalis
Emily Cooperman
Matthew H. Werthman
Eugene Vaynberg
Steven Grosik
John Struble
David Traub, Save Our Sites
Frank Patterson
Cheryl Marshall
Harold Herron
Andrew Palewski
Michel Saewert
C. Anne Anderson

CALL TO ORDER

Mr. Sherman called the meeting to order at 1:00 p.m. Ms. Hawkins and Messrs. Haak and Wilds joined him.

1123-33 SPRING GARDEN STREET

Owner: Siloam
Applicant: Joseph Lukach, Executive Director, Siloam
History: 1849, Church of the Assumption, Patrick Charles Keely, architect
Designation: individually designated, 5/8/2009
Project: Demolish building

OVERVIEW: This application proposes the complete demolition of the former Church of the Assumption building at 1123-33 Spring Garden Street. This application seeks to prove that the church building cannot be used for any purpose for which it is or may be reasonably adapted and thereby justify the demolition with the claim that the required retention of the church building would impose a financial hardship on the owner.

The applicant, Siloam, a non-profit provider of services to persons with HIV-AIDS, purchased the property in March 2006 from the Archdiocese of Philadelphia. It also purchased the abutting properties at 1135 and 1137 Spring Garden Street, 1122-32 Brandywine Street, and 535 N. 12th Street. It sold the property at 1137 Spring Garden Street in June 2009. Only the property at 1123-33 Spring Garden, the property with the church building, is designated as historic. The Historical Commission has no jurisdiction over the other properties or buildings.

The church building has been vacant since 1995, when the Archdiocese of Philadelphia closed the Church of the Assumption. Siloam occupies other buildings in the complex, but not the church building. Siloam claims that the church building is in very poor condition and no potential reuse would support high rehabilitation costs. Siloam reports that it marketed the building through a commercial realtor, but no buyer was secured owing to the condition and reuse costs.

The Commission individually designated the property last year, in May 2009. At the time of designation, Siloam was in the process of seeking a permit to completely demolish the church. During the nomination review, Siloam claimed that the building was in poor condition and that adaptive reuse was not feasible, but the Commission responded that the designation hearing was not the proper forum in which to consider such matters. The Commission suggested that Siloam submit a hardship application to justify its claims that the building could not be reasonably reused.

CONTENTS OF THE APPLICATION

1. demolition permit application;
2. cover letter introducing the application, dated 9 July 2010;
3. site plans showing the extent of demolition at the building (complete) and the location of the building within the larger context;
4. 10 photographs of the building and its context showing all facades where the demolition would occur;
5. a letter from the IRS confirming Siloam's 501(c)(3) status, dated 9 July 2010;
6. an overview of Siloam's mission and services;

7. a newspaper article published 16 July 2010 regarding Philadelphia's HIV-AIDS infection rates;
8. an affidavit by Joseph Lukach, Siloam's executive director, providing facts and other information about the building and organization;
9. the Board of Revision of Taxes information sheet on the property provided the assessed value and other information (Tab 1);
10. copies and a summary of utility bills for the property (Tab 2);
11. a summary of mortgage payments for the complex (Tab 3);
12. copies and a summary of insurance bills for the property (Tab 4);
13. an assessment of the building and cost estimate for rehabilitation by the Community Design Collaborative, dated May 2007 (Tab 5);
14. an update to the Community Design Collaborative cost estimate by Becker & Frondorf, dated 5 February 2010 (Tab 6);
15. an Unsafe violation from the Department of Licenses & Inspections, dated 8 July 2009, for walls and roof in danger of collapse (Tab 7);
16. a conditions assessment by engineer Bevan Lawson, dated 14 April 2009 (Tab 8);
17. an assessment of the building's condition and historical significance by architectural historian George Thomas, undated (Tab 9);
18. an appraisal report for the property by Edward S. Snyder, dated 22 May 2009 (Tab 10);
19. a conditions assessment by engineer Bevan Lawson, dated 18 May 2009 (Tab 11);
20. a Siloam report regarding discussions about the church building with Partners for Sacred Places and the Non Profit Finance Fund, dated 10 March 2008 (Tab 12);
21. information on the Partners for Sacred Places training program attended by Siloam staff, dated 11 October no year (Tab 13);
22. a Siloam report regarding discussions about the church building with the Non Profit Finance Fund, dated 20 May 2008 (Tab 14);
23. a letter from architect Stuart Rosenberg regarding potential buyers for the building, dated 5 May 2009 (Tab 15);
24. a series of letters between attorneys Kevin Boyle and Robert Shusterman regarding a potential sale of the building, dated 22 July to 18 August 2009 (Tab 16); and
25. a report from realtor Colliers International regarding the marketing of the property, dated 7 July 2010 (Tab 17).

COMPLETENESS OF APPLICATION PURSUANT TO SUBMISSION REQUIREMENTS

Section 9.3 of the Rules & Regulations authorizes the Commission's staff to "review the financial hardship documents and ascertain their completeness pursuant to the submission requirements delineated in Sections 6.7 and 9.2 of these Rules & Regulations." This review for completeness is not equivalent to the Commission's review for completeness and should not be confused or conflated with it. The staff's review for completeness determines whether the applicant has provided the documents to satisfy the minimum submission requirements stipulated in the historic preservation ordinance and Rules & Regulations. The Commission's review for completeness determines whether the applicant has provided sufficient information to render a hardship decision. The staff can reject an application that does not meet the minimum submission requirements. The staff cannot reject an application that meets the minimum submission requirements, but does not provide adequate information for the Commission to render a decision. Only the Commission itself can reject such an application.

Section 6.7 of the Rules & Regulations delineates the submission requirements for any alteration or demolition application.

Section	Required document	Provided (Y/N/NA)
6.7.a	building permit application	Y
6.7.b	cover letter	Y
6.7.c	historic documentation	NA
6.7.d	photographs	Y
6.7.e	site plan, demolition plan	Y
6.7.f	interior plan	NA
6.7.g	shop drawings	NA
6.7.h	specifications	NA

Section 9.2 of the Rules & Regulations delineates the submission requirements for any hardship application. It mirrors Section 14-2007(7)(f) of the ordinance, which requires the submission by affidavit.

Section	Required document	Provided (Y/N/NA)
9.2	by affidavit	Y
9.2.a.1	purchase information	Y
9.2.a.2	assessed value	Y
9.2.a.3	financial information for property, 2 yrs	Y
9.2.a.4	all appraisals	Y
9.2.a.5	sales information	Y (apparently no price asked)
9.2.a.6	consideration of reuses	Y

Section 10.2 of the Rules & Regulations delineates the submission requirements for any hardship application in which the applicant claims non-profit status.

Section	Required document	Provided (Y/N/NA)
10.2.a	documents stipulated in 6.7 and 9.2	Y
10.2.b	documentation of non-profit status	Y

As the above analysis clearly demonstrates, the applicant has provided the documents needed to satisfy the minimum submission requirements stipulated in the historic preservation ordinance and Rules & Regulations. Pursuant to Section 9.3 of the Rules & Regulations, the staff has determined this application to be complete and therefore forwards it to the Architectural Committee and Committee on Financial Hardship. Note that, pursuant to the same section, the Architectural Committee, Committee on Financial Hardship, and the Commission are also authorized to review the application to determine whether it satisfies the minimum submission requirements. The Architectural Committee, Committee on Financial Hardship, and the Commission may reject an incomplete application and direct the staff to return it to the applicant.

Also note that only the Commission may require the submission of additional documentation as authorized in Section 14-2007(7)(f)(.7) of the ordinance and delineated in Sections 9.2.b and 10.2.c of the Rules & Regulations. The staff, Architectural Committee, and Committee on Financial Hardship may recommend that the Commission require the addition documentation, but the staff and committees may not unilaterally require that documentation. The applicant has already provided nearly all of the information that might be requested by the Commission under Section 10.2.c, as shown in the breakdown below.

Section	Required Information	Provided (Y/N/NA)
10.2.c.1	identification of reasonable reuses	Y
10.2.c.2	rehabilitation cost estimates	Y
10.2.c.3	current standard of building-maintenance costs	NA
10.2.c.4	comparison of cost in existing and new building	NA
10.2.c.5	impact of reuse of building on financial condition	Y
10.2.c.6	impact of reuse on program, function or mission	Y
10.2.c.7	additional cost attributable to the building	Y
10.2.c.8	grants to maintain or improve the property	Y
10.2.c.9	organization's budget	?
10.2.c.10	consideration given to relocation	NA

SUMMARY OF THE APPLICATION

Siloam owns a series of abutting properties at 1123-33 Spring Garden Street, 1135 Spring Garden Street, 1122-32 Brandywine Street, and 535 N. 12th Street. It also owned 1137 Spring Garden Street, but sold it on 3 June 2009. Only the property at 1123-33 Spring Garden, the property with the church building, is designated as historic. The Historical Commission has no jurisdiction over the other properties.

Siloam purchased the property in question as well as the abutting properties on 15 March 2006 from the Archdiocese of Philadelphia. After the purchase but before the designation, Siloam explored potentially reusing the church building with the assistance of the Community Design Collaborative, Partners for Sacred Places, and Nonprofit Finance Fund. Points 10 and 18 to 24 of the Lukach affidavit describe these activities. Siloam explored three reuses: a gathering space for Siloam; a leased revenue-producing space; and a worship space for a congregation (Point 10). The Community Design Collaborative, "a community design center that provides *pro bono* predevelopment design services to nonprofit organizations," estimated that the repair and renovation costs for the church building with an unknown interior use at $5,453,139 in mid 2007 (Tab 5). Becker & Frondorf, construction cost estimators, reassessed the Community Design Collaborative's 2007 cost estimate in 2010 and determined that the rehabilitation costs had risen to $6,319,000 (Tab 6). Partners for Sacred Places and Nonprofit Finance Fund provided education and assistance for capital project fund raising and facility assessment, planning, and financing (Tabs 12-14). The conclusion drawn from these efforts is provided in Affidavit Point 18; "Siloam considered uses and adaptive reuses of the church building, but ultimately determined that the costs of the renovation vastly exceeded the organization's resources."

The application claims that the church building is in very poor condition. The building has been vacant, unheated, and without regular maintenance since 1995. Siloam retained structural engineer Bevan Lawson to assess the building at the time of the designation. Lawson offers two reports. The first, dated 14 April 2009, notes numerous structural problems resulting from a lack of maintenance and concludes that, if not repaired, the structure could become unsafe and then imminently dangerous. He suggests a series of efforts to alleviate and repair the poor conditions to stabilize the structure including removing the steeples (Tab 8). One month later, in a second report dated 18 May 2009, he declares the building to be imminently dangerous and contends that the spires must be removed and the towers demolished down to the roof (Tab 11). The second report does not indicate how the building, which he stated was not yet unsafe in April, became imminently dangerous in May. The Department of Licenses & Inspections inspected the building and declared it Unsafe on 8 July 2009 (Case 206007). The violation states that the building has loose and missing brickwork, cracked and fractured walls, deteriorated walls and roof, and is in danger of collapse (Tab 7). The application includes a report by George Thomas, an architectural historian, regarding the historical significance of the building and providing an assessment of the condition of the building. The historical significance of the building is not the subject of this review and any material on it should be disregarded. The assessment of the building's condition by Thomas should be discounted because he is neither a professional engineer nor a licensed architect.

An appraisal by certified appraiser Edward Snyder, dated 22 May 2009, is provided. It concludes that the property "has no market value" (Tab 10). It also states that "the cost to rehabilitate … far exceeds the value"; "the property should be demolished"; and "the restrictions [i.e. the historic designation] cause the subject to have no marketability."

The application includes a letter, dated 5 May 2009, from architect Stuart Rosenberg (Tab 15). Mr. Rosenberg reports that he had "a number of clients interested in purchasing the church." He states that they all concluded that "the renovation costs proved to be too great and the projected income generated from the property inadequate to justify the time and risk of such a complex undertaking." However, Mr. Rosenberg provides no details about his clients, their proposed uses for the church building, their estimated rehabilitation costs, or their potential returns on investment. Without these details, the claims are impossible to corroborate.

The application includes correspondence between attorneys representing Siloam and a potential buyer, who endeavored to negotiate a sale of the church building (Tab 16). The negotiations ended after Siloam's attorney rejected a proposed contingency limiting the maximum allowable cost to stabilize and retrofit the building to $400,000, a figure considered "not realistic."

The application includes a report, dated 7 July 2010, from Colliers International, a commercial real estate broker (Tab 17). The report explains the efforts to market the property. Colliers marketed the property from January to July 2010. It posted a "For Sale" sign on the property, issued a marketing flyer, listed it on a real estate database, advertised it on its website, and sent emails about the property to 240 brokers. Colliers received 54 inquiries, nine of which lead to inspections. It received one offer, which is documented in the correspondence in Tab 16. The report concludes that "there are no parties interested in purchasing this property." It states that the cost of rehabilitation has deterred otherwise interested parties from purchasing the church building, which is vacant and dilapidated.

The Lukach affidavit concludes that "Siloam considered uses and adaptive reuses of the church building, but ultimately determined that the costs of the renovation vastly exceeded the organization's resources" (Point 18). The "church building is currently uninhabitable and unfit for occupancy, so any lease or rental without substantial repairs is impracticable" (Point 33). Despite the marketing efforts, "no serious buyers have materialized" and the realtor "cannot predict when or whether this property can be sold in its current state" (Point 32). "Siloam has no other path to recourse other than demolition" (Point 35).

REVIEW CRITERIA

Section 14-2007(7)(j) of the historic preservation ordinance stipulates that:

> No permit shall be issued for the demolition of an historic building … unless the Commission finds that issuance of the permit is necessary in the public interest, or unless the Commission finds that the building … cannot be used for any purpose for which it is or may be reasonably adapted. In order to show that [the] building … cannot be used for any purpose for which it is or may be reasonably adapted, the owner must demonstrate that the sale of the property is impracticable, that commercial rental cannot provide a reasonable rate of return and that other potential uses of the property are foreclosed.

Section 9.4 of the Rules & Regulations restates and elaborates on the review criteria for hardship applications. It instructs that:

> To substantiate a claim of financial hardship to justify a demolition, the applicant must demonstrate that the sale of the property is impracticable, that commercial rental cannot provide a reasonable rate of return, and that other potential uses of the property are foreclosed. The applicant has an affirmative obligation in good faith to attempt the sale of the property, to seek tenants for it, and to explore potential reuses for it.

The historic preservation ordinance mandates that an owner asserting that a building cannot be used for any purpose for which it is or may be reasonably adapted must apply two overlapping analyses in tandem to demonstrate the claim of hardship.

For the first analysis, the owner must expose the property to the real estate market in a broad manner for a sufficient length of time with reasonable terms and conditions. If the property is marketed adequately and can be reasonably adapted, it will be acquired for reuse. If it is not marketed adequately or cannot be reasonably adapted, it will not be acquired. The Commission must scrutinize the marketing of the property to determine whether it reasonably allowed for a sale or rental to occur. If the marketing was adequate, but the property was not acquired, then the Commission can conclude that the property cannot be reasonably adapted. The key questions are whether a sale is or is not impracticable and whether a rental will or will not provide a reasonable rate of return.

For the second analysis, the owner must evaluate the reuse potential of the property. Such evaluations can never be exhaustive, but must be directed at the most likely potential reuses that can be achieved with reasonable adaptations. Also, such evaluations are dependent on myriad assumptions. The Commission must scrutinize the evaluations to determine whether they address the most likely potential reuses and whether they reasonably assess the costs of those probable reuses as well as the potential returns from those reuses. The key question is whether reuse options are foreclosed.

In the end, the Commission and its advisory committees must answer the following questions:

- Can the property be used for any purpose for which it is or may be reasonably adapted?
- Is the sale of the property is impracticable?
    - Has the owner made a good faith attempt to sell the property?
- Can commercial rental of the property provide a reasonable rate of return?
    - Has the owner made a good faith attempt to seek tenants for the property?
- Are other potential uses of the property foreclosed?
    - Has the owner made a good faith attempt to explore potential reuses for it?

DISCUSSION: Mr. Farnham presented the application to the Committee on Financial Hardship. Joe Lukach, the executive director of Siloam, which owns the property, attorneys Kevin Boyle and Marissa Parker, construction cost estimater John Frondorf, engineer Bevan Lawson, and realtors James Scott and Michael Barmash represented the application.

Mr. Farnham reported to the Committee that the Architectural Committee had reviewed the application on 24 August 2010 and voted to recommend that the Commission find that the property at 1123-33 Spring Garden Street cannot be used for any purpose for which it is or may be reasonably adapted and approve its complete demolition, pursuant to Section 14-2007(7)(j) of the Philadelphia Code. He also explained to the audience that the Architectural Committee and Committee on Financial Hardship are advisory. They both review applications and formulate non-binding recommendations to the Commission. The Commission will meet to review the application and recommendations on 10 September 2010.

Mr. Boyle introduced his team and the application. Mr. Lukach provided an overview of Siloam, which was founded by a Catholic nun and priest to assist people with HIV-AIDS. He stated that the rates of HIV-AIDS are much higher in Philadelphia than elsewhere; for example, Philadelphia's rate is five times that of New York City. Siloam moved to the property in question in 1996. It rented the rectory from the Archdiocese. The other buildings on the site are vacant. The last mass was held in the church in 1994. Mr. Lukach stated that his organization complained to the Archdiocese about the condition of the buildings while it was renting, but no maintenance was undertaken. Siloam purchased the property from the Archdiocese in 2006. The Archdiocese offered to sell the entire complex to Siloam, not only the building it rented. Siloam did not want the entire complex, but purchased it because it already occupied the rectory and the location was ideal, given the many mass transit options in the immediate area. Mr. Lukach stated that Siloam verified that none of the complex was designated as historic before purchasing it. He reported that the church has not had heat or other utilities or maintenance since 1994. He stated that Siloam had hoped to reuse the church and engaged the Community Design Collaborative (CDC) in 2007 to explore reuse. The CDC estimated that it would cost more than $5 million to rehabilitate the church. He explained that Siloam engaged Partners for Sacred Places to assist in planning a funding effort. He stated that Siloam also engaged the Non-Profit Finance Fund to help determine whether and how it could raise the money to rehabilitate the church. Mr. Lukach noted that Siloam's clients do not pay for their services and most live below the poverty level. They cannot help with this funding. He reported that they also worked with for-profit developers in 2008 to see if they could devise reuse plans for the church. He contended that none of the developers was able to devise a feasible reuse project. He stated that the $5 million price tag for the rehabilitation of the church was much more than Siloam could afford. He stated that Siloam concluded that the church could not be reused and decided to begin the process to demolish it. He reported that Siloam signed a contract for interior demolition in February 2009, one month before it was notified of the historic nomination. The interior demolition work included removing asbestos and other dangerous materials. He stated that the interior demolition permit was issued on 12 March 2009, the same day that it was notified of the Commission's intent to review a nomination. He stated that the organization is struggling. Some positions are currently unfilled because of a lack of funding. Other staff have taken salary cuts. Two employees are working without any salaries at all. Mr. Lukach reported that the historic designation has consumed 1000 hours of his time, time which was not devoted to the organization's mission. He stated that the designation has cost Siloam over $50,000 in consultant fees. Siloam's annual budget is only $700,000. He asserted that Siloam has complied with every aspect of the historic preservation ordinance and has acted in good faith.

He stated that he would sell this building without hesitation, but no one wants to buy it. He noted that the Department of Licenses & Inspections has declared the building to be Unsafe; he added that the declaration has put their liability insurance at risk. He beseeched the Committee to recommend approval of the demolition and allow the struggling non-profit to devote its resources to its mission.

Mr. Boyle noted that some in the audience at the Architectural Committee meeting claimed that this was a self-inflicted hardship. He asked the Committee to consider the chronology recited by Mr. Lukach. He stated that Siloam made good-faith efforts to find reuses for the church long before it was designated. He also noted that Siloam put the demolition process in motion before it received notice of or was aware of the Commission's intent to consider a nomination for designation as historic. He observed that Siloam has been held in limbo for 18 months since the designation. It has spent large sums of money in this effort to demonstrate that demolition is the only feasible option. No one has come forward with a viable reuse plan for the church. He asked the Committee to provide relief for his client.

Mr. Frondorf testified that his estimate of $6.3 million to rehabilitate the church is a conservative or low estimate for a modest rehabilitation; it would not be a deluxe restoration. It is an estimate for the basic work that would be needed to reuse the building. There is no padding in the estimate. He stated that an estimate to stabilize the building, rather than rehabilitate it, is embedded in the overall estimate. It is not separated out, but it is there. It would cost $1.5 million to stabilize the building. Mr. Haak asked Mr. Frondorf if the interior demolition has impacted the costs to stabilize or rehabilitate the building. Mr. Frondorf responded that the interior demolition would have no impact on the cost to stabilize the building. It has slightly reduced the cost to rehabilitate the building in that it some of the demolition work that would be required for any rehabilitation has already been undertaken.

Mr. Lawson stated that he is a licensed engineer. He explained that Siloam hired him to walk through the building and describe the conditions. He stated that the building was left derelict; the deterioration started in 1994. Water infiltration is a significant problem. He noted that his report lists the actions that would need to be taken to stabilize the building. He asserted that any adaptive reuse would need to account for wind and seismic loads on the towers. He asserted that that retrofitting would be expensive. He stated that "there is something going on" at the bases of the steeples. He noted that there are cracks at the arched openings. Structural reinforcing would need to be undertaken. The CDC engineering report that the neighbors have pointed to claims that the structural members in the church are steel. That cannot be correct. Steel was not used in building in the United Stated until 1873, 24 years after this chruch was constructed. Mr. Lawson contended that CDC engineering report otherwise comes to the same conclusions as his report: structural stabilization is needed and it would be very costly. Mr. Sherman asked Mr. Lawson about the structure of the church. Mr. Lawson replied that it is a brick structure with timber trusses. He observed that the materials and finishes are inexpensive. Mr. Wilds asked about the structural deficiences of the towers. Mr. Lawson stated that the spires should be removed for life safety reasons. He added that many of the materials and finishes are faux, not real. Mr. Lawson reminded the Committee that the spire at St. Augustine in Old City did collapse. He claimed that water collects at the bases of these spires. He stated that he is also concerned about the bases of the timber trusses at the roof. He reminded the Committee that other similar roof systems have failed catastrophically in Philadelphia. He reminded the Committee of the recent masonry collapse of a church tower at 43rd and Chestnut Streets. Mr. Wilds asked if the buttresses on the towers added stability. Mr. Lawson stated that they do add some rigidity, but his real concerns relate to the spires above the roof line. Water infiltration has created problems. Mr. Wilds asked about the interior columns. Mr. Lawson stated that they are ships' masts with applied wood ornaments to look like stone columns. In general, the church was constructed of cheap materials. It is utilitarian. It is not built of fine materials like the finely constructed Basilica on Logan Square. Ms. Hawkins observed that Mr. Lawson's reports do not provide any information about the scale of the problems. They point out the worst conditions, but do not quantify the overall conditions. Mr. Lawson responded that there are pervasive problems with water infiltration and weatherproofing. Mr. Frondorf stated that the cost estimate is conservative. The actual costs could be more. Mr. Boyle stated that the Archdiocese is currently investing $25 million in the Basilica and it is already in very good condition. Mr. Boyle added that the Department's violation is very clear about the condition of the building. Mr. Lawson concluded that this type of building is prone to problems if not well maintained.

Mr. Sherman asked about the purchase of the property and Siloam's due diligence or lack thereof at the time of purchase. Mr. Lukach explained that the Archdiocese informed Siloam in 2004 or 2005 that it had to purchase the entire property if it wanted to continue to operate from the location. The Siloam Board made the decision to purchase the property. Mr. Lukach was not involved with the organization at the time. He stated that the Board was astonished at the CDC's $5 million plus estimate to rehabilitate the church. Mr. Sherman asked why a non-profit with such a small budget would have acquired such a complicated and expensive property. He asked Mr. Lukach to explain the funding of the purchase. Mr. Lukach stated that Siloam purchased the property with a $500,000 mortgage from Citizens Bank and a grant from the state's Department of Community & Economic Development. Mr. Wilds asked Mr. Lukach to confirm that Siloam occupied the rectory at the time of purchase. Mr. Lukach confirmed that it did. Mr. Wilds commented that Siloam did not seek out this property, but was already located at it. He also noted that, to a layperson, the property did not look too derelict when Siloam purchased it in 2006. Mr. Haak asked about the state grants, $400,000 for acquisition and $300,000 for demolition. He asked when Siloam made the decision to demolish. Mr. Lukach responded that Siloam decided to demolish the building in November 2008 after it concluded its reuse investigations.

Mr. Scott stated that his firm, Colliers International, is very experienced in marketing former religious buildings. He claimed that he sells and leases more churches and schools in Philadelphia than all other brokers combined. He stated that his clients include the Archdiocese of Philadelphia, the Episcopal Diocese, and numerous AME churches. He claimed that churches and schools do not make good candidates for conversion; they are too expensive to rehabilitate. He observed that, in recent years, church congregations have declined rapidly in Philadelphia. He noted that 20 former church buildings will be marketed for sale in Philadelphia this year. He stated that not only is the church-going population declining rapidly, but also budgets to maintain church buildings are declining rapidly. He stated that religious organizations simply cannot maintain their grand church buildings. The communities that supported the churches are gone. He stated that there will continue to be a wave of church buildings coming onto the real estate market. They will be very difficult to sell. He spoke about recent sales of church buildings in Philadelphia. He stated that church buildings that have sold have been in much better condition and in better locations than this building. He stated that, contrary to popular belief, church buildings are usually purchased by other congregations for continued religious use, not for adaptive reuse as some believe. He stated that, in general, the congregations have very little money and the church buildings are purchased at very low prices. He also stated that the church buildings that have sold have been in move-in condition. He reported that he tells his clients that it will take two to three years, perhaps as many as five, to sell a church building in good condition in Philadelphia. He claimed that non-profits find money to purchase properties, but they generally have trouble finding the money to maintain their properties. He stated that many owners have no choice but to abandon their buildings; they cannot afford the stabilization costs. Mr. Sherman asked Mr. Scott if the interior demolition that has occurred making it more difficult for him to market this property. Mr. Scott stated that he toured the church building before Siloam purchased it. Some destructive salvage had been done before Siloam purchased the property. Also, the heating system was not operated, causing the paint to peel and other aspects of the building to deteriorate. Mr. Scott answered Mr. Sherman's question, stating that the interior salvage has made the building more difficult to market, but that the real problem is the lack of maintenance. He stated that the lack of maintenance has resulted in the need for a major rehabilitation, which would undo any of the problems created by the salvage. He concluded that the salvage problems are relatively minor for the marketing. Mr. Boyle added that the salvage program was a preservation program. It was intended to preserve religious artifacts and also elements of the building prior to demolition. Mr. Boyle added that the property was not designated when the religious artifacts were removed. Mr. Lukach stated that the asbestos removal, which cost $150,000, was the cause of most of the interior demolition. He stated that that work was done as a prelude to demolition. Mr. Sherman asked Mr. Scott when he signed a listing agreement with Siloam. He stated that he signed it in January 2010. Mr. Boyle added that there have been other attempts to sell the property in 2006 and 2008. Architect Stuart Rosenberg attempted to sell it to clients in 2008, but all rejected the property after estimating the rehabilitation costs. Mr. Scott concluded that another two years of marketing the property would not make a difference. He stated that he and potential buyers have done the calculations and there is no feasible, reasonable way to reuse this property. He stated that, even if the rehabilitation cost is set at $3 or $4 million, no use would be able to service the debt on the property. He reported that he recently had discussions with a very successful entrepreneur who considered using the building. The entrepreneur, who runs seven or eight locations in the city, took his idea for the church to a bank to discuss financing. The bank concluded that it would never make a loan on such a venture. Mr. Scott stated that banks will not lend for such a project. Mr. Wilds asked if this offer is documented in the submission. Mr. Scott stated that it is not because it occurred after the submission. Mr. Boyle agreed to provide the documentation.

Mr. Sherman asked the applicants to estimate the value of the land on which the church sits. Mr. Boyle stated that the land has no value with the church on it. Ms. Hawkins asked about the cost of the demolition of the church. Mr. Lukach stated that the demolition cost is estimated at $200,000 to $370,000, not the $1 million that the CDC estimated, which includes improvements to the land.

Mr. Wilds noted that Siloam is paying its mortgage every month. Mr. Lukach stated that the balance on the mortgage is $480,000. Mr. Wilds asked whether the mortgage would come due if the church was sold. Mr. Lukach responded that he would need to discuss the matter with the bank.

Mr. Haak asked about the commercial building on Spring Garden Street that Siloam sold. Mr. Lukach stated that it has been converted to an office at the first floor and residences above.

Mr. Sherman asked the applicants to explain the agreement with the Archdiocese in the deed. Mr. Lukach explained that the deed includes a clause that requires Siloam give half of the proceeds of any sale to the Archdiocese if the sale takes place within five years of the original sale, in other words by the spring of 2011.

Mr. Barmash explained that he has sold many historic properties. He stated that this building cannot be reused because of its condition. He contended that the ground has value as vacant land, but not with the building on it.

Mr. Scott stated that there are better church buildings on the market in Philadelphia. They are not designated and in much better condition. He stated that a charter school conversion was not at all feasible. The rehabilitation would cost twice the $6 million estimated for a generic reuse. He also stated that the building is much too small for a charter school. Charter schools require, as a minimum, 20,000 to 30,000 square feet, and sometimes 50,000 square feet. They also require surrounding land, which this building does not have.

Mr. Sherman asked about any plans for the site after demolition. Mr. Lukach stated that Siloam has no plans for it.

Mr. Wilds reminded the Committee of the potential buyer, an art dealer, who emerged at the designation hearing. Mr. Boyle stated that he negotiated with the art dealer and her attorney. He stated that their offer included an untenable contingency, that the rehabilitation costs for occupancy be capped at $400,000. He stated that, in light of the cost estimates, about $6 million, that that contingency was unreasonable. He stated that the art dealer unrealistically hoped that she could occupy the building for $550,000 total. Mr. Frondorf agreed that $400,000 for rehabilitation was unrealistic. It would cost $1.5 million simply to stabilize the building. He also noted that his estimates do not include soft costs, which could be considerable.

Mr. Haak asked about the $300,000 state grant. Mr. Lukach reported that $150,000 of the grant was used for asbestos and lead abatement. The remainder was not used. Mr. Lukach stated that he believes that the remainder will revert back to the state and will not be available to Siloam. Mr. Haak asked about the other buildings on the site. Mr. Lukach stated that Siloam occupies the rectory. The convent is vacant and needs $1 million in upgrades.

Mr. Boyle concluded that there are no viable reuses for this property, the sale is impracticable, sale or rental is not viable at a reasonable rate of return, and other uses are foreclosed. Siloam made a good faith attempt to sell the property.

Mr. Farnham stated that he wanted to clarify the record regarding the requests for inspections of this property around the time of the designation. He reported that on 17 April 2009 he had requested that the Department of Licenses & Inspections inspect the property to certify that the current work was limited to the permitted interior work. He noted that Mr. Sherman, the chair of the Commission, had asked him to request the inspection. He stated that the inspection determined that all work was compliant with the permit for interior work. Mr. Farnham reported that a second request for an inspection had been made anonymously on 24 June 2009. The requester asked the Department to inspect the building to determine whether it was structurally deficient. Mr. Farnham reported that the Department inspected the property and issued an Unsafe violation on 9 July 2009. He explained that it was unclear whether the anonymous inspection request led directly to the Unsafe violation.

Neighbor Andrew Palewski read a statement. He stated that he is opposed to the demolition of the building. Mr. Palewski contended that the anonymous inspection request to the Department was very suspicious. He claimed that the request was what is called “suicide by L&I.” He asserted that the anonymous caller to the Department was attempting to circumvent the preservation ordinance and convince the Department to order the demolition of the building. He claimed that the circumstances were very similar to those encountered during the hardship review for the buildings at the corner of Front and Chestnut Streets, which led to the demolitions of the buildings. Mr. Palewski stated that he is a preservation contractor, but not an engineer. He claimed that a half-day engineer inspection is not sufficient to determine the condition of this building. He stated that the Commission should not decide this case until it has a “much more in depth study” examining the structure. He stated that Siloam purchased the property in 2008 for $800,000 with a $400,000 state grant. The state also provided a $300,000 grant to Siloam. Siloam sold the storefront for $187,000. Therefore, Siloam acquired the site for $225,000. Mr. Palewski claimed that the real estate brokers had informed him that the complex is worth $2.0 to $2.25 million on the open market. Siloam uses very little of the space, but it will not sell any of its extra property. He asked why. Mr. Palewski claimed that Siloam created a situation in which it appears destitute so that it can obtain the Historical Commission’s approval for the demolition. He claimed that the carrying costs for the church for electricity, insurance, and water are 1.16% of Siloam’s total annual budget. He claimed that it would cost $1 million to demolish the building. He asked why Siloam would spend $1 million to save a few thousand a year in overhead. He claimed that the vacant lot would be worth $750,000. Even if Siloam sold the lot, they would still spend $250,000 to accomplish the demolition. He stated that the lot will sit vacant. He suggested that Siloam give the property away. He claimed that the asking price, $575,000, was too high. He stated that the community is opposed to the demolition. It is concerned about a barren lot. He claimed that the entire property is in disrepair. It is strewn with trash and covered with weeds. He claimed that the art dealer wanted to purchase the church in 2009, but Siloam made a sale impossible. The interior was destroyed to preclude any sale. He read from a PlanPhilly article on the church. He stated that the art dealer who was dissuaded from buying this church bought another church. He pointed out that Siloam’s real estate broker has stated that it takes years to sell a property like this. Siloam should be required to market this property for several more years.

Mr. Boyle stated that Mr. Palewski’s analysis of the investment in the property was “overly simplistic and self-serving.” Mr. Lukach stated that Siloam has a mortgage with a balance of $480,000 on the property, which contradicts Mr. Pawleski’s numbers. Mr. Boyle stated that Mr. Pawleski ignored operating and other costs in his analysis. Mr. Boyle stated that his real estate broker already confirmed that additional time to market this property would not produce a buyer, countering Mr. Pawleski’s claims.

Neighbor Harry Herron asserted that the property is not well maintained. He referred to a church in Manhattan that has been converted to a marketplace. He offered that idea as a reuse for this building. Mr. Herron claimed that this building could be reused. He contended that Independence Hall is in worse condition than this church.

David Traub, the leader of Save Our Sites, a preservation advocacy group, asserted that this building is in Center City, not North Philadelphia. He claimed that Center City extends from Washington Avenue to Girard Avenue. He advised that the Commission should not make demolition decisions during a recession. He asked the Commission to wait several years before deciding this case. He stated that this building could be converted to an arts space like the former church near his residence at 22nd and Spruce Streets. He stated that, as an architect, he considers the rehabilitation cost estimate of $6 million to be accurate. He stated that the building should be “mothballed” until a new use is found in 2014 or 2015. He conceded that he does not know who will fund the mothballing. Mr. Wilds asked Mr. Traub if the stabilization estimate of $1.5 million is accurate. Mr. Traub, an architect, stated that he considered it an accurate estimate. He conceded that he could not identify funding for the stabilization. However, he claimed that $1.5 million “is not a lot of money.”

Developer and real estate broker Alex Generalis stated that he is opposed to the demolition of the building. He suggested that it could be converted to an arts center. He claimed that the property has not been marketed appropriately. He stated that it should have been sold for $1 to anyone who could redevelop it. He also contended that Siloam should have issued a Request for Proposals to solicit adaptive reuse plans. He stated that, contrary to Mr. Scott’s claim, schools and churches make good rehabilitation candidates. Mr. Generalis stated that Siloam is not capable of operating this property. He claimed that Siloam is guilty of demolition by neglect. It has allowed the building to fall into disrepair. He claimed that Siloam and the Archdiocese were not held responsible for the maintenance in the way a private developer would have been. Speaking of the proposal to demolish the building, Mr. Generalis stated that “everything just smells bad.” He stated that the treatment of this property has been “criminal.” Mr. Wilds noted that the building was not designated until May 2009; Siloam was not required to maintain the building to the Historical Commission’s standards prior to that date. Mr. Boyle objected to the characterization of his client offered by Mr. Generalis. He asked Mr. Generalis why he did not purchase the property in 2006.

Lori Curtis of Siloam stated that she has been a social worker for 35 years and at Siloam for 2½ years. She stated that the rectory is well maintained, largely by volunteers. She stated that Siloam serves the entire region, not just North Philadelphia. She explained that Siloam does not charge for its services. It provides services to an underserved population. She contended that the people who are served are more important than the building.

Cheryl Marshall stated that she is a social worker who has referred clients to Siloam for five years. She stated that Siloam is a “safe haven” for her clients. She said that Siloam provides essential services. She stated that Siloam cannot survive if it is required to wait for the economy to turn around and for the church to be reused.

John Gallery of the Preservation Alliance observed that his comments about the merits of the application should not be interpreted as comments about the applicants. He stated that he appreciated the fine team Siloam had assembled to prepare application and that it has made a fine presentation. He stated that the applicants are professionals who have been very diligent. He also acknowledged the fine work of Siloam. He suggested that the Committee recommend that the Commission table the application for six months to allow for alternative adaptive reuses to be explored. He questioned whether the marketing has been sufficient. He claimed that six months on the market is not enough. He suggested that a new user may be found unconventionally. The new user may not be typical. He pointed to the recent sale of the historic Emanuel Evangelical Lutheran Church. He asserted that Siloam must exhaust all possibilities to sell the property. He stated that the $575,000 asking price is an obstacle. The asking price should be lowered, especially in light of the appraisal. He asserted that buyers have been unnecessarily discouraged. The test in the ordinance is “impracticable.” He stated that the art dealer was not allowed to obtain an independent engineering assessment. Mr. Gallery claimed that one potential buyer told him that Siloam was willing to sell the entire complex. If that is an option, it would significantly change the potential for a sale. Mr. Gallery offered his assistance with the property. Mr. Gallery claimed that the cost of stabilization has not yet been determined. No one has undertaken a detailed analysis. He observed that many of Mr. Lawson’s statements about the property are qualified. Mr. Gallery stated that he hired engineer Sam Harris to review the reports prepared by Mr. Lawson. He distributed the report prepared by Mr. Harris. Mr.

Gallery explained that the report called into question many of Mr. Lawson's conclusions. Mr. Gallery stated that the cost estimates are unreliable because they are based on incomplete engineering analyses. He stated that the demolition cost may be as much as $1 million; stabilization may not cost more. Finally, Mr. Gallery claimed that the interior demolition undertaken after designation has made this property more difficult to sell.

Mr. Boyle stated that his client cannot wait for six months or several years. More marketing will not result in a sale. He stated that his client cannot afford to give this property away for $1 as Mr. Generalis suggests. He countered the claims that demolition would cost $1 million. He stated that Siloam has complete demolition estimates for $200,000 to $370,000. He stated that his client can provide the demolition contract. Mr. Scott stated that, contrary to Mr. Gallery's claims, Siloam has never offered to sell or even suggested that it would sell the entirety of the property. Mr. Lukach stated that Mr. Palewski's claims about the negotiations with the art dealer are incorrect. Mr. Lukach stated that, although Messrs. Palewski and Gallery offered their services and assistance during the designation hearings, they have never approached Siloam to assist with finding a reuse. Mr. Boyle stated that Siloam has operated in good faith in every regard.

Michel Saewert, who is a neighbor and an intern at a historic preservation firm, stated that the church should be rehabilitated. He claimed that the rehabilitation could be phased to reduce the financial impact on Siloam.

Mr. Palewski claimed that Mr. Boyle's chronology is incorrect. He stated that he submitted the nomination for designation on 6 March 2009. The Historical Commission sent a notice letter to Siloam. Siloam submitted the demolition application after receiving notice that the Historical Commission would review the nomination. Mr. Palewski disputed Mr. Lukach's claim that he has been forthcoming about Siloam's plans for the site. For example, the neighborhood association was never informed of the plan to demolish the church. Regarding the stabilization, Mr. Palewski suggested shrink-wrapping the church as has been accomplished at buildings at Eastern State Penitentiary. Mr. Boyle stated that Siloam's records show that the demolition permit application was submitted on 5 March 2009. He stated that the interior demolition permit was issued on 12 March 2009, the date of the Historical Commission's notice to Siloam. He asked Mr. Palewski to state whether his nomination was in response to the demolition permit application. Mr. Palewski stated that it was impossible to claim that the nomination was in response to the demolition application; if the demolition application was submitted first, it would have been approved without referral to the Historical Commission. Mr. Wilds asserted that he did not see the relevance of this line of questioning. Mr. Boyle countered that it was relevant because it related to the credibility of Mr. Palewski.

Mr. Traub stated that he wanted to have the last word. He declared that the Commission is at a crossroads and must consider this issue at the carefully. The authority and credibility of the Commission is being tested in this instance. The Commission must delay any decision.

Bob Lucas, a neighbor, stated that, if you take this building away from the neighborhood, you will be taking a part of the spirit of the neighborhood as well.

C. Anne Anderson, also a neighbor, advocated for the preservation of the building. She stated that it is an icon. She stated that, given time, the neighborhood can find a solution.

Suzanne Cassidy stated that she is a volunteer at Siloam. She stated that when she arrived at City Hall today Mayor Nutter was speaking to a group outside about volunteerism. She stated that the neighbors who are advocating for the preservation of this building have not volunteered to help Siloam save this building. She stated that she is saddened by the fact that they value buildings more than people. She suggested that they apply their creative energy to solving the problem rather than prolonging it.

Cathy Maguire stated that she has worked at Siloam for 15 years and has been involved with the decisions about the property from the beginning. She stated that Siloam did its due diligence when it purchased the property in 2006. She stated that she checked at that time to see if the buildings were designated as historic. They were not. She stated that the location is ideal for Siloam and its clients. She stated that Siloam had a plan for the property when it purchased it in 2006. She stated that the historic designation "skewed" the plans. She asserted that Siloam does very important work with few resources. Some staff work without any salary. She acknowledged that the property is not cared for as well as it should be, but claimed that Siloam does the best it can with its scant resources. She noted that volunteers from Villanova will help clean up the property very soon.

Mr. Herron suggested selling the remainder of the property and investing the proceeds in the church building.

Mr. Wilds stated that the Committee has a very narrow purview. The Committee understands the iconic nature of the building, but that is not before the Committee today. The Committee on Financial Hardship is a technical review committee. It takes its duties very seriously. It is charged with determining whether the application demonstrates whether the building can be used for any purpose for which it is or can be may be reasonably adapted; whether a sale of the property is impracticable; whether commercial rental of the property can provide a reasonable rate of return; and whether other potential uses of the property are foreclosed. Mr. Wilds advised audience members that several of their arguments are beyond the purview of the Committee and should be reserved for presentation to the Commission, which has much broader authority.

Ms. Hawkins stated that she found of the application to be thorough and the presentation of it well rounded.

Mr. Haak stated that the building is important and the neighborhood is on the upswing. However, Siloam does not have the resources to support the building. He stated that he is looking for a convergence between the neighborhood and Siloam, but does not see one emerging easily.

> **MOTION:** Mr. Haak moved that the Committee on Financial Hardship recommend that the Commission table the application for a period of six months to allow the property owner and interested parties to explore alternatives. Ms. Hawkins seconded the motion.

Mr. Sherman asked Mr. Gallery if the Preservation Alliance would commit to assisting Siloam to find alternative uses. Mr. Gallery responded that he would happily assist Siloam. Mr. Palewski stated that Jean Cutler at the Pennsylvania Historical & Museum Commission has determined that the building is eligible for the National Register. Ms. Hawkins stated that the Commission should not assume that tax credits would be available to rehabilitate this building. Mr. Haak asked if the remaining state funds could be applied to the rehabilitation. Mr. Boyle stated that it was unclear whether the funds were available and, if they were, what they could be used for.

Mr. Wilds stated that he would vote against the motion. He contended that the applicants have demonstrated that the building cannot be used for any purpose for which it is or can be may be reasonably adapted; that a sale of the property is impracticable; that commercial rental of the property cannot provide a reasonable rate of return; and that other potential uses of the property are foreclosed.

Ms. Hawkins stated that she does not support the motion, but seconded it to allow for a discussion of it.

> **FAILURE OF MOTION:** On the motion proposed by Mr. Haak and Ms. Hawkins to recommend that the Commission table the application for a period of six months to allow the property owner and interested parties to explore alternatives, the Committee on Financial Hardship voted 2 to 2. The motion failed.
>
> **ACTION:** Mr. Wilds moved that the Committee on Financial Hardship recommend that the Commission find that the property at 1123-33 Spring Garden Street cannot be used for any purpose for which it is or may be reasonably adapted, that a sale of the property is impracticable; that commercial rental of the property cannot provide a reasonable rate of return; and that other potential uses of the property are foreclosed; and approve its complete demolition, pursuant to Section 14-2007(7)(j) of the Philadelphia Code. Ms. Hawkins seconded the motion, which passed by a vote of 3 to 1. Mr. Haak dissented.

ADJOURNMENT
The Committee on Financial Hardship adjourned at 3:36 p.m.