THE MINUTES OF THE 355TH STATED MEETING OF THE

PHILADELPHIA HISTORICAL COMMISSION

11 September 1991

City Council Caucus Room

Edward A. Montgomery, Jr., Chairman

Present

Edward A. Montgomery, Jr., Chairman
William Brown
David Brownlee
David Hollenberg
Jason Nathan
Reverend William D. Thompson
Stephanie Wolf
James Cuorato, Commerce Department
Louis Einhorn, Deputy Commissioner, Department of Public Property
Barbara Kaplan, Executive Director, City Planning Commission
Scott Wilds, Office of Housing and Community Development
David Wismer, Deputy Commissioner, Licenses and Inspections

Maria Petrillo, Esquire, Deputy City Solicitor
Richard Tyler, Historic Preservation Officer
Randal Baron, Preservation Planner
Sara Jane Elk, Historical Research Technician
Daniel W. Simcox, Executive Secretary

Also

Samuel Rappaport and Morris Hershman, Victory Investments
Dayl Pearson, BT Waterfront Inc.
Gray Smith, Howard Kittell and Jennifer Goodman,
 Preservation Coalition of Greater Philadelphia
M. Richard Cohen, appraiser
Roger Prichard, Richard Thom and Astrid M. Caruso,
 Old City Civic Association
Michael Kearney, River's Edge Civic Association
Reaves Lukens, appraiser
F.W. Anton and James Campolongo,
 Pennsylvania Manufacturers' Association
Robert Pratter, Duane, Morris & Heckscher
Frank M. Hammerstrom, AIA, Kling-Lindquist Partnership
William Blades and Donna Harris,
 Philadelphia Historic Preservation Corporation
Margaret Welsh, Patrick Hauck and Beth Miller
 National Trust for Historic Preservation
John Higgins and Sandra Garz, Foundation for Architecture
David L. Cohen, Central Philadelphia Development Corporation
Paul Uyehara and Ben Lamborn, Law Department
Catherine Franklin, Penn-Knox Neighborhood Association
Dave Henry, WPVI-TV
Joseph Daughen, Philadelphia Daily News

Also:
Thomas Hine, The Philadelphia Inquirer
Michael Hardy and Julie Johnson,
University City Historical Society
Bernice Hamel, Head House Conservancy
Becky Stoloff, Society Hill Civic Association
John McGaw, Martin McNamara, Mary Kay Noyallis, Noel Weyrich, Theodore Newman and others.

Mr. Montgomery called the meeting to order and announced the presence of a quorum.

The Minutes of the 354th Stated Meeting of the Philadelphia Historical Commission, held 14 August 1991, Edward A. Montgomery, Jr., Chairman. A MOTION to adopt the minutes, made by Mr. Nathan and seconded by Mr. Wilds, received unanimous approval.

The Report of the Architectural Committee of the Philadelphia Historical Commission held 29 August 1991, David Hollenberg, Chairman. Mr. Hollenberg forwarded two recommendations and reported a deferral.

Approval: The Committee recommended approval of proposed alterations to the **Reading Railroad Terminal, 1115-1141 Market Street**. The Commission previously approved, in concept, proposed alterations to this National Historic Landmark for use by the Pennsylvania Convention Center. These reviews occurred in December 1988, November 1989 and May 1991. **The Committee recommended approval of this submission for exterior colors and treatments for the train shed. Mr. Nathan seconded this recommendation, which was approved unanimously.**

The Committee deferred a recommendation on the proposed color of the structural trusses. The Commission endorsed both this action and the suggestion to prepare samples of alternative color schemes.

The Committee recommended approval of the proposed design for new exterior glass doors for the Athenaeum of Philadelphia, 219 South Sixth Street. Mr. Wismer seconded this recommendation, which was adopted unanimously.

Deferral
Mr. Hollenberg also reported a deferral for a proposal to replace 36 aluminum windows of **248-250 Market Street** with vinyl windows. [In the Committee Report, this submission was errantly listed under the heading of "Approval."] Nearly ten years ago, before the adoption of the present ordinance and the Secretary of the Interior's Standards for Rehabilitation, the Commission approved

the installation of aluminum windows. The applicant maintained they are in poor condition and proposed to replace them with bronze or brown-colored vinyl windows with 3/4" sandwiched muntins that will cost only half as much as the lowest bid for wooden replacements. The proposal fails to meet the Secretary's Standards. Yet, the Committee requested the preparation of shop drawings comparing the profiles of the existing aluminum windows with the proposed vinyl. To achieve a closer match, the Committee recommended using applied muntins of some depth instead of the proposed sandwiched muntins. It also urged the use of a molding to close a gap between the proposed window and the masonry opening. **These drawings were not submitted prior to the Commission meeting and therefore Mr. Hollenberg recommended a deferral of this submission.**

Richard Thom of the Old City Civic Association vehemently opposed the proposal to install vinyl windows at this highly visible location. To accede to this request would significantly undermine endeavors of Historic East Market Street and others to promote historic preservation in Old City. Further, he suggested that allowing vinyl windows here, after years of requiring wooden replacements for many other buildings was unfair and inconsistent to the residents and businesses of the neighborhood. He urged the Commission not to allow "further deterioration" of this building by lax application of the Secretary's Standards.

The Commission remanded this proposal to its Committee.

The Report of a Meeting of the Committee on Financial Hardship of the Philadelphia Historical Commission, held on 5 September 1991, Barbara Kaplan, Chairperson. Ms. Kaplan explained that the Committee deliberated upon whether owners of historic buildings had demonstrated that the subject property imposed a financial hardship. This determination is separate and distinct from the consideration of a permit application. As provided for in the preservation ordinance, financial hardship is only one of several factors which may weigh into a decision regarding permit applications. Following this review of the role of the Committee, Ms. Kaplan resumed the report.

At its September meeting, the Committee reviewed three financial submissions in regard to demolition permit applications for five buildings: The Jayne Estate Building (2-16 Vine Street), the Victory Building (1001-1013 Chestnut Street) and the Dunbar, Scherr and Allen Stores (~~10~~20-22, ~~10~~26, ~~10~~30 Chestnut Street).
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The Jayne Estate Building, 2-16 Vine Street. The Commission retained Reaves Lukens, a real estate appraiser, to evaluate financial information submitted by B.T. Waterfront, Inc. and to analyze its claim of financial hardship. Ms. Kaplan reviewed the Committee deliberations and the key points of the Lukens report:

- The owner had acted in "good faith" to try to develop the property in a manner which would incorporate the historic building. The property was not designated as historic when acquired. In fact, the owner obtained a demolition permit two days before it was designated. The owner did not oppose designation or pursue demolition, but rather met with the staffs of the Planning and Historical Commissions to develop a reuse plan incorporating the building. The reuse plan was approved by the Planning and Historical Commissions and the owner obtained a variance from the Zoning Board of Adjustment.

- Despite these efforts, the owner was unable to obtain financing even when the economy was strong. Ms. Kaplan noted that she could testify to their efforts to obtain financing, as many of the banks called her during this period. In the current economy and tightened credit environment, the prospect of development was even more remote.

- The owner will obtain some financial relief from the development of the site as a surface parking lot. Though the applicant may have overstated the degree of relief, there is no doubt that this proposed use will alleviate some of the financial hardship.

For these reasons and others described in its Report, the Committee determined that B.T. Waterfront, Inc. demonstrated financial hardship for the Jayne Estate Building, 2-16 Vine Street.

Mr. Tyler indicated that the building was significant as the work of John MacArthur, the architect of City Hall. He stressed further that it was the only late-19th century port-related commercial structure along Delaware Avenue south of Spring Garden Street. Given this historic significance, Mr. Wilds requested that any motion for demolition include a provision that the owner furnish drawings and photographs to the specifications of the Historic American Buildings Survey.

Roger Prichard, Development Chair of the Old City Civic Association, stressed the historic significance of the Jayne Estate Building, a value increased by Philadelphia's loss of the rest of its 19th-century waterfront over the past thirty years. This building is the only one remaining from that period in history. He expressed concern that the Commission may approve demolition even though the applicant had not proven financial hardship as provided for in its own Rules and Regulation. The Rules require that an owner demonstrate, through affirmative action in good faith, that sale of the property is impracticable. The only evidence of attempted sale has been a single letter to the previous owner. This letter granted Silver-Harting a 90-day option which expired in 1989 to try to sell the property at a price of $4.3 million -- seven times the acquisition price of 18 months earlier. This fails to constitute an affirmative effort in good faith. Further, if the building had been such a significant burden, it seems peculiar that the owner has not tried to sell the property since March 1989.

Mr. Prichard also suggested that deferring a decision would not impose a financial hardship. There has been ample testimony that the current market prohibits most development. A nearby vacant lot, owned by Michael Asbell, would seem to indicate that very little is viable. If surface parking were as profitable as claimed by the applicant, certainly Mr. Asbell would not turn away from such a lucrative enterprise. Further, the projected income from surface parking submitted by the applicant is excessive. Though he claims space for 125 parked cars, normative planning standards allow only 70. The anticipated return of $100 net per month per car are also inflated. The lot at Penn's Landing, which is closer to Center City, receives only $30 gross per month per space. Adjusting the projected return for parking to a more realistic figure significantly reduces the projected savings from demolition. A fair estimate results in a savings of $20,000 per year, only 1% of the acquisition cost. The applicant has not proven financial hardship as provided for in the Rules and Regulations.

Yet, if the Commission approves demolition, Mr. Prichard asked that this decision be made contingent upon demonstration of concrete development plans, with all required approvals and firm commitments by lenders. He concluded by harkening back to 1985, the year of the last demolition in Old City. Then, a building on Arch Street was demolished for the promise of a parking garage. Today, that site remains a surface parking lot that daily mocks those who accepted the promise of development.

Ms. Kaplan stated that the Lukens report acknowledged the preceding points and still concluded that financial hardship had been demonstrated. She noted that the owner had not attempted sale since 1985 because they tried, in good faith, to develop the site. Finally, the current market rendered the prospects for sale very poor.

Mr. Prichard suggested that even in the "Old City Land Rush" of 1985, developers commonly attempted both to sell the property and to develop it. If the applicant is burdened by this property, they could try to sell it at auction, the same way they acquired it. There has been no sign on the building, nor any advertisements in the <u>Wall Street Journal</u>. Though the market is bad, it cannot hurt to try. Further, a failure to require such effort made establish harmful precedent for further applications.

Howard Kittell, Executive Director of the Preservation Coalition of Greater Philadelphia, conveyed the opposition of the Coalition to the proposed demolition of the Jayne Estate Building. It is a significant building in an important historic neighborhood. The Coalition strongly supports the Old City Civic Association in its opposition to this request.

Mr. Montgomery requested that testimony speak to the issue of financial hardship alone, not to historic significance.

Dayl Pearson, representing B.T. Waterfront, Inc., emphasized their endeavor to develop the site, to obtain financing, and to cooperate with the City. Simply stated, they were unable to develop the site. Though it may not have been widely advertised, he spoke to many developers regarding interest in sale. He indicated that the short-term hardship was exacerbated by the long-term hardship imposed by the building itself.

A vote was taken on the recommendation of the Committee on Financial Hardship for the Jayne Estate Building, 2-16 Vine Street. By a vote of 10-2, with Messrs. Brownlee and Hollenberg opposed, the Commission adopted the report of its Committee.

The Victory Building, 1001-1013 Chestnut Street: Ms. Kaplan provided a summary of the Committee's proceedings on this submission. Commission members received a more detailed account in the Committee Report. Material submitted by owner Samuel Rappaport in July 1991 had been forwarded to M. Richard Cohen, an independent real estate appraiser retained by the Commission to assess this application. The Cohen report, as well as an evaluation of the submission by Gray Smith of the Preservation Coalition, were reviewed by the Committee. Although questions remained regarding the completeness and accuracy of certain information submitted by Mr. Rappaport, their correction seemed unlikely to change the result. Rehabilitation of this building would be a challenge even in good economic times. The current recession made this task even more daunting. **The Committee reached a determination that financial hardship had been demonstrated for the Victory Building.**

At this time, Mr. Tyler conveyed an announcement by Mayor W. Wilson Goode of the creation of an *ad hoc* committee to explore the potential for the rehabilitation of this historic landmark. This Committee shall include the Commerce Director, the Finance Director, the Executive Director of the City Planning Commission and the Historic Preservation Officer. This Committee also will draw on the talents of others, such as the Philadelphia

Industrial Development Corporation and the Philadelphia Historic Preservation Corporation, in the effort to ascertain a reuse for the building. The Mayor's Ad Hoc Committee on the Victory Building will avail itself of the remaining two months of the six-month stay of demolition provided in Section 14-2007 of the Philadelphia Code.

A MOTION to defer a decision on this submission was made by Mr. Brownlee and seconded by Mr. Wilds.

Gray Smith, chairman of the Advocacy Committee of the Preservation Coalition of Greater Philadelphia, requested the opportunity to address the Commission regarding this very important submission. He previously prepared and circulated a twelve-page analysis of the Rappaport submission and testified at the meeting of the Hardship Committee. Mr. Smith stressed that the significance of this building warrants the utmost professional scrutiny of the criteria of economic hardship, the public interest and physical conditions. The Rappaport report fails miserably in all of those categories and fails to meet the requirements of the preservation ordinance for proving financial hardship. The Cohen report, according to Mr. Smith, also reaches numerous conclusions without sufficient supporting evidence. He also noted that Cohen served as an appraiser for Rappaport in 1981. A summary of Smith's more specific remarks follows:

- Rehabilitation for a luxury hotel would be the "highest and best" use of the Victory Building. Though mentioned in the Cohen report, it is dismissed because of the timing and the building's location. With regard to the former, the construction of the Convention Center will dramatically increase demand for hotel rooms within two years. That is nearly the amount of time required to rehabilitate the Victory Building. The recent opening of Penn's View Inn near the Benjamin Franklin Bridge indicates that there is a market for this type of development.

  [Mr. Rappaport previously noted that most hotels were presently experiencing financial difficulty, including the Bellevue.]

  Regarding location, Mr. Rappaport also lamented the condition of the neighborhood, but failed to mention that the Victory Building is only one half block from the Gallery, across the street from Jefferson University and Hospital, nearby a major U.S. Post Office and adjacent to the Pennsylvania Manufacturers' Association and a parking garage. The Cohen report mentions these major developments, but dismisses many of the nearby small stores as "immigrant-owned," a characterization that neglects the fact that Radio Shack, I. Goldberg and others have solid, longstanding reputations. The location is not bad at all. Regarding

Cohen's assertion that no one would want to venture onto Chestnut Street at night, consider the Marriott Corporation's choice of the 1200 block of Market Street as the site for its planned hotel.

- Mr. Smith questioned the general validity of the Rappaport report, as neither of its authors, Messrs. Rappaport and Hershman, are skilled developers. Their pro forma is not reliable, but rather riddled with misinformation and vague statements.

  - The construction estimate is vague and incomprehensible.
  - Its affidavit, which should contain factual statements, avoids more questions than it answers. There are vague statements about the purchase price, maintenance costs and weak documentation of interested buyers.
  - In contrast to the Rappaport analysis, it is useful to examine the 1987 pro forma submitted by Rouse Associates which shows a positive cash flow for rehabilitation in the third year.

    [Mr. Rappaport previously remarked that the economic climate in 1987 was much better than today. He added that it was telling that Rouse did no more than prepare a pro forma, even at the peak of an economic boom.]
  - It contains no pro forma for the demolition and Mr. Smith questions the profit to this approach. He noted that the present zoning of the site will not allow new construction of much greater size or square footage than the Victory Building.

    [At the Committee meeting, Mr. Hershman dismissed the economics of demolition as irrelevant to a public agency authorized to preserve historic buildings.]

- The Cohen report is also vague at points and reaches conclusions without documentation or evidence.

  - It cites Mr. Rappaport's litigation problem, but does not investigate the reason for this delay.
  - There is no indication that Mr. Cohen contacted Thomas Jefferson University, though he asserts their disinterest in the property.

    [Mr. Tyler previously noted that the University was not interested in the Victory Building. Mr. Blades suggested that their disinterest was based more upon interest in a nearby parcel -- that of the buildings on the 900 block of Chestnut Street also on the agenda for a demolition permit -- than on a belief that the Victory Building lacked development potential.]

- The Cohen report claims that many historic rehabilitation projects have gone bankrupt. Many others have not. The restoration of the Widener Building, the Bellevue and the Jacob Reed Store testify to the viability of some projects.

- Both reports underestimate the "net square footage," a critical factor in their economic analysis. Both Rappaport's estimate of 89,500 s.f. and Cohen's 94,000 s.f. are lower than the net obtained by using the figure of 180,000 s.f. in the 1987 appraisal. By reducing this number, both reports inflate the estimated per square foot development costs and reduce the projected rental income.
  [Mr. Hershman indicated that the correct figure was near 130,000 s.f.]

- Further, dismissing this building as economically viable because of the difficult of rehabilitating its grand open spaces seems to contradict the purpose of historic preservation. Such thinking certainly renders the Council Caucus Room worthless for its inefficient use of space.

- Mr. Smith also doubted the presence of a quorum at the Committee meeting and criticized the possibility that a decision would be made based on a recommendation from only a few members of the Committee.
  [Mr. Montgomery clarified that a quorum was present at the Committee meeting.]

In closing, Mr. Smith objected that there has been insufficient effort to prepare pro forma analyses for several viable potential uses. He dismissed the Rappaport report as an unprofessional and unacceptable attempt to escape a self-imposed hardship. Mr. Smith refused to understand the sustained dismissal of the neighborhood as low quality and stressed that a bad economy cannot be allowed as an excuse to dismiss a building as infeasible. Neither the report by Mr. Rappaport nor that of Mr. Cohen satisfies the requirements of the preservation ordinance for proving financial hardship. For these reasons and others cited in his report, Gray Smith supported the adoption of the motion.

Howard Kittell, Executive Director of the Preservation Coalition, supported the preceding testimony and emphasized the statement within the Cohen report that any hardship had been self-imposed.

Donna Ann Harris, resident of Washington Square West, submitted written testimony opposing demolition and encouraging further exploration of potential development plans. She urged the formation of a "blue-ribbon" committee to study these possibilities.

William Blades, Executive Vice President of the Philadelphia Historic Preservation Corporation, conveyed his support for the motion and urged the Commission to include those individuals and organizations committed to preservation in its meetings.

John Higgins, Executive Director of the Foundation for Architecture, also supported the motion.

Morris Hershman, counsel to Mr. Rappaport, acknowledged the good intentions of the preceding speakers, but expressed his belief that their efforts were "too little too late." He conveyed his grave concern that deferring this request would endanger citizens' lives.

THE MOTION to defer was adopted by unanimous vote with Mr. Hollenberg abstaining.

The Dunbar Store, The Scherr Store & The Allen Store, 920-22, 926, 930 Chestnut Street.

Ms. Kaplan briefly reviewed the report of the Committee and the proposal by the Pennsylvania Manufacturers' Association (PMA), the property owner, to demolish these buildings.

Gray Smith, speaking on behalf of the Preservation Coalition, opposed the demolition of these buildings. Though having had the benefit to review the affidavit and petition submitted by the applicant, he noted that the Commission neither prepared nor commissioned an assessment of these materials. He declared that there was insufficient information to reach a decision and that there was inadequate access to the public. He stressed that no plans had been submitted for the proposed redevelopment of the site; without these, the Commission lacked important information for evaluating this request.

Ms. Kaplan indicated that the reports had been reviewed by David Wismer, Deputy Commissioner of Licenses and Inspections, who concurred with their engineering assessments.

Robert Pratter, counsel to the PMA, stated that the application was made on the grounds of financial hardship and public safety. PMA has been in the City since its incorporation in 1916. In 1970, the corporation committed itself to the city and acquired the former Federal Reserve Bank in 1976. Since then, PMA has invested considerably to restore this landmark by Paul Cret. His clients are neither bent on destruction nor speculative investors. To the contrary, PMA is an insurance company which acquired these buildings in hope of promoting the stability of the neighborhood. It acquired the three buildings in 1984, when they were not designated. The facades were improved and the buildings were designated as historic in 1989, over the objection of the PMA.

A tragic accident involving a building owned by a PMA affiliate on Market Street spurred a comprehensive survey of the structural integrity of the corporation's buildings. The Kling-Lindquist Partnership examined these buildings and determined that the facades require substantial work to ensure the stability of the facades, which are essentially free-standing. The costs, estimated by Turner Construction Company were near $750,000 solely to stabilize the facades. This work would not enhance the appearance of the buildings nor make them more rentable. The upper floors, which are accessible only by stair, are not suitable for tenants. Since they were acquired, the buildings have operated at a loss. They are not victims of hard economic times. The repair costs create an unnecessary hardship. A PMA affiliate cannot rent new office space in a nearby building; to rent these buildings is unlikely. An earlier proposal to develop the site with Thomas Jefferson University has fallen apart.

Mr. Pratter also questioned the historic significance of the buildings, observing that they hardly compared to the Federal Reserve Bank or Independence Hall. He concluded by suggesting that the decision for the Commission was a balancing task: of whether the minor significance of these buildings was sufficient to pose a threat to public safety and to impose a financial hardship on their owner.

Ms. Wolf admonished against viewing preservation as an exercise solely for upper-income buildings and environments. She emphasized that preserving common and lower-income architecture was also quite important.

Mr. Brownlee asked if PMA had a proposal for the site if the buildings were demolished. Mr. Pratter responded that there was no specific plan. The site would remain vacant for a while. Mr. Pratter noted that plans were required for applications made on the premise of financial hardship, but not those for the public interest.

Ms. Kaplan expressed concern regarding the demolition of an entire block of Center City. Given its location and an interest in promoting the revitalization of Chestnut Street as a primary retail venue, she encouraged the owner to ensure that the site will not remain vacant for long. Mr. Pratter responded that no one would benefit from the improvement of that site more than PMA, whose headquarters are directly across from it. One possible use was an urban park.

A MOTION was made by Mr. Nathan to adopt the recommendation of the Committee and to acknowledge that PMA had demonstrated financial hardship. Mr. Thompson seconded the motion, which was

approved unanimously.

A MOTION was made by Mr. Nathan to approve the demolition of these buildings based on grounds of demonstrated financial hardship and threats to the public safety. Mr. Thompson seconded the motion, which was approved unanimously.

The Report on Staff Activities, August 1991, Richard Tyler, Historic Preservation Officer. The Commission acknowledged a considerable debt to the staff, especially Ms. Petrillo and Mr. Tyler, for their efforts related to United Artists' v. City of Philadelphia, Philadelphia Historical Commission. A MOTION to adopt the report, made by Mr. Nathan and seconded by Mr. Wismer, was approved unanimously.

There being no further business, the Commission adjourned.

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Special Meeting of the Philadelphia Historical Commission

The Chairman called a Special Meeting of the Philadelphia Historical Commission to vote on the demolition permit application for the Jayne Estate Building, 2-16 Vine Street. Although a vote had been taken on the Report of the Committee on Financial Hardship, one was not on the permit application.

A MOTION was made by Mr. Nathan and seconded by Mr. Thompson to approve the demolition permit application for the Jayne Estate Building.

Gray Smith objected to this procedure, regarding it as unorthodox. Ms. Petrillo retorted that anyone who noticed this problem during the meeting had a right and an obligation to step forward to point it out. She stressed that there was ample opportunity to have done so.

The Commission adopted the motion by a vote of 4-3 with Ms. Wolf abstaining and Messrs. Brownlee, Hollenberg and Wilds opposed. Voting in favor of the motion were Messrs. Nathan and Thompson, Ms. Kaplan and the Chairman.

A MOTION to adjourn, made by Mr. Brownlee, was seconded and adopted unanimously.

Daniel W. Simcox,
Executive Secretary

Minutes Approved: 9 October 1991