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

TUESDAY, 2 MAY 2023
REMOTE MEETING ON ZOOM
BOB THOMAS, CHAIR

CALL TO ORDER

START TIME OF MEETING IN ZOOM RECORDING: 00:00:00

The Chair called the meeting to order at 9:04 a.m. The following Committee members joined him:

Committee Member	Present	Absent	Comment
Robert Thomas, AIA, Chair	X		
Donna Carney	X		
Mark Dodds	X		
Dan McCoubrey, FAIA, LEED AP BD+C	X		

The meeting was held remotely via Zoom video and audio-conferencing software.

The following staff members were present:
Jonathan Farnham, Executive Director
Kim Chantry, Historic Preservation Planner III
Laura DiPasquale, Historic Preservation Planner III
Heather Hendrickson, Historic Preservation Planner I
Allyson Mehley, Historic Preservation Planner II
Ted Maust, Historic Preservation Planner I
Leonard Reuter, Esq., Law Department
Dan Shachar-Krasnoff, Historic Preservation Planner II
Alex Till, Historic Preservation Planner I

The following persons were present:
Michael Phillips, Esq., Klehr Harrison Harvey Branzburg LLP
John Stortz
Tom Stortz
Jeff Stortz
Sam Stortz
Autumn Harris, Rose Finance
Joseph Anastasi, O'Donnell and Naccarato
Tom Bond
Paul Steinke, Preservation Alliance for Greater Philadelphia
Stuart Rosenberg, SgRA
Justin Spivey, Wiss Janney Elstner Associates, Inc.
Robert Gurmankin, Franklin Bridge North Neighbors, Inc.
Massimiliano Scarchilli
Amy Lambert
Eugene Desyatnik
Dennis Carlisle

Jay Farrell
Kimberly Haas
Richard Camitta
Sherman Aronson
Oscar Beisert
Kathy Dowdell
Nancy Pontone
Suzanna Barucco
Barucco iPhone
Suzanna Barucco
Allison Weiss, SoLo Germantown
Hannah Rosenberg
Michael Koep
Leah Silverstein
Melanie Lacey
Steven Peitzman

AGENDA

ADDRESS: 208-12 VINE ST
Proposal: Demolish buildings
Review Requested: Final Approval
Owner: John Charles Stortz
Applicant: Michael Phillips, Klehr Harrison Harvey Branzburg LLP
History: 1780; John Stortz and Son Store; Building at 210 Vine St, c. 1870. Rear building added at 207 New St, 1948. Older buildings cut down at 211 New St, 1941, and 209 New St, 1943.
Individual Designation: 12/31/1984
District Designation: Old City Historic District, Contributing, 12/12/2003
Staff Contact: Jon Farnham, jon.farnham@phila.gov

OVERVIEW: This application proposes to demolish completely a complex of interconnected buildings at 208-12 Vine Street, on the south side of Vine west of 2nd Street in the Old City Historic District. The application claims that the buildings cannot be reasonably adaptively reused and therefore requests that the Historical Commission approve the demolition pursuant to the financial hardship exception in the historic preservation ordinance.

The complex consists of three buildings facing Vine Street (208, 210, and 212) and three buildings facing New Street (207, 209, 211), all of which are internally connected. The buildings at 208 and 212 Vine Street were constructed about 1780. The building at 210 Vine Street was constructed about 1870. The one-story garage building at 207 New Street was constructed in 1948. The one-story buildings at 211 and 209 New St were created by cutting down and altering older buildings in 1941 and 1943 respectively.

The Historical Commission individually designated the property at an undocumented date prior to the adoption of the current preservation ordinance in 1984, hence the 31 December 1984 individual designation date. The Historical Commission classified five components of the property separately in the inventory forthe Old City Historic District when it designated the district on 12 December 2003. It classified the structures at 208, 210, and 212 Vine Street and at 209-11 New Street as contributing and the structure at 209 New Street as non-contributing.

Philadelphia's historic preservation ordinance expressly prohibits the Historical Commission from approving demolitions of historic buildings unless it determines that:

- the demolition is necessary in the public interest; and/or,
- the building cannot be used for any purpose for which it is or may be reasonably adapted.

In the first instance, the ordinance authorizes the Historical Commission to approve demolitions for public policy reasons, when the public interest advanced by the demolition greatly outweighs the public interest in the preservation of the building. In the second instance, the ordinance authorizes the Commission to approve demolitions when preservation regulation of the property denies all economically viable use of it and thereby inflicts a financial hardship on the owner. This application asks the Historical Commission to approve the demolition because the complex of buildings cannot be used for any purpose for which it is or may be reasonably adapted.

The application includes:

1. Affidavit of Thomas S. Bond, Real Estate Broker
2. Appraisal Report
3. Condition Assessment Reports from O'Donnell & Naccarato
    A. Supplemental Condition Assessment, 2/27/2023
    B. Supplemental Field Invest Report, 1/12/2018
    C. Visual Condition Assessment, 11/3/2017
4. Construction Cost Estimates, Becker & Frondorf
5. Conceptual Approval Submission, 2014
6. Developer Letters
7. Photographs of Property
8. Photographs of Surrounding Neighborhood
9. Aerials and Maps
10. Zoning File for 244-58 N 2nd Street
11. Articles on John Stortz & Son Inc

The application details efforts to market the property for adaptive reuse since 2014. In 2014, the Historical Commission approved an application in concept to rehabilitate the buildings on Vine Street and construct a large addition on the buildings on New Street for residential use. Several developers sequentially entered into sales agreements for the property and evaluated residential conversions during their due diligence periods. In the end, all the developers who considered purchasing the property determined that adaptive reuse was infeasible and abandoned the projects.

The application includes several assessments of the condition of the property by a structural engineer. It also includes construction cost estimates for four scenarios: to stabilize the buildings; to stabilize the buildings and convert the space to a "vanilla box," presumably unfinished but code-compliant interior space; stabilization and residential fit-out in the existing buildings; and stabilization and residential fit-out in the existing buildings plus the addition approved in concept in 2014. The application includes letters from two real estate developers asserting that they have reviewed the in-concept redevelopment scheme, conditions assessments, construction cost estimates, and other materials and have concluded that the property cannot be developed in a way that provides a reasonable return on investment.

SCOPE OF WORK:

- Demolish all structures.

STANDARDS FOR REVIEW:

- *Standard 2: The historic character of a property will be retained and preserved. The removal of distinctive materials or alteration of features, spaces and spatial relationships that characterize a property will be avoided.*
- *Standard 5: Distinctive materials, features, finishes, and construction techniques or examples of craftsmanship that characterize a property will be preserved.*
  - The complete demolition of the structures fails to satisfy Standards 2 and 5.
- *Section 14-1005(6)(d) of the City's historic preservation ordinance: No building permit shall be issued for the demolition of a historic building, structure, site, or object, or of a building, structure, site, or object located within a historic district that contributes, in the Historical Commission's opinion, to the character of the district, unless the Historical Commission finds that issuance of the building permit is necessary in the public interest, or unless the Historical Commission finds that the building, structure, site, or object cannot be used for any purpose for which it is or may be reasonably adapted. In order to show that building, structure, site, or object 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.*
  - The application seeks to prove that the buildings at 208-12 Vine Street cannot be used for any purpose for which they are or may be reasonably adapted.
- *Section 14-1005(5)(b)(.7) of the historic preservation ordinance: The Historical Commission may further require the owner to conduct, at the owner's expense, evaluations or studies, as are reasonably necessary in the opinion of the Historical Commission, to determine whether the building … has or may have alternate uses consistent with preservation.*
- *Section 9.2.b of the Rules and Regulations: As provided by Section 14-1005(5)(b)(.7) of the Philadelphia Code, the Commission may also require the owner to conduct, at the owner's expense, evaluations and studies, as are reasonably necessary in the opinion of the Commission, to determine whether the building … has or may have alternative uses consistent with preservation. If the Commission requires an owner to conduct additional evaluations and studies, these shall, at a minimum, include:*
  1. *identification of reasonable uses or reuses for the property within the context of the property and its location;*
  2. *rehabilitation cost estimates for the identified reasonable uses or reuses, including the basis for the cost estimates;*
  3. *a ten-year pro forma of projected revenues and expenses for the reasonable uses or reuses that takes into consideration the utilization of tax incentives and other incentive programs;*
  4. *estimates of the current value of the property based upon the ten-year projection of income and expenses and the sale of the property at the end of that period, and*
  5. *estimates of the required equity investment including a calculation of the Internal Rate of Return based on the actual cash equity required to be invested by the owner.*
     - The application identifies and provides cost estimates for a reuse and then offers the opinions of experts contending that the reuse is not viable, but it does not provide a 10-year pro forma that documents all the assumptions regarding hard and soft costs, incentives, expenses, and revenues and then estimates the net present value of the development project. Such a pro forma should be provided because it would allow all assumptions to be interrogated. For example, a pro forma would allow the assumptions to be tested with sensitivity analyses.

STAFF RECOMMENDATION: The staff recommends that the Historical Commission require the submission of a 10-year pro forma that will allow the assumptions behind expenses, revenues, and incentives for the residential rehabilitation project to be tested and confirmed.

START TIME OF DISCUSSION IN ZOOM RECORDING: 00:03:55

PRESENTERS:

- Mr. Farnham presented the application to the Committee on Financial Hardship.
- Attorney Michael Phillips represented the application.

DISCUSSION:

- Mr. Phillips introduced himself and stated that he represents the property owner, John Stortz, who is in attendance and is the fifth generation of the Stortz family to own the property. Mr. Phillips stated that Tom Bond, a real estate broker who has exclusively marketed the property since 2014, is also in attendance. Joseph Anastasi is a structural engineer and can be available if there are any questions. Autumn Harris of Rose Finance is also available for questions. She is developing 10-year pro formas for the potential redevelopment projects, which will be submitted before the Historical Commission's meeting. Mr. Phillips stated that Ms. Harris is developing a pro forma for an eight-unit scheme within the historic buildings and is also developing a pro forma for a 24-unit scheme that was devised by architectural firm SgRA in 2014 for Mr. Stortz. For the eight-unit scheme, the pro forma shows that the project would cost $8.3 million including $5.9 million in construction costs and $1.3 million in acquisition costs, which derives from the appraisal including transfer tax, and $1 million in soft costs. The rent estimates are market rents and include parking income. With a 35% operating ratio, the net operating expenses on an annual basis are $160,000. At a cap rate of 5.5%, the post-construction value is $2.9 million. He concluded that, even if the numbers are adjusted to be more optimistic, there is no viable scenario for an adaptive or use that would provide a reasonable return on investment. He stated that he understands and appreciates the sentiment toward these buildings, which are historic, but this is not an exercise in sentimentality, but rather an exercise in economics, and the numbers are what should guide and must guide the Historical Commission. The numbers are clear that this building cannot be adapted for reuse in a way that provides any reasonable return on investment. Mr. Phillips stated that, currently, only a portion of the first floor of the building is being utilized by the business, which is transitioning from a manufacturing business to more of a wholesaling and distribution business.
- John Stortz explained that the Stortz company was started in 1853 by his great grandfather. It manufactured tools and employed up to 50 people. The company was involved in the World War II war effort. It manufactured tools for masonry work, cooperages, ice businesses, sheet metal work, and other fields. Today, the company is mostly a wholesale firm. He stated that he sold the company to his sons in 2020. They now import tools from Europe, including roofing and sheet metal tools, and sell them on a website. Mr. Stortz described interior photographs of the property. He explained that they mainly use the first floor and not much above. He stated that there was no need to refurbish the upper floors, which were not used. He stated that he had his hands full with the business. There would have been no return on investment to rehabilitate the upper floors. He stated that the front walls are separating from side walls, and they installed L brackets to try to stop the movement.

He stated that a chimney separated from the wall and was recently removed with a permit. He stated that it was never possible to have tenants on the upper floors, owing to the noise and work on the lower floors. Mr. Stortz reported that he has been trying to sell the property since 2014. He noted that he spent $300,000 trying to market the property and had it under agreement four times, but no buyer moved forward with a project. He finally decided that he would have to submit a hardship application, after no developer was able to identify a feasible reuse project.

- Tom Stortz, one of the sons, stated that he started in the business in 2005 after college. He and his brothers transformed the business from manufacturing to importing and reselling. It is now an e-commerce business and uses the space for inventory. He stated that they do very little manufacturing at this time. The company is now a distributor and wholesaler of tools. The business has grown and there is no room to expand, so they need to move.
- Autumn Harris, a commercial real estate and mortgage broker, discussed her banking background and credentials. She stated that she has extensive experience working for real estate developers modeling multi-family rental projects, including several recent projects in Philadelphia. Ms. Harris stated that she reviewed the conclusions of the reports in the application and implemented a development budget, which included a land cost of $1.3 million with transfer tax. She stated that she then added to that the building cost of $5,916,000 that was provided to convert the buildings into an eight-unit structure. Ms. Harris stated that she then added soft costs that include architectural, engineering, environmental, building permitting fee, construction interest, real estate taxes during the course of construction, prepaid property insurance, a development fee, marketing fee, construction lender fee, legal fees, title insurance, appraisal, and furniture, fixtures, and equipment costs for the common areas. She continued that she added survey, general conditions, and contingency fees to arrive at a total soft cost of a little over $1 million, which results in a total project cost of $8.3 million for an eight-unit building within the existing structure. Ms. Harris stated that she then put together a brief, analytics on the gross revenue and operating costs of the building to arrive at a value of the stabilized building. She explained that she assumed rental rates of $1,750 for the studios, $2,419 for the one bedrooms, and $3,036 for the two bedrooms, that is, that assumes rental rates of $350 per square foot for the studios and one bedrooms, and $270 for the two bedrooms. She stated that those rates are very consistent with the market right now for new or adaptive reuse projects, in other words, a product that feels like new. She reported that she then took those rental rates added to it parking income for the eight units of $250 per parking space, and then storage and other income of about $30 a month for each of the units to arrive at an annual income of about $2,800. She applied to that a 5% vacancy rate, and then a 35% operating ratio. She noted that operating ratios for most of the new properties that she works on range from 20% to probably about 40%. She explained that, with this being an adaptive reuse and a smaller project, the 35% operating ratio is very consistent. She explained that she applied that operating ratio to arrive at a net operating income of $160,500, and then applied the cap rate of 5.5% to arrive at a value of $2.9 million. She concluded that her analytics demonstrate that it will cost $8.3 million to build the project, which is only going to be worth about $2.9 million.
- Mr. McCoubrey noted that the construction cost estimate already includes a 20% contingency. He asked Ms. Harris why she added another 20% contingency.

- Ms. Harris stated that she added a 5% contingency, not 20%. She stated that it is standard to add a contingency on top of the construction cost contingency because the developer will certainly face unknowns.
- Mr. Thomas asked Ms. Harris if she ran other pro formas.
  - Ms. Harris replied that she also created a pro forma for the 24-unit project, what is called the SgRA plan.
  - Mr. Phillips asked her to speak about the results of that analysis. Mr. Phillips stated that they can provide those numbers but that he wants to be clear that they were under no obligation to study this project. He stated that the hardship provision only requires them to demonstrate that the reuse of the existing buildings is or is not feasible. He stated that they ran this model to be thorough.
  - Mr. Thomas noted that the structures at the rear, on New Street, are not historically or architecturally significant and should be treated as non-contributing, regardless of how they are classified in the district inventory. Mr. Thomas stated that the Vine Street buildings will be very expensive to stabilize and reuse, but there is a lot of space behind them that could be developed. He observed that new construction in the back could carry the cost of maintaining, stabilizing, and reusing the historic structures. He noted that the Dilworth House is a good example of this approach. He also pointed to the Episcopal Cathedral, where the Historical Commission allowed buildings to be demolished so that a new hi-rise building could provide income to restore the cathedral. Mr. Thomas stated that he is seeking a solution that works for the owner, but also works for preservation in the community. He asked how many more units than 16 would it take to develop a new construction project that would subsidize the restoration of the Vine Street buildings. He noted that large residential buildings are being constructed in Old City.
  - Mr. Phillips responded that Mr. Stortz engaged architect Stuart Rosenberg and others back in 2014 to study the redevelopment of the property. That process lasted nearly 10 years and led nowhere. No developers were willing to take on the project. Mr. Phillips also noted that the buildings on New Street cannot automatically be taken as non-contributing as Mr. Thomas suggested. The building at 207 New Street is classified as non-contributing, but the other two at 209 and 211 are classified as contributing.
  - Mr. Thomas responded that a 2014 plan is now obsolete because it is nearly 10 years old. He asked Mr. Phillips to present alternatives with additional construction at the rear to provide additional revenue to subsidize the preservation at the front.
  - Mr. Phillips stated that the analysis of the SgRA plan undertaken by Ms. Harris shows that the project will cost about $17 million and have a value of about $7 million. Mr. Phillips stated that, even if they could simply demolish the New Street buildings, two of which are classified as contributing, he does not think that new construction would provide sufficient income to support the front buildings. Mr. Phillips asked if he could have Ms. Harris complete her testimony and then have the engineer Joseph Anastasi testify.
  - Mr. Thomas asked how many stories of new construction were included in the SgRA plan.
  - Mr. Phillips replied that the SgRA plan added four stories onto the one-story building to remain within the 65-foot height limit.
  - Mr. McCoubrey noted that the SgRA plan built on top of the existing New Street structures, rather than replacing them. He acknowledged that two at 209 and 211

New Street are classified as contributing. He observed that the overbuild rather than new construction added significant cost.

  - Mr. Thomas again stated that they should explore constructing a large building at the back of the lot, behind the main blocks of the Vine Street buildings. Everything behind the main blocks should be demolished. He suggested the St. James project at 8th and Walnut Streets as a model. There, a 45-story, 498-foot-tall building was constructed directly behind the ridgelines of the roofs of historic rowhouses. He stated that at least the front halves of the main blocks of the Vine Street buildings should be saved. Everything behind the main blocks can be demolished. Mr. Thomas stated that the applicant should be modelling a project like that, with a large structure at the rear to support the reuse of the structures at the from.

- Mr. Phillips introduced Joseph Anastasi, who is a structural engineer. He assessed the property for the Goldenberg Group, one of the developers who considered redeveloping the property, in 2017 and 2018 and then again in 2023. He studied removing the rear structures and retaining the front structures and recommended against it.
- Before Mr. Anastasi joined the meeting, Mr. Farnham asked the Committee on Financial Hardship to return at some later point in its meeting to the question about reasonable adaptation that Mr. Phillips raised earlier. He noted that Leonard Reuter, the Historical Commission's attorney, had not yet joined the meeting, but hopefully would join and participate in such a discussion. Mr. Farnham stated that he is concerned that the Committee may cross a line if it requires the applicant to study potential development projects that exceed what might be considered a reasonable adaptation.
- Mr. Anastasi stated that the front exterior wall of 208 to 212 Vine Street is out of plane by approximately two inches. Over years, the wall has been stabilized in this out-of-plane condition with the installation of bed plates anchored to the solid brick party walls with star bolts that can be seen on the exterior above the doors and the windows in many locations. If the front walls were temporarily braced and the rear sections of the building removed as part of a revitalization project, the risk of further damage to the front wall will increase. Removing framing currently supported by this wall could cause additional local stresses to an already weakened cross-section due to the existing pockets. The brick and mortar are clearly beyond their useful life expectancy. Any movement they may face could cause immediate separation and local areas of stress or even partial collapse. Trying to reintegrate an out-of-plane wall with the new building structure is problematic and would certainly create a stability challenge. New anchors will be required to reattach the existing wall to the new framing and the vibration from the anchoring process may cause additional cracking and joint separation. Mr. Anastasi concluded that this facade has clearly moved over its lifetime. The upper floors on the east and west ends have already been replaced, due to excessive movement. They have been replaced with a block masonry which you can see in the upper bedroom in the attic. When the building was constructed, the original attic framing was bearing on the front walls, the north elevation, and there was no collar-tie action to brace and prevent the roof rafters from kicking out. This structure has been loaded numerous times with snowfalls over its lifetime, and that was a direct contributor. The wall has now been compromised to the point where, even down on the level of floors, there are very stout braces. There are 3/8-inch bed plates anchoring back several feet into the masonry bearing walls that separate the structures. The goal was to stabilize the facade in place, not

necessarily to pull it back into alignment, which you cannot do with a masonry structure. Trying to fully brace these structures to temporarily support them while the rest of the structures are demolished and reconstructed is only going to exacerbate the current problems. Mr. Anastasi stated that this building has had numerous water issues due to the out of plane walls and flashing that has failed because of the walls moving. He opined that the overall stability of the wall is in question. It may be beyond its useful life.

- Mr. McCoubrey stated that the front blocks could be retained in their entirety and the rear ells demolished. The side walls would give the front facades some stability.
- Mr. Thomas noted that the front walls could be braced during demolition. He pointed to the Royal Theater on South Street as an example. He stated that the Historical Commission is looking for that kind of innovation, like the innovation that was deployed at the Royal Theater.
- Ms. Carney asked Mr. Anastasi to clarify whether the main blocks of the Vine Street buildings could be preserved in place and the rears demolished.
- Mr. Anastasi stated that he would want to study this question further, but the main blocks may be stable if the side walls are left in place and the structures are monitored during demolition and construction. He stated that an engineer would need to analyze the current bracing system that is in place to see if it is sufficient and might need to add additional bracing. He concluded that he cannot offer a final opinion at this time.
- Mr. Thomas suggested that temporary bracing would be needed.
- Mr. Anastasi agreed but also stated that some permanent bracing might be needed in the interior of the building and that could have implications for the adaptive reuse. The front walls and the perpendicular load bearing walls internally are not physically tied together. The front walls are “peeling down,” due to the outward thrust of the roof rafters.
- Mr. Thomas stated that additional analyses should be undertaken. He suggested saving the front, Vine Street, buildings to a depth of 16 or 20 feet and demolishing everything behind that line.
- Mr. McCoubrey stated that, given the potential scale of an overall project, the Historical Commission really needs to understand the bigger financial opportunities for a larger scale development on the site. Mr. McCoubrey noted that his firm demolished all but the front facades of two designated rowhouses on the 1600 block of Locust Street and built a new building behind and between the facades for the Curtis Institute.
- Mr. Anastasi asked if the Locust Street facades were out of plane.
- Mr. McCoubrey stated that they were not.
- Mr. Anastasi stated that the Vine Street façades are significantly out of plane and their deviations far exceed industry standards for masonry facades. He stated that, with enough engineering and money, any façade can be braced and held up. He stated that there would be many challenges to demolishing the rears of these buildings and connecting the front facades to the new construction because the front facades are so degraded. There is bracing already throughout the Vine Street facades and the joists are pulled out of their pockets and are just hanging. The new system would not be temporary. It would have to last for the new owners. The old walls along Vine Street are never going to be able to be pulled back into plane and become a vital part of the structure again.
- Mr. Thomas agreed that the new structural system to hold it all in place will be very expensive, especially because it will need to save the roofs with the

dormers. It would probably be necessary to create a new internal structural system that carries the loads, and the brick walls would essentially become curtain walls. He acknowledged that it would be very expensive to save the front sections of the Vine Street buildings. He stated that the new building at the rear would have to be large enough to financially offset the costs at the front. He stated that that new building would likely need zoning variances and he wondered if the Historical Commission and neighbors would support those variances.

- Mr. Phillips stated that the Vine Street buildings must be able to be reused in the scenario that Mr. Thomas is suggesting. They cannot simply be left empty with all the usable space in a new rear building. Mr. Phillips then stated that the developer of this property cannot assume that they will be able to obtain variances for any project. He noted the Painted Bride project on the same block, where the Commonwealth Court overturned the variances that were granted, which killed the project. Mr. Phillips stated that the hardship review should be limited to considering whether the existing buildings can be adaptively reused and should not be considering how large of a new building is needed to subsidize the historic buildings, but, if the Committee does pursue the new construction option, it should limit itself to a by-right building and not begin imagining a new building that, for example, exceeds the 65-foot height limit in the area. Mr. Phillips stated that his client is not a developer, but he is willing to consider options. Mr. Phillips again stated that, even though his client is willing to consider all options, he does not believe that the preservation ordinance can compel a property owner to construct a new building to subsidize a historic building and overcome a financial hardship. The question is whether the historic buildings can be reused, not whether a new business venture can be created to financially support buildings that cannot support themselves.
  - Mr. Thomas disagreed and stated that the Committee is determining how much of the historic buildings need to be demolished to allow for a profitable development project on the site.
  - Mr. McCoubrey stated that the SgRA plan was flawed because it retained the rear buildings and used them for parking, which limited it to four residential floors. He stated that the rear buildings should be demolished and a new building with six residential floors constructed in its place. He stated that there are ways to significantly increase the capacity of the rear site. If the structures are demolished, the area could be excavated for below-grade parking.
  - Mr. Phillips stated that they are open to innovative ideas and are willing to explore options, but again asserted that the Committee was deviating from its charge to determine whether the historic buildings could be reused. He stated that his client has marketed this property to developers for nine years in the hope of finding a new use for it, but none has been found. The Stortz family has its name on this property and cares more about it than anyone.
- Mr. Thomas stated that, in his opinion, the Committee does not have sufficient information to make a recommendation today. He noted that there are additional studies to be undertaken.
- Mr. Phillips stated that he has sufficient guidance to undertake some additional analyses. His team will complete the pro formas and submit them and other analyses.

PUBLIC COMMENT:

- Paul Steinke, representing the Preservation Alliance, introduced himself. He noted that Tony Naccarato of the engineering firm O'Donnell and Naccarato sits on the board of the Preservation Alliance, but he has not participated in the Alliance's review of this hardship application. Mr. Steinke stated that he assembled a team to evaluate this application, which includes architect Stuart Rosenberg, Doug Jordan of Southwick Properties, structural engineer Justin Spivey, and Hanna Stark, who works at the Preservation Alliance. Mr. Steinke suggested the following improvements to the SgRA plan of 2014: remove the onsite parking, demolish the rear ells, and add another floor to the SgRA plan to yield more residential units. Taking these three steps doubles the unit count from the old SgRA plan to 48 units. He claimed that because of the CMX-3 zoning, more units could be added to the site if the structures are retained than if the site is cleared and a new structure is erected.
- Stuart Rosenberg introduced himself and stated that he prepared the 2014 SgRA plan for Mr. Stortz, the property owner. He stated that the 2014 plan included 24 units. The new plan that he has devised includes 48 units. He stated that the new plan would require offsite parking, but that parking is available. He stated that reusing the existing buildings allows 100% lot coverage, but demolishing and rebuilding would not.
  - Mr. Phillips asked Mr. Rosenberg to explain his zoning claims more fully. He asserted that any addition above the existing building would still be required to comply with the current zoning, which would mandate 25% open space. The addition would not be able to cover 100% of the lot as Mr. Rosenberg had claimed.
  - Mr. Rosenberg agreed with Mr. Phillips that the new addition would only be able to cover 75% of the lot. He stated that the new and old "would dovetail extraordinarily well."
  - Mr. Phillips questioned Mr. Rosenberg's assumptions about lot coverage.
  - Mr. Rosenberg claimed that it would not be possible to capture all of the available FAR with entirely new construction, but it would be with a mix of old and new construction.
  - Mr. Phillips continued to doubt Mr. Rosenberg's claims.
  - Mr. Rosenberg stated that the intent was to have the new construction occupy 75% of the lot and the rest would be occupied by the historic buildings. He stated that that was his intent, but he certainly would need to review that assertion in more detail at the appropriate time and place.
  - Mr. Phillips again expressed his doubts about Mr. Rosenberg's claims about the zoning and allowable floor space. Mr. Phillips asked Mr. Rosenberg if he had done a financial analysis of this proposal.
  - Mr. Rosenberg responded that a member of the team had prepared a pro forma for the 48-unit scheme, assuming the six-story structure, assuming that the existing buildings would remain, and concluded that it would have a positive cash flow, but that it would be a "tight" financial investment. The current interest rates pose a problem, but the project still "pencils out."
  - Mr. Phillips asked Mr. Rosenberg who undertook the financial analysis.
  - Mr. Rosenberg stated that he was not at liberty to reveal the identity of the person who conducted the analysis.
  - Mr. Phillips objected. He stated that there is no way to evaluate the claim that the project "pencils out" if no one can see the analysis or even know if the person who prepared it is qualified to undertake such an analysis. Mr. Phillips stated that

his experts disagree with the analysis and find no way to create a legal, profitable project.

- Mr. Rosenberg stated that his new proposal pencils out because it more than doubles the number of units and simplifies the restoration process by proposing more demolition. The new plan dramatically reduces the square footage of the remaining historic buildings and adds much more new square footage, making the project profitable. It also reduces the complexity by proposing the demolition of everything at the rear, thereby making it more profitable. He concluded that they would reveal the financial analysis and other details about their project at the appropriate time and place, but not here in public at today's meeting.
- Mr. Phillips asked Mr. Rosenberg to provide details about the unit counts and types.
- Mr. Rosenberg stated that it would be a "general mix" of units. He stated that the unit mix would be determined after a developer took on the project because each developer has their own approach.
- Mr. Phillips noted that the plans call for using a 300% FAR bonus. He asked Mr. Rosenberg to explain.
- Mr. Rosenberg replied that the current plan does not rely on bonuses, but they could be incorporated into the project in the future.
- Mr. Phillips noted that the plans call for 40,000 square feet of area. He asked Mr. Rosenberg to confirm that number.
- Mr. Rosenberg agreed and stated that 40,000 square feet utilizes all of the 500% FAR.
- Mr. Phillips asked Mr. Rosenberg to confirm that his 2014 plan, called the SgRA plan, proposed 34,000 square feet of space.
- Mr. Rosenberg stated that he could not remember his 2014 plan.
- Mr. Phillips stated that the new plan adds 6,000 square feet but removes the parking, which will necessitate offsite parking, which will cost money.
- Mr. Rosenberg stated that their pro forma took those changes into account. He also noted that there is a parking reduction incentive for historic buildings.
- Mr. Phillips observed that the Preservation Alliance has not presented any financial information for the Committee and his client to vet. He stated that his client has spent nearly 10 years working with developers to find a feasible project and no such project has been identified.
- Mr. McCoubrey stated that it appears that the owner should analyze this new scheme before he is convinced that there is any financial hardship in this case.
- Mr. Phillips again stated that the historic preservation ordinance stipulates that the Historical Commission must determine through this process whether the historic building can be reasonably adapted for any purpose, not whether a new, very large building can be constructed to subsidize the reuse of the historic building. He stated that his client will examine the proposal put forth by the Preservation Alliance but continues to assert that constructing a large new building exceeds what can be considered a reasonable adaptation.
- Ms. Carney thanked the Preservation Alliance and Mr. Rosenberg for going to a such extensive consideration in developing this alternative. It is worth exploring further.
- Mr. Thomas stated that the Historical Commission does not need to be constrained by the preservation ordinance. He explained that they are looking for alternatives. He observed that the owner of the cathedral at 38th and Chestnut Streets was not required by the Historical Commission to build a hi-rise building, but it did so to support the cathedral financially. He asked Mr. Phillips to consider

the proposal made by the Preservation Alliance to demolish most of the structures and construct a 48-unit apartment building to subsidize the restoration of the front parts of the historic buildings.
    - Mr. Phillips stated that his team will analyze the new Preservation Alliance proposal, provided the Alliance is actually willing to share it.
- Robert Gurmankin, the president of Franklin Bridge North Neighbors, Inc., stated that his organization would support variances and other approvals needed to build new construction at the rear of the property to subsidize the retention and rehabilitation of the historic buildings along Vine Street.
- Justin Spivey, the structural engineer associated with the Preservation Alliance, introduced himself and stated that unreinforced masonry buildings from the nineteenth century can be stabilized and retained. He disputed the claim that these buildings had reached the ends of their lives. He stated that the small floorplates of the historic buildings are amenable to adaptive reuse. He stated that vertical access to the historic buildings could be created at the rear in the new construction. He objected to the fact that the financial analysis was being conducted with current construction costs and expected returns, but the demolition of the buildings would be permanent. He observed that future changes in construction costs and expected returns might make reuse projects more viable. He suggested that the amount of demolition could be "tuned" so that development project "pencils out." More demolition of the historic buildings might make a project profitable. He suggested retaining the front masonry boxes, what have been called the main blocks, of 208 and 212 Vine Street. Out-of-plumb masonry buildings can be retained if correctly connected to new framing.
    - Ms. Carney stated that there is a diagram of the "closed masonry boxes" in Mr. Spivey's report on page 7.
    - Mr. Phillips responded to Mr. Spivey, stating that his team did not assert that the Vine Street buildings could not be stabilized, but only that stabilizing them would come with a cost, about $1.3 million for a property that would then be worth $1.2 million. Stabilization would be cost prohibitive.

ADDITIONAL DISCUSSION:

- Mr. Farnham raised a fundamental threshold issue that the Historical Commission will need to confront as it works its way through this review. He stated that the Historical Commission, with advice from the Law Department, will need to determine whether the analysis to determine if there is a reasonable adaptive reuse for the property should include extensive new construction at the rear to subsidize the historic building. He noted that he provided a memorandum on financial hardship reviews in a different case in 2022. It was informal advice but had been vetted by the Law Department. It concluded that hardship reviews should evaluate historic buildings themselves for feasibility of reuse but not incorporate substantial new construction to create funding streams to subsidize the reuses. Mr. Farnham acknowledged that the Committee's opinion on this issue appeared to diverge from that proffered in the memorandum and stated that he would ask Mr. Reuter, the Historical Commission's attorney, to report to the Commission on the issue.
- Mr. Thomas stated that the Committee was not compelling Mr. Stortz to construct a new building to subsidize the old buildings but was pointing out that other property owners have constructed new buildings to support preservation work. Mr. Thomas stated that he was conveying to the applicant that he would support significant

demolition and new construction at this site to allow for the preservation of the Vine Street buildings.

- Mr. Reuter stated that he could research what constitutes a reasonable adaptive reuse. He acknowledged that “if you had enough money you could wrap this [building] in titanium and send it to the moon.”

COMMITTEE ON FINANCIAL HARDSHIP FINDINGS & CONCLUSIONS:
The Committee on Financial Hardship found that:

- The main blocks of the buildings facing Vine Street are the historically and architecturally significant structures at the site, regardless of the classifications of the six buildings on the site in the Old City Historic District inventory.
- The Stuart Rosenberg or SgRA in-concept plan of 2014 does not maximize the amount new square footage that can be constructed and generate income to subsidize the preservation and restoration of the main blocks of the buildings facing Vine Street.
- All structures behind the main blocks of the buildings at 208, 210, and 212 Vine Street could be demolished and the cleared land used for the construction of a large building that could generate income that might subsidize the preservation and restoration of the main blocks of the buildings facing Vine Street.

The Committee on Financial Hardship concluded that:

- Additional analysis is needed to determine whether it would be feasible to demolish all structures behind the main blocks of the buildings at 208, 210, and 212 Vine Street and construct a large building that could generate income to subsidize the preservation and restoration of the main blocks of the buildings facing Vine Street.

COMMITTEE ON FINANCIAL HARDSHIP RECOMMENDATION: The Committee on Financial Hardship voted to recommend that the Historical Commission table the matter to allow for the submission of additional materials and to remand the matter to the Committee on Financial Hardship for additional review.

ITEM: 208-12 VINE ST **MOTION: Table and remand** **MOVED BY: McCoubrey** **SECONDED BY: Carney**					
VOTE					
Committee Member	Yes	No	Abstain	Recuse	Absent
Robert Thomas	X				
Donna Carney	X				
Mark Dodds	X				
Dan McCoubrey	X				
Total	4				

<u>ADJOURNMENT</u>

START TIME OF DISCUSSION IN ZOOM RECORDING: 02:12:58

ACTION: The Committee on Financial Hardship adjourned at 11:13 a.m.

PLEASE NOTE:

- Minutes of the Philadelphia Historical Commission and its advisory Committees are presented in action format. Additional information is available in the video recording for this meeting. The start time for each agenda item in the recording is noted.
- Application materials and staff overviews are available on the Historical Commission's website, www.phila.gov/historical.