

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

**TUESDAY, 27 FEBRUARY 2024
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 1:00 p.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
Ted Maust, Historic Preservation Planner II
Allyson Mehley, Historic Preservation Planner II
Leonard Reuter, Esq., Law Department
Dan Shachar-Krasnoff, Historic Preservation Planner II
Alex Till, Historic Preservation Planner II

The following persons were present:

James Ernst
Sean Heberling
Kathy Dowdell
Tina Marie

AGENDA

ADDRESS: 502-04 S JUNIPER ST

Proposal: Demolish building owing to hardship; reconstruct building with addition

Review Requested: Final Approval

Owner: James Ernst

Applicant: James Ernst

History: 1830

Individual Designation: 12/31/1984

District Designation: None

Staff Contact: Kim Chantry, kim.chantry@phila.gov

OVERVIEW: This application proposes demolishing a three-story residential building at 504 S. Juniper Street and the adjacent non-historic garage at 502 S. Juniper Street. The building at 504 S. Juniper Street is a small three-story detached trinity built about 1830. The small building is freestanding and does not attach to any of the surrounding buildings. The house has been vacant for many years and is in very poor condition. The application also includes architectural plans for a new building to be constructed on the site, which are not fully developed yet, and which propose a reconstruction of the historic building with a four-story adjacent “addition.” James Ernst, the property owner who intends to reside at the reconstructed building, not a developer, submitted the application.

Section 14-1005(6)(d) of the historic preservation ordinance prohibits the Historical Commission from approving the complete demolition of a historic building 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 cannot be used for any purpose for which it is or may be reasonably adapted, i.e. that compelling the preservation of the building would cause the owner to suffer a “financial hardship.” In order to show that the building cannot be used for any purpose for which it is or may be reasonably adapted in order to justify a demolition, 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. This application claims that the condition of the building and the cost to repair it prohibit a sale or reuse of the building. The financial hardship application will be reviewed by the Architectural Committee and Committee on Financial Hardship as well as the Historical Commission.

In late 2017, the Historical Commission and its advisory Architectural Committee reviewed an application for this property which proposed demolition of the rear wall and roof of the historic building, demolition of the non-historic garage, and construction of a four-story addition. At that time, the Historical Commission voted to deny the application pursuant to Standards 2, 9, the Roofs Guideline, and the prohibition against demolition, Section 14-1005(6)(d) of the historic preservation ordinance. The Architectural Committee, which recommended denial of the application, suggested that the applicant provide a letter from a structural engineer substantiating the demolition. In late 2018, the Architectural Committee reviewed a similar proposal which included the requested structural engineering reports. At that time, the Architectural Committee voted to recommend denial, pursuant to the Historical Commission’s denial of October 2017 and Standards 2 and 9, the Roofs Guideline, and the prohibition against demolition, Section 14-1005(6)(d) of the historic preservation ordinance. That application was withdrawn prior to review by the Historical Commission. In May 2022, the Architectural Committee reviewed an application that proposed complete demolition and included several engineering reports that recommended demolition of the building owing to its condition. At that

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time, the Architectural Committee voted to recommend denial of the demolition of the three-story building, pursuant to Standard 2 and the prohibition against demolition, Section 14-1005(6)(d) of the historic preservation ordinance, but approval of demolition of the adjacent non-historic one-story garage. That application was withdrawn prior to review by the Historical Commission. The Department of Licenses and Inspections (L&I) issued Unsafe violations for this property in 2018 but has not since ungraded the condition to Imminently Dangerous.

The application includes an affidavit by the owner, a discounted cash flow and internal rate of return analysis, and multiple supporting documents. The financial analysis looks at four scenarios: rehabilitate and rent the existing structure; leave the building in its existing uninhabitable condition; demolish the structure and sell the cleared lot; and demolish the structure and construct a larger residence that covers the full lot.

The first scenario, to rehabilitate and rent the existing structure, utilizes two different renovation costs, a seemingly high \$691 per square foot, and a more reasonable \$309 per square foot. Given the poor condition of the building, the \$691 per square foot cost may be reasonable, but even when using the lower \$309 per square foot renovation cost, the analysis predicts a negative cash flow through its first decade with a net present value of negative \$111,879. The staff questions the applicability of this scenario, however, given that other documentation in the application claims that the building is unable to be rehabilitated owing to its condition. For the second scenario, to do nothing with the current structure and leave it uninhabitable and therefore unable to rent or sell, the analysis predicts a negative cash flow through its first decade with a net present value of negative \$235,589. This scenario notes that the property has been listed for sale several times over the last few years and no offers have been received to purchase the property in its current condition. The third scenario assumes that the building can legally be demolished but with the Historical Commission disallowing new construction on the property, which results in a negative net present value. The application claims that this scenario would constitute a “taking.” This scenario does not need to be part of the consideration. The fourth scenario, to demolish the building and build a larger rentable building, proposes the project that the property owner would like to undertake. This scenario results in a net present value of \$667,886.

The application includes two engineers’ reports that conclude that the building at 504 S. Juniper Street is severely deteriorated and suffers from structural defects. The application also includes two letters from contractors that conclude that the masonry structure is unable to be repaired. The application concludes with new construction plans for the site, which show the owner’s intent to reconstruct the historic building using new materials while also constructing a four-story structure on the adjacent half of the lot in order to have a new residential property with sufficient square footage for his family.

STAFF RECOMMENDATION:

The staff recommends that the Historical Commission:

- acknowledge that the complete demolition of the designated resource triggers the demolition prohibition in Section 14-1005(6)(d) of the historic preservation ordinance. For the Historical Commission to approve the complete demolition, the applicant must demonstrate that the demolition is necessary in the public interest or that the building cannot be used for any purpose for which it is or may be reasonably adapted;
- find that the financial analysis demonstrates that the building cannot be used for any purpose for which it is or may reasonably be adapted; and,

- approve the application, pursuant to Section 14-1005(6)(d) of the historic preservation ordinance.

ARCHITECTURAL COMMITTEE RECOMMENDATION: The Architectural Committee voted 4 to 1 to recommend approval of the application, contingent upon a finding of financial hardship by the Committee on Financial Hardship and the Historical Commission, pursuant to Section 14-1005(6)(d) of the historic preservation ordinance, with the understanding that a subsequent application will be required to review a final proposal for the new construction.

START TIME OF DISCUSSION IN ZOOM RECORDING: 00:05:00

PRESENTERS:

- Ms. Chantry presented the application to the Committee on Financial Hardship.
- Property owner James Ernst and real estate finance consultant Sean Heberling represented the application.

DISCUSSION:

- Mr. Ernst explained that he purchased the property in 2016 with the intention to demolish the non-historic garage and build a four-story addition as a home for his mother. However, removal of drywall inside 504 S. Juniper Street revealed that decades of water damage had caused significant deterioration of the masonry and wood, making a restoration of the building impossible. He explained that he hired an attorney several years ago to submit applications to the Historical Commission, but these were unsuccessful, so he took over the process and prepared this application with a financial consultant. He reiterated that he would have preferred to preserve the building, but there are no contractors willing to take the job owing to the existing conditions. He stated that he looks forward to working with the Historical Commission on the design of the new construction. He concluded that this will be his family's home when he returns next year from his military service in Germany.
 - o Mr. Thomas confirmed that the Historical Commission retains jurisdiction over the property and the review of building permit applications for new construction, even if the historic building on the site is demolished.
- Mr. Thomas stated that he agrees with the staff recommendation and the recommendation of the Architectural Committee for approval. He agreed that the completely freestanding nature of the building has allowed moisture to enter into the walls everywhere. He asked if other Committee members had questions or comments about the condition of the building.
- Ms. Carney supported the finding of financial hardship. She noted that all engineers' reports in the application materials came to the same conclusion. She stated that the application materials convinced her of the building's structural failures and the inability to rehabilitate it owing both to cost and safety.
- Mr. McCoubrey supported the finding of financial hardship. He noted that the contractor member of the Architectural Committee placed great emphasis on the letter from William Proud Masonry, which states that the building is structurally unstable and impossible to repair. He stated that the structural engineer member of the Architectural Committee concurred with the findings of the reports provided in the application materials.
- Mr. Treat supported the finding of financial hardship. He noted that the application documented the extremely poor condition of the masonry, and that this is a financial hardship but also a safety issue.

- Mr. McCoubrey stated that it will be important to survey the front elevation and create measured drawings of the façade to guide the later reconstruction.

PUBLIC COMMENT:

- Kathy Dowdell commented that the front of the building should be carefully documented prior to demolition. She commented that the cost of laser measuring has gone down recently and should be considered.

COMMITTEE ON FINANCIAL HARDSHIP FINDINGS & CONCLUSIONS:

The Committee on Financial Hardship found that:

- The complete demolition of the designated resource triggers the demolition prohibition in Section 14-1005(6)(d) of the historic preservation ordinance. For the Historical Commission to approve the complete demolition, the applicant must demonstrate that the demolition is necessary in the public interest or that the building cannot be used for any purpose for which it is or may be reasonably adapted.
- The Historical Commission can condition an approval of demolition with a façade recordation requirement.

The Committee on Financial Hardship concluded that:

- The application materials including the financial analysis sufficiently demonstrate that the building at 504 S. Juniper Street is in disrepair and the building cannot be used for any purpose for which it is or may be reasonably adapted.

COMMITTEE ON FINANCIAL HARDSHIP RECOMMENDATION: The Committee on Financial Hardship voted to recommend approval of the application because the building at 504 S. Juniper Street cannot be used for any purpose for which it is or may be reasonably adapted; the sale of the property is impracticable; rental cannot provide a reasonable rate of return; and other potential uses of the property are foreclosed; pursuant to Section 14-1005(6)(d) of the historic preservation ordinance.

ITEM: 502-04 S JUNIPER ST MOTION: Approval 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				

ADJOURNMENT

START TIME OF DISCUSSION IN ZOOM RECORDING: 00:26:50

ACTION: The Committee on Financial Hardship adjourned at 1:27 p.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.