Building tensions in Minneapolis

By Linda Mack
Star Tribune Staff Writer

Many forces — money, zoning, an outdated preservation code — play into the question of how or whether to save historic downtown structures. The furor over the Handicraft Guild Building typifies that debate.

Preservationists say there's no question that the Handicraft Guild Building on the corner of 10th St. and Marquette Av. S. in Minneapolis is historic. The small brick building housed the Handicraft Guild, where the city's arts community was born.

But the obstacles they face in trying to protect the building illustrate many of the preservation dilemmas in Minneapolis.

Owner Margot Siegel argues that giving the building historic status would deprive her of the right to sell the land for its market value. Ryan Companies has an option to buy the property for $9 million but is not likely to exercise it, said Siegel's attorney, John Herman.

The 1907 building and a later addition stand across from the Hilton hotel near the booming southern end of Nicollet Mall.

The impassioned testimony that has characterized this latest preservation debate will continue Tuesday when the City Council's Zoning and Planning Committee holds a public hearing and votes on granting historic status for the building.

Turn to BUILDING on B2
Also on B2:
— Information on public hearing.

The land on which the Handicraft Guild Building sits is worth $1.8 million. The building itself is worth $5,000.
A view of the Handicraft Guild Building at 10th St. and Marquette Av. S., with the new Target Building on the Nicollet Mall at far right. The 1993 build- ing is to the left on the right-hand end; the lower portion was added later.

**BUILDING FROM B1**

**Historic status could keep land from being sold at market value**

City Council Member Lisa Goodman, whose Seventh Ward includes the site, predicts that the committee and the full council will approve the historic status. It’s the classic Minneapolis preservation debate, one that pits the growth-oriented desire of keeping the city’s historic fabric against the economic rights of the private property owner.

Herman says the Guild property has been on the market for years, but it’s only now, when there is a possible deal, that the Heritage Preservation Commission is recommending historic status. Commission members say that they studied the building years ago but that they didn’t have political clout then to get a request for recognition to the City Council over the owner’s objection. They want to designate the building now to prevent its demolition.

**Preservation obstacles**

Developers and preservationists agree that keeping old buildings alive is a problem in Minneapolis — and the process is particularly frustrating.

Charles Regehr, a historic preservation consultant, said the city doesn’t have the right planning tools. “Preservationists don’t know what’s threatened until the last minute,” she said. “Building owners have run out of time. It’s one of the environmental concerns that needs to be addressed.”

Paul Farmer, the city’s outgoing planning director, agrees. “We have a policy that says we want to designate historic properties on the Nicollet Mall to help boost retail. Then we get mad at people for helping us implement our goals. We don’t have a companion policy that says, ‘By the way, don’t tear down the buildings.’”

Goodman, who has taken a visible stand as a preservationist since taking office in January, says the city needs a formal preservation plan, prioritize our top 10 buildings and then give developers a financial incentive to save them.

**An expensive process**

Renovating older buildings — with their less-efficient spaces and ornamental details — tends to be more expensive than new construction. The city’s building code requires older buildings to be made to meet several new codes. Much work is done. The way buildings are assessed makes taxes high on undervalued property. Now skewed against preservation, such policies could be recast to help rather than hinder, say public officials.

**The pressure is to build**

Rebecca Yanisch, former executive director of the Minneapolis Community Development Agency, said downtown land is zoned for high-density development so low- or mid-rise buildings such as the Handicraft Guild or the old green glass Minneapolis Building demolished for the new American Express tower represent underuse of the property.

“Why is the land so valuable? Because it’s zoned for high density,” she said. “The best control we have on how we develop is our zoning code.”

The downtown zoning code is to be rewritten this year. Farmer has proposed two changes. Allow developers to transfer development rights from a protected property to another site and save a small building like the Handicraft Guild.

And the city’s zoning bonuses that now reward developers for adding outdoor arcades or other marginal features could instead reward them for incorporating historic buildings or historic facades, he said.

Goodman said a simple change — banning new surface parking lots downtown — could have a big impact. It would remove the incentive for property owners to demolish smaller, older buildings to get income from surface parking.

“It won’t result in a loss of parking, which should be in ramps, and it will have the value of existing lots,” she said. “We’d just say you can’t add any more downtown.”

**The tax man cometh**

One of the most powerful forces working to push developers downtown is the city’s building code. When older downtown buildings are assessed for taxes, they are valued at their highest and best use, not its current use, so a piece of land sometimes becomes more valuable than the building sitting on it.

In 1998, the Handicraft Guild property was assessed at $1.8 million, while the building itself was valued at $109,000. The assessed value is based on the higher number.

If the tax were based on the lower number, it would make a huge difference in the owner’s bottom line.

Several cities give tax relief to owners who renovate older buildings. Dallas gives a 50 percent tax break on buildings in the downtown core that have been renovated and smaller breaks in other districts. Dorsey Siegel, a Dallas architect, said his family’s property program has generated about 100 projects and has particularly boosted downtown housing.

The city of Chicago and Cook County recently reduced property taxes on renovated historic structures by 50 percent for 10 years, Goodman said.

**What’s next?**

**Public hearing**

Citizens supporting historic designation to the Handicraft Guild Building will be heard by the Minneapolis Planning and Zoning Commission.

> **When:** Tuesday at 3:30 p.m.
> **Where:** 515 S. Fifth St.
> **Information:** 612-673-3048.

Carolyn Wyant, director of state-wide programs with the Chicago office of the National Trust for Historic Preservation, said Mayor Richard Daley Jr. initiated the Chicago initiative to help people to “claw” to have their buildings given historic status. Wyant said tax breaks and lower insurance premiums are financial incentives.

Wyant also recently put $20 million of tax-increment financing money into a fund for renovating facades. Nine city projects have been approved.

James McConnell, a Minneapolis real estate consultant, said buildings today are valued more for their current use rather than a future, denser use. The taxes for the Min-neapolis Park and Recreation Board recently have been adjusted to reflect the current use rather than the site’s value as empty land.

That is one big reason realizing reality,” McConnell said. “In the same way, we could conclude that the future value of a property is as a historic building.

**State programs needed**

Tax relief will help those who want to renovate buildings, Wyant said. But she said the biggest boost would be a state program with a dedicated funding source for projects, like that available for cleanup of polluted sites.

“People want to make it happen,” she said.

Mayor Sharon Sayles Belton disagrees. “Minnesota has no preservation but decided it should be a statewide issue, Yanisch said.

“Property owners, not just gems for the city,” she said. “They are gems for the whole state.”

The city is working unsuccessfully — for other changes in state law, such as the ability to use tax revenues for historic districts.

McConnell said Cleveland has reduced its building codes for his- toric buildings, so unnecessary and expensive changes don’t have to be made. Paul Farmer said Minnesota and take a tax deduction for the value of not developing it.

“Downtown’s sitting in your quiver, you’ll have a chance to use them,” Farmer said.

Minneapolis is also redesigning the city’s property tax assessment ordinance. One of the oldest in the country, the ordinance was outdated, said Tom Fisher, dean of the University of Minnesota’s College of Architecture and Landscape Architecture and cochairman of the task force that redrafted the code last year. The redrafted ordinance has just been issued.

Judith Martin, chairwoman of the University of Minnesota’s College of Architecture and Arts Affairs and vice chairwoman of the City Planning Commission, said just giving a building historic designation doesn’t do much for it.

“There must be a preservation focus built into development guidelines. That would be a real change,” she said.