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LARGE-SCALE COMMERCIAL ADAPTIVE USE: PRESERVATION REVITALIZES OLD BUILDINGS—AND NEW ONES TOO!

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Large scale commercial revitalization in American cities began primarily with Congressional passage of Title One of the Housing Act of 1949.[1] Funds released by the Act, combined with those of municipal agencies, paid for the acquisition and frequently the demolition of old buildings in urban areas. With these funds, cities wrote down the resulting sale costs for parcels of cleared land sold off for major new development. This was the pattern of urban renewal for two decades, 1950-1970.[2]

With the construction of large office towers set among plazas, parks, and fountains, this new kind of urban development was intended to revitalize and beautify downtown areas generally. Now and then a hotel and space for a restaurant or a few shops would be included. The hope for new vitality was, however, lodged in a belief that the physical nature of the city should be drastically changed; density, a variety of small shops, tight streets, multi-various architecture with its colors and materials, texture and low scale should be replaced with a setting more like the suburbs to which most former city dwellers had migrated. No credence was given to the form of the city as it had existed through centuries abroad and for many decades in this country.

The new towers of offices rising from concrete plazas and parklets, if they did not exactly revitalize cities, did help to save them. Thousands of workers were compelled to return to the city at least five days a week in order to hold a job. But revitalize? No, at least not in the sense of developing a renewed full use of the city. Although new apartments were at times packaged into renewal programs, more housing was removed from the cities than was added.[3] Shopping was not encouraged—it was felt that such commercial activity on the ground level

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1. Housing Act of 1949, ch. 338, tit. I, 63 Stat. 413 (codified in scattered sections of 12, 42 U.S.C.).

2. For a trenchant critique of the urban renewal program, *see* M. ANDERSON, THE FEDERALIST BULLDOZER (1964).

3. *Id.* at 65-68.

was incompatible with gleaming towers and would attract undesirable people and litter. Evening activities were not offered, and in due course people feared the shadows, shrubs, and empty plazas where a molester might easily lurk.

Even the economic success of the renewal projects was spotty. In my own city of Pittsburgh, which was for a time the first and leading city in such renewal, the tally can now be made, and it is reasonably representative of other cities. One project, Gateway Center, was financially successful, but is generally avoided after five o'clock. Another, Chatham Center, defaulted recently on its mortgage and taxes. A third, the "Lower Hill," remains far from complete thirty years later, and a fourth, Allegheny Center, squeaks by economically; portions of it have not been leased in twenty years. The fifth and last project, East Liberty, served only to deter people from using this once busy area by "malling" the streets, and steps are now being taken to undo the damage that was done by returning the street pattern nearer to its original configuration.[4] The mayor recently threatened that if the original planner ever returned to the city, he would ride him out of town.

Reaction to clearance and the dubious reordering of the environment established in the sixties has been best articulated by the movement loosely known as "historic preservation." If the movement has any one overriding tenet regarding urban revitalization, it is to look to that which exists to see how it can appealingly be re-used before disrupting the environment.

NEIGHBORHOODS

At first preservationists addressed themselves to neighborhood restoration. Many of these areas had already fallen victim to clearance or were scheduled for demolition. Residents with deep roots in their communities began, however, to rebel against demolition and then to search for alternative ways to reclaim their neighborhoods. Charleston, Savannah, Georgetown, Providence, Annapolis, and Society Hill were all front line areas where preservationists won victories against demolition plans and developed technologies for reclaiming vast quantities of housing.[5]

4. For a general description of the Pittsburgh experience, *see generally* A. ZIEGLER, HISTORIC PRESERVATION IN INNER CITY AREAS: A MANUAL OF PRACTICE (1974).

5. For the Charleston approach, *see Charleston Center a step closer*, Preservation News, Sept. 1979, at 1, col. 1; *Charleston Warehouses To Serve New Use*, Preservation News, June 1976, at 2, col. 2. For the Savannah approach, *see Savannah Landmark Rehabs Houses*, Preservation News, Sept. 1977, at 6, col. 1. For the Annapolis approach, *see* Riley, *White Sails in the Sunset*, Washington Post, June 2, 1979, (Magazine), at 14. *See generally* Knight, *Old & New Design relationships in architecture*, Preservation News, Apr. 1978, at 5, col. 1; *Building Pride*, Preservation News, Oct. 1977, at 4, col. 1; Time, June 11, 1979, at 82.

Out of their efforts came revolving funds,[6] educational programs,[7] tours,[8] facade easements,[9] loan funds,[10] the Historic Preservation Act of 1966,[11] and federal grants.[12] The results were fabulous. Neighborhoods in nearly every city were soon undergoing restoration as special "historic districts," whether officially designated by the local municipality or not. People moved back to the city, property values rose rapidly, and crime diminished.

LARGE BUILDINGS

Perhaps by sensing the ubiquitous love people had for old houses, a few visionaries turned their attention to other kinds of buildings; old warehouses, factories, transportation terminals, dock buildings, and trolley barns came back to life as new kinds of commercial centers.

The pacesetter was Ghiradelli Square in San Francisco.[13] Housed in an old chocolate factory, this collection of shops on five levels overlooking the Bay and the Golden Gate Bridge lit up the waterfront and magnetized tourists and the national preservation community. Al-

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6. *See* A. ZIEGLER, L. ADLER & W. KIDNEY, REVOLVING FUNDS FOR HISTORIC PRESERVATION: A MANUAL OF PRACTICE (1975); Brink, *Commercial Area Revolving Funds for Preservation*, in INFORMATION: A PRESERVATION SOURCEBOOK (The Preservation Press 1976); Coffey, *Revolving Funds for Neighborhood Preservation: Lafayette Square, St. Louis*, in INFORMATION: A PRESERVATION SOURCEBOOK (The Preservation Press 1977). (The *Information* series, undertaken by The National Trust for Historic Preservation and developed by The Office of Preservation, may be ordered from The Preservation Shop, 1600 H Street, N.W., Washington, D.C. 20006); Howard, *Revolving Funds: In the Vanguard of The Preservation Movement*, 11 N.C. Cent. L.J. 256 (1980); *Revolving Fund Uses Federal Preservation Dollars*, Preservation News, May 1976, at 7, col. 1.

7. The Preservation News has a regular October feature on preservation curricula in colleges and universities. *See Preservation and Higher Education*, Preservation News, Oct. 1979, at 7, col. 1. *See generally Preservation made elementary*, Preservation News, July 1979, at 7, col. 1; Kotz, *Preservation Education: Kindergarten through Twelfth Grade*, in INFORMATION: A PRESERVATION SOURCEBOOK (The Preservation Press 1979).

8. In some states historic house tours are exempt from applicable taxes. LA. REV. STAT. ANN. § 47:305.14 (West Supp. 1979); MISS. CODE ANN. § 27-11-43(1)(f) (Supp. 1978); N.J. STAT. ANN. §§ 54:32B-9(f)(3)(B)-(C) (West Supp. 1979); N.Y. TAX LAW §§ 1116(d)(3)(A)-(C) (McKinney 1975); S.C. CODE § 12-21-2420(9) (1976).

9. *See* Beckwith, *Significant State Historic Preservation Statutes*, in INFORMATION: A PRESERVATION SOURCEBOOK (The Preservation Press 1979) [hereinafter cited as *Significant Statutes*]. *See generally* Netherton, *Environmental Conservation and Historic Preservation Through Recorded Land-Use Agreements*, REAL PROP. PROB., & TR. J. 540 (1979); H-866 Op. Att'y Gen. (Tex. 1976).

10. *See Significant Statutes*, *supra* note 9; Biddle, *Private Funds for Historic Preservtion*, in INFORMATION: A PRESERVATION SOURCEBOOK (The Preservation Press 1979).

11. National Historic Preservation Act of 1966, Pub. L. No. 89-665, 80 Stat. 915 (1966) (codified at 16 U.S.C. §§ 470-70t (1976)).

12. *Interior, trust, states offer maritime heritage grants*, Preservation News, Mar. 1979, at 1, col. 3; *States oppose restrictions on interior grants*, Preservation News, May 1979, at 1, col. 1; 16 U.S.C. § 470a-70c (1976).

13. *See* Campbell, *Viewpoint: Lure to the Marketplace—Real-Life Theater*, 32 HISTORIC PRESERVATION 47, 49 (1980). For a general discussion on commercial re-use, *see* W. Kidney, WORKING PLACES: THE ADAPTIVE USE OF INDUSTRIAL BUILDINGS (1976).

though the owner had to underwrite the project and although it has a narrow profit margin because it attracts tourists who browse rather than spend, Ghiradelli has held its own now for more than a decade. This project, more than any other, spawned large-scale commercial revitalization across the country.

Ghirardelli Square demonstrated the possibility of reusing an old building in a downtown area as an attractive setting for shops, but unlike shopping centers, which were then being developed around the country, it did not rely on "anchor tenants" like department stores to bring in smaller standard retail stores. Instead, a variety of restaurants that capitalized on the atmosphere of the old buildings became the anchors. Boutiques, off-beat shops, and retail outlets for special markets like handmade leathergoods, many frequently owned by entrepreneurs new to shop ownership, followed the restaurants into the center. This pattern became the prototype for much that was to follow.

CHATTANOOGA & SALT LAKE CITY

Two projects followed on the heels of Ghirardelli, the Chattanooga Choo-Choo in Chattanooga, Tennessee,[14] and Trolley Square in Salt Lake City, Utah.[15] The former, again a development spearheaded and backed by one man, Allen Casey, played upon the nostalgia that so many people feel for the railroads, a theme that would later gain a kind of official imprimatur when the National Endowment for the Arts in the early 1970's launched a special grant program[16] at a national conference for studying the adaptive use of railroad stations for commercial purposes.

The Chattanooga project consisted mainly of a fast-food, limited-menu restaurant that Mr. Casey installed in a setting of grandeur—in the huge station and waiting room. Along the railroad tracks in adjacent smaller buildings, less than a dozen shops were developed, but a new and significant type anchor was also included: a hotel, themed for the project, used railroad cars as motel units next to the new 100-room

14. Chattanooga Choo-Choo began in 1971 as a private enterprise with no governmental aid. Development of the project took one year and construction another, until its grand opening in April, 1973. The company negotiated with the railroad, which planned to tear down the buildings, and bought the buildings only for the value of the land. (Today railroads recognize the value of their old buildings and place a high price on them.) Because the area was blighted, the company's development was a catalyst for the surrounding downtown area. Today, Chattanooga Choo-Choo is the largest employer both in the city and of young people. Chattanooga Choo-Choo drew two million visitors to its complex last year. Telephone interview with Allen Casey, Chairman of the Board (Mar. 31, 1980).

15. *See*, 4 ADVISORY COUNCIL ON HISTORIC PRESERVATION NO. 4, ADAPTIVE USE: A SURVEY OF CONSTRUCTION COSTS 17 (1976).

16. *See* ADVISORY COUNCIL ON HISTORIC PRESERVATION, FEDERAL PROGRAMS FOR ASSISTANCE IN THE ADAPTIVE USE OF RAILROAD STATIONS 13 (1974).

building. The hotel insured that tourists used the complex, which adjoins an interchange of the main north-south interstate highway to Florida.[17]

At Salt Lake an imaginative local developer, Wallace Wright, acquired options to a collection of old trolley barns and began to develop a shopping center that would appeal to residents and ski-slope bound visitors alike. Although he optioned 300,000 square feet of space, he did not seek an anchor department store, but rather solicited and even helped finance a variety of restaurants, the first being an old-time ice cream parlor. He now has twenty-one restaurants at Trolley Square, set amidst 125 shops that sell staples like bread, clothing, and shoes to the tourists, as well as items like T-shirts and taffy.

Financing the Salt Lake City and Chattanooga projects was difficult. Were it not for the affluence and perserverance of these creative entrepreneurs, Allen Casey and Wallace Wright, the projects would have neither initiated nor continued.

QUINCY MARKET

A major step forward in large-scale commercial development occurred when the City of Boston attracted the interest of James Rouse of the Rouse Company in the Fanueil Hall-Quincy Market[18] near the wharf of that city. Taking a theme from the original use of the Market, Rouse anchored the complex with an extensive number of restaurants, including many walk-ups that now offer limited but unusual treats like fruit kabobs and oversized chocolate chip cookies. The shops of staples—mainly clothing, fabrics, and furniture—came in phase two, after the theme had been firmly established.

Quincy Market was an instant success; over 200,000 people came to the opening and both residents and tourists have poured in since.[19] This center, more than any other, has suddenly changed the course of shopping center development. Its overwhelming popularity and sales (nearly $400 a square foot) and the sponsorship of the Rouse Company, heretofore a large-scale suburban shopping center developer, brought credibility to the effort to achieve large-scale commercial revitalization through adaptive use in downtown areas.

Furthermore, a new ingredient was added to the program; Rouse carried out the project only because the city of Boston cooperated and

17. Chattanooga Choo-Choo sits at the intersection of Interstates 75 and 24, conveniently attracting the nearly eleven million travelers to Florida.

18. *See* Time, *supra* note 5; *Restored Market Draws Crowds*, Preservation News, Jan. 1977, at 1, col. 2; *Are we losing our downtowns by default*, Preservation News, Feb. 1978, at 16, col. 1; note 13 *supra*.

19. Time, *supra* note 5.

supported it. The City purchased the buildings and leased them to Rouse on a long-term basis; it pumped both federal and city dollars into site improvements, and it agreed to a low rental for their buildings during these early years to help Rouse defray up-front costs and lower the risk.[20]

STATION SQUARE

At the same time that Rouse was examining the Faneuil Hall site, the Pittsburgh History & Landmarks Foundation (hereinafter referred to as PHLF)[21] was formulating a plan for what is now the largest adaptive use project in the nation, Station Square.[22]

For many years, PHLF had been active in neighborhood preservation, education, and in the development of community museums in historic buildings. Between 1964 and 1976 it had grown to be the largest local preservation organization in the nation and had raised nearly $7,000,000 in funds for its programs. Especially noteworthy was its pioneering work in neighborhood preservation for existing residents. Its Mexican War Streets program[23] was the first restoration effort for a mixed-income integrated neighborhood, and its Manchester Program[24] was the first for a poor black area.

PHLF was searching in the early 1970's for a commercial adaptive use project that it could carry out near downtown Pittsburgh. Its purpose was to demonstrate to the business community the economic potential of commercial adaptation of the existing architecturally significant building stock. After a number of investigations, the group, funded with a study grant and later with a $5,000,000 equity grant from the Allegheny Foundation,[25] began to produce a re-use plan for six buildings. The buildings contained 700,000 square feet of space and were located in the center of forty-one acres, the Pittsburgh & Lake Erie Railroad's headquarters property.

Located along the Monongahela River directly across from downtown Pittsburgh, the complex was promising but difficult. The plan called for the creation of what would be the largest restaurant in Pittsburgh, which was to be located in the handsome Beaux Arts Grand

20. *See Restored Market Draws Crowds*, Preservation News, Jan. 1977, at 1, col. 2.

21. Pittsburgh History & Landmarks Foundation was founded in 1964 with goals to "preserve the significant architecture of Allegheny County and educate people about [t]he local historical heritage." A. ZIEGLER, *supra* note 4, at v; A. ZIEGLER, L. ADLER, & W. KIDNEY, *supra* note 6.

22. *Pittsburgh to Revitalize River Area*, Preservation News, Feb. 1977, at 1, col. 2.

23. *See* A. ZIEGLER, L. ADLER & W. KIDNEY, *supra* note 6, at 78-81, 87.

24. *Id.* at 78-79.

25. *See* note 22 *supra*. The Allegheny Foundation is a Scaife family trust incorporated in 1953 in Pennsylvania. The donor was Richard Scaife whose broad purpose was primarily local giving with emphasis on hospitals, art, historical preservation, conservation, youth, and public education. THE FOUNDATION DIRECTORY 433 (6th ed. 1977).

Concourse of the 1901 Terminal. The plan also included the development of forty specialty shops and eight restaurants in an adjacent Freight Warehouse, six floors of modern office space in a warehouse contiguous to the shops, offices in two smaller freight-related buildings, a 300-room hotel to be erected along the river, an outdoor industrial and railroad museum, riverfront activities, a park, and docks.[26]

Although Station Square had the financial support of the Scaife family, one of the most prominent in the city, and ultimately received $7,600,000 from the Allegheny Foundation and $925,000 from the Economic Development Administration,[27] it faced the same problems the earlier projects encountered: tenants were unwilling to take the lead and there was similar diffidence on the part of the lending institutions regarding financing.

PHLF took a lonely plunge when it adapted one of the small buildings into offices with $500,000 and, fortunately, leased it immediately. Then an adventurous restauranteur from Detroit, C.A. Muer, spent $2,500,000 on the Grand Concourse Restaurant and has been serving 1,000 meals a day since opening in April, 1978. In order to start the shops, PHLF invested $2,000,000 in restoring the shell of the building and installing mechanical equipment. A sub-developer then leased enough of the space to shop tenants to obtain $4,000,000 in permanent financing for the remainder of the work. PHLF has signed an agreement with sub-developers who are erecting a 300-room Sheraton Hotel and is now turning its attention to developing the office building in the warehouse. Another sub-developer is now committed to building the boat docks, and yet another is studying the feasibility of erecting 600 apartments.

Unlike the preceding projects, Station Square has an important civic ingredient. Although backed by a wealthy family, Station Square is owned by Landmarks Foundation, a non-profit group. At the outset PHLF decided to pay full real estate and corporate income taxes on the project under the "unrelated income" provisions of the Internal Revenue Code;[28] however, all of the net revenue, what would normally be profits for a private developer, is to go into PHLF's general program funds and will be utilized most especially for financing restoration in inner-city neighborhoods. Here on a large scale we have a private project entirely for the public good.

FINANCIAL CHANGES

As a nation, we now realize that a great treasury of buildings still

26. *See* note 22 *supra*.
27. 13 C.F.R. §§ 309.0-18.25 (1979).
28. I.R.C. §§ 511-512.

exists throughout our cities. But they need financial rescue, just as it was required for those new buildings that were part of urban renewal in the past several decades. Such aids are being developed.

Today, for example, if a building is on the National Register of Historic Places,[29] the owner can write off restoration costs on an accelerated five year basis.[30] If a building is not on the Register but is at least twenty years old and it is retrofitted for commercial purposes at a cost greater than the acquisition cost, the owner may, in the first full year of operation, take a ten percent tax credit under the Historic Structures Tax Act of 1978.[31]

Many cities and states offer developers tax abatement for several years on improvements to old buildings and some even provide write downs on mortgage interest.[32] Cities can also apply to HUD for Urban Development Action Grants[33] and for Economic Development Administration loans, grants, and loan guarantees[34] to help supplement private financing to make the unfinanceable feasible. These grants can substitute for the wealthy backer that all of these pioneering commercial adaptive use projects needed.

CONCLUSIONS

Based on this brief overview of these early commercial preservation projects a consistent picture emerges:

- The old but significant buildings were located in areas not considered good locations by lending institutions or the general public at the time their owners announced their plans.
- Each project reflected a mixture of architectural romance, real estate know-how, adventurous spirit, and a hunch about potential markets on the part of local people.
- None gained the confidence of the lending community easily and each required heavy personal, foundation, or government financing.
- All were non-traditional in depending on the leisure time interests of potential customers rather than their need for staple goods.
- All took much more time and energy to assemble than comparable projects in new construction.

What is the situation today? Is the pioneering done, are the test runs

29. The National Register of Historic Places is authorized by the Secretary of the Interior of the United States pursuant to the National Historic Preservation Act of 1966, Pub. L. No. 89-665 § 101(a)(1), 80 Stat. 915 (1966). The National Register was established October 15, 1966. 16 U.S.C. § 470 (1966).

30. I.R.C. § 191.

31. I.R.C. § 701(f).

32. *See* G. ANDREWS, STATE AND LOCAL HISTORIC PRESERVATION TAX STATUTES (June 1978).

33. 24 C.F.R. §§ 570.450-.462 (1979).

34. 13 C.F.R. §§ 309.0-18.25 (1979).

completed, is the business community embracing adaptive use, and is mortgage money available? No, not yet. Perhaps the greatest impact of these projects is that the lenders, the developers, and the public now understand and share the preservationists' vision of lively, mixed-use, all-hours centers within or near downtowns, and government has recognized the need for the supplemental funds.

However, the result of these experiments is not simply going to be a swing over to preservation and re-use. While there will be more willingness to explore adaptive use alternatives, at the same time architects and developers for new construction are borrowing ideas from such projects.

Already we see it in the intricacies of space, color, texture, and graphics in Rouse's highly successful Gallery in Philadelphia, and in the Galleria in Dallas, and the Omni in Miami; in plans for the re-use of the Old Dayton Arcade, or the new downtown centers planned for South Bend and Detroit. It is reflected in John Portman's spectacular design for hotels, the PPG World Headquarters in Pittsburgh (forty stories of reflecting glass in the Gothic style by Phillip Johnson), in the forthcoming glitter and glamor of post-modern, new romantic, highly eclectic, late twentieth century architecture, which will include as a vibrant strand within it the re-use of the old.

The principal triumph of these adaptive use projects has been to demonstrate that form does not follow function but rather that function gets its life from all the varied ways the forms of architecture can be used. Once again people have discovered that lower scale, with a variety of colors, textures, surfaces, lights, and ornamentation, warmth of walls, dramatic interplay of space and light in any building attract people. The sterile rules of modern architecture are dead; long live the architecture that provides for human enjoyment. From preservation has come a new understanding: if buildings are designed so that people respond positively, even jubilantly, to them, they will use them.