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ABSTRACT

This second book furthers the advocacy position of its predecessor in putting old railroad stations to new uses for combined public and commercial purposes, including arts and educational centers, transportation hubs, and focal points for downtown renewal. Sixteen stations are described that have been converted by either nonprofit organizations, commercial developers, or in part by the federal government to be used for transportation centers. A large section of the book explains some of the intricacies of financing that should be understood by a nonprofit group before successfully developing a railroad station. The subjects include how to evaluate a project's economic feasibility, how to reduce the cost of both acquiring a property and operating it after conversion, how to determine the real cost of financing the project, and how to determine the marketability of the proposed conversion. Listed are 30 government agencies that can give financial help to commercial and nonprofit groups working to reuse stations. (Author/MLF)

REUSING RAILROAD STATIONS

A REPORT FROM EDUCATIONAL FACILITIES LABORATORIES
AND THE NATIONAL ENDOWMENT FOR THE ARTS

The National Endowment for the Arts was established by Congress in 1965 to foster the growth and development of the arts in the United States, to preserve and enrich the nation's cultural resources, and to provide opportunities for wider experience in all the arts.

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This project is supported by a contract with the National Endowment for the Arts in Washington, D.C., a federal agency.

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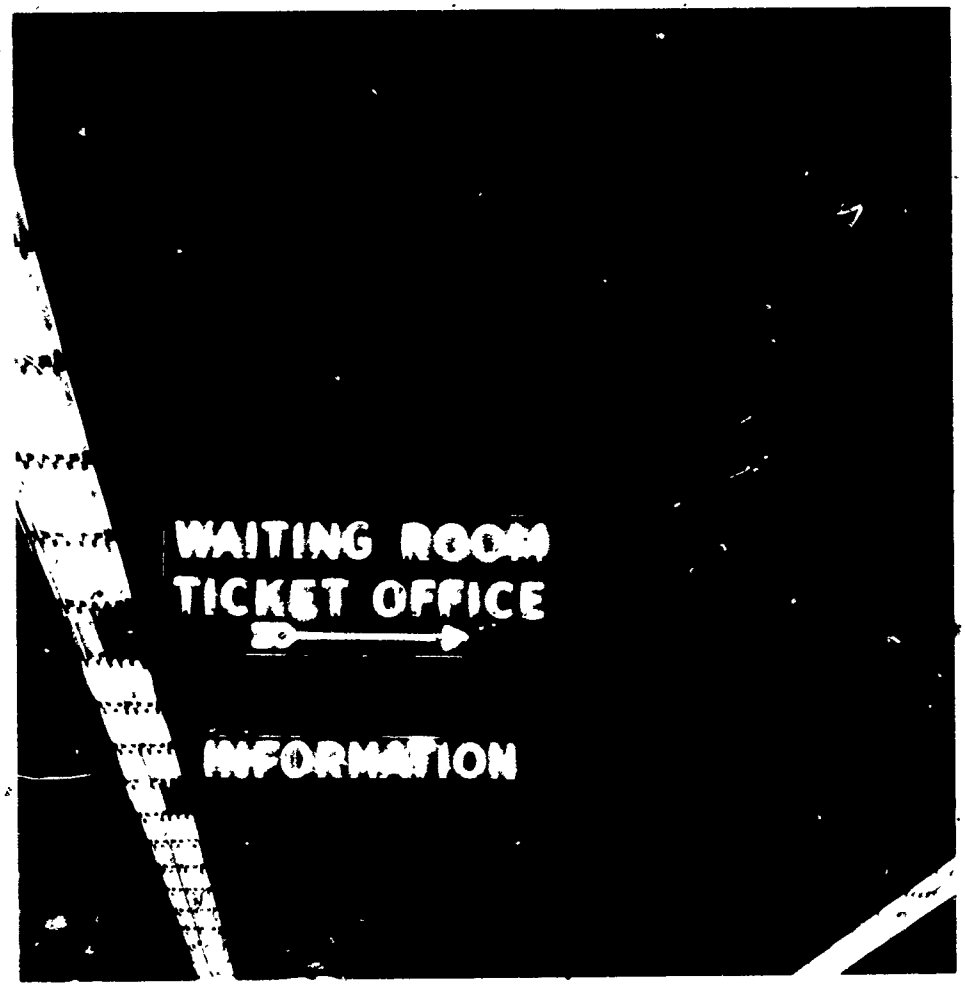
Contents

Foreword



Last year Educational Facilities Laboratories and the National Endowment for the Arts published a book and ran a conference on reusing railroad stations. The response to each from people involved in transportation, conservation, real estate development and urban management was larger than expected and greatly encouraging to the sponsors. We found that a lot of people want to exchange and seek information about putting old stations to new uses. Hence, this second publication, which tells a little more about some specific stations, explains the business of development for readers without experience in the financing of building conversions, and lists 30 government agencies that can give financial help to commercial and nonprofit groups working to reuse stations.

Reusing Railroad Stations Book Two extends the information published in *Reusing Railroad Stations*. Some of the text is taken from the conference held in Indianapolis in July 1974, some is an extension of what speakers said at that conference, and some is an update on activities at stations. We have tried to avoid repeating the previous publication; new readers are referred to that book for more background on some projects discussed here and accounts of several other stations that have been successfully reused.

In addition, because so many people have expressed a need to learn more about the business aspects of conversions, several chapters of the book explain some of the principles of financing development.

This new book, as well as the prior one and the conference, was funded by the Architecture + Environmental Arts Program of the National Endowment for the Arts.

EDUCATIONAL FACILITIES LABORATORIES

Introduction

Finding new lives for old railroad stations is no longer a "good cause" that is waiting around the corner. There are enough successful completed conversions to convince the most skeptical that it's not the latest advocacy fad but a business venture that can at least be self-supporting.

Stations are being conserved, not preserved, so that the splendors of their architecture can be put to use while being enjoyed. (The distinction between conservation and preservation is that the former keeps something alive, the latter ensures it remains after death.) Examples of small-station conservation projects abound. Many are now privately owned antique stores, gift shops, homes, or studios. Not as many middle size stations have been conserved because their location is far more critical than the small buildings, and because they require more money to buy (or lease) and convert to a new purpose — difficulties that usually require concerted action and inventiveness to overcome. But there are a number of successful projects. Then there are the big stations, terminals that require a big business approach before anything can be done for them. A few have been conserved, and they provide exemplary directions for what can be done for those large stations whose fate is now in abeyance.

In recent months, the biggest boost to the reuse of stations came from Congress when it enacted legislation to fund urban stations listed on the Historic Register which could be activated as road and rail transportation centers with connections to airports — called multimodal or intermodal centers — combined with civic and cultural uses. This doesn't help organizations that want to convert suburban or rural stations, but there are smaller public and private treasuries available for these if they meet the right criteria.

Also proving helpful to urban stations is the change in the Federal Highway Administration regulations permitting some of its funds to be released for aid to other forms of transport, including rail. However, it's not only Washington money that is going into station projects. The nongovernment sector, both commercial and nonprofit, is putting stations to work, albeit in different roles from yesteryear. It's all part of the remarkably wide interest in converting all kinds of old buildings for commercial and cultural uses. The days are over when sound structures were torn down simply because they represented an outdated style of life. The old parts of cities are coming back into use, and for many people they are friendlier and more interesting than newer, sleeker central business districts.

Some reused stations are described in the following chapters: many others are listed in *Historic Railroad Stations,* an inventory published by the National Register of Historic Places. It can be obtained from the Superintendent of Documents, U. S. Government Printing Office, Washington, D. C. 20402.

Nonprofit Organizations

There is no surer way for a historical society to give credence to its advocacy of reusing old buildings than for it to develop a project itself. One man who firmly believes in this approach is Arthur Ziegler, president of the Pittsburgh History and Landmarks Foundation, who has his eye on a Pittsburgh railroad station and its 30-acre site that could be converted to retail stores, theaters, restaurants, offices, housing, and other enterprises that would greatly increase the amenities of the city.

Ziegler says, "If a project of this size can be made to work, the Landmarks Foundation will become an even stronger body in the city than it is now. We'll be able to do more because of greater influence and visibility. And, of course, if this project succeeds we will generate income for our neighborhood conservation programs. If an organization of the stature of Pittsburgh's foundation can reap an income from profits of, say, $1 million a year, it will have an immense leverage to go out and use the money for other worthwhile reuse projects in the city.

"When the foundation first talked to the railroad company we found them assembling a consultant's report on what to do with their property. The consultant had recommended some historical development similar to the foundation's preliminary plans. But we needed more time to investigate what we wanted to do — and what we could do — so we negotiated to obtain not an option to the property but the right to negotiate exclusively. Then, by a happy coincidence, another foundation came to us because it was interested in developing a mixed-use commercial venture, so we were able to work with substantial support.

"Next we worked out a general space allocation and asked a contractor to make a rough cost analysis. We retained an engineer, a contractor, a real estate man, and an architect. This team was asked to confine its work to three of the seven available buildings because we wanted to do the preliminary analysis in a month. We felt that that much study would enable us to develop a good feel for the project so we could decide if we wanted to go ahead or not. Unfortunately, the analysis showed that costs, particularly maintenance costs, would be too high for us to go ahead with the project as first conceived. So now another study is underway to see if the land that goes with the buildings could be used to create a new town with a clearly historic heart."

Savannah, Ga.
Central of Georgia Station

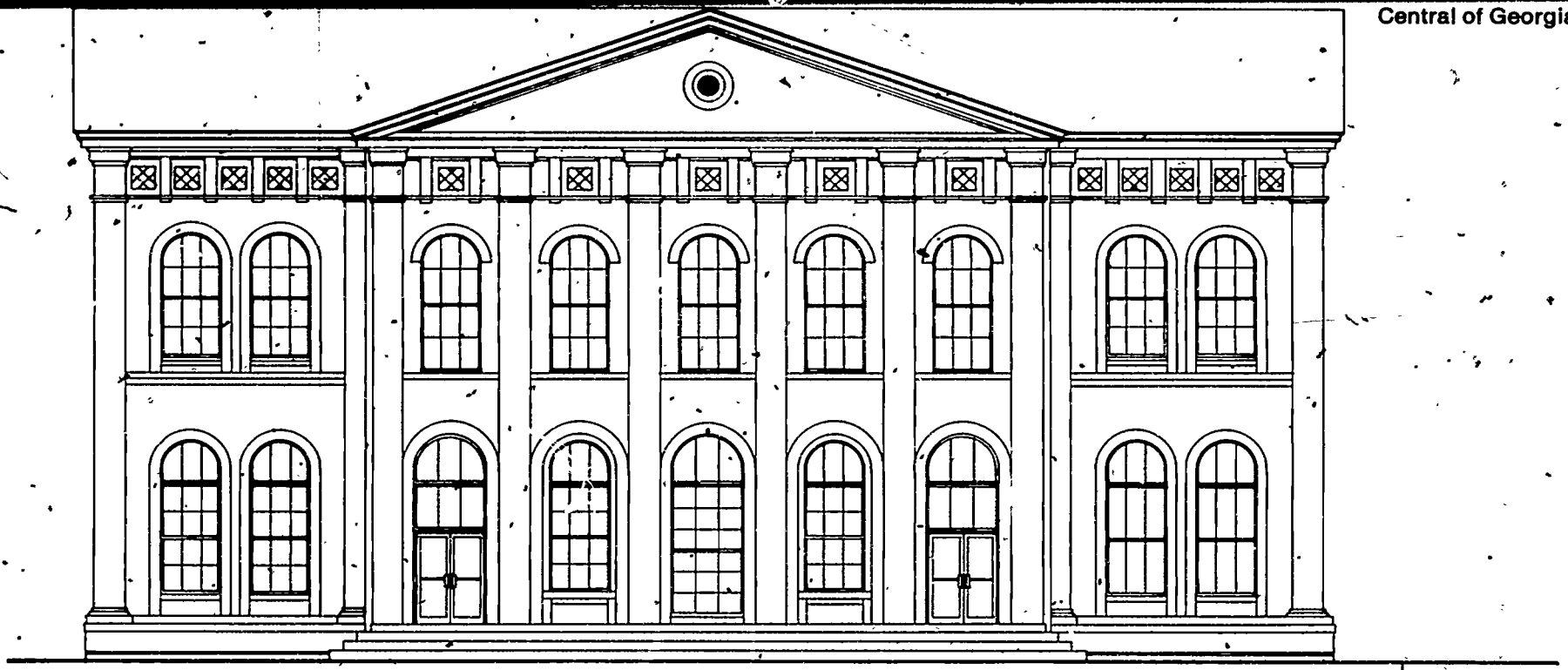
When the Savannah Chamber of Commerce wanted to move its visitors' center into premises with larger parking facilities it was offered a railroad station built in 1860 at the spot where Casimir Pulaski fell in the American Revolution. It's a satisfying home for an organization that benefits from $50 million of tourist business a year from visitors who are in Savannah to see the restored historic buildings in the center of the city and along its water front.

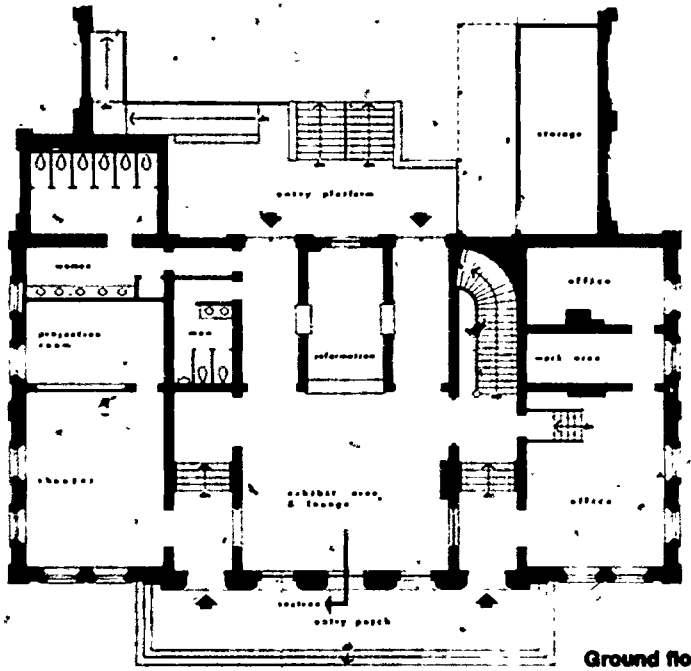
The Historic Savannah Foundation discovered that when passenger service was discontinued at the Central of Georgia Station, the ownership of the property would revert to the city. So, the city took over the empty station and gave the chamber six months in which to raise $200,000 to reclaim and restore the building. The C of C raised the money through pledges that will be honored over three years, and bank loans to cover the interim period. (Raising money isn't too difficult for an organization whose members include three bank presidents.)

Unfortunately, between first estimates and completion the project suffered from the usual inflation, and the final costs were closer to $300,000. But this covered renovated heating, lighting, and plumbing, a new roof, and refurbishing for two floors totaling 8,800 sq ft.

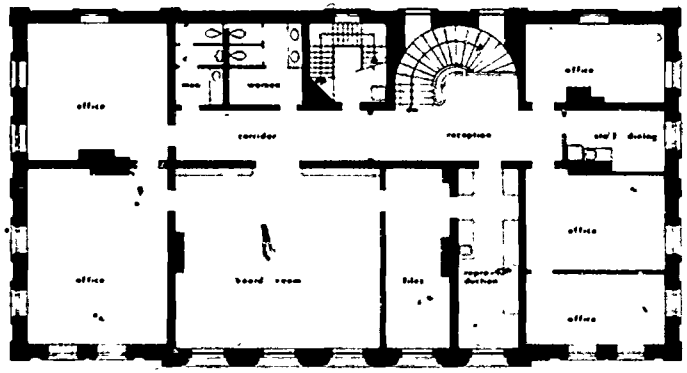
Ownership is retained by the city, and although the C of C paid for the remodeling, it isn't paying any rent. On paper, its 10-year lease costs $25,000 a year, but this amount is credited by the city against the work done in renovations. A new lease will be negotiated after th 10 years.

Central of Georgia Station



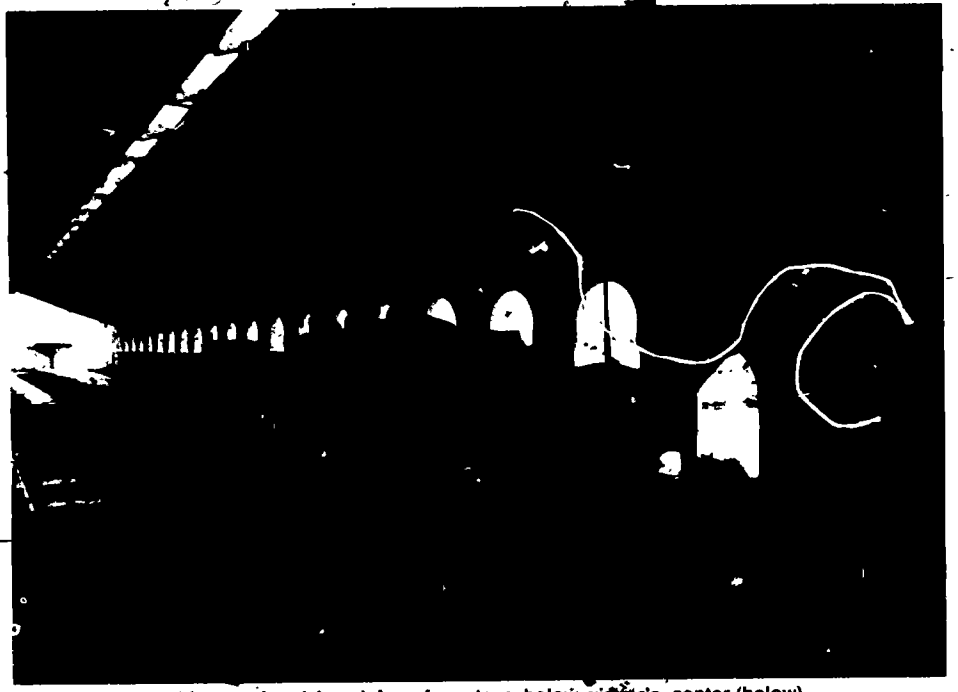


Ground floor



Upper floor

An elegant visitor's center for tourists to obtain information about Savannah is located in the former station.



Train museum behind station (above) is a few steps below visitor's center (below).

Savannah, Ga.
Central of Georgia Station

Baltimore, Md.
Mt. Royal Station

One interesting station conversion is in Baltimore where the Maryland Institute, College of Art, occupies the former Mount Royal Station. Details of this project were recorded in EFL's first railroad station book, but at the Indianapolis conference the college's president, Eugene W. Leake, told of some of the "humorous" problems he has experienced with the conserved building.

Leake said that since the school took occupancy, in 1966, the main threat has been from planners, particularly transportation planners. "For instance, after we had been in the station two or three years, I noticed in a newspaper that there was to be a meeting in Baltimore on the extension of the east-west expressway. The article included a map that showed the extension would pass right through the Mount Royal Station building. So I rushed down to the traffic bureau and started the bureaucratic wheels churning again. It took an awful lot of talking to convince the traffic designers that it's not logical to put an expressway within 50 feet of the main tower of the Maryland Institute.

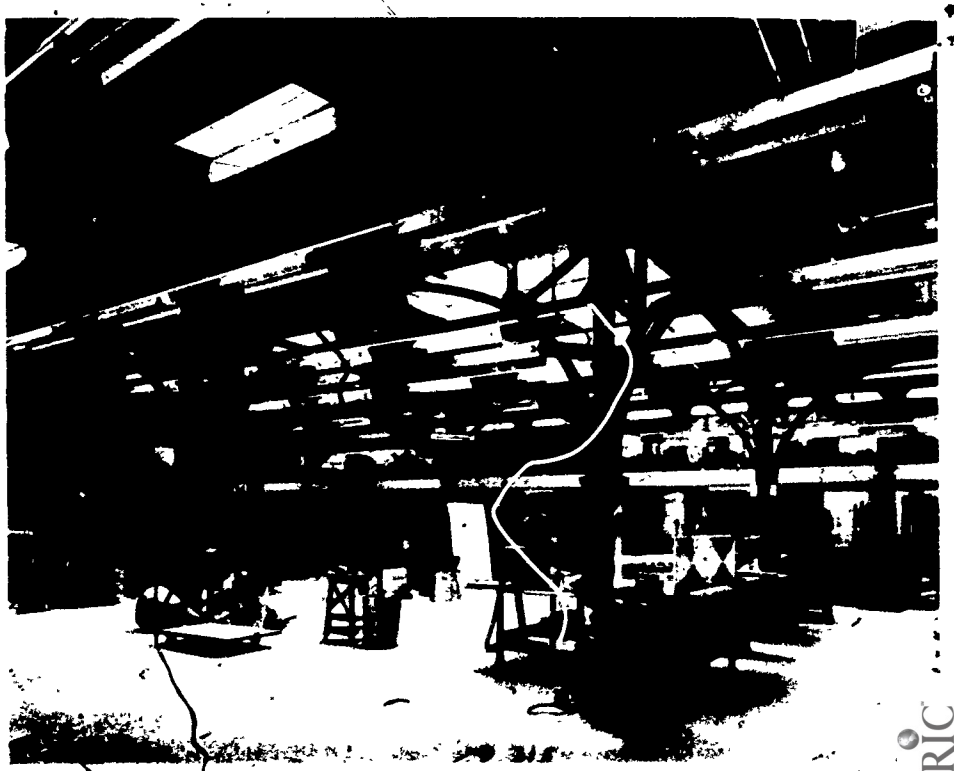
"Fortunately that proposal died, but it was a battle. And unfortunately, it's an idea that keeps popping up all the time. Somebody somewhere says this is the logical place to put a transit route, and because we are a nonprofit organization without any economic clout, we're an easy prey to the planning establishment who always insist it's cheaper to go through our property than go somewhere else.

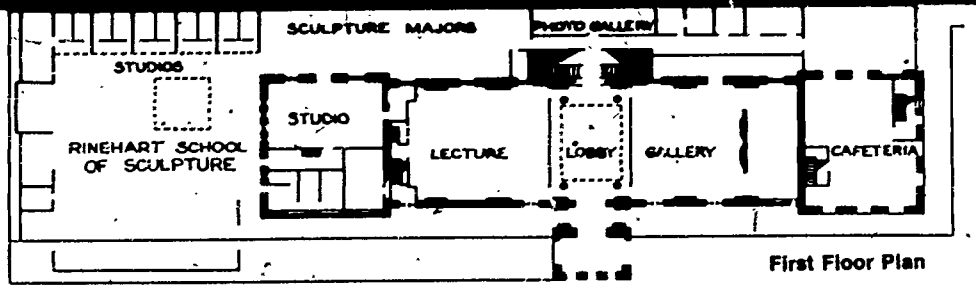
"Not too long ago, I had a call from the Rapid Transit Authority, and I knew instinctively what they wanted. Representatives came to see us, and we listened very politely while they described phase two of Baltimore's rapid transit plan, which included, obviously, a stop at the Mount Royal Station. So I said, 'If this station was owned by the Chase National Bank, would you have asked to use the facility as a public transit stop without suggesting that you would pay quite a lot of money? If they had been talking about $10 million, I might have moved, but they just wanted to use it because it was a nice, convenient right of way and the stop already had various amenities, such as steps and parking.

"I must say they were gracious enough to be embarrassed and said that under no conditions would they follow through, and that they certainly wouldn't threaten us with eminent domain. However, I discovered later that the idea had come from the planning department — the very people we'd worked with a few years ago in the development of the college. They seemed to have forgotten we were in the station.

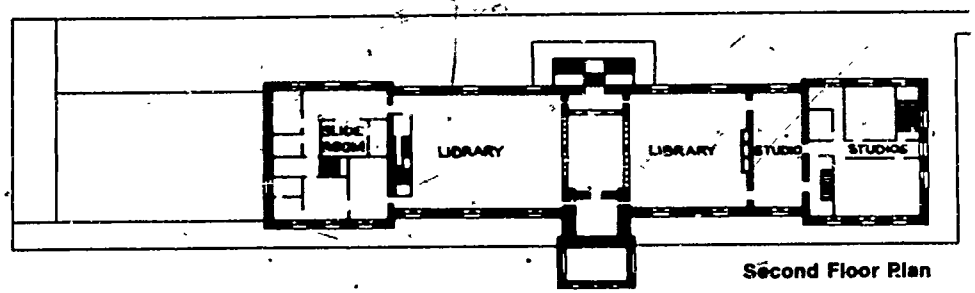
"I think that eventually rapid transit will come. And I'm certain that the freight trains are going to continue to run next door to us. Right now there are about 12 trains a day. But when we adapted the station we had acoustical and vibration tests made and found that the roadbed and the station are so structurally sound that there's almost no vibration and surprisingly little noise. I suppose rapid transit might add some noise, but I think we can live with it.

"Trains cause another little problem: pollution. Adjacent to our station is a tunnel in which smoke builds up — even from electric and diesel trains — and then it all billows out right on our spot. Fortunately,

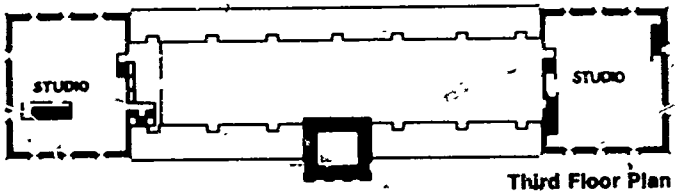




First Floor Plan



Second Floor Plan



Third Floor Plan

0 20 40 60 FT.

we airconditioned the building; otherwise our 30,000-book library would have long since been eaten up by acid. We're still discussing ways to get rid of the pollution and I think maybe the rapid transit people, without actually planning it, will solve our problem. If we don't let the rapid transit trains stop at our platform, they may build a station further down the tunnel and have a sort of a shaft to exhaust the fumes.

"Another problem — unique to the reuse of stations — is when you buy a station you almost always also get a large shed. Our train shed is a nearly 800-ft-long steel construction. It was built in 1896, it has incredible historic interest, and it's an integral part of the site design. Although the school raised a million dollars very quickly to buy the station, we weren't able to raise enough money to restore the shed. Everybody mistakenly thinks of the station as being a unit in itself, and the shed covering the freight trains doesn't seem too important. So, I had a model made showing what the station would look like without the shed, and, of course, it's utter disaster.

"I'm a romanticist, and I know the students are, and the art school without the shed would lose its light, its vitality, and a great deal of its atmosphere. We also use part of the shed as an outdoor sculpture area, giving us almost 600 feet of space for welding and carving facilities, including a foundry. Unfortunately, the shed is deteriorating fast, and we can't afford more than $5,000 a year to maintain it. We estimate that repairs would cost $80,000, but it would be disastrous for us to tear down the shed or have it fall down."

Hartford, Conn.
Union Station

The current use of Hartford's Union Station is also the same as reported in our first railroad station book, but its future prospects are now quite different. Although the station has been in private hands and modernized for about 10 years, it has never reached its full potential, and large parts of it have remained empty.

Now The Knox Foundation, a local nonprofit organization, plans to lease the whole station from its private owner and develop the space into retail stores, restaurants, and offices. To do this, the foundation will have to relocate the three existing tenants, but Amtrak will remain, using part of the station for its meager train service.

A foundation attempting to develop a profit-making enterprise sounds contradictory, but the proposed venture complies with the regulations governing the activities of nonprofit organizations. Such organizations are permitted to encourage commercial activities benefiting central city areas that would otherwise suffer urban blight. The Knox Foundation is emboldened to develop the station because its location, Union Place, has recently changed character, and stores and a restaurant are succeeding in a previously nondescript, fallow neighborhood.

No contracts had been drawn at the time of writing, but Knox and the station owner had an understanding that the foundation will lease the station at whatever price is necessary to get the venture started. This could mean $1.00 a year, but, in addition, the owner may receive income from the commercial and retail tenants based on a percentage of their income.

Duluth, Minn.
Union Depot

It's no small feat to parlay $25 into $2.5 million, especially when the transaction is started by four persons who previously hadn't managed anything bigger than their own personal finances. But it happened in Duluth, Minn., where the former railroad station now flourishes as a center for several cultural activities with a new theater being built alongside it.

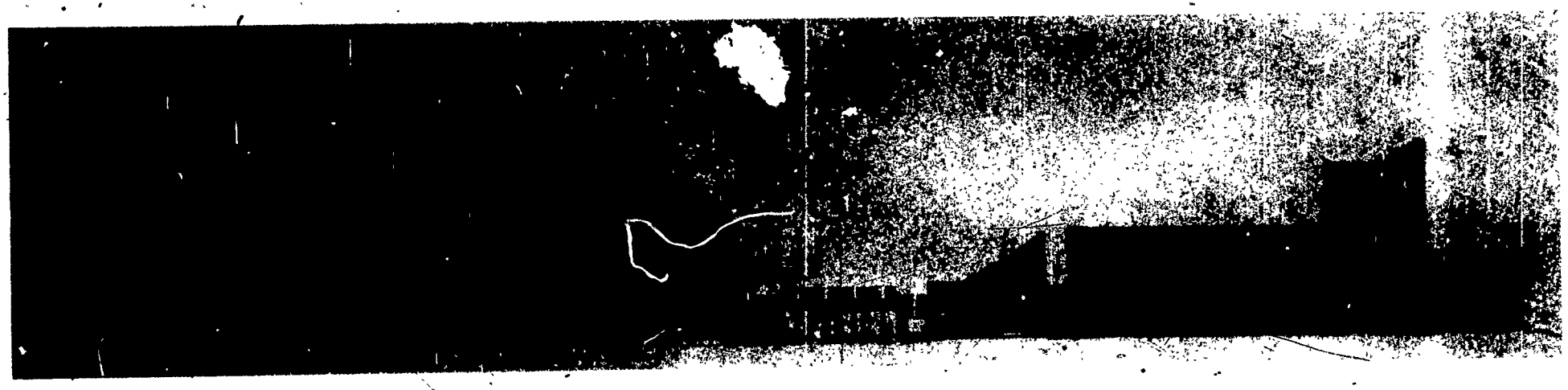
The renaissance of the station into a cultural center has had a far-reaching effect on Duluth because several city blocks around the station are now "coming up." The urban renewal area includes completed or planned hotels, apartments, plazas, an arena, a library, a broadcast center, and a marina.

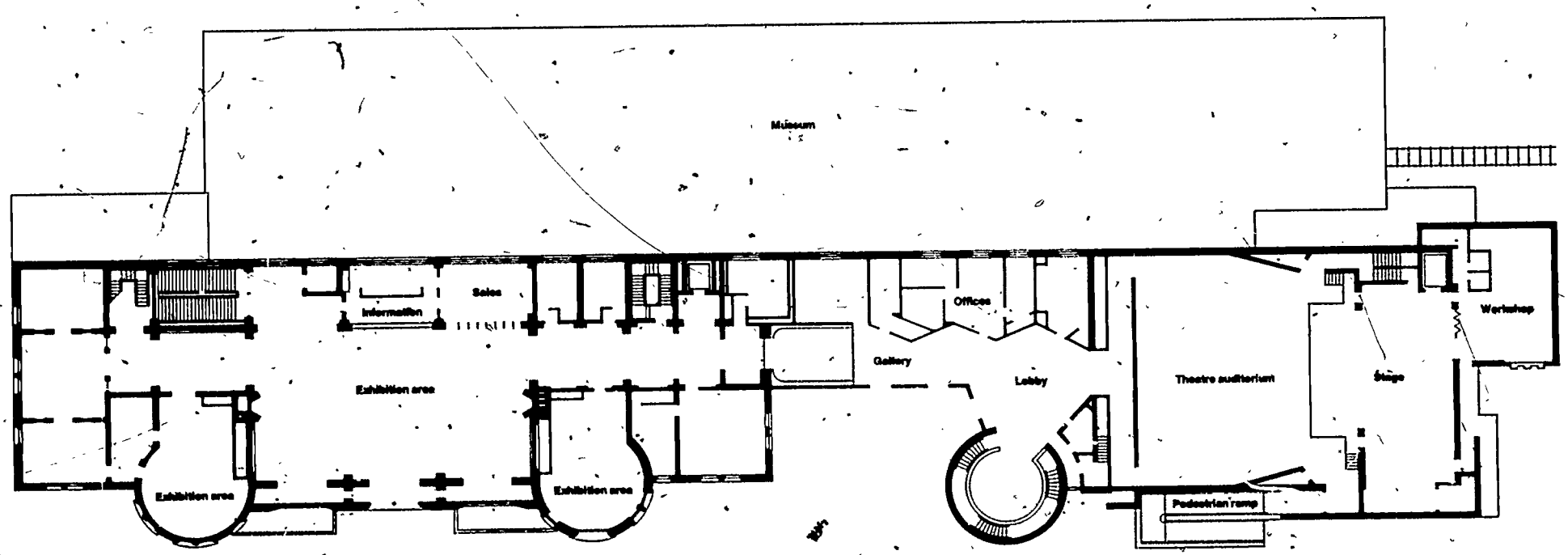
The physical details of the Duluth project were sketched in our first book. Here we deal with the organizational process. Because the success of the project depended upon a volunteer force that grew in size as the project gained momentum, we have outlined the main events so that anyone contemplating a similar venture can see what was involved. This summary was made for EFL by Shirley Bergum, executive secretary of the St. Louis County Heritage and Arts Center.

Preliminaries
April, 1965 to March, 1966

Determined needs, using volunteers:

- Investigated what uses or organizations could be successfully combined.
- Asked orga[redacted]s for permission to include them in the study.
- Determined how much space would be needed by each organiza-





Restored Duluth Union Depot (left half) houses arts and cultural groups. Construction has started on the Performing Arts Building (right half).

tion, and the specialized requirements for each: light, offices, display areas, seating for lecture rooms and auditoriums, projection areas, etc.

March to November, 1966

Contracted for a feasibility study, paid for by the Junior League of Duluth and the Minnesota State Arts Council on a matching basis.

October, 1966

Organized a volunteer civic committee to take over the completed study (the Interim Cultural Center Committee). It consisted of 16 people who represented the four organizations we were working with at that time (the St. Louis County Historical Society, the A.M. Chisholm Museum, the Duluth Art Institute, and the Duluth Playhouse), the Junior League, plus six "at-large" civic leaders. Later, this committee grew to 35, mostly from requests to serve on it.

May, 1967 to February, 1968

Site Committee established to determine which of two stations (Soo Line Depot and Union Depot) would be best for the purpose. Selected Union Depot and succeeded in getting it on the National Historic Register.

Continuing Preliminaries

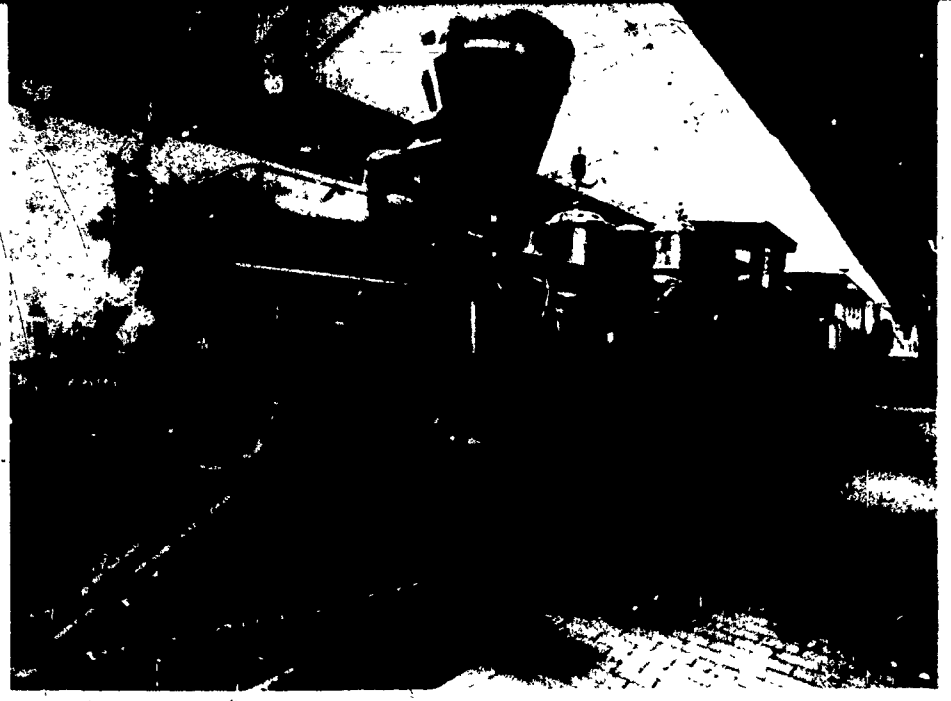
- Negotiated option on property.
- Attorney and real estate broker joined committee.
- All costs carried by individuals on the board.
- Incorporated (as Area Cultural Center Corporation) to allow Center organization to accept the option.
- Volunteer attorney helped with the articles of incorporation.
- Corporate board started with nine members and grew to the present 54.
- Requested and received letters of intent from the involved organizations.
- Contracted with local architect to do preliminary mechanical and engineering study on the building. Funds for the study were raised in small amounts ($10) so no one contacted would later feel he had already "given" to the Center. No commitment for further work on the project was given to the architect at this time.
- Asked County of St. Louis to accept ownership. County rather than city was selected for wider scope and area concept.

Evaluation of Project

- Questionnaires sent to area organizations.
- Two board members traveled to four similar centers in cities of comparable size (Waterloo, Iowa; Peoria, Ill.; Rochester, Minn.; and Binghamton, N.Y.) and then to St. Paul, Minn., interviewing directors, educators, and "just people.
- Questionnaires mailed to other centers.

Final Planning Stage

- Signed option — $137,500 for 130,400 sq ft of land, including 48,000 sq ft in depot.
- Formed building committee with a volunteer chairman who had an architectural, engineering, and city planning background. Each participating organization was represented on committee.
- Set up temporary office and hired Shirley Bergum as project coordinator.
- Drafted bylaws and policy. The work was done by a volunteer at-



Museum of Transportation and Industry in train shed behind arts center.

torney, a representative of each organization, and the two board members who had toured other centers.
- Contracted with a consultant, Marlow Burt, director of the St. Paul Center.
- Held public meeting and tours at the depot.

Action

- Finalized bylaws.
- Requested and received letters from each organization formally asking to be a participating member of the Cultural Center.
- Advertised for an architect.
- Started fund raising.
- A volunteer finance committee was established, including a specialist in foundation grants (the associate provost of University of Minnesota, Duluth), a specialist in federal grants (the manager of a local TV and radio station who had helped with the Industrial Park and airport projects), businessmen who had corporate contacts, and civic leaders.
- The Executive Committee started work on an operating budget. With the assistance of an Operating Committee (all local people involved in property management, chaired by the manager of Duluth's Arena-Auditorium complex) they explored aid available for building maintenance.

May, 1973

- Set up an office at the depot and hired full-time director and secretary.

March, 1974

- Changed name to St. Louis County Heritage and Arts Center to reflect the county ownership of the facility.
- Drew up management agreement with the county to assure that the Center Board would indeed manage the Center's affairs.

Construction

Finalized building plans, which were divided into three stages:

- Railroad and Transportation Museum (given priority because a $350,000 grant was received from the National Economic Development Authority which had to cover 80% of that phase).
- Depot renovation.
- Construction of a performing arts building, plus a link between that and the depot, and completion of art rooms in the depot under the link.
- Continued fund raising for depot renovation.
- Historic Preservation grant from HUD — $201,250.
- Two grants from Upper Great Lakes Regional Commission — $100,000 each, supplementary to HUD grant.
- Foundation, corporate, and individual contacts and applications continued.

March to December, 1973

Railroad and Transportation Museum construction.
- Volunteer committee of 200, which had been set up for railroad museum work, worked on a model train display depicting railroading in Minnesota. They also leveled tracks and worked on renovation and repair of antique railroad equipment donated to the museum.

June, 1974

- Museum opened to public.

November, 1973
Depot renovation.

- Center advertised for bids.
- On four Saturdays, members of the involved organizations' Boards of Directors, spouses, and college students turned out with wrecking bars and hammers to tear down partitions and the false ceiling. The National Guard supplied trucks and drivers to haul away debris.

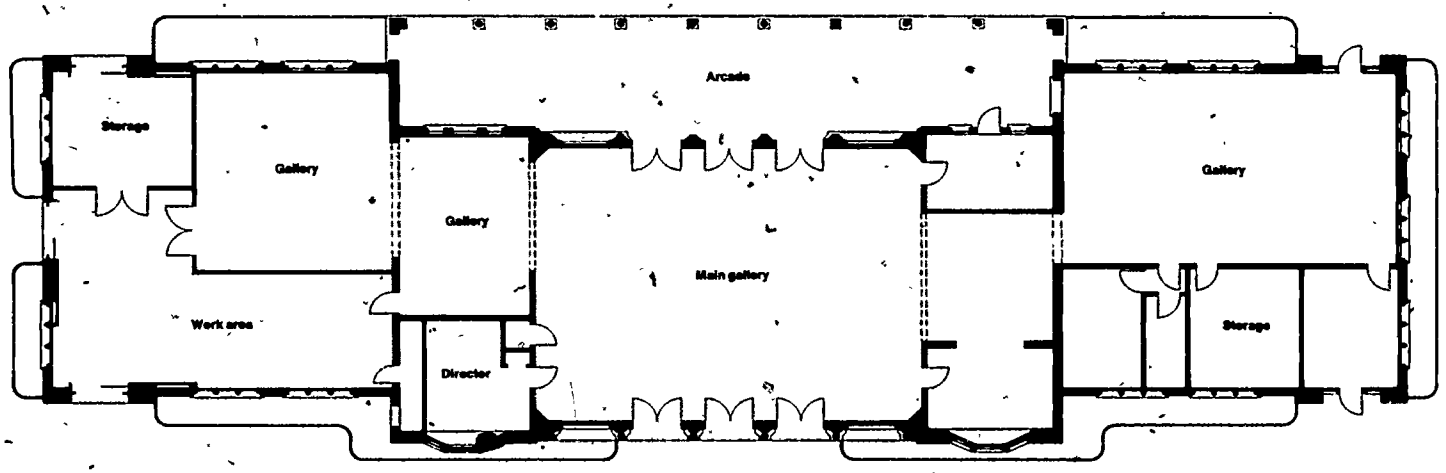
January, 1975

- Renovation completed.

January, 1974
Performing Arts Building and Link
- An architect was commissioned to complete plans and specifications.

July, 1975

- Called for construction bids.



Yuma, Arizona
Southern Pacific Railroad Depot

The Yuma Fine Arts Association (YFAA) converted the Yuma Southern Pacific Railroad Depot into a visual and performing (out of doors) arts center. The building was donated to the YFAA, and the renovation was done with $110,000 in pledges, a couple of grants, and uncounted hours of free services from architects, engineers, contractors, and citizens who pitched in with their hands.

Transportation Centers

With so many bright ideas buzzing around for things to do with old railroad stations, it is easy to forget that they might still usefully accommodate passengers making train journeys. Such an oversight seemed to happen in the nation's capital where Union Station was still serving Amtrak's trains.

But the Department of the Interior developed plans to convert it to a visitors' center for the bicentennial celebration, and to build a combined rail, subway, and bus station next door. Apparently the scheduling was poor, and the old rail facilities were closed long before new ones could be built. Amtrak sued the railroads that own the station; the banks financing the project held back their money; and the construction work stopped. Congress attempted to inject more funds, but legal hassles kept the job closed for several months. Work resumed in December, 1974, and the target for completion is July, 1976.

The whole affair stems, say some critics, from attempts to recycle a building that really didn't need it. The train schedules were increasing enough for the building to continue its original role, so it only needed cleaning up and a few more tenants. Unfortunately, so much demolition had been done inside the great hall before work stopped that now it is not economically sensible to return the building to its original condition.

However, various groups and agencies seem to have learned some lessons from Washington, D.C.'s plans that went awry. Countless cities are combining (or planning to combine) continuing passenger rail service with recycling of only those sections of the stations that are truly underused.

Partly responsible for this progress is a change in federal edicts that now permit funds assigned to interstate highways in urban areas to be applied to other kinds of transportation, including rail projects. The largest reallocation of this sort occurred in Massachusetts where $670 million was shifted from freeway construction to improving Boston's rail system.

The federal Amtrak Improvement Act of 1974 gave the art of conserving railroad stations a good boost. One section enables the Secretary of Transportation to provide financial and technical assistance to a demonstration program of intermodal terminals. Under this program at least three large railroad stations will be converted into intermodal transportation centers. The Rail Passenger Services Act defines intermodal transportation as including motorbus, mass transit (rail or rubber tire), airline ticket offices and passenger terminal providing transportation to airports.

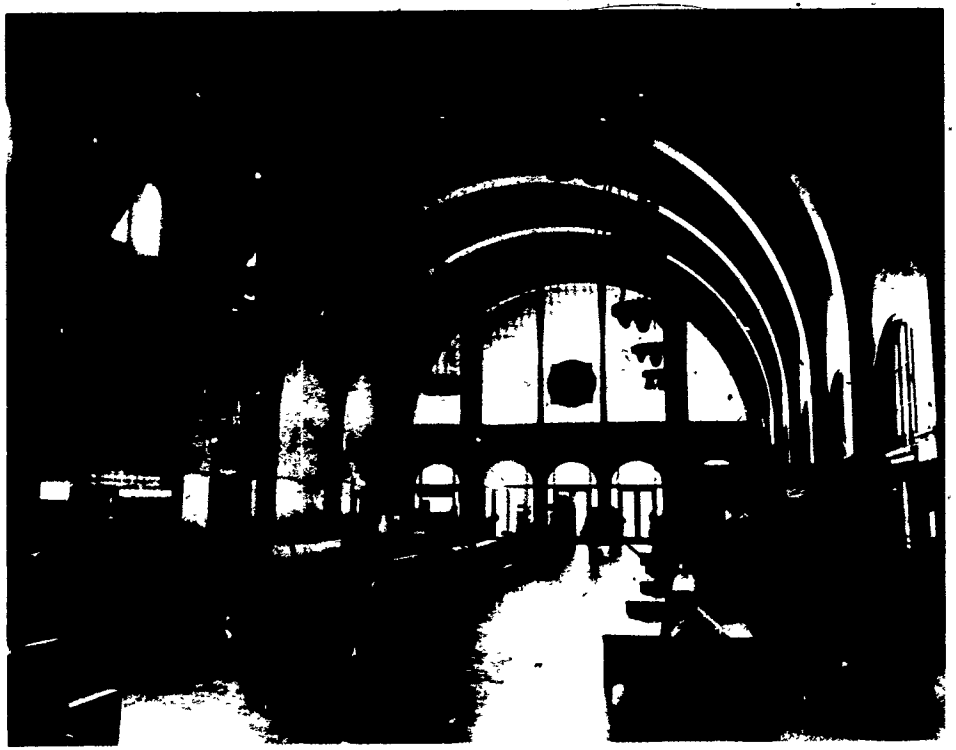
In addition, the federal government can use funds and technical aid for keeping alive terminals which seem to have a good chance of being converted to another use later. Assistance can also be given to state and local governments or other groups to stimulate the development of plans for converting terminals to intermodal centers and places for civic or cultural activities. This aid to railroad stations is administered by the Federal Railroad Administration (FRA). Criteria for receiving financial assistance include the requirement that the terminal be on the National Register of Historic Places and that its architectural integrity must not be compromised by the proposed conversion. To help the Department of Transportation decide which terminals are good candidates, the Secretary can call on the Advisory Council on Historic Preservation or the National Endowment for the Arts. Both are federal agencies.

A limit is set on the federal share of a terminal conversion: not more than 60% of the total cost of conversion can be paid under the provisions of the Amtrak Improvement Act. In October, 1974, Congress authorized a $534.3 million appropriation for assistance under the act.

John T. Hirten, deputy administrator of the Urban Mass Transportation Administration (UMTA), says that his administration disbursed $875 million in fiscal 1974 for urban transportation capital improvement programs. (These funds have nothing to do with the Amtrak appropriations.) This included a commitment of $1.5 million to acquire and redevelop the Santa Fe terminal in San Diego as an intermodal transportation center, and about $5 million to the Union Station in Washington, D.C.

Hirten believes the intermodal concept will be the salvation of many railroad stations since it is easier to incorporate road transportation into a railroad station than to move the tracks to another location. He says, "The type of help that UMTA can offer would enable the developers of a city station to include in the project a bus interchange or a light rail connection to an airport.

"San Diego is a good example for the sort of situation where UMTA can provide help. The depot was completed in 1915 in the Spanish colonial revival style. Once a busy rail center, it now serves only three daily trains to Los Angeles. Obviously there appeared to be many good reasons to discard the build



ing and the train service, and many people tried.

"Fortunately, city planners and private developers concluded that the station could be a major resource in the future revitalization of the city's transportation services. Even the Los Angeles to San Diego trains can be made more attractive because travel time can be substantially reduced by improvements to the roadbed and new equipment.

"Proposals for the station center around use as a bus terminal — for city transit minibuses, which will circulate throughout the downtown area, and for Greyhound, Trailways and Mexicoach — plus Amtrak facilities. The city hopes that the airlines will also establish ticketing and baggage facilities at the terminal in conjunction with express bus service to the airport.

"When renovations are complete, the terminal will help to relieve congestion in the downtown area and reduce travelers' confusion since it will be a central meeting place for bus, rail, and air travel. Estimated cost of the project is $5.5 million, including site acquisition and refurbishment of the structure. Funds are expected to come from several sources, including the city and some private developers, who will establish a restaurant and other commercial facilities at the site. UMTA is contributing, and Amtrak has agreed to pay a fair market rental for ticketing and passenger-waiting space."

Seattle, Wash.
Union Station

Seattle's Union Station is a sturdy, unspectacular building standing empty on the edge of the central business district. But if the city's plans are realized it will be revived as both a train station and a commuter bus terminal. By combining rail and bus and an unspecified rapid transit system, the station will qualify for federal funds for intermodal transportation; indeed, it could be one of the three demonstration projects for the UMTA program.

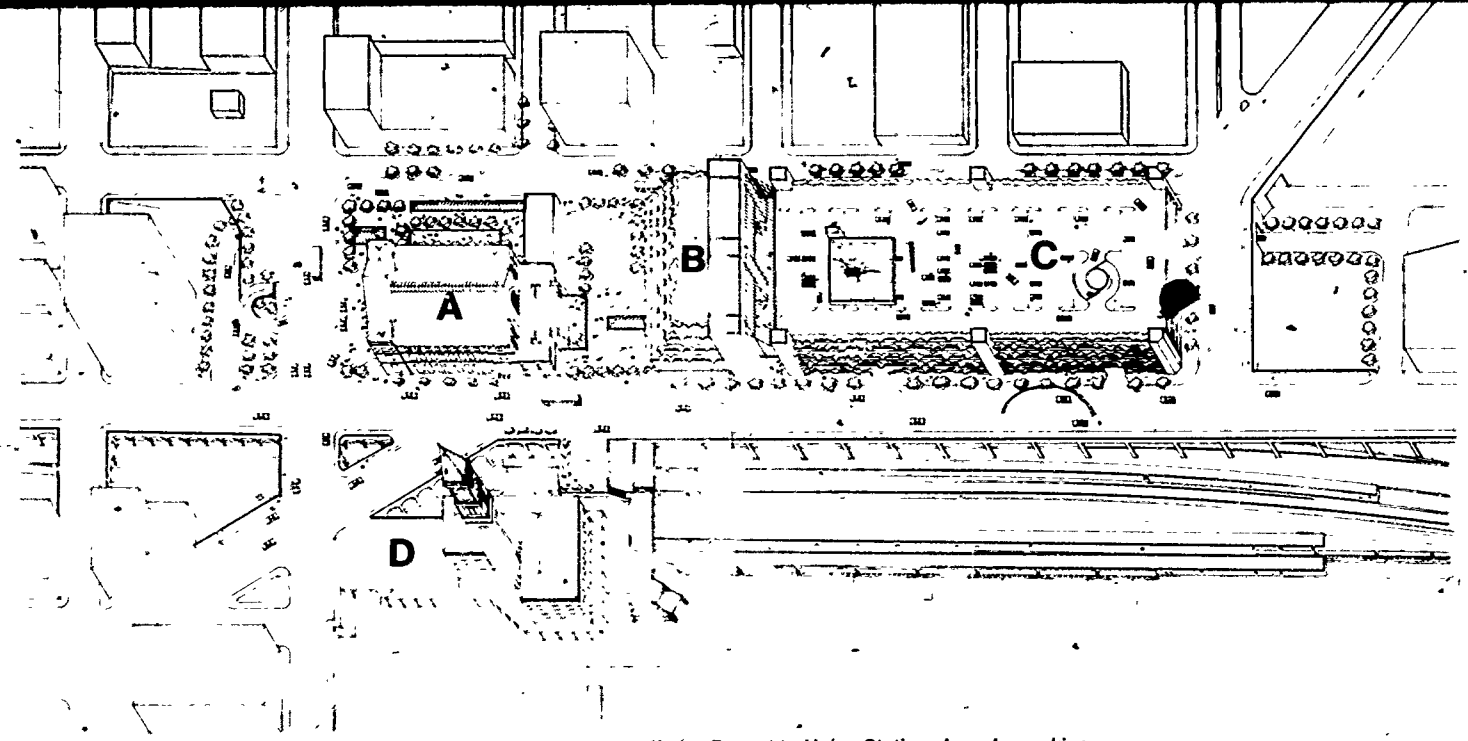
At the end of 1974, the agency administering the station project, the Port of Seattle, retained an architectural firm to develop a plan for the terminal. Significantly, the first task for the firm was to work on the necessary grant applications (about $50,000 of the fee is assigned to this first step).

Although Union Station is now empty, train service is provided by Amtrak to an adjacent station, King Street that is owned by a different railroad company. Tracks from King Street station pass underneath the city, but Union Station has no underground tracks. The intention of the planners is to maintain service on the underground tracks but create passenger access from the Union Station terminal to the King Street tracks. The existing aboveground Union Station tracks will be removed to make space for a surface transportation center.

Seattle has a unique city bus service for a major city — all rides within the central section are free. Since Union Station is just inside this zone, when its bus facility is completed commuters will be able to ride on to work free. The station is also only a five-minute walk from an enclosed football stadium now under construction. So the combination of local transit service with the rail service the station can offer makes particularly good sense for this city.

Location, as anyone who has tried to sell a house knows, is one major criterion for making real property valuable. Union Station is much better placed than most other big city terminals. It not only lies between the downtown district and the new stadium, it is also adjacent to the International District (formerly Chinatown) and the revitalized Pioneer Square neighborhood, which is creating a sophisticated shopping, eating and sauntering area amidst cheap hotels and bars in a section of town unvisited by the middle class in decades. If Union Station is refurbished as a transportation center, it will complement the work done in Pioneer Square and demonstrate that old buildings can be conserved by putting them to work for the benefit of the public through public agencies.

The Port of Seattle didn't start the movement to reuse the Union Station but joined in after another government agency had initiated a feasibility study on converting the terminal into an administrative headquarters and a museum. The offices would have been for the Municipality of Metropolitan Seattle (Metro) which has authority over the area's commuter bus services. It is Metro's business to have a well integrated transportation system, but its charter does not permit the agency to own a facility and lease space to commercial carriers. The Port, however, is empowered to build, own and operate transportation terminals (it owns the Seattle-Tacoma Airport) and thus would be the a



One of the development plans for Seattle includes new government offices, B, next to Union Station, A, and a parking garage, C. Trains would use tracks into King Street Station, D.

propriate authority to buy Union Station.

Early in 1975, the cost of the real property had not been settled between the Union Pacific Company and the Port of Seattle. When it is negotiated, the Port expects to finance purchase of the terminal with a revenue bond that will be repaid with rental income from Amtrak, bus carriers, and other tenants. In addition, it expects to obtain funds from the U.S. Department of Transport.

Bus companies have stated they have no plans at present that would preclude them from taking space in Union Station, but it is too early for them to agree to leases since the costs are not known and cannot be until the purchase price is set.

Union Station

King Street Station

Cincinnati, Ohio
Union Terminal

In our first railroad station book, we listed Cincinnati Union Terminal as an endangered species. But as of the beginning of 1975, this huge masterpiece seems to have a good chance of being taken off. Plans for transforming it into an intermodal transportation center have been made, and UMTA is weighing a Capital Assistance Grant application for $11.7 million. If the grant is approved the city will contribute $2.9 million of its own funds.

Under the plan, this $14.6 million capitalization will be used to buy the station and land (for the bargain price of $1 million), refurbish the terminal's extensive basement, remodel its office spaces, and build a new bus maintenance facility on an adjacent site. The buses belong to the Southwest Ohio Regional Transit Authority (SORTA), a public agency that runs commuter bus services. SORTA will lease the station from the city, house its 400 staff members in the existing and new buildings, and rent space to commercial carriers, such as Amtrak, Greyhound and Trailways.

UMTA's mandate does not include long distance travel, so it can award funds only for those parts of a station that are to be used for local transit services. Since intermodal centers usually house both local and long distance services under the same roof, it often becomes difficult to determine UMTA's share of a project. However, this assessment does not appear to be a stumbling block in Cincinnati, according to an UMTA spokesman. At the time of writing, the problem faced by UMTA is to ascertain whether the proposed conversion will meet the requirements of other federal agencies. This is because the station is on the Historic Register, and the Advisory Council on Historic Preservation in cooperation with UMTA prescribes the limits of structural alterations, and these limits may not be generous enough for other agencies' purposes.

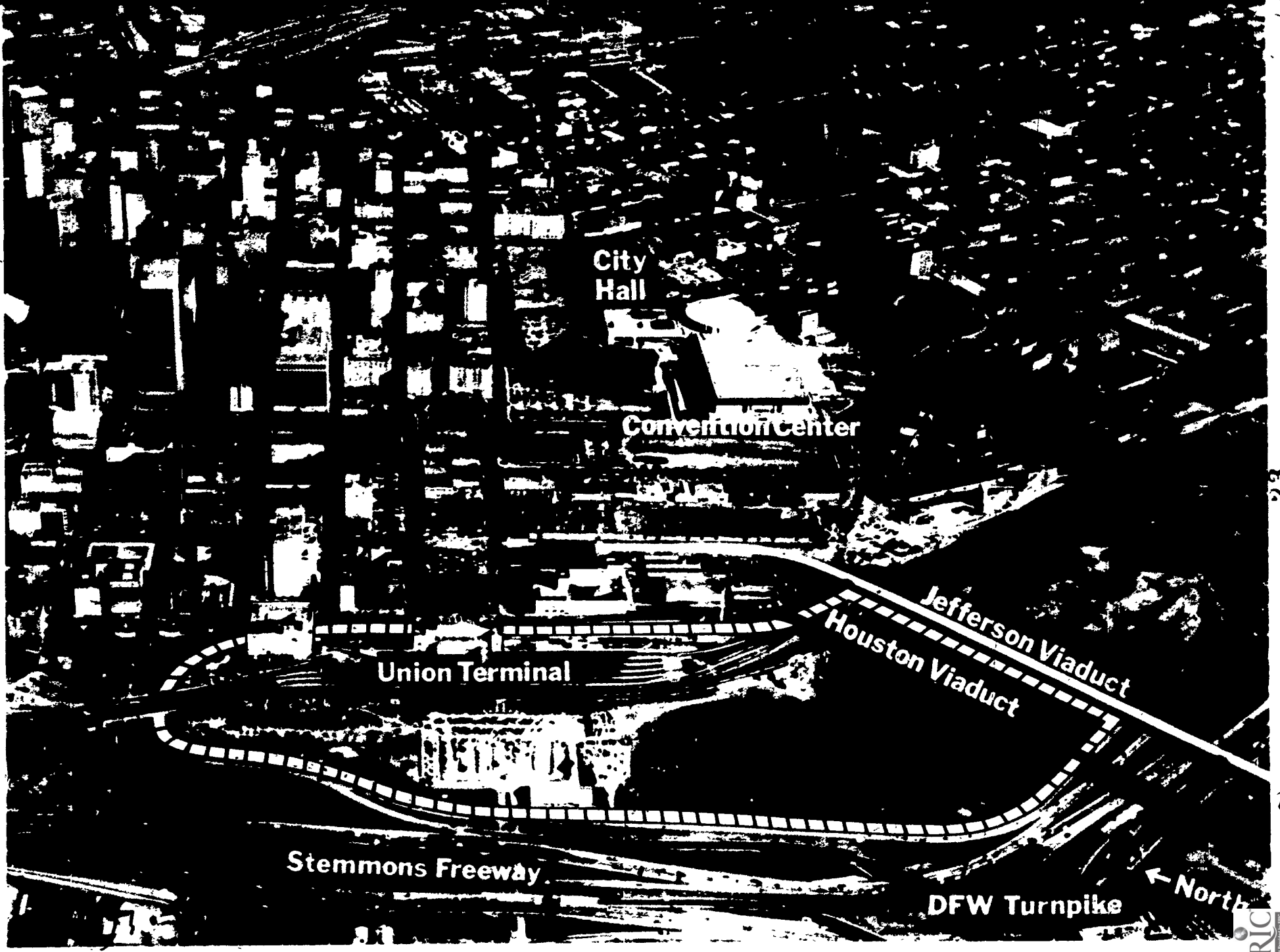
In addition to the hoped-for UMTA funds, the city has allocated to the station project $700,000 of the money it has received from the Federal Highways Administration's Urban Systems Fund. To meet FHA requirements, the city has also had to contribute $300,000 of its own.

Dallas, Texas
Union Terminal

A proposed redevelopment project in Dallas will encompass the Union Terminal, which the city bought in 1973. Plans call for the city to transform the terminal into the Dallas Transportation Center. The private corporation developing the over-all site says, "Current rail and bus service will ultimately be supplemented by additional modes of transportation such as subways, high-speed rail lines to the airport, commuter lines, and air-cushion vehicles." A truly multimodal transportation dream.

The whole 50-acre development is called Reunion. Most of the development will be private; the city will provide an activity center and a park, in addition to the transportation center. Construction has started on a hotel, and enthusiasm for several other major buildings runs high.

An important aspect of the Dallas Reunion development is the manner in which the land was assembled. The city and the developer each owned a substantial part of the total area, but the boundary lines zigged and zagged so that neither party could build in its own best interest. By mingling the properties and then dividing them, each party obtained land that it wanted. If the development does not go through, the terms of the transfer allow the former boundary lines to be restored.


City Hall
Convention Center
Jefferson Viaduct
Houston Viaduct
Union Terminal
Stemmons Freeway
DFW Turnpike
North

Commercial Developers

Los Angeles, Calif.
Union Passenger Terminal

In our previous book we placed the Los Angeles Union Passenger Terminal on the endangered species roll and noted, "There does not seem to be any great awareness about the station's future." Apparently we were wrong.

Even before we wrote that, the three railroad companies who owned the station had retained a firm of architects and planners, Daniel Mann Johnson and Mendenhall (DMJM), to tell them what might be done with their underused station.

The result is a plan for commercial reuse of the terminal, leavened with civic cultural events. Amtrak will continue to use part of the station to accommodate about 3,000 people daily (seven arrivals and seven departures).

The railroads are retaining ownership of the station, leasing it to Union Station Company, a joint venture by two large development companies, one of which is partly owned by DMJM.

The following account of the project — from the first study to current status — was provided by Robert Kite, a DMJM associate.

"The study recommended four concurrent provisions for the station. First, to restore and maintain the famed architecture, which is a classic example of early California Spanish style. Second, to provide and keep the nostalgia of the 1940s for the millions who remember the station as a landmark in Los Angeles. Third, to maintain the building as a railroad museum and exhibit area. The fourth recommendation was to provide a high quality shopping and dining center, similar to Ghiradelli Square, the converted chocolate factory on San Francisco's waterfront.

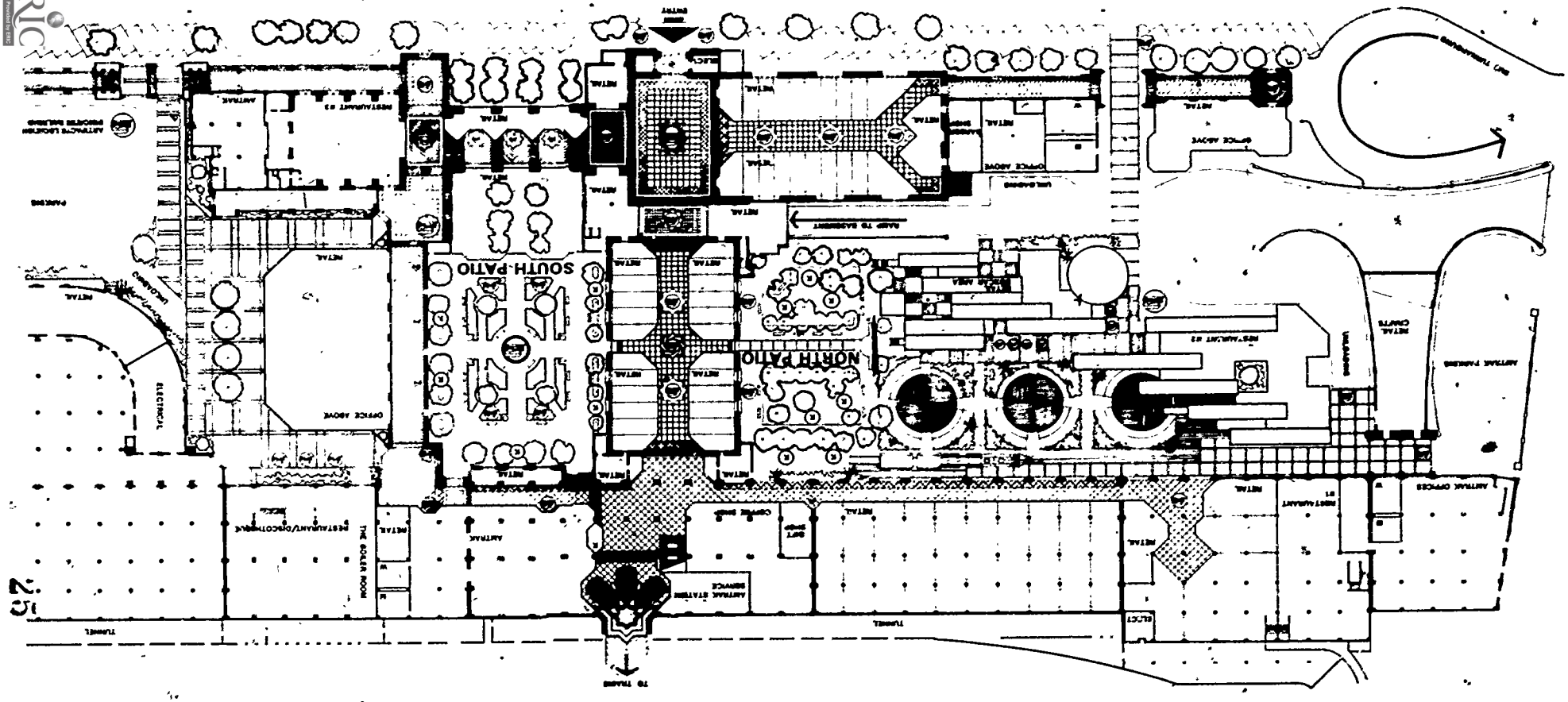
"All proposals would keep the railroad station working, but the present 15 tracks will be decreased to four. Amtrak's waiting room would be in a prominent location until it could build a new station.

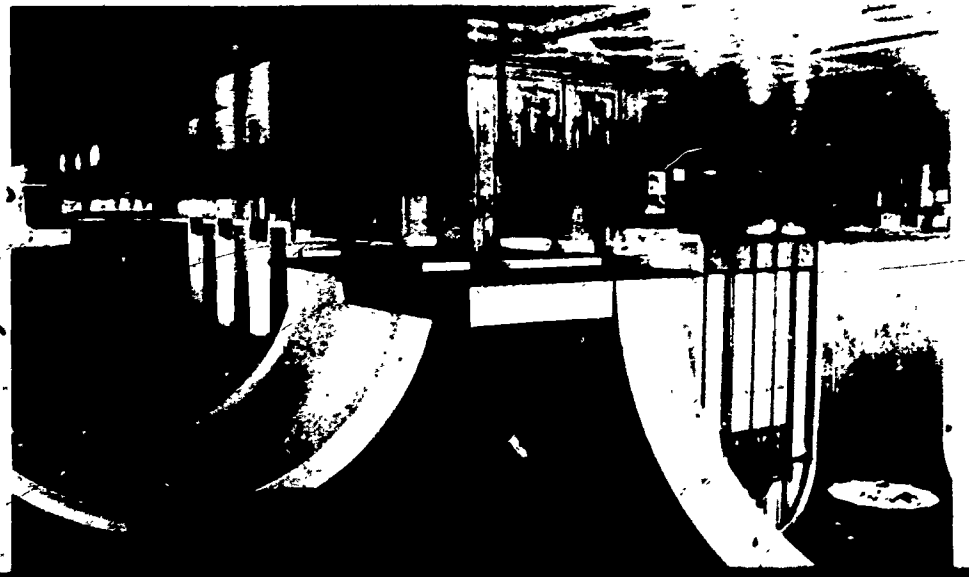
"The developers in the joint venture negotiated a 55-year lease for 11 of the terminal's 40 acres, at a minimum of $200,000 a year. About 200,000 sq ft of the building will be renovated, added on to, or in some way slightly changed to accommodate the restaurants and retail stores. About 75% of the building will be tenant space. A 700-car parking lot will be provided within the 11 acres, most of which will be landscaped exhibit areas, including two magnificent original patios that nobody would dare change.

"The station is one of the most sensitive issues in Los Angeles, a building difficult to tamper with, and this causes a lot of problems. It has been declared a National Historic Landmark and a California historical monument, so there are many changes we can't make. And we have so many people and interests to satisfy: the planning department, the fire department, the various historical societies, the owners, Amtrak, and, of course, the investors. The building department says it must be brought up to 1974 code, and that is not easy. Although the building is structurally sound, nothing else was. For instance, we would have to redo the whole of the electrical system.

"Then there are private interest groups. For example, the station is in old Chinatown, so some groups want to have a Chinese restaurant or a Chinese exhibit. A Mexican-American community is directly across the street, on Olivera Street, which is also a very famous place that gets three million visitors a year because Los Angeles was founded there. Those people also have their particular needs and recommendations for the project.

"Probably the most important economic aspect of this whole project is its good location. It's in the heart of downtown Los Angeles, adjacent to the historic El Pueblo de Los Angeles, Little Tokyo, the civic center, the convention center, and the financial center. The station itself can be a giant tourist attraction and is expected to pull in about three million people the first year, probably twice that number eventually. Amtrak hopes to double its number of passengers because of the exposure the reused station will get, and vice versa."


SOUTH PATIO
NORTH PATIO
RESTAURANT/DISCOTHEQUE
THE ROGER ROOM
OFFICE ABOVE
ELECTRICAL
TUNNEL
TO TRAINS

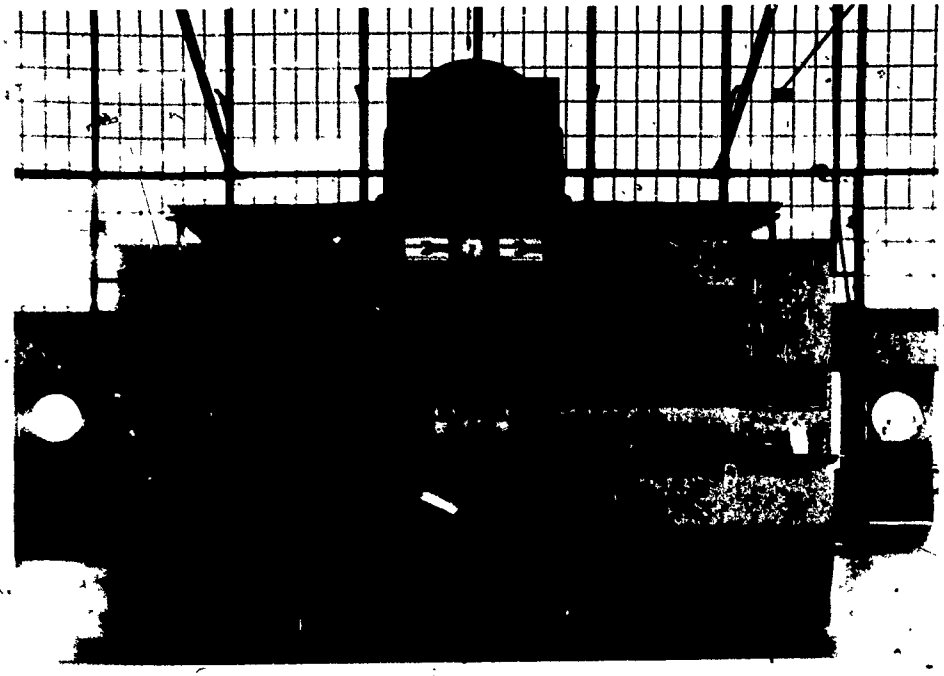


St. Louis, Mo.
Union Station

Last year EEL wrote, "Recent plans for the St. Louis Union Station suggest the possibility of mixed-use development with private funds. But the vigor of the downtown community is low, and considerable promotion will be necessary to make this solution practical."

Not much has changed. A Florida promoter bought the station in July, 1974, in the name of Union Center Venture, commissioned a feasibility study, and published a report. This report tells about the corporation's aspirations to create luxury housing, hotels, retail spaces, offices, and recreation facilities on the site. The plan is carefully described as a concept, not a master plan, and its purpose is to persuade investors of the viability of the St. Louis downtown area.

But optimism about investments in inner cities has declined nationally, and there doesn't seem to be much hope for rebuilding the area around Union Station. However, Amtrak will continue to use part of the station for its service, and the terminal is designated as a National Historic Landmark and a St. Louis landmark so the building will probably at least escape demolition.



Orlando, Fla.
The Orlando RR Depot

The Orlando, Fla., station is presently slated for interesting commercial redevelopment. If all had gone well, it would also have continued to serve the public as a passenger terminal. Plans had called for the introduction of turbo train service between Orlando and Miami, 269 miles away.

Unfortunately the estimated deficit of $900,000 a year for the turbo trains was more than Amtrak and the state department of transportation could swallow, so the project was shelved. (Conventional trains would probably not have sufficient appeal to attract passengers, and they are not under serious consideration.)

But all is not lost. The 1885 station is protected by the city's historic site designation. It has been leased with an option to purchase by a private developer who has also leased two adjacent blocks, where he proposes to make an entertainment, shopping, and restaurant complex to attract tourists.

New London, Conn.
Union Station

In its heyday Union Station, in New London, Conn., was an important transportation connection between rail and boat ferries that docked alongside, but it now suffers from the general decline in passenger service. It isn't an architectural gem, but it was designed by the eminent Victorian architect, Henry Hobson Richardson.

This pedigree spurred national protest when the city condemned the station in order to make way for an urban renewal program. Fortunately demolition was postponed because of this public arousal and because of persuasion from the U. S. Department of Housing and Urban Development, which saw the possibilities of reusing the station for commercial purposes combined with passenger train services.

The first major action to reuse the building came in late 1972 when some New Londoners privately invited Anderson Notter Associates, a Boston architectural firm, to explore adaptive uses of the building, make cost estimates, and find out what public funds might be available.

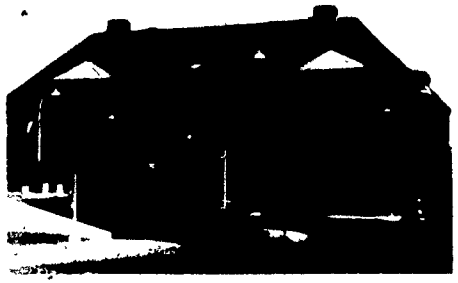
The consultants encouraged a dozen professional people in New London to establish a nonprofit organization — The Union Station Trust, Inc. The results of the feasibility study indicated that there was a good potential market for a restaurant in the building; it also suggested retaining the rail service. Since the Trust did not want to develop the station itself, the members persuaded their architects to take on the role. The firm, with some other partners, created Union Station Associates of New London, which was accepted as the developer by the city's redevelopment agency. The agency agreed to postpone demolition until the developer could raise the necessary funds to rebuild the station according to the plans it had filed.

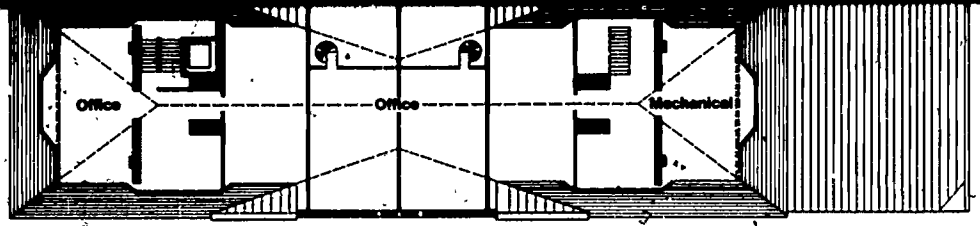
When Union Station Associates completes a mortgage it is now negotiating, it will take title to the building for a purchase price of $11,400. It's an insignificant sum for a building of that size and actually represents the value of the condemned land beneath it. But big money will be needed for the remodeling, which is estimated at $750,000. This estimate is not expected to escalate, says the developer, because the construction work will be done by a contractor who is on the team. (This contractor previously worked with the architect on the highly successful remodeling of Boston's former city hall into a restaurant and commercial space.)

The New London plans call for remodeling the station's waiting room into a restaurant; talks are now in progress with a prospective leasee. Another income source will be Amtrak, which will take a 20-year lease for passenger facilities in the station.

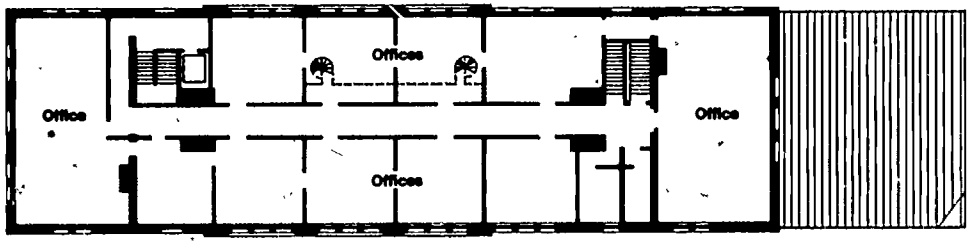
There will also be space for exhibits related to transportation; this will be operated by the nonprofit Union Station Trust, Inc.

The trust has already been active in fundraising for the station project. It obtained small grants from the National Trust for Historic Preservation for a marketing study, and a low-interest loan from the same source for start-up financing; it has also applied to private foundations for grants. The Department of the Interior's Historic Preservation program gave $6,100 through the Connecticut Historic Commission to assist in the purchase of the building. The largest award of funds so far was made by the New London Urban Renewal Agency directly to the developer — $90,000 for exterior restoration.

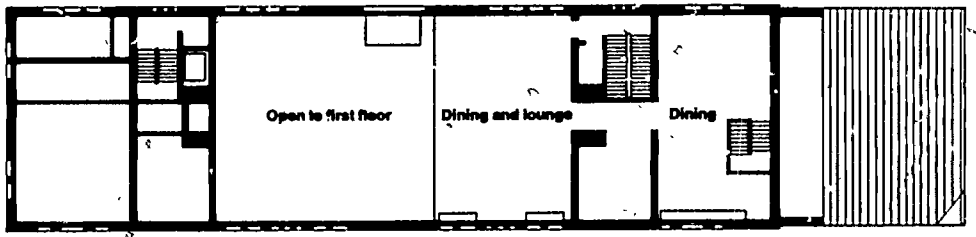




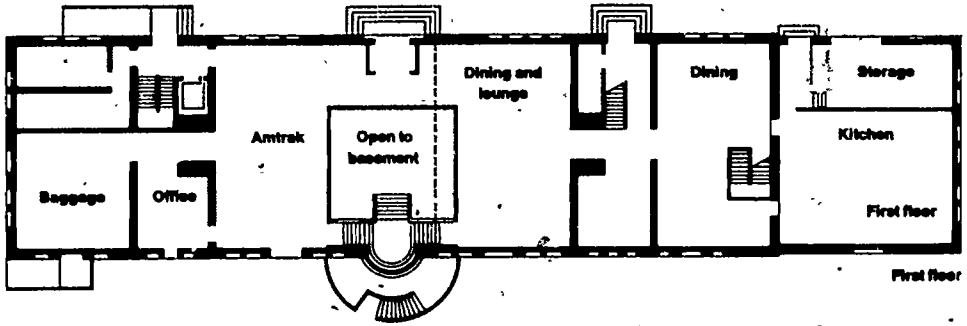
Second floor mezzanine



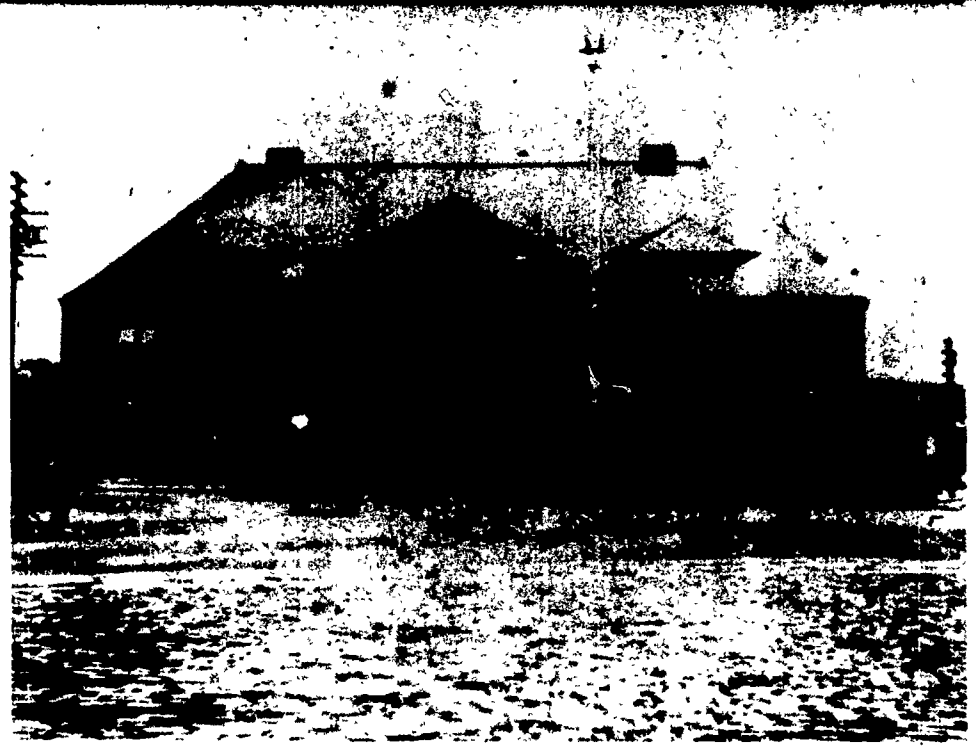
Second floor



First floor mezzanine



First floor



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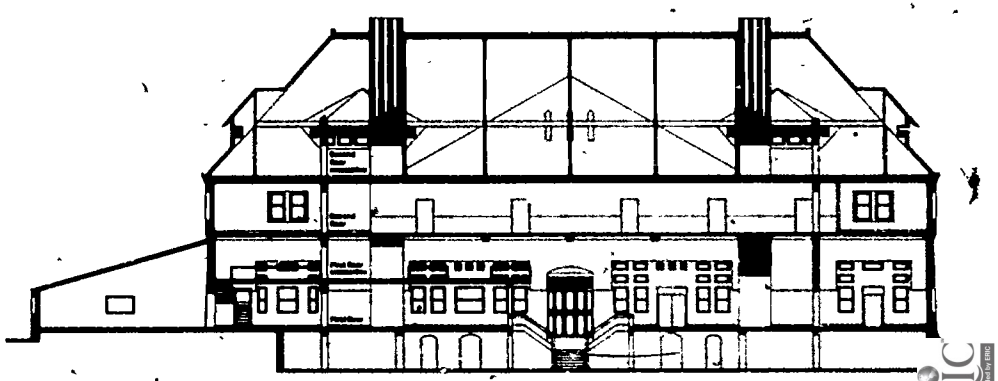


Principles of Successful Project Development

At first blush, there is no apparent similarity between a commercial real estate developer and a historical society. But any nonprofit organization that acquires, converts, and operates a former railroad station (or any other old, worthwhile building) has to assume most functions of the professional developer. It's an unfamiliar, perhaps alien, role to many people, but they have to master the rudiments of a complex business -- and do so quickly -- if a project is to succeed.

The next four chapters cover the business side of conversions -- how to evaluate a project's economic feasibility, how to reduce the cost of both acquiring a property and operating it after conversion, how to determine the real cost of financing the project, and how to determine the marketability of the proposed conversion.

Most of the material for these topics was supplied by Gary Stonebraker, Vice President of the AIA Research Corporation, Washington, D.C.

Determining Feasibility

Both nonprofit and private real estate developers attempt to make buildings self-supporting. (Private developers also seek to go over and above the self-supporting level, for profit, if possible.) To be self-supporting, a building must generate revenues from rentals, sales, etc., that balance the costs of construction, interest, utilities, maintenance, cleaning, taxes, insurance, etc. In other words, money coming in must at least equal money going out.

However, there is another more crucial aspect to self-support that is related to long-term financing. Literally no one pays cash for construction any more. All buildings, public or private, rely on long-term financing -- borrowing -- to pay for initial site acquisition and construction costs, as well as other "front-end" costs, such as architects fees. In order to borrow enough to pay for these costs, the project's income and expenditure profile must be sufficiently strong to assure the lender that he will be paid back. (He always assumes that he will be paid *only* by the proceeds from that project.)

So the developer, in order to convince prospective lenders and/or investment partners that a project is worthwhile, must assemble a "package" consisting of: proof of a site or property that is properly zoned and for which terms of purchase have been secured; a schematic design for construction or improvements to the property; cost estimates for construction work; an assessment of the potential market for the end-product, including rental or sale prices and other income to the project; a series of economic projections and analyses of the project.

After the package is assembled, the developer shows it to a lending institution and/or to prospective parties who may become partners by making equity (cash) investments in the project. The lenders and investors will scrutinize the package and the developer's record thoroughly before making decisions. The mechanics of decision-making on the part of developers, lenders, and investors are worth examining so that they can be used by newcomers to the business. (Note that the terminology used throughout this explanation is that of bankers and investors. All technical terms are defined but in some cases their usage differs from meanings given them by the general public and even slightly from the sense used by accountants.)

The process can best be understood by examining a hypothetical project involving the acquisition, restoration, and leasing of an existing building. Assume a building of about 20,000 sq ft, plus site, located in an area of moderate commercial value. The acquisition cost for the building is $406,000, including fees. The cost of restoring the building brings the total estimated project cost to $1 million. (See table A.)

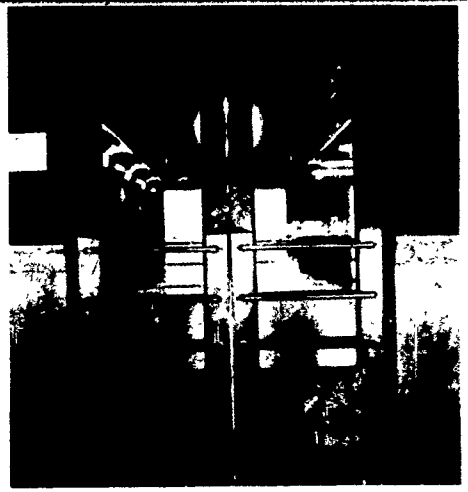
The first thing a developer does is to make an economic feasibility study. A more-or-less standard procedure has been developed by lending institutions to determine how much they can lend on a project. The developer conducting an economic feasibility study uses the *same* method to estimate how much he can borrow. This amount, combined with his (or his partners') equity, determines the money available for the project.

As we shall see, projected returns from the project and risk factors are figured into the mortgage availability equation. Therefore, if a proposed project can be completed for the amount that can be raised through mortgage and equity investment, it can be assumed to be feasible. The steps used to analyze feasibility are explained below and shown in table B and following tables.

If possible, the developer will try to finance a project entirely on his own, with a combination of a mortgage and his own capital. Only if this is insufficient to pay costs will he consider taking in limited partners to raise more capital and increase the equity.

Therefore, the first critical question is: how much can the develop[er] borrow on mortgage? This is d[one]

Table A — Project Cost for Hypothetical Restoration and Conversion of a Small Building



1	Acquisition of property	$400,000			
2	Closing costs and fees	6,000			
3	Subtotal: acquisition		$406,000		
4	Remodeling (20,000 sq ft @$20 per sq ft)	$400,000			
5	Site development	50,000			
6	Subtotal: construction		$450,000		
7	Architect's fees (@ 7% of line 6)	$ 31,500			
8	Attorney's and other fees (@ 1% of line 6)	4,500			
9	Subtotal: fees		$ 36,000		
10	Subtotal: acquisition, construction, fees		$892,000	$892,000	
11	Interim financing, acquisition	$ 40,600			
12	Interim financing, construction	24,300			
13	Subtotal: interim financing	$ 64,900		64,900	
14	Subtotal: project cost			$956,900	$ 956,900
15	Contingency (approximately 4% of line 14)				43,100
16	Total: estimated cost				$1,000,000

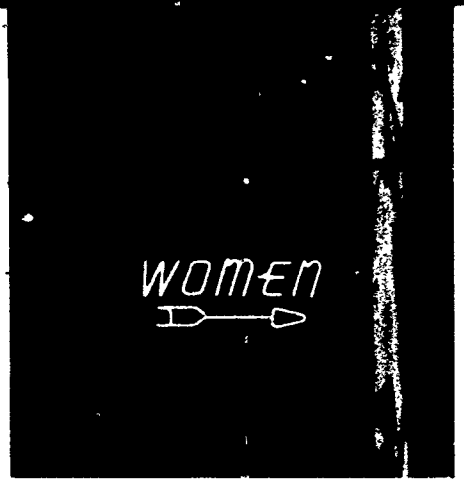


Table B — Project Feasibility Analysis

		Base data	Annual figures	Results
1	Rentable area	18,000 sq ft		
2	Average annual rental	$11/sq ft		
3	Annual income at 100% occupancy (line 1 x line 2)		$198,000	
4	Vacancy loss		00	
5	Gross income		$198,000	
6	Utilities	$20,000		
	Maintenance	20,000		
	Management	10,000		
	Taxes and miscellaneous	28,000		
	Insurance and other	7,000		
7	Operating expenses	$85,000	—85,000	
8	Income after operating expenses		$113,000	
9	Market value at .10 cap rate (line 8 divided by cap rate)			$1,130,000
10	Maximum mortgage (75% of line 9)			847,000
11	Annual mortgage payment (on principal shown in line 10)		$—83,600	
12	Cash throw-off		$ 29,400	
13	Max. equity for 10% annual return			$ 294,000
14	Max. allowable project cost (line 10 plus line 13)			$1,141,000

termined by the project's "market valuation," which is basically an estimate of the mortgageability of the project based on its ability to repay a loan.

To determine market valuation, mortgage lenders estimate the gross income that will be derived from rentals in the completed project (see table B, lines 1-3), including estimates for losses from vacancies during tenant turnover, etc., (line 5). Then estimates of operating expenses, such as taxes, insurance, maintenance, and utilities are deducted from the gross income (line 7). The remaining amount — the "net income after expenses" — should be available annually to retire the debt (line 8).

However, the prospective mortgage lender must also consider the worst: what if the project fails, and he must foreclose? Of couse, he will lose all the interest income, but he must at least be able to recover the principal of his loan. So his key question now becomes: if I have to take over this property, how long will it be before I can recoup my investment? After all, the lender's business is to use his money to make money; in the case of a foreclosure (with its forfeit of interest) he wants to know how soon he can have his original money available again for reinvestment in a more profitable enterprise.

The answer to the lender's question can be figured easily from the projected net income. Suppose that the lender advances $1 million and that the net income after expenses is $200,000 per year, it will take five years to recover the investment. Expressing the same figure slightly differently, the investment capital can be recovered at a rate of 20% per year. This is known as the "rate of capitalization," or the "cap rate."

The cap rate is very important because it is a key figure in the formula lenders use to determine "market value" of a project. For each kind of investment project, there is usually a cap rate figure that most lenders use to determine market valuation. This rate will fluctuate with money markets and competitive pressures among lenders, so there is no set way to determine what the prevailing cap rate on a project will be.

Whatever it is, it is used to determine market value of the project by simply dividing the net income (line 8) by the cap rate. This resulting market value (line 9) is the *maximum* mortgage risk that can be possibly taken. For example, $113,000 net income with a cap rate of 10% (i.e., divided by .10) equals market value of $1,130,000.

But, over and above the test of market value, another factor is applied to determine how much the lender will, in fact, advance. This is called the "loan value" and is commonly 75% of market value.

In a few projects, the loan value is so high that the mortgage alone can cover all costs. This is the developer's Nirvana; he has "mortgaged out" and can complete a project in which he has had to invest nothing. But few projects are so lucky, so we have set up our example with our hypothetical developer in the more common situation. At the prevailing cap rate of 10% his market value is only $1,113,000, so he can obtain only a $847,500 mortgage, which is $153,000 less than he needs for his project. To go forward with his project, he will have to find that amount elsewhere.

As mentioned before, the commercial developer will try to provide those needed funds (which are called "equity") himself; if he can't, he'll seek limited partners to help him. But no matter who puts it up, equity money must be regarded as an investment. If the same money can bring a higher return elsewhere, it doesn't make sense to put it into the project.

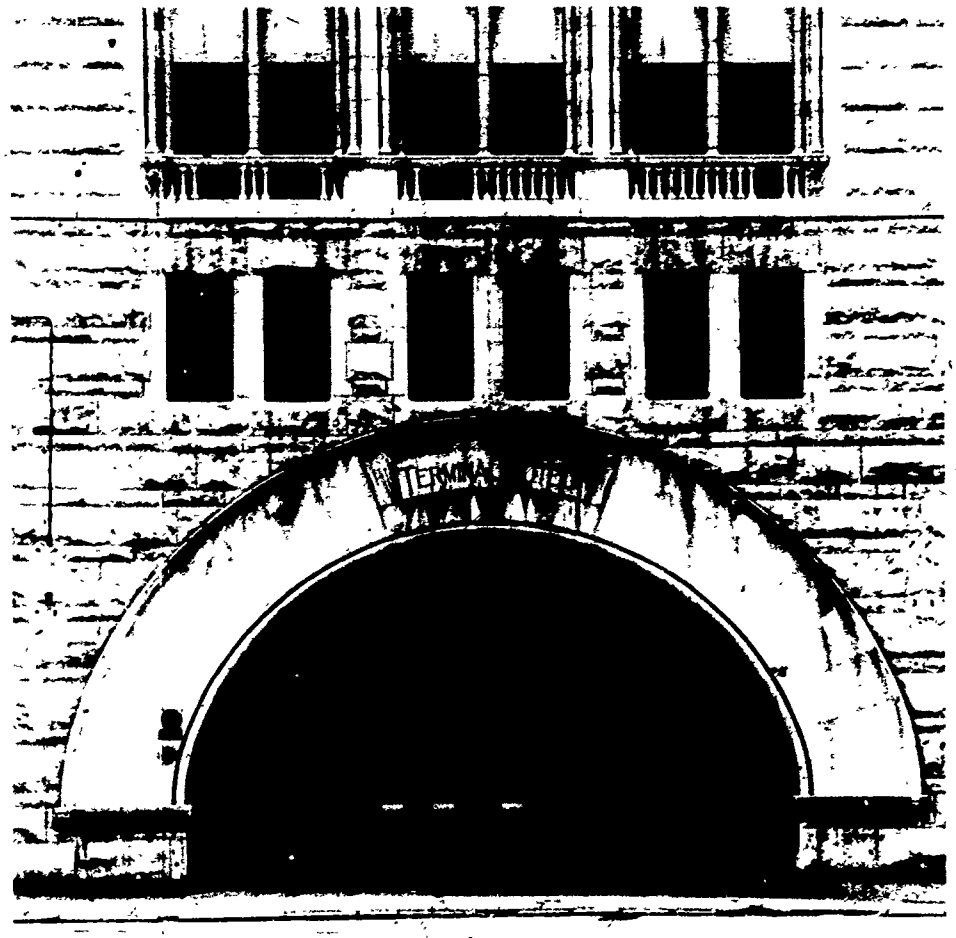
Everyone who makes an investment must receive a reasonable return or it's not a reasonable investment. However, for a nonprofit organization the return does not have to be cash. It could be more space, free rent, or avoidance of other costs which would be incurred if they did not have the building. It could even be better accomplishment of their mission (which might include increased public recognition) for no increase in their annual budget.

If a developer — profit-making or nonprofit — does not have sufficient investment capital and must take in profit-making limited partners, they will, of course, insist on a money return on their investment.

However, a nonprofit developer has an alternative to taking in for-profit partners. He can search out investors who will not demand a cash return. (This search is another name for fund raising.) Such investors may be government agencies or foundations, whose return will be the public good (or some perceived part of it); private firms or organizations seeking a return in public relations; private persons looking for anything from their name on a building to the feeling of contributing to a good cause.

Such investors may even be found by a for-profit developer if portions of his project may be interpreted as contributing to the public good.

Returning to the explanation of how a for-profit developer would analyze



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a project, his next step would be a feasibility analysis to determine whether or not he can project a high enough return on equity investment.

Let's assume that the minimum acceptable return is 10% per year (a reasonable figure in today's money market). To find if a 10% return is possible, the analysis continues by listing the annual mortgage payment on the $847,000 mortgage (line 11). When this is subtracted from net income (line 8), the amount remaining is the *actual* profit (though not what accountants call profit); it is referred to as the "cash flow" or "cash throw-off" of the project (line 12). This cash throw-off would yield exactly 10% on a $294,000 equity investment.

Assuming that our hypothetical developer can locate this much equity capital, he now has $1,141,000 ($847,000 + $294,000) available to him, which is more than that required by the project. Since he actually requires only $153,000 in equity, a much higher return of 19% can be paid; therefore, it should be relatively easy to obtain the financing for such a project.

A note of caution. One reason our hypothetical example works out so well is that it uses ideal assumptions about the project's rentability. First, we assumed that all 20,000 sq ft are rentable at a relatively high rent of $11.00 per sq ft. However, very few buildings are totally rentable: certain space must go for corridors, mechanical facilities, toilets, etc. The "efficiency" of a building is measured in the ratio of rentable area to gross area. To show how this factor, as well as market rents, can affect project feasibility, comparisons have been made in table C to illustrate marginal feasibility and infeasibility.

In both cases, the project cost is assumed to remain the same at $1 million. Because of lower rents, lower design efficiency, and/or a probably reasonable vacancy rate of 3%, the project income falls. Although operating expenses are thereby lowered, the net income falls, resulting in lower market value and a smaller loan value and mortgage. This increases equity requirements. In the "marginal case," the project can barely pay a 10% return on the required equity. In the last case, the return would be so small, that a potential for-profit investor would probably be better off shopping elsewhere. (To put it another way, if 10% is to be paid on equity investments, the project can afford very little equity.)

Table C — Alternatives to Table B — Project Feasibility Analyses

		Alternative A — feasibility			Alternative B — marginal feasibility			Alternative C — poor feasibility		
		Base data	Annual figures	Results	Base data	Annual figures	Results	Base data	Annual figures	Results
1	Rentable area	18,000 sq ft			18,000 sq ft			16,000 sq ft*		
2	Average annual rental	$11/sq ft			$10/sq ft*			$10/sq ft*		
3	Annual income at 100% occupancy		$198,000			$180,000			$160,000	
4.	Vacancy loss	97% occupancy	—5,940		97%* occupancy	—5,400		97%* occupancy	—4,800	
5	Gross income		$192,060			$174,600			$155,200	
6	Utilities	$20,000			$18,000*			$18,000*		
	Maintenance	20,000			16,000*			16,000*		
	Management	10,000			9,000*			8,000*		
	Taxes and miscellaneous	28,000			27,000*			26,000*		
	Insurance and other	7,000			7,000*			6,500*		
7	Operating expenses	$85,000	—85,000		$77,000	—77,000		$74,500	—74,500	
8	Income after operating expenses		$107,000			$ 97,600			$ 80,700	
9	Market value at .10 cap rate			$1,070,000			$976,000			$807,000
10	Max. mortgage			802,500			$732,000			$602,250
11	Annual mortgage payment		—79,130			—72,175			—59,670	
12	Cash throw-off		$ 27,870			$ 25,425			$ 21,030	
13	Max. equity at 10% annual return			278,700			254,250			210,300
14	Max. allowable project cost			$1,081,200			$986,250			$802,550

*All assumptions as in table B except those indicated.
Some operating expenses tend to vary naturally with rentable area and rental income.

Controlling Costs in Reuse Development

This process we have described of determining feasibility is more-or-less the same for all development projects — for-profit or nonprofit, large or small, building new or conservation. But a couple of factors often appear to doom the economic feasibility of restoration and conservation projects from the start of analysis.

First, since most proposed conservation projects are located in densely built-up areas, they usually have high site acquisition costs. Second, there may be a lot of demolition required before the building can be remodeled or repaired: that process is full of surprises since no one can know the true internal condition of a building until a few layers have been taken off. Therefore, construction and remodeling cost estimating is very chancy indeed.

Yet, although acquisition and construction costs for reused buildings are likely to be much higher than for new buildings, the restored building may not be competitive enough to be able to charge higher rents, or to sell at higher prices, or to command more financing. Thus, proposed restoration projects are often economically infeasible.

Can a group interested in conserving a building do anything to overcome this hurdle? Frequently yes — with a little luck and an understanding that the mere existence of a good cause will not make the hard numbers disappear. What it has to do is seek ways to make substantial changes in the cost factors that affect project feasibility. Most often changes can be made to the broad classifications of:

- Site acquisition costs
- Renovation and construction costs
- Monthly operating costs
- Interest costs on capital

Assuming the restored building will have a 27-year useful life span (roughly equal to the mortgage life), the breakdown of the total amount spent in our hypothetical example would be:

■ Site acquisition	$ 406,000	9.9%
■ Remodeling	594,000	14.5%
■ Monthly operations	2,011,500	48.9%
■ Interest on mortgage	1,178,900	26.7%
■ Total	$4,190,400	100.0%

(For this calculation, cash throw-off, because it will be used as return on equity, is considered interest.)

All of the above costs are interrelated. Interest costs are directly proportional to capital costs. Changes in capital costs that reflect changes in materials or systems can also affect operating costs, and so forth. However, the chief lesson to be drawn from this breakdown is that factors other than design and construction contribute most significantly to project feasibility.

The following sections explore each of the four areas mentioned to see how they might be changed and what the net impact on project feasibility would be. Figures used are for illustrative purposes only and will change from project to project.

Reducing acquisition costs

One of the major problems in conservation projects is that historic buildings often occupy land whose commercial value far exceeds the income potential of the existing building (if indeed it has any). Redevelopment of the land at higher densities makes more sense in terms of strict economics. This fact usually brings pressure for the destruction of the property.

Because of these and other economic pressures the cost of acquisition rises, prohibiting any possible reuse of the building, at least at first glance.

Looking at the example in the previous chapter, we can see the impact of acquisition costs in the infeasible projection. But if these costs could somehow be cut in half, the total project cost would come within limits of available financing.

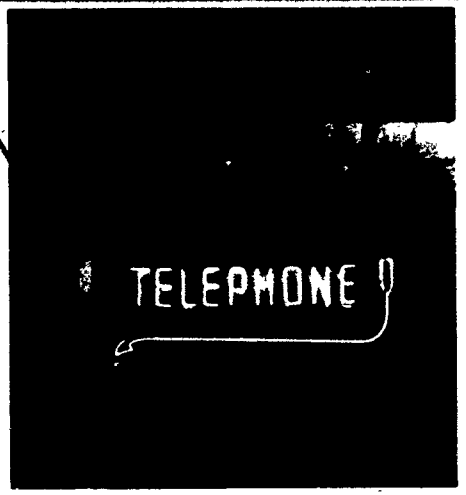
Public land lease As we have noted, in many cases the most expensive part of a historical property is the land, not the building itself. In our example, between $250,000 and $300,000 of the cost might be land alone.

So the object of a potential conservation group must be to lower the cost of the land — or to avoid paying for it at all. The latter is probably a more practical goal, since it may be possible to get someone else, such as a government body, to purchase the land in the public interest and then lease it to the conservation group.

For example, most local governments are empowered to create revenue authorities that can sell bonds to undertake a public-interest project, if it will produce sufficient income to retire the bonds. These bonds usually have much lower interest rates and much longer terms than commercial mortgages. If the local government is convinced of the worth and practicality of a conservation and reuse project, it could use such bonds quite economically. The building could be resold to the developer, but the revenue authority would retain the land and rent it t the developer under a long-ter

Table D — Effect of Publicly-Financed Land Lease on Project Feasibility

1. Adjusted cost:			
Project cost	$1,000,000		
Less land	(—250,000)		
Net cost	$ 750,000		
2 Feasibility analysis:			
Income after operating expenses (from table C, alternative C, line 8)		$80,700	
Land lease (estimated)		—10,000	
Adjusted income after operating expenses		$70,700	
Market value at .10 cap rate			$707,000
Mortgage value			$530,250
Annual mortgage payment		—52,300	
Cash throw-off		$18,400	
Max. equity at 10% return			184,000
Max. allowable project cost			$714,250



lease. This would reduce front-end cash costs and provide lower cost long-term financing for the land. The effect on project feasibility is shown in table D. Improved cash throw-off could mean higher mortgageability, while actual cash costs drop.

With such a lease arrangement, the project becomes marginally feasible. The exact effect would depend upon the term and interest rate of the revenue bonds, the mortgagor's attitude toward leases, etc.

In a case where a project will require parking facilities for the activities to be housed in its building, the municipal parking authority might be used to acquire the land. Its revenue bonds could then be retired from parking fees, charged to users or paid by arrangement with the landlord or tenants. The net effect would be roughly the same as in the foregoing example. However, if fees were paid by users of the parking lot, there would be no annual land-lease cost for the developer, which would further improve project mortgageability and feasibility.

Tax relief to the seller One of the reasons that valuable commercial property commands high prices is that the seller includes in his price the taxes that he will have to pay on the transaction. Therefore, one way to reduce the price would be to provide tax relief on the sale of properties declared to have historical value. This would require a ruling from the Internal Revenue Service, and possibly new legislation.

The basic object of such a change in taxation would be to end up with no tax on the resale of a building of agreed historical value if it is purchased by a group that promises to restore it.

The mechanics might be as follows: the municipal government would declare the place to be of historical value, thus making it eligible for tax relief; then independent real estate appraisers would make a fair-market appraisal of the property. Next, the seller would compute the taxes he would normally pay upon sale of the property and deduct them from the fair-market value in setting his sale price. So long as the seller consummates the sale at or below this lower sale price, he would pay no income or capital gains taxes on the proceeds from the sale.

This would be a form of indirect public subsidy for conservation projects since it would involve loss of tax revenue to the government(s) involved. Also, the extent of the relief would vary among projects, depending upon the tax status of the

Indianapolis

seller. The IRS could establish guidelines regulating such credits.

Reducing renovation costs

The construction costs of renovation are largely controlled by the architect's planning decisions, but the sponsors can make a couple of influential decisions before the actual design commences.

Economical usage First is the careful consideration of the proposed uses since an existing building may be amenable to certain uses and hostile to others. Factors influencing this include: the character of the structures (clear distance between walls or columns, etc.); extent and condition of mechanical services; building and fire code requirements regarding exits, toilets, etc., for the proposed occupancy; type of structure, etc. Early in the game it is important to have an architect or engineer look at the proposed usage for an existing structure and develop schematic plans. It is also important to have a contractor involved early so as to have access to good cost information. For this reason, developers ought to consider negotiated bidding or construction management approaches instead of the customary procedure in which contractors bid competitively for the work after all the plans and specifications have been completed.

Budget restraints The second decision is to clearly establish all budget items, especially those for construction and renovation, and then to stick to them. The project feasibility analyses show that cost overruns can wreck project feasibility and may; in fact, bankrupt a project. The architect should be advised of the budget constraints at all times. Paradoxically, while it is important to control any cost item, it should be noted that these costs are only a part of the over-all cost of a project. In the example, a 10% change in construction costs may reflect less than a 2% change in actual monthly costs to the developer. This is because about one-half of monthly costs are operating costs; about one-quarter is debt service on acquisition: and the remaining quarter is debt service on construction and other capital costs.

Reducing operating costs

As shown in our examples, about one-half of a project's costs are operating expenses. And except for taxes, the majority of these are for utilities and maintenance (principally cleaning). Indeed, this area is where most projects are encountering difficulty today. The cost of utilities and maintenance has risen faster than rents have, causing losses for many entrepreneurs. For this reason, operating costs must be projected very carefully from the outset of project planning.

Several devices have been worked out to help commercial building owners keep pace with operating costs. Some have more effect on project feasibility than others.

Cost-of-living clauses These are simple provisions included in a commercial lease allowing a building owner to increase tenants' rents annually as operating costs rise above a stated level.

Net leases To combat unpredictable running costs, many spaces are rented on a net-lease basis under which the lessee pays for all taxes, utilities, cleaning services, insurance, etc., apportioned to his space. On projects where there are common areas, the maintenance cost is prorated among tenants. But under net leases rents must be reduced accordingly, so generally they do little to change over-all project economics.

Shell space A common practice in commercial developments is to rent shell space. This is basically the same idea as net leases but goes even further; what the tenant gets is enclosed space with terminals for major utilities but with no interior improvements whatever. The tenant makes his own improvements, pays for separately metered utilities, and provides his own cleaning service. The landlord is responsible for the exterior and the common areas only. Use of this approach avoids the problems of satisfying different tenants' interior planning and construction requirements. It can also reduce capital requirements, but does not usually change project feasibility.

Tax abatement One of the largest operating costs for most commercial space is the annual property tax. The $26,000 illustrated in tables E and F was based on an assessment of $600,000 (60%) with a tax rate of $43.30. Many commercial properties pay much higher rates.

Since high taxes are frequently the major culprit in making reuse projects infeasible, some localities have introduced partial or full tax abatement (tax relief) to encourage redevelopment. The effect of tax abatement is to increase income after expenses, which increases both mortgageability and cash throw-off. Table E computes the possible impact of 100% tax abatement on the infeasible project.

Any taxing authority has the power to grant tax abatement for publi benefit, but in some localities spe

Table E — Effect of Tax on Project Economics

		Base data	Infeasible case	With tax abatement
1	Rentable area	16,000 sq ft		
2	Average annual rental	$10/sq ft		
3	Annual income at 100% occupancy (line 1 x line 2)		$160,000	$ 160,000
4	Vacancy loss	97% occupancy	−4,800	−4,800
5	Gross income		155,200	155,200
6	Utilities	$18,000		
	Maintenance	16,000		
	Management	8,000		
	Taxes and miscellaneous	26,000		
	Insurance and other	6,500		
7	Operating expenses		−74,500	−48,500
8	Income after operating expenses		80,700	106,700
9	Market value at .10 cap rate (line 8 divided by cap rate)		$807,000	$1,067,000
10	Maximum mortgage (75% of line 9)		602,250	800,250
11	Annual mortgage payments (on mortgage for line 10)		−59,670	−78,984
12	Cash throw-off		21,030	27,716
13	Max. equity for 10% annual return		210,300	277,160
14	Max. allowable project cost (line 10 plus line 13)		$812,550	$1,077,410

cific legislation is required. As with the tax relief we recommended for the sale of historic buildings, new legislation in this area could specify tax abatement for the purpose of encouraging historical preservation. There are numerous precedents, and many localities already have such provisions in their tax laws.

Costs of financing

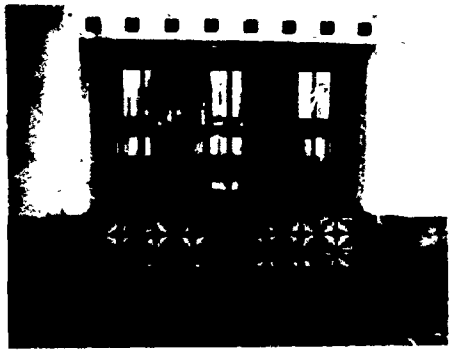
One of the largest costs of any project is the cost of borrowing money to pay for the capital cost (i.e., mortgage interest and return on equity). The cost of borrowing money is directly related to the length of time taken to repay it, and to the interest rate charged by the investors or lenders. The latter, in turn, is affected by two key issues:

- **The general money market** If there is a lot of investment (lending) money available, it is a borrower's market and interest rates fall. But when money becomes "tight," borrowers begin competing for the available money, and lenders hold out for the best terms.

- **The security of the loan** How much risk does the lender see in the loan? The manner in which the package is presented has a major influence, as does the track record of those borrowing. This militates in favor of professional developers and against public-interest groups that have little or no vested economic interest in the project (lenders may view them as "do-gooders" who will disappear if financial trouble comes).

The interest rate has a major impact on the costs of ownership (and, ultimately, on how attractive the project will be to tenants). But it is often difficult for laymen to see just how much they must pay for using someone else's money.

Most loans for real estate improvement are "level-term" notes which are similar to home mortgages. A fixed payment is made each month. But over the life of the mortgage the portion of this amount that is ap-



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plied to the principal varies inversely with the portion applied to the interest. In the beginning, almost all of the payment goes to interest.

To simplify computations in setting monthly mortgage payments, lenders use "constants"; multiplied by the amount of the loan and by its duration, they yield the annual payment. For example, for a loan at 8.75% interest for 27 years (which are good terms today), the related "constant" is 0.0987. A little math makes it clear that total amount of interest paid will be considerably more than the principal. The amounts involved become even more striking when you consider the paybacks at different interest rates — say 6.5% and 4.25%, which are roughly 25% and 50% lower.

It is thus of greatest importance to seek out the best possible interest rates. One important principle here is that interest rates vary with the sort of financing used. Regular mortgages taken out by private parties or investment groups carry the highest rates. Financing instruments used by public agencies (such as revenue bonds or general obligation bonds) can give lower rates because the investor does not have to pay taxes on the interest income he earns; therefore, he can charge a lower rate and still make an amount equivalent to that he makes on a regular taxable investment. Additionally, such bonds are considered safer investments since they are backed by a government for whom it would be a political and economic disaster to default.

Lower interest rates are important because they mean lower monthly payments; thus, with a given income after operating expenses (table B, line 8), it is possible to support a larger debt. As we have seen, even a small percent change will have a profound effect on annual costs, and, therefore, on project feasibility.

Rate	Constant	Annual payment	Total payback over 27 years	Total interest paid	Total rate
8.75%	0.0987	$98,700	$2,664,900	$1,664,900	166.5%
6.50	0.0787	78,700	2,124,900	1,124,900	112.5
4.25	0.0624	62,400	1,684,800	684,800	68.5

Use of revenue bonds Revenue bonds can be used to finance the entire project, not only acquisition of the property, providing that the agency holding and leasing the property is a properly constituted revenue authority. Such an authority can even be created for just that purpose.

There are some difficulties to be expected. The first is political and depends partly upon who is to occupy the building. If the revenue authority plans to rent income-producing space in competition with local real estate interests, it may meet resistance.

Second, since revenue authorities are public in character, they tend to become bureaucratic and lethargic and may lack the profit incentive and aggressiveness required to make income-producing projects successful.

However, use of revenue bonds should produce a reduction in interest at least 2% to 3% below private market rates. The effect of this is shown in table F. Two uses of the saving are suggested. Column 2 shows that the lower interest could be used to support a larger debt. In column 3, since the supportable debt is larger than the project cost, less income is needed to pay back the smaller actual debt and lower rents can be charged.

Tax-free interest on commercial mortgages Municipal bonds carry the lowest interest rates of all financing instruments because the interest earned on them is generally tax free. It would be unlikely that municipalities could use municipal bonds to finance restoration projects except in those cases where the intent is to create a museum or other nonprofit use.

But if the principle of tax-free interest could be applied to commercial mortgages on buildings of historical interest, interest costs could be cut in half and would be comparable to municipal bonds.

There are precedents for this; in some cases the IRS has ruled that if the final beneficiary of the loan is a public agency, the loan interest may be tax exempt. Under certain circumstances this ruling has reportedly been used to lower interest rates on loans applied to buildings leased to public agencies for a long term.

The mechanics of getting such a ruling are complex. First, there must be stringent criteria governing the circumstances under which a building qualifies (preventing, for instance, a historic house being converted to a fast food outlet). Second, there have to be specifications about what will happen if any future owner violates the intent of the e

Table F — Comparison of Conventional and Revenue Bond Financing

		Conventional Financing (infeasible alternative from table C)			Revenue Bond Financing Comparable Rents			Revenue Bond Financing Minimum Rents		
		Base data	Annual figures	Results	Base data	Annual figures	Results	Base data	Annual figures	Results
1	Rentable area	16,000 sq ft			16,000 sq ft			16,000 sq ft		
2	Average annual rental	$10/sq ft			$10/sq ft			$8.59/sq ft		
3	Annual income at 100% occupancy		$160,000			$160,000			$137,500	
4	Vacancy loss	97% occupancy	−4,800		97% occupancy	−4,800		97% occupancy	−4,000	
5	Gross income		$155,200			$155,200			$133,500	
6	Utilities	$18,000			$18,000			$18,000		
	Maintenance	16,000			16,000			16,000		
	Management	8,000			8,000			8,000		
	Taxes and miscellaneous	26,000			0[1]			0[1]		
	Insurance and other	6,500			6,500			6,500		
7	Operating expenses	$74,500	−74,500		$48,500	−48,500		$48,500	−48,500	
8	Income after operating expenses		$. 80,700			$106,700			$ 85,000	
9	Market value			$807,000			NA			NA
10	Max. mortgage			602,250			$1,200,000[2]			$1,000,000[2]
11	Debt service		−59,670			−90,000			−75,000	
12	Cash throw-off		$ 21,030			$ 16,700[3]			$ 10,000[3]	
13	Max. equity at 10% annual return			210,300			NA			NA
14	Max. allowable project cost			$802,550			$1,200,000			$1,000,000

1 Assumes full tax abatement.
2 Based @ .075 constant rate of amortization (the approximate rate of many revenue bonds).
3 Used as reserve against early bond retirement.

Los Angeles

emption by destroying the property in fact or in spirit. (The simplest response would be to place a new and irrevocable zoning classification on the building or to make the new owner liable for the back taxes.) Unfortunately, the potential for the misuse of such a ruling is enormous, a truism that the IRS no doubt recognizes.

The net effect of obtaining such a ruling would be similar to using revenue bonds, except that the monthly payments would be further reduced because an even lower interest rate would be possible.

When analyzing project feasibility, there is one problem with obtaining lower interest rates — whether through revenue bonds, tax-free interest on a commercial mortgage, or the good offices of an interested investor. The total mortgageability of a property is a function of the cap rate. Lowered interest rates do nothing to improve income after operating expenses upon which total mortgageability is generally computed.

(See table B, lines 8-10.) The effect of lowered interest is to improve cash throw-off (line 12), thus enabling a project to attract a higher equity investment (providing equity money is available) and/or to offer lower rents. A larger mortgage would be obtainable only if the lenders took a liberal view of the effect of lowered interest rates on the loan in terms of over all project economics.

"Goodwill" bonds and debentures
Any partnership or corporation (profit or nonprofit) is legally able to issue notes, bonds, or debentures to secure loans and raise capital. If a community is strongly behind a restoration project, it may be possible to organize a bond campaign in which such notes or debentures are sold to the public as "goodwill" investments bearing low interest, or no interest, or an interest-variable-with-profit.

Such goodwill instruments can also be used to raise equity capital in association with conventional mortgages, although most jurisdictions have legal restrictions about such uses that must be carefully noted.

Market Analysis

In its simplest terms, the sort of economic analysis we have been doing throughout may be regarded as a study of the relationship between the money that will go into a project and the money that will be produced by it. As long as input equals or is less than output, all should be well. Obviously a favorable change to either side of the equation will increase feasibility.

This chapter deals with how a prospective developer can seek to maximize output in advance. The most efficient tool at his disposal is a competent and comprehensive market analysis. An analysis is usually made by experts (who have their own special techniques), but in the case of a nonprofit project it may be possible for volunteers to provide the legwork under knowledgeable direction. Material in this chapter was supplied by John Sherwood of Hammer, Siler, George Associates, an economic consulting firm in Washington, D.C.

Market overview The first step in any comprehensive market analysis is making an overview to pinpoint possible uses which seem to have enough potential to warrant further study. For a building conservation project, the market overview might establish whether there is any hope at all for selling or leasing space in the project and the areas of the market in which interest may lie.

After completing the overview, a developer will know how good his chances are of having a viable project and, therefore, whether it is worthwhile going to the next stage of the market study.

Demand analysis The second step is a "demand analysis" to determine the size of the local market and the characteristics of its demands for prospective uses of the property. This involves analyzing the basic factors affecting the appropriate space demand (employment, population, households, household income, actual sales, etc.), as well as development trends of past years. Such an analysis provides a detailed estimate of the demands existing today, next year, and perhaps at some other future time.

It is especially important to understand the underlying economics of the local market. Is the job base expanding? Will it continue to expand at its present rate? What will be the effect of structural changes taking place within local industries? How will these changes affect the demand for apartments, office space, retail space or other uses proposed for the property?

Looking at competition The next essential step in a real estate market analysis is a rigorous evaluation of the competition. This analysis serves to determine the extent to which the demands of the market are now being met; the competitive offerings which are planned to meet the market demands of the immediate future, and the quality of the competition (including amenities and design features being offered). It also seeks out price and conceptual voids in the market which offer opportunities for new projects, and determines the space preferences as indicated by the success or lack of success of specific competitive projects.

Quite specific questions must be asked about the competition. Where are recent developments (and planned ones)? Who is occupying the space in them? What are the general characteristics of the space? What design features are being offered? How long are the projects taking to rent or sell?

Location The fourth component of a market analysis is an evaluation of site and location — how they affect the ability of the development to tap its market

In conservation projects, the developer has no choice of site, but he should know how it will affect his market. By analyzing the location, he may be able to identify opportunities for certain uses. For instance, a group of buildings adjacent to a town's major thoroughfare could attract retail shops.

In addition to affecting the marketability of space, site and location also influence the price which the developer is willing to pay for the property.

Well located space can command higher rents or higher sales prices than space in a less desirable location.

The development program The final step in the market analysis is the formulation of a concept and a development program. A project's conceptualization is expressed in terms of the market group for which the space is to be designed, the nature of the structure which will accommodate this space, the over-all density of the project, and the general design theme to be established.

The development program includes the amount of space to be developed in the structure, the size of the units (stores, offices) in square feet, and the approximate rent or sale price for each type of unit. It also defines the design features of the space and the amenities that must be provided in order to give the project a competitive edge. In the last regard, historic and architectural character is considered a definite plus.

If the project is large enough to require marketing over two or more years, the program must include a year-by-year staging plan based on the estimated absorption rate of project space by the market.

Summary Guide to Financing and Analysis

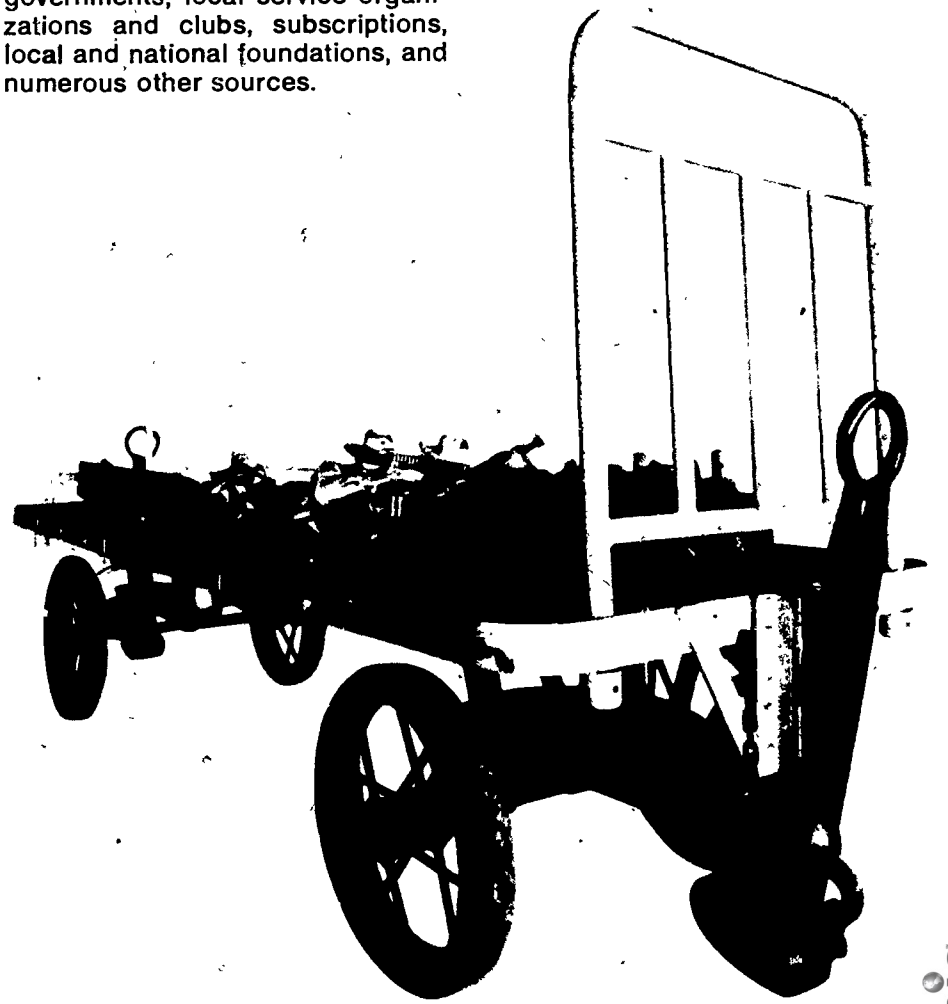
The usability of the foregoing ideas will vary from time to time and from place to place, depending upon the project, conditions in the money market, local laws, present ownership, and a thousand other factors. However, there is a systematic procedure for finding out what to do in a particular case. The developer must:

- Identify possible reuses of the building.
- Identify the need (market) for the kinds of spaces the project could provide. If previously unrecognized needs are uncovered by this process, consider the possibility of adapting the structure to those needs.
- Develop several alternative plans for reuse of the structure.
- Review each plan in terms of economic feasibility. This will require a cost estimate, cash flow projections, and over-all economic analysis for each plan.
- If first analyses show the project is not feasible, investigate the various innovative approaches suggested in this report. Adopt the most promising as part of the development strategy.
- Adopt the economic strategies suggested or determined by the nature of the development organization (profit, nonprofit, revenue authority, etc.). Design the structure of the organization and approach the proper parties to implement the work of the organization.

The proper team of experts will be required to execute these initial steps. This team should consist of:

- Representatives of the group that wants to conserve the building.
- The present owners, if cooperative.
- An architect to prepare the schematic plans.
- A cost-estimator or contractor to determine construction costs.
- A developer, real estate economist, consultant, or mortgage banker capable of giving opinions on economic feasibility.

On occasion, some team members can be located locally who are willing to work on a voluntary basis or for a reduced fee. Funding for these initial feasibility studies can be sought from federal, state and local governments, local service organizations and clubs, subscriptions, local and national foundations, and numerous other sources.



Municipal Governments Can Help

An historical society or other non-profit group that has decided to go into the development business has a lot of options to choose from — or combine. As we have seen, many of the problems in development projects come down to money — specifically being able to attract the large sums needed for capital costs. But although a conservation project is often in some ways less economically viable than building new, it has certain advantages here.

As noted, most projects require investment equity, as well as large mortgages. A strictly commercial developer can attract that equity only by offering a high enough cash return on the investment. But assuming a conservation project is well thought out, it can be presumed to be for the public good (using a broad definition). And that allows much more leeway for investment by governments at all levels, as well as by foundations and private companies or even philanthropic individuals.

In some cases, such as municipal revenue bonds, this sort of investor will demand some cash return, but it will be much lower than the ordinary commercial investor seeks. In others, such as government or foundation grants, no cash return will be sought.

Make no mistake about this. Every investor will require a return on his investment. But not all returns are in cash. Individuals seek anything from their name on a building to the feeling of contributing to a favorite cause; private firms look for improved public relations; government agencies and foundations demand a contribution to the public good that relates to their specific mandates.

The name of the game is fundraising. It can be used by any nonprofit group that knows how to do it properly and, under some circumstances, by for-profit developers as well. But it is important, especially for the former, to understand that for development projects fundraising is simply a specialized form of seeking equity investment and must be supported by just as solid economic analyses as any other equity search.

Following are a few tips from experts on how certain sources of such equity — municipal governments, foundations, and federal agencies — may be approached, combined, and used. Remember, too, that a grant of materials or services for which you would otherwise have to pay cash can have just as favorable fiscal results (by reducing capital, operating, or front-end costs) as a grant of equity.

Ned Foss, a real estate consultant who advocates cities encouraging private renovation and reuse of fine old buildings, says, "A city can, through urban renewal powers or through its own redevelopment corporation, purchase or take an option on a railroad station or other landmark site. At the same time, the agency can acquire surrounding property so that it can assemble a viable plot or remove blight.

"The city can then fit the building into an over-all plan. This both improves the value of the building and also relates it to the existing structure of downtown activity. The technique requires aggressive rezoning rather than spot zoning, street widening or demapping to fit into over-all traffic patterns or to develop malls, and code interpretations in order to adapt to the special requirements of an older structure.

These steps also enable the city to specify the finished project's assessed valuation for taxation purposes; knowing this is very helpful since major renovations usually face great uncertainties in that regard.

"In order to assure the desired reuse, the city can attach redevelopment covenants for such specific items as the preservation of the facade, designation of permissible uses, accommodation of Amtrak, provision of public spaces, etc.

"The building can then be turned over to the private sector and 'highest bidder' becomes a valid criterion for disposition since redevelopment responsibilities and restrictions are a specific and binding element of taking title. The over-all planning work undertaken by the government will have demonstrated its commitment to the site and the surrounding area, thus having aroused the interest of the real estate community. Any work done ahead of time on zoning, valuation, etc., is sure to increase the value of the property. On the other hand, restrictions on how a building may be reused could lower its value. The government can balance these factors in such a way as either to minimize the capital budget commitment or to make the most of the social benefit.

"The over-all planning concept can be carried pretty far. For example, a railroad station with development covenants can be tied together with a vacant tract zoned for high-rise development — all of a sudden the station becomes economically viable as part of a larger package.

"Another point: A railroad station, like any large piece of property in which the local government has an interest, can be acquired and leased for the same cost as the city's c

of long-term borrowing. Such a transaction balances the books for the municipality, which can decide whether or not to charge administrative fees or a payment in lieu of real estate taxes. (Municipalities can often use enabling state legislation to undertake the whole thing outside of their debt limit.) The developer who leases the building in this manner has substantially lower mortgage and/or equity requirements, making the project much more attractive to outside investors. The land portion would not have been depreciable in any case, and the lease can be long enough to allow for a long-term mortgage."

Developers plan to create a large pleasant indoor space that will include restaurants and shops. Amtrak facilities will be located outside the hall.

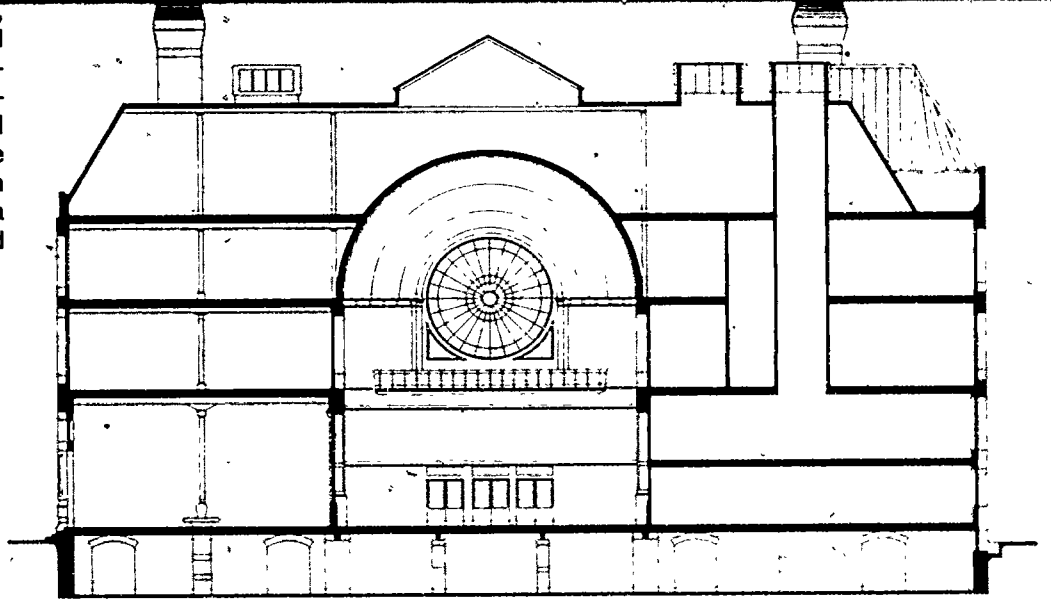
Indianapolis, Ind.
Union Station

The city government of Indianapolis took some of the steps advocated by Foss when it helped developers speed negotiations for buying Union Station.

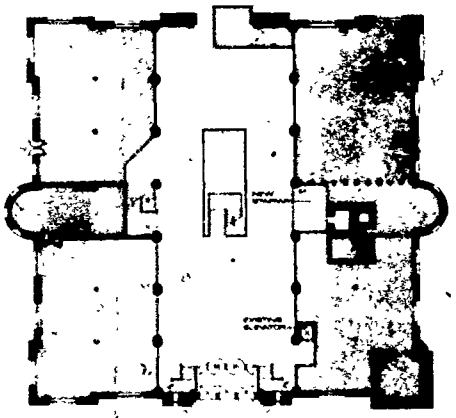
For 10 years various groups had talked with the railroad company about buying the station, but none of the discussions ever moved into real negotiations. In 1971, the mayor stepped in to save the building by asking the city council to allocate $196,666 (the appraised value of the station) for a later purchase of the station. This tied in with the Indianapolis Metropolitan Development Commission's policy of supporting conservation in the city's central historic area, with particular interest in restoring Union Station.

With the $197,000 committed but not spent, the city followed events quite closely. Michael Carroll, the deputy mayor of Indianapolis, says, "After negotiating for about a year, the city obtained an option to purchase the property from the Union Belt Railway. Then the development commission offered the city's option to private developers and nonprofit groups provided they would agree to the city's conditions for conservation and subsequent reuse of the station. The successful bidder, Union Associates, had to pay the city $5,000, which is what had been spent to that date from public funds. The city then withdrew from active involvement and in January, 1973, the developer began detailed negotiations with the railroad company to transfer the ownership of the property."

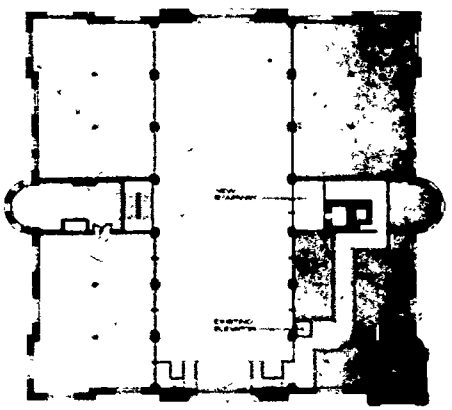
The station is part of a revitalization of the downtown area. A convention center has been open for two years on a block adjacent to the station, and offices and hotels are planned nearby. The city is funding a three-block neighborhood renewal program, which will include many small retail businesses. In addition, the city market is being restored with private foundation funds and a sports arena built with private and city funds.



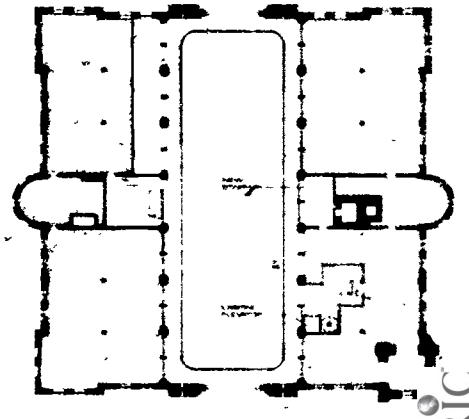
First Floor



Second Floor



Third Floor



Foundations Can Help

Foundations exist to provide funds for people to attempt projects that may not bring financial returns. But thousands of people apply to foundations for funds without understanding the limitations of a foundation's activities or without clearly presenting the objectives of their own project. Not surprisingly, they come away empty handed. However, there are techniques for approaching foundations that will increase the chances of success, and Edward Protze, of the Moody Foundation in Galveston, provides a summary of advice.

"Many foundations are not interested in conservation because they believe that most of the people who come to them with such projects are interested only in restoration and conservation *per se*. Many of us have been turned off by conservation evangelists who have a long-range plan for conserving a building, but have not worked out a functional adaptive use to justify spending our foundation's funds on the project.

"One way to start working out practical plans that will be to the public benefit is for the group interested in conservation to call on the expertise of other local nonprofit organizations. This is a great opportunity for such organizations to work together in interlocking arrangements. Thus they can become the catalyst for finding adaptive uses and the funds for conservation of these buildings. If the nonprofit organizations in a community can pull together the leadership and demonstrate to the foundation that they have a sound plan and that the community is behind them, they stand a much better chance of obtaining funds.

"You can find out what foundations may be interested in your project by consulting the Foundation Directory. It's probably in your public library, but if not, you can find out where there's a regional Foundation Center library by calling the Foundation Center in New York City. The directory will tell you what foundations are in your state, what their primary purposes and philanthropic programs are, and how much they give out in grants annually. (The Foundation Center also offers various advisory services, such as computerized searches for foundations with specific qualifications; a brochure describing these is available from the Center at 888 Seventh Avenue, New York, N.Y. 10019.)

"But once you've located a likely foundation (or, better still, several of them), you still have to present your plan so convincingly as to win its support. Here's where communications problems sometimes arise.

"Only a fraction of the 25,000 private foundations in the United States have professional staff: the bulk of the work is done by the trustees, family members who are still involved, and perhaps an accountant hired on a part-time basis.

"So if your group includes people who know board members or trustees of a suitable foundation, they should get in touch with them about the project. Personal testimony can add credibility to a project. On the other hand, don't hound the foundation trustees. And if you don't know them, don't send a wire or make a personal visit unless you're asked to. Write a very good, very clear, very specific letter instead. Most foundations depend upon written communications, and the better your written communication is, the better your chances of getting a grant.

"When you approach a foundation — whether your group has personal connections there or not — you've got to document your proposal very well. By that I mean you have to document the credibility of your organization — its financial capability, its IRS status, and the professional and business affiliations of the people that are involved. Naturally, you also have to document the project that you're asking funds for. To do that you must provide a detailed explanation of your plans (both physical and financial), a justification of the need, and a statement of what other sources of funding you can generate — especially from within your community — to help support the project.

"This submission has got to be as brief as possible (so busy people can understand it without wading through pages of helter-skelter figures, plans, and hopes) and yet detailed enough to be believable. The best way is to start with a tightly written summary and then attach all the detailed lists, each clearly labeled and, if necessary, marked as to how it relates to the others."

Federal Programs Can Help

There are a number of federal agencies with funds that can be used for conserving railroad stations. At first glance some of them appear to be unlikely sources, and they don't exactly proclaim "We give aid to railroad stations." However, their list of activities may include public works, historic preservation, urban renewal, community facilities, transportation, economic development, performing arts, etc. It isn't difficult to relate the proposed reuse of a railroad station to the general areas encompassed by these activities. For instance, if an empty or obsolescent station is located in a part of town that needs a bus terminus and a youth center, a developer should approach those agencies active in transportation and community facilities.

Tersh Boasberg, a Washington lawyer with wide experience of dealing with federal funding agencies, recommends that groups or individuals should first learn as much as possible about federal or foundation sources before making any proposals. He says, "All federal agencies have different legislation, programs, regulations, budgets, purposes, key words, and people. About the only thing common to all is a fiscal year that starts July 1st. Each agency publishes information that needs to be examined carefully, although what you are looking for isn't always there.

"You'll get to know that certain agencies are more informative than others, just as some are more political than others. However, I find at least 99% of the federal agency money goes out in nonpolitical ways. This is almost unbelievable, but generally speaking grant decisions are made by middle management people who are nonpolitical.

"You should ascertain whether an agency's money is disbursed from its Washington office or from its regional offices. Know which programs operate at the state level and which operate out of Washington directly. It doesn't do any good to ask someone in the Department of Interior for money if he has to say, 'I award it to the states; go see your state conservation officer.'

"In addition to federal programs, you should look for state or local programs. There are a number of states that award grants to private groups from their federally-funded programs, such as Hawaii, Massachusetts and New York; most also have various sorts of agencies with funding programs from the state coffers. Tourism programs are often funded at the state level, and railroad stations can be good tourist attractions.

"While you're running down possible sources of funding, you also have to think about how to present your own organization properly. Federal, state, and city officials are interested in groups that have widespread community support. In order to compete in city hall for limited city funds you have to be able to talk to the mayor or the city council, not out of sentimentality for a building, not out of pride in the community, but in dollars, numbers, votes, and power. For that, you have to have the strength of citizen involvement at all levels. And be sure to involve local businessmen because there's nothing more impressive to a government official than to see a businessman who is prepared to put money into a proposed project.

"Putting together a sound knowledge of your organization and an agency's funding program is the first, and perhaps most important step in developing a strategy to get your funds. This is an essential decision — often a series of decisions. Don't be afraid of using a different strategy and a different proposal for every agency you talk to. Go after each agency for what it can do for you. If you tell a Farmers Home Administration county supervisor that you want to renovate a railroad station, he's going to think you're from Mars. So instead, you talk about your interest in developing businesses in rural areas that are losing population. By coincidence, the proposed business will just happen to be located in a railroad station.

"In summary, you have to understand an agency's concerns, interests and limitations, and then present a proposal offering a definite program that makes economic sense to the person reading it. Remember, you cannot play on sentimentality, you've got to emphasize feasibility. Some people think the federal government helps everybody in the world, and therefore it ought to help them. It's not true. The federal government — indeed, government at any level — will only help when there are compelling reasons for it to make funds available for your project."

The following pages list the federal programs offering some form of assistance that might be tapped for projects reusing a railroad station. It was prepared by Ann Webster Smith, Director, Office of Compliance, Advisory Council on Historic Preservation. (The council was established in 1966 to serve as the government's advisor on all properties listed in the National Register of Historic Places that could be affected by any kind of federal federally-funded undertaking.)

The federal government says it wants to improve rail services for passengers, so it is not surprising that the Advisory Council is particularly anxious to help preserve architecturally and historically worthwhile stations that also contain facilities for rail passengers. Hence Smith suggests that Amtrak (which owns no stations) could play a significant role in resolving the future of stations that it serves since it has to rent space in them. In fact, a developer could sign Amtrak as the first tenant and so provide an economic foundation for determining the project to be feasible.

Department of Agriculture

Program or activity: Farmers Home Administration (FHA) — Community Facilities

Type of assistance: Grants

Objective: To provide grants to local governments and other political subdivisions to facilitate the development of business enterprises in rural areas. Projects must result in the immediate development of private business or industrial enterprises.

Eligibility: Local governments and other political subdivisions, such as districts and authorities. Projects may not be within the boundary of a city with a population of more than 50,000, or an urban area with a population density of more than 100 persons per square mile.

Comments: Grants can be made to cover the cost of acquiring and developing land and/or existing facilities, for providing support facilities such as gas or electric service lines, for fees and costs for legal, engineering, fiscal, advisory, recording and planning services. The development of support facilities on a railroad station site as a means for attracting business and industry to the site might be eligible for funding under this program. This is a fairly new program and has not been used, to date, in connection with rail station projects.

Contact: County Office of the Farmers Home Administration, U.S. Department of Agriculture.

Department of Agriculture

Program or activity: Farmers Home Administration (FHA) — Community Facilities

Type of assistance: Loans

Objective: To make available loans to local governments, other political subdivisions of states, and nonprofit organizations, for constructing, enlarging, extending, or otherwise improving community facilities in rural areas.

Eligibility: Local governments, other political subdivisions of states (such as districts and authorities), and nonprofit corporations. Loans to private nonprofit organizations are available provided they meet certain rigid program requirements. Loans must be used to develop facilities in rural areas and towns of up to 10,000 people.

Comments: A public agency or a nonprofit organization could receive such FHA Community Facilities loan monies for the adaptive use of railroad stations as, for example, community libraries, courthouses, or public recreation areas. Borrowers must be unable to obtain the necessary funds for such activities from other sources at reasonable rates and terms. This, too, is a relatively new program and one which has not yet been applied to specific rail reuse projects.

Contact: County Office of the Farmers Home Administration, U.S. Department of Agriculture.

Department of Agriculture

Program or activity: Farmers Home Administration (FHA) — Business and Industrial Loans

Type of assistance: Loans

Objective: To provide loans to any legal entity, including individuals, public and private organizations to support development or expansion of business, industry, and other sources of employment.

Eligibility: Local governments, and other political subdivisions of states, (such as districts and authorities), profit-making and nonprofit organizations, and individuals. The project should be within rural areas or cities of up to a 50,000 population with priority to applications for projects in rural communities and towns of 25,000 and smaller.

Comments: The program offers promise to those interested in the development and reuse of railroad stations since loans can be applied to the cost of acquisition and development of land and/or existing facilities. Although the program has not yet been used for such purposes, any legal entity should be eligible for such loans for railroad station projects since the program specifically authorizes monies for business and industrial acquisition, conversion, modernization, and construction.

Contact: County Office of the Farmers Home Administration, U.S. Department of Agriculture.

Appalachian Regional Commission

Program or activity: Supplements to Federal Grant-in-Aid; State Research, Technical Assistance, and Demonstration Projects

Type of assistance: Grants

Objective: To provide supplemental funds to increase the Federal appropriation for projects of construction, land acquisition, and/or equipment for eligible applicants, who cannot, because of their economic situation, supply the required matching share of the basic federal program.

To expand the knowledge of the region to the fullest extent possible by means of state-sponsored research, including investigations, studies, and demonstration projects.

Eligibility: States and through the states, their subdivisions and instrumentalities, and private nonprofit organizations.

Comments: ARC funds might be used as supplemental grants for the restoration, rehabilitation or improvement of facilities such as railroad stations if such grants meet the purposes of the state's redevelopment plans and if non-federal sources have supplied at least 20% of eligible development costs.

ARC funds have been used for projects for the restoration of public buildings and might well be used for feasibility studies on railroad station proposals if they could be characterized as beneficial to the economic and social development of an area.

Contact: Executive Director, Appalachian Regional Commission, 1666 Connecticut Avenue, N.W., Washington, D.C. 20235

Department of Commerce

Program or activity: Economic Development Administration (EDA) — Public Works and Development Facilities — Long-term Employment Program

Type of assistance: Grants and loans

Objective: To give grants and loans to state and local governments, and public/private nonprofit organizations for public work projects intended to improve opportunities for the establishment or expansion of business or industry or otherwise assist in the creation of employment for the unemployed or persons with low incomes.

Eligibility: State and local governments, including Indian tribes, and public and private nonprofit organizations. The project must be located in an administration-designated redevelopment area or economic development center.

Comments: This program can provide basic grants to cover up to 50% of the cost of acquiring and developing land or the cost of acquiring, constructing or renovating facilities including machinery and equipment. The program can provide loans in conjunction with grants usually only in those cases where applicants are unable to provide the local share of matching funds from other sources.

Contact: Office of Public Affairs, Economic Development Administration, U S. Department of Commerce, Washington, D.C. 20230

Department of Commerce

Program or activity: Business Development Loans

Type of assistance: Loans

Objective: To provide long-term, low-interest loans to individuals, State and local governments and local development groups to help establish new businesses or expand existing firms in designated areas.

Eligibility: Individuals, state and local governments. The applicant must be approved by an agency of the state or political subdivision directly concerned with the economic development of the area. A business must be located in a designated redevelopment area or economic development center.

Comments: Such loans might be used in establishing businesses in railroad stations converted to another use if the project is such that it creates new sources of employment and if it does not involve the relocation of existing businesses.

Contact: Director of Business Development Loans, U.S. Department of Commerce, Washington, D.C. 20230

Department of Commerce

Program or activity: Economic Development Administration (EDA) — Technical Assistance Program

Type of assistance: Grants and services

Objective: To provide planning assistance to individuals, state and local governments, and nonprofit organizations, in the form of services and grants to finance economic development planning.

Eligibility: Individuals, state and local governments, and nonprofit organizations.

Comments: Planning assistance can take the form of resource surveys, feasibility studies and preliminary design plans all of which might apply to station projects.

Contact: Office of Public Affairs, Economic Development Administration, U.S. Department of Commerce, Washington, D.C. 20230

Department of Commerce

Program or activity: Economic Development Administration (EDA) — Public Works and Development Facilities — Public Works Impact Program

Type of assistance: Grants

Objective: To provide grants for public works projects, in areas of high unemployment, to state and local governments and nonprofit organizations. The program is a subsidiary of the program of grants and loans for Public Works and Development Facilities.

Eligibility: State and local governments, and nonprofit organizations. The project must be located in an area of an unemployment rate of 8% or more, during the latest three-month period for which statistics are available from the Department of Labor.

Comments: This program, a part of a broad program of grants and loans under the Public Works and Development Facilities activity of EDA, can make grants of 80% of the cost of land acquisition or acquisition, construction or renovation of facilities. Rail station projects are eligible for funding if there is a particular need which they might fill in the area and if the cost of labor will represent a substantial proportion of the project's total cost. The program gives priority to projects that would benefit the long-term unemployed or low income groups and to projects that would create a long-term opportunity for the establishment or expansion of business and industry. The future of the program is uncertain; however, if it is continued and if funding for it is increased it is a promising source of funding for rail station projects such as that in St. Louis, County, Minnesota, which received a $352,000 grant for the acquisition and renovation of Duluth's Union Depot, an 1892 Norman-style railroad station which will be converted into a cultural center to include railroad and industrial museums.

Contact: Office of Public Affairs, Economic Development Administration, U.S. Department of Commerce, Washington, D.C. 20230

Department of Housing and Urban Development

Program or activity: Open Space Land Program (discontinued)

Note: This program was discontinued by HUD in January of 1973.

Type of assistance: Grants

Objective: To provide grants to state and local public bodies to acquire, improve, and restore areas and sites and structures of architectural or historic value.

Note: This program was discontinued by HUD in early 1973. Although no new projects have been approved, funding is possible in areas of ongoing urban renewal, neighborhood development, and code enforcement projects.

Type of assistance: Loans and grants.

Objective: To provide loans and grants to repair and rehabilitate properties within the boundaries of federally assisted urban renewal, neighborhood development or code enforcement projects.

Eligibility: To sponsor a project: Agencies of state or local governments administering federally assisted urban renewal, neighborhood development or code enforcement projects.

For loans: Owners or purchasers under installment contracts, and for nonresidential loans only, tenants of nonresidential properties; all properties to be rehabilitated must be within the boundaries of one of the specified types of projects.

For grants: Owner-occupants of residential buildings with no more than 4 dwelling units or occupants purchasing such buildings under installment contracts. Buildings must be within boundaries of one of the specified types of projects.

Contact: Assistant Secretary for Community Planning and Development, U.S. Department of Housing and Urban Development, Washington, D.C. 20410

Department of Housing and Urban Development

Program or activity: Comprehensive Planning and Management Grants

Type of assistance: Grants

Objective: To provide grants to states, metropolitan area and planning agencies, cities having populations of 50,000 or more and India tribal bodies. Grants are also mad

through States to counties, smaller cities, local development districts, and economic development districts. This program is popularly known as the "701" program. A broad range of planning and management activities may be supported by these grants.

Eligibility: State, metropolitan area and planning agencies and cities with populations of 50,000 or more apply directly to HUD. Counties, smaller cities and other planning jurisdictions apply through state agencies.

Comments: Funding may be available for surveys of architecturally and historically significant rail stations, for a study of the present or a potential relationship between an historically or architecturally significant station and other components of comprehensive planning in an area, or in order to provide preliminary cost estimates on station property rehabilitation proposals. As an example of the sort of activity which is possible under the "701" program, in Natchez, the Mississippi Research and Development Center received a grant for an historic resource survey and inventory for a designated area of Natchez.

Contact: Assistant Secretary for Community Planning and Development, U.S. Department of Housing and Urban Development, Washington, D.C. 20410

Department of Housing and Urban Development

Program or activity: Urban Renewa. — Neighborhood Development Program (discontinued)

Note: This program was discontinued by HUD in January of 1973. Although no new projects will be funded, changes in an ongoing urban renewal project, such as plans to incorporate historic preservation activities, usually will be approved if no increase in the project budget would result.

Type of assistance: Loans and grants

Objective: To provide loans, grants, and advances to state and local public agencies authorized to carry out projects for the redevelopment of deteriorated urban areas.

Eligibility: State or local public agencies authorized to enter into contracts with the federal government for urban renewal aid.

Contact: Assistant Secretary for Community Planning and Development, U.S. Department of Housing and Urban Development, Washington, D.C. 20410

Department of Housing and Urban Development

Program or activity: Community Development Block Grants (proposed)

Note: This program would replace a number of categorical grant programs now subject to HUD's moratorium on additional funding. These include the Open Space Land Program, the Urban Renewal Programs (including Neighborhood Development), and the Rehabilitation Loan and Grant Program.

Type of assistance: Grants

Objective: These community development grants could be used for any purposes eligible under the categorical grant programs being replaced, including acquisition, rehabilitation, and improvement of historic properties.

Eligibility: Central cities in Standard Metropolitan Statistical Areas, cities of more than 50,000 persons, urban centers of more than 200,000 persons; for first five years, other communities able to qualify for funding under the "hold harmless" provision because of active model cities program or urban renewal projects approved from 1968-72; and other communities selected by the state for receipt of the state's discretionary funds.

Comments: Under current proposals for the Community Development Block Grant program, substantial federal monies will be made available for conservation funding on a matching basis. Railroad station adaptive reuse projects may be able to receive grants under this program by working through the chief executive officer in each SMSA. Those interested in conservation projects including those relating to railroad stations should seek funds under this program.

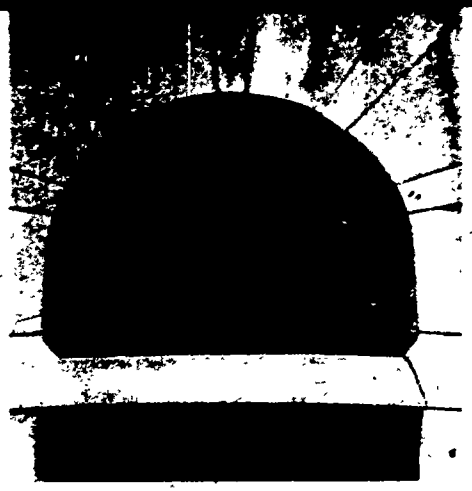
Contact: Assistant Secretary for Community Planning and Development, U.S. Department of Housing and Urban Development, Washington, D.C. 20410

Department of the Interior

Program or activity: National Park Service — National Register Historic Preservation — Grants-in-Aid

Type of assistance: Grants (matching)

Objective: To provide grants to assist the states and territories in conducting surveys to identify historic resources, preparing and implementing State Historic Preservation Plans, and acquiring and developing properties included in the National Register. Funded projects must conform to State Historic Preservation Plans and annual programs



approved by the National Park Service.

Grants are also made to the National Trust to support a wide variety of organizations activities.

Eligibility: States and territories operating under programs administered by a State Liaison Officer for Historic Preservation appointed by the Governor, and the National Trust for Historic Preservation. Beneficiary eligibility includes private and public owners of historic property listed on the National Register of Historic Places.

Comments: Under this grants program, the Petoskey, Michigan, C&O Railroad Station received a $7,403 grant for structural repairs as part of a program of converting the station into a museum.

The National Park Service anticipates an increase in requests for funding railroad station conservation projects under its historic preservation grants program.

Contact: National Park Service, Division of Grants

Department of the Interior—Department of Agriculture (Joint Program)

Program or activity: Youth Conservation Corps

Type of assistance: Employment

Objective: To provide summer employment for youth on conservation projects. Under the Interior Department, youth are employed to carry out conservation activities on land under the jurisdiction of the Department's land managing agencies. In 1974, the program for the first time included assistance for conservation activities on non-federal lands. Projects may be operated directly by the Department of Interior or Department of Agriculture, or on a contractual basis by nonprofit organizations.

Eligibility: Permanent residency in the United States, for youth between the ages of 15 and 18. Contracts to operate projects on federal land are available to State and local governments and private nonprofit organizations in existence for at least five years.

Comments: Although it is difficult to involve YCC participants in projects such as railroad station adaptive reuse, such participation seems possible.

Contact: Chief Division of Youth Conservation Programs, National Park Service, U.S. Department of the Interior, Washington, D.C. 20240

National Endowment for the Arts

Program or activity: Architecture + Environmental Arts Program — Public Education and Awareness

Type of assistance: Grants

Objective: To give grants to individuals, nonprofit organizations, state and local governments for the preparation of educational material in a variety of media intended to foster public awareness of the designated environment. Usually, organizations are required to provide at least 50% of the total project cost from non-federal sources.

Eligibility: Individuals of exceptional talent, units of state and local governments, and nonprofit organizations.

Comments: The Endowment has made grants for several projects relating to the conservation of railroad stations including a $20,313 grant to Roger Hagan for his documentary film on creative uses of railroad stations; grants to Educational Facilities Laboratories for the preparation of *Reusing Railroad Stations* and this publication resulting from the Indianapolis July 22-23 Conference on Reuse of Railroad Stations; a $3,260 grant to a New Jersey graduate student for a survey of railroad stations in that state in order to determine their suitability for acquisition and use as cultural activity centers.

Contact: Assistant Director, Architecture + Environmental Arts Program, National Endowment for the Arts, Washington, D.C. 20506

54

National Endowment for the Arts

Program or activity: Archtecture + Environmental Arts Program — National Theme Awards Programs

Type of assistance: Grants

Objective: To give grants to individuals, nonprofit organizations, and state and local governments for planning and organizing projects and programs in the field of architecture and urban design.

Eligibility: Individuals of exceptional talent, units of state and local governments, and nonprofit organizations.

Comments: This program has granted up to $80,000 to communities for innovative and creative project approaches in theme areas such as City Edges and City Options.

Contact: Assistant Director, Architecture + Environmental Arts Program, National Endowment for the Arts, Washington, D.C. 20506

National Endowment for the Arts

Program or activity: Archtecture + Environmental Arts Program — Professional Education and Development Program

Type of assistance: Grants

Objective: To give grants to individuals, institutions of higher education, and nonprofit organizations to support basic research in building design and to improve the education of design professionals. A broad range of activities is eligible, including curriculum development and recruitment and student support programs.

Eligibility: Individuals of exceptional talent, units of state and local governments, and nonprofit organizations.

Comments: Under this program, grants can be made to specific conservation-related activities including, perhaps, those related to railroad station reuse, and might be used for research in building design and in the preparation of restoration plans for certain types of buildings.

Contact: Assistant Director, Architecture + Environmental Arts Program, National Endowment for the Arts, Washington, D.C. 20506

National Endowment for the Humanities

Program or activity: Grants for Research in the Humanities

Type of assistance: Grants

Objective: To give grants to individuals and nonprofit organizations for humanities projects involving original thought, basic research, interpretive writing and editing. Under its fellowship programs, the Endowment also supports individual research and short-term study projects. The research projects are more frequently collaborative efforts extending over a longer period of time. (Note: There are several programs under the Public Programs Division, as Film and TV grants, Museums and Historical Society funds, and Special Projects, which are concerned with making the humanities available to the public through a variety of media and institutional channels. These programs might provide financial assistance for the publication and dissemination of information reuse depending upon the scope and nature of the particular project or study.)

Eligibility: Citizens of the United States or its possessions and nonprofit organizations engaged in humanistic endeavors.

Comments: The Endowment for the Humanities is especially interested in projects that bear on major issues of contemporary concern. It should be noted that the Endowment does *not* provide funding assistance to cover construction or restoration costs.

Contact: Applications Officer, Division of Research Grants, National Endowment for the Humanities, Washington, D.C. 20506

Regional Development Commission

Program or activity: Technical Assistance Grants

Type of assistance: Grants

Objective: To give grants to state and local governments and private organizations to finance planning activities related to economic development (including research, feasibility studies, and other analyses — demonstrations and training programs). Technical assistance grants may cover such costs as salaries and fees, equipment, materials and supplies. Grants may cover the entire cost of the project or may be combined with funds from other sources.

Eligibility: State and local governments, public and private nonprofit organizations for projects that can further the commission's objectives.

Comments: Railroad station reuse projects could be funded if such projects were consistent with a commission's economic development goals for the area. For example, the Upper Great Lakes Regional Commission provided a $200,000 supplemental grant for use in converting Duluth's Union Depot into the city's new cultural complex, a $2.5-million project which received other funding from private foundations, individual and corporate donations, and several federal programs.

Also, Northeast Regional Commission gave $100,000 in grants to the city of Lowell, Massachusetts, for its "center city development program" to revitalize the city's core area.

Contact: Director of Regional Economic Coordination, U.S. Department of Commerce, Washington, D.C. 20230

Regional Development Commission

Program or activity: Supplements to Federal Grants-in-Aid

Type of assistance: Supplementary Grants

Objective: To provide supplementary grants to state and local governments to help them meet matching requirements for Federal grants-

in-aid programs. These grants may be combined with federal program grants to a total of 80% of the project costs.

There are seven regional development commissions (in addition to the Appalachian Regional Commission, an independent agency of the federal government) which represents multi-state economic development regions. Regional commissions are: The Coastal Plains Commission, the Four Corners Regional Commission, the New England Regional Commission, the Old West Regional Commission, the Ozarks Regional Commission, the Pacific Northwest Regional Commission, and the Upper Great Lakes Regional Commission. These commissions are a joint undertaking of state governments and the federal government, and federal financial support and policy guidance are provided through the Department of Commerce.

Eligibility: State and local governments with insufficient financial resources. The recipient must be qualified to receive a federal grant for a project that meets the Commission's objectives.

Contact: Director of Regional Economic Coordination, U.S. Department of Commerce, Washington, D.C. 20230

Small Business Administration

Program or activity: Business Loans; Economic Opportunity Loans

Type of assistance: Loans

Objective: To provide loans to small businesses to cover costs of constructing, converting, and expanding business facilities (including purchase of land, buildings, machinery and equipment) and for working capital. Economic Opportunity Loans are specifically for low-income or disadvantaged persons who have lacked one opportunity to start or strengthen a small business and are subject to more flexible credit requirements than loans under the Business Loan Program. Usually, Business Loans are from banks or other approved lending institutions and are guaranteed by the SBA up to 90%. Business Loans are made directly by SBA only when participation with banks is not possible, and are subject to the availability of federal funds and may not exceed $100,000.

Eligibility: Independently owned small businesses in the United States or its territories and possessions that are not dominant in their fields, that cannot obtain private financing on reasonable terms, that are ineligible for financing from other government agencies, and that qualify as "small" under SBA's size standards.

Comments: These loans would seem to be especially appropriate for those who are seeking assistance in converting a building such as a former railroad station into a viable office or commercial space. SBA Business Loans ranging in size from $18,000-$40,000 assisted in financing the adaptive use of historic buildings which are now functioning as commercial enterprises in Alexandria, Virginia.

Contact: Office of Community Development, Small Business Administration, 1441 L. Street, N.W., Room 818, Washington, D.C. 20416

Program or activity: State and Local Development Company Loans

Type of assistance: Loans

Objective: To provide loans to state development companies to help them provide equity capital and long-term loans to small businesses. Loans are also available to local development companies for construction, conversion, or expansion of business facilities including purchase of land, buildings, equipment, and machinery.

Eligibility: Local development company loans: profit-making or nonprofit corporations formed to promote and assist the growth and development of small businesses that have a maximum of 25 stockholders or members and that are at least 95% owned by persons living or doing business in the individual community served.

State development company loans: a corporation organized under or pursuant to a special act of the state legislature with authority to operate statewide, and to assist the growth and development of business concerns in its area.

Comments: Local Development Corporations might assist a community in the acquisition or improvement of a railroad station which could then be leased or sold to a small business. Participation loans under the Local Development Corporation programs have been used for the purchase and restoration of historic structures which have subsequently been used for profit-making activities.

Contact: Office of Community Development, Small Business Administration, 1441 L. Street, N.W., Room 818, Washington, D.C. 20416

Tennessee Valley Authority

Program or activity: Operation Townlift

Type of assistance: Planning Services

Objective: To make available to communities planning services, provided by a staff of TVA professionals in the Tennessee River Valley area.

Eligibility: Communities in the Tennessee River Valley area.

Comments: TVA's Operation Townlift, through which TVA's professional staff assists communities in the Tennessee River Valley area with planning services, might be of assistance with railroad station reuse projects located in that part of the country. This program assisted one small Mississippi town by providing preliminary plans for the conversion of the community's 19th century courthouse into a museum and information center on the basis of which the town sought (and received) an historic preservation grant from HUD.

Contact: General Manager, Tennessee Valley Authority, Knoxville, Tennessee 37901

Department of Transportation

Program or activity: Federal Aviation Administration (FAA) — Airport Airways Development Program

Type of assistance: Grants

Objective: To assist public agencies in the development of a nationwide system of public airports and airways to meet the needs of civil aviation.

Eligibility: State, county, municipal, and other public agencies if their airport requirements are shown in the National Airport System Plan.

Comments: During the past five years, the FAA has also investigated the feasibility of constructing heliport areas in multi-level intercity transportation complexes. FAA may well be prepared to expend funds for that portion of the transportation center including, perhaps a railroad station, used as a heliport, although such heliport areas in intercity transportation are yet to be fully demonstrated as viable.

Contact: Development Programs Division, Federal Aviation Administration, Department of Transportation, Washington, D.C. 20590

Department of Transportation

Program or activity: Urban Mass Transit Administration

Type of assistance: Capital Grants; Technical Study Grants; Loans

Objective: To assist in financing the acquisition, construction, reconstruction, and improvement of facilities and equipment for use, by operation, lease or otherwise, in mass transportation service in urban areas and in coordinating service with highway and other transportation in such areas.

The technical study grants bridge the gap between federally assisted transportation planning of an overall nature and federally assisted capital investment in mass transportation systems and equipment. Grants can be used for economic feasibility studies, capital improvement, engineering and architectural surveys, in preparation for improvements in mass transit systems.

Eligibility: Public agencies or private transportation companies through contractual arrangements with a public agency.

Comments: Technical study grants are available for economic feasibility studies which might include railroad station reuse or, engineering or architectural surveys of historically significant railroad stations as one element in a program of improvements in a mass transit system. For example: Efforts to preserve and rehabilitate the San Diego Santa Fe Depot will be aided by a $1.5 million grant from UMTA. The city will turn the depot into a transportation complex including trains, buses, airport ticketing facilities and connections and tourist services as well as shops and a restaurant. It is important to note that UMTA can fund only those areas of the project which involve transit activities. Private developers will invest $3.8 million in the project which will cost an estimated $5.8 million.

Contact: Associate Administrator, Office of Programs Operations, Urban Mass Transit Administration, Department of Transportation, Washington, D.C. 20590

Department of Transportation

Program or activity: Federal Highway Administration — Federal Aid Highway Program

Type of assistance: Grants

Objective: To assist State Highway Departments in constructing the interstate highway systems and for building or improving primary, secondary, and urban systems roads and streets. Funds can be used for planning, right-of-way acquisition, new construction, improvement, road beautification, etc.

Eligibility: State Highway Departments. The states apportion certain state and federal funds to related local public bodies.

Comments: Section 142 of the Federal Aid Highway Act of 1973 permits funding of bus-auto terminals within the general category of passenger loading and parking facilities. Yet to be resolved is the question as to whether extensive bus terminals (perhaps former railroad stations) lie within the statute's authorization to build "bus passenger loading areas and facilities, including shelters."

Contact: Urban Planning Division, Federal Highway Administration, Department of Transportation, Washington, D.C. 20590

Department of the Treasury

Program or activity: General Revenue Sharing

Type of assistance: Quarterly payments

Objective: To make quarterly payments to states and certain local governments for capital expenditures authorized under state and local laws for operating and maintenance expenditures under the following categories; environmental protection, financial administration, health, libraries, public safety, public transportation, recreation, and social services.

Eligibility: States, general units of local government (counties, townships, municipalities), Indian tribal governments, and Alaskan native villages.

Comments: Nongovernmental agencies and private organizations such as preservation groups may request and receive General Revenue Sharing funds from state and/or local governments if their financial laws permit such transfers of funds. The federal government has no specific authority to designate the distribution or allocation of such funds and preservation projects, including projects for reusing rail stations, must compete for a share of these funds along with other state and local agencies. Of the $30.2 billion authorized for distribution over a five-year period under the State and Local Assistance Act of 1972, very little has, to date, been allocated to preservation activities. It seems realistic, albeit unfortunate, to assume that even less federal money will be allocated to preservation activities than had been available under the various federal categorical grant programs which Revenue Sharing has replaced.

At the same time, Seattle has reserved $600,000 of the city's General Revenue Sharing funds for the establishment of an historic preservation revolving fund. The fund is managed by the semi-autonomous public agency, the Historic Seattle Preservation and Development Authority, which has used the funds primarily for restoring historic properties in the Pioneer Square Historic District.

Contact: Office of Revenue Sharing, Intergovernmental Relations Division, 1900 Pennsylvania Avenue, N.W., Washington, D.C. 20226

General Services Administration

GSA is, like Amtrak, a major potential force in the adaptive reuse of railroad stations of any category by virtue of its capability to lease space in such stations for the use of federal office space. GSA cannot make funds available for the restoration or rehabilitation of a station which is to be converted to office space but, by virtue of its commitment to lease space, potential developers are in a better position to finance their own efforts to rehabilitate stations (or, for that matter, any historic property in which GSA is prepared to lease space). GSA is somewhat constrained by the fact that it serves as the agent for federal agencies and any space which it is prepared to lease must meet the requirements (or must be capable of being rehabilitated and adapted in order to meet the requirements) of federal agency tenants.

The National Trust for Historic Preservation

The National Trust is not a federal program but its programs can serve as an adjunct to Federal programs and can give guidance as to the best way to use that funding which is available under federal programs. In many cases the National Trust, better than any other group, can aid conservation efforts including those that relate to the adaptive use of railroad stations through providing advice, aid, comfort, guidance and the benefit of its own experience and that of others with similar or related objectives.

The Trust provides professional advice on conservation problems through its Department of Field Services. In addition, its departments can provide professional expertise relating to historic property programs and activities: Administration, Architecture (historical and restoration), Career Counseling, Decorative Arts Curatorship, Fund Raising, Historical Building Surveys, Horticulture, Legal Techniques of Preservation, Logistical Conference Coordination, Museology, Planning, Property Interpretation, Property Management, Public Relations, and Publications. In addition the Trust's Department of Field S

vices provides two financial assistance programs, Consultant Service grants for matching funds to assist in securing the services of qualified professional consultants on preservation problems such as those that relate to rail station reuse. And, the National Historic Preservation Fund assists nonprofit Trust member organizations in their preservation activities including for example, stations, in the establishment and operation of local revolving funds. The Trust conducts conferences, regional workshops, meetings and seminars on specific preservation issues such as preservations laws, building codes, historic district and building crafts.

The Trust serves as a central mechanism for the collection and dissemination of information relating to the broadest range of conservation acivities, public and private, for profit and nonprofit, and at every level of government.

The Trust is now preparing *A Guide to Federal Preservation Programs,* a 400 page study which is scheduled for publication later this year. It should be of great assistance to those historic conservation interests which are trying to involve the federal government — financially — in their efforts to preserve historic structures including, of course, railroad stations.

Publications

Reusing Railroad Stations Book Two is one of several publications prepared by EFL with support from the Architecture + Environmental Arts Program, National Endowment for the Arts. These include:

Reusing Railroad Stations Reports the plight of abandoned stations and the rich architectural and civic heritage they represent. It advocates their reuse for combined public and commercial purposes, including arts and educational centers, transportation hubs, and focal points for downtown renewal. Extensively illustrated. (1974) $4.00

The Place of the Arts in New Towns Reviews approaches and experiences for developing arts programs and facilities in new towns and established communities. Gives insights and models for the support of the arts, including the role of the arts advocate, the use of existing space, and financing. (1973) $3.00

Hands-On Museums: Partners in Learning Provides case studies of fourteen museums that cater especially to youth by providing programs and facilities which involve visitors as participants in learning. Also reviews the impact of this philosophy on planning, staffing, and constituencies. (1975) $3.00

Arts and the Handicapped: An Issue of Access Gives over 150 examples of how arts programs and facilities have been made accessible to the handicapped. A great variety of programs are included, from tactile museums to halls for performing arts, and for all types of handicapped. (1975) $4.00

The Arts in Found Places An extensive review of where and how the arts are finding homes in recycled buildings, and in the process often upgrade urban centers and neighborhoods. Over 200 examples, with special emphasis on "do's and don'ts." (Publication Winter, 1975)

New Places for the Arts: A Catalogue of Examples Provides descriptions of about 100 museums, performing arts centers, theaters, visual arts centers, and multi-use centers built especially for these purposes. Includes listings of the various professional consultants involved. (Publication Winter, 1975)

A special issue of EFL's newsletter **Schoolhouse** describes how schools are sharing space with the performing arts community to the mutual benefit and betterment of both. (September 1975; free of charge.)

For additional information, and to order reports, write to:

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