

Historic Tax Credits in a Modern World: Retail as Theater

By John M. Tess, Heritage Consulting Group

The heart of the historic tax credit (HTC) program is economics. In creating the current program, Congress recognized that preserving and rehabilitating older and historic buildings provided a social and aesthetic public benefit, but that incentives were needed because rehabilitation projects' extra costs. In particular, changes to the tax code in 1981 had the undesirable effect of leading investors and property owners toward neglecting older structures and relocating their businesses into new buildings. In revamping the HTC program, Congress believed that the Secretary of Interior's Standards would protect the character-defining features of historic buildings while the incentives would make rehabilitation economically viable. By providing a financial incentive, Congress believed it would rebalance the marketplace and eliminate a bias toward new construction.

What Congress did not anticipate were the structural changes to the marketplace itself. One area where this is particularly evident is in the ground floor treatments of downtown and main street buildings. Most downtowns and main streets were redefined in the first half of the 20th century.

Uses typically included speculative offices and residential hotels. The number of floors varied by the size of the community. Invariably, the structure was built to the lot line and featured ground floor storefronts for retail or restaurant uses. With a typical bay approximating 20 feet, these storefronts were usually 50 feet deep. Typically, architects envisioned these as flexible spaces that could be assembled in multiples as market demanded.

At the time of construction and for several decades since, the type of retail was predictable: in the retail core were specialty stores supplementing the offerings of the major department stores. Fanning outward were more residential services, including green grocers, meat markets, candy stores and cleaners. Bars, restaurants, barbershops and beauty parlors were ubiquitous. For the most part, these spaces were shells with product-specific fixtures.

But beginning in the second half of the twentieth century, the concepts for retail and restaurants began to evolve and change. For retail, the experience of the Kress Building in downtown Portland is indicative. The Kress Building was constructed in 1928. It was a five-story terra cotta commercial style building located on a quarter-block parcel across from the city's dominant department store in the center of the city's retail district. The Kress Building was designed by the company and was Portland's first 5, 10 and 25 cent store. The first floor and basement were used for sales; the upper three floors were stock rooms. The sales floor consisted of free standing sales islands with point of sale check out locations. The store remained for four decades, remodeling and expanding into an adjacent storefront in 1952.

In 1974, the Kress store closed. A J.C. Penney's moved into the storefront the following year; that chain wanted to locate closer to the retail core. Penney's gutted the building and installed a new modern department store in the basement, first and second floors; three through five remained stock rooms. While the finishes were new and modern, functionally, the store was similar to the Kress store. A decade later, the store closed. In 1985, the building was

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adapted to offices on floors two through five and the ground floor was adapted into three small specialty stores, each about 3,000 square feet. A Laura Ashley women's clothier was the typical tenant. Even at this stage, the interior was a vanilla shell with modern, specific fixtures.

A decade later, the three store spaces were again consolidated into one store, this time for Williams Sonoma. Williams Sonoma approached the interior as a box to be filled with a specific design. The ceiling was dropped and while there was ample shelving, the intent of the design was to create an atmosphere and focus complimentary to the cooking product line. In particular, the design evoked the sense of a French country kitchen.

After a decade, the space was vacated and new tenants sought to develop the space as a retail "setting" and exploded the concept into "retail as theater" where the customer was immersed into a full shopping experience. The space was enlarged to incorporate not only the second floor but to add a mezzanine evocative of an indoor running track. The design was built on the retailer's sports heritage while embracing its associations with the community. For example, the project incorporated bleacher boards from a local high school gymnasium, while donating new bleachers to the school. Design elements picked up the visual language of sport with hardwood flooring, brick walls and metal grills. The store was also designed in multipurpose layers much as a gymnasium would be. For its effort, the design was recognized by DDI Portfolio magazine as "First Place for Best-Designed Store."

From an HTC perspective, though, "retail as theater" may be problematic. Generally, most aspects of the interior store design can be made to comfortably fit within the Secretary of Interior Standards, especially when the historic and current use and character were retail. In the case of the Kress Building the ground floor had been gutted numerous times leaving a shell reducing the historic features and materials.

The Secretary's Standards spoke specifically to retaining those elements which embrace the retail space. A safe path for a retail tenant build-out is a vanilla shell: painted gypsum board walls and ceiling and typical storefronts. While this works for retailers whose goal is simply to re-fixture a space, some major retailers face an intensely competitive marketplace with multiple arenas. For major retailers, design questions are not simple and not without consequences. The goal is to be daring and unique. For the HTC program, some designs raise questions about what is appropriate and what is not appropriate for a historic building.

Just as retail has evolved and adopted a theater aesthetic, restaurants too have moved in this direction, though with a much longer timeline of experience. Similar to retail, restaurants not

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only attract customers through their product, but also through the setting and customer experience. While a restaurant with poor service and sub-par food is unlikely to survive, one with quality food and service, as well as an entertaining atmosphere, is likely to prosper.

Akin to retail, the development of restaurant themes and concepts can sometimes push interpretations of the Secretary's Standards. Finishes which a restaurateur may deem integral to the design concept, such as exposed structure or a "loft feeling," may cause some trepidation with reviewers when proposed for a space that was traditionally finished. Even where a restaurant will be fully finished, the finish plan may appear on its face to be incompatible with the historic building. Much like retail, pushing the design envelope can create stress in the tax credit review process. The same may be said for certain office spaces.

Certainly, there are times when character-defining features and historic materials limit what may be done in a historic space. Indeed, historic interior spaces often offer wonderfully unique design opportunities. Original historic material and character-defining features are important in maintaining this historic veracity of building.

But the evolution of historic uses is a challenge, particularly in those use spaces that have been previously gutted. The original intent of the modern HTC program was to level the economic playing field of historic buildings against modern structures. The design of retail, restaurants and even in office settings has evolved and matured with sophistication and very specific design goals. As these uses move into older and historic buildings where the space has been previously taken to its shell, the designs tend to challenge the Secretary of Interior's Standards, and it is important to carefully work through any design issues early in the design process to avoid conflicts with the Standards. ❖



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