

# Novogradac Journal of Tax Credits

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## Historic Preservation and Going Green

By John M. Tess, Heritage Consulting Group

**H**istoric preservation and sustainability go hand in hand. There is a misconception that historic preservation tax credit (HTC) projects and LEED certified projects are mutually exclusive. On the contrary, green development and preservation can both be achieved when rehabilitating a historic building; thus, opening the door for developers and property owners to benefit from using federal, state and local historic incentives while meeting green building standards.

At present, the federal government offers a 20 percent investment tax credit for the rehabilitation of certified historic buildings. The rehabilitation of a historic building must meet the Secretary of the Interior's Standards for Rehabilitation. These standards provide guidance on the appropriateness of work on a historic building, through the preservation of the building's significant historic features. The program is administered by the State Historic Preservation Offices and the National Park Service.

The most recognizable program in green building certification is Leadership in Energy and Environmental Design (LEED). LEED is a green building certification system, providing third-party verification that a building was designed and built using strategies aimed at improving a building's performance. LEED certification is based on seven credit categories including: sustainable sites, water efficiency, energy and atmosphere, materials and resources, indoor environmental quality, and innovation in Design/Regional Priority. Developed by the U.S. Green Building Council (USGBC), LEED provides building owners and operators a concise

framework for identifying and implementing practical and measurable green building design, construction, operations and maintenance solutions.



*Photo Courtesy: GBD Architects*

**The Oregon National Guard Armory Annex in Portland, Ore.**

The most common concern when performing a green rehabilitation of a historic building is energy efficiency. There is a bias throughout the green building community that if you want to achieve energy efficiency in a building you need to start from scratch. Historic buildings have embodied energy that can balance the goal in the green building community for energy efficiency improvements that may be difficult to achieve otherwise. The LEED certification system does award points for building and materials reuse. Making the LEED system work within the standards can be a chal-

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lence, as the standards have clear guidelines on retaining historic materials during rehabilitation. These challenges are illustrated through two successful LEED certified historic preservation tax credit projects: The Oregon National Guard Armory Annex and the Meier & Frank Department Store Building both located in Portland, Oregon. These projects demonstrate the amount of flexibility available for greening buildings utilizing the federal historic tax credits.

The Oregon National Guard Armory Annex, built in 1891, has thick masonry walls and a fortress-like appearance, and with more gun slits than windows it might not seem like an obvious candidate for a green rehabilitation. But the Gerding Edlen Development Company had a vision to rehabilitate this historic building into a state-of-the-art theatre while meeting the Secretary of the Interior's Standards for Rehabilitation and achieving LEED Platinum certification, the highest level in the LEED program.



*Photo Courtesy: Heritage Consulting Group*  
An interior view from a balcony at the Nines Hotel.

The Armory is listed in the National Register of Historic Places and is significant as the first armory built in Oregon for the newly organized Oregon National Guard. It is also significant as an excellent example of the Castellated architectural style. Throughout the building's history it has been utilized for various functions including arms storage, shooting range, drill hall, event hall and, prior to its rehab, beer warehouse.

In 2006 the building was rehabilitated as the home of Portland Center Stage.

The primary challenge of rehabilitating what was essentially a warehouse into a theatre, was to fit 55,000 square feet of program space within a 20,000-square-foot footprint while preserving and exposing the Douglas fir truss ceiling. The masonry structure also had to be braced seismically and the two performance spaces had to be isolated acoustically. The solution involved excavating 30 feet below the level of the original basement and building a concrete box inside the existing shell with access via two 14-foot-wide doors.

On the historic preservation side, the exposed roof trusses and  
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exterior of the building were determined to be character defining features that had to be preserved. The roof trusses remained exposed in the building lobby and an oculus opening was created to provide views from the first floor to the roof trusses above. The distinctive masonry exterior was rehabilitated with no major changes.

On the green side, the spaces are distinctly contemporary in appearance and in function. The building has excellent lighting, air quality and energy efficiency with a 30 percent improvement over code standards. To improve water efficiency, rainwater is captured from the roof and used to flush toilets and urinals. The building is also equipped with dual-flush toilets and low-flow showerheads and faucets, reducing the building's potable water use by 88 percent. Its windows also have advanced glazing to maximize daylighting while minimizing winter heat loss and summer heat gain. Where appropriate, lighting in the building is controlled by photo-sensors, occupancy sensors and dimming switches. These features all contributed to the LEED Platinum rating. Reuse of the existing building conserved not only the embodied energy of the existing materials but also the craftsmanship of the unique facade, preserving this Portland Landmark for future generations. The newly christened Gerding Theater has the distinct honor of being the first building on the National Register of Historic Places to receive federal historic tax credits and to achieve LEED Platinum status.

The Meier & Frank Department Store Building consists of three interconnected structures built over a 23-year period from 1909 to 1932. When completed, it was Oregon's largest building. Like so many department stores, the building gradually became underutilized in the late 20<sup>th</sup> century. Sage Hospitality Resources' renovation included modernization of the lower five floors and basement as a state-of-the-industry retail space and transformation of floors 6 and above into Oregon's first five-star hotel. The hotel contains 331 rooms, destination atrium restaurant, rooftop lounge, 7,200-square-foot grand ballroom and 13 additional meeting rooms.

Adaptive reuse of this department store into a hotel was not a simple task. The building required seismic, fire, life safety and other code upgrades. The full-block floor plate was unwieldy, and built as three structures, the floor and ceiling levels did not always align.

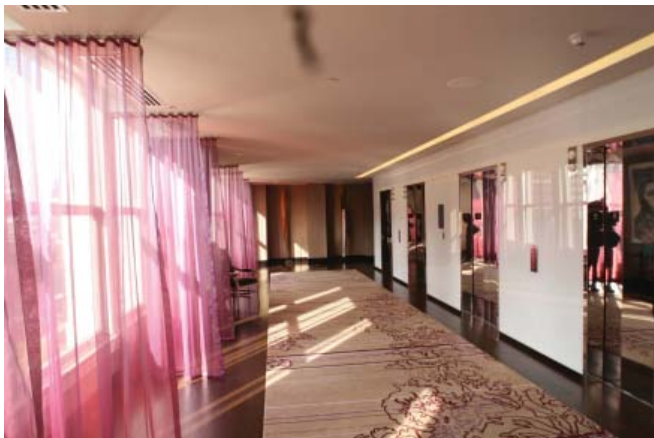
On the historic preservation side, the white terra cotta exterior, original windows, and ground floor entrances and elevator lobby were determined to be character defining features that had to be preserved. These features were preserved while making way for a state-of-the-art interior that included a new atrium for the hotel.

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On the green side, the effective reuse of the Meier & Frank Department Store represents an enormous accomplishment in sustainable design. This accomplishment takes two forms: first, the preservation of embodied energy and materials of one of Oregon's largest buildings; second, the sustainable initiatives to green the building and its operations. Apart from the eco-savings accomplished through preservation, the project team embraced a number of pro-active steps towards sustainable design. Specifically, during construction the project committed to recycling removed materials, achieving 90 percent recycle rate.

Major work included the use of interior storm windows and high-performance glazing in infill elements, maximizing access to natural light. The installation of high efficiency lighting systems resulted in a savings of 26 percent energy consumption over comparable hotels. Finally, the installation of high efficiency water systems, with low-flow faucets and dual-flush toilets, collectively will save a half million gallons of water per year.



*Photo Courtesy: Heritage Consulting Group*  
An interior view of a hallway at the Nines Hotel.

In addition to the development aspects of the project, green operations focused on the core tenets of reduce, reuse and recycle. These operations included using 100 percent renewable energy, including wind power and carbon offsets, using only Green Seal-certified products and encouraging employees to bike to work. In total, these eco-actions are anticipated to save the hotel \$1 million in operating costs in its first 10 years. The Nines Hotel achieved LEED Silver certification; one of only 10 five-star hotels that are LEED certified projects.

More broadly, the project demonstrates that sustainable practices and luxury hotel operations are not mutually exclusive, but that "eco-luxury" is mutually compatible.



*Photo Courtesy: Heritage Consulting Group*  
An interior view of a room at the Nines Hotel.

Contrary to the misconception that historic and green projects do not work together, our experience proves that it can be done. Other recent historic tax credit projects we have been involved in that either have achieved LEED certification or are in the process of seeking LEED certification include the Palomar Hotel in Philadelphia, Pa., Court Square Center in Memphis, Tenn., Mercy Corps Headquarters in Portland, Ore., the Deco and Barclay Buildings in Milwaukee, Wis., and the IBM Building in Chicago, Ill.

Often, the owners and developers of historic buildings simply assume that their building cannot secure both historic tax credits and LEED certification, believing that the preservation standards will work against the green priorities. In the process, they forego the potential green or financial incentives, benefits that often make the difference in the viability of a project. It is important when contemplating the redevelopment of these resources that all opportunities are explored as historic buildings are often environmentally friendly and contain opportunities for becoming greener. ❖

*John Tess is founder, president and CEO of Heritage Consulting Group. In 2007, Heritage passed the quarter-century mark. Mr. Tess established the firm in 1982 to assist historic property owners in securing federal investment tax credits. Since that time, Heritage has consulted on projects across the country from its offices in Portland, Ore. and Philadelphia, Pa. with work totaling more than \$1 billion.*

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