

CITY OF LAKE OSWEGO

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COUNCIL REPORT

TO: Jack Hoffman, Mayor
Members of the City Council
David Donaldson, City Manager

FROM: Paul Espe, Associate Planner

SUBJECT: Worker's Cottage Future Use Study

DATE: May 8, 2012

ACTION

Receive information and consider options for the future use and ownership of the historic Iron Worker's Cottage. Staff is requesting Council direction to conduct further planning and budgeting for necessary improvements.

INTRODUCTION

The Worker's Cottage Future Uses Work Group is proposing that the City rehabilitate the historic Worker's Cottage for use as a City-owned, exhibit and meeting space. The Work Group, consisting of Historic Resources Advisory Board (HRAB) members and others interested in the preservation of the property, proposes that a non-profit organization be responsible for operation of the exhibit and meeting space and that tenant space for a single office be set aside within the building for use by the non-profit organization.

This report examines use of the cottage as exhibit space along with other potential uses for the building. Two scenarios for exhibit and meeting space were examined. One scenario assumes full-city sponsorship of the space and the second scenario assumes the City owns the building but leases it to a private party with no City sponsorship of the exhibit space. If the Council chooses to pursue use of the building as a City-owned and privately operated exhibit and meeting space, the details regarding rent, expenses, and the level of City sponsorship will need to be negotiated with the tenant.

This report presents a brief background on the current status of the Worker's Cottage and the work conducted to prepare this analysis. The discussion section examines the proposal suggested by the Work Group along with additional options for use and ownership. The section also examines issues and constraints associated with each option and the overall costs including estimates of capital, operation, and maintenance costs. The fiscal impacts of each alternative are discussed in the final section of the report. This study session discussion by the Council is timely, given that the future use of the Worker's Cottage

should be determined prior to any new capital expenditures on exterior rehabilitation or interior improvements.

BACKGROUND

Current Status of the Worker's Cottage

In 2011, the Council authorized staff to proceed with the first phase of rehabilitation as outlined in the 2008 preservation plan prepared by architect Robert Dortignacq. The first phase is intended to stabilize the building and prevent further deterioration.

First phase work is currently under way and consists of:

- Repairing the lower walls;
- Perimeter beam replacement and repairs;
- Siding trim and skirt repair;
- Insulation, ventilation; and
- Site regrading and drainage.

A second phase of rehabilitation is being proposed as part of the 2012-2013 budget and is intended to address additional exterior work. Depending on the outcome of the Future Use Study and the budget process, the scope of the second phase can be modified to address Council direction. The budget request does not include additional funds related to any proposed interior improvements that would be required for the identified future use. The proposed second phase work would consist of:

- Repairing the porch and back deck;
- Reroofing;
- Painting;
- Repair and replacement of windows and doors; and
- Masonry work.

The 2008 preservation plan also identifies a third phase which addresses basic interior improvements and alterations necessary for single-family occupancy and use.

Future Uses Study

Prior to initiating any additional work on the interior of the building, it is necessary to determine how the City intends to use the building and to decide whether the City should continue to be the owner of the property. To address this question, staff convened a Work Group in July 2011, consisting of two HRAB members and five citizens who met monthly to research a variety of options for the future use of the cottage. The priorities identified by the Work Group were to preserve the structure as a significant historic landmark and assume some level of public access and enjoyment while attempting to minimize expenses. The contributions from the Work Group are included in Appendices B through F. A list of the Work Group members is included in Appendix H.

DISCUSSION

The discussion section includes a general description of the use options, an analysis of regulatory issues and constraints, a discussion of ownership and management options, and an analysis of five potential use and ownership scenarios that address potential improvement costs.

A. Use Options

Potential uses considered by the Work Group included: an exhibit hall, a meeting space, office use (private, city, or non-profit), and a private residence. For analysis purposes, the exhibit hall and meeting space were combined. A brief description of use options for the cottage is found below.

- ***Exhibit and Meeting Space***

The Work Group envisions the principle use of the facility to be an educational and cultural facility offering exhibit and community meeting space for the city or nearby neighborhood associations. The exhibit space would be used for the display of historic artifacts mainly related to the Iron Industry. Presently, the City has no exhibit space and very little storage space for Iron Industry artifacts. Providing a public display for these artifacts will enrich this Heritage Trail venue by providing a glimpse into Lake Oswego's industrial past. Further, the Old Town Neighborhood Association has no place to hold their neighborhood meetings. This use option would provide space for Old Town, and other neighborhood associations to hold their neighborhood meetings.

The use of the building as exhibit and meeting space could be allowed as a Conditional Use within the Old Town Design District Zone. The Work Group proposes that the cottage remain under city ownership, but operated by a non-profit organization. This option includes having an accessory office within the building for the non-profit organization.

Work Group members developed four examples of the typical floor plans that could be used within the building for meetings and artifact display. Graphic Illustrations of these floor plans can be found in Appendix A. Each plan emphasizes a different use: an exhibit space, a space for meetings and work sessions, lecture space, informal discussion groups, or group meetings. The Work Group also provided a cost estimate of exhibition fixtures and office furnishings proposed for this use (Appendices B and C).

- ***Office Use***

This option assumes installation of three to four office spaces located in each of the small rooms. An extra office could be provided if the living room is divided into two spaces. Offices could be publicly-owned city office space, or they could be leased by the City to a private party. The building could also be sold to a private party for private office use. Off-street parking would need to be provided on the property.

- ***Residential Use***

The 700 square-foot building includes a living room, kitchen, two bedrooms, and one bathroom. It was purchased by the City in 2002 for \$180,000. Shortly after the purchase, the City entered into a month-to-month rental agreement with a party who lived there until approximately 2006. Except for a short lease in the summer of 2007, the building has been vacant since that time. Maintaining the building as a residential use would provide additional housing in the Old Town Neighborhood.

B. Regulatory Issues and Constraints

Each of the use categories (exhibit/meeting space, office use and residential use) has its own unique constraints and regulatory issues. A discussion of each potential constraint is provided below. A summary table follows the discussion.

- **Zoning:** The property is currently zoned Residential Old Town Design District (DD zone). The purpose statement of the DD zone reads:¹
 - “1. The purpose of this zone is to assure that single-family homes are protected from noise, light, glare and reduction in privacy to the maximum extent possible during the area’s transition to higher density residential use, to facilitate good architectural design and site planning which maintains residential choices of unit size, cost and other amenities and supports the economic feasibility of new construction and development, and to assure protection and compatibility of all land uses, including commercial, residential, park, open space and historic sites.*
 - 2. The DD zone is intended for use in low density residential districts which are undergoing transition to increased densities, and which have scenic, historic, natural or residential features which should be preserved and integrated with the new development.”*

The DD zone allows a single-family residential house as an outright permitted use.

An exhibit and meeting space could be approved under a Conditional Use Permit in the DD Zone, if the exhibit space is the primary function. An office space for incidental administrative functions could also be allowed under the same application. Conditional Use Permits require a public hearing and approval by the Development Review Commission.

Stand alone office uses are not currently allowed in the zone. The Community Development Code allows non-profit offices in historic buildings through a Conditional Use Permit but they can only be located on arterial streets (State Street, McVey, A Avenue, etc.). General office use of the cottage would require a code amendment to expand the list of uses allowed in the DD zone. As noted in the purpose statement above, the DD zone is a residential district and expansion of the use list to include general office uses could be considered inconsistent with the purpose.

- **Parking:** Parking will need to be provided for each use. Single-family uses require one space per unit. Office use requires a minimum of 3.33 spaces per 1,000 sq. ft. (two to three parking spaces will be required depending on how uses are configured) and an exhibit and meeting space (based on the requirements for a “museum”) would need a minimum of 1.88 spaces per 1,000 sq. ft. plus a space for employees or volunteers (two to three spaces will be required). A minimum of one space needs to be compliant with the Americans with Disabilities Act (ADA) and be van accessible. Staff notes that there is sufficient space at the rear of the property to accommodate parking; however, paving, walkways, storm water management, and signage would be required.

¹ This purpose statement is from the version of the Community Development Code prior to the version adopted on March 20, 2012 with Ordinance 2579. That ordinance, intended to reorganize and streamline the code, inadvertently deleted this purpose language from the DD district. Staff is in the process of correcting the code to include the missing language.

- **Americans with Disabilities Act (ADA):** The City Building Official stated that the exhibit/meeting space and office uses would need to comply with ADA standards. The building entrance, interior doorways and lavatory would need to be wheelchair accessible if this facility is used by the public. In some instances, the local Building Official can work with the State Historic Preservation Office to determine if exemptions can be made to these requirements. In doing so, the Building Official needs evaluate whether an exemption would result in a hazard or an unsafe condition. Under the building code, the decision to grant an exception is at the discretion of the Building Official.
- **Preservation Easement:** A preservation easement specifically developed for continued preservation could be required if the City were to sell the Worker's Cottage. A preservation easement is individually written and crafted to address the unique features of the property it is designed to protect. Protected features may include the facade, interior features, or grounds. It is a voluntary legally binding agreement that allows a land owner to protect a historic property from activities that may harm the property's integrity, including neglect, demolition, and insensitive alterations. A preservation easement can ensure long term preservation of the property.

Since 1981, the Historic Preservation League of Oregon (HPLO) has accepted preservation easements from building owners across Oregon. To accept an easement, HPLO requires payment of a fee based on the assessed value of the structure (typically \$1,100 to \$1,500). The cost of preparing the easement is not included in the fee. The League's easement program currently protects 42 historic properties, including the Trueblood House and the George Roger's House in the City of Lake Oswego (on Wilbur Street across the street from the Worker's Cottage).

- **Historic Design Review Requirements:** The Worker's Cottage is one of 72 properties listed on the City's Landmark Designation List and was placed on the National Register of Historic Places on July 16, 2008. It is subject to the City's Historic Preservation Code (LOC Chapter 58.02), which provides review criteria and guidelines for any exterior alteration. Major alterations are reviewed through a public hearing process by the Development Review Commission (DRC). HRAB provides comments related to preservation standards during the preapplication meetings and may provide additional input after the application has been submitted. Items that are considered "routine maintenance" such as painting, foundation repair, replacement of siding, etc., are ministerial actions and not subject to formal historic design review. The interior of any City historic landmark is not subject to review.

Additional funding and time to account for permit preparation and review will need to be considered for any exterior changes to the building. Changes to the porches, doorways, or construction of ramps to meet requirements under the ADA will be subject to review by HRAB and the DRC.

- **Archaeology:** The Worker's Cottage was recently recorded with SHPO as an archaeological site (site 35CL385). The Old Town Design District contains several other known archeological sites. One is located approximately 200 feet west of a site identified in 1994 during a City sewer rehabilitation project. Depending on the extent of site excavation required, the City may need to hire an archaeological consultant and apply for the appropriate permit. Additional funding and time to account for hiring an archaeological consultant to prepare studies and permit applications for review by SHPO will need to be considered for any excavation required for the site. This could

include further foundation repair, ADA ramps, parking lot construction, or even extensive landscaping on the site by the City, a homeowner, or a tenant.

Summary Table			
Regulatory Issues and Constraints			
Issue and Constraints	Exhibit/Meeting Space	Office	Residential
Zoning	Conditional Use Permit (for a Major Public Facility)	Major Zone Change (text amendment) to allow offices/non-profit in DD Zone through a Conditional Use Permit	Allowed use in the DD zone
Parking	Two to three off-street spaces (one van accessible)	Four off-street parking spaces (one van accessible)	One off-street parking space
ADA	Access ramp doorway, lavatory modifications and parking	Access ramp doorway and lavatory modifications and parking	None (unless publicly-owned)
Preservation Easement	Apply to privately owned uses	Apply to privately owned uses	Apply to privately owned uses
Historic Design Review and State Excavation Permit (Archeology)	Required for any exterior alteration or ground disturbance by the City or private party	Required for any exterior alteration or ground disturbance by the City or private party	Required for any exterior alteration or ground disturbance by the City or private party

C. Ownership and Management Options

Options for ownership and management of the Worker’s Cottage include:

- City ownership
 - with City offices or City sponsored uses (exhibit and/or office space)
 - with space leased to a private party (exhibit/office space or residential use)
- Private ownership

City ownership means that the City maintains long term control over the use of the building and continues to have the responsibility of maintenance and upkeep for the structure. The cottage is a featured stop along the Iron Heritage Trail and City ownership can guarantee some level of public access to the interior of the building. With private ownership or its use as a city office, it is likely that public access will be greatly limited.

Within the category of City ownership, there are variations as to how the building can be used and operated. Each are described briefly below:

- City Offices or City Sponsored Uses – With use as a City office or a City sponsored use, the operation and maintenance of the building would be similar to other City owned facilities. The City would be responsible for building and landscape maintenance, utilities, garbage pick-up, etc. Permanent staff would be assigned the responsibility of maintenance and programming uses.
- Space Leased to a Private Party – Depending on the lease agreement, the City could be responsible for building and landscaping maintenance and leave other expenses to the lessee. Permanent staff would be assigned the responsibility of managing the lease and monitoring the property.

D. Scenario Analysis

1. *Introduction – Common Elements*

To simplify the analysis of alternatives, the report examines a limited set of scenarios. These include:

- City ownership – City office use
- City ownership – City sponsored exhibit/meeting space
- City ownership – Space leased for exhibit/meeting/office space
- City ownership – Leased for residential use
- Private ownership – Residential use

The two exhibit/meeting space scenarios represent two different options regarding the extent of City involvement and sponsorship. The first exhibit/meeting space scenario assumes full City sponsorship of the uses within the building. The second scenario assumes no City involvement in the exhibit space programming and operation. Managing the space would be entirely up to the tenant. Another approach may be somewhere between these two options. Specific proposals for use and management of the Cottage are not in the scope of this analysis.

In this report, it is assumed that under every scenario, the City finishes its work to stabilize and rehabilitate the building. The 2008 preservation plan estimated an approximate cost of \$130,000 for the basic rehabilitation of the Worker's Cottage (phases one and two) plus an additional \$30,000 for interior improvements to make the building habitable (phase three). To account for possible increases in material and labor costs, staff has added a contingency amount of \$10,000 to the estimates bringing the total cost for three phases to \$170,000.

In June 2011, \$70,000 was allocated to begin work on stabilization and rehabilitation of the structure (\$30,000 of this amount came from a Kinsman Foundation grant). The initial work is scheduled to be completed by June 30, 2012. The remaining work to be done to rehabilitate the building and to make it habitable for residential purposes is estimated to be \$100,000.

As part of City Manager's proposed budget, staff is recommending an additional \$60,000 in FY 2012-13 to complete remaining work on phases one and two. Just this past week, the City applied for \$20,000 in additional grant funding from SHPO to offset some of these costs. As of yet, no funding request has been made to do the work to make the building habitable. This amount is dependent on what future use is identified.

2. *Scenarios Descriptions and Costs*

Each of the five scenarios is described below. Cost estimates are provided along with assumptions. The costs for completing the rehabilitation and habitation improvements outlined in the preservation plan (plus contingency) are the same for every scenario at \$100,000. The startup costs included for each scenario describe the additional tenant improvements, site improvements, and equipment needed for the specific use. Appendix A provides a table outlining specific cost estimates for the four scenarios where the Cottage remains in City ownership.

City Ownership - City Office Use

Description

The building could function as a small satellite City office or meeting space. However, its location away from other City departments and services may create unnecessary and unacceptable inefficiencies depending on the use.

Costs

The cost of completing the rehabilitation and habitation improvements outlined in the preservation plan plus contingency cost is \$100,000. The additional start up and tenant improvement costs for this scenario are approximately \$45,300. Operational costs are approximately \$6,200 per year. No rental income is assumed.

Assumptions

Key assumptions include:

- Improvement for City offices would include a high level of tenant improvements to provide adequate lighting, telecommunications and computer hubs, and structural improvements for higher occupant loads.
- ADA requirements would apply.
- As a City office, the staff occupying the building would be responsible for managing and programming the space.
- A total of four offices are assumed for this use.

a. City Ownership – City Sponsored Exhibit/Meeting Space

Description

The building could serve as a City sponsored educational and cultural facility for the display of Iron Industry artifacts. The building could also provide meeting space for the City or nearby neighborhood associations. This scenario assumes that the building is occupied by a tenant that carries out and administers a City sponsored program similar to how the City works with the Arts Council. Recently, the Arts Council moved from the first floor of City Hall, and now uses office space at 500 First Street (formerly Lacey's Restaurant). This space was provided to the Arts Council free of charge through a contract with the City in exchange for the administration of the "Galleries without Walls" art program.

Costs

The start up and tenant improvement costs are \$33,900 under this scenario. This is in addition to the \$100,000 rehabilitation/habitation costs that are assumed for each scenario. The operational costs are \$8,700 per year. No rental income is assumed.

Assumptions

Key assumptions include:

- The City completes all internal tenant improvements including adequate lighting, a telecommunications and computer hub, and structural improvements for higher occupant loads.
- ADA requirements would apply.

- Exhibit display, office furniture, and capital equipment would be provided by the City.
- Operational expenses covered by the City include property insurance, utilities, custodial work, building maintenance, and landscape maintenance.
- Space and equipment for one office for the management of daily operations is included.
- Phase Three of the preservation plan would need to be revised to include the modifications necessary to accommodate the exhibit space and office.
- City staff would be responsible for managing and programming the space.

b. City Ownership - Leased for Exhibit/Meeting/Office Space

Description

The building could be leased by a private party or non-profit organization to provide exhibit and meeting space. The tenant would manage and program the use of the building and the exhibit/meeting space. The building would provide incidental office space for the tenant. This scenario was developed with the assumption that all of the building square footage will be utilized and leased by the tenant; however, as an alternative, a nonprofit organization could be charged rent for just the office space. The actual amount of square footage to be leased would need to be negotiated with a potential tenant and would depend on the needs of a tenant and whether the exhibit and meeting space helps to advance a City program.

Costs

Along with the initial costs of rehabilitation and habitation (\$100,000), the additional City start up costs for this scenario would be \$30,500. Operational costs are estimated to be \$3,400 per year.

Assumptions

Key assumptions include:

- Internal building improvements would be funded by the City.
- The tenant would be responsible for start-up and tenant improvement costs such as exhibits and displays, office furniture, and capital equipment.
- Operational costs including insurance, utilities, and custodial work, would be paid by the tenant.
- The City would pay for ongoing building and landscape maintenance.
- ADA improvements would be required.
- One office space for the management of daily operations would be needed.
- Rent would be paid by the tenant for the entire building (renting only a portion of the building is an alternative that could be considered but it was not evaluated as part of this scenario).
- Phase Three of the preservation plan would need to be revised to include the modifications necessary to accommodate this use.

c. City Ownership - Leased for Residential Use

Description

The Worker's Cottage could be owned by the City and leased to a private party as a single-family dwelling. The improvements identified in Phase Three of the Preservation Plan would restore the building to a habitable single-family dwelling.

Costs

The \$100,000 cost for rehabilitating the structure includes the cost of making the building habitable. Once phases two and three of the rehabilitation plan are complete, total start up costs of approximately \$12,000 would be needed for landscaping and other miscellaneous remodeling expenses. Yearly operational costs would be approximately \$5,000 per year. Under City ownership, approximately \$10,500 per year could be collected in rent.

Assumptions

Key assumptions include:

- Internal improvements would be funded by the City including the installation of appliances.
- ADA requirements would not apply (a residence would not be a change in use).
- One off-street parking space would be required.
- The City would be responsible for ongoing building and landscape maintenance costs.
- The tenant would pay for utilities and insurance.
- Limited public access.
- Rent would be paid by the tenant.

d. Private Ownership – Residential Use

Description

The Worker’s Cottage could be sold by the City to a private party as a single-family dwelling. The improvements identified in Phase Three of the Preservation Plan would restore the building back to a habitable single-family space.

Costs

Following rehabilitation and habitation improvements (\$100,000) the property could be sold to a private party for residential use. An additional \$12,000 would be needed for appliances and improvements for landscape and parking. It would also be possible to sell the property at a lower cost to a buyer who agrees to make the remaining rehabilitation and habitation improvements. Approximately \$1,100 to \$1,500 would be needed for a preservation easement.

Assumptions

Key assumptions include:

- The City would complete work on stabilization and rehabilitation of the structure. ADA requirements would not apply (a residence would not be a change in use).
- One off street parking space would be required.
- A preservation easement would be added to the deed prior to sale.
- Limited public access – some access could be guaranteed through the sale agreement.

3. Advantages and Disadvantages

An overall objective of the Future Uses Work Group was to maintain public access and interpretative options at the Worker’s Cottage while recognizing that costs should be minimized. The assessment of advantages and disadvantages below was completed with these objectives in mind.

The four scenarios under which the City retains ownership of the cottage clearly provide the City with the

most control over preservation of the property. If the property is sold, a preservation easement can be used to provide the framework for the continued care and maintenance consistent with local City codes and the Secretary of Interior Standards for Rehabilitation. The easement could also be written to address any excavation or landscaping given the designation of the property as an archeological site.

Public access is maximized under the scenarios for use as exhibit/meeting space. This scenario maintains the site as a central landmark along the City's Iron Heritage Trail. As City offices, there are likely to be conflicts with public viewing of the building and the privacy and security of office workers. The residential scenarios provide the least public access – but lease agreements and sale agreements can be written in such a way that the building is open to the public for a pre-defined number of days per year.

Costs include both the short term start up costs and the longer term operational costs. Sale of the building results in the least cost option to the City given that ongoing operational costs are eliminated. There may be some hidden costs in monitoring the sale agreement and compliance with the preservation easement. In addition, it is unlikely that the property can be sold for what the City has invested in the purchase and rehabilitation of the structure.

The highest cost scenario is to use the building as City offices. This option requires the greatest expenditure in improvement costs given the need to add lighting, office furniture, and the wiring for phones and computers. The lowest cost scenario would be to lease the building for residential use. This is the scenario that requires the least amount of modification and improvements.

A summary table of advantages and disadvantages is shown on the following page.

Summary Table Advantages and Disadvantages of Each Use		
Scenario	Advantages	Disadvantages
City Ownership - City Office Use	<ul style="list-style-type: none"> ▪ Control over how the building is used and maintained. ▪ Maintains options for public access to a significant historic site. ▪ Provides additional office and meeting space, with the potential for a small amount of exhibit space. 	<ul style="list-style-type: none"> ▪ Highest improvement costs. ▪ Ongoing costs for maintenance. ▪ Public access from heritage trail is complicated by office use. ▪ Remote location is impractical for city use.
City ownership - City sponsored exhibit/meeting space	<ul style="list-style-type: none"> ▪ Control over how the building is used and maintained. ▪ Best option for public access to a significant historic site. ▪ Provides display and interpretive space. No such space exists today. ▪ Supported by the Future Uses Work Group. 	<ul style="list-style-type: none"> ▪ Ongoing costs for maintenance.
City ownership - leased for exhibit/meeting/office space	<ul style="list-style-type: none"> ▪ Control over how the building is used and maintained. ▪ Maintains options for public access to a significant historic site. ▪ Provides display and interpretive space. No such space exists today. ▪ Rental income to offset expenses. ▪ Supported by the Future Uses Work Group. 	<ul style="list-style-type: none"> ▪ Ongoing costs for maintenance.
City ownership - leased for residential use	<ul style="list-style-type: none"> ▪ Potentially provides an affordable housing unit. ▪ Lowest improvement costs. ▪ Rental income to offset expenses. 	<ul style="list-style-type: none"> ▪ Ongoing costs for maintenance. ▪ Limited public access.
Private ownership – residential use	<ul style="list-style-type: none"> ▪ No long term costs. ▪ Potentially provides an affordable housing unit. ▪ Sale revenue can offset a portion of the rehabilitation cost. 	<ul style="list-style-type: none"> ▪ City gives up control of use and maintenance. ▪ Complex sales process and a limited market. ▪ Limited public access to a primary Heritage Trail site. ▪ Interpretative panel interferes with single-family use. ▪ Possible archeological conflicts with landscaping and gardening. ▪ Opposed by Future Uses Work Group.

ALTERNATIVES AND FISCAL IMPACTS

A summary of the costs for each of the five scenarios is provided in the table below. To date, the City has spent \$180,000 to purchase the property and anticipates spending \$70,000 to complete the first phase of stabilization and rehabilitation work.

Summary Table			
Start Up and Operational Costs of Each Scenario			
Scenario	Rehabilitation, Habitation, and Startup Costs	Annual Operation Costs	Potential Revenue – Rent or Sale
City Ownership - City Office Use	\$145,300	\$6,200/yr	\$0
City ownership - City sponsored exhibit/meeting space	\$133,900	\$8,700/yr	\$0
City ownership - leased for exhibit/meeting/ office space	\$130,500	\$3,400/yr	\$10,500/yr
City ownership - leased for residential use	\$112,000	\$5,000/yr	\$10,500/yr
Private ownership – residential use¹	\$113,500	\$0	\$200,000

¹ The property could be sold without incurring additional rehabilitation and habitation expense but the sale price would be lower and reflect the work that needs to be done on the property. The potential sale cost is based on the Real Market Total Value from the Clackamas County Assessor’s office (\$200,064). The cost of a preservation easement (approximately \$1,500) is included.

RECOMMENDATION

The Worker’s Cottage Future Uses Study Work Group recommends that the City retain ownership of the Cottage and consider utilizing this facility as an exhibit and meeting space. The Work Group expressed interest in having a non-profit organization such as the Lake Oswego Preservation Society manage and operate the space. If the Council agrees with the Work Group recommendation, it may be appropriate to invite the Lake Oswego Preservation Society (or another similar organization) to submit a proposal outlining the services they would offer in operating the space. The proposal would need to outline any rent payments and the expenses that they would expect the City to cover. Staff is requesting direction from Council regarding any follow up or additional information necessary to render a decision on the future use of this facility.

ATTACHMENTS

1. Appendix A Summary Table of Approximate Start Up and Yearly Public Costs
2. Appendix B Illustrated Floor Plans (Corinna Campbell Sack)
3. Appendix C Exhibition and Display Equipment (Susanna Kuo)
4. Appendix D Comments - City Ownership / Nonprofit Partnership (Marylou Colver)
5. Appendix E Comments - Public Ownership and Public Use (Don Ross)
6. Appendix F Comments - Public Ownership and Public Use (Kasey Holwerda)

- 7. Appendix G Old Town Neighborhood Association Comments
- 8. Appendix H Work Group Members

Reviewed by:

Department Director

David Donaldson
City Manager

Appendix A

Summary Table of Start Up and Annual Public Operational Costs for Each Use				
Assumes City Ownership				
Expense	City Offices	City Sponsored Exhibit and Meeting Space	Leased for Exhibit and Meeting Space - No City Sponsorship ²	Leased for Residential Use
Rehab Costs¹				
Stabilization (Completed portions Phase 1 and 2)	(\$70,000 – not in subtotal)	(\$70,000 – not in subtotal)	(\$70,000 – not in subtotal)	(\$70,000 – not in subtotal)
Remaining Costs - Phase 2	\$60,000	\$60,000	\$60,000	\$60,000
Habitation Costs - Phase 3	\$30,000	\$30,000	\$30,000	\$30,000
Contingency	\$10,000	\$10,000	\$10,000	\$10,000
Subtotal Remaining Rehab Costs – Phases 2 and 3	\$100,000	\$100,000	\$100,000	\$100,000
Start-up Costs				
Remaining TI Costs ³	\$20,000	\$10,000	\$10,000	\$2,000
Parking Lot Construction	\$5,000	\$5,000	\$5,000	\$0
ADA Ramp and Other Modifications ⁴	\$5,500	\$5,500	\$5,500	\$0
Exhibit Display Costs	\$0	\$2,200	\$0	\$0
Office Furniture and Capital Equipment	4 offices @ \$1200 +/- \$4,800	\$1,200 (one office)	\$0	\$0
Landscaping	\$10,000	\$10,000	\$10,000	\$10,000
Subtotal Start Up Costs	\$45,300	\$33,900	\$30,500	\$12,000
Total Rehab and Start Up Costs	\$145,300	\$133,900	\$130,500	\$112,000
Annual Operational Costs				
Staffing and Management ⁵ (Parks and Recreation Specialist \$49,982)	\$0	0.05 FTE \$2,500	0.02 FTE 1,000	0.02 FTE \$1,000
Property Tax				\$1,600
Insurance (Property)	\$100	\$100	\$100	\$100
Utilities ⁶	\$2,800	\$2,800	\$0	\$0
Custodial	\$1,000	\$1,000	\$0	\$0
Landscape Maintenance	\$1,300	\$1,300	\$1,300	\$1,300
General Building Maintenance	\$1,000	\$1,000	\$1,000	\$1,000
Total Annual Operational Costs	\$6,200/yr	\$8,700/yr	\$3,400/yr	\$5,000/yr
⁷ Rent @ \$1.25 per sq. ft./mo (\$15.00 per sq. ft./year)	\$0	\$0	\$10,500/yr	\$10,500/ yr
Operational Difference	-\$6,200/yr	-\$8,700/yr	+ \$7,100/yr	+\$5,500/yr

Notes:

¹ The Rehab Costs include all three phases of the 2008 preservation plan prepared by consultant Robert Dortignacq. Phase 1 work is being completed this year (\$70,000) and this amount is not included in cost estimates for future work.

² It is assumed the tenant provides their own exhibits, equipment, and furnishings. In this scenario, it is also assumed the tenant pays rent on the entire space.

³ Remaining Tenant Improvement (TI) Costs: those costs that are over and above the basic habitation costs identified in Phase 3 of the rehabilitation costs.

⁴ ADA requirements would require interior modifications, such as expanding and retrofitting the lavatory and widening the doorways. Exterior modifications would consist of parking lot construction to accommodate a van accessible parking space and an ADA wheelchair ramp. The cost of this construction assumes that access would be to the rear door. The total does not include costs for an archeology study for this, or any other construction that requires any excavation.

⁵ Staffing assumptions: 0 hours for City offices; 8.5 hours per month for City sponsored uses; and 3.5 hours per month for leased space. Staffing involves monitoring uses, programming the space, collecting and processing rent.

⁶ Tenants pay for their own utilities and janitorial service.

⁷ The market study by the Johnson Gardner Consultants for the Foothills Plan reported lowest Class B occupancy rent was \$14.68/sq ft/yr (rounded to \$15.00/sq ft/yr) and this was used as the model for rent calculation in the table (\$1.25/sq ft/mo). This cost is similar to an example identified by work group members who found that of Class C office space at 47 and 49 Ladd Street is being offered at \$1.36/sq ft/mo.

General Notes:

- All numbers are estimates and are expressed in round figures
- Property taxes would need to be paid if the building was not occupied as a city use

Appendix B

Furnishings for the Worker's Cottage

Stackable chairs aprox. \$21. to \$23. each

Folding tables 24" x 48" x 29" high aprox \$40. to \$65. each

Desk \$200-\$500

Office Chair 1 desk \$200-\$300

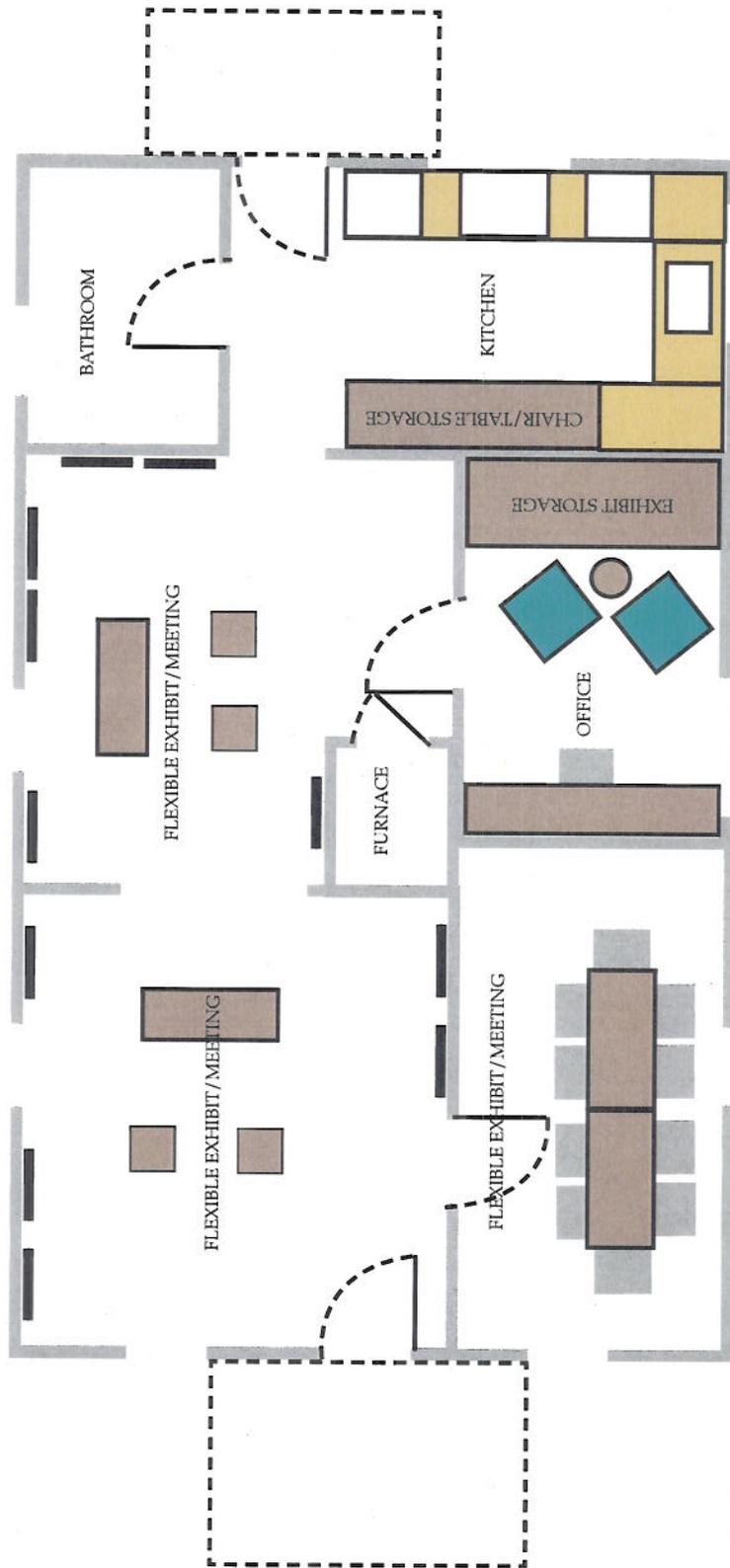
Client (two) \$200 per chair

File Cabinets 2 @ \$200.00

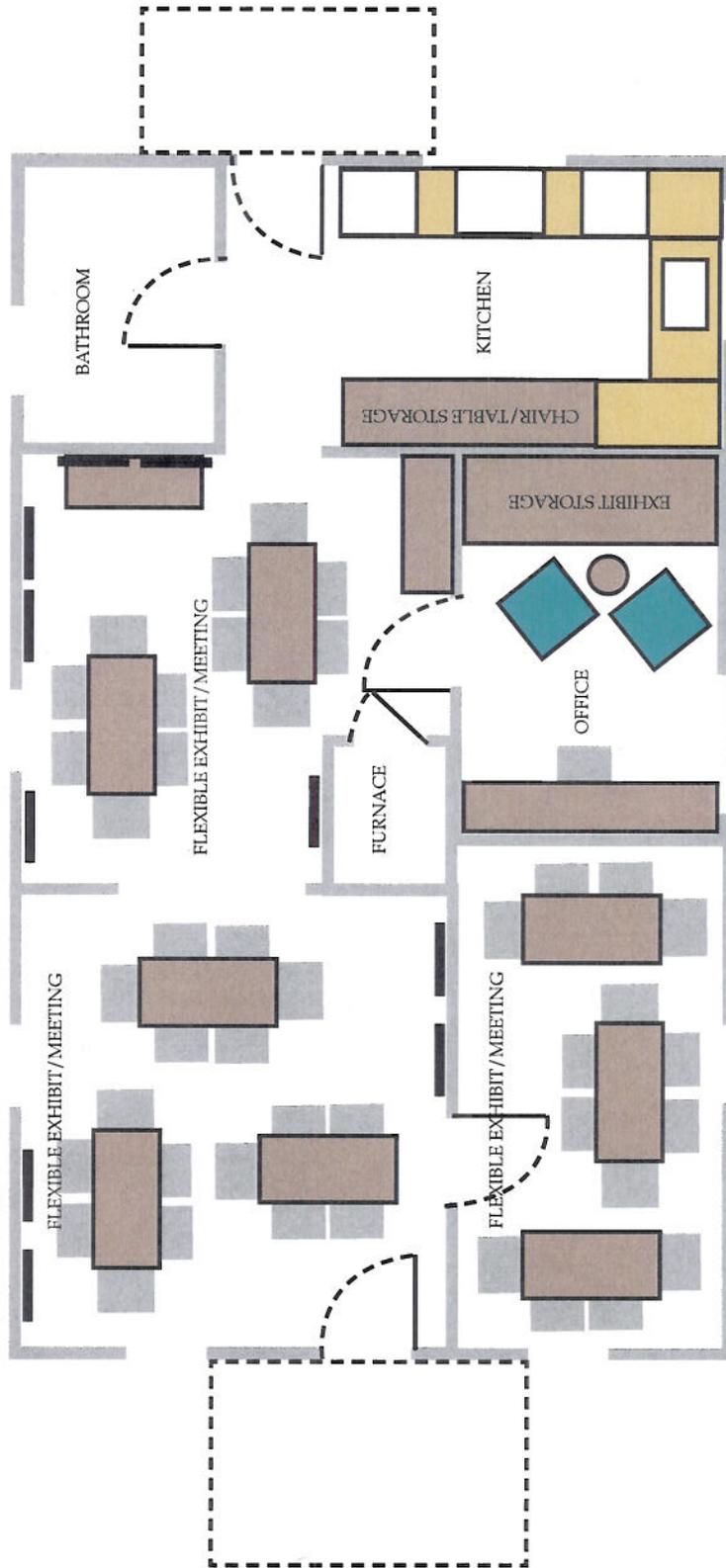
Plan 1 with emphasis on exhibit space.

- 4 19" x 19" exhibit cases
- 2 48" x 19" exhibit cases
- 10 stacking chairs
- 2 2' x 4' folding tables

Office furniture might be donated and includes desk, desk chair, two chairs and side table



Plans 1 to 4 show remodeled kitchen and office with built in storage

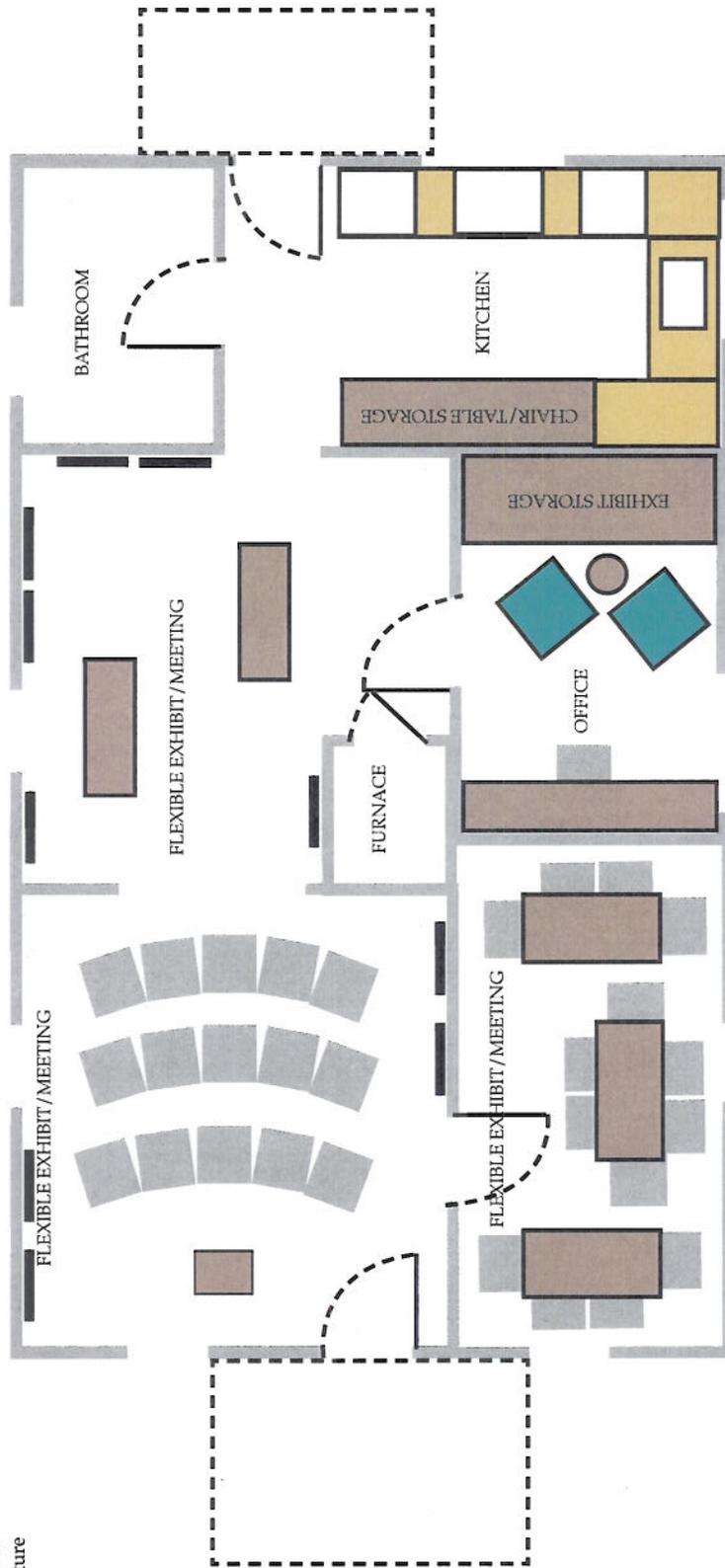


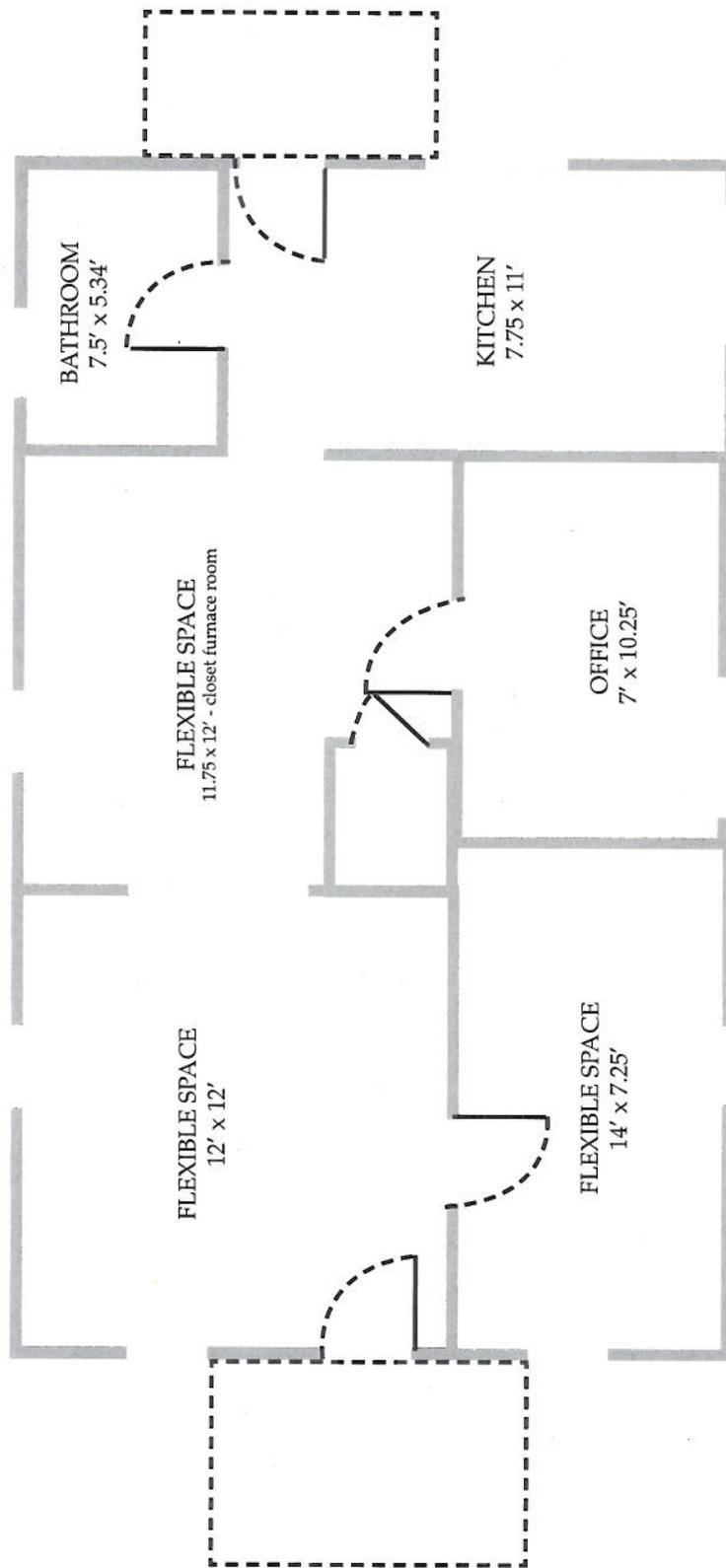
Plan 2 with emphasis on larger meetings or work sessions.

8 2' x 4' folding tables
43 stacking chairs

Plan 3 with emphasis on lecture space.

- 15 stacking chairs
- podium
- additional 14 stacking chairs
- 3 2' x 4' folding tables
- 2 48" x 19" display cases
- 10 foam core exhibit panels on walls (indicated by black lines)
- office furniture





Appendix C

Exhibit Space Pros and Cons

PROS

Using the cottage for exhibits --

1. would preserve it as an accessible site on the Oswego Iron Heritage Trail
2. would foster pride in local history and stewardship of the cottage
3. would support educational activities (school tours, conference field trips, etc.)
4. would provide a place to display the city's artifact collection
5. would be compatible with other uses (meetings, lectures, non-profit office)
6. would add to cultural tourism opportunities in Lake Oswego
8. would support the spirit and intent of the National Register designation
7. would give Lake Oswego a much-needed space to showcase local history

CONS

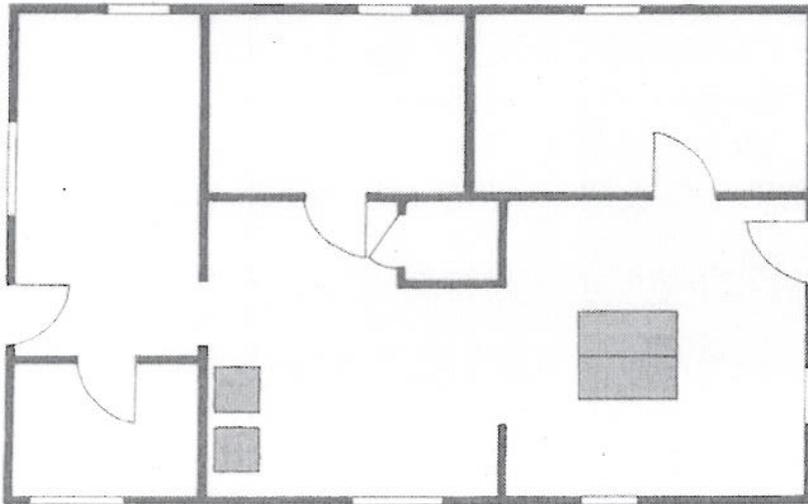
Using the cottage for exhibits --

1. would preclude using it as a residence
2. would preclude using it exclusively as an office
3. would require city staff to manage the building or to partner with a non-profit who would take on this role
4. would require at least one volunteer or paid staff person during open hours
5. would require volunteers to manage exhibits
6. would require a minimal investment in display fixtures
7. would require maintenance of the building and grounds (as would any use other than selling the property)

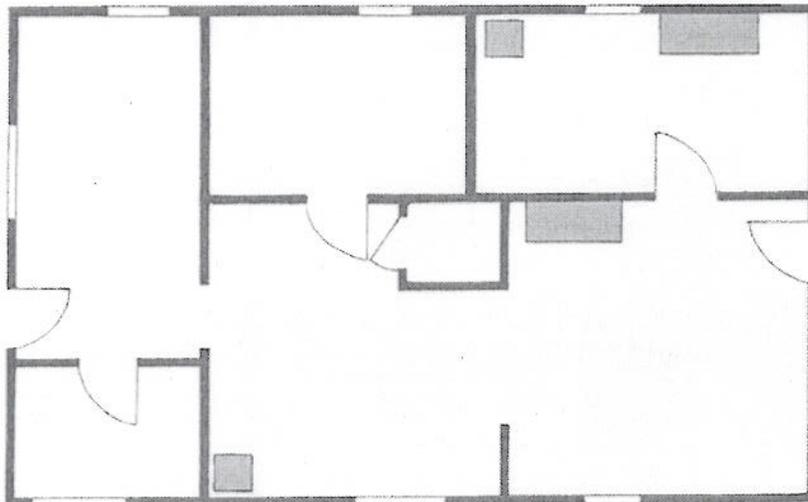
Two Possible Arrangements for Exhibit Stands

Pedestal bases should have rubber casters so they can easily be moved without harm to floors. The pedestals should be built to support heavy loads since some artifacts in the city's collection (pig iron, cast iron) weigh over 100 lbs.

The floor plan below shows one possible arrangement. The large stands are placed back to back in the center of the front room so people can circulate around them and view items in the cases from all sides.

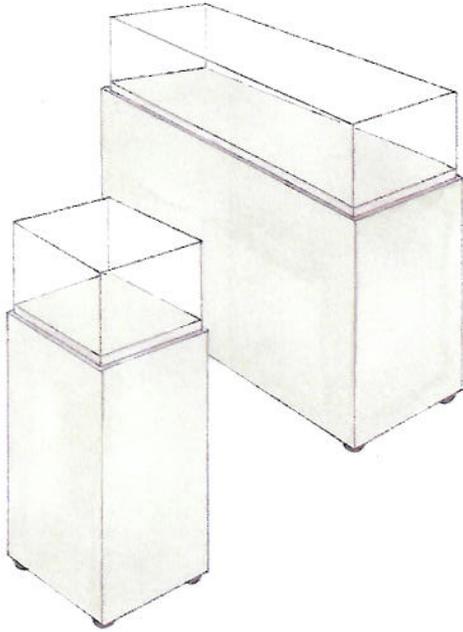


The floor plan below shows how the stands can be moved out of the way when a meeting or event is taking place in the cottage.



Suggested Designs for Exhibit Pedestals

Sketch is not to scale.



Example of display cases with acrylic covers (vitrines)



Estimated Cost of Exhibition Fixtures
(January 2012)

Item	Unit cost	Total
PICTURE RAIL MOLDING¹		
	\$11.99 for an 8 ft length	
Front parlor (42.5 linear feet)	\$63.69	
Back parlor (38.5 linear feet)	\$57.70	
Front bdrm (41 linear feet)	<u>\$61.45</u>	
Cost for 122 feet of molding:		182.84
40 picture rail hooks	2 hooks for \$2.29 ²	45.80
 DISPLAY CASES		
Vitrines ³ (3/8" acrylic)		
2 tops 18" x 18" x 12"	\$194.00/ea = 388.00	
2 tops 47" x 18" x 12"	\$295.00/ea = 590.00	
		978.00
Bases (3/4" MDF plywood) ⁴		
2 19" x 19" x 32"	\$39.49 x 4 sheets	157.96
2 48" x 19" x 32"		
Paint for pedestal bases		
1 gallon semi-gloss		20.00
Casters		
8 4" rubber casters (255 lb rating) (Home Depot Model #9512)	13.97/ea	111.76
8 2.5" rubber casters (175 lb rating) (Home Depot Model #9510)	6.48/ea	51.84
Estimated Labor for building pedestal bases (includes cost of nails, glue, bracing wood)		600.00

Historic House Museums
Useful websites

Historic House Museum Affinity Group
American Association for State and Local History (AASLH)
<http://www.mynewsletterbuilder.com/email/newsletter/1410685663>

Historic House Museums and Public Spaces on OldHouses.com
<http://www.oldhouses.com/historic-house-museums.htm>

To Thine Own Self Be True: The Small Historic House Museum in the 21st Century, John M. Groff, Philadelphia Athenaeum symposium, Dec. 1998
<http://www.philaathenaeum.org/hmuseum/groff.htm>

New Solutions for House Museums; Ensuring the Long-Term Preservation of America's Historic Houses, by Donna Ann Harris, 2007
Reviewed on Heritageconsultinginc.com
<http://www.heritageconsultinginc.com/images/images/Review%20New%20Solutions%20New%20Zealand%20Museums.pdf>

Historic House Museums: a practical handbook for their care, preservation & Management, by Sherry Butcher-Youngmans, 1993, Oxford U. Press
Full text is on google books.

Operations and Maintenance for Historic Structures
Whole Building Design Guide, National Institute of Building Sciences
<http://www.wbdg.org/resources/omhs.php>

SOME HISTORIC HOUSE MUSEUMS OWNED BY OREGON CITIES:

1848 Monteith House (owned by City of Albany)
<http://albanyvisitors.com/historic-albany/museums/monteith-house/>

1881 Moyer House in Brownsville (owned by Linn County)
<http://www.co.linn.or.us/parks/museums/moyerhouse.html>

1874 Zimmerman House (owned by City of Gresham)
http://www.frwhs.org/zimmerman_house_two.html
http://www.frwhs.org/zimmerman_restoration.html
<http://www.greshamoregon.gov/play/sports-and-recreation/template.aspx?id=5830>

1877 Asaheil Bush House (owned by City of Salem)
http://en.wikipedia.org/wiki/Bush's_Pasture_Park
http://www.oregonlink.com/bush_house/

1914 Pittock Mansion (owned by City of Portland)

<http://www.portlandneighborhood.com/pittock-mansion.html>

1889 Adler House

The 1889 Adler House Museum in Baker

http://www.bakerheritagemuseum.com/adler_house.html

1887 Shelton McMurphey Johnson House (owned by City of Eugene)

<http://www.smjhouse.org/w/smhistory/>

1894 Historic Deepwood Estate (owned by City of Salem)

http://historicdeepwoodestate.org/historic/estate/salem_oregon/C1

Appendix D

Worker's Cottage Future Uses – Non-Profit City Ownership/Non Profit Partnership

Assumptions

The worker's cottage is not expected to be fiscally self-sustaining. The furnace and other iron heritage trail sites don't generate income directly, but these city-owned historic artifacts could be the foundation of a heritage tourism plan that will boost the local economy. Lake Oswego has a unique opportunity to showcase this aspect of our history, especially given that the next closest remaining historic iron-manufacturing center is over 1,000 miles away.

“Partnership” in this case means that arrangements would be made with an appropriate non-profit to use only one room as an office, not to occupy the entire building. The latter condition is key because the non-profit could be contractually obligated to provide ongoing public access to the other rooms of this historic community asset. This approach also enables the majority of the interior space to be multi-functional, i.e., a meeting space, an exhibit space, lectures, historic tour gathering point, school visits, etc.

Pros

- Enables multi-functionality of the interior space.
- Non-profit use is currently allowed by city code.
- Public access is maximized.
- Public use is maximized.
- Eliminates the cost of day-to-day city staffing of the facility.
- Iron heritage trail signage is compatible with this use.
- Access to the interior of the cottage is a vital part of the iron heritage trail experience.
- An occupied building is better for the structure than sitting empty and it's more secure.
- A non-profit partner could be responsible for scheduling the small meeting space and making it available by reservation. For example, the Old Town Neighborhood Association could use it for their monthly board meetings.
- A non-profit partner could schedule exhibit space for revolving exhibits.
- A non-profit partner could provide housekeeping and perhaps some light landscape maintenance.
- Periodic reports could be submitted to the city re: usage statistics.

Cons

- The non-profit will occupy one small room of the house, which will not be available for meeting space.
- The city would still need to provide ongoing building and landscape maintenance.
- After drawing up a contract with an appropriate non-profit organization, some minimal staff time would need to be earmarked to monitor it.
- Some investment may need to be made to the interior.

Appendix E

IRON WORKER'S COTTAGE

Address: 40 Wilbur Street, Lake Oswego, OR
Proposed Use: Public Ownership, Public Usage

Public Ownership refers to the fact the City

- continues to own the cottage as a Historical Resource
- continues to budget and make all the necessary improvements to complete the quality structural and visual standards of a Historical Building
- continues to budget and provide regular maintenance as needed.

Public Usage could include

- meeting room for various Boards and Departments of the city
- office space for interim temporary staff or crowded department members
- to provide visual elements of the Oswego Iron History as a teaching element
- a conference space for various Historical Boards or other agencies working in the Oswego Historical fields
- teaching and conference facility for any public agency as requested, for example School Districts or departments.

The existing structure known as Iron Workers Cottage has an area of approximately 700 square feet. In March 2008 the consultant for the City, Robert Dortignacq, Architect, presented an estimate in the amount of \$ 122,000, for the construction budget but excluded the Architect/Engineering fees. That budget did include the following:

- Stabilization (Repair of needed foundation and structural elements)
- Preservation of Exterior Historic Character
- Habitation needs (update electrical, storm sash installation, kitchen floor renewal)
- Optional Alterations (Kitchen, Bath, interior painting, closet storage units)

Based on that estimate, the Unit Cost for construction budgets would be \$175/square foot. A more realistic Unit Cost would be \$ 200/sq.foot, a construction budget in the amount of \$144,000 and would not include :

- Architect/Engineering Fees
- Site grading and drainage
- Landscape repair and maintenance
- City Staff time

The City Council has approved an amount of \$70,000 for the Stabilization Factor to be accomplished in this budget year. Using that as the portion of the total construction cost currently being expended, the balance of the revised budget above would be approximately \$ 74,000 for the restoration of the Cottage.

Respectfully submitted,



Donald T. Ross, HRAB Board Member

Donald T. Ross

Exhibit F

SALE TO A PRIVATE BUYER- "TRUEBLOOD" TYPE SCENARIO

This scenario assumes the sale of the property to a private buyer through a "Trueblood House" scenario. A conservation easement would need to be obtained through HPLO either by the city before sale or by the buyer after the sale to preserve the house in perpetuity. The house would be listed for sale, bids would be taken by prospective buyers with restoration plans, a buyer chosen and then the process of rehabilitation would need to be monitored by city staff until completion. This option can also be seen as a last-choice option (if other options are tried by the city first, the city could return to this option).

Pros

-City would have no continuing costs or responsibilities (maintenance, staffing, etc.) after the sale and monitoring process are through.

-House would be preserved/saved.

Cons

-Limited to no public access.

-We lose an important iron industry property that is a link on the Iron Heritage Trail

-Costs of this option may exceed reasonable expenses in staff time.

-May not receive any bids even if a lot of time and effort is expended by the city. (As an example, the LDL Platts House (similar architectural (vernacular) style, similar disrepair, but bigger lot, and bigger house) was listed for a lengthy period of time and even in the National Trust for Historic Preservation magazine and received no offers).

-The city has already invested in this house (sale price of \$181,000 plus maintenance and repair), unlike the Trueblood House which came with the land and was not purchased separately.

-This is a long process (listing, bids, years of monitoring progress).

Issues

"Comps" (comparable sale prices) are impossible to find. At 700 square feet, a sale price of \$200 a square foot would garner only \$140,000. It is the land that is valuable in the regular real estate market, not the house.

A house such as this (tiny, with a Historic Plaque in front, two bedrooms, one bath, no insulation, no basement) has very limited appeal, as opposed to the Trueblood House which is a three bedroom home in the middle of open space. Limited appeal could mean limited to no bids.

The cost of staff time to set up the sale process and monitor the sale, when the city will gain nothing tangible from the work (as opposed to staff time working on the house for public purposes).

The city has already put money in and received grants to work on the house. Some of this is matching money. If the house were to be listed, would it be listed after the money was spent (which some of it would be) and would that be in violation of the grants received?

Appendix G

April 29, 2012

Richard Reamer
Chairperson, Old Town Neighborhood Association
398 Furnace St.
Lake Oswego, Oregon 97034

Paul Espe
City Of Lake Oswego
Planning and Development
P.O. Box 369
Lake Oswego, Oregon 97034

Dear Paul:

The Old Town Neighborhood Association (OTNA) has a continuing interest in the preservation of some of the historic landmarks that relate, in particular, to the origins of our city. The restoration of the furnace at George Rogers Park was just one of many efforts to keep a visible, real and tangible face on the history of the city.

The Workers Cottage is one of the last physical structures that show off that history in a very concrete and unmistakable way. Our neighborhood, Old Town, now consists of over seventy percent multi-family dwellings with apartment complexes, condos and four-plexes. What remains of the city that started here are a couple of structures and the dirt that was walked on. The Workers Cottage is an essential element in preserving what little is left of the physical existence of that town. We have lobbied for years to have that structure appropriately maintained and, where and when possible, used as a community asset.

OTNA strongly recommends the city support the recommendations of "The Future Uses Working Group" that request "the principal future use of the Worker's Cottage be an educational and cultural (institutional) use; specifically, a publicly-owned, privately-operated, historic exhibit and community meeting space. Further, as a subsidiary use, there be designated office space for the non-profit organization tenant responsible for operations."

OTNA continues to be more than willing to participate in any way in the preservation of the Workers Cottage.

Yours Truly,

Richard Reamer, Chairperson
Old Town Neighborhood Association

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APR 30 2012

City of Lake Oswego
Community Development Dept.

Appendix H

Acknowledgments

The City of Lake Oswego offers many thanks to the Worker's Cottage Future Uses Work Group volunteers for their assistance in providing the City Council with the necessary information to help shape the future of this valuable resource.

Corinna Campbell-Sack

Donald T. Ross

Erin O'Rourke-Meadors

Kasey Holwerda

Marylou Colver

Tia Ross

Susanna Campbell Kuo

Architect, Historic Resources Advisory Board

Historic Resources Advisory Board