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POLICY SHIFT

'Worth fighting for'

The Daley administration changes course and searches for new ways to slow the destruction of potential landmark buildings

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Acknowledging that the character of Chicago's neighborhoods is being devastated by the demolition of hundreds of potential landmark buildings, the Daley administration has shifted course and is aggressively searching for new initiatives to slow the destruction.

"We're looking around and trying to see what we can do to save them," said Alicia Mazur Berg, commissioner of the Department of Planning and Development, which oversees the city's preservation program. "We're exploring a lot of different things."

Berg's concession that the widespread demolitions must be addressed came during an interview with Tribune reporters in which she was told that the newspaper had documented the demolition of 500 buildings identified by the city as historically or architecturally significant. That brought to 704 the number of lost potential landmarks discovered by the Tribune in a yearlong investigation.

The administration's acknowledgment of the problem was a marked change from its reaction in January when the Tribune published a three-part series, "A Squandered Heritage," that revealed the razing of 204 buildings. The loss of some potential landmarks, city officials said repeatedly at the time, is to be expected because Chicago "isn't a museum."

The 704 demolished buildings were among more than 17,000 potential landmarks city experts included in the 1996 Chicago Historic Resources Survey, an unprecedented research effort that cost more than \$1.2 million. But unless the buildings already were official city landmarks, they received no protection from demolition or defacement.

A mile west of the United Center, for example, the city tore out three of a group of five Queen Anne rowhouses, leaving stand-alone buildings at 16 and 20 S. California Ave. amid mud, weeds and rusting cars.

Two blocks east of Wrigley Field, in the 3500 block of North Fremont Street, developers racked up six-

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figure profits as they transformed a neighborhood of ornate two-flats into one dominated by featureless condominium buildings.

Citing the damaging impact of such cases on Chicago's physical appearance and cultural legacy, preservationists praised the city's policy shift but said they were waiting to see the details of whatever programs result.

"It means they are taking the problem seriously," said David Bahlman, president of the Landmarks Preservation Council of Illinois, a statewide advocacy group. "All city departments have to buy into the notion that these buildings are worth saving, that the buildings on the Chicago Survey are worth fighting for."

Brian Goeken, Berg's deputy overseeing landmarks, said the Planning Department already has had discussions with other city agencies about saving survey buildings. Included in those talks were the Buildings Department, the Housing Department, the Department of Law and the newly minted Department of Construction and Permits.

While Berg and Goeken would not provide specifics, city officials are taking the first concrete steps to spur the repair and maintenance of buildings on the survey. Earlier this month, the structures were given a high priority in a new Housing Department program that seeks to stem the rampant demolition of abandoned and dangerous buildings.

"They'll be placed high on the list," said Richard Monocchio, first deputy commissioner in the Housing Department. "All things being equal, these properties will definitely get special attention."

In another sign that the preservation of survey buildings has moved onto the agenda at City Hall, Berg was receptive to several policy alternatives gathered by the Tribune in interviews with preservationists, architects, urban planners and real estate developers.

Among them: Expanding the city program that encourages homeowners to rehab bungalows; creating a state income tax credit for historic preservation; and establishing a revolving loan fund that would help get historic buildings into the hands of developers who want to preserve them.

"The Bungalow Initiative is a great idea," Berg said. "We should be thinking of more carrots like that."

The goal of such programs, preservationists said, is to attack the problem before it festers.

"It's like dentistry -- early preventive care, taking care of the gum disease. It's that notion of not letting things get too far and catching it at the right point," said Jim Peters, the director of planning for the Landmarks Preservation Council of Illinois.

Ironically, few bungalows were among the 17,000-plus architectural treasures that experts placed on the city's survey. Yet Chicago is offering bungalows more financial support than the graystones, Queen Annes and other buildings that were deemed potential landmarks.

Aimed at the middle-class that forms the bedrock of Daley's political constituency, the popular, 3-year-old bungalow program relies on a combination of public education and financial incentives to spur the renovation of the 80,000 sturdy brick houses that were built between 1910 and 1940. Daley grew up in one of them in Bridgeport before he moved to a South Loop townhouse.

The program appears to have struck a chord: 3,137 homes have been certified as historic Chicago bungalows, qualifying them for grants, tax credits and other incentives. For example, 526 homeowners have taken advantage of a subsidy that awards buyers or rehabbers of a certified bungalow a \$1,000 voucher for an energy-efficient appliance.

Getting a tax break

Under the program, bungalow owners who borrow money to rehab their homes are eligible to deduct half the interest from their federal income taxes. That incentive, made possible by Chicago's tax-exempt bonding authority, can save homeowners up to \$2,000 a year for 20 years. So far, only 10 to 15 homeowners have taken advantage of the incentive, apparently because it is hard to understand, according to Charles Shanabruch, executive director of the Historic Chicago Bungalow Association.

Property rights advocates support such measures because they use market incentives to spur voluntary preservation efforts, relying on persuasion rather than coercion, carrots rather than sticks. Building owners sometimes oppose formal landmark designation on the grounds that it restricts their right to make changes to a structure and can limit its resale value.

"It turns out that a spoonful of sugar helps the medicine go down," said Richard Epstein, a professor of law at the University of Chicago. "A passive government that gives you a tax credit is better than a tough government says, 'You can't change your property unless we approve.'"

Yet the bungalow program is as much about marketing as money. To build pride in bungalows and encourage people to fix them up, it sponsors community meetings and workshops with tips about bungalow rehabbing, as well as a Web site that has such features as "Bungalow of the Month."

"The program has given bungalows some cachet they didn't have before," Schanabruch said. Without the program, he asserted, "some people would have said, 'I'll just move to that house on that cul-de-sac in Lisle.'"

By providing financing and technical assistance, the program improves upon the urban homesteading efforts of the 1960s and 1970s. Those programs often failed to turn around neighborhoods because, while urban pioneers could buy a building for \$1, they did not receive financial assistance or architectural tips.

If the Bungalow Initiative had been applied to buildings on the survey, Peters said, "maybe we wouldn't have seen this great loss of buildings."

Goeken, however, cautioned that it will be difficult to expand the bungalow program to survey buildings in poorer neighborhoods. For developers, the cost of renovating a significantly dilapidated structure would outweigh the benefits that might accrue from such a program.

There are other potential roadblocks. Many developers stay away from city incentive programs, complaining of red tape and wasted time. Still, aldermen and real estate agents in fast-developing wards agree that an expansion of the bungalow program has potential.

"We have to make sure that the property owners and the developers have some incentive to restore," said Ald. Tom Tunney (44th), who was appointed by Daley and who recently won election in Lake View.

Beyond bungalows, preservationists point to state historic preservation tax credit programs as a means to save survey buildings.

Twenty-three states, including Iowa, Indiana, Michigan, Missouri and Wisconsin, allow property owners to deduct part of the cost of rehabbing a historic structure from their state income taxes. Typically the deduction is anywhere from 10 to 25 percent of the rehab cost, according to the National Trust for Historic Preservation.

Illinois isn't one of those states, though it does offer a property tax freeze to people who rehab landmark-

quality homes or small apartment buildings.

In Maryland, a state tax credit program has helped spur nearly 800 projects and more than \$800 million in investment since it was established in 1997, according to Tyler Gearhart, director of Preservation Maryland, a statewide advocacy group. Developers have cited the credit as a critical factor in their decision to convert aging commercial buildings, such as the former Hecht Co. department store in downtown Baltimore, into housing.

"It's the most powerful tool we have for historic preservation," Gearhart said.

Unlike Chicago's bungalow program, which is directed at homeowners, the state tax credit programs are more of an aid in saving commercial structures.

For example, Missouri's state income tax credit for historic preservation has played a major role in reviving the area around Busch Stadium in downtown St. Louis, according to Rep. Thomas Holbrook, an Illinois Democrat from Belleville, a St. Louis suburb.

"A lot of the old warehouses have been converted into townhouses and hotels, all using that credit," Holbrook said.

Holbrook has introduced a bill in the General Assembly to create a state historic preservation income tax credit in Illinois. But he acknowledged that legislators are unlikely to approve the measure because of the state's fiscal crisis.

"Unfortunately, we're not in good enough financial shape to take on a new initiative like this," Holbrook said.

A privately backed revolving loan fund that would encourage rehabbing is a more immediate -- and seemingly more attainable -- goal.

Preservationists want to have a pot of several million dollars ready for those times when a housing court judge might turn over control of a decrepit but salvageable building on the survey to the Landmarks Preservation Council of Illinois.

The council might spend thousands of dollars to board up the building and thousands more to close windows and rebuild the roof, Bahlman said. It would then find a developer to rehab the property.

"We don't care who does it. We just want the resources. When a building is in fast-track demolition, the city doesn't have time for someone to go out and get a loan," Bahlman said.

Adopting a demolition strategy

At the moment, the city's major strategy for dealing with an abandoned building is demolition.

It's difficult, city officials say, to put the screws to -- or even find -- an owner who gives up on a structure and leaves it open to vandalism, criminal activity and damage from fire and the weather. It becomes an eyesore, a danger to the neighborhood and an impediment to development in the area.

Berg was enthusiastic about the idea of a revolving loan fund. "Maybe there's some angel out there," she said. "You need a great lead gift."

The New York Landmarks Conservancy, a 30-year-old non-profit group, has a slightly different program. It provides about \$1 million per year in low-interest loans and another \$800,000 to \$1 million in grants that help building owners with the upkeep of landmark buildings.

Preservationists and aldermen also have proposed that some buildings on the survey could be mothballed for future development by boarding or bricking them up.

But Berg said the approach has many problems. "As soon as you board it up, they take the boards off the building. No matter how you board them up, you have to monitor them constantly," she said.

By contrast, the Housing Department program, which officials are expanding to give priority to survey buildings, aims to move quickly to turn around deteriorated structures, Monocchio said.

Salvaging apartments

Known as the Troubled Buildings Initiative, the program began in January with a goal of salvaging large apartment buildings that were sliding toward demolition. The city is providing \$1 million in seed money to the Community Investment Corporation, a non-profit housing agency that will get another several million dollars from banks and other private financial institutions, Monocchio said.

If the owner or mortgage holder can't be persuaded to make necessary repairs to a building, the CIC, with the help of the city, will gain temporary control of the structure and pass it along to a more responsible owner with secure financing, he said.

So far, efforts are under way to stabilize and repair four large apartment buildings, with a total of 77 units. Monocchio predicted that 300 to 400 units will be saved this year in about 20 buildings.

The approach, he said, has been working so well that it is being expanded to single-family homes and smaller apartment buildings -- and to structures on the Historic Resources Survey.

That will happen under a new version of the Troubled Buildings Initiative that will be overseen by Neighborhood Housing Services, another non-profit group. Piecemeal efforts along these lines between the city and non-profit housing groups have saved 30 to 40 homes in the last two years, Monocchio said.

Saving survey buildings, Monocchio said, is a high priority for a task force that includes eight city departments and is working to develop alternatives to demolition.

This, he said, is more than a question of preserving the past. It also focuses on the present needs of Chicagoans. "This is an affordable housing issue too," he said.

For all their optimism about the city's new search for solutions, preservationists are nonetheless guarded in their outlook about what the future holds. Their skepticism grows from the bittersweet experience of winning their battle for a city law, approved in January, that requires officials to wait up to 90 days before issuing a demolition permit for the two highest categories of buildings on the survey.

So far, five of the six buildings covered by the law have been approved for demolition and the sixth is expected to meet the same fate.

"We have the dubious ability to know that these things are happening and it makes it more painful," Bahlman said. "Now we know what buildings are coming down 90 days before they come down."

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