PINEN

Tax Credit Review Process

Anderson Nelson Distillery
Louisville, KY

Introduction

The Anderson Nelson Distillery Warehouse Tax Credit Application

A complete state and federal application was filed for the Anderson Nelson Distillery Warehouse in 2014. Numerous conversations were had with the state and federal reviewers to find a suitable design to allow the building to be re-used.

The proposal at that time involved apartments around the entire perimeter of the building and a central atrium, which would display the clerestory and bring light into the building. To bring in additional light portions of the roof were proposed to be removed. The existing racking inside would be removed and replaced with a steel structure and the racking wood would be applied to the exposed steel to convey a sense of the original wooden structure of the building.

After months of discussion with the Kentucky Heritage Council and the National Park Service it was determined that the warehouse building had a slim chance of meeting the Secretary of the Interior's Standards for Rehabilitation and being returned to any state of utility.

While the Heritage Council and the National Park Service only make a decision on a present application, not future hypothetical applications, it was made clear that this particular building was not likely to be approved for any future rehabilitation given the design and construction challenges.

Violation of the Secretary of the Interior's Standards for Rehabilitation

The Kentucky Heritage Council identified two Standards that the original proposal would have violated. Nearly any proposal would violate these two standards, given the building type and any proposed future use.

Standard #1 states, "A property shall be used for its historic purpose or be placed in a new use that requires minimal change to the defining characteristics of the building and its site and environment."

Standard #2 states, "The historic character of a property shall be retained and preserved. The removal of historic materials or alteration of features and spaces that characterize a property shall be avoided."

The Heritage Council found that opening or altering the roof deck and framing, altering the clerestory, and removing racking removed too much historic material and significantly altered the character defining features of the building, such that an outright denial was necessary.

Attempts to reuse the historic material as covering for future structural systems and surfaces were considered insufficient to meet the Standards.

While the Council left open the possibility of a new application in the future, one that retained these features, any project that returned the building to any utility would have to rebuild the roof and would have to remove nearly all of the internal racking. The Council was aware of this issue and it was understood between the applicant and the Council that future applications would be unlikely to succeed.

The barrel house is unique in that there are essential three primary areas of material integrity. The roof and clerestory are the most significant and easily the most deteriorated at this point. The exterior brick walls are the most visible feature of the building, but they lack any historic windows and most of the openings have been bricked-in. The third significant feature is the wood racking, which represents the physical significance of the building's operation, but also a significant impediment to reuse of the interior of the building.

Three Significant Features

The barrel house is unique in that there are essential three primary areas of material integrity. The roof and clerestory are the most prominent. The exterior brick walls are the most visible. The interior racking system is the most intact and the easiest part to return to its original function.

1

The Roof and Clerestory

The most significant and easily the most deteriorated at this point, the roof and clerestory are the actual architectural novelty of the building. Unfortunately their condition is the most deteriorated portion of the building, representing a physical threat to the sidewalks and parking lots surrounding the building.

Aside from condition, the roof and clerestory require the racking beneath for support. Any attempt to remove the racking would require costly temporary structures to maintain the roof and clerestory.

Even if the roof and clerestory were supported while the racking was removed, their deteriorated condition would require nearly complete removal and reconstruction, which is typically outside the bounds of most rehabilitation projects in all but the most extreme cases.

While the original clerestory and roof massing could be preserved, there is no way to use the remaining materials, which would make such a preservation project more of a Reconstruction than a Rehabilitation.

2

The Exterior Brick Walls

The exterior brick walls represent the most prominent visible feature of the building and what likely provides is most distinct architectural feature to pedestrians, which are rows of windows between exterior brick pilasters.

Unfortunately two-thirds of the windows have been removed and infilled with brick. Not only were the windows removed, but the stone sills were also removed and infilled with brick.

Rehabilitating the windows would not be the most difficult portion of the project. The original windows are well documented and the original openings are easily identified. What their absence creates is a general issue of lack of historic materials within the project as a whole. Without the windows there is more stress placed on the retention of other historic materials, such as the roof, the racking, and the doors and remaining openings.

3

Wood Racking

The existing racking is the most intact feature of the building, but the most problematic from a re-use perspective. The racking has a regular spacing of 3' x 6'-9" x 7'. The result is an exceptionally dense interior framework, which is too dense to be used to create usable interior spaces.

To create interior spaces that can actually be used, significant amounts of racking material would need to be removed. In addition to removing material to create space, significant amounts of the racking has deteriorated, which would necessitate removing even more racking.

The result is very little of the original racking can be retained in any proposed project, which significantly impairs the remaining material integrity of the building.

Four Significant Design and Construction Problems

Skeleton vs. Portal Structure

The structure is not of a modern warehouse type, where the weight of the building is carried at the exterior. The roof is carried by the interior structure, which is an integral component of the entire building.

1

Insufficient Structural Components

The structure is insufficiently built, at a component level, to be re-used for any new purpose. The existing pieces are simply too small to properly carry loads in a way that will meet modern code requirements. Add deteriorated components to the analysis and the interior structure is unusable for modern purposes.

2

Floor-to-Ceiling Height

The "floor" to "ceiling" height of the interior racking is insufficient to meet any modern code requirements. The result is that even if the structure were able to be re-used, at least half would have to be removed to allow systems to be installed and still allow proper clearance.

3

Window Opening Configuration

The original design was intended to move air around storage barrels. The windows were not designed to correspond to racking at each level, which creates an issue of re-using the windows with the existing racking. Either the window opening configuration or the interior structure would have to be altered.

4

Material Loss

Construction for any purpose will require removing the interior racking, likely in its entirety, as well as the roof, which is supported by the racking. This would mean the loss of the roof and clerestory as well. During the construction there will be a point where the only remaining material will be brick walls. This stage of construction would likely be grounds for delisting from the National Register of Historic Places for loss of material integrity.

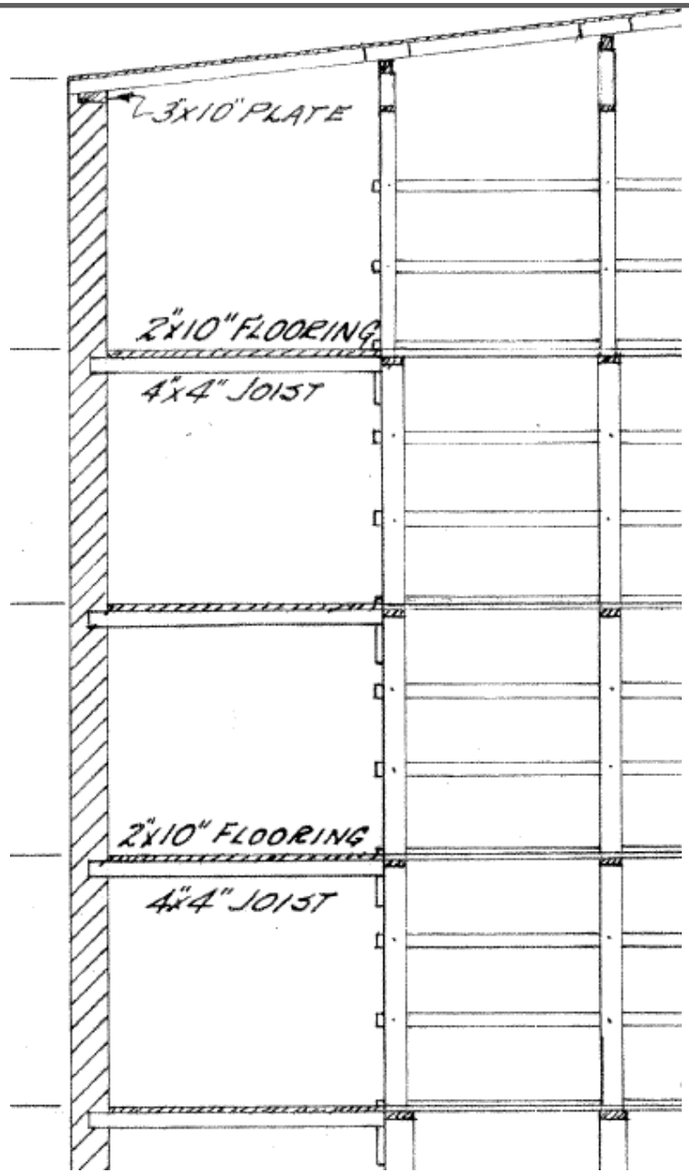
Skeleton Structure

Skeleton structures are used to attach interior floors and exterior walls as a way of carrying a load to the foundation. Additionally, tying the structures together adds strength to the entire building.

Modern warehouses tend to be of a portal frame design. Portal frames use columns along the exterior walls with arched rafters, meeting at a center bracket. This design allows large interrupted floor spaces with minimal columns.

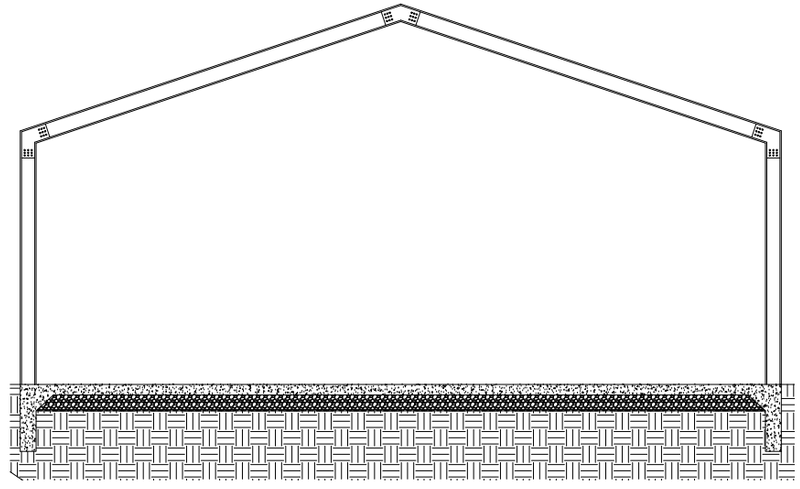
The skeleton structure of the Nelson Distillery Warehouse is composed primarily of the dunnage racks, which stack six spaces high and were designed to hold two barrels on each side. The vertical portions are 5" x 9" at the bottom and 4" x 8" at the top. These racks are held together laterally with 3" x 5" lumber racks. Headers between each rack are constructed of 3" x 7" lumber.

The exterior walls are attached to the interior structure at regular intervals providing rigidity to both and function to the interior structure. The exterior walls are divided with 24" wide pilasters, with pockets where joists attach from the interior structure.



Skeleton Framing
The exterior walls and the roof are attached directly to the interior racking, providing strength and rigidity to the entire structure.

Skeleton Framing
The walls are attached to the skeleton framing throughout the structure, which also supports the roof. The density of the interior structure helps prevent wracking and twisting.



Portal Framing
The exterior walls and columns provide the structure and arched rafters connect to a bracket in the center. Independent racking can be located in the center of the building without interfering columns.

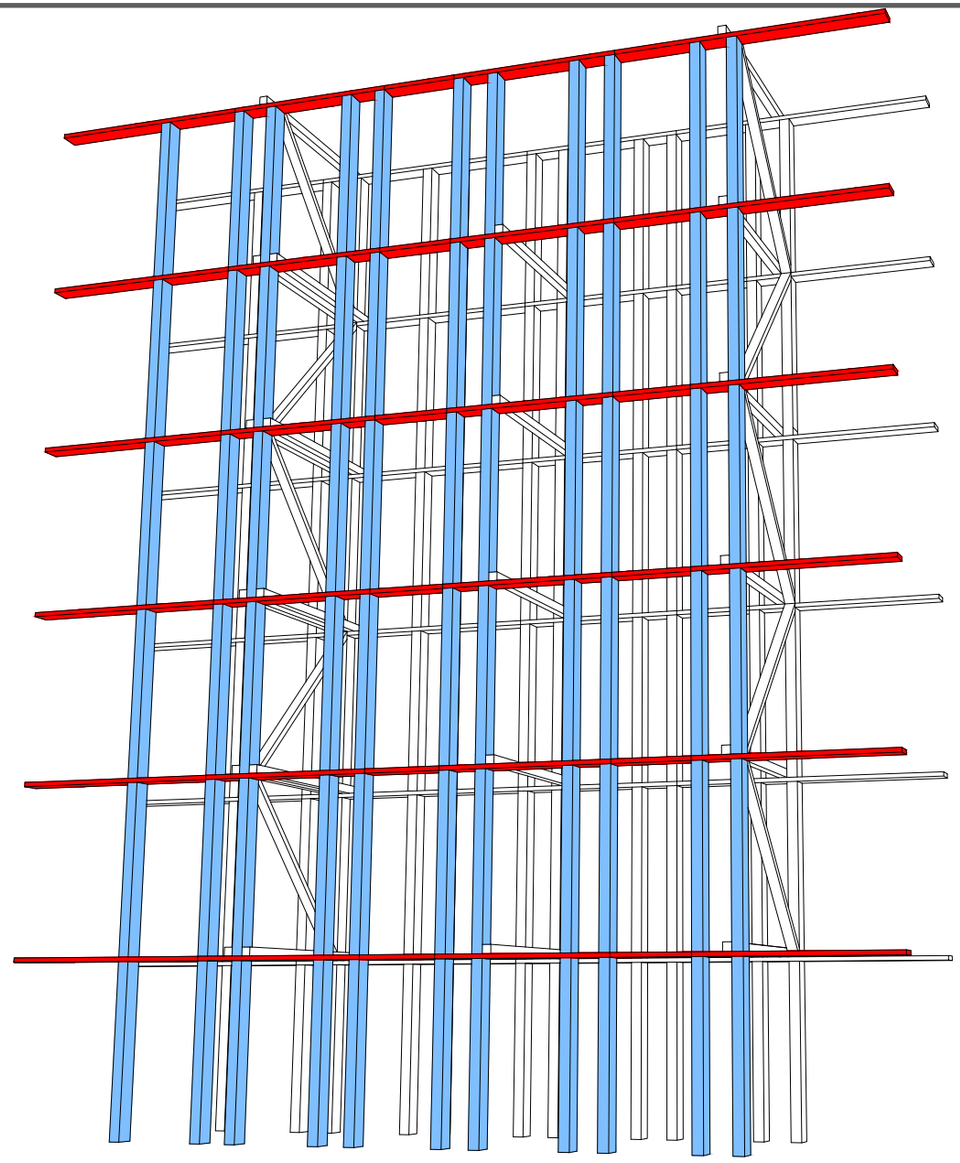
1

Structural Compatibility for Other Purposes

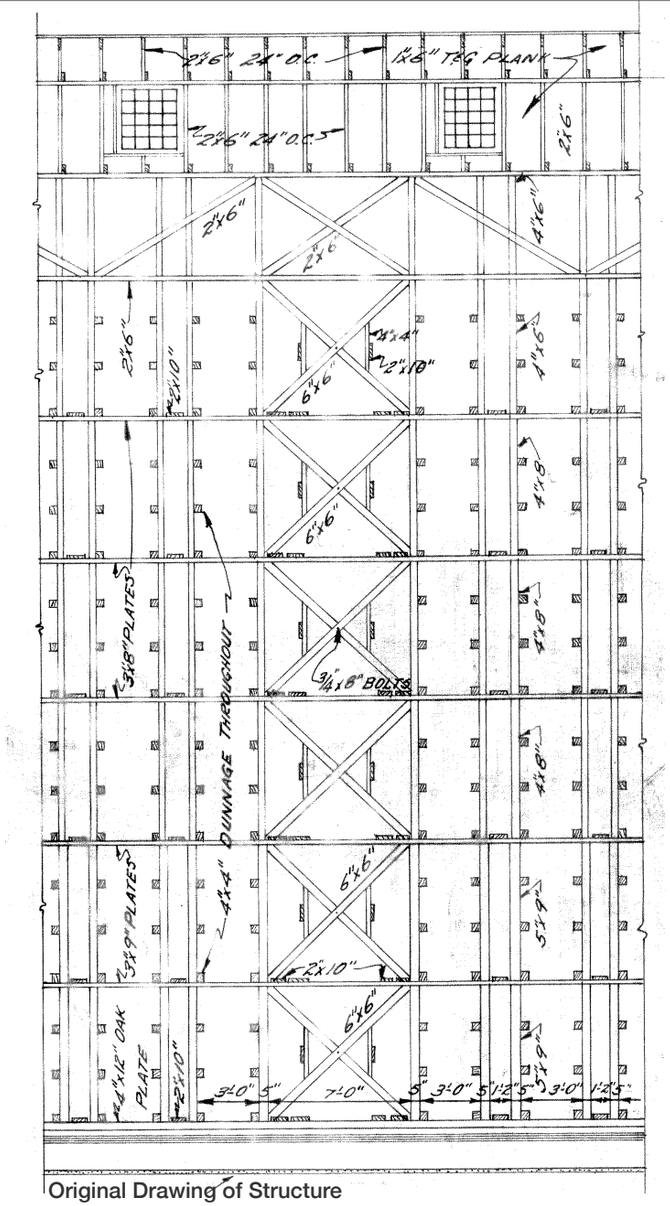
Size of Components

The columns in the building were constructed with a component rack system as the primary support system. The result is that the primary focus of the system is on racking rather than roof support, which is almost incidental. Each rack, from floor to ceiling has six levels, with two vertical tiers within each. Each level was constructed and then another level was constructed above. The result is that each level sits on a 3"x8" plate, set on the columns of the level beneath. Each column is only 7'-1" tall.

The short dimensions of such significant structural members makes reuse according to the Secretary of the Interior's Rehabilitation Standards nearly impossible.



3D Rendering of 5 Columns Bays
The columns are separated every 6'-10" by a 3" plate that runs horizontally through the structure.



Original Drawing of Structure
The columns are separated every 7'-1" by a 3" plate that runs horizontally through the structure labeled as "3" x 8" plates."

2

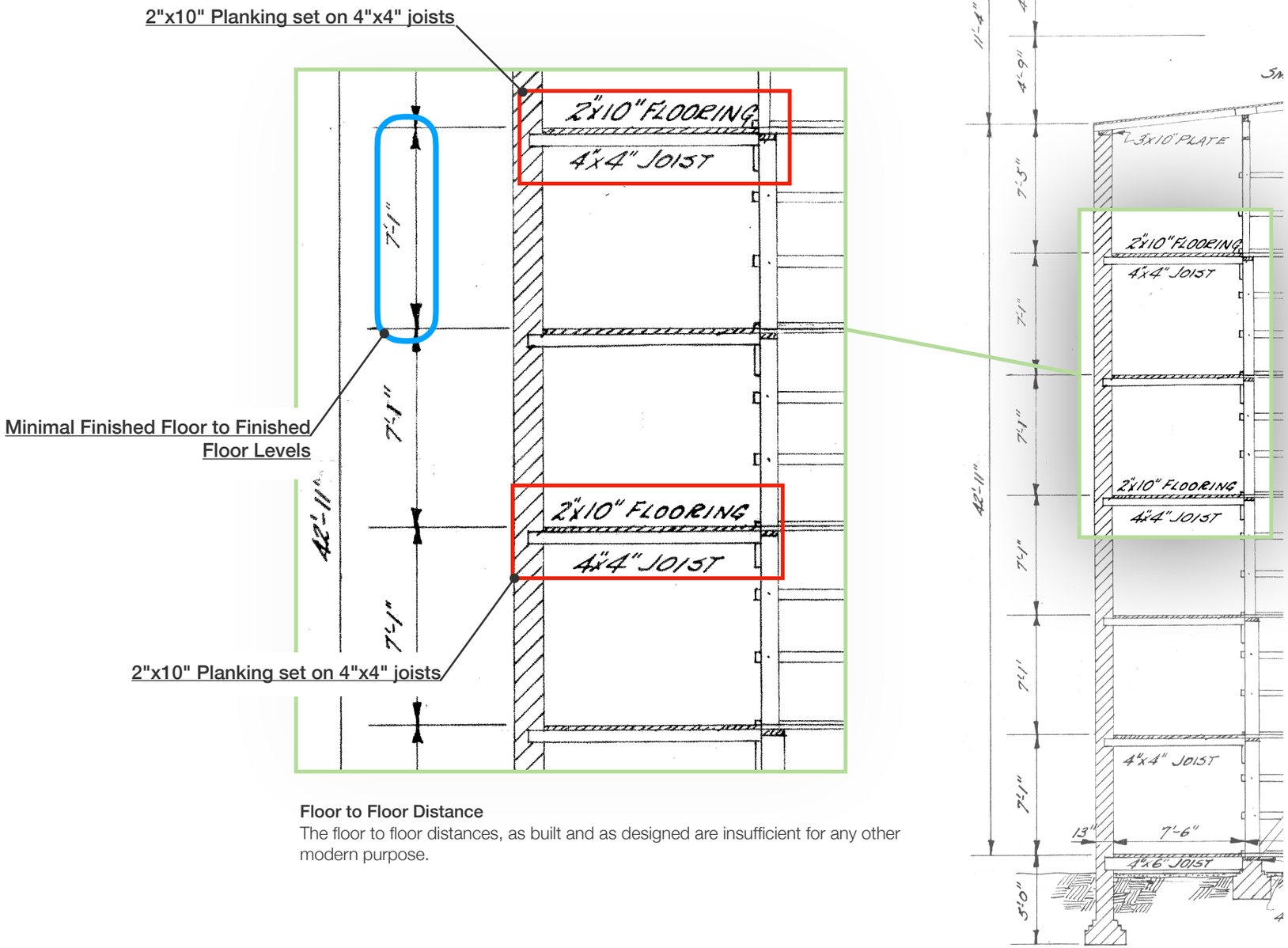
Structural Compatibility for Other Purposes

Floor to Floor Height

The historic materials and construction were designed for racking, not flooring. The areas where flooring was indicated in the original designs call for 2" x 10" floor planking, which would not meet modern code requirements. Additionally, the attachments between the racking and the exterior walls, the joists that would support the flooring, are 4"x4" and set 8' on center, which is structurally insufficient over such a distance.

In addition to the issue of an insufficient structure, the spacing between each floor, 7'-1" finished floor to finished floor, is far from meeting any modern code requirement. From that 7'-1" the calculated 2" in planking and the 4" joist must be subtracted. Without a finished ceiling this leaves only 6'-7" of clearance and this is the standard height on each floor, across the entirety of the building.

The result of this design is a building with insufficient spatial tolerances for any modern use.



Floor to Floor Distance
The floor to floor distances, as built and as designed are insufficient for any other modern purpose.

3

Window Compatibility for Other Purposes

Window Spacing

While there are sufficient windows horizontally, the vertical spacing of the windows places windows between floor levels (or in the middle of racking levels). The result is that any use that requires a fire separation between floors will require that the windows be bisected in a way that cannot be concealed from the interior or the exterior.

A proposal to realign the interior floor levels to avoid obstructing the windows was not approved by the National Park Service or the Kentucky Heritage Council.

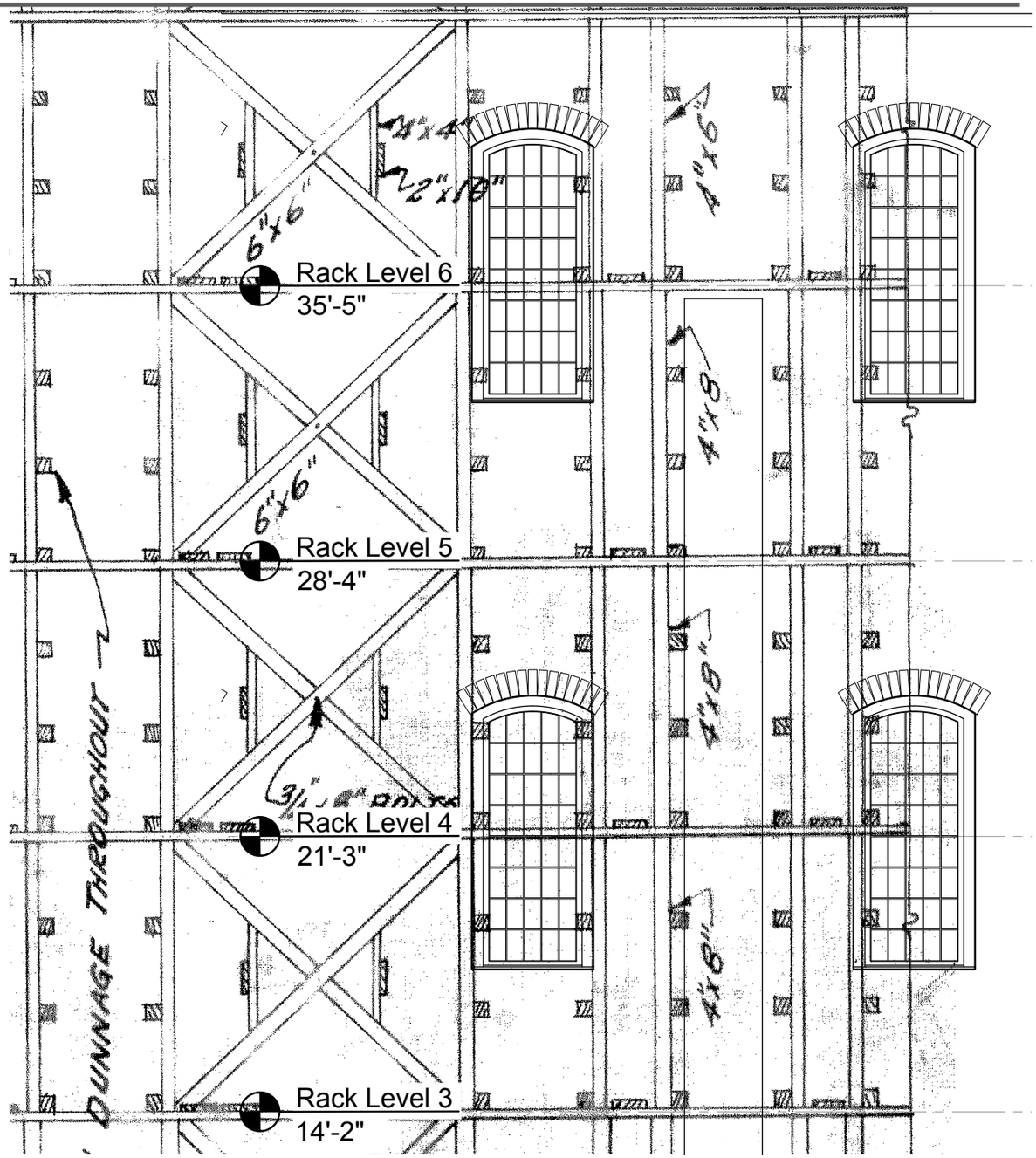
Bricked in Window Interior
The racking attachment to the wall is visible as well as the cross-bracing in the center of the window.

Relationship Between Window and Structure

The racking levels were designed to bisect the windows, making the installation of flooring impossible to achieve with any fire-rating.

The drawing at right is an overlay of the existing exterior elevation with the original drawings of the interior racking structure, aligned by rack level.

The windows are approximately 6'-6" tall, so even a close approximation of location reveals the windows are blocked by the required floor levels.



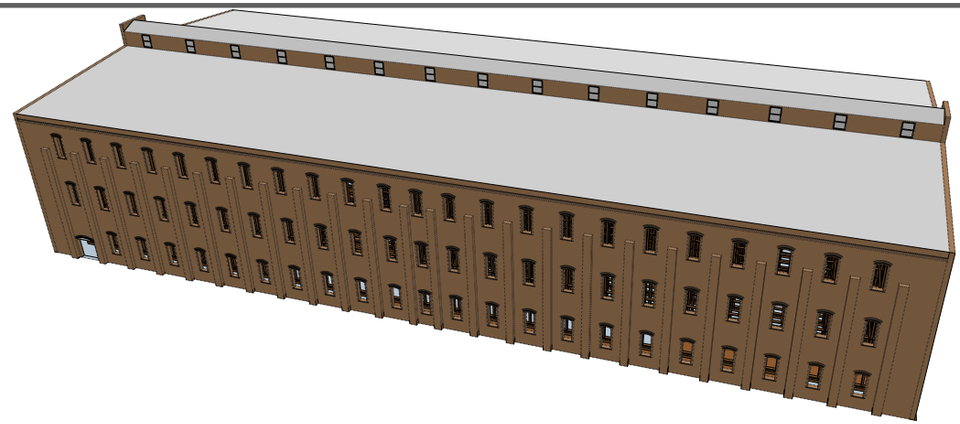
4

Loss of Historic Material During Construction

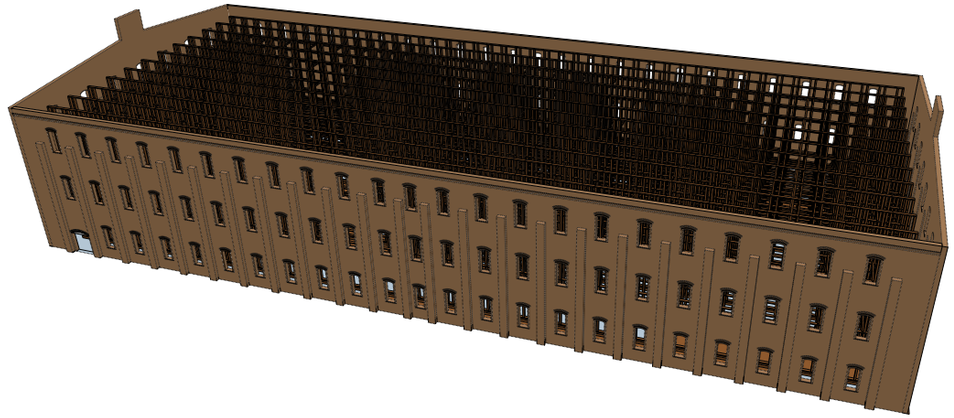
Because the interior racking supports the structure, it cannot be removed without fully supporting the walls and removing much of the roof.

This specific manner of construction was discussed with the National Park Service and was found to be a single issue denial for the project. For the project to go forward the roof could not be removed, but there is no feasible manner of removing the structure and not removing the deteriorated roof.

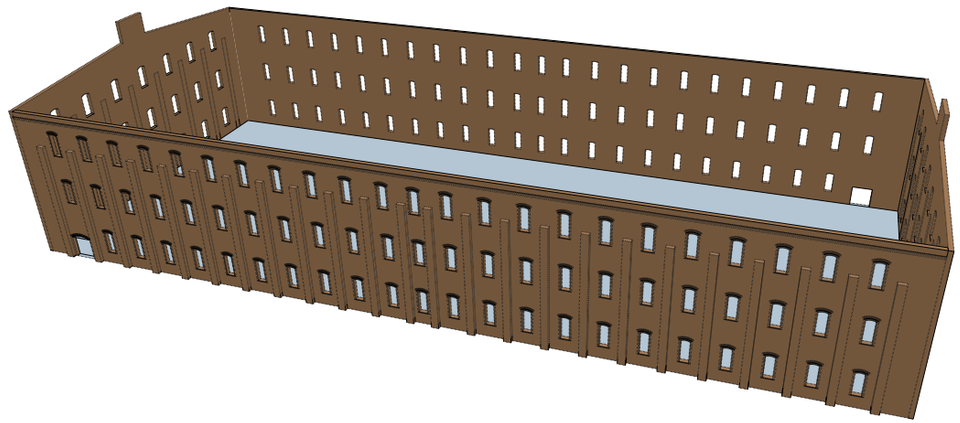
Aside from the discussion of the roof, the National Park Service considered that the project, as planned, would be unable to qualify for the 10% rehabilitation credit (now repealed). The 10% credit is provided to non-historic buildings so long as three criteria are met. At least 50% of the existing external walls must remain as external walls. At least 75% of external walls must remain as external or internal walls. At least 75% of internal structural framework must remain in place. While consideration of the 10% credit is not permitted to be considered during review of a certified rehabilitation tax credit, it was noted that the project would fail the third requirement in its entirety. As a basic guideline for the removal of historic material, failing to qualify for even the 10% credit was considered a major obstacle for an approval as a certified rehabilitation.



The Building as Currently Constructed
The building is in poor structural condition, but has mostly intact exterior walls, roofing, and rack system on the interior.



The First Phase of Demolition
The first phase of demolition will require the removal of the roof, which is supported by the interior racking system. Removal of the racking system would cause the roof to collapse without additional support or prior removal.



The Final Phase of Demolition Prior to Construction
At some point during demolition, even with temporary interior supports, the entirety of the building will only consist of the exterior walls. At this point the only remaining historic materials will be the exterior brick walls.

Conclusion

Unfortunately, some buildings were constructed for a very specific purpose with unique architecture to achieve that purpose. While that architecture or purpose may make the building significant in its current state, it does not make the building reusable. The Anderson Nelson Distillery Warehouse is precisely this type of building.

The Secretary of the Interior's Standards for Rehabilitation call first for a "property to be used for its historic purpose or placed in a new use that requires minimal change to the defining characteristics of the building." The building cannot be reused for its original purpose and would require very substantial changes to adapt to any other purpose.

Rehabilitation would require such extensive loss of historic material and reconstruction of significant features that the Kentucky Heritage Council and National Park Service have determined that the building cannot qualify for the tax incentive programs. The building's exclusion from these programs makes rehabilitation exceptionally difficult, if not impossible, as these programs provide a very significant funding source for projects that are otherwise not financially feasible.

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