

Inter-Agency and Public/Private Cooperation for Rehabilitation and Historic Preservation

by Jean Diaz, SR/WA, SCV

"The Art of progress is to preserve order amid change and to preserve change amid order."

Alfred North Whitehead



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Diaz recently earned his Master's Degree in Property Administration from the California State University, Fullerton campus. He is Chairman of the International Property Management Committee.

The Right of Way professional is becoming more involved in the management of property. Diaz, who was instrumental in turning a \$2.7 million dollar property expenditure budget into a \$3.2 net revenue gain for his agency, from acquisition and revenue leasing programs, has written two articles for RIGHT OF WAY. Recognized as an expert in his field, both should be of value to our members in the expanding field of property management.

Alvin Toffler in his classic book *Future Shock* chronicles the rapid pace at which change is confronting our society. In one of the most interesting chapters titled, "Things: The Throw-Away Society," Toffler discusses the growing impermanence of the things that surround us, from children's toys to cities:

The shift toward transience is even manifest in architecture - precisely that part of the physical environment that in the past contributed most heavily to man's sense of permanence. The child who trades in her Barbie doll cannot but also recognize the transience of buildings and other large structures that surround her. We raze landmarks. We tear down whole streets and cities and put up new ones at a mind-numbing rate.¹

Toffler goes on to discuss the change from attitudes of channeling man's creative and productive energies toward maximizing durability and permanence to today's "economics of transience."² Economics of transience is used to describe the growing forces that lead our society towards impermanence. For example, the rapid advances in technology of late lowers the cost of new

manufacture or construction as compared to repair or rehabilitation. The knowledge of this rapid technological advance also leads us to short-term use since we know that the product will be significantly improved in the near future. Uncertainty of the promise of the future also leads towards impermanence since such a recognition makes us unsure about the resulting demands. Therefore, there is a resulting concern about committing large resources to "rigidly fixed objects intended to serve unchanging purposes".³

Arthur Gallion and Simon Eisner support Toffler's contention that economics is a powerful driving force leading toward physical impermanence:

The development of real estate in the United States has not been distinguished for its attention to the amenities of a living environment. Speculation was the moving spirit as the frontiers widened and pushed forward. . . Exploitation and promotion were not always accompanied by the most reliable business tactics, but the growing necessity to improve the property exerted a salutary influence upon the subdivision of land.⁴

According to Gallion and Eisner, the speculative motive is damaging to the urban pattern. It has been such a strong factor in the shaping of our cities; yet the speculative developer assumes no responsibility for the product since there is no real concern for ultimate use and the uses which may have been displaced. This is of course reinforced by the economic principle of highest and best use of property.

Our society has only recently begun to realize the adverse effects of such impermanence. As Sally Oldham has observed, a real concern for preserving the historical and cultural resources of our cities is relatively recent:

Although the federal government has been preserving certain sites and properties of historic significance for a century - since first Congressional authorization of national parks - Federal recognition of a broad range of properties, illustrative of our nation's historic development, dates back only to the mid-1960's. This was the era of urban renewal, when large sections of many American cities were razed in hopes of replacing under-used, deteriorated, and perhaps "unstylish" old buildings with new development. Some of the resulting barren seas of asphalt are only now being reclaimed for redevelopment in cities such as Denver or St. Louis. New construction created jarring juxtapositions between older blocks of buildings and the new ... Citizen concern about the loss of large numbers of irreplaceable older buildings led to the 1964 White House Conference on Beauty, which in 1966 gave birth to the National Register of Historic Places. The concept of the existing register of nationally significant historic properties was expanded to include properties of state and local significance.⁵

Preservation of these ties to the past is important. As Toffler states:
Anti-Materialists tend to de-

ride the importance of "things." Yet things are highly significant, not merely because of their functional utility, but also because of their psychological impact. We develop relationships with things. Things affect our sense of continuity or discontinuity. They play a role in the structure of situations and the foreshortening of our relationships with things accelerates the pace of life.⁶

John Osman further links the importance of the structural forms of our cities to their history when he states, "The forms of the City live in its people, they emerge out of the mind and spirit of its citizens. They reside in the very history of 'the place . . .'"

The above discussion give us some clue as to the economic reality which makes it difficult for the private sector, given its economic motive, to act independently to preserve these important resources. Yet, it is becoming more and more difficult for the public sector to do much active preservation given the diminishing resources available to public agencies. Therefore, some creative and innovative techniques utilizing col-



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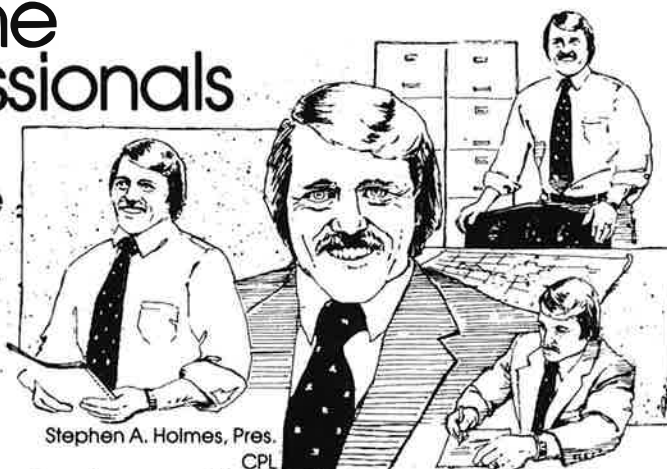
aboration are needed to accomplish preservation of historic, architectural or cultural resources consistent with the goals and desires of our communities.

The only means of conservation is innovation.

Peter Drucker

This paper will discuss the efforts of one community to preserve two important historical, architectural and cultural structures. The two structures, the Veterans' Memorial Building and the Southern Pacific Railroad passenger depot in Palo Alto, California, are adjacent to each other and the steps to preserve these structures occurred almost simultaneously. However, the strategies utilized to preserve the two structures present two different methodologies - a public/private joint-venture for the Veterans' Memorial Building and inter-agency cooperation for the Southern Pacific Railroad depot.

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The Veterans' Memorial Building and Southern Pacific Railroad Depot As Valuable Community Resources

The City of Palo Alto Comprehensive Plan places great emphasis on the preservation of identified architectural, historic or cultural resources. While the basic thrust of the Comprehensive Plan in this regard is to "encourage private preservation of buildings which have historic or architectural merit or both," the City has also been directly involved in preserving such resources. For example, the Squire House, a residence listed on the National Register of Historical Places, was purchased by the City in the early 70's when it appeared it may be demolished. The City performed some basic rehabilitation, and then sold it as a residence reserving a facade easement to ensure that the exterior of the structure would retain its architectural and historical significance.

In 1979 the City commissioned an Inventory of Historic and Architectural Resources in the City of Palo Alto. Criteria used to determine the significance of the structures included in the inventory were:⁸

Historical/Cultural Significance:
—structures which exemplify the cultural, political, economic, social, civic, or military history of the city, state or nation;
—structures identified with the lives of historic persons or events in the city, state or nation; and
—structures representing historical development patterns of the city.

Architectural Significance:
—structures that embody the distinguishing characteristics of an architectural style, period, method of construction, or architectural development in the city;
—notable works of a master builder, designer or architect whose style influenced the city's architectural development, or structures showing the evolution of the architect's style or evolution of the styles of the city;
—rare structures displaying building type, style, design or indigenous building form.

Environmental Significance:
—the relationship of the structure or place to its environment, for example, unique structures, or places that act as focal or pivotal points important as a key to the visual character of an area.
Both the Veterans' Memorial Build-

ing and the Southern Pacific Railroad Depot are included in this inventory.

The Veterans' Memorial Building

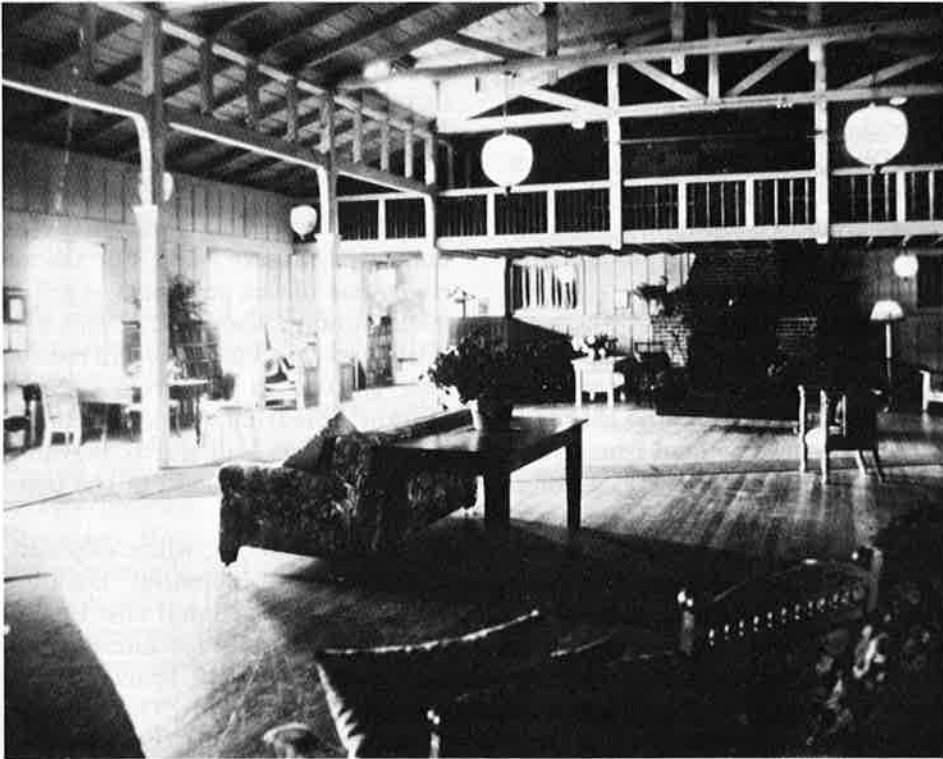
The Veterans' Memorial Building was constructed during World War I as a Y.W.C.A. Hostess House (similar to today's U.S.O. facilities) in Camp Fremont, Menlo Park, California. The structure was designed by Julia Morgan, a prominent early California woman architect (designer of the famous Hearst Castle and other notable Northern California structures).⁹ Julia Morgan is included among the Bay Region Tradition architects in California. Her designs are exemplified through the use of exposed rafters, trusses and a minimum of materials and decoration. The Veterans' Memorial Building was built in an H shape with the main reception hall located in the bar of the H. Fireplaces and balconies are located at either end of the main hall with smaller rooms and offices located on either side. After the war the camp was disbanded and most of the structures sold, primarily for the wood. However in 1919, through the efforts of Palo Alto political and civic leaders, this structure was sold to the City of Palo Alto for one dollar and moved to its present location in the City's El Camino Park.¹⁰

From its move to Palo Alto in 1919 through 1933 the Veterans' Memorial building served as the first municipally sponsored community center in the country. It functioned as an employment center, child care center, concert and live arts hall, and provided lectures and night classes for the community. In 1933 the community center functions were relocated to the new and much larger Lucie Stern Community Center. In 1935 the building was leased to the Veterans' Council of Palo Alto for use as a meeting place and offices for the various veterans' groups in the area.¹¹

The Veterans' Memorial Building is currently listed on the National



The Veterans' Building shortly after being moved to Palo Alto, circa 1920's.



Interior of Veterans' Memorial Building during its use as a community center. Date unknown.

Register of Historic Places, is a designated California State Historical Landmark and is a listed Point of Historical Interest.

Southern Pacific Railroad Depot

The Southern Pacific Railroad Depot was built in 1940. Unlike most California railroad depots, which were constructed using Mission Revival or Spanish Colonial Revival architecture, the Palo Alto Depot reflects one of the few remaining Streamline Moderne structures in the area. The combination of curved and horizontal lines, port holes and pipe railings of the structure exemplify the Streamline Moderne architectural form and are appropriate to its historical use as a major railroad passenger terminal. The structure was designed, as far as is known, by Southern Pacific Railroad architects.¹²

The interior also exemplifies the architectural and cultural past. The ornate hexagonal light fixtures and the colored ceilings bordered by chevrons are typical of the Streamline Moderne style. A large mural painted in 1944, at the south end of the building graphically depicts Cal-

ifornia history including a streamlined Southern Pacific locomotive.¹³ The Depot is adjacent to and integrally tied to the history and development of the Veterans' Memorial Building and to the City's El Camino Park. The 1979 report on Historical and Architectural Resources of the City of Palo Alto suggested that the depot structure be nominated for inclusion on the National Register of Historic Places. Now that the structure has been preserved and rehabilitated, City staff will begin the process to have this building placed on the National Register.

Rehabilitation and Preservation of the Veterans' Memorial Building and the Southern Pacific Depot

**The Veterans' Memorial Building:
An Example of Public/Private
Partnerships for Historic
Preservation.**

By the 1970's it became clear that the Veterans' Memorial Building would require a significant investment in order to continue its usefulness. The passage of time had taken

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its toll on the structure. Minimum rehabilitation work consisted of a complete new roof, repair of considerable dry rot damage, sheer wall support and electrical and plumbing upgrading.

The tenant, the Veterans' Council of Palo Alto, had minimum resources and could not generate sufficient resources to make the necessary repairs on their own. Strong support for City financial assistance followed. In response, the City explored several grant sources and by 1978 the City had obtained \$50,000 in state and federal grants. These grants required matching City funds of at least \$50,000. By then the cost of repairs to restore the building to a safe condition had escalated to around \$500,000.

The spectre of Proposition 13, the California property tax reduction initiative, was beginning to have its impact, and the City began to plan for its passage. The possibility of significant City financial support, given the likely passage of Proposition 13, was fading quickly. By September 1978, the building had deteriorated to the point where it was no longer safe for use, and the Council ordered that the building be

vacated and boarded-up. In November, after passage of Proposition 13, it was clear that the City could not finance the rehabilitation. However, instead of ordering demolition of the building, as many community members feared, the City Council directed staff to prepare a Request for Proposal to seek ideas for private sector rehabilitation. The City's action received considerable press and media coverage and two proposals were received.

One proposal was made by a local non-profit folk dance group that proposed to rehabilitate and then use the building as a folk dancing center. The second proposal was made by a local developer who proposed to rehabilitate the building and use all but 2,250 square feet for a first-class restaurant. The remaining 2,250 square feet would be rehabilitated and made available to the Veterans' Council at no cost to them for their continued use as a meeting place and offices. While the City Council preferred the folk center use, the City Council awarded a two-year option to lease the land under the building to the developer. The deciding factors were the construction/rehabilitation experience

and the financial resources of the developer. During the option period the developer had to satisfy the following conditions precedent to exercising the option.

- Obtain a zone-change from Public Facilities to Planned Community zoning;
- Obtain all plan approvals and permits;
- Obtain financing for the proposed work;
- Negotiate a mutually acceptable sublease with the City (the City leases the land from Stanford University under a long-term lease);
- Obtain Stanford University's consent to sublease; and
- Successfully remove the sublease parcel from 1) the City's park dedication requirements (which requires a vote of the Palo Alto voters), and 2) an agricultural preserve restriction.

All of the conditions of the Option were satisfied, and on September 1981, the new MacArthur Park Restaurant was opened. The terms of the sublease provide that the initial minimum annual rent be set at \$13,720 with an additional payment

of 2% of gross receipts above \$1.5 million. The minimum rent is adjusted annually in proportion to the increase in rent paid by the City of Palo Alto to Stanford University for the El Camino Park master lease. One-half of the percentage rent is paid to Stanford as additional rent under the master lease. For the second year of the sub-lease (April 1, 1982 through March 31, 1983) it is estimated that Palo Alto will receive over \$30,000 in rent from the restaurant operation. Approximately \$9,000 of this will go to Stanford University as its share of the overage rent.

From a withering white elephant, the Veterans' Memorial Building has been preserved and now houses a highly successful restaurant operation in addition to space for the Veterans' Council. The public/private partnership that evolved through the lease concept provided both the City and the developer with significant benefits. The benefits to the City include:

- The preservation of an important cultural, architectural and historical resource to the community, at no cost to the tax payers;
- The generation of significant income to the City;
- The provision of 2,250 square feet of rehabilitated space for Veterans' Council office use and meeting facilities for the Veterans' Council and other City-approved community groups when not used by the Veterans' Council.

Benefits to the private sector include:

- An opportunity to create a financially profitable business using a historic building as a thematic backdrop;
- Tax benefits accorded to the private sector for rehabilitation of historic structures.¹⁴

As the City of Palo Alto experience indicates, public/private partnerships for preservation of valuable historic structures provide an interesting and viable alternative to outright public or private preservation, or to demolition. Given the proper



The rehabilitated Veterans' Memorial Building - Now a MacArthur Park restaurant and community meeting place.

circumstances, both the public and private sector can gain from such mutual cooperation.

The Southern Pacific Railroad Depot Rehabilitation and Preservation: An Example of Inter-Agency Cooperation

A confluence of events occurring during the 1970's made it clear that changes in the use of the Southern Pacific Depot property were likely. Since the early 1900's Southern Pacific Depot operated a passenger service between San Jose and San Francisco. However, with growth of the automobile and other forms of transportation, passenger ridership had decreased significantly. Many of the passenger depots had ceased to function as such and some were lost to redevelopment.

Southern Pacific's need for space had diminished to the point where only sufficient space for a ticket booth was required and most of the structure was left unused. Beginning in the mid-70's Southern Pacific began moves to rid itself of the by then, unprofitable passenger service. As the years passed it became more likely that Southern Pacific would eventually be successful. The California Department of Transportation (CALTRANS) then began negotiations with Southern Pacific to transfer passenger responsibility to CALTRANS.


At the same time, the Santa Clara County Transit District became interested in providing a much upgraded Transit Transfer Facility at the depot site. This facility would be designed to provide efficient intermodal transportation connections, e.g. bus/train, bus/car, and car/train. The City of Palo Alto and Stanford University saw an opportunity to act to preserve the depot, satisfy the transit district's need for an upgraded transfer facility and consolidate an additional and related property under the City's existing El Camino Park master lease.

In 1979 the City Council was presented with an conceptual plan for the Southern Pacific Depot which included the following:

- Southern Pacific Railroad would release its interest in the depot site to Stanford University (which had granted Southern Pacific a license to use its property for the depot and other railroad purposes);
- Stanford University would add the depot parcel to the City's El Camino Park lease;
- The City would sublease the depot parcel to the County Transit District retaining public access and architectural/design control;
- The County Transit District would, in addition to constructing the transit transfer facility, rehabilitate and maintain the depot building for transit related purposes;
- Southern Pacific would be provided ticket counter space in the rehabilitated depot building; and
- CALTRANS would provide significant funding for the transfer facility construction and depot rehabilitation.

The City Council and other agencies involved approved of the concept and directed their staffs to negotiate the necessary agreement. By mid-1981 a Master Agreement between the parties had been negotiated and executed. The Master Agreement called for the execution of five supplementary agreements between the various parties upon execution of the Master Agreement by all parties. These supplementary agreements included:

- A quitclaim deed from Southern Pacific to Stanford University for the non-operating railroad portion of the depot site;
- A sublease amendment between Southern Pacific and the City terminating a sublease of a portion of the El Camino Park lease that it had used for railroad parking;
- An amendment to the El Camino Park lease between Stanford University and the City adding the depot parcel to the El Camino Park lease;
- A sublease from the City to the



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County Transit District for construction of the Transit Transfer Facility and rehabilitation and transit related use of the depot building;

- A license agreement from Southern Pacific to the County Transit District for Transit District use of a small portion of operating railroad right of way for landscaping purposes.

The groundbreaking ceremonies for the Transit Transfer District and Depot rehabilitation were held September 18, 1981, and the project is now nearing completion. This project provides an example of how agencies can, through their cooperative efforts, act to preserve valuable historic structures. In this case the many agencies involved have cooperated to allocate the costs and responsibilities involved with the rehabilitation and preservation. The costs and responsibilities were allocated as follows:

- Southern Pacific was relieved of its obligation to maintain the structure which now far exceeded its space needs while reserving ticket counter space appropriate to its current needs;
- The City of Palo Alto acquired architectural and use control of the depot parcel, which is adjacent to, and important to its El

Camino Park;

- The additional City lease costs to Stanford University are passed through to the Santa Clara County Transit District;
- The Transit District agreed to construct the Transit Transfer Facility and rehabilitate and use the depot structure in accordance with plans approved by the City and Stanford University; and
- CALTRANS funded significant portions of the Transit District costs through grants and subventions.

Summary: The Emergence of a New Era in Historic Preservation

Our society is increasingly recognizing the importance of preserving its links to the past. Unfortunately, at the same time, the economic environment seems to be working against such economically marginal ideas as historic preservation (at least in the traditional economic cost/benefit analysis sense). What is needed, as the earlier Peter Drucker quote states, is innovation and creation of new ways of combining efforts to preserve the important links to the past.

While a public agency or a private developer/investor by itself may not be able to afford to rehabilitate or

preserve a historic structure, combining efforts with the private sector or with other public or quasi-public agencies may accomplish the task. This article has provided examples of each as used by one community to preserve two culturally, historically, and architecturally important resources. One method was the creation of a public/private partnership realizing the tax benefits accruing to private sector investors involved with rehabilitating historic structures. The second method was to create a partnership with other public and quasi-public agencies to share the responsibilities and costs.

The common thread between both was the realization that both structures represented a valuable asset, both in economic and historical terms. In both cases, the approach involved fairly complex real estate transactions, revolving generally around a lease and/or a sublease document. Successful historic preservation efforts such as these require the synergistic efforts of the planner, the real estate professional, the constituency for historic preservation and many others. The Palo Alto experience indicates that it can be done successfully and with positive affects on the ever watchful and concerned taxpayer.



The relationship between the Veterans' Memorial Building (to the left) and Southern Pacific Depot (to the right) is of critical importance.

FOOTNOTES:

1. Alvin Toffler, *Future Shock* (New York: Random House, Inc., 1970), p.55.
2. Ibid., p. 57.
3. Ibid., p. 57.
4. Arthur B. Gallion and Simon Eisner, *The Urban Pattern* (New York: Van Nostrand Reinhold Co., 1963), pp.116-117.
5. Sally G. Oldham, "Historic Properties: Variable Valuations," *The Appraisal Journal*, (July 1982), p.365.
6. Toffler, op. cit., p. 52.
7. Gallion and Eisner, op. cit., p. 331.
8. Paula Boghosian, *Historical and Architectural Resources of the City of Palo Alto*, (February 1979), pp. 48-50.
9. Gail Wooley, President of the Palo Alto Historical Association, in letter to the Palo Alto City Council dated November 12, 1974.
10. Patricia Dixon, *Palo Alto Southern Pacific Depot Transfer Center Historic Property Survey Report for Santa Clara County Transportation Agency*, December, 1979, p. 4.
11. Ibid., p. 4.
12. Boghasian, op. cit., p. 11, 17.
13. Dixon, op. cit., p. 5.
14. For a summary of past and current tax laws affecting private rehabilitation of qualified historic properties see Oldham, op. cit., pp. 364 - 377.