

MISSOULA

HISTORIC PRESERVATION COMMISSION

Date: 3/8/2016

Name: 110 N. Higgins Missoula Owners, LLC

Address: 126 Garrett Street, Suite G, Charlottesville, VA 22902

Phone: (434) 977-7770

Agent: Andy Holloran, HomeBase Montana

Address: 20 N. Tracy Ave. Bozeman, MT 59715

Phone: (406) 404-1788

Request Type: Demolition Historic Preservation Permit per Chapter 20.85.085

Site Address 110 North Higgins Ave., Missoula

The following items must be submitted as part of the application:

Legal Description:

Lot(s): 11-21; Block(s): 2; Subdivision: Missoula Original Townsite

Township: 13N; Range: 19W; Section: 22

COS#: 3443 Parcel A; Metes and Bounds Description (Attached Typed Description)

Zoning: CBD-4

PACKET (One prototype to be certified, once certified make **15 Copies**)

	Completeness
a. Application	
b. Cover Letter	
c. Site Plan/Landscaping Plan	
d. Elevation Drawings	
e. Topography Map	
f. Photographs	
g. Other	

Building and Property Frontage:

Street: Higgins; Building Frontage: approx. 160; Property Frontage: approx. 160

Street: Front; Building Frontage: approx. 200; Property Frontage: approx. 300

Street: Pattee; Building Frontage: 0; Property Frontage: approx. 132

Street: _____; Building Frontage: _____; Property Frontage: _____

Please note: All materials shall be collated, bound (staple or other binding method) and folded to 8 1/2 x 11 inches

Missoula Historic Preservation Commission

Application Type

Historic Preservation Permit

Public Meeting:
(Monthly)

1st Thursday

Application

Deadline:

30 Days Prior

APPLICATION FEE:\$0.00

I hereby attest that the information on this application form is accurate and complete.

Applicant Signature _____

; Date: 3/8/14

I 110 N. Higgins Missoula Owners, LLC, owner of said property authorize to act as my agent in this application.

Owner's Signature: _____

Applicant's Responsibility:

An Historic Preservation Commission (HPC) application must be made to the Historic Preservation Officer by the property owner, business establishment owner or a designated agent. The application and all required supporting documentation must be received and approved by the Preservation Officer at **thirty (30) days** prior to the regular scheduled public hearing, which is held on the first Thursday of each month in the City Council Chambers at 7:00 p.m., unless otherwise scheduled. The owner of the property is solely responsible for supplying to the Missoula Historic Preservation Commission, in care of the Missoula Historic Preservation Officer, all information and documents necessary to evaluate the project. If sufficient information and documentation is not supplied by the owner for consideration to make an informed decision, the application will be denied. **The applicant or his agent must be present at the public meeting. Failure to appear at the public meeting is grounds for denial.**

Historic Preservation Officer Responsibility:

The Historic Preservation Officer shall inspect all submitted material for compliance and submit a report to the HPC and the applicant prior to the Meeting. Once the Commission has approved a motion, the Preservation Officer shall send written notification of the motion to the applicant. The Preservation Officer shall keep, on file, a record of the case.

Missoula Historic Preservation Commission Responsibility:

The Missoula City Council designated the Missoula Historic Preservation Commission as its local review board and directed said board to establish an application and review process to certify eligible properties as specified in 20.30 and 20.85.085 of the Missoula Municipal code (City Zoning). **Said process must include, but is not limited to, the design review criteria based on the Secretary of Interior's Standards for Rehabilitation or other standards approved by the City Council.**

Application Supplement for Demolition Permit

A. Introduction:

When Macy's Inc. chose to close its downtown Missoula Macy's location in the Mercantile building in January 2010, it came as a shock to city leaders, downtown business owners and residents of Missoula.

Only a few months before, the City had adopted the Missoula Greater Downtown Master Plan, a 20-year vision for a comprehensive, "balanced-center" strategy for strengthening and expanding downtown Missoula's role as the economic and cultural heart of the community. The Plan viewed retaining and improving Macy's as an anchor for downtown as a critical component of the plan, even noting \$12 million in renovation costs and \$5 million in expansion expenditures might be necessary.

A story in the Missoulian announcing Macy's closure quoted city and business leader's dismay at the news, but also with cautious optimism that the void could be filled quickly. Indeed, it was with that very sense of optimism that Octagon Partners acquired the Mercantile property in January 2011.

Octagon Partners is a Charlottesville, VA, real estate development firm which specializes in the acquisition and redevelopment of older, unique properties located in college towns. From the beginning Octagon set out to renovate and reuse the Mercantile for a mix of retail, office, and potentially residential uses. The state of the Mercantile and its size (approx. 110,000 square feet of floor space, including the basement) presented significant challenges. Yet, because Octagon has successfully transformed several historical buildings into modern uses it believed the same could be accomplished with the Mercantile.

As its first step, Octagon completed an initial round of environmental abatement work and related demolition at a cost of approximately \$700,000. The work was part of Octagon's attempt to obtain a listing on the National Historic Registry and necessary to bring the building to a state where planning could begin for renovations and future uses.

Unfortunately, as described further in this application, attempts to renovate and lease the building failed and Octagon chose to list the property for sale in 2013. More than 20 groups have seriously investigated the property and several have entered into a purchase and sale agreement, including the present prospective purchaser, HomeBase Montana.

Every prospective purchaser, including HomeBase Montana, has sought to develop a plan to adapt and reuse the building. None, even two non-profit entities, have been successful.

HomeBase Montana has developed a plan for the property which will revitalize this important block in the core of Missoula's downtown. It is with some regret that the HomeBase proposal requires deconstruction of the property as Octagon has a fondness for restored buildings. Nevertheless, over the past five years Octagon has made every attempt to adapt and reuse the property or sell it to another entity which can. Unfortunately, while it may be technically possible to save the structure, it is not economically feasible to do so.

Therefore, we request the Historic Preservation Commission grant a permit to allow the demolition of the property for the reasons stated in this application.

B. The State of the Building and Efforts to Adapt and Reuse

After acquiring the building in 2011, the Historic Preservation Commission granted Octagon (110 N. Higgins Missoula Owners, LLC) a permit to conduct certain abatement and renovation work. Some of the original scope of work was completed, including the partial removal of asbestos and lead based paint from the interior, removal of brick infill from second-story windows, and removal of the mechanical system. The work was completed in part by funding through a Brownfields grant and via a loan from the Missoula Community Development Corporation. Octagon has a significant outstanding balance left to pay on the loan.

At present, the building contains no mechanical, electrical or plumbing infrastructure. There are no functioning elevators. There are no fire-suppression or other life-safety systems in the building. While the stairways have some salvageable historic components, they do not provide legal access due to code-deficiencies. See Exhibit A. Most of the existing windows are single-pane. The masonry on the exterior of the brick façade is crumbling, largely due to the inferior quality of the bricks and an effort to clean them using sandblasting in the 1970s. A recent geotechnical evaluation of the property indicated the bricks on the façade are so deteriorated they may not even be suitable for non-structural fill if crushed for use on site. See Exhibit B.

Some of the interior elements are in good condition and can be salvaged, including heavy timber beams and columns, cast iron columns, ornamental metal ceilings, wood paneling and others. Some of the heavy timber columns and floor assemblies have incurred damage through past building alterations. See Exhibits A and C.

The configuration of the building presents significant challenges for future use. In fact, to refer to the Mercantile as a building minimizes those challenges. The Mercantile is comprised of at least eight buildings and additions cobbled together over its 100+ year history. These building and additions present a variety of floor heights and construction methods. Thus, future

work to bring the building up to current seismic codes, for example, would need to be done differently for each of the eight variations within the Mercantile.

SGRE Acquisitions, LLC executed a purchase and sale agreement for the Mercantile in the fall of 2014. Their excitement for adapting and reusing the structure remains plainly visible in a website they created for the project: <http://www.themercdowntown.com/>

During its due diligence period, SGRE engaged Tom Beaudette of BCE Structural to design a structural solution to stabilize the unreinforced masonry building. Following field research and testing, BCE prepared a design for a seismic stability upgrade which might maintain the historical integrity of the building in compliance with the building codes in effect in December 2014. The City of Missoula approved the plans. See Exhibit D.

Unfortunately, the estimated costs for carrying out the plan proved too costly for SGRE to undertake and SGRE withdrew its offer to purchase the Mercantile. However, SGRE did offer to sell the design it had paid BCE to create to any prospective purchaser. That design relied upon completing the project solely in accordance with the plans approved by the City of Missoula, as grandfathered under the 2009 building codes. Although the plans were approved, no permit was issued and the approval expired in 2015. As confirmed by Development Services, all future projects at the site must comply with current building codes.

The City of Missoula adopted new building codes on January 20, 2015. In SGRE's words, these new codes are "considered to be significantly more onerous than those under which SGRE Acquisition's plans were submitted and subsequently approved. SGRE also noted it anticipated the cost saving associated with carrying out its approved plans under the old codes – now expired – versus under the new codes would be in the "multiple-million-dollar range." These costs were solely for seismic stability work, and not mechanical, electrical, fire suppression, or any other necessary infrastructure to get the building to a state where it could be finished for occupancy.

Indeed, this is the case. DCI Engineers has evaluated the structure for structural deficiencies. The letter attached as Exhibit E describes some of these deficiencies which must be addressed to make the structure suitable for occupancy. DCI estimates the seismic upgrades necessary for the building would cost \$20 to \$40 per square foot for a total cost of \$2 to \$4 million. Those costs estimates are for seismic upgrades only and do not include floor and roof upgrades, hazardous material abatement, ADA accessibility and other life safety issues for ingress/egress, elevators, and fire suppression.

Retaining just the façade has similarly proven to be too costly. After SGRE withdrew its offer to purchase the Mercantile, Clark Street Real Estate executed a purchase and sale

agreement with Octagon. Clark Street sought to retain the façade on two or three sides of the building while removing the interior of the structure. In June of 2015, Clark Street engaged Jackson Contractor Group to prepare estimates for the construction which would include parking in the former basement area and a grocery store and other retail on the first floor.

Unfortunately, when combined with land acquisition costs, additional abatement needs, architectural and engineering fees, and related costs, the cost of the project climbed to the \$15-16 million range, far more than could be supported by retail lease rates for a 30-35,000 square foot single tenant space in the Missoula market (or most markets, for that matter).

Due to this unfortunate news, Clark Street withdrew its offer to purchase the Mercantile property from Octagon. Knowing HomeBase Montana's success in developing mixed-use real estate projects, Clark Street suggested HomeBase take a look at the Mercantile for use as a project which might benefit from more than just retail operations. See Exhibit F.

As discussed in the next section, HomeBase initiated its due diligence by investigating a project to build a hotel component on the current parking lot to the east of the structure combined with a full renovation of the Mercantile. Insufficient space for the hotel combined with high cost for the renovation led HomeBase to explore options to demolish the eastern half of the Mercantile while performing a full renovation on the remaining portion. Those costs also proved too high, leading to the unfortunate conclusion that is the subject of this permit application. While it may be technically possible to save at least portions of the building, the costs of doing so are not economically feasible.

C. HomeBase Montana and the Vision for the new Mercantile

HomeBase Montana was first introduced to the Mercantile in August 2015 by Clark Street Real Estate. After initial discussions and preliminary due diligence, Octagon and HomeBase entered into a purchase and sale agreement in September 2015. HomeBase immediately began plans to renovate the Mercantile structure and expand the property.

The initial planning effort included a renovation of the existing building to accommodate ground floor retail, second floor office and a new hotel to be connected to the existing building on the parking lot along Pattee Street. After investigating the existing structure and reviewing some of the planning efforts that had been done previously, it became apparent the cost and effort to renovate the existing building was significant.

These costs included the need to bring the building up to seismic, structural, accessible and energy compliance as well as addressing all life safety including fire suppression requirements.

HomeBase next considered the possibility of retaining the Pharmacy building portion of the structure and the Higgins and Front Street building. However, this again proved not to be a viable option due to the costs exceeding any ability to be recovered via market based rents. The final option considered by HomeBase was to retain the façade, but given the poor condition of the brick and the lack of structural support, this option was also not economically viable for the HomeBase plan.

HomeBase then directed its effort on a deconstruction plan whereby they would deconstruct the building and repurpose as much salvageable material as possible. While the deconstruction process is costlier and takes longer, HomeBase is committed to deconstruction versus demolition.

The new Mercantile envisioned by HomeBase is a proposed mixed-use project anchored by a 154-room custom Residence Inn by Marriott hotel. The project will include hotel amenities such as meeting space, fitness, pool, lobby and related back of house functions. The ground level also includes approximately 24,000 square feet of retail space that is designed to attract restaurants, bars and other local businesses. Connecting the hotel function and retail portion of the ground floor is a feature called The Mercantile Mews, a large internal “alley” that encourages pedestrian activity to all uses within the building, and connects Pattee to Higgins Avenue.



The design is current in nature incorporating many of today’s design standards including lots of natural light, high ceilings, flexibility and convenient pedestrian accessibility. At the same time, the project includes a nod to the former Mercantile building by including the use of salvaged materials such as wrapped brick columns, timbers, wood columns, tin ceilings and the copper canopy along Higgins Avenue. With the cooperation of historians in the community, The Mews

would like to be a walk-thru memory lane showcasing material, images and artifacts from the former Mercantile thereby preserving the sentimental history of the Missoula Mercantile for all.



The project is compatible with the Missoula Greater Downtown Master Plan which emphasizes maintaining this site as an important retail anchor. It will serve as a catalyst project as described by the Plan, a project which helps to generate additional investment in the downtown core.

Based on our knowledge of the market, the experience and effort by the HomeBase team and our inability to develop, lease or sell the property over the past 6 years, Octagon supports the HomeBase plan.

D. Criteria for the Demolition Permit

Chapter 20.30 of the City of Missoula's Zoning Regulations provides that certain actions pertaining to historic structures are subject to review by the City's Historic Preservation Officer and/or the Historic Preservation Commission. Reviewable development activities include alterations, relocation or demolition of an historic resource.

Chapter 20.85.085.W of the Zoning Regulations sets forth the criteria and procedure for review of a demolition historic preservation permit. This code section provides as follows:

The Historic Preservation Commission shall review the HPP application for compliance in accordance with the following criteria:

1. The applicant has consulted with the Historic Preservation Commission and the State Historic Preservation Office, and made a good faith effort to find an alternative that would result in the preservation, renovation, or reuse of the historic resource;
2. The applicant has advertised the Historic resource for sale in a local newspaper of general circulation for a period of 30 days;
3. The applicant's good faith efforts to find a purchaser interested in acquiring and preserving, renovating, or reusing the historic resource have failed.
4. Denying the application would prevent all reasonable economic use of the property; and
5. The applicant shall provide the historic preservation officer supporting documentation demonstrating that the above criteria are met.

The following discussion demonstrates the applicant has satisfied each of these criteria for the demolition permit.

- 1. The applicant has consulted with the Historic Preservation Commission and the State Historic Preservation Office, and made a good faith effort to find an alternative that would result in the preservation, renovation, or reuse of the historic resource;**

As noted, both Octagon and HomeBase Montana, as well as numerous other parties, have explored adapting and reusing the Mercantile property for various commercial and non-profit uses. Hundreds of thousands of dollars have been spent by prospective purchasers on efforts to find an economically feasible means for preserving, renovating and reusing the historic resource.

All of these have been good faith efforts which have reached the same conclusion: while it may be technically feasible to preserve at least some portion of the structure, creating a project which will restore the vitality of the building in an economically feasible way is not possible.

These efforts were conducted prior to the decision to seek the demolition permit. Thus, these good faith efforts to find a preservation/renovation/reuse alternative were not conducted specifically to satisfy the permit criteria. Rather, they were conducted due to a genuine interest in accomplishing such a task.

On February 25, 2016, HomeBase Montana, consulted with the Historic Preservation Commission via the Historic Preservation Officer and other members of Development Services. HomeBase shared its plans for the property along with a description of its initial efforts to design a project to reuse the structure. Development Services provided to HomeBase a recap of the conversations with suggestions to consider in moving forward with the project.

On March 3, 2016, HomeBase made an informational presentation to the Historic Preservation Commission regarding its proposed project. At the meeting, members of the Commission provided feedback. The HPC made it clear its preference for any project at the site would be one which reused the structure in a manner which maintained its historic integrity. The presentation and subsequent discussions are captured in the minutes of the HPC's meeting.

On March 4, 2016, HomeBase contacted Mark Baumler, the State of Montana's Historic Preservation Officer at the State Historic Preservation Office. As explained to Mr. Baumler the purpose of the call was to consult with SHPO in accordance with the requirements of Chapter 20.85.085.W. Mr. Baumler stated he was familiar with HomeBase and its proposed project for the Mercantile. However, Mr. Baumler explained the project is a local issue and referred HomeBase back to Missoula Historic Preservation Officer Leslie Schwab for any further discussions.

On March 7, Mr. Baumler contacted HomeBase and asked for a written request along with a description of the project proposal in order to provide a review and comments. These materials have been provided to Mr. Baumler.

2. The applicant has advertised the Historic resource for sale in a local newspaper of general circulation for a period of 30 days;

As of the time of this application, the Missoula Mercantile has been listed for sale on the Missoula multiple listing service for 858 days (See: <http://www.missoularealestate.com/property/commercial/20136886>). This listing and many other efforts to advertise the property for sale has resulted in many interested parties viewing the property and considering options for adaptive reuse as discussed in this application.

In addition, the property is currently advertised for sale in the Missoulian, a local newspaper of general circulation. By the time of the Historic Preservation Commission hearing on the permit application, anticipated to be April 7, 2016, the advertisement in the Missoulian will have run for a minimum of 30 days.

3. The applicant's good faith efforts to find a purchaser interested in acquiring and preserving, renovating, or reusing the historic resource have failed.

Octagon's efforts to find a purchaser interested in acquiring and preserving, renovating, or reusing the Mercantile have been described extensively throughout this application.

Finding parties who are interested in acquiring and preserving, renovating, or reusing the Mercantile has been relatively easy. More than 20 groups have investigated the property for just such a purpose. The last three groups to execute purchase and sale agreements for the property, including HomeBase, have done so with the specific intent of adapting and reusing the Mercantile.

Finding a purchaser with a viable plan to preserve, renovate, or reuse the Mercantile has failed. As discussed, SGRE sought to renovate the existing structure for a mixture of retail and office uses. When costs proved prohibitive, SGRE withdrew its offer. Clark Street Real Estate sought to at least retain the building's façade while building a new structure to support a grocery store. This, too, proved cost-prohibitive.

HomeBase was introduced to the property by Clark Street who was aware of HomeBase's reputation for developing mixed use real estate project. Clark Street believed relying solely upon retail uses would not result in a viable project, but knew of HomeBase's prior experiencing developing hotel projects with retail components. Indeed, such a project is the first to present a viable economic possibility for the site, though necessitates removing the existing structure.

4. Denying the application would prevent all reasonable economic use of the property; and

As described previously, Octagon acquired the Mercantile from Macy's Inc. with the expectation that it could be renovated and reused for retail and office uses and possibly even residential purposes.

There are three methods for generating a reasonable economic use of the property: 1. Renovate and lease the building; 2. Replace the building with a different project; or 3. Sell the building to someone who can undertake one of the previous two choices.

Accomplishing any of these tasks has been largely unsuccessful until the current proposal by HomeBase.

Generating sufficient interest in leasing the building or portions of it has not been successful. Towards the end of 2011, Octagon retained the services of Jed Dennison, a local real estate broker, to market the property for lease. While there was some interest in leasing portions of the first floor, there was virtually no interest in leasing space in the second floor.

Leasing any portion of the structure is made more difficult by its size, layout, and lack of mechanical, electrical, plumbing and fire suppression systems. Dealing with the multiple buildings and additions which have been cobbled together eliminates the ability to essentially gut the interior to create a blank slate with which to create viable lease spaces.

The column and interior wall spacing is awkward and the floor heights vary considerably. The 135-foot bay depth is a significant detriment as modern tenants for retail and office uses require a maximum depth of 70 to 80 feet. This results in much of the interior of the building being difficult, if not impossible, to lease. Further, it would be impossible for all practical purposes to bring only small portions of the building up to modern standards while awaiting additional interest in other portions of the building.

The building lacks ADA accessible entrances and interior standards. There are no operable elevators and the staircases do not meet current codes. According to an estimate provided by DCI Engineers, the cost to simply bring the structure up to current seismic codes is approximately \$20 to \$40 per square foot, for a total cost in the range of \$2 to \$4 million. These costs do not include other necessary mechanical, electrical, plumbing, and fire suppression systems, floor replacement and remediation, devising walls, new entrances, ADA accessibility provisions, and many other tasks necessary to bring the structure to leasable shell condition.

Anyone desiring to purchase the building would need to undertake the same tasks. For a lease to make economic sense, the landlord must be able to charge rental rates that, at a minimum, cover the costs of acquiring the property, costs of renovation, overhead, ongoing maintenance and related charges. None of the prospective purchasers has been able to devise a project which includes renovating the structure at a cost which would subsequently allow for reasonable rental rates.

In 2013, Octagon shifted its focus to a sale of the property after determining its attempt to rehabilitate the structure was not feasible. Octagon listed the property for \$4.5 million. Over the past three years more than 20 groups have taken a serious look at acquiring and renovating the Mercantile. Octagon estimates these groups have spent in excess of \$1 million on inspections, potential designs and other due diligence tasks. Each of these groups has reached the same conclusion: the cost to renovate the Mercantile is too high to support market based rents. The basic functionality of the building is too difficult to manage given the depth of the building, the lack of accessible ingress and egress, and the need to start fresh with even the very basic systems

such as mechanical, electrical, plumbing, fire suppression and structural. While some environmental abatement has been completed, significant asbestos remains in the building – primarily in the roof – which will need to be removed.

Octagon's costs into the building at this point include the purchase price, engineering, design and related fees, environmental abatement work, and annual carrying costs for insurance, taxes, maintenance and related items. Our current purchase and sale agreement – at a similar purchase price as with the previous two agreements - will not cover all of these costs.

Regardless, Octagon has an opportunity to sell the Mercantile to HomeBase, a Montana development company with a proven track record of performing successfully with similar urban mixed used projects. Despite HomeBase's best efforts, it, too, reached the same conclusion that a renovation of the structure is not economically feasible.

Therefore, this permit request seeks to allow development of the property to take a different direction. While it is unfortunate the state of the building will not allow for a reasonably cost effective renovation, HomeBase's project represents the only viable option to at least salvage as much of the building as possible.

Conversely, denying the permit would prevent all reasonable use of the property.

5. The applicant shall provide the historic preservation officer supporting documentation demonstrating that the above criteria are met.

All supporting documentation has been included with this application including:

Exhibit A, JNS Architects, Discussion of the State of the Building
Exhibit B, Strata, Explanation of Reusing Brick
Exhibit C, HomeResource, List of Salvageable Materials
Exhibit D, SGRE, Information on Plan Approval Under Prior Building Codes
Exhibit E, DCI Engineers, Summary of Structural Deficiencies
Exhibit F, Clark Street Real Estate, Letter Regarding Withdrawal of Project
Exhibit G, Additional site and floor plans for proposed project.

E. Conclusion:

Our request for a demolition permit is to be evaluated in accordance with the criteria set forth in Chapter 20.85.085.W of the City of Missoula's Zoning Regulations. The decision is not to be determined on the basis of whether it is possible to save the existing structure by any means. Rather, the criteria require an applicant to demonstrate that good faith efforts have been

made to explore alternatives to demolition while denying the permit would prevent all reasonable economic use of the property.

We have demonstrated compliance with each of the criteria. While all parties involved would prefer to see the building saved to the extent possible, six years-worth of work attempting to do so have resulted in no economically feasible way to adapt and reuse the structure. Octagon has spent more than \$700,000 on the structure attempting to get it to a state where renovations could begin. Octagon has incurred more than \$300,000 in design related fees seeking a viable project for the structure. Collectively among all those who have investigated the building, we estimate as much as \$2,000,000 has been spent on the structure since 2010 via abatement costs and due diligence activities.

The result is a wealth of good faith efforts to adapt and reuse the structure without success. Thus, there is no reasonable economic use of the property short of demolition. Octagon cannot continue to hold on to a building and fund the annual taxes, insurance, and holding costs while the building sits empty and continues to deteriorate.

Conversely, this permit will begin the process of restoring the vitality of one of the most important corners in downtown Missoula. Various materials from the existing structure will find new life in the proposed project and throughout the Missoula region.

We respectfully request the Commission approve the permit.

EXHIBIT A



1600 Wynkoop St #100
Denver, CO 80202
303.892.7062

07 March 2016

Missoula Mercantile Architectural Narrative

At JNS, we do not take a demolition of an existing structure lightly. JNS has been involved in dozens of historic renovation and adaptive reuse projects over the years, including Denver Union Station, the San Diego Marriott Courtyard Downtown, the Pittsburgh Renaissance Hotel, and the Salt Lake City Hotel Monaco, as well as the Denver Hotel Monaco. Unfortunately, the Mercantile lacks the basic historical and structural bones we look for when beginning a renovation project. We began the design process for the Mercantile with the intent of renovating the building, or at least retaining portions of the structure, but the reality is the building and facade are not worth saving, other than for sentimental reasons.

While it seems to be of average historic quality from an architectural standpoint, the Mercantile is not an exemplary embodiment of its style and period. It is obvious that its main significance lies with the trade and exchange of goods and services over its over 100-year life-span, and the persons associated with that history. The Mercantile is comprised of multiple additions over time, including some late 20th century alterations that eliminated or damaged some of its historic integrity. Quite a few elements are standard industrial products from forges or manufacturers in the midwest (for example iron elements, a second floor safe room/door, cast iron radiators), which were used on buildings of similar age and period throughout the United States.

Some of the interior elements appear to be in good condition (heavy timber beams and columns, as well as cast iron columns, ornamental metal ceilings, wood paneling, and salvaged, cast iron radiators). Some of the heavy timber columns and floor assemblies have incurred damage through apparent past building alterations.

Most of the wood flooring appears to be in fair condition with some significant surface wear showing. A lot of the flooring utilizes smaller width wood planks, which would indicate a later installation date between the 1940s and 1970s. Multiple elevation changes throughout the ground floor create some accessibility transition issues. The remaining wood stairs, while retaining some salvageable historic handrails, are non-code compliant and appear to have structural deficiencies. There are no life-safety systems present in the building. We would expect some potential hazardous materials in the paint, and in visible, late 20th century acoustical ceiling tile (adhesives) on the second floor ceiling/roof. The lower level flooring has been removed in its entirety, exposing the soil, and all utilities have been disconnected and capped. Mechanical,

Electrical, and Plumbing infrastructure is absent. No functioning elevators are present (one historic freight elevator is present, but marked as hazardous and non-useable).

Other challenges appear in deteriorated windows (at upper and lower sash horizontal rails). About 75% of the exterior windows show single pane, original early 20th century glazing, some windows contain more recent non-historic float glass and old insulating units. The worst deterioration of the building is visible in surface worn and crumbling masonry on the exterior of the brick facade, presumably due to a sand blasting that was executed in the late 1970s, and the inferior quality soft brick that was used throughout. The condition of the exterior brick and windows diminishes the feasibility of salvaging the façade or conducting a façade-ectomy as some have suggested. Exterior storefront has been replaced with non-historic aluminum storefront and contemporary brick knee-wall infill. Some cast iron decorative column cladding and round columns appear to be in good to fair, and salvageable condition. The roof contains skylights and some non-historic dog houses, that appear somewhat random and amateur-like in their execution.

An existing decorative glass canopy with sheet copper cladding appears (at least partially) salvageable, and embodies significant, unique historic fabric. Other salvageable items are sheet metal clad wood shutters along the alley elevation, and potentially some of the cast glass tile, divided/borrowed lites above the non-historic aluminum store front on the ground floor, although the tin or lead framing on those elements is failing/buckling in multiple locations. Most exterior openings are compromised in some way through deterioration, or absent glazing, that has been replaced with plywood sheathing, causing air and water intrusion points. Most windows have been rendered inoperable, show rot, and most have gaps.

Given the considerable deficiencies of the building: lack of systems, disrepair, deteriorated façade, and the multiple renovations not in keeping with the historic nature of the building, the cost of renovation renders it infeasible for the intended use. The inability to add additional stories due to existing structure limitations makes the economics of many uses difficult to meet, as evidenced by multiple failed attempts over the course of the last half decade. The depth of the building is problematic, with a preferred layout for modern retail at 60'. Current code makes bringing the building up to life-safety standards difficult at best to bear financially as well as structurally. Unfortunately, saving the façade does not appear feasible as the brick is soft and deteriorating in place, leaving gaps for water to work its way into the wall cavities and create further damage.

Based upon our extensive experience and investigation of the existing Mercantile building, we recommend the building be deconstructed with key elements saved and

salvaged for re-use in the new Mercantile. By reintroducing the vibrant and bustling trade center it once was, the spirit of the Mercantile can be enjoyed by generations now and in the future. Other elements could be repurposed for use in other buildings, allowing for integration into the fabric of Missoula and the region, much like the original mercantile did, with its smaller decentralized outposts throughout the Northwest.

A handwritten signature in black ink, appearing to read 'T. Strohe', with a stylized, flowing script.

TOBIAS STROHE, AIA

Partner

tobias@jns.design

Studio: 303.892.7062

Mobile: 720.231.4266

EXHIBIT B

James Thomasson

From: James Thomasson
Sent: Monday, March 07, 2016 5:05 PM
To: 'Andy Holloran'
Cc: 'lc@homebasemontana.com'; 'afmccormick@garlington.com'
Subject: Mercantile Brick

Good Morning Andy,

Pursuant to our telephone conversation on Friday, I have collected some information together pertaining to the use of the existing Mercantile Building brick in a recycled form, for structural and non-structural applications. The information below is provided for your use in assessing the investment and risks that may be involved in the appropriate processing of the existing brick comprising the majority of the Mercantile Building construction materials.

The use of recycled materials in building construction (structural applications) is predicated on their ability to perform under heavy static, or repeated cyclical loading. Non-structural applications require material to perform under much less severe conditions, and commonly are used below improvements such as flatwork or landscaping, that may be considered less susceptible to movement or distress.

2.3 CRUSHED SUBBASE

- A. Furnish material having both fine and coarse crushed stone or crushed gravel, and/or natural gravel, and when approved, blended with soil, sand, screenings, recycled concrete and/or asphalt or other materials.
- B. Furnish crushed gravel or stone consisting of hard, durable particles, not containing excessive flat, elongated, soft or disintegrated rock, dirt, or other

Section 02234 – 6th Edition
SUB BASE COURSE
Page 2 of 6

*

deleterious matter, and having a wear not exceeding 50 percent at 500 revolutions as determined by AASHTO T96.

- C. Use production methods that produce a percent of fractured rock in the finished product that is constant and uniform. Crush aggregate so that at least 25% of the material is retained on the No.4 sieve and has one or more mechanically fractured faces.

The excerpt above is taken from the latest version of the 'Montana Public Works Standard Specifications' which is a frequently referenced standard for construction in the state. The publication has sections that outline the requirements for an array of construction materials, including performance testing based on durability and gradation aspects. These

standards are also commonly referenced by local geotechnical firms as a minimum standard for import or processed on site materials. The portion of the standard shown states that crushed base be comprised of '*hard, durable particles*' which is where the reuse of the brick may get a bit tricky.

My observations of the existing condition of the Mercantile Building brick lead me to believe that they are showing signs of deterioration due to age. This is not uncommon and many brick buildings can and do survive quite well for many years with aging brick walls. The existing brick was observed to be friable and appeared to be relatively soft (possibly extruded or dry-pressed clay brick). My sense is that when crushed, the brick will not hold up well and break down beyond the gradations required for a suitable base course for use in structural or even non-structural applications.

2.4 GRADATION

- A. Produce material, including any added binder or filler, meeting the following Table of Gradations as determined by AASHTO Methods T11 and T27:

TABLE OF GRADATIONS					
PERCENTAGES BY WEIGHT PASSING SQUARE MESH SIEVES					
Passing	4" Minus	3" Minus	2" Minus	1 1/2" Minus	1" Minus
4 Inch	100				
3 Inch	---	100			
2 Inch	---	---	100		
1 1/2 Inch	---	---	---	100	
1 Inch	---	---	---	---	100
No.4	25-60	25-60	25-60	25-60	25-70
No.40	10-30	10-30	10-30	10-30	10-30
No.200	2-10	2-10	2-10	2-10	2-10

The gradation highlighted above, 3"-minus gradation for example, allows up to 10 percent by weight of fine material passing the #200 sieve. I suspect the crushed brick will contain substantially more fine fraction as it will essentially want to degrade back to the clay material from whence it came. If this is the case, and our soil classifications get pushed toward the clay end of the spectrum (soil types CL & CH) then the material would not be deemed suitable for reuse on the project in any application.

Hope this helps clarify some of the anticipated issues we may come across. Please let me know if I can be of any further assistance.

Best Regards,
James

James Thomasson, P.E. | Engineering Services Manager
Strata, A Professional Services Corporation (STRATA)
 Email jthomasson@stratageotech.com | Web www.StrataGeoTech.com



Missoula, Montana – 5653 Alloy South, Missoula, Montana 59808-5322
Office 406.829.1600 | **Fax** 406.829.1610 | **Cell** 406.396.5160

EXHIBIT C

Decon Donation Inventory List	
Date: 1 / 20 / 2016	
Quantity	Item Description
20,000 lf	Rough cut 2"x8" boards in the attic ceiling
20,000 lf	Rough cut 2"x12" boards in the attic floor joists
20,000 + lf	Rough cut floor and ceiling joists that are covered up and are assumed to be 2"x 12"
1500 lf	12"x12"x16' long wood pillars on ground and 2nd floor
1600lf	10"x10"x13' long wood beams on ground and 2nd floor
1,100lf	10"x20" wood beams various lengths (16'-26' long)
240lf	12"x12"x8' wood pillars in basement
2500sf	stamped tin ceiling 2nd floor
4000sf	stamped tin ceiling ground floor
3600sf	stamped tin ceiling ground floor south west room
1300sf	stamped tin ceiling ground floor north west room
200lf	original wood railing on stair cases (not in the best shape, would need full restoration)
1	metal spiral stair case approximately 20' tall (amazing shape)
10	antique single pane wavy glass windows
30	antique double pane wavy glass windows
6	large antique shelving unties with drawers
1	large antique safe door with pin striping
1	medium size antique safe with pin striping
9	large steel exterior storm window (barn door style) covers w/track system
	There is a large amount of oxidized copper on the exterior window trim/flashing.
	The materials listed above are all things that are visible by walking through or accessing attic/crawl spaces. There are assumed to be copious amounts of rough-cut lumber hiding behind walls, ceilings and floors that cannot be seen. There are four different styles of the stamped tin ceiling all of witch seems to be in really good shape. Almost all of the materials listed above will take extensive deconstruction to harvest and prepare for reuse. It is not often that this type, quality, and quantity are found in one project. There is great historic value to these materials not to mention a large monetary value in the reuse market.
	If further information of materials is needed please contact me @ 406-880-0404 or by email
	jason@homeresource.org

EXHIBIT D

SGRE Acquisitions, LLC is offering its plans and permits for its proposed redevelopment of The Mercantile Building in Missoula, Montana, along with all appurtenant rights, for sale for two hundred-fifty thousand dollars (\$250,000).

Background: SGRE Acquisitions, LLC was in contract to purchase the Mercantile building from the fall of 2014 through Spring 2015. During the due diligence period SGRE Acquisitions, LLC engaged Mr. Tom Beaudette of BCE Structural to design, in association with its principals, a structural solution to stabilize the unreinforced masonry building. Mr. Beaudette and his team conducted extensive field research on the building and performed in-situ testing of the existing brick to design a minimally invasive solution. The final design, which is the sole property of SGRE Acquisitions LLC, maintains the historical integrity of the building while providing full compliance with the then-current-building-standards.

SGRE Acquisitions, LLC's plans were submitted in late December 2014 under the 2009 codes. On January 20, 2015 the City of Missoula adopted the following codes:

- 2012 International Residential Code (IRC)
- 2012 International Building Code (Commercial)
- 2012 International Energy Conservation Code (IECC)
- 2012 Uniform Plumbing Code (UPC)
- 2012 International Mechanical Code (IMC)
- 2012 International Fuel Gas Code (IFGC)
- 2014 National Electrical Code (NEC)

which are considered to be significantly more onerous than those under which SGRE Acquisition's plans were submitted and subsequently approved.

The submitted plans have been fully approved by the City of Missoula and are ready to be pulled by the current owner of record. According to Mr. Don Verrue, the Assistant Director of Development Services, this submission allows the entire project to be completed under the old building codes.

Benefits: There are two primary benefits to the purchaser of SGRE Acquisitions, LLC's plans:

- 1) A ready-to-build structural solution fully permitted and ready to be pulled allowing the Buyer to begin construction immediately, and
- 2) Full project compliance with the old codes, including the 2009 energy code that will result in significant cost savings throughout the construction process.

It is anticipated that the cost savings associated with items number one and two, relative to the alternative solutions and potential impact(s) associated with current code compliance, will run in the multiple-million-dollar range.

Timing: SGRE Acquisitions, LLC's plans will expire at the end of the year 2015 and with that all possibilities of building under the 2009 code will be lost. The loss of these rights will end up costing millions of dollars in additional construction costs to redevelop the Merc. In such an event, the structural solution(s) set forth in the plans will remain the sole intellectual property of SGRE Acquisitions, LLC and may only be used under written license.

Contacts: Stephen Glenn stephen@stephenglenn.com or Dario Passalupi DarioM@pacbell.net

EXHIBIT E



www.dci-engineers.com
Seattle
Portland
Spokane
San Diego
Austin
Irvine
San Francisco
Anchorage
Los Angeles

March 7, 2016

Re: Missoula Mercantile Structural Narrative

The Missoula Mercantile Building was originally built in the late 1800's and has undergone multiple renovations and additions through the mid 1900's. The building is two stories with a partial basement and has approximately 100,000 square feet of floor space. The primary construction is unreinforced masonry (URM) walls and wood-framed floor and roof structures; although, the framing varies greatly throughout the conglomeration of buildings.

Based on our knowledge of the building, review of as-built drawings, conversations with the previous building owner and associated structural engineer, and our experience with other similar buildings, there are several structural deficiencies with the building that require upgrades to ensure life-safety performance of the building under seismic, wind, and live loading. The following list highlights some of the deficiencies:

- URM walls and rubble foundation walls
 - Insufficient to resist wind and seismic forces - requires supplemental shear walls or braced frames
 - Height to thickness ratios – may require strong backing or supplemental reinforcing to resist out-of-plane bending and vertical loading
 - Much of the exterior was apparently painted at some point and when it was pressure washed to remove the paint, the hard exterior shell created during firing of the bricks was eroded to the point where the bricks are very brittle and porous. Extensive masonry restoration is required to ensure a competent exterior envelope.
- Diaphragms
 - Insufficient continuity between URM walls and floor/roof framing – add seismic ties around the perimeter of all floor and roof structures to the URM walls
 - In plane diaphragm capacity of shiplap sheathing – may require supplemental plywood sheathing over some or all floor and roof structures above grade level.
 - Drag strut – additional straps and collector elements required to develop shear loads into new braced frames or shear walls
 - Diaphragm chords – additional straps or collector elements required to strengthen diaphragm chords around the perimeter of floor and roof structures.
- Framing continuity
 - The discontinuity between roof elevations creates building performance issues that need to be addressed
 - Lack of connectivity between framing members – requires straps, column caps, column bases, etc.
- Roof structure
 - The roof structure varies greatly between phases of construction, but some of the areas appear to be insufficient to resist design level snow loads
- Floor structure
 - The floor framing over the crawl space is deteriorated and requires upgrades

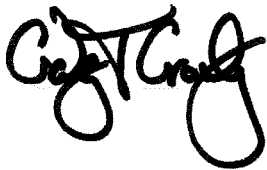


These are just some of the items requiring structural attention before the building is suitable for occupancy. Many of these structural upgrades are further complicated by fire and accessibility life safety upgrades, historic preservation, energy code upgrades, hazardous material abatement, etc.

Historically, seismic upgrades with similar complexity cost in the range of \$20-40 per square foot (\$2M - \$4M for a building this size). This cost estimate is for seismic upgrades only and does include other costs needed to make the building ready for tenant improvements. The minimum upgrades required include floor and roof upgrades, hazardous material abatement, ADA accessibility and other life safety issues including ingress/egress, elevators, and fire suppression. DCI does not have cost estimates for these other requirements due to the age and condition of the building but expect them to be significant.

Sincerely,

DCI Engineers



Craig T. Crowley, P.E., S.E.
Principal

EXHIBIT F

August 20, 2015

RE: The Mercantile - Missoula, MT

Robert Horne
Dodge Capital, LLC
P.O. Box 130
Winnetka, IL 60093

Dear Bob:

I wanted to reach out to you and let you know about a project in Montana that you may be interested in. I know you are involved with HomeBase in Bozeman and thought if you were looking to expand to Missoula, this project may have some interest.

The Mercantile is a 100-plus year old building located in the heart of downtown Missoula at the Northeast corner of Higgins Avenue and Front Street. Our business strategy as you know is typically grocery-anchored retail. Our plan was to renovate the existing building to accommodate a 30,000 - 35,000 square foot grocer (Whole Foods was our preferred tenant) and related parking. We had engaged the services of our architect and Jackson Contracting to explore, design and cost estimate. Given the high cost to bring the building up to seismic, structural, energy, life safety and accessible code, we are going to take a pass on this opportunity.

I know you and HomeBase have been involved in some hotel and mixed-use projects and maybe there is a way you can figure this out. I am happy to introduce you to the Seller and provide you with any due diligence material we have from our investigation of the Property.

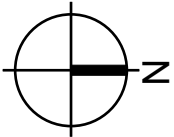
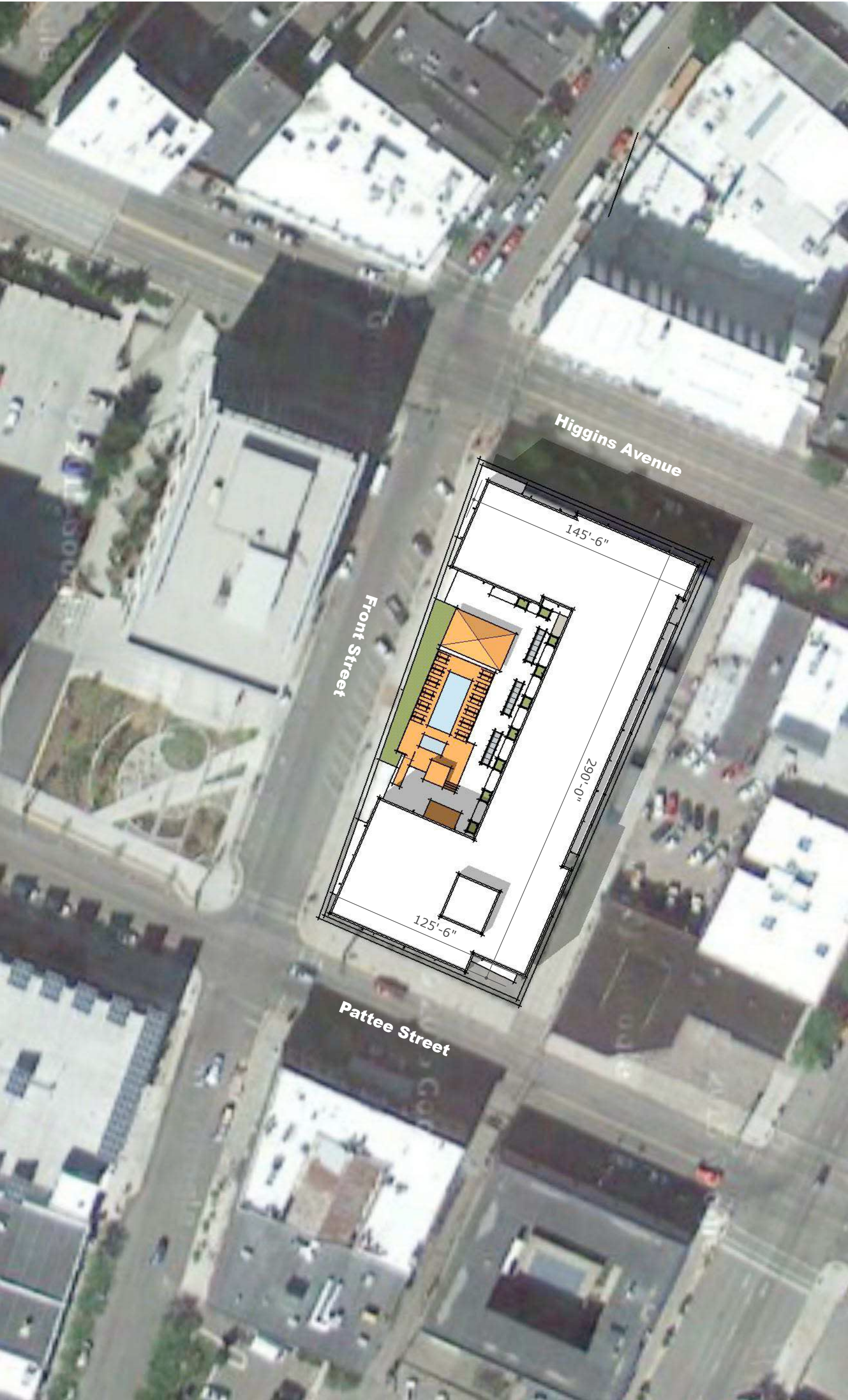
Let me know if you have any interest. I look forward to hearing from you.

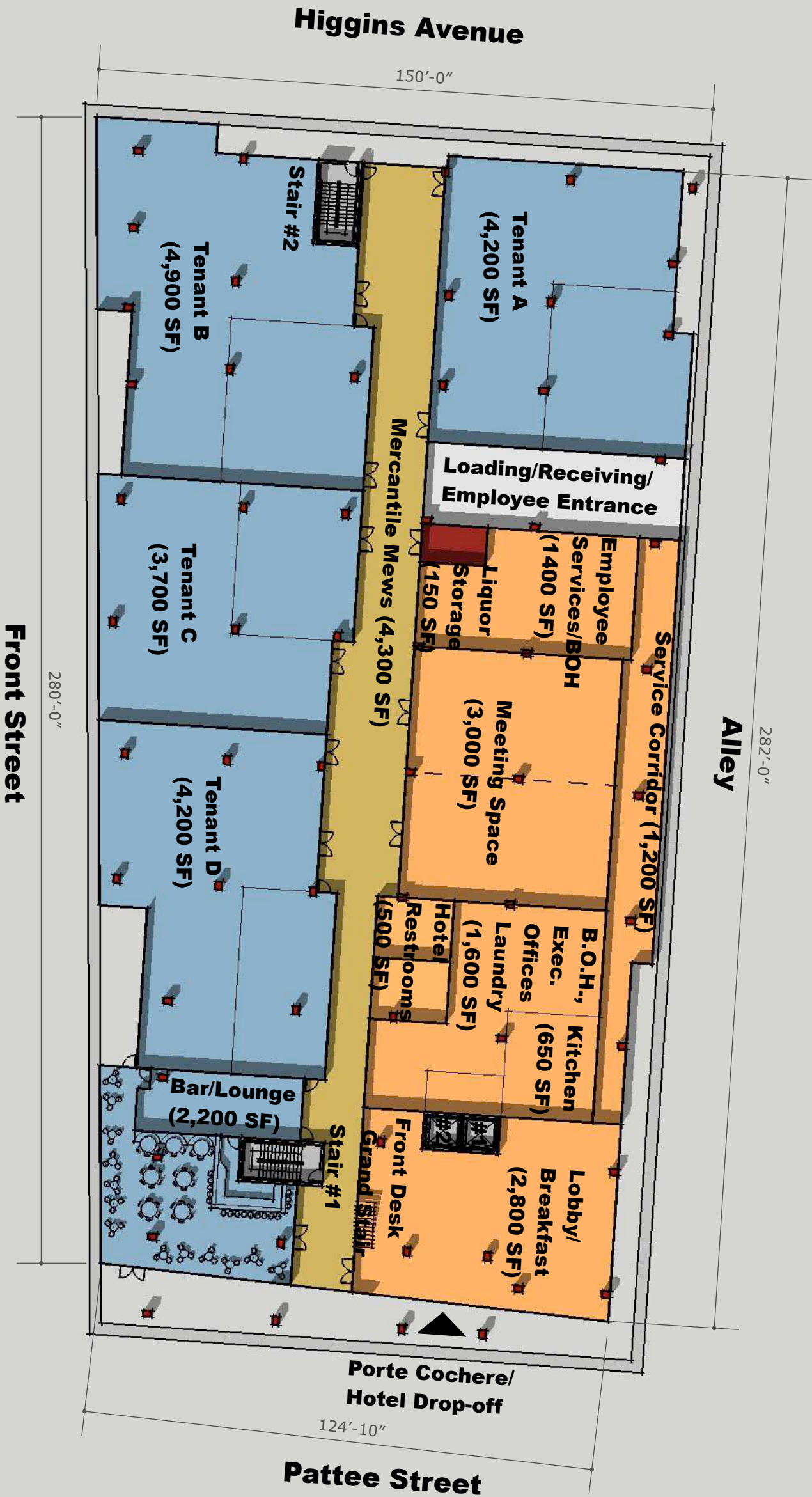
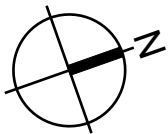
Sincerely,

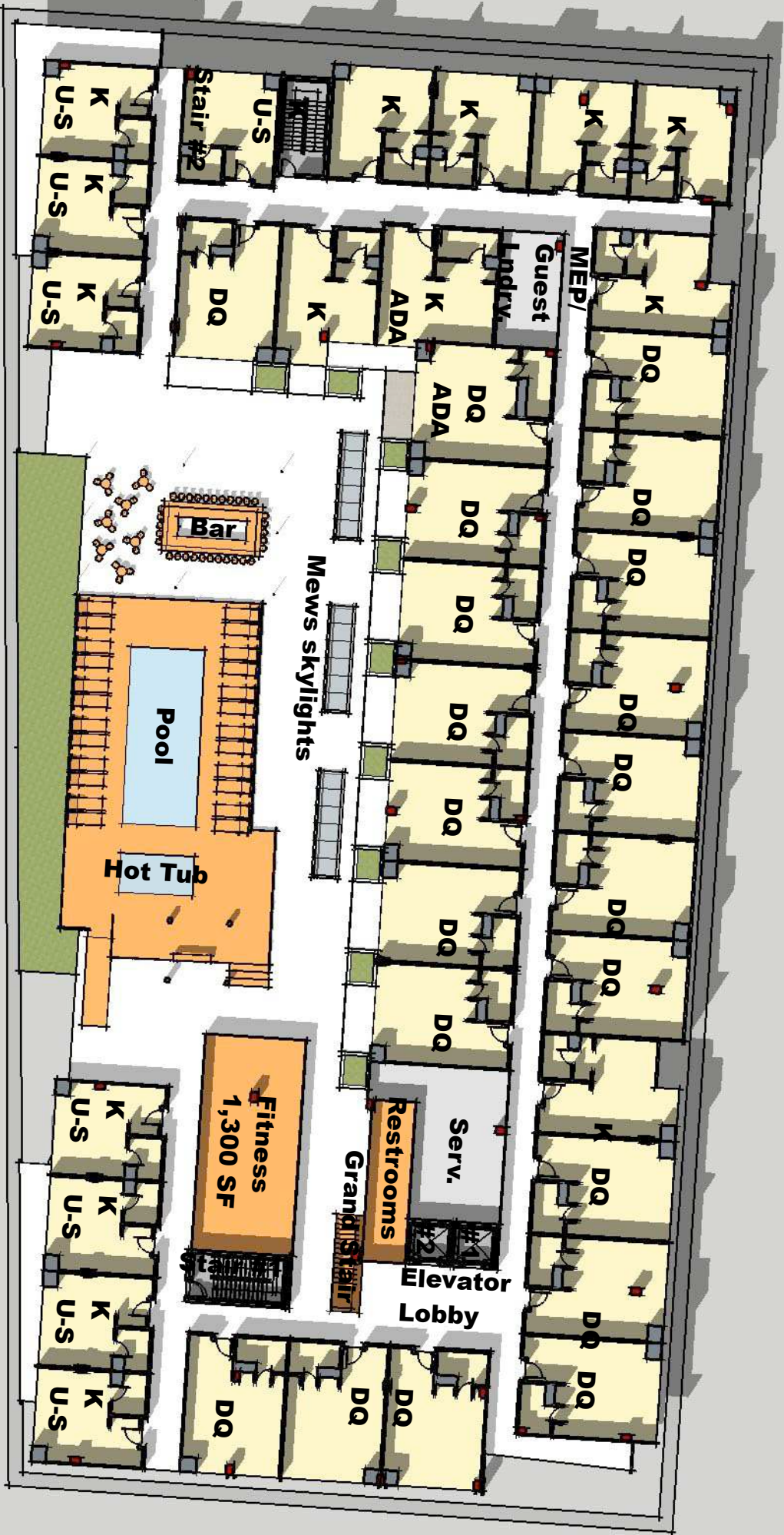
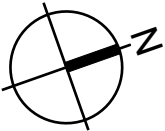


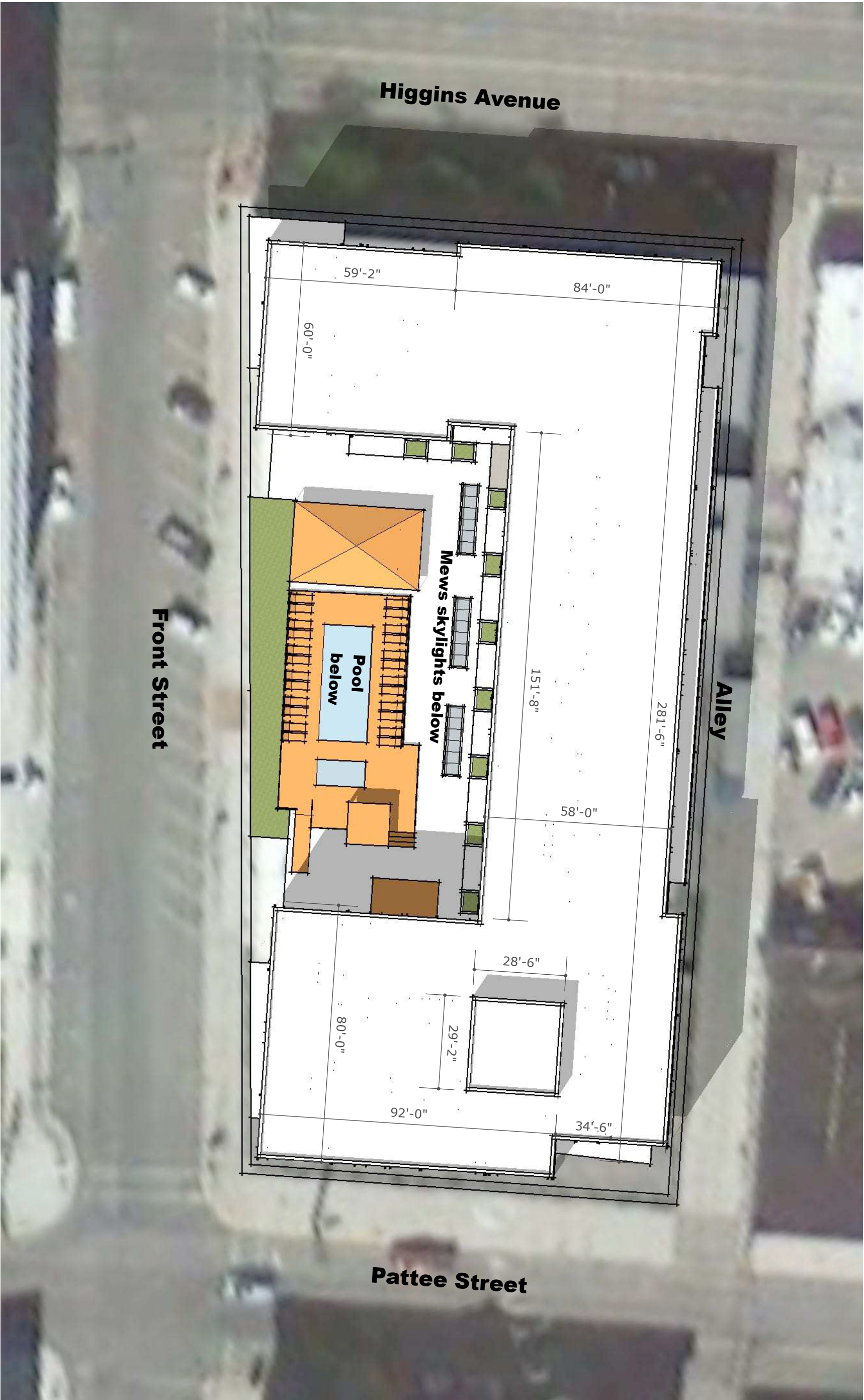
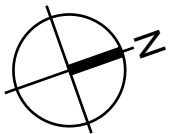
James Kurtzweil
Principal

EXHIBIT G









Higgins Avenue

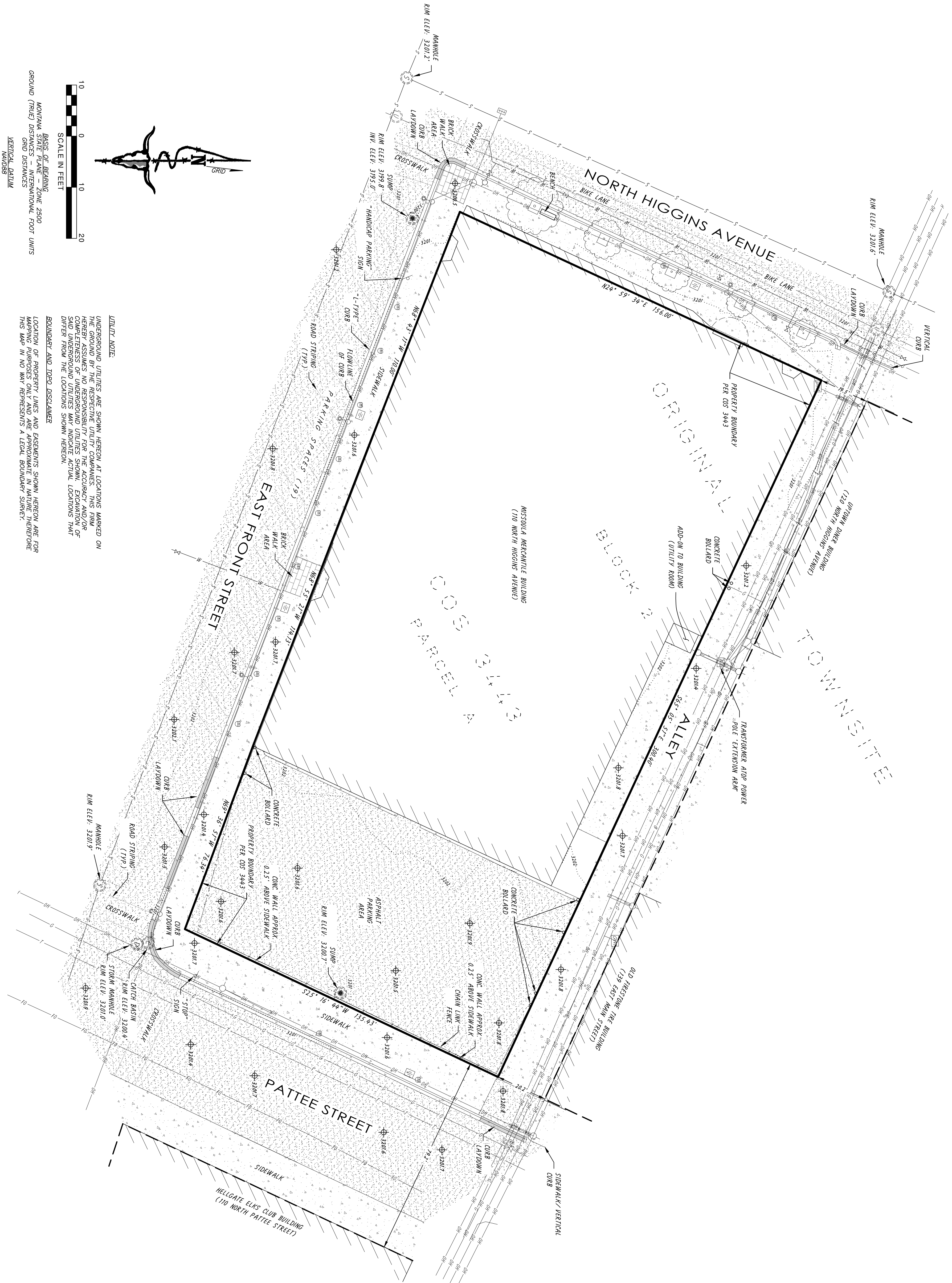
Alley

Mews skylights below

Pool below

Front Street

Pattee Street



10 0 10 20
SCALE IN FEET

MONTEANA STATE PLANE - ZONE 2000
GROUND (TRUE) DISTANCES - INTERNATIONAL FOOT UNITS
VERTICAL DATUM
NAVD83

UTILITY NOTE:
UNDERGROUND UTILITIES ARE SHOWN HEREON AT LOCATIONS MARKED ON THE GROUND BY THE RESPECTIVE UTILITY COMPANIES. THIS FIRM HAS CONDUCTED VISUAL INSPECTIONS OF THE LOCATIONS SHOWN. THE COMPLETENESS OF UNDERGROUND UTILITIES SHOWN, EXCAVATION OF SAID UNDERGROUND UTILITIES MAY INDICATE ACTUAL LOCATIONS THAT DIFFER FROM THE LOCATIONS SHOWN HEREON.
BOUNDARY AND TOPO DISCLAIMER
LOCATION OF PROPERTY LINES AND EASEMENTS SHOWN HEREON ARE FOR MAPPING PURPOSES ONLY AND ARE APPROXIMATE IN NATURE. THEREFORE THIS MAP IN NO WAY REPRESENTS A LEGAL BOUNDARY SURVEY.

- LEGEND
- (E) PROPERTY BOUNDARY
 - (E) ADJACENT PROPERTY BOUNDARY
 - (E) WATER LINE
 - (E) OVERHEAD UTILITY
 - (E) GAS MAIN LINE
 - (E) FIBER OPTIC LINE
 - (E) FENCE LINE
 - (E) MAJOR CONTOUR
 - (E) MINOR CONTOUR
 - (E) ASPHALT
 - (E) CONCRETE
 - (E) SPOT ELEVATION
 - (E) SEWER MANHOLE
 - (E) FIRE HYDRANT
 - (E) WATER VALVE
 - (E) SUMP
 - (E) STORM MANHOLE
 - (E) CATCH BASIN
 - (E) UTILITY MANHOLE
 - (E) ELECTRICAL TRANSFORMER
 - (E) POWER METER
 - (E) GAS VALVE
 - (E) GAS METER
 - (E) POWER POLE
 - (E) POWER POLE W/ EXTENSION ARM
 - (E) GUY WIRE
 - (E) LIGHT POLE
 - (E) TRAFFIC SIGNAL
 - (E) AUTOMATED PARKING METER
 - (E) PARKING METER
 - (E) SIGN
 - (E) DECIDUOUS TREE

PROJECT NO. 16-3960	PROJECT NAME HOME BASE MISSOULA MERC SITE DEVELOPMENT	LOCATION: 110 N. HIGGINS AVE. PARCEL A, COS 3443 SW 1/4, T.13N., R.19W., S.4M.M. MISSOULA COUNTY, MONTANA	DESIGNED: DRAFTED: CHECKED: DATE: 2016/07/15	REVISIONS DATE	TERRITORIAL LANDWORKS, INC. CIVIL ENGINEERING • SURVEYING • LAND USE CONSULTING www.TerritorialLandworks.com Ph: 406/721-0142 Fax: 406/721-5224 P.O. Box 3851 Missoula, MT 59806
SHEET: 1 OF 1	SHEET TITLE: EXISTING CONDITIONS SITE MAP	PREPARED FOR: HOME BASE	DATE: 2016/07/15		