

# Application for Special Valuation

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## STAFF REPORT OF FINDINGS

**Historic Name:** Willard/Otis Hotel  
**Property Address:** 110 S Madison Street  
**Applicant:** Hos and Boz LLC (Curtis Rystadt)  
**Date:** Application submitted September 2020

**MANAGEMENT AGREEMENT:** The Otis Hotel does have a Management Agreement that was signed on April 23, 2018 and includes the exterior of the building.

**DESCRIPTION OF REHABILITATION:** The Otis Hotel underwent phase 2 of an extensive rehabilitation from September of 2018 through September of 2020. The SHLC previously approved phase 1 of the project in 2018. This phase of the project included some finish work on the upper floors, but was mainly concerned with the first floor retail spaces. This project also underwent review for Federal Historic Tax Credits so local review was waived to the State's Department of Archaeology and Historic Preservation and the National Park Service.

### Exterior:

- Completed storefront reconstruction on the main floor along both First Avenue and Madison Street – removal of non-historic storefront and survey of remaining historic features and then refurbishing, replacing, and rebuilding to replicate historic storefronts.
- This work included the cleaning, repair, and restoration of five panels of historic prism glass transom windows.
- The east façade storefronts, lobby front and lobby entrance were found to be mostly intact beneath and were cleaned, refurbished, and replaced in kind depending on condition.

### Interior:

- Lobby configuration, trim moldings and tiles floors were retained and refurbished.
- New openings to the front commercial bays, and to accessory rooms to the south and west were created for lobby access.
- Kitchen and restaurant buildout completed
  - Verification by committee of items considered “built in” on the application of kitchen appliances
  - Verification by committee of the booths in the restaurant as “built in”
  - Flooring, fixtures, built in cabinetry/bars, lighting, etc.
  - HVAC for restaurant
  - Electrical for restaurant
- Carpets in stairways and hallways
- Window treatments – Staff feels that this discussion should occur and believes that the expenses are eligible. They are built into the window frames and specifically manufactured to fit the window openings. They become part of the improvements to the building as both energy code compliant and permanent fixtures.

- Paint and labor for paint
- Wall mounts only for tvs – affixed
- Labor for furniture moving and assembly

**Soft Costs:**

- Architect fees
- Design fees
- Permit fees
- Legal fees
- Engineering fees
- Insurance
- Accounting
- Disposal
- Consultant fees
- Loan fees and construction loans/interest
- Equipment rental costs
- Developer fees for tax credits

**FINDINGS OF FACT:**

**Authority to review the Special Valuation application: Under Ordinance No. C-31094, 6.05.100 (SMC 17D.100.310) the Landmarks Commission has the authority to “serve as the local review board for special valuation of historic property in Spokane” and to “approve or deny applications for special valuation.”**

**Does the application meet the Special Valuation criteria set forth in RCW 84.26?**

- The property must “be a historic property” and “fall within a class of historic property determined eligible for special valuation by the local legislative authority.” RCW 84.26.030

***Listed on Spokane Register?***

***The Willard/Otis Hotel was listed on the Spokane Register of Historic Places on April 23, 2018.***

YES       NO

- The property must “be rehabilitated at a cost which meets the definition set forth in RCW 84.26.020(2) (“at least 25% of the assessed valuation of the property, exclusive of the assessed value attributable to the land, prior to rehabilitation”) within twenty-four months prior to the application for special valuation.”

***Rehab cost over 25% of the assessed valuation?***

YES       NO

***Rehab work within 24 months prior to application?***

YES       NO

- The property must be protected by an agreement between the owner and the local review board as described in RCW 84.26.050(2).

***Property owners entered into Management Agreement?***

***Yes, covering the exterior of the property only***

YES       NO

- The rehab work must meet the standards, “not be altered in a way which adversely affects those elements which qualify it as historically significant” RCW 84.26.050. The work must meet rehabilitation guidelines, as defined in WAC 254-20-030(10) as “the process of returning a

property to a state of utility through repair or alteration, which makes possible an efficient contemporary use while preserving those portions and features of the property which are significant to its architectural and cultural values.”

**Certificates of Appropriateness issued for exterior work?**  YES  NO

***The application did not require a local COA because it is also undergoing Federal Historic Tax Credits which means we waive local review to the State’s Department of Archaeology and Historic Preservation and the National Park Service.***

- The application must be complete, as defined by WAC 254-20-090 (4) “applications shall include a legal description of the historic property. The owner shall also provide comprehensive exterior and interior photographs of the historic property before and after rehabilitation, architectural plans or other legible drawings depicting the completed rehabilitation work, and a notarized affidavit attesting to the actual cost of the rehabilitation work completed prior to the date of application and the period of time during which the work was performed.”

**Completed application?**  YES  NO

- The rehab costs must result from one or more of the following (WAC 254-20-030):
  - (a) Improvements to an existing building located on or within the perimeters of the original structure;
  - (b) Improvements outside of, but directly attached to the original structure which are necessary to make the building fully useable (not including rentable/habitable floor space attributable to new construction);
  - (c) Architectural and engineering services attributable to the design of the improvements;
  - (d) “qualified rehabilitation expenditures” as defined by the federal historic preservation investment tax credit.

As noted in “*Tax Aspects of Historic Preservation: Frequently Asked Questions & Answers*” (Mark Primoli, Internal Revenue Service), examples of expenses that do not qualify for the rehabilitation tax credit are acquisition costs, appliances, cabinets, carpeting (if tacked in place and not glued), decks (if not part of original building), demolition costs (removal of a building on property site), enlargement costs (increase in total volume), fencing, feasibility studies, financing fees, furniture, landscaping, leasing expenses, moving (buildings) costs (if part of acquisition), outdoor lighting remote from building, parking lot, paving, planters, porches and porticos (not part of original building), retaining walls, sidewalks, signage, storm sewer construction costs, window treatments.”

**Claimed expenses are allowable? Exception noted below:**  YES  NO

***Claimed expenses are allowable in the amount of \$8,281,958.24. Staff has removed costs of \$15,009.75 attributed to a non-attached parking structure. Other costs related to kitchen equipment in the amount of \$302,624.90 and \$29,804.89 for booths in the restaurant; need to be verified at the site visit.***

## REPORTS

**Special Valuation site visit report:** Special Valuation Committee members visited the site on 10/15/20.

**Staff Report:** The submitted application is complete.

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Preservation Officer Review?	yes	Date:	10/13/20
Special Valuation Committee Site Visit?	yes	Site Visit:	10/15/20
Landmarks Commission Review?	pending	Meeting Date:	10/21/20