

Good afternoon!

My name is Anne Stratioti and I have been with ZMC Hotels for more than 20 years. ZMC Hotels currently manages 43 hotels in 16 states for entities like North Creek Investors II and ZAC NC Asset Investors which own the Bullseye Building at 102-108 E Superior Street. Locally we manage the Inn on Lake Superior, the Edgewater Hotel & Waterpark, the Days Inn Lakewalk, and the Best Western Bridgeview in Superior. We have offices in Duluth and in California.

The Bullseye Building was purchased in 2017 with the intent that the site would be a good location for future development. Tenants at that time were notified that our intent was to build and that we were allowing their leases to go month-to-month. The exception was Hucklebeary who needed a lease for her business plan. We did a one-year lease with a 90-day notice clause for them. No definitive plans were ever drawn as to what that development would entail. Buying sites for potential future builds is not uncommon in our industry, particularly when our CEO has other entities involved in multi-family, retail, storage facilities, and sports complexes.

I became involved in the direct management of this building in 2019 to work with contractors and our tenants to fix issues with plumbing leaks, water seepage, and roof leaks and have been the go-to person for the owners and tenants since then.

Early in 2021, it was discovered that one of the two water mains was leaking underground enough to cause a significant amount of water to come into the basement. This main was shut down at the street and water was rerouted from the second water main inside the building.

In the summer of 2021, the building experienced several sewer issues, one of which caused us to shut down the businesses for nearly a week. During repairs, it was determined that the entire concrete floor needed to be taken up to replace the aged sewer system below ground.

These repairs in conjunction with the roof and other exterior conditions caused us to reconsider what we should do with the building at this time. It was determined that the best course of action was to take it down. The NCE engineering report, done as part of the demolition process, reinforced and cataloged all these conditional issues in one place further demonstrating that our decision was the right one.

To reinforce this, I noted in my earlier letter to the Commission that it was only a matter of time before the arched masonry above the windows could come down. This happened two weeks ago on May 25. The keystone and adjoining bricks on the upper west side gave way and partially came out. I immediately notified the city who then had the pedestrian ramp shut down to prevent any injury if it were to fall. This was repaired two days later to prevent it from coming out fully.

The process of applying for a demolition permit began late last summer with research into what we needed to do and was filed the end of October by our contractor. The city of Duluth notified us that we could not get a permit until the utilities were turned off. To do this required us to serve notices to our tenants. Notice was delivered to the three tenants on December 10. Tenants were provided more time to vacate than their leases provided. The utilities were shut down in March. It was during this process

that we found that the building was considered part of a proposed historic district which brings us here today.

We think Duluth is a great city and acknowledge that part of its charm are the historic buildings in the downtown area. However, this building has been in decline for decades and is not a prime example to showcase the construction of block and brick that permeates downtown Duluth. The street level parts of the building on Superior and Michigan streets and some of the First Avenue East side are not original to the Hotel Astoria when it was first built. It no longer has the rooftop parapet that provided eye-catching features. The entire east wall was built abutting another building but has been exposed to the elements since 2005 and is crumbling. All the sills are cracked and falling apart. Sections of columns and walls are also cracked, and bricks have fallen out. Sarah and Stacey can attest to the amount of cracking and deterioration showing as they were able to see the building up close last week.

We have no intention of building another parking lot or ramp here. In fact, we plan to put up barriers to prevent parking. Once the building is removed, we need to provide structural support for Superior Street and the sidewalk which involves filling the void to a certain level beneath the sidewalk with gravel and grading it at a specified slope. I was asked if we could do something other than leaving it an empty space. We need to cap the dirt in some way to prevent erosion and I am working with our team to determine if we could do something other than concrete. I do not have a final determination currently, but we are considering bringing in topsoil and using wildflower mats. Next spring, the area could be a haven for butterflies and other beneficial insects as well as pleasing to the eye of those passing by.

To bring the building back to its former glory is quite cost prohibitive and would not provide the returns to make it viable. The building has a value of \$750,000 and the cost to repair only the exterior envelope is \$2.4 million. This does not include taking up the concrete floor and putting in new sewer pipes, replacing the burned timbers in under the roof and on the 3rd floor, insulating the building or any interior construction to bring it up to code and to make it appealing to attract tenants. Currently, the downtown Duluth area has a lot of open office and retail space waiting to be filled so more is not needed.

We feel that this building is now past its useful life and respectfully ask the HPC's permission to take it down to prevent any future break-ins, fires, or potential injuries. It is now a blight on the downtown landscape. We understand that once the district proposal passes, we would need to consult with the Commission on any new build.

Your time and consideration are appreciated.

Thank you.

Good afternoon again!

We are here today to continue our request of the HPC to allow us to demolish the Bullseye Building at 102-108 East Superior Street. This building has been in significant decay and disrepair since before we purchased it in 2017. We were open and up front with our tenants that it was our intent to take the building down some day. Based on the continued decay of the building and recent issues with the sewer pipes that arose last year on top of a multitude of other issues, we made the determination to demolish the building as soon as possible.

This building had been on and off the market for years before we purchased it. Others had looked at the building and decided not to buy. We looked at it when we were looking at purchasing the parking lot next door and wanted to buy to the corner for future development. Discussions with various members of the City about future development indicated that, while the building was within the boundaries of a historic district, it was not contributing and therefore could be demolished without issue.

As we indicated last month, this building is a poor example of the block and brick architecture that makes up the historic district. Historic districts can be created with hundreds of buildings or with just a few so there is no risk of this district being delisted with this building's removal as there are more than 100 buildings in the district and 75-80% of them are listed as contributing.

This building has been altered over its lifetime and has long since stopped resembling the originally built Hotel Astoria. On the Superior Street side, less than 50% of the building is original. According to the proposed Duluth Commercial Historic District guidelines, the roof and parapet are one of the prominent characteristics of a historic building.

This parapet was removed in 1929 after a fire that also rendered much of the top floor unusable. The Superior Street level has only a single corner column and the second story that is original. The rest has been altered. The east wall was never meant to be seen as it was originally built abutting another building. The west wall on 1st Avenue East has changes to the street level and many windows have been removed or boarded up. The Michigan Street side is not original at street level with the installation of garage doors. The windows on the top floor have been replaced with wood following the 1929 fire.

The proposed Duluth Commercial Historic District guidelines state that factors contributing to the decision to demolish will include whether or not the structure is of significant architectural or historic value, whether its removal would be to the detriment of the public interest, whether or not the building or structure is of such significance that it would qualify as a National, State, or local historic landmark, whether or not the retention of the building would cause undue financial hardship to the owner, and whether or not the retention of the building would be in the best interest of the community.

Let's address these.

Is the structure of significant architectural or historic value? At the previous meeting someone indicated that John Wangenstein was the architect yet the Duluth Commercial District application itself lists the architect as unknown. If he was in fact the architect, this building is no longer a good example of his work. It would seem there are far better buildings in the area to showcase his work.

Would the removal be detrimental to the public's interest? Of all the beautiful buildings that represent downtown Duluth, this one is of least interest. If you play the game of which one of these things doesn't

belong on that block, this building is the one that doesn't belong. It no longer serves a purpose to the public. In fact, removing it will improve visibility of the park behind it until we decide to build on the site.

Would this building qualify as a national, state, or local historic landmark? It would not.

Would keeping the building cause undue hardship to the owner? Yes. There is no way to get a return on the investment needed to repair this building to a useful state. Since we have always had the intention to take it down, we will not be investing in this building. In addition to financial hardship, the building also poses undue liability issues which I will address in the next question.

Is keeping the building in the best interest of the community? No, but demolishing it is in the best interest of the community. It is an eyesore and a hazard in its current state and no longer serves a purpose to the community. We know there is a risk of people breaking in and starting fires when winter sets in and the building is a significant hazard for any firefighter who may enter the building. A June 26th Duluth News Tribune article noted that, "Vacant buildings just plain spell trouble, as far as Jon Otis, deputy chief of the Duluth Fire Department's life safety division, is concerned."

The fire department would like to use the building for training because of this. When they can control the environment to train their team without the risk of injury or loss of life, it is a benefit to them and the community at large. They are only able to do this in buildings that are already slated to be demolished due to the additional damage they will inflict on the structure.

The property, in its current condition, is no longer contributing to the quality or experience of the Historic District and poses risks to public health, safety, welfare, and prosperity.

I note in the guidelines that there is a section about willful neglect. Vice Chairman Fortney basically accused us of neglect at the last hearing and I would like to make a suggestion to the HPC. If you want to keep these buildings from getting to the point of disrepair that this building was when we purchased it, perhaps have an outreach program that informs owners on what resources are available to them to help them maintain and keep their buildings in good condition. This building was in tear-down condition when we purchased it. It has been in decay and disrepair for decades. That is not because of us.

We are providing costs to repair and renovate the building, not because we have any intention of doing any repairs, but only to demonstrate that the building is too far gone and would never make a return on this kind of investment. There is a lot of retail and office space available in Duluth and there has been for years, even before the pandemic. Now, there is even more of it available. The costs to repair and renovate to ADA and building code standards and to make it attractive for basic, not built out retail or office space, are as follows:

\$2.4 million for only the exterior repair work, not a restoration.

\$9.2 million for interior work to make it compliant with building codes and ADA accessibility. This would be retail space only which as I have indicated is not needed in Duluth as there is a lot of retail space available. We would have great difficulty in renting space and would not make any return on this investment and therefore would not do this.

This brings the minimum total to \$11.6 million dollars. As anyone who has done this kind of work in older buildings can attest, these costs are

not all inclusive as needed repairs will be found during the work. And no bank is going to finance a project that cannot meet its debts.

The cost to demolish the building is \$480,000.

We have given you many reasons to support demolishing this building and have shown it to be in the best interest of the city, its people, and us as its owner.

We respect that as lovers of history you would rather have it saved but that is not a realistic option for anyone.

We again respectfully request the HPC's permission to demolish this building. Thank you.

July 9, 2022

Anne Stratioti
Operations Manager
ZMC Hotels
11 E. Superior Street, Suite 170
Duluth, MN 55802

Re: 102 E. Superior Street, Duluth, MN

Dear Ms. Stratioti;

Thank for contacting Johnson Wilson Constructors to review your Superior Street property we have reviewed the NCE report dated April 11, 2022, and visited the site to review the condition. We have the following costs to offer on the exterior and interior building envelop. Your costs are as follows:

Exterior Envelope:

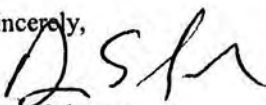
Tuck Pointing	\$1,100,000
Window Sills & Lintel Replacement	200,200
Brick Replacement	330,000
Window & Storefront Replacement	137,016
Roof Membrane Replacement	256,000
20% Contingency	404,643
Total	\$2,427,859

Interior Envelope:

Abatement (Allowance)	\$37,000
Interior Demolition	194,250
Spray Foam Insulation	205,664
Interior Buildout	3,694,950
Roof Framing Replacement	301,875
Exterior Garage Doors	14,700
Sprinkler System	181,125
Elevator & Shaft	945,000
Mechanical Systems	1,630,125
Electrical Systems	1,267,875
6% Contingency	508,354
Total	\$8,980,918

Thank you for the opportunity.

Sincerely,



Dean Johnson



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THE JAMAR COMPANY | 4701 MIKE COLALILLO DR. | DULUTH, MN 55807-2762 | PHONE 218.628.1027 | FAX 218.628.1174

July 8, 2022

ZMC Hotels

Attn: Anne Stratioti
Proposal: 22-S-0179
Scope: Replace Underground Sanitary Sewer
Location: 102 E Superior St. Duluth, MN

The Jamar Company is pleased to provide the following proposal to perform the subject project as detailed below.

1. Our proposal is based on **providing / including** the following:
 - A. Demo and replace existing underground sanitary sewer within building
 - B. Cut and patch concrete
 - C. Backfill as necessary
 - D. Inspection / testing / start-up
 - E. Permitting
 - F. Tools and equipment
2. Our proposal is based on **excluding** the following:
 - A. Tie-into existing sanitary sewer outside of the building
 - B. Testing or treatment of water
 - C. Performance or payment bonds
 - D. Engineering or plan submittal
 - E. Temporary services including heat, water or utilities
 - F. Electrical, controls or EMS work
 - G. Fire protection or fire alarm work
 - H. General construction work i.e. patching, painting, roofing, structural, etc.
 - I. Structural openings, support steel or lintels to support equipment or mechanical systems
 - J. Ceiling removal or reinstallation
 - K. Any infrared scanning, if required
 - L. Water / sewer connection charges or fees including CAF, SAC or WAC fees
 - M. Utilities 5' from building's edge and beyond (*by others*)
 - N. Soil corrections, rock removal / disposal, frost removal or dewatering
 - O. Any other mechanical work not listed above
3. Our proposal is based on the following general **exceptions and / or clarifications**:
 - A. Proposal includes current pricing on all material and equipment which remains valid for 15 days from the date of this proposal and must be repriced if work is extended beyond that date. If, during the performance of this agreement, the price of any material significantly increases, through no fault of Contractor / Subcontractor, the

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price of affected material shall be adjusted by the amount necessary to cover the price increase. Any proposed fee change will be provided to Owner / Contractor with appropriate supporting documents. Approval of the increased price must be in writing signed by both parties. If Owner / Contractor does not accept the increased price, this agreement becomes void and unenforceable. Where delivery of material is delayed through no fault of Contractor / Subcontractor, as a result of the shortage or unavailability of such material or labor, Contractor / Subcontractor shall not be liable for any additional costs or damages associated with such delay(s), and Owner / Contractor agrees to pay all documented incremental costs.

- B. This agreement is contingent on the impact of the COVID-19 coronavirus pandemic and may be suspended or terminated at any time at contractor's sole discretion. The information and directives from the CDC, World Health Organization and Federal, State and local government authorities concerning the COVID-19 (Coronavirus) emergency is changing regularly. New legal requirements are being imposed. Private business, labor, material and supplies have been impacted by the dramatic changes to the economy and workforce. All of this is outside Contractor's control. As the COVID-19 pandemic continues to evolve, the project and work required by this agreement may be impacted. Owner / Contractor will endeavor to keep Contractor / Subcontractor apprised of any issues that impact Contractor / Subcontractor's work and the project.
 - C. Work will be conducted between the business hours of 7:00 am and 4:30 pm, Monday through Friday excluding holidays, weekends or overtime periods.
 - D. Additional work, performed by Jamar due to changes in out-of-scope items, will be performed on a lump sum or time and material basis, at your option.
 - E. In the event, after acceptance of a purchase order, new tariffs or duties come into effect which impact the cost of materials included in the equipment or work supplied under this proposal, Jamar shall have the right to increase the overall price of such equipment or work to reflect the increased cost of such material to Jamar.
- 4. Our proposal is based on working under local union agreement.
 - 5. Our proposal does not include work with or the removal or disposal of any hazardous material. Removal and disposal of hazardous material, required to complete specified work, is a customer / owner responsibility.
 - 6. Our proposal does not include performance or payment bonds or permits.
 - 7. Payment Terms: net 30 days (*note: all invoices not paid in 30 days will be charged 1½% interest per month on the unpaid balance as well as any fees incurred resulting from collection efforts*).
 - 8. Our proposal is based upon the walkthrough completed by Andrew Bronson and Anne Stratioti. A signed authorization to proceed must be provided prior to the performance of any additional work or change in project schedule or scope.
 - 9. Please incorporate the above terms into all related purchase orders and/or contracts.

In closing, Jamar proposes to complete the subject project, as summarized above, for the budgetary price of **\$190,000.00 (ONE HUNDRED AND NINETY THOUSAND DOLLARS).**

We appreciate the opportunity to provide pricing for this project and look forward to discussing this project further with you. If there is any other way we can be of assistance, please contact me at (218) 428-2734.

signature on last page