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**Title:** Option A: Concur with the HPC and uphold its ruling on COA #19-2840 that denied demolition of the Kroehler Mansion located at 126 N. Wright Street, Naperville

Option B: Concur with the Petitioner and approve COA #19-2840 to allow demolition of the Kroehler Mansion located at 126 N. Wright Street, Naperville

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** 1. Location Map, 2. Little Friends Appeal Letter, 3. Little Friends Appeal Submittal, 4. HPC Findings of Fact, 5. HPC Meeting Minutes 10-24-19 DRAFT, 6. COA Letter- Partial Approval, 7. HPC Meeting 10-24-19 Memo, 8. Process Memo, 9. Little Friends Application, 10. Little Friends Supplemental Attachment to Attachment 1K in Application, 11. Structural Analysis, 12. Architectural and Historical Significance Analysis Reference Sheet, 13. Naper Settlement Letter, 14. 2008 Architectural and Historic Survey, 15. Public Comment Received after HPC Meeting, 16. Public Comment Received Prior to HPC Meeting

Date	Ver.	Action By	Action	Result
11/19/2019	1	City Council	approved	Pass

**CITY COUNCIL AGENDA ITEM**

**ACTION REQUESTED:**

**Option A:** Concur with the HPC and uphold its ruling on COA #19-2840 that denied demolition of the Kroehler Mansion located at 126 N. Wright Street, Naperville

**Option B:** Concur with the Petitioner and approve COA #19-2840 to allow demolition of the Kroehler Mansion located at 126 N. Wright Street, Naperville

**DEPARTMENT:** Transportation, Engineering and Development

**SUBMITTED BY:** Gabrielle Mattingly, Community Planner; Allison Laff, TED Deputy Director; and Pat Lord, Senior Assistant City Attorney

**BOARD/COMMISSION REVIEW:**

The Historic Preservation Commission reviewed COA #19-2840 at its meeting held on October 24, 2019. The HPC granted a partial approval of COA #19-2840, approving demolition of the Krejci Academy, the Gymnasium, and the Administration Building, while denying demolition of the Kroehler Mansion (vote: 7 in favor; none against).

**BACKGROUND:**

**1. Certificate of Appropriateness:**

Property owners who seek to alter, construct, demolish, or make a material change to landmark properties, or to properties located within the City of Naperville's Historic District ("**Historic District**"), are required to obtain a certificate of appropriateness ("**COA**").

Little Friends, Inc. ("**Petitioner**" or "**Little Friends**") submitted a COA request to demolish the buildings located on its property generally located the northeast corner of Franklin Avenue and Wright Street within the City's Historic District (the "**Property**") though it should be noted that Petitioner describes the structures on the Property as a single dormitory building.

The Property is comprised of two parcels which are zoned R2 with a conditional use. The Administration Building (built in 1956) is located on Parcel 1. The Kroehler Mansion (built in 1908), the Krejci Academy and the Gymnasium (both built in 1948), are located on Parcel 2. The structures are connected by either a "link" or an enclosed breezeway.

## **2. Procedural Status:**

After consideration of the applicable COA Factors, described in Section 5 below and in the attached HPC Findings of Fact, the HPC issued a partial approval and a partial denial of the demolition sought in COA #19-2840. The HPC's decision to partially approve the demolition sought in Petitioner's COA (allowing demolition of the Krejci Academy, the Administration Building, and the Gymnasium) is a final decision and is not subject to appeal to the City Council. On Friday, November 1, 2019, the City issued a COA letter approving demolition of the Krejci Academy, the Administration Building, and the Gymnasium. (See attached COA Letter).

However, the HPC's decision to partially deny the demolition sought in Petitioner's COA (denying demolition of the Kroehler Mansion) is subject to appeal to the City Council. [Naperville Municipal Code Section 6-11-8:4.6] On appeal to the City Council, the City Council may agree with the HPC's determination to partially deny Petitioner's COA (denying demolition of the Kroehler Mansion), or may disagree with the HPC's determination and approve demolition of the Kroehler Mansion. The decision of the City Council as to the HPC's partial denial of the COA is final, subject to any action the Petitioner may elect to pursue in court.

**Note:** On Friday, October 25, 2019 Petitioner submitted two appeals to the City Council of the HPC's October 24<sup>th</sup> decision. However, there is only one action that is eligible to be appealed to the City Council: the HPC's denial of COA #19-2840 as to demolition of the Kroehler Mansion. As noted above, the HPC's decision to approve demolition of the Krejci Academy, the Administration Building, and the Gymnasium is a final decision which is not subject to appeal to the City Council.

The HPC's Findings of Fact on COA #19-2840 were issued on Tuesday, November 5, 2019, and on Friday, November 8, 2019, Petitioner submitted its appeal in final form to the City ("**Petitioner's Appeal**" or "**Appeal**").

## **3. Architectural Significance:**

The 2008 Architectural Resources survey prepared for the City of Naperville ("**City**") by Granacki Historic Consultants (attached) notes that the Kroehler Mansion, despite alterations, is an impressive Craftsman-style house that remains a significant structure in Naperville's local historic district. The report noted the Mansion's significant features to include the side gable roof with shed dormers and copper gutters; a wraparound porch with square brick piers; and historic 1/1 wood windows. The reports also notes alterations to the structure, including replacement windows in the dormers; glass

block in the center dormer; exterior stairs on the south side; and a one-story rear addition on the north side connected with 140 N. Wright Street, which do not contribute to the original architecture of the home.

In a letter to the Historic Preservation Commission dated May 22, 2019 (attached as “**Naper Settlement Letter**”), Louise A. Howard, Collections Curator, Naper Settlement/Naperville Heritage Society, notes that the Kroehler Mansion is an early 20<sup>th</sup> century structure that embodies characteristics unique to the Craftsman architectural style, specifically noting the significant features which were also noted in the Granacki survey (above).

In the Wight & Co. report prepared for Little Friends, it is noted that the Mansion is three story wood construction with a masonry and concrete basement with an outdoor porch that is original to the building though the original porte cochere has been removed. Exterior white aluminum windows have been installed over wood windows on the outside of the structure and an exterior metal fire escape has been added to the south side of the building. The Wight & Co. report also asserts that the Kroehler Mansion does not include a majority of the attributes that comprise Craftsman-style architecture and therefore does not merit the “impressive Craftsman-style” label provided in the Granacki survey (above). The Wight & Co. report notes its belief that the Kroehler Mansion, at best, is an example of vernacular architecture of the times, blending popular components of different styles.

During its deliberation, the HPC noted that the architectural significance of the Kroehler Mansion is “subjective”.

#### **4. Historical Significance:**

##### **A. Peter E. Kroehler.**

The original structure on the Property was the Kroehler Mansion which was designed and constructed for Peter Kroehler and his wife Josephine in 1908. Per the Naper Settlement Letter, Peter Edward Kroehler, builder and first owner of the Kroehler Mansion, is a local and national figure of historical prominence. Born in Minnesota, Kroehler was a graduate of North-Western College (now North Central College) and worked at the Naperville Lounge Company at the invitation of his professor, J.L. Nichols. Kroehler became a partner and later president of the Lounge Company, which became the Kroehler Manufacturing Company, the world’s largest furniture manufacturer and a U.S. Armed Forces military contractor during WWII. Kroehler Manufacturing Company was a major employer in Naperville for decades; by WWI the company was the City’s largest employer with about 500 workers. Kroehler also had manufacturing plants across North America.

In addition to his furniture business ventures, Kroehler also served as a two-term mayor of the City of Naperville. A community philanthropist, Kroehler was one of the original founders of Naperville’s YMCA.

In its COA application, the Petitioner disputes that the Kroehler Mansion has historical significance worthy of preservation, contending that:

“to the extent that the structure has any historical significance derivative of a person, it is because Peter Kroehler was the owner/occupant of the mansion for perhaps a year and half. While it is beyond dispute that within his professional and political life Peter Kroehler was a historical figure of some note in the City, his personal and family life present a less clear record of historical significance... his short-lived personal residence

within the Historic District, which ended abruptly with scandal, focuses upon portions of his personal past that do not contribute positively to his professional and political legacy”.

During the October 24, 2019 HPC meeting, several speakers commented on Peter Kroehler’s significance to the City, largely related to his manufacturing company and philanthropic endeavors, including monetary contributions to North Central College’s Pfeiffer Hall and Merner Fieldhouse. It was also noted that Kroehler continues to be recognized in the City today through the Kroehler Family YMCA, Kroehler Park, and North Central College’s Kroehler Field.

### **B. North Central College.**

Per the Petitioner’s COA application, North Central College was gifted the Kroehler Mansion by Josephine Kroehler in 1945 and immediately converted it to a women’s dormitory. Construction of the Krejci Academy (current name) in 1948 temporarily provided military veteran housing, and the Administration Building (current name) served as campus housing from 1956 until 1973 when North Central College ceased its use of the buildings on the Property.

### **C. Little Friends, Inc.**

Little Friends began leasing the Property from North Central College in June of 1975. The Lease contained an option for Little Friends to purchase the Property upon payment of \$650,000 if Little Friends elected to exercise that option. Shortly after Little Friends entered a lease with North Central, the City sponsored a CDBG grant on behalf of Little Friends and purchased a portion of the Property from North Central College for \$284,000 which the City then leased to Little Friends for \$10 a year. Little Friends’ lease with North Central was amended to reflect the \$284,000 payment by the City (reducing the purchase price, if Little Friends elected to purchase the Property, to \$366,000). In 1989 Little Friends triggered the acquisition clause in its lease agreement with North Central and purchased the portion of the Property owned by North Central. Later in 1989, with approval of DuPage County (which had authorized the City’s use of the CDBG funding on behalf of Little Friends), the City conveyed its portion of the Property to Little Friends at no charge other than closing costs.

Petitioner now wishes to sell the Property and move to a new site. Petitioner has been forthright in stating that it is seeking demolition of all the structures on the Property for the sole reason of maximizing the sale value of the Property.

## **5. Historic Preservation Commission Review of COA for Demolition:**

On Thursday, October 24, 2019, the Naperville Historic Preservation Commission (“HPC”) considered Little Friends’ application for a COA to demolish all the structures on the Property. There were no time limits on Petitioner’s presentation or closing remarks, and there were no time limits on testimony provided by Petitioner’s witnesses or the public. All testimony was given under oath. The Petitioner and members of the public had the opportunity to cross-examine anyone who testified, and the proceedings were recorded and televised. A memorandum of the meeting process was provided to the Petitioner and all members of the public. See attached “Process Memo”.

Section 6-11-8:5 of the City’s Code (Certificate of Appropriateness Required) establishes the factors for consideration of a COA application. The HPC’s findings to each of the factors for consideration of the pending COA application are attached (“HPC Findings of Fact”). A draft of the meeting minutes (not yet approved by the HPC) are also attached as “Draft 10-24-2019 HPC Minutes”.

The HPC reviewed COA Factor 5.5 (Impact of Demolition) and COA Factor 5.3 (Economic Reasonableness) as follows:

**COA Factor 5.5 (Impact of Demolition).** This COA criteria was added by Ordinance 19-086 in response, in part, to City Council's direction to staff to include a requirement for an independent structural analysis for any proposed demolition. With the addition of new COA Factor 5.5, the Petitioner had an additional basis upon which demolition was considered by the HPC.

Factor 5.5 calls for the HPC to balance the costs to bring the property in question up to Code sufficient for an occupancy permit to be issued (the "**Structural Analysis**") against the architectural and historical significance of the structures proposed to be demolished. The City issued an RFQ (request for a quote) for performance of the Structural Analysis. Petitioner was provided an opportunity to comment on the scope of the RFQ prior to its issuance. The Farnsworth Group was selected to perform the Structural Analysis. See Structural Analysis, attached. The cost of the Structural Analysis, which was \$22,796, is to be paid by the Petitioner as provided by the City Code.

Under new Factor 5.5, the Petitioner was responsible to provide the architectural and historical significance analysis of the structures sought to be demolished. While no consolidated analysis or report was submitted by the Petitioner in fulfillment of this requirement, the Petitioner identified components of its submission intended to fulfill that obligation. (Tabs 1A, 1B, 1C, 1E, 1F, 1G, 1H, 1J, 1K, 1L, 1M, 1N, and 10 of Petitioner's application, attached.)

At the HPC hearing, Petitioner cross-examined Brian Kraft of the Farnsworth Group regarding his findings of feasible uses of the Property, and the improvements and costs that would be needed to bring the structures into code compliance sufficient for an occupancy permit to be issued. There was public comment and cross-examination, as well as questions from HPC members.

At the conclusion of the Factor 5.5 Balancing Test analysis (described in the HPC Findings of Fact, attached), the HPC concluded that only the Kroehler Mansion had sufficient historical significance to outweigh the cost to achieve issuance of an occupancy permit. Therefore, as to COA Factor 5.5, the HPC voted to deny Petitioner's request for a COA for total demolition. The HPC then turned to consideration of whether demolition of the Kroehler Mansion should be approved under COA Factor 5.3.

**COA Factor 5.3 (Economic Reasonableness).** In considering whether it was economically reasonable to require that the Kroehler Mansion be preserved, the HPC considered the materials and testimony before them, including but not limited to the following:

- Petitioner's Facility Condition Report prepared by Wight & Co., and testimony from architect Leanne Meyer-Smith of Wight & Co.
- The costs discussed in the Structural Analysis report prepared by the Farnsworth Group
- Written public comment
- Public testimony before the HPC

- The testimony of Matt Ishikawa, Petitioner’s real estate sales representative
- Petitioner’s testimony that it had received seven (7) offers for the Property since it was listed including one offer for four million, eleven thousand dollars (\$4,011,000) to purchase the Property with the Kroehler Mansion remaining on the Property; however, based on other offers it had received for the Property, Petitioner testified that it believed it could make thirty percent (30%) more on the sale of the Property if all buildings could be demolished.

NOTE: The Property has been on the market since July of 2019. Marketing materials for the Property assume demolition of all structures.

- An appraisal of the Property prepared for the Petitioner by Phillip K. Butler and testimony provided by Mr. Butler. However, Mr. Butler testified that he was asked to value the Property assuming that Historic District regulations did not apply to the Property.

The materials and testimony provided by both the City’s consultant (the Farnsworth Group) and the Petitioner’s consultant (Wight & Co.) agree that the Kroehler Mansion is generally structurally sound.

After considering the evidence, the HPC determined that it is economically reasonable to require preservation of the Kroehler Mansion. The HPC voted (7-0) to approve COA #19-2840 request for demolition as to the Krejci Academy, the Administration Building, and the Gymnasium, and to deny demolition of the Kroehler Mansion. On Friday, October 25, 2019, Petitioner submitted its appeal of the HPC’s decision. On Friday, November 1, 2019, the City issued a COA approving demolition of the Krejci Academy, the Administration Building, and the Gymnasium.

## **DISCUSSION:**

### ***Petitioner’s Appeal***

In its appeal of the HPC’s decision, Petitioner raises several issues challenging the basis and validity of the HPC’s actions and findings. Staff’s response to those issues, to the extent not previously addressed herein, is set forth below.

- **A Single COA.** Petitioner’s assertion that the HPC divided Petitioner’s single COA request into four separate COA applications, (Page 1, Petitioner’s Appeal), is incorrect. In attempting to make this argument, Petitioner focuses on the fact that the Kroehler Mansion, the Krejci Academy, the Administration Building, and the Gymnasium were identified in the Farnsworth Report and by the HPC as separate buildings. Petitioner asserts that there is only one building on the Property. (Page 1, Petitioner’s Appeal)

Petitioner’s expert witness (Leanne Meyer-Smith of Wight & Co.) described the Administration Building as the “**North Building**”, the Gymnasium as the “**East Building**”, the Krejci Academy as the “**South Building**”, and the Kroehler Mansion as the “**Original Building**”. (See the descriptions and photos of these structures as identified in the attached 2-page excerpt from the report prepared by Wight & Co. titled “General Facility Information”). The same four buildings were referenced by Petitioner’s architect when she testified before the HPC. Finally, see Tab 1C of Petitioner’s Application titled: “Exterior Photos of **Buildings**” (emphasis added).

However, it is irrelevant whether the Kroehler Mansion, Krejci Academy, Administration Building, and Gymnasium are four separate buildings that are connected by links and breezeways, or one building

comprised of four structures that are connected by links and breezeways. The issue is whether the HPC had the discretion to partially approve Petitioner's COA request. It appears from Petitioner's arguments that Petitioner would prefer that the City be put into the position of an all or nothing response to the requested COA: either approve demolition of everything or approve demolition of nothing. Neither the HPC nor the City Council are required to take such an approach.

- **Economic Reasonableness/COA Factor 5.3.** Next Petitioner argues that if the City fails to grant its request for 100% demolition, the City will have "violated the standard of 'economic reasonableness' that must be applied to the COA." (Section I, page 1 of Petitioner's Appeal)

COA Factor 5.3 "Economic Reasonableness" as defined in the City's Code provides that:

"The Commission and Zoning Administrator shall consider the economic reasonableness of any recommended changes determined to be necessary to bring the Application into conformity with the character of the historic district."

When HPC considered Factor 5.3, it had before it all of the materials and testimony presented by Petitioner, including the Wight & Co. report; public testimony; and the Structural Analysis prepared by the Farnsworth Group. Petitioner's arguments regarding economic reasonableness, discussed below, have no relationship to Factor 5.3 above.

Petitioner's Preference for Another Site is Irrelevant. Throughout the proceedings before the HPC, and as set forth in its Appeal, Petitioner has asked the HPC, and now the City Council, to evaluate the factor of "economic reasonableness" in the context of ***how much money Petitioner states that it needs in order to buy and relocate to another site, as well as the improved amenities a new site can offer.*** (See e.g. Petitioner's Appeal, page 12, footnote 5, all of Section VIII of Petitioner's Appeal at pages 14-15, and all of Section 4 of the Wight & Co. Report). How much the new site that Petitioner desires to buy costs, or how much better Petitioner believes the new site will serve its needs than the current Property, are not bases upon which the COA factor of economic reasonableness can be evaluated.

Fair Market Value. Petitioner's economic reasonableness argument relies heavily on its claim that it could make more money when it sells the Property if demolition of all structures on the Property has been approved. If COA Factor 5.3, "Economic Reasonableness", could be met by a property owner's argument that they could make more on the sale of their property if total demolition were allowed, then a COA for demolition in the City's Historic District (or a COA for demolition of a landmarked building in the City) could never be denied.

Petitioner's arguments are based upon a property appraisal, prepared by Philip J. Butler. During his testimony before the HPC, Mr. Butler testified that he was instructed to complete the appraisal assuming that no historic district regulations apply to the property. First, this assumption is wrong as the property is currently subject to said regulations and has been since the inception of the historic district in 1987. Secondly, according to Mr. Butler's appraisal, the value of the Property if demolition is not allowed is zero (See Property Appraisal by Phillip J. Butler, page 53 of Petitioner's Application). This somewhat incredible conclusion was refuted by Petitioner's own testimony that it received an offer of four million, eleven thousand dollars (\$4,011,000) with the Kroehler Mansion left on the Property (in spite of the fact that the Property has only been on the market since late July and has only been marketed as vacant land).

Wight & Co Report. COA Factor 5.5 was created earlier this year in response to the City Council's desire to have an independent structural analysis (one not prepared on behalf of a petitioner) of the cost to preserve landmarked structures or structures located in the Historic District.

The purpose of the structural analysis is to analyze what improvements are needed to bring structures proposed to be demolished up to code sufficient for issuance of an occupancy permit, and to provide the estimated cost of those improvements.

The Structural Analysis of the Property was prepared by the Farnsworth Group. Page 5 of the Farnsworth Group Structural Analysis, and the testimony provided by Brian Kraft of the Farnsworth Group before the HPC, reflect that it would cost \$395,000 to bring the Kroehler Mansion up to Code as a single-family residence or a residential care home (**including** \$282,311 to demolish the Krejci Academy and the Gymnasium, which cost would also be required if Petitioner's COA was approved).

The Wight & Co. report, prepared at the request of the Petitioner for the pending COA, was not prepared in compliance with the Factor 5.5. In fact, though the Wight & Co. report is entitled a "Facility Condition Assessment" with the stated purpose of providing "...*information available to plan for necessary capital investments.*" (excerpt from "What is a Facility Condition Assessment Report" on page 5 of the Wight & Co. Report), the Wight & Co. report strayed far afield from that purpose. The Report discusses Petitioner's budget (page 8), and includes sections titled "Space Alignment with Vision" (page 15), and "Mansion Relocation Option" (page 19) which constitute opinions and information that are irrelevant to the pending COA.

The Wight & Co. report did not address the cost to bring the Property up to Code so that it might be preserved. Instead Petitioner states in its Appeal that Wight & Co. concluded that it would cost between \$4,322,700 to \$5,279,730 to **relocate** and **improve** the Kroehler Mansion. (Pages 10-11 Petitioner's Appeal).

-Relocation of the Kroehler Mansion is not part of the pending COA and is therefore not an issue before the HPC or the City.

-The improvements envisioned by Wight & Co. appear to be based on Petitioner's stated (and unfounded) assumption that the Kroehler Mansion must be "**reinvented as a luxury mansion**" if it is preserved (Section II, page 2 and Section VI, page 11 of Petitioner's Appeal). At no time did the HPC make any such statement, or issue any finding that the Kroehler Mansion would be required to be "reinvented as a luxury mansion". Thus, the HPC's finding that the cost assumptions in the Wight & Co. report were highly inflated is justified.

**COA Factor 5.1.** Petitioner characterizes the HPC's determination that COA Factor 5.1 does not apply to Petitioner's request for total demolition as "incredible". Contrary to Petitioner's description of COA Factor 5.1, the HPC's determination is entirely credible. Factor 5.1 is not applicable to COAs seeking total demolition since Factor 5.1 pertains to **proposed improvements**, as follows:

The Commission and Zoning Administrator shall consider the compatibility of the **proposed improvement** with the character of the historic district **in terms of scale, style, exterior features, building placement and site access, as related to the primary facade(s)**, in rendering a decision to grant or deny a certificate of appropriateness. [Emphasis added]

Since Petitioner seeks the elimination of all improvements on the Property, there can be no

consideration of “scale, style, exterior features, building placement” as related to the primary façade (s) as required by Factor 5.1. Therefore, the HPC properly determined that Factor 5.1 was inapplicable to Petitioner’s COA request for total demolition of all improvements on the Property.

**Historical Significance.** The HPC found that the Kroehler Mansion has significant historical significance to the City. In its COA application, the Petitioner noted that the historical impact of North Central College’s construction, use and occupancy of the dormitory (which includes the Kroehler Mansion per Petitioner’s definition of “dormitory”) is far more significant than any historical connection Peter Kroehler had to the site.

The Petitioner also stated that the legacy of the Property “... is owed to either North Central College or Little Friends. These entities carried on activities that should be recognized as enormously important contributions to the City”.

Petitioner continued this line of reasoning in its Appeal, arguing that the HPC’s failure to give greater importance to the historical significance of North Central College’s use of the Property from 1945 to 1973, and Little Friends’ use of the Property from 1975 to the present, should cause the City Council to question the judgment of the HPC. (Pages 2-3, Petitioner’s Appeal). Ironically, Petitioner’s arguments corroborate the HPC’s finding regarding the historical significance of the Kroehler Mansion.

### ***City Council Review***

In considering Petitioner’s Appeal of the HPC’s denial of Petitioner’s COA as to the Kroehler Mansion, the City Council may review the HPC’s Findings of Fact, the HPC meeting minutes, the video of the HPC meeting available on the City’s website, the materials and testimony submitted by the Petitioner and the public, the Structural Analysis, and the testimony provided by the Farnsworth Group. In addition, the City Council may accept such additional information as it sees fit when Petitioner’s Appeal comes before it on November 19, 2019.

The City’s process in reviewing Petitioner’s COA has been fair, transparent, and orderly, and Petitioner has been provided due process at every step. The City Council may choose to concur with the HPC and uphold its ruling on COA 19-2840 denying demolition of the Kroehler Mansion, or may concur with the Petitioner and approve COA #19-2840 to allow demolition of the Kroehler Mansion. The decision should be based solely on the merits of the matter as determined by the City Council.

### **FISCAL IMPACT:**

N/A