

PRESERVATION LEADERSHIP TRAINING  
DEADWOOD, SOUTH DAKOTA  
MAY 20-27, 2009

Preservation Leadership Training was 7 full days of workshops that focused on such topics as Community Preservation Issues, Community Leadership, Financial Resources and Legal Tools, to name a few. While some of the speakers were employees of the National Trust for Historic Preservation, others were consultants that contract with the National Trust for programs such as this. Among these speakers were Steve McCarthy and Donovan Rypkema from our very own Rapid City. I was pleased to hear them speak and proud that these men from our community are among our nation's preservation leaders.

Besides the above-mentioned workshops, the weeklong training gave participants the chance to work on an actual preservation project. Assigned teams, mine was the Blue Team; the goals were to have each team develop a proposal that outlined an economically viable use for a specific site in Deadwood. Chosen sites for the training projects were C.B & Q. Engine House, the Fairmont Hotel & Oyster Bar and the Lucky Nugget Gambling Hall. The Blue Team's site was the Lucky Nugget Gambling Hall, which just happened to be the former home of Deadwood's famous brothel, Pam's Purple Door. You can imagine the fun we had deciding what the building could be used for today, since it has been virtually untouched since the raid in 1980 that shut it down.

Lessons taught early in the week focused on conflict resolution and team building, which helped prepare us for the monumental task of working intimately with 6 other people, where days started at 7 am and ended around midnight. Project work could only be done on breaks, lunchtime, and after workshop sessions, which usually ended sometime between 4:00-5:00 pm.

The project recommendations and proposal were to include the following components, a description of the proposed use, situation analysis, condition of the building and recommendations, and financing and economic vitality. Local bankers, museum curators, civic leaders, and businesspersons were on hand each morning for interviews. As I was the only local attendee in our group, many late night calls were made clarifying preservation procedures and financial information. I owe a lot of lunches!

A public presentation of each team's project recommendations was held at the Masonic Temple at the end of the week. I have attached a copy of our project proposal.

I am very grateful for the opportunity to attend preservation leadership training and look forward to bringing to the community the invaluable information that I learned in the course of the week.

Jean Oleson Kessloff

**Preservation Leadership Training**  
**Deadwood, South Dakota**  
**Blue Group: Lucky Nugget Gambling Hall Upper Floors**

**Presented by:**

- Brian Crawford, Hot Springs Historic Preservation Commission, Hot Springs, SD
- Winnie Guillory, Louisiana Trust for Historic Preservation, Lake Charles, LA
- Darlene Kotelnicki, Litchfield Heritage Preservation Commission/Greater Litchfield Opera House Association, Litchfield, MN
- Rebecca Larson, Codington County Historic Preservation Commission/Watertown Business Association/Preserve South Dakota, Watertown, SD
- Brent Leggs, National Trust for Historic Preservation, Northeast Office, Boston, MA
- Bobbie McTurner, Cincinnati Preservation Association, Cincinnati, OH
- Jean Oleson-Kessloff, Rapid City Historic Preservation Commission, Rapid City, SD

**Description of the Proposed Use**

Our objective is to propose a reuse option for the second-floor spaces of the Lucky Nugget Gambling Hall in Deadwood, South Dakota. This proposal includes three historic resources in the Deadwood National Historic Landmark District identified as:

- Bullock-Clark Building (616 and 618 Main Street)
- Horace Clark and Apex Buildings (612 and 614 Main Street)
- M.B. Wilson Building (608 and 610 Main Street)

Using Deadwood's unique brothel history as the starting point, the Blue Team offers a development proposal that will include a themed hotel with office, support services, and retail. This use showcases Deadwood's brothel history in an appropriate sustainable manner.

The key elements of this reuse project are to incorporate two of Deadwood's most important economic drivers, gaming and heritage tourism. Initially the Blue Team considered traditional preservation treatments, such as a traditional museum to interpret the brothel history; however, on a national basis this model has been unsustainable. Therefore, our concept considers this national trend, the Lucky Nugget's need for hotel accommodations, while portraying Deadwood's brothel history.

Ownership of the hotel is held in a partnership between the building owner KLK Ventures LLC and Badlands Gambling LLC (Lucky Nugget)

## **Situation Analysis**

This development will include three key stakeholders that in cooperation will assist one another in the completion of this project.

- **Owners**, KLK Ventures, L.L.C. and Badlands Gambling, L.L.C. will:
  - o Secure financing, including public and private funds.
  - o Build partnerships with a preservation architect, Deadwood Historic Preservation Commission, South Dakota State Historic Preservation Office, and a general contractor specializing in preservation.
- **Deadwood Historic Preservation Commission** will:
  - o Provide assistance with preservation funding incentives and processes.
  - o Provide council on preservation regulations.
  - o Be an advocate in the community on behalf of the project.
- **Adams Museum** will:
  - o Act as a consultant.
  - o Offer research and guidance on interpretation strategies of brothel history.
  - o Negotiate with the owners/developers to provide artifacts and collections for displays in the hotel.

The brothels began operation in June of 1876 and played an integral role in Deadwood's economic viability for over one hundred years. They are also a part of the social and cultural history of the city. The *Deadwood Pioneer Times* published an article following the brothel raids in 1980. In it author Gordon Johnson stated that although there was opposition to the brothels by those who contended that the houses were illegal and immoral, a random telephone poll determined that the majority of residents wanted the houses to remain open. From interviews performed by team members, there appears to be a sense of respect for the working women that once populated the upper floors of Deadwood's downtown buildings. We do not perceive that the residents or the City of Deadwood would oppose marketing this part of our common heritage to the masses.

Due to this being a private venture, community support is appreciated, but not necessarily needed for project completion. In case of opposition, the two public stakeholders will be some of the project's strongest advocates.

Throughout the week, group members have had an opportunity to meet with and interview various community members, leaders, and business owners. During these interviews several needs and concerns of the community were expressed. There is a need for retail, daycare, family related activities, additional employment opportunities, and affordable housing.

Although all of these needs are important to the community, Deadwood's Main Street is an isolated area in the city that does not have the infrastructure to support and provide for many of the needs listed above. However, this project does provide and generate additional tax revenue for the city, as well as additional employment opportunities in the area.

The targeted demographic for this hotel will be heritage tourists and gamblers. Heritage Tourists are typically people who are seeking an off-the-beaten path experience. They travel to experience places, artifacts, and activities that authentically represent stories and people of the past and present. The experience of enjoying the proposed uses would allow tourists to experience an often unacknowledged part of our common heritage. It is accurately stated on the City of Deadwood's website that Deadwood "is a living showcase of history," however, the city only capitalizes on a portion of its history.

As most developers will say, "Location, Location, Location" is the most essential component to a successful business venture. The prominent location of these buildings on Main Street sells itself to tourists who enjoy the night life and gaming opportunities in Downtown Deadwood.

Taking into consideration the Lucky Nugget's long term vision, to attract a more diversified audience ranging from young professional to the retiree, which will include a combination of heritage tourism visitors, gamblers, and everyday visitors.

Currently there are other hotels and lodging in the downtown area and outlying areas of Deadwood. However, none of these hotels feature a theme interwoven in Deadwood's historic brothels. It is anticipated that there will be very little competition because of the buildings prime location. Downtown hotels are currently at a 90% occupancy rate.

Deadwood and the Lucky Nugget Gambling Hall are marketing proactively and the strategy does not need to be altered. Simple additions to the current strategies, such as promoting brothel history as an aspect of heritage tourism would be beneficial.

There are several external factors to this project. Deadwood has a prominent history and one of the aspects of the history that has not been told is that of the brothels. The brothels were in operation for approximately 100 years and provide a large base of untold stories. This will create an opportunity for the building to tell the stories, be a new draw to Deadwood and play off of the theme of the brothels. It will be a unique experience visitors can not have anywhere else.

#### **Condition of the Buildings and Recommendations**

There are adequate utilities and infrastructure to accommodate the proposed use. The exterior footprints of the structures will not need altering to

accommodate the proposed use. Initial conversations with local officials clarified that the dividing walls between the buildings qualify as fire walls.

This concept includes 15 hotel rooms, comprised of a mix of standard and luxury one and two room suites. There will be an interpretive area showing a “trick” room, where the women performed their services, a closet that was used to track use and payments of the services, and an example of the Madam’s quarters. In keeping with the historic era of the brothel, wash basins and claw foot tubs be placed in open sight in the bedroom, with only the water closet offering privacy. The interior décor in a few of the rooms is recommended to represent what the rooms would have looked like in various decades, as well as pictures, artifacts, and placards identifying key historical features of the brothels. This same theme and décor is to be used in the office and support services area.

It is suggested that four of the exterior doors be painted the purple, tan, white, and green, colors of the historic 20<sup>th</sup> century brothels, with the original names of Pine, Shasta, Cozy, and Frontier on the doors. Again, the alterations will need action from Deadwood’s Historic Preservation Commission and compliance with the Secretary of Interior Standards and Deadwood Design Guidelines.

There will be several changes that need to be made to the site which will affect a portion of the interior significance of the buildings, yet these alterations are necessary to accommodate the proposed use.

The two contributing structures, the Bullock-Clark and M.B. Wilson buildings, will need to meet the standards and guidelines set forth by the Secretary of the Interior and the City of Deadwood.

The non-contributing Horace Clark and Apex structures will need interior finish work and may/may not require a COA. Necessary permits need to be obtained.

- **Bullock-Clark Building** (contributing building):
  - Sensitive and selective interior demolition with emphasis on preserving portions of the interior fabric.
  - Addressing building and life/safety codes.
  - Upgrades to HVAC, plumbing, electrical, and technological services.
  - Attention to the decorative metal and four domed oriels.
  - Restore windows.
  - Paint exterior.
  - Clean and re-point the brick.
  - Additional changes may include:
    - Period brass fixtures.
    - Period appropriate furnishings.
- **Horace Clark and Apex Buildings** (non-contributing buildings):
  - Installation of elevator shaft and elevator.

**REVENUE**

	<u>3 Star Hotel Rooms</u>	<u>4 Star Hotel Rooms</u>
Number of Hotel Rooms	8	7
Room Rate/Night	\$150.00	\$250.00
Maximum Revenue/Night	\$1,200.00	\$1,750.00
Number of Days Open/Year	365	365
Maximum Revenue/Night	\$1,200.00	\$1,750.00
Maximum Revenue/Year	\$438,000.00	\$638,750.00
Average Yearly Occupancy	65%	65%
Projected Year Revenue	\$284,700.00	\$415,187.50
<b>TOTAL YEARLY REVENUE:</b>	<b>\$699,887.50</b>	

**EXPENSES**

<b>Construction Cost</b>	
Total 2nd Floor Square Footage	10,000
Cost/Square Foot	\$120.00
Partial Rehab Cost	\$1,200,000.00
<b>Additional Construction Cost</b>	
Instillation of Elevator	\$150,000.00
Rehabbing Stairways	\$30,000.00
<b>Soft Cost</b>	
Architectural Fees	\$30,000.00
Project Management Fees	\$65,000.00
Projected Construction Cost	\$1,475,000.00
Unexpected Construction Cost in %	20.00%
Unexpected Construction Cost in \$	\$295,000.00
<b>TOTAL PROJECTED CONSTRUCTION COST</b>	<b>\$1,770,000.00</b>
<b>Overhead Cost</b>	
Hotel Staff Salaries/Year	\$150,000.00
Taxes/Year	\$40,000.00
Insurance/Year @ \$4M Value	\$16,000.00
Overhead/Building Maintenance/Year	\$50,000.00
<b>TOTAL OVERHEAD COST PER YEAR</b>	<b>\$256,000.00</b>
<b>Additional Cost</b>	
Furnishings/Amenities for Hotel	
Cost/Room (including tub & fixtures)	\$10,000.00
Hospitality Room (including wifi)	\$30,000.00
Facilities/House Keeping Room (including laundry facilities)	\$20,000.00
Hotel Office	\$25,000.00
<b>TOTAL FURNISHINGS/AMENITIES</b>	<b>\$225,000.00</b>

Number of rooms	Total Cost of Rooms
15	\$150,000.00

**PRESERVATION INCENTIVES**

<u>Federal Tax Credit</u>	<u>% of Total Sq. Footage</u>	<u>Allowable Construction Cost</u>	<u>Projected Tax Credit</u>
Contributing Buildings	20%	60.00%	\$885,000.00
Non Contributing Building	0%	40.00%	\$590,000.00
			\$0.00
<b>TOTAL ALLOWABLE TAX CREDITS</b>			<b>\$177,000.00</b>
State Property Tax-Moratorium		\$40,000.00	
Eight Years Schedule		\$320,000.00	
Deadwood Fund			
\$25,000 maximum grant		\$25,000.00	
Deadwood Revolving Loan Fund			
Just Using Tax Credits: Investment Needed!			
CONSTRUCTION COST		\$1,534,000.00	
OVERHEAD COST		\$256,000.00	
FURNISHINGS COST		\$225,000.00	
<b>TOTAL COST:</b>		<b>\$2,015,000.00</b>	
<b>TOTAL PRESERVATION INCENTIVES</b>		<b>\$522,000.00</b>	