



May 24, 2007

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RE: Historic Conservation Easement Amendment Application – Gibraltar Response to Comments

Thank you for providing the opportunity for PDI to respond. I consider this our opportunity to correct what we believe are misunderstandings about PDI, its mission, and its role with respect to the Gibraltar property and share information on the earlier negotiations for a possible Bed and Breakfast on the property.

It is our opportunity to let those in opposition to the proposed amendment of the easement to know that it has been and will continue to be our intention to be a good neighbor. We believe that the proposed amendment and the CCS project is good for Gibraltar and the neighborhood. It is clear that we misjudged the sensitivity of the neighbors in opposition. For this, we do apologize. For those in support of the amendment and the CCS project, we thank you for your support. We do recognize from the comments that the common message is for the preservation of Gibraltar and its associated gardens. It seems not the preservation, but the vehicle that is the issue. Hopefully, we can use this common interest to establish a dialogue that will benefit us all.

For the record, PDI as the owner of record and the Division of Historical and Cultural Affairs PDI worked together in reviewing proposals received in the 2004 RFP process. The Division drafted the amended easement and advised CCS in planning the concept design presented at public meetings. Yet, with such

extensive involvement of the Division, the process is unpredictable.

PDI invited participation of the neighbors in the 2004 RFP process and the review of proposals received. As early as October 2004, Trent Margrif addressed the Highlands Community Association specifically informing the members of the RFP process and that an office use of the property was possible. He invited members to participate in the proposal review and selection committee. The same information was presented in an article appearing in the Highlands Newsletter. The RFP was published in *The News Journal*. We were even informed that a community advisory group was not warranted.

I hope the following history of PDI's involvement with Gibraltar will correct any misunderstandings concerning our role and intentions with respect to the proposed easement and the CCS project, and the two earlier attempts to secure an economically self-sustaining adaptive reuse of the building to fund rehabilitations and continued maintenance of the main estate house and associated buildings and for the gardens and grounds maintenance. Although the information below is only a short summary, please find attached (1) letter to the Neighbors dated June 9, 2006, and (2) Letter to the Neighbors dated April 1, 2005. The June 06 letter provides a history of PDI involvement with Gibraltar – the mansions and gardens – from 1995 to the letter date. The April 05 letter describes the most recent RFP process in which the CCS proposal was selected as meeting the four equally weighted criteria set by the PDI Board of Trustees: benefit to the public, preservation of the property, feasibility of a business plan, and experience in the field.

PDI's Role with Gibraltar:

PDI's role with Gibraltar, as we see it, is to secure for the property an adaptive reuse that will provide income for the renovation of the mansion as set out in the easement and income to maintain the house, structures, and gardens so that they are preserved and protected in perpetuity.

Adaptive reuse, that is securing a financially successful for-profit enterprise, is essential for most preservation projects. Only such commercial projects qualify for both state and federal preservation tax credits. Often times such tax credits may represent up to 30% or more of the investment to rehabilitate structures and buildings according to the National Trust for Historic Preservation. A predictable, continuous income stream is also necessary to ensure preservation and protection into the future. A house museum is not an acceptable reuse; thus, some high quality, low traffic commercial use meeting the financial requirements seems appropriate for the Gibraltar property.

Two proposals for bed and breakfast use were seriously considered. In the case of the proposal from Someplaces(s) Different, Inc. (SDI) and Gibraltar House Associates (GHA) headed by Tom Lantry. PDI entered into a lease with SDI, and Gibraltar was granted a variance from the City of Wilmington to allow a thirty-one (31) room luxury inn and restaurant, (fourteen (14) of the rooms to be housed in a new structure to be constructed on site). The easement was amended to increase the 4,000 square feet allowed for new construction to 6,500 square feet. This amendment reflects that when the original easement was granted those involved understood that that the concept for the Gibraltar property was new and untried and amendments may be needed to achieve the goals.

After termination of the negotiations with SDI, PDI approached GHA who had responded with a proposal to the 1997 RFP. A letter of intent was signed and negotiations for a mutually acceptable ground lease began.

With each of these proposals, negotiations were entered by PDI with enthusiasm and hope to achieve a financially successful reuse for Gibraltar and its rehabilitation and preservation. Unfortunately in each case negotiations did not lead to mutually acceptable agreement. Due to failure to meet contractual obligations, the partnership with Someplace(s) Different was terminated in May 2002. Attempts to work an agreement with Lantry Associates for a similar use were officially terminated in 2004. Perhaps due to the uncertainty of a Bed and Breakfast use on site, Lantry Associates insisted Preservation Delaware cover improvements made to the property should the venture not succeed by a certain date. This risk could not and can not be taken on by our nonprofit organization.

Upon reflection and analysis of the concept of a Bed and Breakfast, there seems to be a high risk reuse for Gibraltar where costs for rehabilitation were estimated at more than 3.5 million dollars and now estimated to be at least 5 million dollars. One local Bed & Breakfast operator gave three reasons for the high risk of a Bed and Breakfast: (1) it is subject to market fluctuations; (2) It required 24 hour staffing for which the cost may be cost prohibitive; (3) There are high insurance costs due to overnight occupancy by guests. Moreover, it is possible that due to City fire regulations the third floor of the mansion may be restricted from any guest or administrative uses.

Because of these disappointments with bed and breakfast proposals, this most recent RFP (2004) welcomed that all possible uses be considered and no payment for the property. The April 1, 2005 letter that follows describes this process and contacts with the neighbors through letters and meetings. Even prior to this, the openness of the RFP process was published in the Highlands Community Association newsletter of October 2004 and stated by Trent Margrif at their meeting this month. Nearly eighty (80) interested persons in redeveloping Gibraltar toured the property. We received nine (9) proposals three (3) of which met the Board criteria. Each of the sponsors of these three (3) were interviewed by the review committee which included Chris Wasianen and Robert Keller. Ms. Wasianen and Mr. Keller participated on the committee because they each contacted PDI and expressed an interest to participate in the process. Others could have participated, but no one else contacted PDI. Copies of all proposals went to the Division of Historical and Cultural Affairs and to the Hon. Joe DiPinto. Thus the Division and representative DiPinto could identify that an easement amendment would be required for any of the three final projects to move forward.

There was concern expressed about the confidentiality of the proposals that were not accepted. Confidentiality in business negotiations is the norm. It protects sensitive financial and future planning information that is necessary to share for adequate evaluation and negotiation. Many sponsors making proposals asked for and expected the review process to be confidential.

During the same time while PDI was seeking an adaptive reuse for the mansion, PDI achieved great success with the gardens as described in the June 06 letter. The gardens were restored and an endowment in place. The gardens enjoy the support of dedicated volunteers. The gardens are not yet self-supporting. PDI directly subsidizes one-third of the cost of operation of the gardens, currently about \$20,000 per year. One of the goals in an adaptive reuse is to provide an annual income directly to support the gardens. The endowment for the gardens has been mentioned and

due to PDI consolidation of restricted garden funds and improved returns in this account in the past three years it is roughly around \$720,000 currently. Thus, the draw in recent years has been \$25,000 to \$35,000 towards garden operation annually. This represents roughly half of all garden costs but certainly does not cover their entire operation to remain free and open to the public. Fundraising efforts by garden volunteers have improved but additional stable funding sources must be secured for their future operation.

The Board has over the years elected to focus funding on the gardens, and provide basic maintenance to the mansion based on the greater level of public enjoyment for the dollars expended. Our actions with respect to maintenance of the mansion have been well planned to maximize the impact of the work done to protect the building from the elements, wild life and vandalism.

PDI's annual budget excluding the garden is roughly \$100,000. The garden annual budget is from \$55,000 to \$75,000. Over the years, PDI has been required to pay county taxes at the rate of \$10,000 per year. Although we have filed appeals this expense continues. To date PDI has paid \$90,000 in tax to New Castle County despite PDI status as a 501(c) 3 organization. If we could be successful in reducing this expense, the result would be less subsidization of the Gibraltar Gardens from Preservation Delaware's operating budget.

Contrary to popular belief, PDI did not receive a million dollars from the State for purchase of the easement. PDI received no money in this transaction. Eight-hundred thousand dollars was paid to the Sharps for the easement on Gibraltar and two-hundred thousand dollars was paid to the Sharps for an easement on the Shaw property. Payment for these easements on these two properties totaled the one million dollars paid for by funding from the Open Space Council.

PDI benefits from the efforts of 20-25 dedicated garden and site volunteers. Our volunteers benefit the public with the work they do in the gardens and with work in securing the mansion.

Questions were raised concerning the condition of the mansion. PDI replaced the roof over the solarium on the mansion at a cost of roughly \$34,000, in May 2005. These funds came from our general operating budget and were roughly one fifth of all expenses for that year. Since that time we have had dedicated volunteers and board members that have reboarded, relocked, and replaced broken windows on the mansion.

In 2006, PDI received \$60,000 under the FY2007 bond bill regarding improvements to the mansion. We are appreciative of these funds and have used \$29,500 in roof and gutter repairs that although temporary in nature have made a substantial, positive impact on preventing further water infiltration and damage to the mansion. Any remaining work for which these funds are to be used is yet to be determined. \$14,500 is scheduled to be used to place a temporary roof on the greenhouse steel frame per the request of the State Historic Preservation Office to do so. The remaining funds will most likely be used for mansion improvements to windows and doors at the ground level.

I hope these remarks and the attached letters have provided useful information. Again thank you for this opportunity. It has been with much thoughtful consideration that PDI Board members past and present under took and exercised their responsibility with respect to an adaptive reuse of Gibraltar. Our intent is to be a good neighbor and a steward of the property entrusted to us. We

do believe that CCS and their project offers preservation with sensitivity to issues raised. It is our intent to continue to be a steward of the property entrusted to us. We believe CCS and their project provide the best opportunity to Preservation Delaware to preserve the Gibraltar property.

Very truly yours,

Rebecca W. Tulloch
Chair, Board of Trustees
Preservation Delaware, Inc.



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NATIONAL TRUST
for HISTORIC PRESERVATION

April 1, 2005

Dear Neighbor,

As we have done in the past, Preservation Delaware is providing an update to our neighbors on the current status of the redevelopment of the Gibraltar property.

Preservation Delaware issued a Request for Proposals on the property last Fall. I spoke at the October 2004 meeting of the Highlands Community Association to inform the community about the Request for Proposals. Similar information was also presented in two articles in the News Journal and the Fall 2004 newsletter of the Highlands Community.

Nearly eighty individuals interested in redeveloping Gibraltar toured the property. We received nine proposals. Three of those proposals were selected to interview with the Gibraltar Review Committee. This Committee consisted of Preservation Delaware board members, local and state elected officials and employees, and other members of the community.

We were pleased that the level of interest in the property was much greater than in years past and that more diverse uses and ideas were suggested. All selected proposals were from **local** entities. The Gibraltar Review Committee selected proposals based on four equally weighted criteria: (1) benefit to the public, (2) preservation of the property, (3) feasibility of a business plan, and (4) experience in the field.

The Gibraltar Review Committee recommended one proposal to the Preservation Delaware Board of Trustees. The Board approved this proposal and a negotiating team was appointed to confirm a redevelopment plan and negotiate an agreement within the next 120 days. Preservation Delaware at this time must continue to keep specific information confidential.

We have received and responded to many questions regarding Gibraltar, here are responses to the most frequently asked questions:

- The Gibraltar mansion can not be demolished, as it is protected by an easement held by the state of Delaware.
- The gardens will remain free and open to the public during and after redevelopment of the property, subject to reasonable conditions.
- Preservation Delaware did not ever own and had no input or involvement in the "Shaw Property" where the new homes are currently being constructed.

We hope this information is helpful to you and if you have any further questions please do not hesitate to contact me. Thank you for your interest and we will endeavor to keep you updated.

Sincerely,

Trent Margrif
Executive Director



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STATEWIDE &
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NATIONAL TRUST
for HISTORIC PRESERVATION

June 9, 2006

Dear Neighbors,

As we have done in the past, Preservation Delaware is providing an update to our neighbors on the current status of the redevelopment of the Gibraltar property.

Included with this correspondence is also our last letter dated April 1, 2005, that was hand delivered to the 40-50 homes within immediate vicinity of our property; for the benefit of those that have not viewed this before. This letter is being sent to a larger range of addresses within the Highlands, nearly 200 total. Preservation Delaware also has had representatives at recent public meetings concerning the redevelopment of this site, held on March 1st and May 31st. We also presented at the Fall 2004 meeting of the Highlands Association indicating we had begun a Request for Proposals process for the site, in conjunction with a Highlands Community Association newsletter that was distributed at that time. From the questions, comments, and misinformation we have received thus far, we offer the following facts concerning the Gibraltar property and our involvement.

Preservation Delaware, Inc. is a statewide non-profit 501 (c)(3) organization dedicated to the preservation of Delaware's architectural heritage and historic settings. Preservation Delaware is a statewide partner of the National Trust for Historic Preservation, Protecting the Irreplaceable in the First State. We also operate the Historic Marian Coffin Gardens at Gibraltar, located at the corner of Greenhill and Pennsylvania Avenues in Wilmington. The Spring 2006 Highlands Community Association newsletter was incorrect in stating "they are open to the public by appointment." The gardens are open every day of the week from dawn until dusk, as many Highlands residents already know, since they compose our most frequent visitors to the Gardens. If you have never been, please visit.

The following information is shared with the date and name of its initial source, and creates a timeline summary of this site to present. The last two pages of this letter contain additional statements of fact, but not quoted word for word from an original document source.

(Source: Preservation Delaware Gibraltar Gardens Campaign 10/1/97; condensed)

“The original existing core of the house was built in 1844 by John Brinkle, a Wilmington cotton merchant and grandnephew of Caesar Rodney. Gibraltar served as the Brinkle’s residence until 1909, when the remaining Brinkle family sold the estate to Hugh Rodney Sharp, one of Delaware’s preeminent preservationists and philanthropists. The appearance of the estate today is largely from the work of the Sharps in the 1910s and 20s, including the design of the gardens by Marian Cruger Coffin. Ms. Coffin was one of the first female landscape architects in America; the Gibraltar Gardens have been preserved intact, and are one of very few Coffin designs to still exist intact.

When Preservation Delaware became involved with the Gibraltar property in 1995, it was with the stipulation that an economically self-sustaining reuse of the buildings would take place. Towards the end of 1995, word was received that advocacy efforts on behalf of the project were successful. A grant application was made to the Community Redevelopment Fund, supported by over 1,200 signatures collected on petitions. The Bond Bill Committee subsequently awarded Preservation Delaware \$73,370 in matching funds toward the acquisition of the Gibraltar property. A subsequent grant round awarded another \$22,550 to the project.

In March 1997, the State of Delaware’s Open Space Council awarded Preservation Delaware \$1 million to purchase the development rights of the Gibraltar property. The Sharp family then generously agreed to donate the remaining fee simple title to Preservation Delaware, Inc. and through easement restrictions the future of the property will be protected.”

(Source: Quarterly newsletter PDI Post Spring 1999, article “Returning to Splendor”)

“In 1997 state open space funding was provided to purchase the development rights from the property and this catalyzed the project. PDI then acquired the property through a generous gift from the Sharp family and launched a two-pronged approach to planning for Gibraltar’s future. One committee concentrated on developing an adaptive reuse plan for Gibraltar’s mansion and garage buildings. Others began to focus on raising the funds and developing a restoration plan for the Marian Coffin Gardens which cover approx. one-fourth of the six acre estate.

Before even acquiring the property, the Board of PDI was committed to the concept of finding a way for Gibraltar to cover its own operating costs. Neither the state nor PDI felt that having Gibraltar become a museum was the ultimate best use. The Buildings Committee, led by PDI’s current Vice President, Walter Rowland, sought proposals for the buildings to be leased by a private developer who would oversee the restoration and ongoing use of the buildings. Through a Request for Proposals (RFP) process, a contract was signed in October 1998 with Someplace(s) Different, Inc. (SDI), a hotel development and management firm based in Exeter, New Hampshire. SDI is now preparing architectural plans to convert the mansion into an elegant country inn. In conjunction with a small amount of new construction on the site, the inn should offer approx. 30

rooms, as well as meeting and conference space. Gibraltar's garage and greenhouse building will be converted to a restaurant and will include a small visitor's center highlighting the history of the property. SDI will be taking advantage of the Investment Tax Credit for historic income-producing properties.

While the Buildings Committee moved forward with the RFP, others focused on the gardens. Mary Jane Elliott, past president of PDI, took the reins of the Gibraltar Gardens Capital Campaign Committee. With advice from local professionals in horticulture and construction, a plan for garden restoration was outlined. A goal of \$2.1 million was set, allowing \$1.1 million for the restoration and for a \$1 million fund to be established to ensure the long term maintenance of the garden. As of March 1st the Committee was well within reach of its goal with just over \$1.9 million in contributions and gifts made or pledged toward the total. Grants and contributions are being sought to complete the campaign."

(Source: Quarterly newsletter PDI Post Summer 2000, article "Gibraltar Inn News")

"After months of careful pre-construction planning, permitting, and historically approved design by lessee Someplace (s) Different, Inc. the actual restoration and construction period is finally just around the corner. The restoration, construction process is slated to begin in early 2001, with an anticipated grand opening in summer 2001." "In the converted caretaker's apartment and greenhouse, the main dining room will seat approx. 40 people, a private dining room will accommodate 20 people, and the upper level of the pool house/garden shed will be lounge seating 16 people." "The main house was built in 1844, with major expansions in the 1920's. This building is approx. 14,500 square feet, and when restored and renovated, will contain 17 guest room/suites, the du Pont and Sharp meeting rooms, the library and the registration area for the Inn." "The Annex will be new construction designed in a style that is in keeping with the other buildings on the property. This building will contain 14 guestrooms and suites. Stay tuned for progress reports as construction gets underway."

(Source: Quarterly newsletter PDI Post Fall 2002, article "New Adaptive Reuse Partner Approved for Gibraltar")

"The frustrating delay in restoring Gibraltar to its former glory and allowing public access may (finally!) be coming to an end. PDI has signed a letter of intent with Gibraltar House Associates (GHA), headed by Tom Lantry of Landover, MD, to undertake the restoration and adaptive reuse of the mansion and carriage house. GHA has committed to finalize a restoration and lease proposal by the end of 2002." "This past spring, PDI terminated its earlier agreement with Someplace (s) Different, Inc., after SDI was unable to arrange an acceptable financing package for the project." "GHA plans to restore the two main buildings at Gibraltar and convert them for use as an upscale inn and day spa under lease from PDI. GHA's project team will include John Milner Associates, architects, and local financial partners. Mr. Lantry has successfully restored and converted several notable historic properties on the east coast, including the Thomas Bond House in Philadelphia."

The Gibraltar property is not a public property. From the beginning, the Open Space Council, legislators and funders involved made it very clear that no additional public money would be utilized as the project went forward. The Marian Coffin Gardens at Gibraltar are a private garden that Preservation Delaware makes available for public access. Preservation Delaware alone pays the bills for all costs related to this site, including taxes. The Gibraltar mansion was never intended to be rehabilitated as a museum, suggestions for this and similar uses were strongly discouraged from the beginning and will continue to be. The way historic preservation is effective nationwide is encouraging adaptive reuse of historic structures, and to make use of the tax incentives available to do this commercially. This is and remains the hope for Gibraltar.

A \$2.1 million dollar capital campaign secured the funding to restore the Gardens at Gibraltar and create an endowment to ensure their future maintenance. This successful fundraising largely took place in 1998 and 1999; this is when the majority of work towards the actual restoration of the Gardens took place as well. The Gardens officially opened to the public in October 1999. Since this time, the Gardens have never been financially self sufficient on their own and Preservation Delaware subsidizes the operation of the Gardens. In the last three fiscal years, our operating budget has varied from \$175,000 to \$205,000 a year with the Gardens comprising roughly 30% on average on the revenue side, and 35% on the expense side of the total operation of the organization. It is true that Preservation Delaware, Inc. has three funds with the Delaware Community Foundation. They currently all bring a 5% annual draw to the organization and can not be completely eliminated or cashed out to provide operating money to the organization. According to our last Treasurer's report as of January 31, 2006 our Gibraltar Gardens Endowment is at \$665,555 and our General Fund Endowment at \$454,827. The third endowment is at \$106,767 and immediately transferred for use by the Delaware Preservation Fund when the draw is received.

Regarding past redevelopment proposals, the initial Request for Proposals solicited in Nov. 1997 did not specifically state a Bed & Breakfast usage for the site but the majority of qualified proposals indicated this use. The City of Wilmington Zoning Board of Adjustment granted a use variance to Gibraltar allowing a thirty-one (31) room luxury inn and restaurant, (fourteen (14) of the rooms to be housed in a new structure to be constructed on site), on Jan. 27, 2000. A previous use variance was granted in 1998 to allow Preservation Delaware's office on site and a visitor's center for the gardens. Also, the easement was changed from 4,000 square feet allowed to 6,500 in Feb. 2000. During this time, there was public involvement on this project moving forward. While neighbors were not unanimous in their support, the majority did favor the Bed & Breakfast inn and restaurant complex. Due to unfulfillment of contractual obligations, the partnership with Someplace(s) Different was severed in May 2002. Attempts to work an agreement with Lantry Associates for a similar use were officially severed in 2004.

The background behind the most recent Request for Proposals process is largely chronicled in the letter to neighbors dated April 1, 2005, included with this information. The committee that reviewed these proposals included board members of Preservation Delaware, and additionally for neighborhood participation Rep. Joe DiPinto, Robert

Keller, and Chris Waisanen were also included. Staff within the city of Wilmington and the Delaware Division of Historical & Cultural Affairs also reviewed the documents and provided comments for their reviews in moving forward in this process. Those participating were asked to keep the information of those that submitted proposals, their intended adaptive use, and additional specifics confidential. This is absolutely essential as these proposals are the property of those that submitted them, not that of Preservation Delaware. Further, in our initial Request for Proposal process confidentiality was not completely maintained and we ran the risk of other development entities copying the proposals of others and firms and plans used. We can not have this happen again.

The committee that reviewed these proposals selected CCS as having the most exemplary and adhering to the criteria for selection. The Board of Directors of Preservation Delaware selected the committee's recommendation and we reached a signed agreement in November 2005. PDI has been present with CCS at previous public meetings concerning the redevelopment of the property. The Board of Adjustment meeting is currently scheduled for August 2006. PDI and CCS remain optimistic this Board will grant a use variance permitting R-2 uses, as well as office, on the site. They did so in Jan. 2000 with the luxury inn and restaurant proposal at that time. It is reasonable to assert that the uses contemplated by CCS are less intensive and would create less traffic than this previously approved use. Peak period traffic numbers are only slightly more than they would have been with a residential build-out of the Gibraltar lands--something the community had adamantly opposed 10 years ago when they encouraged Preservation Delaware's initial involvement.

The deed for the Gibraltar property changed hands on 6/27/97 from H.R.S. Real Estate Trust to Preservation Delaware, Inc. In all past Request for Proposal solicitations, applicants were informed that zoning is currently R-1 Single-Family Residential and that the state preservation easement on the property allowed for a determined amount of square feet of new construction. There is no doubt that the condition of the Gibraltar mansion is rapidly getting worse. The main contributor to this deterioration is water entering the property through the 1910s slate roof; but there certainly are many additional immediate repair needs. Preservation Delaware paid for the temporary replacement of the roof over the solarium of the mansion property after its collapse in Fall 2004. This was at a reduced cost of \$30,000. Rough estimates on replacing the entire slate roof of the property would be roughly \$500,000. These and other rehabilitation costs are something that the redeveloper of the property will address, not Preservation Delaware. In fact, for maximum usage of the state and federal tax credits available the more rehabilitation work to complete the more financially promising the project is to for profit developers. Preservation Delaware, Inc. will continue to keep the neighborhood informed as this project moves forward. We need your support for its success.

Sincerely,

Roberta Mann
President

Trent Margrif
Executive Director