

Graystone Hotel and Annex: Detroit Lakes, Minnesota Case Study  
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1. Intro

a. Building Typology

The first twenty years of the 20<sup>th</sup> century saw a significant rise in the popularity of dedicated accommodation and hospitality spaces in growing cities and towns. These downtown accommodations typically took the form of hotels, which catered to business travelers and wealthier tourists who traveled to the city or town by train. Because their primary guests traveled by train, then a fashionable and efficient means of transportation, downtown hotels are often found near historic rail lines and often within walking distance of historic railway depots. These downtown hotels were designed to provide stylish overnight accommodations for travelers, and some included meeting spaces that business travelers could rent. Depending on the local economic climate, some downtown hotels featured ground floor commercial spaces that the building owner could lease to generate additional income. As building system technologies improved throughout the early 20<sup>th</sup> century, hotels were updated to accommodate the most recent technological advances in order to stay competitive with other accommodation options. Like contemporary hotels, historic downtown hotels were designed with a lobby reception area on the ground floor to facilitate the business transactions of the hotel as well as to serve as a gathering space for guests.

Many early 20<sup>th</sup> century downtown hotels experienced numerous alterations throughout the mid to late portions of the century. Most hotels were updated to accommodate changing technology and changes in popular taste and accommodation preferences. Some hotels were altered to accommodate longer staying guests, eventually morphing into rental units offering both long and short-term leases. This later alteration trend is typically found in communities that saw a sharp decline in business travelers or tourists, as building owners needed to alter the services offered in the hotel building in order to remain financially viable. Because many hotels struggled financially due to changing tastes and economic conditions, many of these traditional downtown hotels were closed, some even abandoned, by the late 20<sup>th</sup> century.

Downtown hotels built in the early 20<sup>th</sup> century were designed in a myriad of styles based on the owners taste – the most common styles include late-Italianate (elongated windows,

bracketed cornices, and refined yet detailed moldings), Art Deco (streamlined design, colorful and reflective materials, a celebration of modern technology), Functionalism (interior functions dictate the building's size and location of details and fenestration), and some Classical revivals. Several downtown hotels in Minnesota have been rehabilitated as hotels or other contemporary functions. These hotels include the Kaddatz Hotel in Fergus Falls (now an Artspace USA property), the Calumet Hotel in Pipestone (an updated downtown hotel), and the Continental Hotel in Minneapolis (now an Aeon apartment building). This case study will focus on the rehabilitation of The Graystone Hotel in Detroit Lakes.

#### b. Specific Building Intro

The Graystone Hotel, located at 119 Pioneer Street in Detroit Lakes is an excellent example of how a downtown hotel can be rehabilitated into a contemporary apartment building while still retaining the character defining features of the historic hotel. The brick Functional style former hotel, designed by Edward F. Broomhall in 1916, was constructed as a hybrid hotel providing "modern, urbane lodgings with access to the area's abundant natural attractions."<sup>1</sup> This hybrid created a hotel for business travelers and tourists visiting the area for the numerous nearby lakes. The current owners, Midwest Minnesota Community Development Corporation, purchased the building in 1998 from Vern and Chris Carlson.<sup>2</sup> The historic Graystone Hotel building was listed on the National Register of Historic Places in 1999.<sup>3</sup>

#### 2. History/Property Background

Construction of the hotel began in 1916, after a fire destroyed the Hotel Minnesota in 1915. Although there were numerous other accommodation facilities throughout Detroit Lakes and the surrounding area, local leaders felt it was important that a new hotel be erected to fill the void caused by the loss of the Hotel Minnesota. The loss was notable because, even though there

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<sup>1</sup> Denis P. Gardner and Charlene K. Roise, Graystone Hotel National Register of Historic Places Nomination (Washington D.C.: National Park Service, 1999), located in the Graystone Hotel file, Becker County Resources File, Minnesota State Historic Preservation Office, Minnesota History Center, St. Paul, Minnesota.

<sup>2</sup> Gardner and Roise, 16.

<sup>3</sup> Ibid.

were other accommodations, the Hotel Minnesota, and eventually the Graystone Hotel, was known for its grand facilities.<sup>4</sup>

Following the fire at the Hotel Minnesota, Elon Galusha Holmes, who had sold his interest in the Hotel Minnesota six years prior, returned to the state and began the process of constructing a new hotel. Holmes' new hotel was designed and constructed out of fireproof materials, in response to the devastating loss of the Hotel Minnesota. In the process of creating a new hotel, Holmes reestablished the Hotel Minnesota Company to operate the hotel. The Hotel Minnesota Company hired Duluth architect, Edward F. Broomhall to design the new hotel.<sup>5</sup> In addition to housing hotel accommodations on the second and third stories, the building featured "a dining room, writing room, barber shop, manager's office, and café" on the first floor and storage facilities in the full basement.<sup>6</sup> The primary materials used for the exterior of the hotel were concrete and brick, with stone details. A local contractor, August S. Randolph, was selected to be general contractor for the hotel, with Dawley and Son contracted to complete the heating system. Total cost for the initial construction, which began in September 1916, was approximately \$100,000, including interior furnishings.<sup>7</sup>

From its construction in 1916, the Graystone Hotel was owned and operated primarily by Elon Galusha Holmes until his death in 1931. Ownership of the hotel flowed through Grace Wright, Holmes' niece, to Frederick H. Wright, her son, who had been managing the hotel for a year prior to Holmes' death.<sup>8</sup> The hotel continued to operate under the ownership of Frederick H. Wright until 1961 when he sold the property to Innkeepers, Incorporated, citing a changing tourist market due to the interstate system as his reason for selling the property.<sup>9</sup>

The Graystone Hotel did not experience a major shift in use until the sale from Frederick H. Wright to Innkeepers, Incorporated in 1961. At this time, the hotel began what some may consider its slow decline in use. Multiple owners, including Innkeepers, Incorporated, attempted to find a use for the historic building that would serve the needs of the increasingly mobile public who were beginning to favor other accommodation options over the traditional downtown hotels, like Graystone. The property changed hands throughout the 1960s-1990s with each successive

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<sup>4</sup> Richard Carlson, "The Grayston Hotel," unpublished history located in "Hotel File," Becker County Historical Society, Detroit Lakes, Minnesota; Gardner and Roise, 4.

<sup>5</sup> "Architect is Selected," Detroit Record, July 21, 1916; Gardner and Roise, 6.

<sup>6</sup> "Work Begun on New Hotel," Detroit Record, September 15, 1916; Gardner and Roise, 9.

<sup>7</sup> Ibid.

<sup>8</sup> "Fred Wight is Dead at 61," Detroit Lakes Tribune, January 9, 1963; Gardner and Roise, 13.

<sup>9</sup> Gardner and Roise, 14.

owner struggling to make the property successful in the long term. To address changing markets, the property was partially converted into apartments in 1963 by Swedberg Construction Company. The remaining portion of the hotel was converted into additional one and two bedroom apartments nine years later, in 1972.<sup>10</sup>

In addition to the alterations required in 1963 and 1972 to convert the hotel into apartments, the Graystone Hotel was partially altered 3 other times while operating as a downtown hotel. Between 1917 and 1927, the building immediately to the east of the hotel began serving as the hotel's annex. This annex space was used primarily for extended stay guests.<sup>11</sup> Between 1926 and 1927, this annexed space was altered to make it more compatible with the main Graystone Hotel building. These alterations include the addition of a third story, the creation of additional hotel rooms, and updates to the annex's façade to match the façade of the main hotel.<sup>12</sup> At some point in the 1930s, Frederick H. Wright installed an electrically operated elevator in the main hotel. Though the elevator shaft for this alteration had been a part of the building's design from the very beginning, it is unknown why the actual elevator mechanics were not installed until the 1930s.<sup>13</sup>

### 3. Decline in Use/Disinvestment/Vacancy

After being converted into apartment units in 1963 and 1972, the former Graystone Hotel continued to operate under the direction of various owners from 1973 until 1998. Most notable is that owners Vern and Chris Carlson, who bought the property in 1973 and sold it in 1979 became owners of the former hotel again in the 1990s after the couple they sold the property to encountered financial difficulties. In 1998, Midwest Minnesota Community Development Corporation purchased the former hotel and annex with the goal of rehabilitating the property for a second time, this time turning it into affordable rental units on the second and third floors, with the first floor updated to accommodate contemporary commercial needs.<sup>14</sup>

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<sup>10</sup> Gardner and Roise, 15-16.

<sup>11</sup> Gardner and Roise, 11.

<sup>12</sup> It is of note that while the Graystone Hotel and the Graystone Annex were originally constructed as two separate buildings, because of the alterations in 1926-1927 to the annex and long term shared use and ownership between the two buildings, both were nominated as one building for the National Register of Historic Places in 1999. Gardner and Roise, 12.

<sup>13</sup> Gardner and Roise, 13.

<sup>14</sup> Ralph Anderson, "Graystone Manor Sold," Becker County Record, May 2, 1973; Gardner and Roise, 16.

#### 4. Advocacy

Advocacy for the former Graystone Hotel's reuse was a unique situation. Unlike many buildings, Graystone was never completely abandoned; it primarily struggled with low occupancy rates as owners worked to determine the market needs of Detroit Lakes and the surrounding community. Midwest Minnesota Community Development Corporation (MMCDC), a CDC nonprofit based in Detroit Lakes, purchased the building in 1998, seeing an opportunity for investment in the community. As a nonprofit, MMCDC's investment in Detroit Lakes was not purely financial, they saw the opportunity to rehabilitate the Graystone buildings into quality affordable rental units and retail space as a means of upholding the organization's vision – "to improve and empower communities by providing capital, training and technical assistance through the development of housing, commercial and community facilities."<sup>15</sup> To further facilitate MMCDC's rehabilitation of the Graystone buildings, the city of Detroit Lakes entered a loan agreement with MMCDC in July 2001. This loan agreement was solely on paper, stating that the city would "make sure MMCDC would stay in line with the requirements" of the Small Cities Development Program grant awarded to the project.<sup>16</sup>

#### 5. Rehabilitation

MMCDC purchased the historic hotel building in 1998 and began working on converting the property into a total of 41 subsidized apartments. The entire project was phased in order to generate funding.<sup>17</sup> Phasing meant that while the entire project had to meet the Secretary of the Interior's Standards for Rehabilitation to qualify for the federal tax credit available for income producing properties, work could be done and evaluated in stages. This allowed MMCDC to rent out the portion of the property completed first to help fund the remaining phases of the project.

The apartments created within the Graystone buildings, over the course of all the project phases, include: 22 units in the original Graystone Hotel building and 19 units in the Graystone Annex. The units in the Graystone Hotel are a mix of studio, one and two-bedroom rentals. In the Graystone Annex, the units are divided between studio and one-bedroom apartments. Both

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<sup>15</sup> Midwest Minnesota Community Development Corporation, "Vision & History," Midwest Minnesota Community Development Corporation, [http://www.mmcdc.com/vision\\_and\\_history.htm](http://www.mmcdc.com/vision_and_history.htm).

<sup>16</sup> "Graystone buildings to be taken off mortgage note" Detroit Lakes Tribune, February 10, 2008.

<sup>17</sup> Graystone Hotel and Annex Historic Preservation Rehabilitation Tax Credit Application (Washington D.C.: National Park Service and Internal Revenue Service, 2004), located in the Graystone Hotel file, Becker County Resources File, Minnesota State Historic Preservation Office, Minnesota History Center, St. Paul, Minnesota.

portions of the Graystone buildings have income restrictions on the apartments, with the Graystone Annex also qualifying as a Section 42 property.<sup>18</sup>

Structurally, the historic hotel was in good shape when construction began, with the majority of structural work concentrating on the exterior of the building. The brick veneer on the façades of the building and annex was beginning to fail in some locations, requiring that the veneer be secured to the internal structure using masonry anchors in some locations. The façades were also tuckpointed with historically appropriate mortar, where the existing mortar had begun to fail. While repairing the brick veneer, it was necessary to replace some bricks that were damaged beyond the point of consolidation. Many of the funding sources utilized by MMCDC on the project were tied to stipulations in how the building was to be rehabilitated and the resulting energy efficiency of the property. These stipulations, on their own, are not overly challenging; but when paired in a way such as with the rehabilitation of the Graystone Hotel, they can create new challenges when sets of requisites clash with one another.

To obtain the federal historic preservation income tax credits, work completed on the property had to undergo review by the State Historic Preservation Office and National Park Service to determine that the project followed the Secretary of the Interior's Standards for Rehabilitation.<sup>19</sup> Following the Secretary of the Interior's Standards for Rehabilitation meant that the project architect, Baker Hogan Houx Architecture and Planning, had to design the apartments and circulation space in such a way as to work with the historic room arrangement and circulation corridors. They also had to maintain character defining features on both the interior and exterior of the building, all while creating living spaces that meet modern tastes and needs. Though not required to restore historic features that had been lost to time, MMCDC and Baker Hogan Houx Architecture and Planning chose to replace missing historic windows opting to have the replacement windows designed to mimic the historic window units in size, shape, light arrangement, and molding design.

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<sup>18</sup> Section 42 and Section 8 are both low-income housing rental programs. The two programs differ in how income is factored into the total monthly rent. In Section 42 housing, like the Graystone Annex, total monthly rent for each unit is capped at a fixed amount, derived from the statistical area's average rent. With Section 8 housing, monthly rent is calculated as a percentage of the renter's monthly income (up to 40%, but typically 30%). The government does not subsidize section 42 rents, like it does with Section 8. Both programs have income level restrictions as well as student-status restrictions. USA Properties Fund, "Section 42 FAQs," USA Properties Fund, <http://www.usapropfund.com/section-42-faq.aspx>.

<sup>19</sup> The rehabilitation of the historic Graystone Hotel and annex building qualified for federal historic preservation tax credits because the building was listed on the National Register of Historic Places in 1999.

Additionally, to qualify for low-income housing tax credits, the property had to meet specific energy efficiency and life-safety requirements. These requirements included: the installation of a contemporary electrical system, the replacement of the radiator heating system with a gas-fired boiler and chiller system, new plumbing fixtures and related piping, a new sanitary sewer, new sprinkler system throughout the buildings, and a new ADA compliant elevator car and vestibule.

One of the biggest challenges with following both sets of standards was regarding the original, historic wood windows throughout the property. The windows were determined to be a “character defining feature” by the National Park Service, but did not meet the energy efficiency requirements to qualify for the low-income housing tax credits. To balance the two sets of requirements, Baker Hogan Houx Architecture and Planning and MMCDC conducted a window conditions assessment to determine which windows could be repaired and which were beyond reasonable repair. The double hung windows that could not be repaired were replaced with single hung wood sash windows designed to mimic the 6-over-1 light arrangements of the original windows. The replacement windows were also designed with an interior energy panel and  $\frac{1}{2}$  screens on the lower portion of the windows in order to improve the energy efficiency rating.<sup>20</sup>

In addition to creating new affordable rental units, MMCDC updated the ground floor commercial spaces to accommodate current business trends and space requirements. Alterations to these areas were fairly tame. A 1950s canopy, located over the main entry of the former hotel, was removed as well as the aluminum frame doors, in an effort to restore the façade to the building’s 1926-1927 appearance, as this time period was determined to be the main hotel and the hotel annex’s period of significance.

All of the phases of the Graystone Hotel and annex rehabilitation were completed in August 2004. The rehabilitation created 41 subsidized apartments, and a series of updated storefronts on the ground floor of the building along Graystone Plaza, overlooking U.S. Highway 10. In the spring of 2006, the rehabilitation of the Graystone Hotel was honored as part of the

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<sup>20</sup> Graystone Hotel and Annex Historic Preservation Rehabilitation Tax Credit Application Part 2 (Washington D.C.: National Park Service and Internal Revenue Service, 2004), located in the Graystone Hotel file, Becker County Resources File, Minnesota State Historic Preservation Office, Minnesota History Center, St. Paul, Minnesota.

“Minnesota Saved!” exhibit. This exhibit, in honor of the Preservation Alliance of Minnesota’s 25<sup>th</sup> anniversary, highlighted 25 of Minnesota’s most significant preservation stories.<sup>21</sup>

## 6. Conclusion

The rehabilitation of the Graystone Hotel and annex in Detroit Lakes has helped to create quality affordable residential rentals and commercial spaces with historic character in downtown Detroit Lakes. The project demonstrates that disinvestment does not always take the form of complete abandonment, and that buildings that are struggling to remain economically viable are opportunities for rehabilitation. Such properties are often overlooked or discounted, because they do not exemplify sensational news stories that highlight a complete turn around from abandonment to shining jewel, and as such, these buildings remain in the periphery of many potential investors. The success of the Graystone Hotel also illustrates that with the proper owner and a use that reflects current day trends and needs, buildings that have struggled to be economically viable can be rehabilitated to become vital spaces for a community and wise investments for property owners.

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<sup>21</sup> Preservation Alliance of Minnesota, “Minnesota Saved!,” Preservation Alliance of Minnesota, <http://www.mnpreservation.org/programs/minnesota-saved/>.



Appendix 1: Table of Advocates

Organization/Company Name	Advocate Name and Contact	Advocacy Role
The City of Detroit Lakes	Name: A: Ph: E:	
Midwest Minnesota Community Development Corporation	Name: Arlen Kangas (President) A: 119 Graystone Plaza, Suite 100 P.O. Box 623 Detroit Lakes, MN 56502 Ph: 218.847.3191 E: akangas@mmdc.com	Current owners and developers of Graystone and Graystone Annex

Appendix 2: Table of Rehabilitation/Restoration Key Players

Company Name	Contact	Rehabilitation / Restoration Role
Midwest Minnesota Community Development Corporation	Name: Arlen Kangas (President) A: 119 Graystone Plaza, Suite 100 P.O. Box 623 Detroit Lakes, MN 56502 Ph: 218.847.3191 E: akangas@mmcdc.com	Current owners and developers of Graystone and Graystone Annex
Baker Hogan Houx Architecture and Planning	Anthony Stroll A: P.O. Box 185 237 3 <sup>rd</sup> Ave SE Perham, MN 56573 Ph: 218.346.4505	Project Architect
Solien & Larson Engineers	A: 3300 Fiechtner Drive, Suite 206 Fargo, ND 58103 Ph: 701.235.5593	Structural Engineer
LHA Engineers	A: 302 N University Drive Fargo, ND 58102 Ph: 701.232.8391	Electrical Engineer
Obermiller – Nelson Engineering	John Fedo A: 2301 12 <sup>th</sup> St North P.O. Box 2725 Fargo, ND 58108 Ph: 701.280.0500	Mechanical Engineer

Appendix 3: Table of Known Funding

Funding Name and Contact	Type of Funding	Funding Amount	Year
Midwest Minnesota Community Development Corporation	Internal		1998
Small Cities Development Program	Grant		2001
	Federal Historic Preservation Tax Credits		2004- 2006
	Federal Low Income Housing Tax Credits – Section 42		2006

#### Appendix 4: Bibliography

"Architect is Selected." Detroit Record, July 21, 1916.

"Fred Wight is Dead at 61." Detroit Lakes Tribune, January 9, 1963.

"Graystone buildings to be taken off mortgage note." Detroit Lakes Tribune, February 10, 2008.

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Midwest Minnesota Community Development Corporation. "Vision & History." Midwest Minnesota Community Development Corporation. [http://www.mmodc.com/vision\\_and\\_history.htm](http://www.mmodc.com/vision_and_history.htm).

USA Properties Fund. "Section 42 FAQs." USA Properties Fund. <http://www.usapropfund.com/section-42-faq.aspx>.