Revolving Fund Feasibility Study

PRESERVE
CHATTANOOGA

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Introduction

In 2022, Preserve Chattanooga, having received a grant from the 1772 Foundation, hired Hanbury Preservation Consulting to conduct a revolving fund feasibility study. The study included an internal assessment, a board survey, a public survey, interviews with local stakeholders, and a literature review. The internal assessment involved a review of relevant documents from the organization. Using stakeholder interviews and online surveys for the board and public, data was collected about perceptions of needs within the larger community; opinions about and knowledge of revolving funds (their operation and impact); and opportunities for increased cooperation and collaboration with partner organizations.

While nonprofits need to adopt prudent financial policies, profitability is not their ultimate goal. Thus, the study measures feasibility by considering four criteria:

- insures that a revolving fund fits the organization's **mission,**
- addresses whether there is a **need** for a revolving fund,
- considers what a revolving fund should **accomplish**, and
- gauges the **costs**.

This study demonstrates that a revolving fund for Preserve Chattanooga meets the four-part test. The following document provides context with an overview of Chattanooga and Preserve Chattanooga; reviews the study methodology; addresses feasibility through the four requirements as listed above; shares stakeholder feedback; offers conclusions and recommendations; describes three major program typologies; and lists examples of best practices with a case study example.

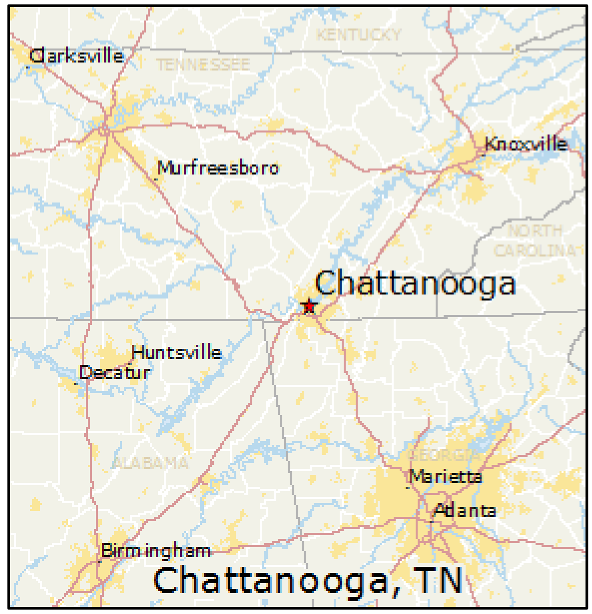
Study Methodology

The methodology for this study included an internal assessment, board and membership surveys, and stakeholder interviews. The assessment involved a review of relevant documentation from the organization providing context for its history and operations.

Anonymous, on-line surveys were developed for both the board of directors and the general public in late 2022 and early 2023. Five Board members responded to the survey. The public survey was distributed broadly, and there were 35 responses. The surveys were not identical but did in some cases explore the same topics, particularly around assessing need. Information from the surveys was augmented with stakeholder interviews with individuals and organizations identified and introduced by the Alliance including Jim Williamson and Emily Mack of River City Company, Eric Myers of Chattanooga Design Studio, Eric Cummings of Homebase Partners, Jay Martin of Renew, and Macon Toledano of the Lyndhurst Foundation. In late January 2023, the board dedicated a portion of their retreat to discuss a revolving fund program and their input is integrated into the study.

Context

Chattanooga



Map courtesy bestplaces.net

The city of Chattanooga is located in southeastern Tennessee. The city straddles the Tennessee River near where the Valley and Ridge Appalachians, with their long even ridges and continuous valleys, meet the Cumberland Plateau. Geology shapes the city with Walden's Ridge at the west, Missionary Ridge at the east, and the river in the middle. The Chickamauga Dam east of downtown impounds the river creating Chickamauga Lake. The city itself measures 144.6 square miles, of which 7.4 square miles are water. In close proximity to Georgia and Alabama, it is within within 140 miles of Nashville, Atlanta, Knoxville, Huntsville and Birmingham.

The region has had historic Native American occupation beginning from the upper paleolithic period (C 10,000 BCE) and continuing through the Archaic, Woodland, Mississippian/Muskogean/Yuchi and Cherokee (1776-1838) periods. The Chickamauga Mound (c 750 CE) and the later Mocasin Bend Mound are significant resources that are part of the community's larger archaeological record. Cherokees occupied the area as early as 1776. In 1838 Ross's Landing, a Cherokee settlement, was repurposed as an internment camp by the US Army during the expulsion of the Cherokees to Oklahoma in the Trail of Tears. The following year, Ross's Landing was incorporated as the City of Chattanooga.

River transit spurred growth, bolstered by the arrival of the railroad in 1850. The strategic location of the city with its rail and water connections contributed to its role in the distribution network for Confederate munitions, making it extremely significant during the Civil War. The city was bombarded and occupied by Union troops in the fall of 1863 as part of the Chickamauga Campaign. The Union victories in the Battles of Lookout Mountain and Missionary Ridge provided access into the deep South for the Union in the Atlanta campaign of the following spring.

In the post-war period, the city's industrial and manufacturing base grew. Chattanooga was the home to the first ever Coca-Cola Bottling Plant (1899). Prosperity was interrupted by frequent devastating floods. The Tennessee Valley Authority (TVA, established in 1933), estimates that annual direct costs of flooding to the city were $1.7 million in the 1930s. TVA-built dams and reservoirs throughout the region continue to mitigate the impacts of flooding while producing electricity. TVA's s Division of Power is headquartered in Chattanooga.

Chattanooga was the scene of a lynching and a subsequent U.S. Supreme Court case, the only such criminal case in the court's history. The court ruled that the local sheriff who allowed a lynch mob to

enter the jail had violated the civil rights of the victim, Ed Johnson. There is now a plaza and monument to Johnson at the foot of the Walnut Street Bridge.

In the 1940s the city gained international recognition through the Glenn Miller Orchestra's hit song The Chattanooga Choo-Choo.

The local economy with its traditionally strong manufacturing base is currently augmented by service industries, notably the tourism industry. A one-gigabit-per-second Internet service operated through a municipal utility (EPB) was launched in 2010. This technology infrastructure investment has supported the establishment of numerous commercial endeavors including an Amazon facility and the Volkswagen Chattanooga Assembly plant. Commerce is served by historic water and rail transit in conjunction with the interstate highway network and a local airport.

The city is home to the University of Tennessee at Chattanooga. Other large institutional presences include the Tennessee Aquarium (opened in 1992), the Hunter Museum of American Art, and the National Park Service.

Chattanooga has over 100 listings on the National Register of Historic Places including archaeological sites, the Walnut Street bridge, and several buildings by prolific local architect Reuben Harrison Hunt. Additionally, the city has four local historic districts: St. Elmo, Fort Wood, Ferger Place, and Battery Place. These local districts include design review administered by the Chattanooga Historic Zoning Commission (CHZC) and staff.

The US Census Bureau estimates the population of Chattanooga as of 2021 to be 182,113 persons of which 59.5% are white, 30.6% Black, 2.7% are Asian, and others are more than one race. An estimated 7.4% are foreign born. Women represent 52.5% percent of the population. 20.1% of the population are under 18 years of age and 16.8% are over 65. Of those over 25, 89% have a high school education and 32% an undergraduate degree. Median household income is $50, 437 and an estimated 17.4% of the population live in poverty.

Preserve Chattanooga

Originally established as Landmarks Chattanooga in 1975, the organization changed its name to Cornerstones in 1994 and Preserve Chattanooga in 2022. The organization has a long history of effective advocacy. The current mission statement for Preserve Chattanooga is:

> To protect the architectural heritage of Chattanooga, advocate for it, and celebrate it.

The staff consists of a paid executive director who works with a 20-member board of directors. Preserve Chattanooga is not a membership organization. Its annual budget over the past three years has averaged $271,000 and 88% of revenue comes from special events, conspicuously the very popular Wine over

Water event. The organization has a small endowment and also has an account dedicated to easement monitoring and protection.

The organization monitors what it hopes will be the city’s next preservation successes through a list called PreserveNEXT, available online with photographs, building descriptions and status updates. It holds and monitors preservation easements, and advocates for local landmark designations. It funds a historic preservation teaching position at University of Tennessee Chattanooga. It hosts an online information and resource center. It has published a book on regional architect R. H. Hunt. It responds to preservation issues at the regional, state, and national levels with appropriate advocacy. While some of its advocacy has included grants to support architectural and engineering studies and building stabilization, some can be characterized as revolving fund-type activities including ownership and resale of the Central Block Building, the Passenger Freight depot, the Monkey Tree Building, and the Burchay’s Building.

Feasibility

In the private sector, a feasibility study is used to evaluate a proposed project's potential for success by observing an organization's current operations, anticipating program requirements, and analyzing a course of action. It looks at both external and internal factors including market factors, legal requirements, and financial data. Ultimately profitability determines feasibility.

While nonprofits need to adopt prudent financial policies, profitability is not their ultimate goal. Thus a nonprofit's feasibility study insures a project or program fits the organization's mission, addresses whether there is a need for a service or program, considers what the program should accomplish, and gauges the cost.

<u>Mission</u>

Preserve Chattanooga's mission is:

to protect the architectural heritage of Chattanooga, advocate for it, and celebrate it.

A revolving fund program would support the mission to protect Chattanooga's architectural heritage by taking a direct and active role by securing rehabilitation through the organization's own efforts or through rehabilitation agreements, and through easements or covenants. Leading by example through such a program can also be a form of advocacy, particularly by publicizing program efforts and using case studies to educate the public about architecture and preservation. Completed projects are always a cause to celebrate.

<u>Needs</u>

In terms of assessing the needs, the public, stakeholders, and board members were asked if there was a need for a revolving fund and specifically about endangered properties, threatened neighborhoods, and leads for prospective fund properties. All of the board and most of the public who responded believe that there are landmark buildings or older historic buildings in Chattanooga that are threatened and need protection. Additionally most of the board and the public believe that there are also historic communities in decline where buildings are threatened. Examples of landmarks and communities that are threatened include (parenthetical numbers indicate resources listed by multiple respondents):

- Highland Park (7)
- Ridgedale (5)
- Glenwood (5)
- Fort Wood (5)
- East lake (4)
- Orchard knob (4)
- St. Elmo (3)
- Ellis Restaurant (4)
- Levin Brothers (3)
- Engel Stadium (4)
- Historic School Buildings (3)
- Missionary Ridge (3)
- Red bank (2)
- Ferger Place (2)
- Brainerd (2)
- Hardy (Williams) House (2)
- Glass Street (2)
- Jazzy Furniture Building (2)
- Oak Grove (2)
- 310 E 8th St. (2)
- 800 block of Market Street/819 Market Street (2)

- Howard High School
- Chattanooga School of Arts and Sciences (CSAS)
- Shavin House
- Downtown residential areas
- Lamar's
- Burchay Building
- Fort Negley
- North Shore
- Olde Towne Brainerd
- 100 E Main St
- Single neglected storefront next to 36 E Main St
- Hill City
- Federal Building
- CSLA
- Avondale
- 619-621 Market Street
- downtown (Cherry St., 8th Street, the Southside, etc.)
- south Broad Street
- All Saints Academy
- CHA
- 515 E 11th St
- Choo Choo and buildings surrounding it
- 1151 W 40th Street
- The 1400 block of McCallie Ave
- 736 Broad Street
- Eastside/Eveningside
- North Chattanooga
- Hill City
- Lincoln Park
- Lookout Mountain
- Southside
- Collegedale
- 1960s buildings in downtown
- O'Neal Street
- Community between McCauley Ave. and Central
- Martin Luther around electric power board and railway
- small houses along central avenue between Erlanger and Martin Luther
- the grounds of Chabad house

In further assessing the need, the public was asked if there was a need for a revolving fund. Just over 93% of respondents said that there was. All the board members saw some need for a fund but with varying degrees of urgency. On a scale of 1 to 5, with 1 being no need, and 5 being a pressing need; two members saw a pressing need at 5, and three saw a moderate need at a level 3. When asked for additional feedback one board member noted that, "A revolving fund is a necessary tool for any successful preservation organization."

<u>Accomplishment/Evaluation</u>

To determine if a revolving fund has accomplished its objectives, Preserve Chattanooga will need to define the needs and goals for the program; determine a methodology for measurement; establish a baseline; collect data; and report on a regular basis. The board was asked about evaluation criteria in two ways, when asked how they as board member would measure success, the responses were very narrowly defined around saving buildings and maintaining a fund corpus. When asked how the program might be lauded in the future the language was more aspirational. It was grounded in specifics ("preserving architecture," "saving endangered properties") but was more expansive ("stabilize a neighborhood," "serve as a catalyst for revitalization," "maintain …fabric and character," "making a difference in lives and communities"). During a board retreat, the more expansive language continued with considerations of "rebuilding communities by rebuilding structures," and having a "catalytic impact."

To gauge performance and to provide metrics for the organization, the community and funders, specific performance measures should be further developed by the board or a program committee.

Costs

The costs of a revolving fund program vary greatly and can include financial considerations and capacity and resources more generally. Also, the overall cost of a revolving fund program on a macro scale includes cost considerations for each project or component on a micro scale. A cost determination is dependent on overall decisions about the nature of the program that need to be determined by the board.

Cost can also reflect capacity in terms of time or expertise. In this regard Preserve Chattanooga is well equipped given the experience of their executive director and the expertise of the board.

Stakeholder Feedback

Stakeholders' feedback closely aligned with much of the board and public responses. Some of their perspectives that don't fit neatly into the feasibility methodology, but that are valuable insights, are shared here.

Preserve Chattanooga is in a good place. Many remarked positively about the rebranding and new energy in the organization. There is great confidence in the new executive director. The organization was recognized as an effective behind-the-scenes advocate but now has the opportunity with the revolving fund to be a more public face for preservation.

There are many great potential partnerships. Local foundations, River City Company, University of Tennessee-Chattanooga, neighborhood associations, Chattanooga Design Studio, the greater development community, Appalachian Regional Commission, and the Incremental Development Alliance were all mentioned as potential partners and advisors. In addition to funding, partners could provide design assistance and make introductions to investors and developers.

Every interviewee believed that Preserve Chattanooga's active participation in real estate would be a good thing, though at least one wondered if the market had improved to the extent that some of the "cheap, low-hanging fruit" was already gone. That said, historic properties tend to be the most challenging due to complexity and unforeseen conditions and thus are more likely to remain for a revolving fund.

There was no consensus on geographic parameters. Suggested scopes ranged from Chattanooga to a region that aligned with 16 counties in three states that comprise the Thrive Regional Partnership. Other suggestions about both areas and typologies for the fund's focus included smaller municipalities that have historic resources but no real investment activity, missing middle housing particularly in historic ring neighborhoods, areas that can support incremental development, low-rise commercial development threatened by plans for increased density (height), and vacant or underutilized buildings. More than one suggested that the organization's endangered list should be a focus of revolving fund activity. One caveat is that Preserve Chattanooga should be sensitive to fears about gentrification and should operate in neighborhoods where it has been invited or where it has made inroads with the community through ongoing dialog.

Preserve Chattanooga should "measure what matters." For each project Preserve Chattanooga should collect data that includes not only the financial impact to the organization but also the larger impact in terms of increased property tax revenue to the city, increased assessments/appraisals for subject properties, amount of material diverted from landfill from avoiding demolition, and qualitative measures such as the amount of private investment spurred and generated in the neighborhood, public safety and health measures, and quality of life issues.

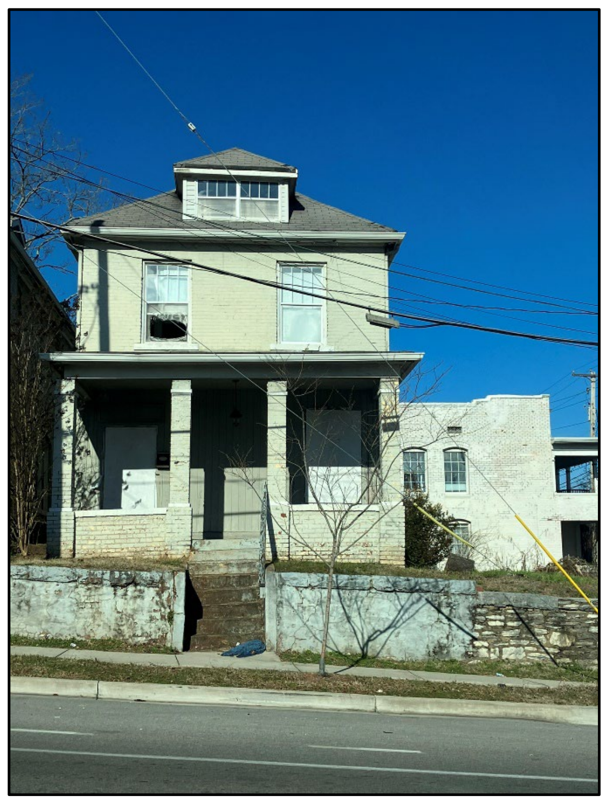
Every revolving fund project is an opportunity to educate the public. Preserve Chattanooga should consider potential audiences and methods of outreach and take advantage of opportunities to teach about community history, preservation, historic trades, and real estate finance, among other things. In addition, the general public, developers and investors can be a targeted audience to teach about preservation tools.

Conclusions and Recommendations

Preserve Chattanooga meets the four-part feasibility test for a revolving fund. A fund fits the organization's mission. There is a demonstrated need as expressed by stakeholders, the board and the public. The organization has some initial concepts of what they want to accomplish, largely rebuilding communities by rebuilding structures. And the organization has the resources to establish a program, though it would benefit from developing more.

Preserve Chattanooga has strong professional and volunteer leadership. Community leaders know the organization. The recent name change has not caused confusion with the public. The transition to a new executive director, following one with a long tenure, has brought the organization new energy but not at the expense of losing the connection with its tradition of strong and effective advocacy. The new director has direct experience working in preservation in Tennessee and working with revolving funds. The board of director's combined experience and expertise with historic real estate is impressive and perhaps unparalleled among preservation nonprofits, providing Preserve Chattanooga with a depth of knowledge and experience to draw on.

The organization is financially strong but could be stronger. While Preserve Chattanooga has solid financial statements and retains an endowment and easement fund, the bulk of its revenue comes from a single fundraising event. Admittedly the event is a blockbuster. The recent pandemic underscored the vulnerability of having a single event fund the organization. The event's success has allowed the organization to avoid the work of developing multiple new sources of revenue, limiting the growth of strong, diversified funding relationships.



Chattanooga has wonderful historic resources. It has a variety of housing types in distinctive neighborhoods and a strong inventory of commercial and institutional buildings. There is no shortage of subject properties. Additionally, the real estate market is not so strong that it precludes small developers and revolving funds but strong enough that there is a potential market for completed projects. A study recently commissioned by River City Company is a remarkable asset with good data and insights that can help refine program objectives and parameters.

Chattanooga also has no shortage of able partners. It has an enlightened and visionary philanthropic community. The University of Tennessee Chattanooga has faculty, students and resources that can support a revolving fund and its goals. Nonprofits such as River City Company and the Chattanooga Design Studio have skills and knowledge that can be tapped. And local government has staff with interest and knowledge to bear.

As noted in the review of the organization, Preserve Chattanooga has already operated a revolving fund. In the past it has purchased, invested in, and re-sold historic buildings. That is the essence of a revolving fund program. The primary difference in the proposed effort is an intentionality, a proactive measure approach, and the expectation that this activity will be more frequent and recurring.

There are few recommendations for moving forward:

Start small. Even with a well-considered, well-funded program design there are always unanticipated situations as well as a learning curve as an organization transitions from a theoretical understanding to practical experience. A small initial project can allow the organization to refine its procedures with limited exposure while building financial capacity and expertise. One stakeholder suggested the group "start small, scale up, define and refine processes and procedures, (establish) repeatable processes and build capacity."

Be nimble. It appears that every preservation revolving fund has a different origin story. While there may be commonalities across the spectrum of fund programs, each is unique as a result of the flexibility that is required to run such a program. Unanticipated opportunities and pitfalls are the norm and while overriding policies and guidelines are important, the ability to adapt quickly to conditions on the ground is the hallmark of a successful program. A revolving fund is not for a group that is hidebound or that refuses to change its course when presented with new facts and options.

Evolve. Many of the best practices presented in this report are aspirational. They are a compilation and distillation of the aggregate knowledge drawn from years of work and sometimes have been learned through bitter experience. Indeed, every fund manager has at least one war story of a nightmare project. If the organization cannot tolerate at least one of these, they should not embark on a revolving fund program. Successful programs start small but evolve and create new infrastructure as they grow.

Keep the program objective(s) in mind. The objective of the fund needs to be defined. What is the fund designed to accomplish in the short and long term? That does not mean that the objective cannot change in time and adapt as situations do (be nimble, evolve), but without an overarching objective, measurement standards are arbitrary. One stakeholder offered an alternative approach "Either be well articulated up front with goals and (a) rationale or jump in and have success and define (the program) retroactively." It is important to note that providing a source of revenue for the organization is never a good objective for a preservation revolving fund.

Design a program that responds to the needs and objectives. Or as one board member noted in the survey "the structure of the revolving fund needs to fit a specific need." Choosing a typology and a strategy should be tied directly to the needs demonstrated by the study and the capacity that the board judges the organization to have.

Develop an action plan. Select target buildings or neighborhoods. Use GIS and real estate data to find and analyze program prospects. In targeted neighborhoods, begin to participate in neighborhood meetings and make connections with community leaders to build trust and to have opportunities to describe the program.

Create policies, procedures, and standard documents. Having written guidelines ensures that all participants have consistent guidance and understanding of rules and expectations. Stock documents that can serve most projects support consistent and efficient operations. Periodic review of policies, procedure and documents standard documents supports changes to adapt to new laws or expectations.

Raise funds. The organization would benefit from a focus on fundraising to increase revenue and to diversify revenue sources. While a revolving fund would require additional funds it is also an exciting new venture that could help Preserve Chattanooga find new donors to support the fund and the organization.

Prepare to document the program and its successes. Each project contains a great deal of potential data to be collected, analyzed and communicated. In addition to financial returns and impacts, there is qualitative information that can be captured in before and after photos, and property owner or neighbor interviews. The program design and its goals will define the specific data that is the most important to document to assess progress and to report to funders.

Develop a broad audience. A program will create many opportunities for communication to broad and specific audience. Data collected in program documentation can be used in messages to elected officials, neighborhood groups, funders, investors, contractors, civic organizations and others. By identifying audiences, audience members and the types of information pertinent it each, Preserve Chattanooga can build a communications strategy that promotes the program and supports its continued success.

Revolving Fund Typologies

There are three major revolving fund typologies.   While some organizations use a single model, others use more than one and sometimes simultaneously. All three can be used to revolve funds into and out of building preservation projects.

For each, goals and objectives set the framework for the design of the program and for metrics to evaluate and measure success. They may include setting eligibility parameters for types of properties or geography.

For example, types of properties could include whether and how a property is historic--a National Historic Landmark, individually listed on the National Register, listed as contributing to a National Register district, within a National Register district but not necessarily contributing, a designated local landmark, listed as contributing to a local district, within a local district but not necessarily contributing, determined eligible for listing either nationally or locally, over 50 years of age. It could include property types- single -family residential, multi-family residential, commercial, religious, significant landscapes (designed or not). It could also restrict properties--those that have significant environmental concerns, those in flood plains, those where the assessed or appraised value is negligible. etc.

In terms of geography, the program may want to concentrate its efforts in a region or neighborhood, or may take a "buckshot" approach with properties scattered over a wide area. Or it may take a combination approach working with a focus in a specific community with other properties scattered more broadly.

Revolving Fund as Developer

When a revolving fund acts as a developer, the organization purchases a property, stabilizes or rehabilitates it, and re-sells it. The nonprofit can buy the property in its own name, it can form a separate entity to shield the nonprofit from losses or liability, or it can enter into a partnership with a developer or investors on a case-by-case basis. The nonprofit or associated entity takes title to the property. Depending on the condition of the property, the capacity of the organization, and the demands of the local real estate market, work on the property can range from stabilization to minor repairs to full rehabilitation.

During the period of ownership there are holding costs such as taxes, insurance, and utilities. The range and amount of capital improvement can vary widely from project to project. Generally the greater risk undertaken, the greater potential for a larger financial return. Some developer organizations have their own in-house architectural and construction staff. Others contract that work out or create partnerships with others who have complementary skill sets.

In considering a scope of work for a project, the organization takes into consideration acquisition and holding costs, proposed improvement costs (hard and soft), the price point at which the organization could begin to profit on the project, and how that price point fits within the local real estate market. It is important to note that as a nonprofit, the organization can also fundraise to provide revenue for a project, allowing price points to be flexible. Additionally developer's fees can be added to a project pro forma allowing the nonprofit to extract fee-for-service revenue in addition to sales revenue.

Once the capital investments have been made, the property is re-sold, with a protective mechanism.

Key aspects

- Corpus is required
- Organization faces risks involved with property ownership
- Due diligence is required prior to purchase
- Organization needs architectural and construction skills or access to them
- There is a risk of not finding a buyer or in selling below costs

Examples: Historic Macon Foundation, Montana Preservation Alliance

Revolving Fund as Salesperson

When a revolving fund acts as a salesperson, there is limited exposure and limited financial commitment. In a salesperson model, the nonprofit buys an option to purchase a property. The option generally sets out a timeframe for the purchase to be completed, and a price. If the property is not purchased within the agree-upon time frame, and an extension has not been agreed upon, the option expires, and the property owner keeps the option money. On some occasions, with the permission of the owner, the nonprofit can invest money into the building to stabilize it prior to ownership.

During the option period, the nonprofit works to find a preservation-minded buyer. Often nonprofits that operate under this model have a multi-faceted marketing approach including a website, mailings (email and postal service), and relationships with real estate brokers and other referral sources. Once a buyer has been found, the nonprofit arranges to purchase the property, establish protections (generally via an easement), and re-sells the property, generally "as is" and often in a single day.

Key aspects

- Minimal initial cash outlay
- Timing of option periods may tie up option purchase money for extended periods of time
- No carrying costs for real estate (taxes, insurance, maintenance, etc.)
- No control of real estate (owner may neglect the property during the easement period, absent an agreement)
- Due diligence still required for environmental and other hazards
- If an option expires and can't be extended, there is some loss of funds without a "save"
- Less risk and less return
- No lending, so avoid the possibility of foreclosure
- Requires good marketing
- Economy and real estate market impacts ability to re-sell

Example: Preservation North Carolina

Revolving Fund as Lender

A Revolving Fund that loans money requires an initial corpus to loan. In addition to considerations of geography and building types, a lending program may set parameters for types of activities and borrowers.

In terms of possible activities, the fund might restrict or encourage funding for purchase, stabilization, rehabilitation of exterior features, systems overhauls, landscape features either cosmetic or those impacting a building such as a French drain, rehabilitation of character-defining interiors, kitchen and bathroom renovations, protective systems such as alarms or sprinklers.

It may also require projects to meet certain published standards such as the Secretary of the Interiors; Standards or local design guidelines (whether local guidelines apply already or not). Projects may be required to use pre-qualified or designated architects, designers, or contractors. Whether or not the project has investments in the form of other grants or loans may be a consideration, and in the latter the order of lienholders. It may look for projects that support other community goals such as city-designated investment or improvement areas.

Applicants may also be screened for characteristics such as credit worthiness, economic need, or performance on previous loans from the fund. Commercial property owners should provide a draft pro forma, demonstrating a gap in funding. Applicants may be required to live in the property for which funding is sought. They may have to secure some sort of funding match or show the ability to secure sufficient funding for the project if the loan will not cover 100% of the costs. Some lenders will loan to individual private property owners, others only to nonprofits or corporate entities. Some programs require applicants to be low-to moderate-income earners.

Loans require a contract document with the borrower that includes loan terms and a repayment schedule. Rates, terms, payment frequency are all variables to be considered. Some loans are secured with assets including real estate and some are not. Commercial loans may require a personal guarantor. In the case of default, programs must determine if and how they will recover pledged assets, or in the case of unsecured loans, what measures they will take to recover the funds and at what point they would write off a loss. Additionally, if the program has a portfolio of several loans, it may want to balance riskier projects with ones that are more secure. While some of these strategies are developed at the beginning of a program, other policies are developed as a program matures, generally in response to specific experience.

Most funds have a vehicle to protect the fund's investment for a period of time. For example, money loaned to restore a historic property that is then sold and demolished means that the values or features the program was intended to protect were only briefly restored. The costs of lending to that project when balanced against the brief benefit are high. Tools to protect a completed project could include various types of covenants, easements, and local designation. When a program has goals beyond and in addition to physical preservation, other temporary or permanent restrictions may be considered. For programs that also address affordable housing, there may be requirements such as a residency period for a single-family house, a maximum development fee or a time-limited cap on the profit that can be made during resale. State laws regarding loans to homeowners may have layers of consumer protection making lending programs to individuals for their primary residence particularly challenging. All programs should be reviewed by both the lender and applicant's attorney who has experience in national and state laws governing lending practices.

A loan program should have a clear application process that requires specific and consistent data from all applicants. Most lending programs have a loan review committee to assess applications against specific criteria. They may assign a numeric grading range for criteria and have a threshold score for a loan award. The committee should include an attorney, a banker, an accountant, a preservation architect and others.

A stock loan contract document is generally used and specific aspects of the loan (lender name, terms, rate, special provisions, etc.) completed. If the loan is secured, additional documentation is required.

Once the loan is made it needs to be monitored. Staff need to be responsible for seeing that payments are made, that work for which the loan was given is completed, as well as any other program-specific administration, as well as monitoring covenants or easements.

Overall program assessment should be done on a regular basis to address unanticipated programmatic issues and make adjustments as needed. Also, quantitative records such as number of projects and amounts loaned, as well as qualitative measures such as descriptions of work done, stories of borrowers and photographs should be collected and maintained in a database. To the extent that the interest income is greater than the costs of administration, those funds can be added to the corpus or retained as revenue. Individual financial categories (cost centers) should be setup for each project.

Key aspects

- Corpus is required
- Organization faces lending risks but avoids risks involved with property ownership (unless there is a default on a project secured by real estate)
- Due diligence concerning projects and assessing creditworthiness of borrowers is key
- There may be regulatory requirements such as Fair Housing Act and others
- May meet a credit need in the community

Examples: Preservation League of New York State and Michigan Historic Preservation Network

APPENDIX

Case Study -Working with Developers: Preserve Montana and The Broadway Building

The Broadway Building in Lewiston Montana, a three-story, brick and stone Mission-style apartment building, was built in 1913. The building was occupied until 1983 when heirs of the original owner partnered with a developer who envisioned converting the rental units to condominiums. Since 1983 the building has remained empty and passed through various owners, none of whom redeveloped the building. In 2001 Preserve Montana listed the building on its Six Most Endangered Historic Sites in Montana. In 2015 a chimney on the rear elevation collapsed and brought with it sections of the rear wall. Though the building had suffered moderate water damage and bird infestation in the past, the exposure from the wall failure now threatened its future.

In the fall of 2015 Preserve Montana (then Montana Preservation Alliance) purchased the building for roughly $21,000 which was the amount of back taxes owed on the building. The purchase was made possible by a $30,000 loan from the Lewiston Community Development Corporation. Preserve Montana also was awarded a $50,000 grant for a detailed preservation plan that examined codes and zoning, prepared rough schematic designs for rehabilitation, and explored tax credits and other financial incentives for rehabilitation. The study also included structural and hazardous material testing results and a local housing market analysis. Preserve Montana secured the building envelope and raised money to clean the interiors. While plaster walls were removed to the studs in the early 2000s, doors, windows, and significant interior trim remained. Preserve Montana acted as a caretaker for the building.

Preserve Montana explored the option of joining a developer in a limited partnership where the nonprofit provided the building in lieu of capital. Ultimately, they decided that being an intermediate or long-term building owner was not in their best interests. Work on the building was delayed by the pandemic and the rise in cost of construction materials. However, Preserve Montana ultimately sold the building to a developer who is rehabilitating the Broadway Building under the terms of a state grant and in compliance with the Secretary of the Interior's Standards for Rehabilitation. The terms of the sale covered Preserve Montana's initial investment, carrying costs, and dedicated staff time for the project and provided a five-figure profit.

While Preserve Montana declined to enter into a formal partnership with a developer for this project, their purchase and mothballing prevented further deterioration. And their preparation of two detailed feasibility studies and due diligence made the building more attractive to the private sector by removing a degree of uncertainty for the investor.

BEST PRACTICES

INITIAL AND OTHER FUNDRAISING

There is no one single formulaic approach to fund development. A 2013 survey of historic preservation revolving funds showed fourteen different sources of funds, many of which were used in combinations with each other.

Knox Heritage used a line of credit with a patient lender to start their revolving fund. Historic Galveston Foundation received a large initial grant tied to work in The Strand area. Historic Fort Worth has worked with city government to identify houses in target areas that are in foreclosure due to tax liens and are raising funds to buy a house from the city for the cost of the lien. Preservation Greensboro has received a donation of a house and funds from the city in recognition of the savings to the city of demolition and landfill costs and has also conducted capital campaigns. Historic Macon had a gala in the 1970s and undertook a campaign in the 1980s to provide monies for their program. They also received a loan from the National Trust in the 1990s under a program that unfortunately no longer exists. The Preservation League of New York State was given a large, one-time state government appropriation. More recently, the 1772 Foundation has been actively involved in providing seed capital for revolving funds.

PARALLEL GOALS-AFFORDABLE HOUSING

Some preservation organizations combine preserving historic buildings with parallel goals, notably affordable housing. The Nantucket Preservation Trust is exploring avenues to design a program that saves historic buildings while meeting pressing needs for affordable and workforce housing on the island. The Trust has for several years provided financial support for people to learn historic trades in order to meet the needs for specialized skills only for those graduates to settle and work elsewhere given the lack of affordable housing in Nantucket.

Other preservation organizations that are addressing affordable housing are Historic Charleston Foundation that works with City of Charleston, Charleston Housing Authority, Palmetto Community Land Trust and Charleston Redevelopment Corporation to create protected neighborhood and make micro loans to homeowners; The Georgia Trust for Historic Preservation who has partnered with Habitat for Humanity in the West Atlanta Preservation Initiative to rehabilitate housing and develop vacant land for housing in the beltline redevelopment area; the L'Enfant Trust that is rehabilitating historic houses given to the trust by local government for affordable units; Historic Macon Foundation that is developing affordable rental housing in Beall's Hill where the success of their revolving fund has attracted private sector investment; and Dade Heritage Trust which has created a subsidiary to use a county appropriation to restore and hold a low-rise apartment building with affordable and market rate housing in a target neighborhood, Little Havana in Miami.

Addressing both preservation and affordable housing or preservation and the need for incubator spaces for small businesses allows preservation nonprofits to leverage additional organizational and financial resources, and to extend the relevance of preservation into new communities.

EXTERNAL ECONOMIC CONDITIONS

In operating a revolving fund, the organization needs to be aware of the context in which it operates. A weak local economy often means that historic properties are less likely to be threatened by demolition or development, but more threatened by neglect and lack of maintenance. It also means that it will be more difficult to sell a property, it may take more time (increasing carrying costs) or require a reduced sales price (cutting margins).

A hot real estate market generally undercuts purchase options, though most cities have some areas that are not as active as others. In Charleston, a program initially developed to save threatened properties in the Ansonborough neighborhood can no longer afford to operate there. The private sector now appreciates this community. The real estate prices are expensive, and that neighborhood no longer needs a revolving fund.

PUBLIC POLICY

Political changes can create an environment that is more or less friendly to preservation and conservation. Elected officials and senior staff in local government shape public policy, which in turns establishes priorities for public spending and programs. Some of these priorities may directly engage in preservation issues, but others may have unintended consequences.

In Tennessee, legislation was passed that allowed a local government to enter into a negotiated sale of real estate with nonprofits rather than require them to put a property out for bids through a Request for Proposals (RFP). This gave Knox Heritage the opportunity to purchase properties directly from local governments without having to prepare an RFP and compete with the larger market. In Galveston, programs established to provide relief in the aftermath of Hurricane Ike provided additional funding opportunities within specific location and time parameters. The availability of tax credits has made properties marketable in many communities, and Historic Macon even includes a tax credit consulting fee in their pro forma. Nevada's partial abatement of real estate taxes caps annual tax increases and the taxable basis is re-set with the sale of a property. This has consequences for affordability wit tax liability rising with sales and could push an organization toward a lending model.

Organizations considering a revolving fund program should monitor local and state policies and programs that could impact their program directly as well as those that could help donors and purchasers including tax credits, facade grants, loans, TDRs, impact fees, use taxes and estate taxes, land banks and down payment assistance programs. While these are generally government programs, others may involve housing, redevelopment, and economic development authorities.

EDUCATION

While not every audience needs to have a detailed explanation of the nuts and bolts of how a revolving fund will work, a general set of talking points should be developed and delivered through multiple delivery systems to numerous audiences. Education/outreach materials should reflect the overall program, which may develop and evolve over time, and for each specific deal/property.

Another key issue to be addressed in education is that a revolving fund is generally not a “fund” per se. Many people picture them to be some large liquid bank account, like a war chest being saved up and doled out to projects. A revolving fund is more of a program; indeed, Preservation North Carolina now calls their revolving fund their “threatened properties program.” Being clear on this point can encourage donors who may have been hesitant to donate to a fund, but are interested in the activity in a program that saves threatened properties.

RISK TOLERANCE

A revolving fund will likely NOT be a source of large, recurring, general operating revenue. In a 2013 National Trust survey of 28 historic preservation revolving funds across the country, when asked about the initial catalyst or funding for their program, none listed revenue potential.

Historic Galveston Foundation generally tries to break even on projects. Revenue, while appreciated, is not expected. Knox Heritage has a $35,000 CD designated as a loss reserve to be drawn upon as needed. The L'Enfant Trust lost money on its first two projects but sees that as an investment or a loss leader, as the projects have generated enough credibility and good will that the Trust anticipates receiving several property donations from the city.

Historic Macon illustrates the risk/return pattern in investing. They assume a greater risk in purchasing properties outright and acting as a developer, but stand to earn a greater financial return. That return is rarely a profit on the sales price, however, but is built into to the project itself with a developer's fee, a tax credit consulting fee, and a construction management fee now that they have a contractor on staff. All are a percentage of the sales price. Any profits from a sale itself are divided, with one half going to the organization's operating budget and one half going to an endowment.

Preservation Greensboro generally breaks even on projects, but they are comfortable with losing money as the project is mission-driven. The Palmetto Trust’s program is predicated on a "risk culture," filling the gap where others cannot, for example incurring the holding costs for a slave cabin in Anderson for eight years now as it is "the right thing to do."

POLICIES, STRATEGIES & ROLES

Organizations should consider developing policies to serve as guidelines to evaluate potential properties and to guide the program overall. That said, it is important to know when to break the rules. Contrary to its general policy, Preservation Greensboro managed a few projects in a "non-historic" neighborhood in order to form a partnership with the University of North Carolina Greensboro-a relationship that they believe will reinforce their core program in the long term.

Palmetto Trust considers projects with two criteria in mind: is the property significant enough that its demolition will be a loss to the region and the state, and are there local actions and energy to support Palmetto's Trust investment?

Organizations may also develop a strategy or philosophy for engagement with the understanding that this will likely change over time. Knox Heritage works over a multi-county region. They tend to "pick the worst house in the neighborhood." By improving the worst house in the block, the whole community improves by a ripple effect. Indeed, Kim Trent of Knox Heritage adopted an informal measure of success after one neighbor told her that after Knox Heritage had rehabilitated the worst house in his block, pizza companies would now deliver to the neighborhood.

Other local revolving funds focus on specific neighborhoods, seeking economies of scale and looking to secure neighborhood stability. Historic Macon Foundation has used this approach and has found that it also allows them to target donors and partners that have a specific interest in certain communities. Their work has expanded to include not only the rehab of historic properties, but also the construction of new infill on vacant lots that is sympathetic to the character of the neighborhood. This policy is not always popular, however, as other neighborhoods feel neglected.

Focusing on a single neighborhood allows for economies of scale and synergy. It also requires a large investment of time and resources to work with the community and its civic league or neighborhood organizations. Preservation Greensboro noted it was important to understand how they were perceived in the communities in which they worked. The L'Enfant Trust was able to allay fears once they realized that the Anacostia neighborhood was concerned about gentrification and "flipping" houses.

It is difficult for statewide nonprofits to serve as developers, given the sheer scope of their service area, unless they adopt a prescribed service area. A local preservation nonprofit’s role may be more dependent on the volatility of a local real estate market. Preservation Greensboro has found that purchasing options is difficult in a hot real estate market, thus moving them toward a developer role. But even those funds that act as a developer have some variations. Historic Macon generally sells houses that are "move-in ready," while Preservation Greensboro often leaves bathrooms and kitchens roughed in, allowing purchasers to make decisions on areas of the house where design preferences may vary and preservation standards are more flexible. Historic Fort Worth anticipates its inaugural project will involve fee simple ownership and limited rehab to include a new roof, cleaning, perhaps some landscaping.

Some policies were developed in response to negative experiences. Preservation Greensboro does not make grants from their fund, nor do they finance purchases. They also require buyers to sign a restoration agreement that lays out specific aspects of the rehabilitation of properties, including timing. And Historic Fort Worth plans to install an alarm system (for theft and fire) into each property purchased.

The Madison-Morgan Conservancy has a tool to assist in setting policy and determining procedures, the Conservation Easement Priorities document based on the Conservation Easement Mapping and Prioritization (CEMAP). The CEMAP, built on earlier city and county greenprint projects, is an evaluation and assessment of 11,606 parcels—the entirety of the county—based on natural, agricultural, and cultural and historic resources. This document was adopted as part of the Conservancy's most recent strategic plan. Developed to guide easement decisions, it should also guide revolving fund decisions. While some information such as purchase price and property condition may shift, the underlying data of the CEMAP can help the Conservancy evaluate real estate opportunities and make informed decisions about strategic interventions.

PROJECT BY PROJECT FEASIBILITY

Each project should have its own feasibility study. These range from checklists to lengthy reports. Each organization has its own parameters for determining case-by-case feasibility, and revolving fund programs should draw on local expertise with legal and real estate backgrounds to determine their own process. In purchase and rehabilitation, however, programs should consider at least the following issues:

- ownership, deed and title review
- land surveys
- zoning
- property inspection (structural, hazardous materials, condition)

- appraisals
- insurance
- easements or covenants
- building code,
- purchase price
- taxes and tax liens
- acquisition costs (including financing, if applicable)
- utilities (condition and costs)
- drainage
- access
- parking
- encroachments
- encumbrances
- construction permitting
- environmental regulations
- potential uses
- carrying capacity of land
- agricultural or forestry yield
- other special considerations specific to each project

Each property will be unique, and the goals of each property in terms of financial return and impact will be unique. Knox Heritage now includes property taxes in its pro formas. Though as a nonprofit, they are exempt from these taxes; they pay them as a gesture to the city and as a public relations effort. When they measure their impact and communicate the return to the city, they include these taxes.

PROTECTION/EASEMENTS

Most programs require an easement on a property as it is sold. The L'Enfant Trust is an organization that for forty years has held easements and is only now starting a revolving fund. Their easement program requires a one-time donation of one percent of the sales price of the property, which goes into a fund to support easement inspection and maintenance. They hold around 1,000 easements, which are inspected annually.

Preservation Greensboro requires easements, and the inspections are performed by their board. They place plaques on easement properties to help remind new buyers of the restrictions on the property. They have also learned to review easement documents carefully. Having imposed restrictions on the number of residential units on a parcel that was zoned for other uses, they sold the property to an owner who eventually built multiple storage units (which were not limited in the easement language).

Historic Macon also has plaques on easement properties and extracts a one percent fee at the property's resale to support monitoring, though this may not be legal in all places. The Palmetto Trust holds easements but finds it challenging to monitor them given the statewide scope of the program. It is considering partnerships with local groups to either monitor or assume easements.

Historic Augusta also requires easements. They make it a condition of the sale or as part of the transfer process, having been misled in the past by a purchaser who said he would donate an easement but did not. Their easements are exterior and are inspected annually.

Easement monitoring and enforcement are a large responsibility. Many organizations that have older easements often did not extract funding to reserve for monitoring, and thus those easements have created a financial liability. Cazenovia Preservation Foundation is reviewing its operations in light of the monitoring responsibilities it has accumulated.

Some organizations look to other tools for protection. Some groups work within locally designated historic districts and relies on the local preservation commission to regulate exterior changes to buildings it has rehabilitated and sold. This assumes that the designation will remain, and the commission is well run, with good guidelines, all of which are subject to change. Foothills Conservancy has sold or transferred property to government agencies that have a preservation or conservation mandate.

EVALUATION

One of the first tasks the organization will have to undertake in developing a revolving fund is to further define its objectives and then determine a means to measure and evaluate success.

On an annual basis, the program should be analyzed for measures of success. How many properties have been obtained? How many have been sold? What have the holding and rehabilitation costs been, in aggregate and individually? How much time has elapsed from purchase to sale? What have been the unexpected obstacles? How can they be avoided, anticipated or overcome in the future? What best practices have we developed internally, and how can they be expanded across the program? What other resources could benefit the program, and how can we acquire them?

<u>PUBLIC RELATIONS</u>

Historic Augusta, Preservation Greensboro, and L'Enfant Trust have recognized the merits of early, quick successes or low-hanging fruit, or even initial projects operating at a loss in order to move quickly and make a mark in the community.

Positive annual data should be promoted. This can be done in a variety of ways—through an annual report, or a luncheon, or event where annual report data is shared. Before and After photographs are powerful tools and can augment the numbers and statistics that indicate fund performance. Storytelling can also add a qualitative aspect to fund reporting—who has moved into the rehabilitated buildings, why did they buy the property, and what does the property mean to them? As with photographs of the buildings, this "puts a face" on the program. Another way to measure and communicate the impact of the program is to look at the larger economic impact on the community—for preservation projects, how much was spent on construction and what does that translate into jobs, what is the increase in the value of the property, and how has that contributed to tax rolls? What has been the environmental impact of the fund—how many tons of demolition waste have not gone to the local landfill?

In communicating this value and impact, it is important to consider the audience and to determine what will resonate with that specific audience. It is also important to preach beyond the choir. How can the message meet new audiences? Cultivating a relationship with the media, making presentations at civic clubs or city council meetings, and equipping board members with talking points that can be used at impromptu meetings are all methods of taking the message to the broader community. Knox Heritage counted it as a measure of success when their revolving fund projects were no longer profiled in the features section of the paper, but in the business section. In addition to an annual report, a marketing plan for the program should include regular opportunities to reach out through the year to donors, membership and/or the community at large, to promote specific and timely stories.

Preservation Greensboro highlights their revolving fund and easement properties on their walking tours. They credit the program with a lot of positive press and believe it has been transformative for the organization.

NON-FINANCIAL RESOURCES

Resources include money but also encompass donations such as real property, materials for rehabilitation, and services. Most revolving funds use a combination of these resources to make each project work. Donation of a property itself is sometimes the impetus for a revolving fund. Palmetto Trust has accepted donations of real property. Offers of real property should be vetted to ensure that they do not involve overly burdensome issues such as outstanding liens, clouds on chain of title, hazardous material abatement requirements, etc. While these obstacles will not necessarily be a reason to reject an in-kind gift, an informed decision to accept real property should be based on information collected during a due diligence period and a consideration of the current expertise and capacity of the revolving fund program, with the understanding that experience and capacity change. Deals that were unadvisable at one point in the lifetime of the program may be possible at other times.

Many funds capitalize on donated materials. Donors to projects with Knox Heritage get not only a charitable deduction, but extensive promotion by Knox Heritage. Donors are highlighted in project house tours, printed materials, web pages and media interviews. This exposure and association with successful projects allow manufacturers and hardware stores to reach an audience interested in rehabilitation and home improvement; thus sometimes donations (cash or in kind) are drawn not from a limited charitable contribution budget but from their marketing line item. However, an organization must be discerning in accepting gifts. L'Enfant Trust observed that some in-kind gifts end up being expensive—a donation of tile required skilled trades to install it and ultimately made the project more expensive.

Some board members can provide or have access to services needed for a revolving fund such as realtors, lawyers, accountants, insurance brokers, surveyors, or home inspectors. Any of these services that can be donated or obtained at a discount saves funds for other aspects of the project and improves the ultimate bottom line.

The board defines a program's mission, determining its goals, creating policies and procedures for project selection, and creating a methodology to measure results. People with experience and skills that would be helpful could include, but not be limited to: a banker, a home inspector, a surveyor, an insurance broker, a real estate attorney (with knowledge of easements, taxes), a title company representative, building suppliers, an accountant with construction finance experience, a human resource professional who works in construction, someone with communications and marketing experience, a realtor, a contractor, an architect, a historic preservation expert, a landscape architect, a surveyor, an environmental planner, and others.

MARKETING

As a seller of real estate, a revolving find needs to develop a good understanding of the local real estate market in order to vet potential projects in terms of their ability to be turned over and the corpus made available for the next project. At some point, it may consider obtaining or commissioning market studies to understand the customer base for the properties it is trying to sell.

In housing markets, the traditional supply-demand type of market research draws heavily on historic data, and as with any other investment, carries the caveat that "past performance is not a reliable indicator of future results." This research is being supplanted by more sophisticated models that look at demographics and behavioral models and preferences for those cohorts that live or are coming to an area. Historic Macon commissioned a housing study to help them understand the needs and preferences of the Macon market, and to make decisions about the design and size of units accordingly.

In Chattanooga, the nonprofit River City Company commissioned a real estate study looking at trends and demographics and made it freely available over the internet, benefiting the community as whole.

For each individual project there needs to be a marketing plan on how to eventually sell the real estate. Some revolving funds advertise through their website or websites such as the National Trust for Historic Preservation, particularly when marketing large, architecturally significant and expensive buildings that may attract buyers from outside the local market. Different properties will attract different types of buyers. Some funds work with realtors or brokers to market properties, sometimes with donated or reduced priced services by the realtor and sometimes with the realtor charging market rate for services.

Some revolving funds partner with other nonprofits to stage real estate as part of a joint fundraising Designer Show House. This can be a fun social event that can raise funds while getting exposure for a specific subject property. Other revolving funds that operate numerous projects within a specific neighborhood or region have staged hard-hat tours of works in progress. Again, this allows for an element of a social event/party/fundraiser while showing off a property. It can also be used to make presentations on rehabilitating wooden windows or improving energy efficiency in older homes, thus fulfilling an educational mission and perhaps securing sponsors such as manufacturers of say, tankless hot water heaters or efficient HVAC systems or the local electrical or gas utility.

Preservation Greensboro erects a large sign at every project with a logo and a positive message like "Restoration in Progress."

ACOUNTABILITY

As with every program of a preservation organization, accounting and reporting are necessary. Specific reporting requirements should be developed and could include balance sheets, income statements, budgets, and other reporting on a case-by-case basis.

One person should be the manager with the ultimate responsibility of managing the process, keeping records, and being the central point for communications. Other responsibilities may be divided among other staff, consultants, or board members (particularly financial and bookkeeping duties).

Early on it would be beneficial to have written job descriptions or project responsibilities so that no tasks are overlooked and everyone has a clear idea of his or her responsibilities and what they can expect from others. While seasoned organizations may not rely on these job descriptions, as a younger organization gains more experience having written expectations can help when there is change on the board or when staff members are added to projects. As a program grows and evolves, review job descriptions to ensure they continue to reflect the work that needs to be done and that they assign responsibilities appropriately. Informal job descriptions could be adapted for use to recruit permanent dedicated staff if and as the program expands.

Board members, volunteers, and staff should track the hours spent on the revolving fund program and divide them between project-specific tasks and programmatic tasks (i.e., spent one hour inspecting construction progress at 123 Main St—project specific, or spent one hour in committee discussing possibility of securing pro bono legal services for all of our closings—programmatic). This will give the organization a better idea of time costs, especially for those tasks that may be covered initially by board members but may eventually be assumed by staff.

Some tasks may also be outsourced either to professionals offering pro bono services or to paid contractors such as architects or realtors. Those must be accounted for as well. Regular review can determine if the cost and quality are sufficient, and if some tasks may be brought in house with appropriate staff ability and capacity.

Some funds have started with no dedicated staff, notably Knox Heritage. The Palmetto Trust operates with one full-time staffer. And Preservation Greensboro provides staffing support to an affiliated revolving fund, Preservation Greensboro Development Fund, which has no permanent staff.

While Historic Fort Worth has had a staffer whose primary responsibility is the fund, a realtor on their committee has conducted a market study, and a contractor reviewed bids and provides project oversight. The L'Enfant Trust has a small staff, but forty years of easement monitoring experience and a bookkeeper who understands construction finances. Preservation Greensboro Development Fund's board is hands-on and includes an attorney who handles many of the fund's legal issues, contractors who oversee rehabilitation work, and a realtor who assists with marketing. They also perform the easement inspections. Historic Macon divides the revolving fund responsibilities over several staff but only two, a designer and a carpenter/contractor, devote 100 percent of their time to the program. This organization rehabilitates seven to ten houses a year, including new construction.

Experience and skill sets useful in revolving funds include finance, budgeting, and construction experience. Some have suggested that a real estate background is vital for someone managing a revolving fund, and an advanced degree in historic preservation does not generally equip someone to manage a revolving fund. Especially if the fund is working in a focused area, community engagement and outreach would be good experience to have. The National Trust/National Development Council's Historic Real Estate Finance training is highly recommended. And at least one organization focuses on broader attributes—to manage a revolving fund one must be creative, optimistic, and good at multitasking. In considering "non historic" properties, other skill sets may be needed, such as a landscape architect, a surveyor, an environmental planner, a farmer, a recreation specialist, or others. Management responsibilities, effort, and time will vary in terms of the complexity of projects and number of projects undertaken simultaneously.

Younger and smaller programs tend to rely more on an active board or committee. Historic Augusta asserts that a good committee is vital.

When establishing a new program with existing staffing, it is vitally important to consider staff capacity and to (re-)evaluate existing responsibilities and programs to insure that the addition of new work does not undermine any current programming or the new revolving fund by having unrealistic expectations of the time and effort required by a nascent program.

LEGAL

One external set of parameters is state and local law. An attorney should review the organization's bylaws and incorporation status to see if any amendments are required in order to establish a program or any of its components (owning property, borrowing and/or lending, etc.). A lawyer can also draft stock documents such as options, easements, preservation agreements and loans.

PARTNERS

As with many programs, partnerships can be used to leverage resources. The key is to find where a potential partner's areas of interest intersect with the revolving fund's mission, activity or impact.

A local government can be a valuable partner. Cities sometimes seize properties that have outstanding liens or are condemned. They may have a list of properties that have been foreclosed on that are up for auction. This could provide leads for properties, or in the case where the city has taken title to real estate, relieve the city of the burden of demolition or resale. A local historic preservation commission may also be a good source for leads on threatened historic properties. In Washington, DC, a city council member who was impressed with L'Enfant Trust's first two projects in the Anacostia neighborhood is looking for other houses in the neighborhood owned by the city to donate or sell at a reduced price to the Trust.

Suppliers are often looking to market their goods to a cohort interested in construction and rehabilitation, such as those who partner with Knox Heritage.

Large institutions can be valuable partners. Duke and Yale Universities, among others, have real estate and community outreach ventures that not only help secure real estate for university functions, but also purchase and rehabilitate buildings for university use to invest in programs that help create and preserve work force housing for university staff. Mercer University has been a strong partner with Historic Macon Foundation, investing in revolving fund projects in neighborhoods close to the campus to make them safe and attractive communities. They also have a grant program to university employees to assist with home purchases in targeted communities where HMF is working. Preservation Greensboro has worked with the University of North Carolina-Greensboro to develop workforce housing near the university. Other large employers, such as hospitals, can also be prospective partners.

Montana Preservation Alliance's model has been to partner with developers to tackle larger scale buildings. The alliance can provide technical support and capacity to purchase the building through donations and various municipal programs, at which point the developer can draft a pro forma and implement rehabilitation. Both organizations share risk and return while leveraging their unique contributions. On occasion, additional equity partners are included. Each project is established as a unique legal entity, shielding the Alliance from extended exposure and liability.

Affordable housing nonprofits and Community Housing Development Organizations (CHDO) can be partners. Other partners could be Community Development Corporations (CDC), retail and Main Street associations, and self-taxing districts.

These partners can provide funding or in-kind support. They can also serve as audiences and sounding boards for outreach and education campaigns, and for developing policies and priorities. Targeted input can bring expertise on specific issues and potential target parcels.

NEIGHBORHOOD OUTREACH

The Nevada Preservation Foundation is a statewide organization however as nearly three quarters of the state's population live in greater Las Vegas, their initial planning for a revolving fund focused on Las Vegas and particularly the historically African American Westside neighborhood. The Foundation's offices are within the restored Westside School, a community landmark. The Foundation planned to build on the relationships begun when they moved into the community in order to develop and design a revolving fund program. They worked closely with local government, elected officials, and community leaders to create a working group that included preservation professionals and local residents to help guide the feasibility study process. As part of the feasibility process, numerous stakeholder interviews were conducted and several public meetings were conducted to continue to inform the larger neighborhood about the organizations' hopes and intents, to gauge community interest, to address concerns and the explore community needs in order to try to design a program that would meet shared goals. The steering committee, which included Foundation board members and interested residents, was a vehicle for effective communication which allowed the organization to not only inform but to listen and to use input to address concerns and set program parameters.