

THE REVOLVING FUND MODEL IN SCOTLAND AND THE UNITED STATES:
History, Challenges, and Possibilities

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ABBREVIATIONS

AHF-Architectural Heritage Fund (UK)
AHSS-Architectural Heritage Society of Scotland (UK)
APT-Association of Building Preservation Trusts (UK)
BARR-Buildings at Risk Register (UK)
BPT-Building Preservation Trust (UK)
CDC-Community Development Corporation (US)
COSS-Community Ownership Support Service (UK)
CRA-Community Reinvestment Act (US)
DTA-Development Trust Association (UK)
HBI-Historic Boston Incorporated (US)
HBPT-Highlands Building Preservation Trust (UK)
HES-Historic Environment Scotland (UK)
HLF-Heritage Lottery Fund (UK)
HTC-Historic Rehabilitation Tax Credit (US)
IRS-Internal Revenue Service (USA)
LHIS-Little Houses Improvement Scheme (UK)
LIHTC-Low Income Housing Tax Credits (US)
MHC-Massachusetts Historical Commission (US)
MP-Member of Parliament (UK)
NBSS-North Bennett Street School (US)
NPO-Non Profit Organisation (US)
NPS-National Parks Service (US)
NTHP-National Trust for Historic Preservation (US)
NTS-National Trust for Scotland (UK)
PRF-Providence Revolving Fund (US)
SBPT-Strathclyde Building Preservation Trust (UK)
SCAD-Savannah College of Art and Design (US)
SHPO-State Historic Preservation Officer (US)
SPOD-Society for the Preservation of Old Dwellings (US)
UK-United Kingdom
UNESCO-United Nations Educational, Scientific and Cultural Organization
US-United States of America

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INTRODUCTION

This paper is going to examine the history and trajectory of revolving funds in the United States of America, and their equivalent in Scotland, the Building Preservation Trust (BPT). Both of these models operate by utilising a “pool of capital created and reserved to control and protect historic properties for rehabilitation, with the restriction that the monies are returned to the fund to be reused for similar preservation activities”.¹ This mode of redeveloping buildings has been productive in Scotland, as well as the United States. However, the two are currently facing enormous challenges. This paper will be examining organisations on both sides of the Atlantic to see how they got to this point, and possible ways of going forward.

OBJECTIVES

1. To compare the historical development of each program.
2. To discuss the challenges currently facing organisations on both sides, and to look at how that relates to their founding movements.
3. To consider opportunities that could strengthen the model.

To do this I have undertaken extensive research in the United States and Scotland, of both primary and secondary sources. As well as conducting interviews on both sides of the Atlantic.

The revolving fund model is a practical and effective mode of rehabilitating buildings and communities. It also has enormous potential to link into other well funded movements, like the sustainability movement, and the smart growth and liveable cities movements. However, both BPTs and American revolving funds have been struggling in recent years. This report investigates what it is that is holding back the movement, and what needs to be done for this valuable tool to reach its true potential.

¹ Preservation Leadership Forum, “PreservationBasics: Preservation Revolving Funds” (The National Trust for Historic Preservation, March 23, 2016), <http://forum.savingplaces.org/connect/community-home/librarydocuments/viewdocument?DocumentKey=77c915a8-a6b5-4966-94d0-2254721e29af&CommunityKey=00000000-0000-0000-0000-000000000000&tab=librarydocuments>.

CULROSS & SCOTTISH NATIONAL IDENTITY

The Elevation of the Burgh House in a Changing Scotland

SCOTLAND IN FLUX

The Little Houses Improvement Scheme (LHIS) became an official branch of the National Trust for Scotland's (NTS) Buildings Department in 1960.² However, this formal inauguration came after thirty years of related work that the NTS had been conducting since the 1930s. This work commenced in the small borough of Culross in Fife.³ This program, as well as a general increase in interest in 'traditional' residential housing can be seen as a reaction to a time of great change and instability in Scotland.



Figure 1-Highland soldiers returning from battle in WWI, a conflict which caused the deaths of roughly 150,000 Scots-Daily Mail War Pictures-<http://bantarleton.tumblr.com/post/148928170190>

In the 1930s, Scotland was still reeling from the enormous losses that it had suffered in the Great War, where the small country racked up a death toll of roughly 150,000 people (See Figure 1).⁴ This catastrophic loss of a generation of young men was immediately followed by an estimated 22,000 deaths between 1918 and 1919 as a result of a flu epidemic. This was the

² Diane M. Watters and Miles Glendinning, *Little Houses: The National Trust for Scotland's Improvement Scheme for Small Historic Homes* (Edinburgh: RCAHMS : National Trust of Scotland, 2006), 22.

³ Ibid.

⁴ "Great War & Scotland" (Travel Scotland), accessed July 7, 2016, <http://www.scotland.org.uk/history/great-war>.

most deadly epidemic disease to affect Scotland since records were first kept in 1850.⁵ In response to these epic tragedies, there was a similarly colossal exodus of Scottish citizens out of the country. Between 1921 and 1931, 400,000 Scottish people uprooted themselves. The Scotland of the 1930s was a country dealing with the growing pains inflicted by swift and monumental societal change.

Of the population that remained in Scotland, there was further fluctuation. Over the past several hundred years Scottish citizens had been migrating from rural areas to the big urban centres in vast numbers. With the urbanisation of the country, there was a drastic change in Scotland's economy. According to NTS historian, Robert Hurd, this movement began with the Union of the Crowns in 1603, when the feudal, baronial system began to disintegrate. The Union centralized political power in London, and other cities, causing the subsequent movement of the elite into these urban nuclei, along with the social amenities that they frequented. As a result, "the small 'town houses' of the gentry were deserted by their original owners, and occupied by persons of smaller means".⁶ Movement into cities continued and increased with the Industrial Revolution, the Highland Clearances, the Highland Potato Famine, the development and use of mechanized farm equipment, and the promise of better and more reliable pay in urban mills. According to the Scottish census, in 1901, about 70% of Scottish people lived "in towns of 2,000 or more people. By 1911, Scotland has become the second most urbanised country in the world, exceeded only by England".⁷ Glasgow, in particular, had become a hub of industry, and by the end of the 19th century, it was booming, holding the title of the second largest city in the British Empire. Its ports were bustling, producing one fifth of the world's ships, Glasgow University was world renown, and its engineers were busily producing and shipping locomotives all over the globe.⁸ However, with such an incredible boom, came an equally astonishing bust, rendering the city unrecognizable in a mere thirty years. By the census of 1931, the unemployment rate among men over the age of fourteen was 39.2%.⁹

⁵ "A Century of Census" (Scotland's Census), accessed July 7, 2016, <http://www.scotland.org.uk/history/great-war>.

⁶ Robert Hurd, *Scotland under Trust : The Story of the National Trust for Scotland and Its Properties* (London: A. & C. Black, 1939), 46.

⁷ "1901" (Scotland's Census), accessed April 13, 2016, <http://www.scotlandscensus.gov.uk/1901>.

⁸ W Hamish Fraser, "Second City of Empire: 1830s to 1914" (The Glasgow Story), accessed July 7, 2016, <http://www.theglasgowstory.com/story/?id=TGSD0>.

⁹ "1931" (Scotland's Census), accessed April 13, 2016, <http://www.scotlandscensus.gov.uk/1931>.



Figure 2--D O Hill's image of Charles Tennant & Co.'s St. Rollox Chemical Works and Iron Foundry. The artist portrays the opening day of the Garnkirk & Glasgow Railway in September of 1831. This image shows Glasgow's changing skyline, as it hurtled towards industrialization. Mitchell Library GC 385.09 HIL.
<http://www.theglasgowstory.com/image/?inum=TGSA01140&t=1>

SCOTTISH CULTURAL IDENTITY & THE BURGH HOUSE

With such swift change, and such loss, Scottish citizens looked to the past for stability. They looked back past dirty urban centres, slums and communal housing, to the idealised rural community, and the traditional home (See Figure 3). They looked back to the days when people had a relationship with the soil, a literal connection to the land, which served to sustain them. The old burghs and their quaint homes were looked on with longing, as symbols of what had been, as the old Scotland. Hurd discusses this in his preface to *Scotland Under Trust*, saying that,

In a country where national consciousness is strong, even the rush of modern life will not submerge a people's reverence for these things, but where, as in Scotland, active open-eyed patriotism has long been only fitfully alive, much can be and indeed has been irretrievably lost without even the provocation of indignant protest, let alone the making of constructive effort to safeguard the future. The decline of an ancient kingdom into a province where traditions are forgotten is a rare but none the less melancholy spectacle, stirring deep emotions in any normal man or woman.¹⁰

The 'rush of modern life' had become a destructive force in the eyes of many Scottish citizens, and its onslaught necessitated the creation of a national identity, to which the public could cling. The ancient rural dwelling, became the perfect physical incarnation of Scotland's

¹⁰ Hurd, *Scotland under Trust : The Story of the National Trust for Scotland and Its Properties*, xi.

shared past. It stood in stark contrast to the modern mechanical age. “It was classless, when Scotland was becoming increasingly stratified. It was hand made, in the age of the machine. It operated independently, and was not reliant on much more than its own local government. The power of its prosperity was contingent on nature and hard work, not the fluctuations of a fickle national economy. It existed before the loss of so many loved ones, and embraced generations, in a stable community. As a result, the burgh house became emblematic of what Scots feared they were losing, and what would develop into a kind of cultural identity”.¹¹ By preserving these dwellings, it was taking ownership of this cultural identity. As R A Watson threatened in a letter to *The Scotsman* on October 26, 1948 “historic buildings in England are preserved because the people of England are citizens of their country and not ersatz hybrids born of an act of Parliament. If Scotland is to preserve her heritage, her people must once again become Scots”.¹²



Figure 3- Slum housing in Glasgow located at 50 Crown Street, Gorbals, c. 1925-Image shows a woman at a communal sink, and garbage midden can be seen in the background. Such slums became home to many Scots moving into the cities for jobs in industry-Image courtesy of Glasgow City Council, Glasgow Museums-<http://www.theglasgowstory.com/image/?inum=TGSE00403&t=1>

¹¹ Gillian M. Lang, “The Revolving Fund in the United States and Scotland: A Comparison of the Origins of Vernacular Home Preservation in Each Country, and Their Impact on Revolving Fund Activity Today.,” AC2-History and Theory of Conservation (University of Edinburgh, April 19, 2016), 4.

¹² R A Watson, “Letter from R A Watson to The Scotsman,” October 26, 1948, *The Scotsman*.

TAKING ACTION

The cultural grip on these homes only tightened when these buildings were threatened with destruction as part of the 1930 and 1935 Housing Acts, and their concurrent legislation, which were put in place as part of a slum clearance plan.¹³ Though, the first on the scene to protect this architectural archive were the upper class, “at their core (and in tune with the broader 1930s social ideals), was the notion that the ‘humble’ historic burgh houses could symbolize the organic community which supposedly embraced all Scots ‘rich and poor alike’”.¹⁴ It ended up finding traction with all levels of society.

The Council for the Preservation of Rural Scotland (which became the Association for the Preservation of Rural Scotland) initially took up the fight when it was formed in 1926. It was this organisation that lobbied for the formation of the NTS, which formed in 1931 with the assistance of several notable individuals, who gave credence and financial assistance to the movement.¹⁵ Among these first pioneers in the field were Patrick Geddes’ son in law, Frank Mears, Sir John Stirling Maxwell, former Conservative MP for the College Division of Glasgow,¹⁶ The 4th Marquess of Bute, author of *A Plea for Scotland’s Architectural Heritage*,¹⁷ architect Robert Hurd, architect Ian Lindsay and George Scott-Moncrieff a writer, and historian. Their first movement towards little house preservation was creating an inventory of such houses and eventually founding the Scottish National Buildings Record in 1941.¹⁸

NTS soon took the principal roll in the little houses movement, as a result of certain restrictions that were built into the organisational constitution of The Council for the Preservation of Rural Scotland. The constitution specified that the organisation could not own property, and as a result could not spearhead the purchase and sale of homes, as part of the planned revolving fund.¹⁹ Consequently, the NTS was placed at the centre of the movement, and by 1932 it was beginning to buy little houses.

¹³ Watters and Glendinning, *Little Houses*, 14.

¹⁴ *Ibid.*, 16.

¹⁵ *Ibid.*, 15.

¹⁶ “Sir John Sterling Maxwell of Keir” (The University of Glasgow), accessed July 10, 2016, <http://www.universitystory.gla.ac.uk/biography/?id=WH0132&type=P>.

¹⁷ M. Glendinning et al., *A History of Scottish Architecture: From the Renaissance to the Present Day*, Edinburgh University Press Series (Edinburgh University Press, 1996), 423, <https://books.google.co.uk/books?id=h0WIGA0QkRgC>.

¹⁸ Watters and Glendinning, *Little Houses*, 16.

¹⁹ *Ibid.*, 18.

CULROSS

Finding a place to start this project was difficult, as it required finding a burgh and appropriate housing stock that embodied a growing list of characteristics designated to encapsulate Scottishness. Amazingly, they stumbled on a startling density of these cultural touchstones in the small royal burgh of Culross, in Fife. Culross, nestled picturesquely on the banks of the Firth of Forth fulfilled all the structural and symbolic needs that NTS had. “It, like much of Fife had a large stock of old houses from the sixteenth and seventeenth century.”²⁰ However, Culross was also linked to traditional Scottish folklore, as the setting for the tales of St. Mungo and St. Enoch.²¹ It was a site of an early Cistercian abbey, as well as being a great port. It was a place associated with Scottish innovation and craftsmanship. It had, in the early 1700s more than a dozen master-smiths enjoying a monopoly on the making of iron girdles.²² This along with its notable salt production facilities were linked to its great Moat Pit coal shaft. The Moat Pit, perhaps the first under sea mine in the United Kingdom, is described by archaeologist and University of Glasgow professor, Donald Adamson as “arguably, one of Britain's most important pieces of industrial heritage”²³ The home of the owner of this pit, Sir George Bruce, is referred to as the Palace. It is a building notable for its painted ceilings dating from the early 1600s as well as for having housed King James VI, upon his visit to Culross in 1617. Other distinctive architectural details are present in the Palace as well as the more common dwellings in the burgh”²⁴

The built fabric as well as the cultural history of Culross fit perfectly into the new narrative that the NTS was seeking to write.

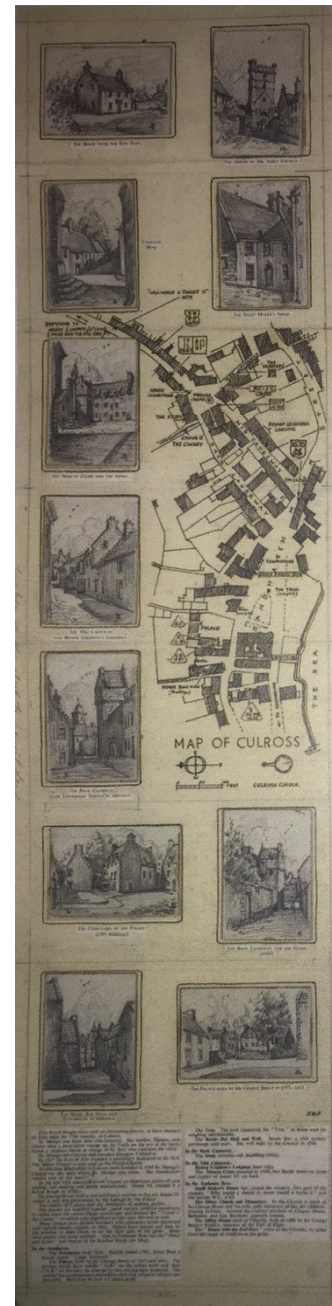


Figure 4-Images of various LHS projects in the burgh line this illustrated map of Culross from *The Royal Burgh of Culross: A Pictorial Guide*, 1970 (NTS, SC843258)

²⁰ Hurd, *Scotland under Trust: The Story of the National Trust for Scotland and Its Properties*, 54.

²¹ *Ibid.*, 55.

²² *Ibid.*, 57.

²³ DONALD ADAMSON, “A Coal Mine in the Sea: Culross and the Moat Pit,” *Scottish Archaeological Journal* 30, no. 1/2 (2008): 161–99.

²⁴ Lang, “The Revolving Fund in the United States and Scotland: A Comparison of the Origins of Vernacular Home Preservation in Each Country, and Their Impact on Revolving Fund Activity Today.,” 5.

It tied the humble Scottish dwelling to an idealized Scottish past. This had been done successfully with the preservation of buildings connected to famous people. However, in working with the common dwelling, the message being translated by the house had to be slightly tweaked. “In effect, where the homes of the famous emphasized the great people who made Scotland, the little houses spoke to the fact that, at it’s most basic, traditional levels, Scotland created great people. At a time of cultural tumult, and unclear leadership, the burgh dwelling helped Scots create a new narrative, and as a result the preservation of these dwellings became an imperative step in the process of redefining Scottish heritage”.²⁵ Culross was a great success, and eventually more than three dozen little houses were rehabilitated in the burgh. It is now considered to be one of the most complete examples of a 17th and 18th century burgh in all of Scotland.

THE BPT MOVEMENT

Starting in the 1930s, Culross was to be the focal point of NTS’s little house work for the next forty years, with the only pause occurring during the years of World War II.²⁶ Despite the challenges faced by the Trust during that time, the Culross experiment was a success, it spawned other such organisations, and led to the official launch of the LHS in 1960.

However, it was not until the 1970s and 1980s that the Building Preservation Trust (BPT) movement truly took off. It was during this time that many key organisations were founded, creating a framework for assisting BPTs.

“In 1969, the Civic Trust and the Ministry of Housing and Local Government went about surveying 21 BPTs in Britain.

- to examine the success and defects of existing trusts and revolving funds in Britain and, where appropriate, abroad:
- to analyse the basic criteria for success – the order of capital required, the optimum area/population base and the advantages and disadvantages of different forms of constitution:
- to evaluate the basic validity of the concept as one of potentially wider application than at the moment”.²⁷

They released the findings of their survey in 1971, and by 1972, the European Architectural Heritage Year, the UK campaign was dedicated to creating a National Architectural Heritage

²⁵ Ibid.

²⁶ Watters and Glendinning, *Little Houses*, 23.

²⁷ Colin Johns, “Building Preservation Trusts” (University of Bath, Department of Architecture and Civil Engineering, Master of Science in the Conservation of Historic Buildings, Session 2009), 1.

Fund to “provide loan capital to local preservation trusts”.^{28,29} By 1976 the Fund was up and running, and since that date, it has given 125 Million GBP to 890 projects.³⁰ In 1975 SAVE Britain’s Heritage was founded, an organization which “has used the power of public opinion, through press releases and reports, and the threat of legal action to rescue a series of major buildings from demolition and decay as well to fight for numerous local landmarks”.³¹ This provided a much needed advocacy arm to the movement.

It was felt that by the 1980s the BPT movement was making far more impact in England than it was in Scotland, and a conference was organised by the Scottish Georgian Society (Now the Architectural Heritage Society of Scotland, or AHSS) to address the issue. The Society believed that new incentives or increased guidance might be necessary to inspire a ‘new generation’ of Building Preservation Trusts. By 1984, the group was able to create a comprehensive 34-page guide. This publication gave advice for those thinking of creating their own BPTs, as well as giving examples of useful documents such as a “Memorandum of Articles of Association for a Trust set up as a charitable company limited by a guarantee”.³² The authors of the guide went on to create the Scottish Historic Buildings Trust in 1985 and soon after in 1989, the Association of Preservation Trusts (APT) was created with an active Scottish Area Committee.³³

By the turn of the 21st century the BPT movement had already gone from an emotional response to trauma, to a successful economic and community motivator, and a well funded community development agent. It even had a larger organising element, guiding and monitoring the wellbeing of the individual trusts, the APT. The process of becoming a BPT had become standardised to a certain degree, and there was even a framework for larger BPTs to mentor smaller, newer ones.

²⁸ Ibid.

²⁹ Lang, “The Revolving Fund in the United States and Scotland: A Comparison of the Origins of Vernacular Home Preservation in Each Country, and Their Impact on Revolving Fund Activity Today.,” 9.

³⁰ “Our Mission” (The Architectural Heritage Fund), accessed July 13, 2016, <http://ahfund.org.uk/mission/>.

³¹ “Achievements” (SAVE Britain’s Heritage), accessed July 13, 2016, <http://www.savebritainsheritage.org/about-us/achievements>.

³² “Rising to the Challenge: The Building Preservation Trust Movement in Scotland,” *Architectural Heritage* 17, no. 1 (November 1, 2006): 117, doi:10.3366/arch.2006.17.1.117.

³³ Ibid.

As we will see, the start of the comparable, revolving fund movement in the United States shared certain similarities with the UK process. However, it has not reached this same level of organisation as the BPT movement in Scotland, and the UK.

CHARLESTON AND THE AMERICAN SOUTH

The Devolution of an Ancient Kingdom into a Province

CHARLESTON AND CIVIL WAR



Figure 5-Charleston, South Carolina in ruin following American Civil War (Image c.1865) Library of Congress Prints and Photographs Division. "Charleston, S.C. View of ruined buildings through porch of the Circular Church (150 Meeting Street)," Reproduction number: LC-DIG-cwpb-03049, Call number: LC-B811-3448.

The Eden from which the US revolving fund first sprung, Charleston, South Carolina, bears great symbolic resemblance to Culross. Charleston, was founded in 1670, and prospered for many years as an active Atlantic port, serving the American South.³⁴ The organisational equivalent of LHis, the Society for the Preservation of Old Dwellings (SPOD) began there in the 1930s. At that time, Charleston, and the American South, as a whole were dealing with the same problem that had impacted Scotland, the devolution of an ‘ancient kingdom’ into a ‘province’.

The South, formerly the secessionist enclave of the Confederacy, had been defeated in the United States Civil War, sixty years before. The Civil War had, in fact started in Charleston Harbour, with the Confederate attack on the Union-occupied Fort Sumter in April of 1861

³⁴ “History of City” (The City of Charleston, SC), accessed July 13, 2016, <http://www.charleston-sc.gov/index.aspx?NID=110>.

(See Figure 6). When the war ended four years later in the Spring of 1865, the South had to deal with the implications of being politically unified with it's Northern enemy.³⁵

Before the war, the South had been a primarily agrarian society with only 10% of it's citizens living in cities. However, of the urban centres, Charleston was enormously successful. In 1860 it had a population of 40,522, of those 13,509 were slaves.³⁶ It was the second largest city in what was to become the Confederacy.³⁷ In fact, according to historian and noted American Studies professor, Maurie D. McInnis, although the Confederate capitol was located in Richmond, most American's thought of Charleston as "the symbolic heart" of the Confederacy.³⁸ For this, the city paid dearly during the war. It endured bombing, fire and a blockade.³⁹ Following the war Union General, William T. Sherman wrote in his memoirs that he doubted "whether any city was ever more terribly punished than Charleston..."(See Figure 5).⁴⁰ During



Figure 6-Charleston Harbor S.C.. Bombardment of Fort Sumter. Sneden, Robert Knox, 1832-1918.[1862-1865] <http://hdl.loc.gov/loc.ndlpcoop/gvhs01.vhs00058>

³⁵ Dr. James McPherson, "A Brief Overview of the American Civil War; A Defining Time in Our Nations History" (Civil War Trust), accessed July 13, 2016, <http://www.civilwar.org/education/history/civil-war-overview/overview.html>.

³⁶ "State of South Carolina, Census, 1860" (United States Census, 1860), United States Census Archive, <http://www2.census.gov/library/publications/decennial/1860/population/1860a-32.pdf>.

³⁷ "Largest Cities in the South in 1860" (The Civil War Gazette, December 12, 2006), <https://civilwargazette.wordpress.com/2006/12/12/largest-cities-in-the-south-in-1860/>.

³⁸ M.D. McInnis, *The Politics of Taste in Antebellum Charleston* (University of North Carolina Press, 2005), 1, <https://books.google.com/books?id=F99t0QxhXK8C>.

³⁹ Robin Elisabeth Datel, "Southern Regionalism and Historic Preservation in Charleston, South Carolina, 1920-1940," *Journal of Historical Geography* 16, no. 2 (April 1, 1990): 201, doi:10.1016/0305-7488(90)90089-T.

⁴⁰ W.T. Sherman, *Memoirs of General W.T. Sherman*, The Library of America (Library of America, 1990), 858, <https://books.google.com/books?id=L0gs53wIosMC>.

one fire in 1861, more than one-third of the city was burned.⁴¹ The city was hit hard both physically and emotionally, and following the war, it struggled to overcome both.

OWNERSHIP OF THE SOUTH

This struggle was compounded by more wide spread issues, affecting all of the South, like the loss of a large portion of the work force with the abolition of slavery. Also, the Northern use of scorched earth tactics during the conflict, meant that the cities and farm land of the South were left in ruin.⁴² There was also confusion over who even owned the land. Towards the end of the war, General William Sherman enacted Special Field Order 15, better known by its unofficial slogan, ‘40 acres and a mule’, which repatriated the coastal land between Charleston and Savannah, for the use of freed slaves and southern Unionists.⁴³ This Order was quickly negated by President Andrew Johnson, leaving confusion and hostility in its wake.⁴⁴ With even the land itself in question, the road to Reconstruction in the South, meant the drawing of new boundaries, as well as physical rebuilding, and a complete economic overhaul.

THE INDUSTRIALISED SOUTH VS. THE AGRARIAN TRADITION

A slow progression towards industrialisation hit its stride following the completion of the First World War. The breakdown of the agricultural, plantation economy came quickly, and on its heels came the exodus of vast populations, fleeing defunct American farms for the cities. This ‘Great Migration’ as it came to be known, particularly affected African American populations, who left in droves, trading the rural South for the modern factories of the North.⁴⁵ This sudden shift in population and economy caused a similar regional identity crisis to that which was being experienced in Scotland. Historian Sarah Datel discusses this change, and how it related to historic preservation, in her article *Southern Regionalism and Historic Preservation in Charleston, South Carolina, 1920-1940*, saying “historic preservation is a

⁴¹ McInnis, *The Politics of Taste in Antebellum Charleston*, 1.

⁴² Datel, “Southern Regionalism and Historic Preservation in Charleston, South Carolina, 1920–1940,” 201.

⁴³ W.J. Cooper and T.E. Terrill, *The American South: A History*, The American South: A History (Rowman & Littlefield Publishers, 2009), 416, <https://books.google.com/books?id=y56QkoN9R7cC>.

⁴⁴ Barton Myers, “Sherman’s Field Order No. 15” (New Georgia Encyclopedia, September 25, 2005), <http://www.georgiaencyclopedia.org/articles/history-archaeology/shermans-field-order-no-15>.

⁴⁵ Robert J. Allison, ed., “Great Migration: What Caused the Great Migrations?,” in *History in Dispute*, vol. 3, American Social and Political Movements, 1900-1945: Pursuit of Progress (Detroit: St. James Press, 2000), 70–77,

<http://sacweb03.sac.alamo.edu:2048/login?url=http://ic.galegroup.com/ic/uhic/ReferenceDetailsPage/ReferenceDetailsWindow?displayGroupName=K12-Reference&prodId=UHIC&action=e&windowstate=normal&catId=&documentId=GALE%7CCX2876300017&mode=view&userGroupName=txshracd2904&source=Bookmark&u=txshracd2904&jsid=057dbdafbc844c27e33be27ef0055580>.

means for enhancing a sense of continuity during times of disorienting change”.⁴⁶ This “search for continuity” inspired southerners to reach back to their Antebellum, agronomical lifestyle, just as Scots had turned to the pre-union, royal burgh.

“In 1930, *I’ll Take My Stand: The South and the Agrarian Tradition* was published, and became a literary symbol of the Agrarian Movement. In this text, its authors pressed for the abandonment of industrial means of economy, and the southern mimicry of northern developmental fads. Instead, they advocate for a break from prevailing American systems of thought, and a return to the system that made them unique.⁴⁷ They wrote “Nobody now proposes for the South, or for any other community in the country, an independent political destiny. That idea is thought to have been finished in 1865. But how far shall the South surrender its moral, social, and economic autonomy to the victorious principal of the Union”.⁴⁸ Their idea of being uniquely ‘southern’ goes beyond a return to a farming economy, and at its heart it is more concerned with a return to a particular ‘southern’ ethos. Like the Scottish folk tradition, this centres around a pride of place, and the importance of family and home.

the South at last, looking defensively about her in all directions upon an industrial world, fingers the weapons of industrialism. There is one powerful voice in the South which, tired of a long status of disrepute, would see the South made at once into a section second to none in wealth, as that is statistically reckoned, and in progressiveness, as that might be estimated by the rapidity of the industrial turnover. This desire offends those who would like to regard the South as, in the old sense, a home; but its expression is loud and insistent. The urban South, with its heavy importation of regular American ways and regular American citizens, has nearly capitulated to these novelties. It is the village South and the rural South which supply the resistance, and it is lucky for them that they represent a vast quantity of inertia.⁴⁹

The rural home is once again represented as the spiritual centre of regional character, fighting back against the tide of industrialisation. This idea was perpetuated by preservationists like SPOD founder, Susan Pringle Frost, who looked upon the ancestral houses of families in Charleston, South Carolina as the perfect symbol of stability and southern legacy.^{50,51}

⁴⁶ Datel, “Southern Regionalism and Historic Preservation in Charleston, South Carolina, 1920–1940,” 206.

⁴⁷ Ibid.

⁴⁸ T. Southerners and S.V. Donaldson, *I’ll Take My Stand: The South and the Agrarian Tradition*, Library of Southern Civilization (LSU Press, 2006), xlii, <https://books.google.co.uk/books?id=HLxN4IXpgEUC>.

⁴⁹ Ibid., 20.

⁵⁰ Datel, “Southern Regionalism and Historic Preservation in Charleston, South Carolina, 1920–1940,” 209.

⁵¹ Lang, “The Revolving Fund in the United States and Scotland: A Comparison of the Origins of Vernacular Home Preservation in Each Country, and Their Impact on Revolving Fund Activity Today.,” 7.

SUSAN PRINGLE FROST

This feeling, was given added weight when houses began to be threatened, in the 1930's. Against all odds, a surprising number of buildings in Charleston had survived into the twentieth century. Even though the destruction that occurred during the Civil War was great, much of what did survive had lasted. Following the war "The city's leadership was still provided by its old plantation families, who were 'noncommercial in orientation and unalterably opposed to the social changes represented by such forces as industrialization' Charleston languished, forgoing the 'New South' vision of rapid growth and diversified industrial development".⁵²⁵³



Figure 7-Susan Pringle Frost-Image courtesy of the Charleston Museum, Charleston, SC

As a result, 60 years later, when Susan Pringle Frost was assessing the situation, she discovered that Charleston had retained 5,000 pre-twentieth century structures.⁵⁴ Of the 5,000 surviving structures, about 3,000 were constructed in a style entirely particular to the city. Charleston's early builders had popularised an architectural form now referred to as the 'single house'.⁵⁵ This unique style reflected the equally unique character of the city.

Susan Pringle Frost was a member of Charleston's wealthy elite who had a passion for the city's history. As early as 1909 she began buying historic homes for reuse. However, although she was most likely the first one to utilize the revolving fund technique, she was not necessarily a savvy practitioner. She "was the main spokesperson for preservation sentiment

⁵² Datel, "Southern Regionalism and Historic Preservation in Charleston, South Carolina, 1920-1940," 201 & 209.

⁵³ Lang, "The Revolving Fund in the United States and Scotland: A Comparison of the Origins of Vernacular Home Preservation in Each Country, and Their Impact on Revolving Fund Activity Today.," 7.

⁵⁴ Datel, "Southern Regionalism and Historic Preservation in Charleston, South Carolina, 1920-1940," 198.

⁵⁵ Ibid.

in Charleston throughout the 1920s. A strong sense of ancestral worship and an evocative historical memory influenced Frost's public and private cultural activism, often clouding her practical business sense. She became involved in numerous money-losing projects for the sake of their historical associations".⁵⁶ Frost viewed the work that she did through what those who knew her, referred to as "the golden haze of memory and association".⁵⁷

For Frost, these homes were really the only way to access the city's unique and gilded past. The heart of the South and the heart of the Confederacy, the idealized past that Charleston represented, was truly condensed into these structures. However, that was not an inclusive past. As her biographer, Sydney R. Bland writes, Frost "generally acquiesced to the inevitable Jim Crow-era policies of the Charleston power structures".⁵⁸ A by product of her vision for Charleston's built heritage, was the displacement of many African American, Charleston residents, and the increased segregation of the city.⁵⁹ Many of the old houses that she bought up,



Figure 8--Susan Frost and her sister, dress in period finery for an event at their home in Charleston, SC. Photo by M.B. Payne, in *Images of America, Charleston, An Album from the Collection of the Charleston Museum*

had been the large stately homes of wealthy merchants. However, in intervening years, they had been segmented up into tenements, housing a primarily African American population. Frost would fix up the houses, and then reinstate white families. With this pattern, Frost

⁵⁶ W.F. Brundage, *Where These Memories Grow: History, Memory, and Southern Identity* (University of North Carolina Press, 2015), 232, <https://books.google.com/books?id=hGE3CwAAQBAJ>.

⁵⁷ *Ibid.*

⁵⁸ Amy Thompson McCandless, "Reviewed Work: Preserving Charleston's Past, Shaping Its Future: The Life and Times of Susan Pringle Frost," ed. Sidney R. Bland, *The South Carolina Historical Magazine* 96, no. 2 (1995): 187-89.

⁵⁹ *Ibid.*, 188.

unfortunately set a president, which revolving funds, and historic preservation organisations in the United States are still attempting to recover from.

THE NEXT GENERATION OF PRESERVATIONISTS

It took a while for revolving funds in the US to be used as a practical means of community development. Such funds would either be limited to the saving of one threatened house, or more along the lines of Susan Pringle Frost's efforts, they were associated with the aging elite. In contrast to the efforts in Scotland, which quickly became associated with council housing, and the filling of social needs, the US revolving funds hung on to out-moded and unsustainable organisational structures.

It was not until the 1970s that preservationists in the United States really started looking at the future of revolving funds, and the necessity of updating the way that they were used, and the people who were running them. J. Myrick Howard writes about this phenomenon in his State of North Carolina saying "In 1974, a new generation was coming to the fore. Younger, more assertive, often male and professional, these preservationists were smitten by Lee Adler's tales of blocks of Savannah buildings being saved by an aggressive preservation organization. Museums were no longer the preservation solution of choice. The new preservationists talked of impact, community revitalization, revolving funds, tax laws, zoning, and even law suits".⁶⁰ As Howard makes reference to here, the US had, and continues to have trouble separating itself from from a deeply ingrained love of the historic house museum. As National Trust for Historic Preservation (NTHP) Executive Director, Stephanie Meeks mentioned in a speech in 2014, there were more historic house museums in the United States, then there were McDonalds restaurants. However, with the acknowledged outlier being the immensely popular Mount Vernon, long time home of George Washington, most of these organizations are limping along. They are struggling to attract visitors or relate to the modern communities surrounding them.⁶¹

In *Revolving Funds for Historic Preservation: A Manual of Practice*, a booklet published in 1975 by Ober Park Associates, Inc., the authors confront this issue saying:

⁶⁰ J. Myrick Howard, *Buying Time for Heritage: How to Save an Endangered Historic Property* (Raleigh, N.C. : Chapel Hill, N.C: Preservation North Carolina ; Distributed by University of North Carolina Press, 2007), 1.

⁶¹ Stephanie K. Meeks, "House Museums: A 20th Century Paradigm" (Indianapolis, Indiana, October 30, 2016), <https://savingplaces.org/press-center/media-resources/house-museums-a-20th-century-paradigm#.V7B0xZMrKb9>.

The museum house, the typical focus of preservationist activity in the past, often presents an object lesson in the need for a broader vision today. Standing on its original foundations, restored with scholarship, furnished with taste, it is often surrounded by a degenerating neighbourhood-tenements, taprooms, loft buildings, warehouses, vacant lots, and general filth. Visitors make their way through this squalor to the preservation monument; they enter a house where nobody lives, look across across rope barriers at chairs that nobody is allowed to occupy and at glass forever empty, then file out again into the sordid neighbourhood, exchanging the uninhabitable for the barely habitable. Even when such a museum has decent, even delightful surroundings, there is a certain air of futility about it. Despite labels, lectures, demonstrations, and hoopskirted guides this experience of things meant to be lived with remains one that can only be looked at.⁶²

As expressed here, this more stagnant model of historic house preservation was not in line with the new generation of preservationists. It was being realized that there were better, more inclusive ways of utilizing historic real estate. That being said, as mentioned above, the debate over historic house museums is still raging within the US preservation world. An issue that appears to have had an overall retarding influence on the revolving fund movement in the country.

THE 1772 FOUNDATION AND THE NTHP

Thanks to the NTHP and the 1772 Foundation, a great deal of work has been done to accelerate the use of the revolving funds in the last ten years. The 1772 Foundation, which operates out of Newport, Rhode Island, has turned a great deal of attention and capital towards the development of revolving funds. In just a few years, they have made a notable impact on the field. In their *2013 Annual Report*, Foundation President, B. Danforth Ely stated:

Revolving funds have become such an effective tool in historic preservation that 1772 feels strongly the revolving fund movement should be expanded. To that end, it has been working with its revolving fund partners and the National Trust for Historic Preservation to find ways to “get the word out” about this preservation tool. During 2013, the 1772 Foundation had several convenings, helped design and fund a real estate finance course for revolving fund directors who lacked this important skill set, and sponsored a number of sessions and a real estate charrette at the Trust’s conference in Indianapolis in October. Additionally, 1772 is working with the Trust to establish a Historic Properties Redevelopment Programs Office at the Trust, with a full time coordinator to manage this work. We hope to have this person in place in early 2014.⁶³

The Foundation was true to its word. “They have created a website, www.historyflips.org, which lists active funds. Also, through the Historic Properties Redevelopment Program that they founded, they have created a network of revolving funds across the country, and an

⁶² A.P. Ziegler, L. Adler, and W.C. Kidney, *Revolving Funds for Historic Preservation: A Manual of Practice* (Ober Park Associates, 1975), 7, <https://books.google.com/books?id=p3sVAQAIAAJ>.

⁶³ The 1772 Foundation, “The 1772 Foundation, 2013 Annual Report,” Annual Report (The 1772 Foundation, n.d.), 2013_Annual_Report 1772.pdf.

interactive GIS map highlighting their locations, as well as Community Development Corporations (CDC) and other partner groups like preservation architects, and contractors. They have also worked with the Savannah College of Art and Design (SCAD) to put together a short documentary about revolving funds, and an impact report (See Figure 9). They have designed innovative trainings in real estate finance, and launched a newsletter and blog”.⁶⁴ In addition they sponsored special workshops, as part of the NTHP’s annual conference, which were specifically for gathering and training revolving fund managers.

Among other things, this work has done a great deal to create a community of such funds, and some sense of continuity between them. Not having an overarching organisation, like the APT in the UK, has been a disadvantage for US revolving funds. This was recognised and successfully addressed by the NTHP and the 1772 Foundation.

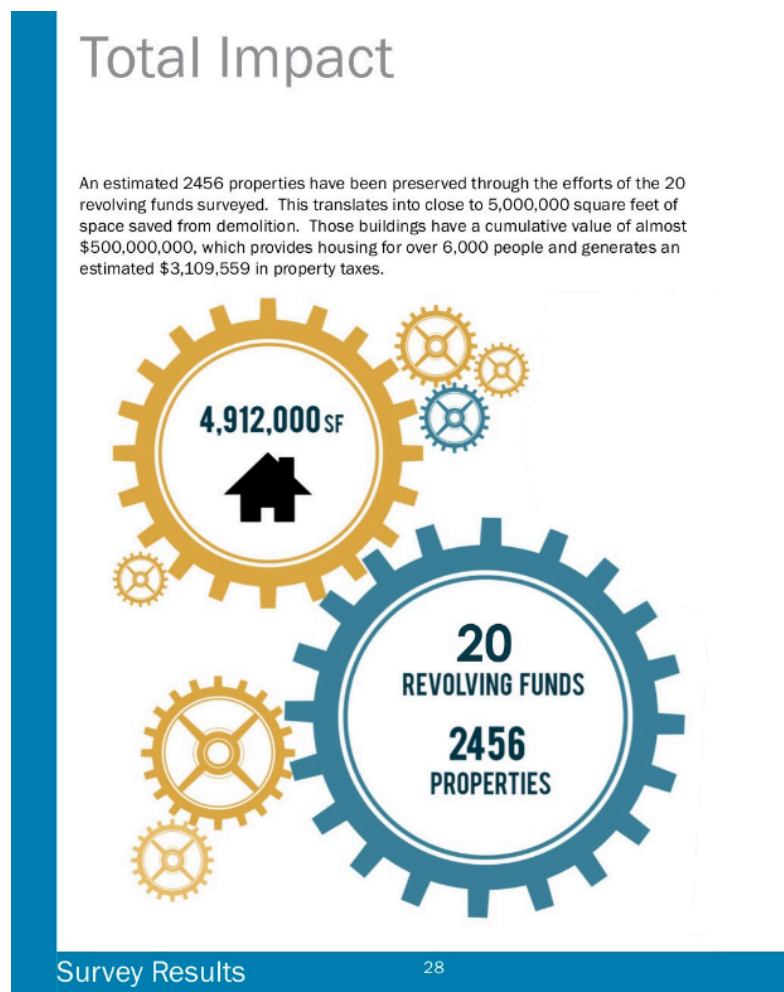


Figure 9-Survey Results-Forum Journal (Fall 2014): SCAD Revolving Fund Impact Report

⁶⁴ Lang, “The Revolving Fund in the United States and Scotland: A Comparison of the Origins of Vernacular Home Preservation in Each Country, and Their Impact on Revolving Fund Activity Today.,” 10.

HISTORICAL ANALYSIS

And Pre 2008 Status

“There are many parallels between the ways that these two programs came into being. The common place is rarely the first thing that is considered worthy of conservation. However, each population had to ask, in the face of violent transition how far they would surrender their “moral, social, and economic autonomy to the victorious principal of the Union”.⁶⁵ As conquered elements, they had to decide what to hold onto as unique components of a united whole, and each found solace, normalcy and individuality in their traditional housing stock. This in turn, inspired a successful method for recovering and repurposing vernacular structures”.⁶⁶

These first two efforts in Culross and Charleston, have had lasting impacts on the trajectories of the movements, with interesting ramifications for current efforts in the field. In the US, the work of Susan Pringle Frost set up a model for revolving real estate. However, it was a model that clung fervently and sentimentally to a bygone era, at the expense of economic practicality. It also was a movement for and by the elite, which was, in fact, detrimental to African Americans, and those of lower economic strata. In Scotland, although its key members were also members of the elite, there was, especially in the early days, a direct link drawn between the burgh house, and the common Scottish citizen. The program was imbued from the beginning with the power of the rural burgh community, what Watters and Glendinning describe as the “grand community rhetoric”.⁶⁷ In it’s original format, before it became a ‘true’ revolving fund, in 1960, it was revolving funds, but they were going into community organisations, or housing associations, not future projects. So, BPTs were fuelling community, in a way that the US equivalent never was.

The US has always been more reliant on fundraising, in a way that the BPT movement has never been. So, from the beginning the movement was sustained and guided by the wealthy, in addition to being from more complex and diverse sources, whereas, BPTs have relied on more stable government or lottery funding. This is a key difference between the two programs, which has had lasting repercussions on their individual evolutions. Until more

⁶⁵ Southerners and Donaldson, *I'll Take My Stand: The South and the Agrarian Tradition*, 20.

⁶⁶ Lang, “The Revolving Fund in the United States and Scotland: A Comparison of the Origins of Vernacular Home Preservation in Each Country, and Their Impact on Revolving Fund Activity Today.” 8.

⁶⁷ Watters and Glendinning, *Little Houses*, 64.

recently, financing BPT projects was more straightforward than in the US, because there was funding allocated specifically to their operations, whereas American revolving funds had to seek out many funding sources.

One such source, which has become increasingly important are tax credits. Since 1976 with the beginning of the Historic Tax Credit program, American revolving funds have become reliant on these tax credits in the same way that BPTs have become reliant on government funding (See Appendix A). The applications for tax credits, in addition to those for grants and loans and the time invested in fundraising has led to another significant difference between the two programs.

Fundraising and applying to multiple sources of capital, necessitated that American funds had to grow their staffs to tackle this aspect of their operational needs. As a result, today, American revolving funds generally have more designated full or part time employees. In Scotland, according to the ECOTEC report *Study of Building Preservation Trusts in Scotland*, done in 2010, only 11 out of the 48 Scottish BPTs have employees, while the rest are entirely volunteer run.⁶⁸ On the other hand, a look at 18 U.S. revolving funds show an average of 3 full time employees per fund. This became a significant issue in 2008, when funding on both sides dried up.

A critical moment for both Scottish BPTs and American revolving funds came in 2008, with the economic downturn. This decrease in funding has changed both systems dramatically. In both cases, it has inspired the shake up of elements which both systems have come to rely on. It has also shown the lingering impact of each system's founding principals. It has made for the significant restructuring of how they both operate, and how both of them will go forward. In the next section, this paper will address some of the challenges which BPTs and American revolving funds are currently facing, and the ways in which these challenges have inspired recent changes.

⁶⁸ ECOTEC, "Study of Building Preservation Trusts in Scotland, Final Report," February 26, 2010, 12.

CURRENT CHALLENGES

BPTs in Scotland

OVERALL LACK OF FUNDING

The mid 1980s until the mid 2000s were a ‘Golden Age’ for BPT’s.⁶⁹ Funding for BPTs was at an all time high. The 2000s until 2009, were especially fruitful years, with large funders, like the HLF and the AHF setting new records in allotted funding.⁷⁰ BPTs had three major funders that they could reliably turn to, which were the Architectural Heritage Fund (AHF), Historic Scotland (Now, Historic Environment Scotland, HES) and the Heritage Lottery Fund (HLF), not to mention many regional or local funding sources. During this period, funding was both ample, as well as being targeted specifically towards BPTs. This made the task of funding relatively uncomplicated. However, this trend was stopped in its tracks in 2009. Just one example of this can be seen in looking at AHF’s giving, which decreased by 772,000GBP that year.

“As interest rates fell, so did the funding available through the AHF. As a result, the AHF has reduced the maximum grant that BPTs can access. Although loans are still available to BPTs, grant allocation has been restricted to 90,000GBP across the UK per quarterly board meeting. Moreover, a BPT can only submit one application per grant type each quarter (i.e. a maximum of one application for an options appraisal grant and one application for a project development grant). This is starting to cause significant concern amongst the professional trusts as their ongoing sustainability depends on them undertaking more than one project at any given time”.⁷¹

This is an example of the way that funding was not only decreased, it was restricted in other ways. Several of these restrictions have posed enormous, perhaps insurmountable challenges to BPTs. The long time reliance that trusts had on this very dependable funding, put them in a difficult position to react to this sudden change. Examples of some of these restrictions and the effect that they have had, are as follows:

RESIDENTIAL AND RURAL RESTRICTIONS

The focus of funding has moved away from residential and rural housing in favour of urban regeneration and community empowerment. As a result, many funders have added extra requirements to their grant and loan applications, that insist that projects benefit and are open to the community. For example, in looking at the requirements for applications to Historic Environment Scotland’s Historic Building Repair Grants Scheme, the first benefit that they

⁶⁹ Mia Scott, July 29, 2016.

⁷⁰ ECOTEC, “Study of Building Preservation Trusts in Scotland, Final Report,” 21.

⁷¹ Ibid.

look for is “enhanced public access”. Since a residential house is not open to the public, they are ineligible for these grants. As a result, BPTs are figuring out other ways to access this money, in order to continue working on the types of projects that they were designed to tackle.

With a smaller pool of money to distribute, it seems that funders in Scotland have all placed their priority on community work, and even though BPTs have enormous community benefit, they have not been able to market themselves as such. Consequently, they have been excluded from this popular funding tendency. In their place, development trusts have flourished. Development trusts are essentially community groups. They are independent organizations, that are owned and operated by local communities. These groups have a variety of objectives. However, according to the Development Trusts Association Scotland (DTA Scotland), the overarching association promoting and assisting development trusts, “Local people set up development trusts to tackle local issues and to improve the quality of life in their community”.⁷² Projects undertaken by development trusts truly run the gamut, and range from cafes and pubs to renewable energy, forestry and petrol stations.

Development trusts have also been used to take care of historic buildings, and there are specific subsets of DTA Scotland, which cater to development trusts who seek to take on such projects. Among these, the Community Ownership Support Service (COSS) helps community groups take over ownership of publicly held land and buildings,⁷³ and Rural Housing Scotland helps organisations take over under utilized rural properties to be repurposed as affordable housing.⁷⁴ Development trusts who take on historic building related projects currently have the funding, but they don’t necessarily have the expertise that BPTs have, nor do they necessarily know how to access the funds available to them.

Thus, many BPTs have begun partnering with development trusts in order to take on the types of projects that they want to work on, and in order to procure funding. However, these partnerships rely on a great deal of front-end, leg-work on the part of BPTs. This work is also, generally initially unpaid, until the BPT is able to apply for and attain the funding that

⁷² “What Is a Development Trust” (Development Trusts Association Scotland), accessed August 10, 2016, <http://www.dtascot.org.uk/content/what-is-a-development-trust>.

⁷³ “About COSS” (Community Ownership Support Service), accessed August 10, 2016, <http://www.dtascommunityownership.org.uk/about-coss>.

⁷⁴ “Activities” (Rural Housing Scotland), accessed August 10, 2016, <http://ruralhousingscotland.org/activities-2>.

the development trust will then use to pay the BPT. This can be an exhausting process for BPTs, adding enormously to the complexity of the project.

CLAWBACK

A BPT, like a revolving fund, relies on a certain amount of money being made on a project, in order to fund operational costs. When a BPT sells a property, and makes money on that property, it may appear to be a surplus, but the truth of the matter is that this money is necessary to pay the BPT back for its work, and therefore necessary for the survival of the trust. BPT projects are generally long, and labyrinthine in nature. Working with old buildings means an inevitable litany of challenges, and a convoluted development schedule, all being managed by a small, and multitalented crew. In order to pay the bare minimum for these few highly talented workers, and the basic costs of running an office, and still have the money to revolve into the next project, a BPT needs that small profit. Mia Scott, of the Highlands Building Preservation Trust (HBPT) explained this succinctly in her dissertation from the University of Strathclyde saying, “clawback is a process whereby project funders can recoup all or part of their grant, where the proceeds of the sale of the building have realised a higher than anticipated yield. It is considered by many BPTs as a regressive tool as it does not operate in reverse, i.e. a project which makes a loss on the sale does not automatically receive an increased grant”.⁷⁵ Although, selling a property for more than they bought it, could technically be viewed as a surplus, in reality, it is necessary in order for the trust to break even on a project. It is not an accruing bonus, but rather the recuperation of a sunk cost that will revolve into the next project.

In recent years, major funders have put clawback provisions in their funding agreements. This has effectively killed the revolving fund model, as it took away the ability for a fund to revolve in full. A BPT is not able to sustain itself by revolving projects alone with the clawback in place, as it will be losing money on every project, until it can no longer afford to exist. Many BPTs have challenged the clawback. Sarah MacKinnon, former Chief Executive of the Strathclyde Building Preservation Trust (SBPT), a BPT which has since gone under, stated in an interview that she attempted to appeal the clawback every one of the ten years that she was working at the trust.⁷⁶

⁷⁵ Mia Scott, “Entitlement or Enterprise? How Has the Revolving Fund Building Preservation Trust in Scotland Adapted to the Current Funding Climate?” (MBA, The University of Strathclyde, 2014), 37.

⁷⁶ Sarah MacKinnon, August 1, 2016.

Certain funders have attempted to create another system for BPTs to get back this funding. The HLF put into place the ‘full cost recovery’ program, which, according to an explanatory pamphlet produced by the HLF in 2008, “simply means securing funding for – or ‘recovering’ – all organisational costs, including the direct costs of projects and their associated overheads”. They go on to say, “We believe full cost recovery is a way of strengthening the heritage sector and in particular the small and medium-sized heritage organisations delivering our projects to a local community. We welcome applications to fund a share of overhead costs that are not funded by other means”.⁷⁷ Unfortunately, the application for this program is complex and time consuming, and puts further stress on the small staffs that serve the trusts.⁷⁸ So, although it is an attempt at righting the problem, and an acknowledgement of the trouble that the clawback has caused, in reality it has also provided more work for people who are already over burdened. Thus, such programs have served to perpetuate one of the other big problems currently plaguing BPTs, under staffing.

STAFFING

Both revolving funds and BPTs tend to be lean operations, working with very limited staff. However, as mentioned previously, BPTs generally have smaller paid staff, and tend to rely more on volunteers. This appears to be a holdover from the days when BPT funding was much easier to come by. When a trust’s Chief Executive only had to apply to a handful of grants, as well as manage the project, they were still stretched thin. However, now a project may require application to dozens of funding sources. In fact, in an interview with Sian Loftus, LHIS Manager for the NTS, she indicated that their recent Threadneedle Street project, in Peterhead located in Aberdeenshire had forty different funders.⁷⁹ This means forty different applications and the coordinating of forty different funders, in order to get the proper funds at the correct period in the process, which represents an enormous amount of work.⁸⁰ BPTs need larger staffs in order for them to tackle the convoluted grant process while still managing multiple projects. MacKinnon described times at the SBPT when she was working on ten projects simultaneously, with only two full-time staff members and one part-time.⁸¹ In such situations there is no time to try other modes of fundraising.

⁷⁷ “Understanding Full Cost Recovery” (Heritage Lottery Fund, April 1, 2016), http://closedprogrammes.hlf.org.uk/preApril2013/furtherresources/Documents/Understanding_full_cost_recovery.pdf.

⁷⁸ Audrey Dakin, August 2, 2016.

⁷⁹ “Peterhead, The Project, Project Overview” (The National Trust for Scotland), accessed August 10, 2016, <http://www.nts.org.uk/Peterhead/TheProject/ProjectOverview/>.

⁸⁰ Sian Loftus, August 4, 2016.

⁸¹ MacKinnon, interview.

Another issue with the small staff sizes, is that trusts have no resiliency. In general, one person, the Chief Executive has all the institutional knowledge, and when that person leaves, the organization has to restart. There are not enough people working at most of the trusts to have continuity between Chief Executives.⁸²

This challenge is at the root of many other issues facing BPTs, as there is just not enough time for BPT employees to solve the many issues facing them. There is not enough time for them to be creative, or experimental, as it takes all their time just to keep their heads above water. However, with the clawback and the decreased funding, BPT's are not getting the operational money, as it is. So, hiring further employees, and adding to these costs is out of the question.

Due to these changes, and others, the BPT is on its way to extinction. A model which was such a well designed tool for preserving Scotland's vernacular housing stock, has been quickly stripped of it's abilities. What was once a streamlined rational system, has now become increasingly complicated and nonsensical.

Even the LHis, the BPT with the most fighting chance at survival, is now threatened with possible closure. The LHis, the pioneer trust, that started it all, has the decided advantage of operating under the auspices of the NTS, and hence benefiting from the increased buying power of being a part of a much larger portfolio.⁸³ However, like the others, it is not seen as being in line with the current needs of the conservation movement. In June of 2016, Simon Skinner, Chief Executive of NTS sent out a change

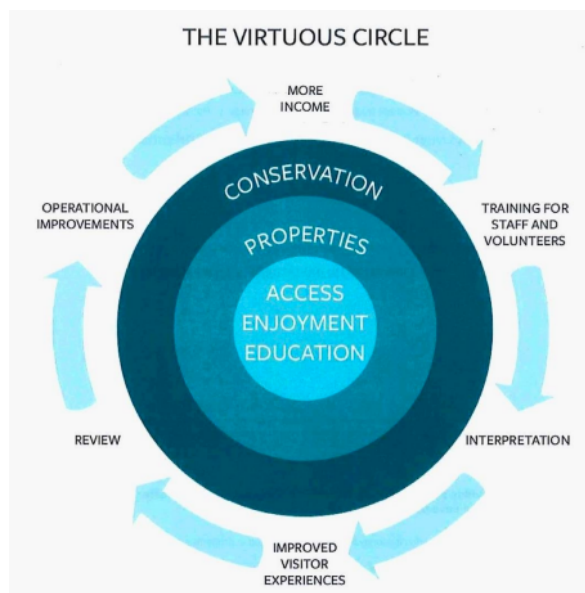


Figure 10-The Virtuous Circle-“Transforming the Trust handout-2016”

⁸² Ibid.

⁸³ Loftus, interview.

programme hand out to NTS employees, entitles *Transforming the Trust; Taking the National Trust for Scotland Forward*. In this hand-out, Skinner outlines the changes that will be taking place at the Trust, including the planned restructuring, and the streamlining of their organisational and administrative processes. This new vision for the trust is based upon three ‘design principles’. These ‘principles’ are, in short:

- “-Improve our visitors’ experiences
- Make us more relevant to more people
- Better ways of working”.⁸⁴

These ‘principles’ reiterate the new visitor focused model that the trust is chasing, where success is judged on the number of ticket buyers. In this way, the LHis falls short. Also, it appears that the NTS as well as many funders, believe that since it is now popular to live in an old house, all underutilized buildings will be swept up by the market.⁸⁵ This is however, a falsity. Although, easier projects might be picked up by developers and independent buyers, the tough projects still require far more time and money than they are worth, and still necessitate the work of BPTs.

The BPT movement, and LHis in particular were conceived of as community motivators, and the projects that they have tackled since the 1930s have been engaging and empowering communities. However, the fact of the matter is that they are not doing these things in a way that sells tickets. The impact may be slightly subtler, and less quantifiable, but it is recognisable. As a Parliament Select Committee stated in 2004, concerning the Role of Historic Buildings in Urban Regeneration “Historic buildings provide a foundation for the regeneration of many of our towns and cities. Regenerating these buildings can reinforce a sense of community, make an important contribution to the local economy and act as a catalyst for improvements to the wider area”.⁸⁶ The report goes on to quote a *Memorandum by the Institute of Historic Building Conservation (IHBC) (HIS 13)* saying, “In many parts of Britain, historic buildings have been a positive catalyst in achieving structural economic change, attracting higher value investment and jobs, and providing the context for creative, high quality contemporary design in new development. The historic environment and good

⁸⁴ Simon Skinner, “Transforming the Trust; Taking the National Trust for Scotland Forward” (The National Trust for Scotland, June 20, 2016), 2.

⁸⁵ Loftus, interview.

⁸⁶ House of Commons et al., “The Role of Historic Buildings in Urban Regeneration” (House of Commons, July 29, 2004), 6, <http://www.publications.parliament.uk/pa/cm200304/cmselect/cmoldpm/47/47.pdf>.

urban design are key elements in achieving ‘urban renaissance’”.⁸⁷ These passages are illustrative of the way that the renovation of one building can positively influence a community, and an economy. They highlight the very clear community benefits that BPTs offer, and the way they could be effectively marketed. However, perhaps, most notably, they illustrate the great missed opportunity offered by BPTs, who have so much possibility for positive change, but who are being so overlooked.

⁸⁷ Dave Chetwyn MA MA MRTPI IHBC, “Memorandum by the Institute of Historic Building Conservation,” Select Committee on Office of the Deputy Prime Minister: Housing, Planning, Local Government and the Regions Written Evidence (Institute of Historic Building Conservation, November 1, 2003), <http://www.publications.parliament.uk/pa/cm200304/cmselect/cmodpm/47/47we19.htm>.

CURRENT CHALLENGES

American Revolving Funds

PRESERVATION LEGACY

Historic preservation organizations are still fighting the associations that Susan Pringle Frost and her contemporaries instilled in the movement in the early 20th Century, when preservation became linked with displacement.

Frost herself was an interesting figure, part suffragist, and part impeccably bred, aristocratic, Low Country Charlestonian. She and her followers were not opposed to change, nor were they devoid of business sense. As she said herself in a letter to the editor of the *Charleston News and Courier* on May 11, 1928, “I want to bring out the fact that members of our Society are not opposed to progress, that we would like to see industries, smoke stacks, and everything that would advance Charleston commercially, come once more to Charleston; but we want them properly located, and not at the expense of the beauty and charm of Charleston’s distinctiveness, which annually brings so many visitors to its doors”.⁸⁸

However, they did use their preservation platform to aggrandise a segregated past. Stephanie Yuhl, writes about this in her book, *A Golden Haze of Memory: The Making of Historic Charleston* saying, “SPOD activists bestowed ‘sacred relic’ status on the grand eighteenth- and early-nineteenth-century residences of the former planter class and ignored or advocated the ‘clean-up’ of more modest, usually black-occupied structures. In these preservation choices, SPOD members projected their interpretation of the past, and their claim to contemporary racial and class authority, onto the three-dimensional fabric of the city”.⁸⁹ Due to Charleston’s place, as the ‘symbolic heart of the Confederacy’, the Antebellum story that Frost and others were attempting to tell, was an innately segregationist narrative.^{90,91}

This link between preservation and displacement was given a name in 1964, when Ruth Glass coined the term ‘gentrification’ in her book, *London: Aspects of Change*.⁹² Gentrification, or

⁸⁸ M.J. Spruill, V.W. Littlefield, and J.M. Johnson, *South Carolina Women: Their Lives and Times*, South Carolina Women: Their Lives and Times (University of Georgia Press, 2010), 225, <https://books.google.com/books?id=LKTnFcNrNIoC>.

⁸⁹ S.E. Yuhl, *A Golden Haze of Memory: The Making of Historic Charleston* (University of North Carolina Press, 2006), 24, <https://books.google.com/books?id=yXIROakGDrAC>.

⁹⁰ McInnis, *The Politics of Taste in Antebellum Charleston*, 1.

⁹¹ Lourdes Doddington, “Historic Preservation as Social Justice: Analyzing Historic Charleston Foundation’s Elliottborough Neighborhood Impact Initiative,” ed. R. Grant Gilmore et al., 2016, 58.

⁹² Japonica Brown-Saracino, “Gentrification,” n.d., [//www.oxfordbibliographies.com/document/obo-9780199756384/obo-9780199756384-0074.xml](http://www.oxfordbibliographies.com/document/obo-9780199756384/obo-9780199756384-0074.xml).

“the process of renewal and rebuilding accompanying the influx of middle-class or affluent people into deteriorating areas that often displaces poorer residents”,⁹³ was a term quickly embraced. Yuhl directly ties the Charleston movement to the term, saying, “Historical amnesia had triumphed in the form of gentrification”.⁹⁴ To Yuhl, and many other scholars of urban planning, the goals of SPOD and other preservation organization, as well as the preservation legislation that they inspired, went hand in hand with the segregation and subjugation of low income and minority populations.

This connection has remained persistent, even as the American preservation field has evolved away from the SPOD model. The negative connotations are in fact influencing the way that revolving funds are being funded today. Even if people do not connect preservation with the segregation of American cities, many find fault in SPODs other less caustic association with a propensity for stagnation. The photo of Susan Pringle Frost and her sister dressed in Antebellum costume, to guide visitors around their home, comes to mind here (See Figure 8). The idea that to preserve something is to put it in amber, is not an attractive one to modern audiences, or to modern funders seeking ‘positive change’.

In order to get away from these strong negative implications, revolving funds are attempting to create a new lexicon, and completely rebrand their movement. 1772 Foundation, Executive Director, Mary Anthony, expressed this in an interview, saying how she is actively promoting a vocabulary switch from ‘revolving fund’ to ‘historic properties redevelopment program’ and from ‘historic preservation’ to ‘historic revitalisation’. Anthony recalled that in several situations, she spoke with foundations who indicated that they were not interested in ‘historic preservation’, but showed great interest in ‘historic property redevelopment’.⁹⁵

The revolving fund model fits very cleanly within several interesting and hip social movements. The sustainability, smart growth and liveable cities movements, just to name a few, share many significant goals with revolving funds. Anthony and others aim to connect the two, in order to “make [preservation] matter to normal people” not just the “ladies who

⁹³ “Gentrification,” *Miriam-Webster*, accessed August 11, 2016, <http://www.merriam-webster.com/dictionary/gentrification>.

⁹⁴ Yuhl, *A Golden Haze of Memory: The Making of Historic Charleston*, 50.

⁹⁵ Mary Anthony, June 28, 2016.

lunch”, or the upper crust.⁹⁶ However, in order to accomplish this, it means overcoming significant obstacles created by the movement’s founders.

Another way that revolving funds have combatted this negative stereotype, has been through actively seeking out those that have been wronged by preservation in the past. The Providence Revolving Fund (PRF) has experienced great success in working on low income housing projects. Not only does this do positive good in the community, and help to change the image of what a revolving fund is, it also allows them to access Low Income Housing Tax Credits (LIHTC)(See Appendix A) and other funding.

TAX CREDITS

Unlike the UK, the American system has always had to rely on a hodgepodge of funding from the public and private sector. Revolving funds in the US have become very entrepreneurial, thinking about what they can do to make money rather than who they can ask for money.⁹⁷ However, they too have become reliant on some funding sources which are in peril. Since 1976, one of the most useful financing tools for historic redevelopment has been the Historic Rehabilitation Tax Credit (HTC). This tax incentive scheme has become an essential part of funding these projects. So much so, that preservation advocates, like Lisa DiChiera, Director of Advocacy for Landmarks Illinois, say “The elimination of the federal historic tax credit would virtually end preservation efforts in Illinois”.⁹⁸ According to the National Parks Service (NPS), the federal agency administering the program, it is:

“the largest federal program specifically supporting historic preservation, the historic tax credit also generates much needed jobs, enhances property values in older communities, creates affordable housing, and augments revenue for Federal, state and local governments. The widely recognized program has been instrumental in preserving historic places that give our cities, towns, and communities their special character”.⁹⁹

The credits have proved fruitful to some revolving funds even beyond their injection of funds into projects. The Providence Revolving Fund and others have become experts in the process, and have created an avenue for further funding, by acting as consultants to developers undertaking tax credit projects. Executive Director of PRF, Clark Schoettle said in an

⁹⁶ Ibid.

⁹⁷ Clark Schoettle, June 27, 2016.

⁹⁸ Michael R. Allen, “Why We Need the Federal Historic Tax Credit” (Next City, March 18, 2014), <https://nextcity.org/daily/entry/why-we-need-the-federal-historic-tax-credit>.

⁹⁹ The National Parks Service, “Federal Tax Incentives for Rehabilitating Historic Buildings,” Annual Report (The National Parks Service), accessed August 12, 2016, <https://www.nps.gov/tps/tax-incentives/taxdocs/tax-incentives-2015annual.pdf>.

interview that this has become a dependable line item in their budget. Saying that last year, they were able to make \$150,000 in this way. The program has, in fact spawned an industry of such consultants, who assist in the application and syndication process for non-profit and for-profit entities (See Appendix A).

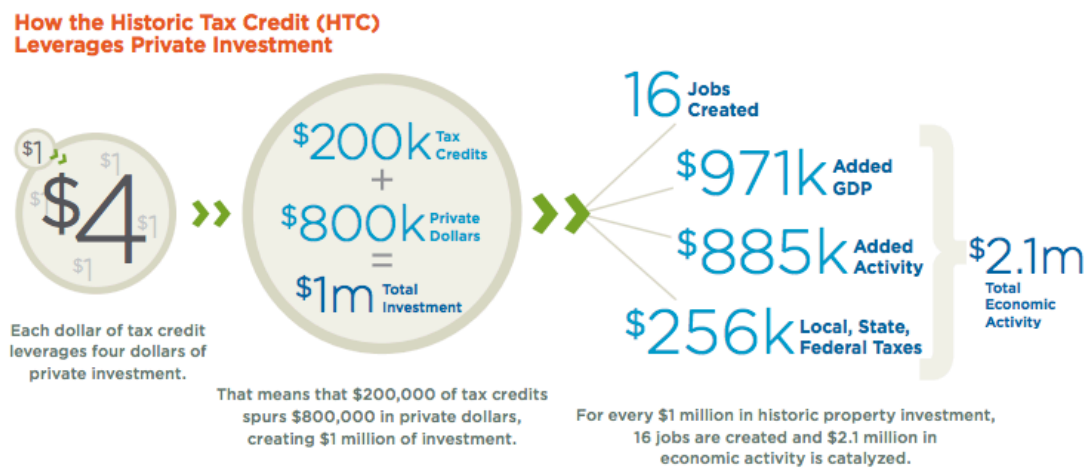


Figure 11-How the Historic Tax Credit (HTC) Leverages Private Investment-Catalyst For Change-June 2014-The National Trust for Preservation- file:///Users/gillianlang/Downloads/Catalytic-Study-Final-Version-June-2014.pdf

The Federal HTC program has been incredibly successful. However, in the past several years, it has been challenged several times, and is now facing an uncertain fate. In 2011 the Third Circuit Court called into question the partnerships formed between non-profits and investors, and the common practice of ‘selling tax credits’ or ‘syndication’. This case concerned the Historic Boardwalk Hall in New Jersey, and the project investor, the Pitney Bowes Corporation. The Third Circuit ruled to disallow the tax credits allocated to the Historic Boardwalk Hall project, as they believed that the investor, Pitney Bowes, was not taking on any risk in the investment, hence it was not a ‘bona fide partner’.¹⁰⁰ This caused enormous shockwaves throughout the industry, as people panicked that old projects might be audited. This was not the case. However, it did change the way that these partnerships had to be structured, and in some ways, it made the process less enticing for investors.¹⁰¹ In 2014 the IRS issued Rev. Proc. 2014-12, 2014-3 IRB 415, which laid out the new rules for creating a safe harbour for historic tax credit partnerships.¹⁰² The industry is navigating the changed

¹⁰⁰ Timothy Jacobs, “A Dark Future For Historic Tax Credits After Historic Boardwalk” (Thomson Reuters, August 2013), https://www.hunton.com/files/Publication/a61e644c-95b9-475c-af2c-3bfc4fb887bd/Presentation/PublicationAttachment/15535080-05e1-4b64-970e-3e96114385c3/Dark_Future_for_Historic_Tax_Credits.pdf.

¹⁰¹ Bendix Anderson, “Court Case Shakes Up Historic Rehabs,” *Affordable Housing Finance*, April 10, 2013, http://www.housingfinance.com/finance/court-case-shakes-up-historic-rehabs_o.

¹⁰² Jerry Breed and Scott DeMartino, “Tax Credits: Historic Boardwalk Guidance, Recommended Practices” (Historic Tax Credit Coalition, April 7, 2015), <http://historiccredit.com/news-items/tax-credits-historic-boardwalk-guidance-recommended-practices/>.

landscape. However, the event caused a great deal of anxiety, and made organizations and investors consider the implications of a world without historic rehabilitation tax credits.

Then, on February 26, 2014, former Chairman of the House of Representatives, Ways and Means Committee, Dave Camp, a Republican from Michigan, introduced a draft tax reform bill to the 113th Congress, that repealed historic rehabilitation tax credits completely.¹⁰³ Followed, in June of 2016, by the House of Representatives laying out a blueprint for tax reform that did not acknowledge the importance of the HTC program.¹⁰⁴ The preservation community responded by introducing the Historic Tax Credit Improvement Act, and continues to push for action in the community.¹⁰⁵ However, the tax credits are in danger, and their loss will drastically change the revolving fund world, much in the same way that the clawback has changed things in the UK. (For further information on tax credits in the United States, see Appendix A)

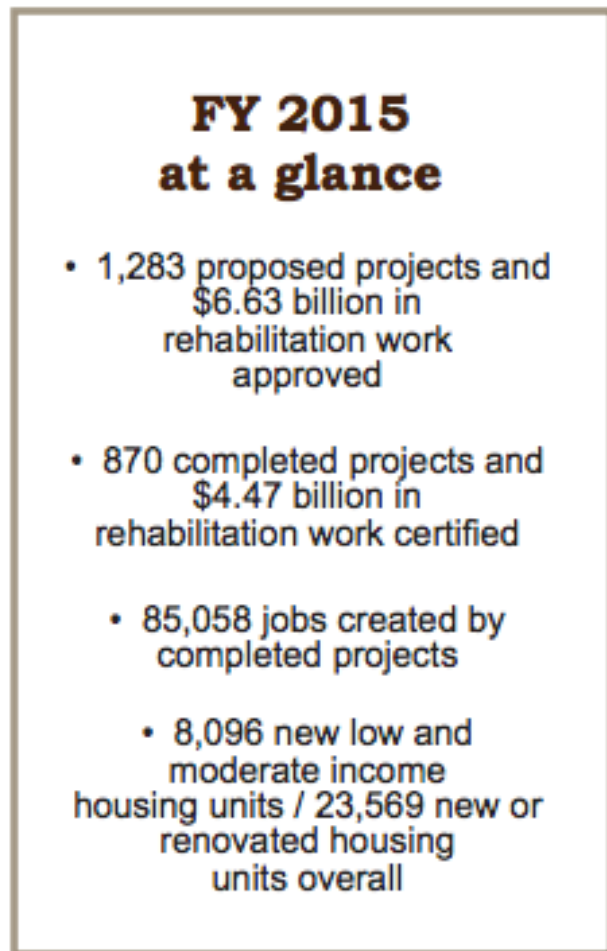


Figure 12-Year at a Glance for 2015 Historic Rehabilitation Tax Credits from Federal Tax Incentives for Rehabilitating Historic Buildings, Annual Report for fiscal year 2015, National Park Service

¹⁰³ Preservation Leadership Forum, “Preservation & the Historic Tax Credit” (The National Trust for Historic Preservation), accessed August 13, 2016, <http://forum.savingplaces.org/learn/fundamentals/economics/tax-credits/federal-htc>.

¹⁰⁴ “Ask Your Lawmakers to Support Historic Tax Credits—and Retain Them in a Reformed Tax Code!” (National Trust for Historic Preservation), accessed August 13, 2013, <https://secure2.convio.net/nthp/site/Advocacy?cmd=display&page=UserAction&id=1118>.

¹⁰⁵ Mike Kelly, *Historic Tax Credit Improvement Act of 2015*, 2015, <https://www.congress.gov/bill/114th-congress/house-bill/3846/all-info>.

CONCLUSION

And Recommendations

Revolving funds and BPTs are both facing enormous challenges in the coming years, and unclear futures. Neither model is actually ‘revolving’, the way that they should. In fact, they are devolving, and both models have to figure out how to fill the gap, in order to keep going.

The BPT in Scotland was far more quickly recognized for its potential as a community and economic motivator, and as a result, it was more quickly systematised. The presence of available, designated government funds allowed them to evolve into exceptionally lean and efficient organisations. However, this same concise structure has proven problematic as they have not been robust enough to effectively acclimate to their new funding environment. What was created as a streamlined system has, over the years been complicated and convoluted to the point of collapse.

The United States revolving fund system has never experienced the stability of the BPT system. As a result, they have evolved to be much more facile, and entrepreneurial. However, it is unclear whether they will be able to deal with the loss of the the HTC program, probably the funding source that revolving funds have become most reliant on.

Both the revolving fund and the BPT are currently dealing with challenges related to their unique histories. The early success of the BPT movement left them unprepared for change, and the early negative associations identified with the U.S. movement, are continuing to haunt current practitioners. Neither will be able to survive in their current format. However, there are changes that are being experimented with that could make a difference.

REBRANDING

Both systems are in need of rebranding, and both are in good stead to become affiliated with other movements that are more actively funded in these leaner times. The reuse of existing buildings has the potential to fit nicely into the sustainability, smart growth, community empowerment, and liveable cities movements. In fact, Mary Anthony of the 1772 Foundation submitted a presentation proposal to the Funder’s Network for the Smart Growth and Liveable Communities Annual Conference in 2015, regarding the applicability of revolving

funds to the cause. The presentation was turned down. However, Anthony attended the conference, in order to start the dialogue, and had great success¹⁰⁶.

Although, BPTs were founded on the principles of, and have a proven track record in beneficial community work, they continue to be overlooked by funders for their work in this capacity. BPTs themselves, may not have the ability to promote themselves in this way, but this would be a very useful role for UK APT.

In terms of structural rebranding, as many revolving funds are also becoming Community Development Corporations (CDCs). “CDCs are nonprofit, community-based organizations that secure private and public capital through development of both residential and commercial property”.¹⁰⁷ Revolving funds have taken on this designation in order to access more and different funding, similar to the reasoning behind BPTs partnering with DTs. However, they do not work with the organisation, but rather take on the designation themselves. This may not be a possibility under the legal structure of Scottish charitable organisations. However, perhaps the actual organisational format of BPTs has to be tinkered with, in order to access the funding that they used to receive, and that they need.

DIVERSIFYING

Increasingly, on both sides of the Atlantic, American Revolving funds and BPTs are using their diverse skills to find funding elsewhere, and being creative about where they look. This is in line with Clark Schoettle’s outlook at PRF, an organisation can change themselves to suit funders, or they can stop looking at who will give money, and start thinking about how they can make money. The Landmark Trust, in the UK has successfully found a way to navigate this, by rehabilitating buildings, and turning them into holiday homes. This is the kind of hybridization of business and charity that could bring back the BPT, and continue their work on vernacular housing.

¹⁰⁶ Anthony, interview.

¹⁰⁷ Kevin Payne, “The Next Generation of Economic Development Tools: Community Development Corporations,” *Western City; The Monthly Magazine of the League of California Cities*, September 2012, <http://www.westerncity.com/Western-City/September-2012/The-Next-Generation-of-Economic-Development-Tools-Community-Development-Corporations/>.

PARTNERING

Both revolving funds and BPTs would benefit from creating partnerships within the private sector, as well as with companies or organisations that are outside the traditional preservation umbrella. Cross sector collaboration has become increasingly popular in recent years. James E. Austin, professor at Harvard Business School, and Co-Founder and Chair of the Harvard Business School Social Enterprise Initiative, has written extensively on this subject. In a journal article for the *Nonprofit and Voluntary Sector Quarterly* that he wrote in 2000, he introduced the subject, and its importance, as follows:

Social problems have grown in magnitude and complexity, and nonprofit organizations (NPOs) have proliferated to address these. However, traditional funding sources and institutional capacities have not kept pace. The search for new resources and more effective organizational approaches is bringing nonprofits and corporations together. These alliances are also emerging because businesses are increasingly reexamining their traditional philanthropic practices and seeking new strategies of engagement with their communities that will have greater corporate relevance and higher social impact.¹⁰⁸

Austin has studied these alliances, and has created what he calls a collaboration Continuum, which tracks the nature of a cross sector relationship from ‘philanthropic’ to ‘transactional’ to ‘integrative’ looking at the benefits to both sides (See Figure 13). Even if it is not a fully, integrative relationship, a BPT could decrease their reliance on their old funders by seeking out relationships with construction or development companies. This would free them from the constraints inflicted by the current funders.

Table 2. Collaboration Continuum: Drivers and Enablers

	Philanthropic	Transactional	Integrative
Alignment of strategy, mission, values	Minimal fit required, beyond a shared interest in a particular issue area Gratefulness and charity orientation	Overlap in mission and values Partnering mindset Relationship as tactical tool	High mission mesh Shared values Relationship as strategic tool
Personal connection and relationships	Minimal personal connection to cause or people	Strong personal connection at leadership level Expanded personal relationships throughout the organization Increased understanding and trust	Expanded opportunities for direct employee involvement in relationship Deep personal relationships and trust across organization We mentality replaces us versus them
Value generation and shared visioning	Generic resource transfer Typically unequal exchange of resources Minimal collaboration in defining activities Corporations respond to specific requests from nonprofits	Core competency transfer More equal exchange of resources Shared visioning at top of organization Projects of limited scope and risk	Joint value creation Value renewal Culture of each organization influenced by the other Projects identified and developed at all levels within the organization, with leadership support Broader scope of activities of strategic significance
Continual learning	Minimal or informal learning	More active learning about process and substance	Systematic learning and innovation Discovery ethic
Focused attention	Little top leadership attention	Top management engaged at start-up and periodically	Significant and ongoing attention from top management
Communication	Generally annually around grant process	More frequent communication between partners and externally	Explicit internal and external communication strategies and processes
Organizational systems	Corporate contact usually in community affairs or foundation; nonprofit contact usually in development	More people involved with responsibilities for specific collaboration activities	Partner relationship managers Organizational integration in execution, including shared resources
Mutual expectations and accountability	Use for stated purpose but minimal other performance expectations	Explicit performance expectations for targeted collaboration activities	High performance expectations and accountability for results Incentives for collaboration

Figure 13-Collaboration Continuum: Drivers and Enablers from James E. Austin’s Strategic Collaboration Between Nonprofits and Businesses

¹⁰⁸ J.E. Austin, “Strategic Collaboration Between Nonprofits and Businesses,” *Nonprofit and Voluntary Sector Quarterly* 29, no. 1 (March 2000): 69.

Revolving funds and BPTs have contributed enormously to the rehabilitation of vernacular housing in both countries, and they have done so with limited funding, and small staffs. They are a powerful tool for change, and a physical, hands-on reminder of the importance and power of traditional housing stock. Going forward, each system is going to have to make major changes, and will have to evolve away from the tools that they have become reliant on. However, by seeking creative alternatives, they could continue their impressive and necessary work, and maybe even become stronger and more self sufficient in the process. After almost one hundred years, this model remains relevant on both sides of the Atlantic, and is a valuable and impactful method for celebrating local heritage and successfully incorporating it into modern life.

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APPENDIX A

The United States Revolving Fund

OVERVIEW

This section will address the unique ways in which revolving funds in the United States are operating currently. Data that is referenced in this section will be drawn from the *Revolving Fund Impact Report*, which was produced by Savannah College of Art and Design in partnership with the National Trust for Historic Preservation and the 1772 Foundation. This report was compiled over the course of a year, and was published in 2014. It surveyed twenty active revolving in the United States, and “analysed the scope and methodology of these funds”.¹⁰⁹

The National Trust for Historic Preservation defines a preservation revolving fund, as “ a pool of capital created and reserved to control and protect historic properties for rehabilitation, with the restriction that the monies are returned to the fund to be reused for similar preservation activities”.¹¹⁰ Such funds are currently being used to great effect in the United States. According to the *Revolving Fund Impact Report*, as of 2014, they had cumulatively preserved 2,456 houses, reusing 4,912,000 sf of material and housed 6,000 people.¹¹¹

Revolving funds are non-profit, or not-for-profit organisations, which means that its earnings may not “inure to any private shareholder or individual”¹¹² under section 501(c)(3) of the Internal Revenue Code. This status exempts the organisation from the payment of property and sales tax, among many other benefits. Gifts made to such organisations are completely tax deductible by the donor.¹¹³ In order to attain such a status, an organisation must register a charter and bylaws, as well as to create a reasonable mission and an appropriate board of directors, who will serve to govern the organization, and bear “legal and financial responsibility for the actions of the organisation”.¹¹⁴

¹⁰⁹ The National Trust for Historic Preservation, SCAD, and 1772 Foundation, “SCAD Measures Revolving Fund Impacts,” *Forum Journal* 29, no. 1 (Fall 2014): 40.

¹¹⁰ Preservation Leadership Forum, “PreservationBasics: Preservation Revolving Funds.”

¹¹¹ The National Trust for Historic Preservation, SCAD, and 1772 Foundation, “SCAD Measures Revolving Fund Impacts,” 28.

¹¹² “Exemption Requirements - 501(c)(3) Organisations” (Internal Revenue Service, June 28, 2016), <https://www.irs.gov/charities-non-profits/charitable-organizations/exemption-requirements-section-501-c-3-organizations>.

¹¹³ Howard, *Buying Time for Heritage*, 77.

¹¹⁴ *Ibid.*

In the United States, there are currently more than 60 preservation revolving funds, and these can generally be split into two categories. There are those that were started in order to protect buildings that were being threatened and those that were created “strategically to accomplish specific preservation objectives”.¹¹⁵ As discussed previously, the former category used to be the primary technique in the US. However, now the focus is shifting towards the more strategic approach. The *Revolving Fund Impact Report* found that demolition concern was the inspiration for only 27% of those surveyed.¹¹⁶

AREA OF IMPACT

The area of impact that these funds operate within varies, but the majority operate within a particular city, or even within specific zones of a city, neighbourhoods or historic districts. They might choose to only work with specific types of buildings (commercial, residential, religious, etc.), or only within specific communities (low income, moderate income, housing for people suffering from AIDS, etc). For example, the Providence Revolving Fund, sets distinct parameters on the communities and areas that it focuses its energy. PRF defines this very succinctly on its website saying, “The Revolving Fund’s resources are targeted to specific historic neighbourhoods and primarily serve low-to-moderate income families residing in the Broadway-Armory, South Elmwood, North Elmwood and Upper South Providence historic districts and property owners and merchants in the Downtown Providence National Register District”. By denominating a certain zone, a fund makes it easier to create a ‘critical mass’ of rehabilitated buildings.¹¹⁷ This concentration of projects has the potential to make a larger or more visible difference in a neighbourhood. It also gives a fund the opportunity to gain a higher level of expertise, and as a result makes each project less risky for the organisation.

EVALUATION PRACTICES

In the United States, revolving funds look at a number of different coefficients in order to evaluate whether or not to enter into a project. Deciding the ‘significance’ of the building is complicated, and depends, in certain respects on the aims of the fund. With this in mind, this section will assume that the fund is looking at properties that have already met the needs of

¹¹⁵ Colleen C Derda and National Trust for Historic Preservation in the United States, *Preservation Revolving Funds*. (Washington, D.C.: National Trust for Historic Preservation, 2006), 1.

¹¹⁶ The National Trust for Historic Preservation, SCAD, and 1772 Foundation, “SCAD Measures Revolving Fund Impacts.”

¹¹⁷ Derda and National Trust for Historic Preservation in the United States, *Preservation Revolving Funds*., 8.

their mission statement. So, they are in the proper region, and are consistent with the building types that the fund has already identified as their focus. If these issues have already been addressed, some further subjects of discussion would be as follows:

Architectural or Historical Significance

Many funds turn to the National Register for Historic Places to evaluate the significance of a structure. “The National Register of Historic Places is the official list of the Nation's historic places worthy of preservation. Authorized by the National Historic Preservation Act of 1966, the National Park Service's National Register of Historic Places is part of a national program to coordinate and support public and private efforts to identify, evaluate, and protect America's historic and archaeological resources”.¹¹⁸ In order to list a building on the National Register, it must be submitted to the State Historic Preservation Officer (SHPO). In order to be selected, the nominated building’s application must make clear the following information:

The quality of significance in American history, architecture, archaeology, engineering, and culture is present in districts, sites, buildings, structures, and objects that possess integrity of location, design, setting, materials, workmanship, feeling, and association, and:

- A. That are associated with events that have made a significant contribution to the broad patterns of our history; or
- B. That are associated with the lives of significant persons in our past; or
- C. That embody the distinctive characteristics of a type, period, or method of construction, or that represent the work of a master, or that possess high artistic values, or that represent a significant and distinguishable entity whose components may lack individual distinction; or
- D. That have yielded or may be likely to yield, information important in history or prehistory.¹¹⁹

If a building is listed, or has the potential to be listed on the National Register is important as being listed on the National Register makes a property eligible for Federal Historic Preservation Tax Credits. A property can also be a contributing part of a National Register Historic District. Generally, to make it onto the National Register, a building must be over fifty years old. However, this is occasionally waved.

States and cities often have Historic Commissions, which have their own designation systems. For example, the State of Massachusetts has the Massachusetts Historical

¹¹⁸ “National Register of Historic Places Program: About Us” (National Park Service), accessed July 21, 2016, <https://www.nps.gov/nr/about.htm>.

¹¹⁹ “National Register Bulletin: How to Apply the National Register Criteria for Evaluation” (U.S. Department of the Interior, National Park Service), accessed July 21, 2016, https://www.nps.gov/nr/publications/bulletins/nrb15/nrb15_2.htm.

Commission (MHC), within the State, the City of Cambridge, Massachusetts has its own Cambridge Historical Commission. As seen in the map, these differing levels of designation can overlap (See Figure 14). These local designations can be helpful too, especially in applying for State Historic Preservation Tax Credits. Such a nomination also gives an idea of the standard of ‘significance’ in the area.

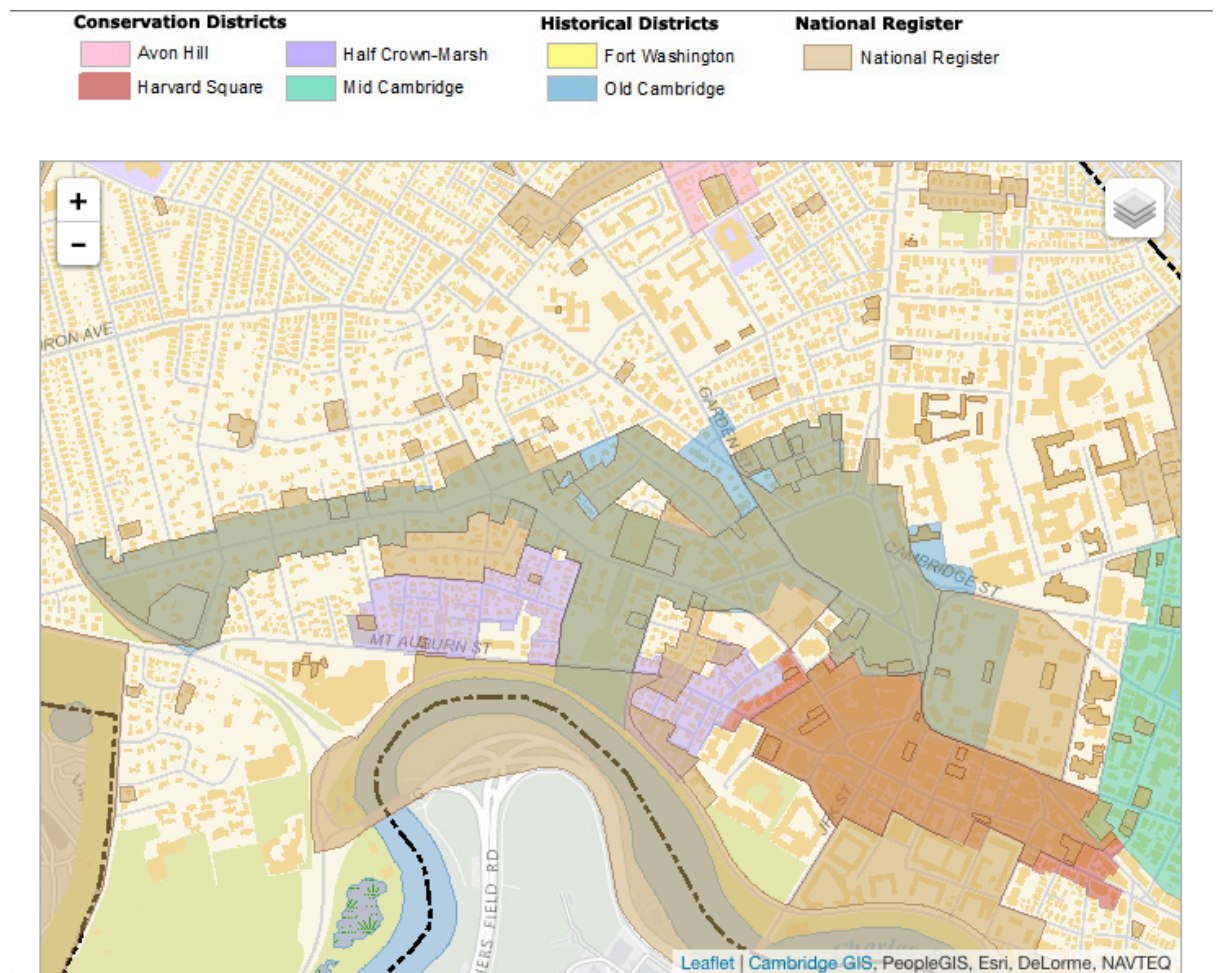


Figure 14-Map of the many overlapping historic designations in Cambridge, Massachusetts-From “Map of Historic and Neighbourhood Conservation Districts” Produced by the Cambridge Historical Commission-<http://www.cambridgema.gov/historic/districtsHistoricProperties/districtsmap>

Geographical Significance

When assessing the viability of a project, it is important to look at the project location. How much of an impact will the building have on the neighbourhood that it is in? Is it in an area of ‘critical mass’, where there are other rehabilitated houses nearby?¹²⁰ The geographic prominence of the building is something to consider as well. Some revolving funds actively seek out corner buildings, as they make the most visual impact on a neighbourhood.¹²¹

¹²⁰ Derda and National Trust for Historic Preservation in the United States, *Preservation Revolving Funds.*, 8.

¹²¹ Schoettle, interview.

Market Viability and Project Cost

The purpose of a revolving fund is to take on properties that require an amount of investment that would far surpass their market value. So, they sit outside the regular market economy. If a building can be easily turned around for a profit, then it is a project to be taken on by a developer, not a revolving fund. However, a fund has to evaluate how much money it can afford to put into a project, and how much a project is going to cost. These numbers become easier to surmise for funds that have been around a longer period of time, or that have done many projects. Clark Schoettle and Kim Smith of the Providence Revolving Fund explained that over the years, they have developed a price per square foot for renovations that they use consistently to estimate project costs.¹²²

Degree of Endangerment

If a building is in imminent danger of being lost, by demolition or neglect, a revolving fund might end up stepping in even if it is outside of their budget. The fact that they are acting as the last line of defence for a building, and taking on extra risk as a result, can inspire increased fund raising, and partnerships. An example of this occurred in the rehabilitation of the Alvah Kittredge House in Roxbury, Massachusetts. The building, which was a neighbourhood focal point, was in danger of collapse. So, the city provided Historic Boston Inc.(HBI), a Boston area revolving fund, with extra incentives and funding to take action, and rehabilitate the building (See Figure 15). Specifically, they provided a \$210,000.00 acquisition loan, \$300,000.00 in affordable housing grants, and \$17,000.00 in Lead Safe Grants.¹²³



Figure 15-HBI's Alvah Kittredge House, Roxbury, MA-Historic Image, Before and After restoration-Images courtesy of HBI

Since this project was also in an area that had long been neglected, it helped to gather local support for HBI, and drastically increase their organizational visibility. In addition, it was used as a fund raising opportunity, as it was one of three projects that sparked the Trilogy Fund, HBI's largest capitol campaign to date, raising over

¹²² Ibid.

¹²³ "Alvah Kittredge House" (Historic Boston Inc.), accessed July 22, 2016, <http://historicboston.org/wp-content/uploads/project-alvah-kittredge.pdf>.

\$1,000,000.¹²⁴ The project ended up being capacity building for the organization as well as raising their profile within the city, which are also important factors to consider, in a building evaluation. However, if it were not for the increased risk, causing increased interest, HBI might not have been able to take on the project.

ACQUISITION PRACTICES:

In acquiring a property, revolving funds use several techniques to try to decrease the amount of risk that they have in the sale. Several ways that they do this in the United States are as follows:

Option

An option on a piece of real estate is a contract that is sold to a buyer who then has the right to buy the property within an agreed upon period of time. Although it gives the right to buy, it does not require that the option holder does buy.¹²⁵ This is a tool that funds use to “gain control of properties with very little financial risk and to buy time to locate a buyer or raise funds to purchase the property”.¹²⁶

Assignable Option

With an assignable option, a revolving fund can transfer their option to a third party. If during the period of the option, the fund finds someone willing to take on the renovation themselves, a ‘preservation-minded buyer’, they can then transfer the rights that they purchased to these new buyers.

Purchase Agreement

This is the outright purchasing of a property. It is common that revolving funds will set certain contingencies on the sale in their contract. For example, a sale might be negotiated so as to be contingent on the successful completion of an environmental audit, structural assessment, or the ability of the fund to raise the money necessary within a specified amount of time.

Donations of Real Estate

Property can be donated to a revolving fund in several ways and for several reasons. Property owners who are familiar with, or devoted to a particular organization may leave a property to that organization upon their death as part of their estate. An individual might also give a property so as to preserve the property, and eliminate

¹²⁴ “Historic Boston Inc.’s Trilogy Fund Tops Off Over \$1 Million” (Historic Boston Inc., April 14, 2016), <http://historicboston.org/historic-boston-inc-s-trilogy-fund-tops-off-over-1-million/>.

¹²⁵ “Option,” *Investopedia*, accessed July 22, 2016, <http://www.investopedia.com/terms/o/option.asp>.

¹²⁶ Derda and National Trust for Historic Preservation in the United States, *Preservation Revolving Funds.*, 9.

their payment of property taxes, or in order to receive a tax deduction on the market value of the property. Property donation can also be used as a tool for larger corporations to better their Community Reinvestment Act (CRA) performance record.

The CRA was enacted by Congress in 1977, and was “intended to encourage depository institutions to help meet the credit needs of the communities in which they operate, including low- and moderate-income neighbourhoods, consistent with safe and sound operations”.¹²⁷ By donating a building that a bank might have taken control of as a result of a foreclosure, they can increase their compliance record. A bank’s compliance record is then considered by regulatory agencies when banks attempt to expand.

Right of First Refusal

“A right of first refusal is a contractual right of an entity to be given the opportunity to enter into a business transaction with a person or company before anyone else can”.¹²⁸ However, an organisation is not bound to the transaction. In the case of a revolving fund, this would mean that the organisation would enter into a right of first refusal, on a property. This technique “is appropriate when the organisation is interested in a property that is not in any immediate danger of demolition, adverse development, or alteration, and not likely to be sold in the near future. This tool ensures that the fund managers will be notified before any sale takes place”.¹²⁹ This gives the organisation the first chance at the property, but it does not necessarily guarantee that the organisation will be able to take on the project when it becomes available.

Long Term Lease

Using a long term lease is a means of acquiring and rehabilitating a property, but not necessarily owning it. Such a lease is used most often when the owner of the building can not or prefers not to sell the property, but will lease out the structure to a revolving fund for between 15-99 years. This technique was used by HBI in order to acquire the Eustis Street Fire House from the City of Boston (See Figure 16). The old fire house was owned by the City of Boston, and had not been used in over 50 years.

¹²⁷ “Community Reinvestment Act (CRA)” (Board of Governors of the Federal Reserve System, February 11, 2014), https://www.federalreserve.gov/communitydev/cra_about.htm.

¹²⁸ “Right of First Refusal,” *Investopedia*, accessed July 22, 2016, <http://www.investopedia.com/terms/r/rightoffirstrefusal.asp>.

¹²⁹ Derda and National Trust for Historic Preservation in the United States, *Preservation Revolving Funds.*, 10.

It was in structural danger, with exterior walls leaning dramatically, and it was becoming a haven for crime. However, this was all righted in 2010 when HBI secured a 99-year lease from the city, and brought the building back into use. Now, after a \$2.5 million renovation, the building houses HBI's offices, as well as the Timothy Smith Network, a local non profit.¹³⁰



Figure 16-HBI's Eustis Street Fire House, Roxbury, MA--Historic Image, Before and After-Images courtesy of HBI

A long term lease might be an indicator, as in the case of HBI, that the building was a part of the Historic Surplus Property Program, a program run by the National Park Service and U.S. General Services Administration. This program hands down historic buildings that had at one time been used by the government, but are no longer in use, to state and local governments for free. Buildings can only be considered for this, if they are on the National Register for Historic Places, or if they are eligible to be on the Register. Revolving funds can take part in this program, but not directly, and they can not own outright. "Private or not-for-profit organizations cannot acquire property under this program, but they are permitted to enter into long-term leases with recipients of historic surplus properties, provided the lease is approved by the National Park Service".¹³¹ So, a revolving fund is able to take control of an historic building, but they have to go through a local government intermediary. Partnering with government agencies can be a very worthwhile means of accessing projects, building credibility and increasing visibility.

REHABILITATION PRACTICES:

Not all revolving funds go through the entire act of rehabilitation. Although, full rehabilitation and resale is the most common model. Some organizations have discovered that they can be the catalyst for rehabilitation, without taking on the financial risk associated with

¹³⁰ "Eustis Street Fire House" (Historic Boston Inc.), accessed July 22, 2016, <http://historicboston.org/wp-content/uploads/project-eustis-fire-house.pdf>.

¹³¹ "Technical Preservation Services; Historic Surplus Property Program" (National Park Service, U.S. Department of the Interior), accessed July 27, 2016, <https://www.nps.gov/tps/historic-surplus.htm>.

the complete construction process. Others have found it too difficult to anticipate the ever changing wants of homebuyers, and to be up to date on real estate trends. Instead, they have chosen to concentrate on only certain parts of the rehabilitation, or decided to overlook the rehabilitation entirely.

No Rehabilitation

Some organizations specialize in finding preservation minded buyers. They have no part in the actual physical refurbishment of the property, but they have the network, and marketing skills necessary to find someone who is willing to take on the project.

Stabilization

In the case of a building that is facing imminent demolition due to instability, an organization may acquire it in order to perform the structural tasks necessary to keep it standing. However, it might not have the financial means to complete the job. By stabilizing it, the organization can then take the time to find the right buyer. Or, they can hold onto it, until they are able to gather the funding themselves.

Exterior Rehabilitation

An exterior rehabilitation can show a building's potential, and is a good way of inspiring buyers who might have been intimidated by a building's less than enticing curb appeal. (See Figure 17) HBI utilized this technique with a residential house in Dorchester, a neighbourhood of Boston. Just working on the façade of the house, gave HBI the opportunity to work with the preservation carpentry program at the North Bennett Street School (NBSS). The smaller project made it possible for the students to incorporate it into the hectic schedule of their spring semester. It was also less of a financial drain on HBI, and gave them time to market the house specifically to those looking for an historic fixer upper.



Figure 17-HBI's Pleasant Street House, Dorchester, MA-Before and After-Images courtesy of HBI

The house on Pleasant Street was an historic gem. However, previous owners had covered up much of the architectural detail on the outside. It was difficult to decipher

the possibilities that the house offered when you saw it from the sidewalk. Doing the exterior renovation made it more possible for buyers to envision the inherent beauty of the structure.¹³²

Plans and Specifications

Sometimes a revolving fund will work with architects and contractors to do all the preconstruction planning. However, instead of going through with managing the construction as well, they will sell the property with the stipulation that the buyer perform all the work that they have planned for the building. This is a less typical scenario, as it is harder to find a buyer who is willing to comply with these demands. However, sometimes these plans are created with the input and cooperation of the future owner.

Rehabilitation Agreement

A rehabilitation agreement is slightly more flexible than necessitating plans and specifications. With a rehabilitation agreement, the future owner agrees to a plan for rehabilitation, which they have to comply with, within a certain amount of time. However, they are not specific plans. The homeowner can design the home as they please as long as it is done to certain previously decided upon standards.

FINANCIAL PRACTICES:

In most projects there is a financial gap that has to be filled. As stated before, in general, a project taken on by a fund, is taken on because no one else will. It does not make financial sense, and it is the job of the fund to coordinate the financial tools necessary to make the project viable. In *Revolving Funds for Historic Preservation: A Manual of Practice*, produced in 1975, the authors remind us that “breaking even on your handling of properties is not your reason for existence. A loss operation is no disgrace, so long as historic buildings are preserved. The successful preservation organization is judged by the number of buildings it has saved, or in any case by the degree to which it approaches its overall goal, not by whether its check book is always balanced”.¹³³ This statement, makes the ideal revolving fund sound financially irresponsible. However, it’s essential message, that these projects do not generally make financial sense, is a true one. It also speaks to the fact that the financial corpus, or the revolving financial basis, is bound to be depleted. However, what it does not mention, and what is essential to the continuation of such funds, is that they somehow fill that

¹³² “HBI Sells Pleasant Street Landmark to First-Time Homebuyer,” *Historic Boston Inc.*, April 17, 2012, <http://www.historicbostonblog.org/2012/04/hbi-sells-pleasant-street-landmark-to.html#.V7EUW5MrK1t>.

¹³³ Ziegler, Adler, and Kidney, *Revolving Funds for Historic Preservation: A Manual of Practice*, 13.

gap. The corpus can not be allowed to continuously erode, or the fund would only be able to take on smaller and smaller projects, until there is nothing left. A revolving fund has to be creative. It has to figure out alternate ways of balancing the check book.

Grants

There are many grants that a revolving fund can seek out. Some, through foundations, state-wide preservation groups, or the NTHP, are funds specifically for preservation work. The NTHP gives out grants for preservation projects three times a year, but they generally only fund up to \$5,000. They also provide links to other more specific grant funding opportunities on their website. Foundations, like the 1772 Foundation, are also active grant participants. In fact, 90% of funds surveyed in the *Revolving Fund Impact Report* had received grants from the 1772 Foundation, who gave \$998,000.00 in grants in 2015 a part of its Historic Properties Redevelopment Program.¹³⁴ Grants are exceptionally helpful in assisting revolving funds, as the money does not have to be paid back, and is thus added directly to the financial corpus.

Loans

Several different kinds of loans are used by preservation revolving funds in order to complete projects. Different loans are used for different stages in the work, as well. A fund may need to take out loans in order to cover immediate payments that will eventually be covered by tax credits or grants, that may be received later on in the process. These construction, or bridge loans let the organization access an immediate cash flow.¹³⁵ However, they generally have relatively high interest rates. Due to the multiple sources of funding, coming at different times in a project's development, these loans can be an important aspect of a fund's financial plan.

In order to get the best rates possible on interest for all loans, it is often beneficial for a fund to develop a relationship with a bank. This relationship can also be valuable for the bank, as it they can get CRA credit for lending or giving to projects in low or moderate income areas.

Return on Real Estate Investment

Some funds will decide to hold onto a property in order to collect monthly rent. This is a technique that HBI has used several times. Their founding project, the Old Corner

¹³⁴ The 1772 Foundation, "The 1772 Foundation, 2015 Annual Report," Annual Report (The 1772 Foundation, n.d.), 10.

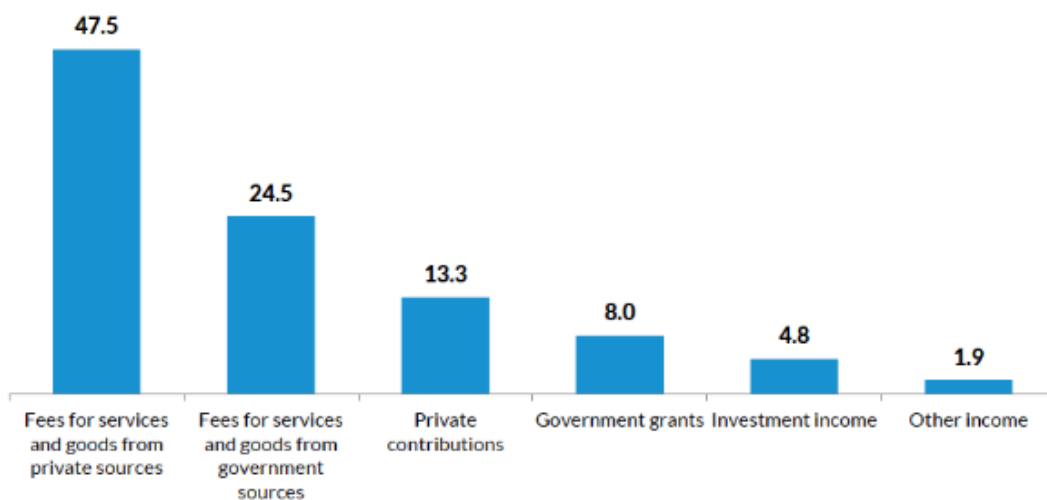
¹³⁵ "Bridge Loan," *Investopedia*, accessed July 28, 2016, <http://www.investopedia.com/terms/b/bridgeloan.asp>.

Bookstore, in downtown Boston, which they started in 1960, is still owned by the organisation. The monthly rental income from the offices and commercial spaces was, for a time, their cash cow, sustaining their organisational financial needs as well as projects. However, as they have expanded, they have grown beyond that income, necessitating other sources. That being said, it still remains a reliable source of income for the institution.

Fees for Service

Not all of a revolving funds activities are as easy to market to funders. In general, it is harder for non-profits to raise money for operational expenses. The costs that revolving funds sink in staffing, and daily office activities can be difficult to recap, as they do not look as interesting to investors. Operational expenses do not photograph well for a foundation’s Annual Report, nor do they make for a catchy blog post. As a result, revolving funds have had to figure out alternative means for recuperating this capital. One way of doing this, is by using a fee for service, or a developer fee.

FIGURE 2
Revenue Sources for Reporting Public Charities, 2013 (Percent)



Sources: National Center for Charitable Statistics calculations of IRS Statistics of Income Division Exempt Organizations Sample (2009, 2011); Urban Institute, National Center for Charitable Statistics, Core Files (Public Charities, 2013); American Hospital Association 2012 survey; and National Health Accounts (Centers for Medicare and Medicaid Services).

Figure 18-Revenue Sources for Reporting Public Charities, 2013 from Urban Institute’s “The Nonprofit Sector in Brief 2015”- <http://www.urban.org/research/publication/nonprofit-sector-brief-2015-public-charities-giving-and-volunteering>.

It is a common misconception that non-profits are not allowed to ask for a fee for their services, as such a fee would be considered subject to the Unrelated Business Income Tax (UBIT). However, according to the Urban Institute’s annual analysis of

non-profits in the U.S., *The Nonprofit Sector in Brief 2015*, about 72% of income that came into charities was from fees, or other mission driven, earned income.¹³⁶ The IRS specifies that it is, in fact fine for a non-profit to charge a mandatory fee, as long as it adheres to two major rules. Firstly, the fee that is being charged must be well below the market rate for that service, and secondly, the service must be in line with the mission of the non-profit.¹³⁷ If either of these rules are broken, the non-profit stands a chance of losing its charitable status and thus it's right to tax exemption.¹³⁸

Fundraising

Fundraising can be used to fill large financial gaps. However, the time and expense that a generally small staff must expend to run a successful campaign can outweigh the benefits.

Federal Historic Rehabilitation Tax Credits

The Tax Reform Act of 1986 put into place the current system of tax incentives for preservation. However, the Historic Tax Credit (HTC) program was formally begun in 1976.¹³⁹ This has proved to be an incredibly valuable tool for the rehabilitation of historic buildings in the United States. Since 1976, it has helped to rejuvenate 41,250 buildings.¹⁴⁰ Also, according to the National Trust for Historic Preservation, "Taken over the life of the program, the HTC is responsible for over \$117 billion in new investment in our urban and rural communities".¹⁴¹

A common confusion regarding this tax incentive, is the difference between a tax credit and a tax deduction. "An income tax deduction lowers the amount of income subject to taxation. A tax credit, however, lowers the amount of tax owed. In general, a dollar of tax credit reduces the amount of income tax owed by one dollar".¹⁴² So, a

¹³⁶ Brice McKeever, "The Nonprofit Sector in Brief 2015: Public Charities, Giving, and Volunteering" (Urban Institute, October 29, 2015), <http://www.urban.org/research/publication/nonprofit-sector-brief-2015-public-charities-giving-and-volunteering>.

¹³⁷ "Understanding Fee-for-Service Models," STRENGTHENING NONPROFITS: A Capacity Builder's Resource Library (Compassion Capital Fund National Resource Center), accessed July 29, 2016, http://strengtheningnonprofits.org/resources/guidebooks/Understanding_Fee-for-service_Models.pdf.

¹³⁸ Joanne Fritz, "When and Where Should a Nonprofit Charge a Fee?" (About Money, July 2, 2016), <http://nonprofit.about.com/od/financialconcerns/f/feesforservices.htm>.

¹³⁹ Internal Revenue Service, "Rehabilitation Tax Credit," Market Segment Specialization Program (Internal Revenue Service), accessed August 12, 2016, <https://www.irs.gov/pub/irs-mssp/rehab.pdf>.

¹⁴⁰ Preservation Leadership Forum, "Preservation & the Historic Tax Credit."

¹⁴¹ "What Do High-Paying Jobs, Billions in Private Investment, and Historic Buildings Have in Common?" (National Trust for Historic Preservation), accessed July 29, 2016, <http://www.preservationnation.org/take-action/advocacy-center/additional-resources/HTC-One-Page-2015.pdf>.

¹⁴² *About Tax Incentives* (National Park Service, U.S. Department of the Interior, 2012), <https://www.nps.gov/tps/tax-incentives/taxdocs/about-tax-incentives-2012.pdf>.

tax credit is even more of a savings than a deduction, and is thus a significant draw to developers. In fact, the National Development Council (NDC) believes that they “can be the most attractive and effective benefit offered to real estate investors by the U.S. Tax Codes”.¹⁴³

There are two types of federal tax credits. There is the 20% tax credit. This credit is “for the certified rehabilitation of certified historic structures”.¹⁴⁴ However, there is also a 10% tax credit, which is “for the rehabilitation of nonhistoric, non-residential buildings built before 1936”.¹⁴⁵ These credits are applied to the costs associated with a building’s rehabilitation.

Some states also have tax credit programs. There are 33 states that currently have state rehabilitation tax credit programs (See Figure 19). Tax credits gained through these programs, are credited against state taxes. In 2015, it is estimated by the National Parks Service that 48% of completed federal projects used federal and state credits, a process known as ‘piggybacking’.¹⁴⁶

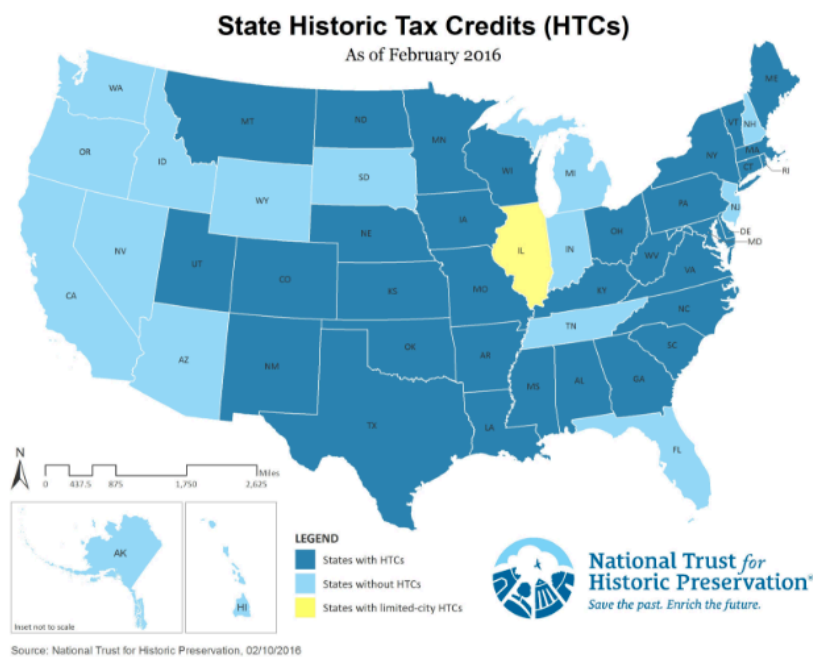


Figure 19-States that have State Historic Tax Credit programs-Map produced by the Preservation Leadership Forum-Courtesy of the National Trust for Historic Preservation-
<http://forum.savingplaces.org/learn/fundamentals/economics/tax-credits/state-htc>

¹⁴³ National Development Council, *Real Estate Finance Text Book*, ED202, n.d., 72.

¹⁴⁴ *About Tax Incentives*.

¹⁴⁵ *Ibid.*

¹⁴⁶ The National Parks Service, “Federal Tax Incentives for Rehabilitating Historic Buildings.”

Federal Low-Income Housing Tax Credits (LIHTC)

This program was instated in 1986, as part of the Tax Reform Act of 1986. It is similar the the historic credits, except that unlike the historic credits, the low income credits are distributed according to the population of each state. Per year, the allocation of tax credits can not surmount \$1.75 per capita per state. Like the historic credits, there are two options for how they can be utilised.¹⁴⁷

-Option 1: 20% of tenants have to have at most, 50% of the area median income, and rents must be 30% of 50% of the area median rent.

-Option 2: 40% of tenants have to have at most, 60% of the area median income, and rents must be 30% of 60% of the area median rent.¹⁴⁸

Revolving funds, like the Providence Revolving Fund, have been having success in combining LIHTCs and 20% Historic Tax Credits (Only the 20% credits for certified historic structures can be combined) in their projects, in order to get the maximum rebate. Other tax credits that have been successfully partnered with Historic Tax Credits are New Market Tax Credits, Renewable Energy, Community Development Block Grants (CDBG) and Brownfields.¹⁴⁹

Syndication

Tax Exempt organizations do not benefit from tax credits, as they are exempt from the taxes that the credits would be eliminating. So, in order to take advantage of the incentive they partner with an investor, for whom the tax benefits would be advantageous. Often the investors in these deals will be banks who will exchange equity in the project for tax benefits. This is called syndication, and can be done using a Single Entity Structure or a Master Lease

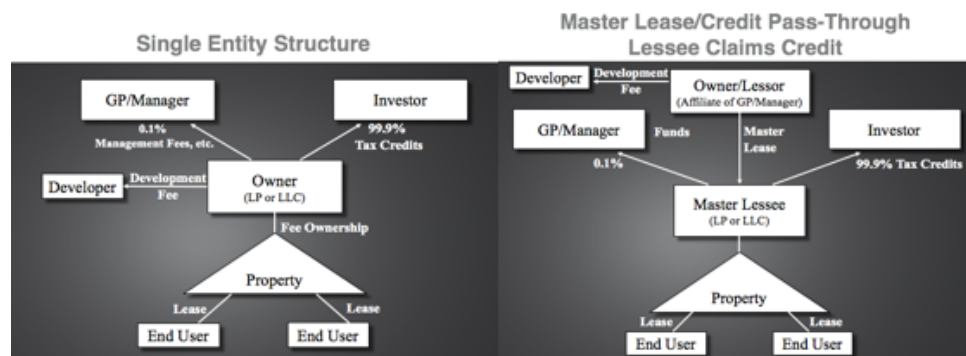


Figure 20--Two entity structures for syndication-Andrew Potts-Nixon Peabody LLP-How Credits Become Capital: When and How to Syndicate-Presentation at the Detroit Athletic Club-June 6, 2008

¹⁴⁷ National Development Council, *Real Estate Finance Text Book*, 74.

¹⁴⁸ Ibid.

¹⁴⁹ “The Basics: Tax Credit Syndications” (USbank), accessed July 29, 2016, <https://www.usbank.com/commercial-business/tax-credit-financing/tax-credit-syndication.html>.

Structure. These two methods, both perform the same task of passing the tax credits through the non-profit to the investor. However, they are structured differently (See Figure 10).¹⁵⁰

¹⁵⁰ Andrew Potts, “How Credits Become Capital: When and How to Syndicate” (The Detroit Athletic Club, June 5, 2008).

APPENDIX B

The Scottish Building Preservation Trust

OVERVIEW:

There are two types of BPTs, Single Project Trusts and Multi-Projects. Single Project Trusts are set up for the preservation of one specific building, while Multi-Projects tackle multiple buildings.¹⁵¹ There are several ways that BPTs can structure themselves as legal entities. However, the vast majority are filed as Charitable Companies (Limited by Guarantee).¹⁵² This means that it is registered as both a company at the Companies House and as a charity with the Charity Commission and as a result, it must adhere to both the Charities Act of 2006 as well as the Companies Act of 2006. In order to meet the needs of the Charities Act 2006, it has to relate to one of thirteen possible charitable categories. In general, the most applicable for BPTs is the sixth such category, relating to “The Advancement of the arts, culture, heritage or science”. In addition, it has to be considered to be doing work that would be “for the public benefit”.¹⁵³ The fact that it is ‘limited by guarantee’ means that the personal liability of the trustees, or members guiding the organization is protected.¹⁵⁴ The company’s articles of association will specify the amount that the trustees must pay of the company’s debt. However, this is generally limited to 1 GBP.

This structure allows for BPTs to take advantage of certain tax benefits. It also puts them in better stead to receive funding, as certain large funding sources, like the Architectural Heritage Fund (AHF) give priority to charities.¹⁵⁵

According to the ECOTEC study of Building Preservation Trusts in Scotland, in 2010 there were roughly 49 active BPTs in the country. Of these, slightly more than half, 28, were Multi-Projects. However, of those only 18 had actually done multiple projects.¹⁵⁶ In recent years, many BPTs have wound up, or gone into dormancy. Among them, the Strathclyde

¹⁵¹ “About APT” (APT, United Kingdom Association of Building Preservation Trusts), accessed April 14, 2016, <http://www.ukapt.org.uk/about-apt-1>.

¹⁵² “The Right Vehicle for Delivering Your Project” (APT, United Kingdom Association of Building Preservation Trusts), accessed August 1, 2016, <http://www.ukapt.org.uk/the-right-vehicle-for-delivering-your-project>.

¹⁵³ *Charities Act 2006*, 2006, <http://www.legislation.gov.uk/ukpga/2006/50/contents>.

¹⁵⁴ “Companies Limited by Guarantee” (Community Companies), accessed August 1, 2016, <http://www.communitycompanies.co.uk/companies-limited-by-guarantee>.

¹⁵⁵ “The Right Vehicle for Delivering Your Project.”

¹⁵⁶ ECOTEC, “Study of Building Preservation Trusts in Scotland, Final Report,” ii.

Building Preservation Trust closed in July of 2016.¹⁵⁷ It has become increasingly difficult for BPTs to exist in the way that they had previously, as a result of a few key changes.

Firstly, as of the economic downturn of 2008 there is less funding available. However, in addition, large funding sources like the AHF and the HLF have made restrictions on the way that their money can be used, and for what types of projects they can be used on. It is now harder to fund projects that are for residential projects, as they are not always open to the general public. Also, they now have instated a clawback clause, meaning that any money that is made on a project is given back to the funder. This means that BPT's are unable to revolve funds. As a result, trusts have had to search out other sources of funding. This has changed, what was a fairly simple funding structure, which really only relied on three major funding sources (Historic Environment Scotland, AHF and HLF), into a far more complex one. It should be noted, that the following overview of the system reflects this new reliance on different methods.

AREA OF IMPACT:

Similar to the revolving funds in the US, BPTs tackle a wide range of geographic areas. The Landmarks Trust, and three others operate nationally, throughout the UK, and there are seven trusts that operate throughout Scotland.¹⁵⁸ However, the vast majority work by region, sub-region, or on the local level. Initially, in the Architectural Heritage Year of 1975, it was hoped that there would be a BPT in every county of the U.K.. This never came to be, but there are still a number of trusts that operate by county.¹⁵⁹

EVALUATION PRACTICES:

Scotland's Listed Buildings

Historic Environment Scotland assesses and categorizes all of Scotland's buildings, classifying those that are of particular historic or architectural interest, with three distinct categories, 'Category A', 'Category B' and 'Category C'. These classifications can also be used to list groups of buildings. They are recognized by law under the Planning (Listed Buildings and Conservation Areas) (Scotland) Act 1997.

In summary, the criteria for listing, as part of this system are as follows:

¹⁵⁷ "Welcome to SBPT" (Strathclyde Building Preservation Trust), accessed August 1, 2016, <http://www.sbpt.org.uk/>.

¹⁵⁸ ECOTEC, "Study of Building Preservation Trusts in Scotland, Final Report," 8.

¹⁵⁹ "Multi-Projects" (APT, United Kingdom Association of Building Preservation Trusts), accessed August 1, 2016, <http://www.ukapt.org.uk/multi-projects>.

Category A buildings are:

- of national or international importance, either architecturally or historically;
- largely unaltered; and
- outstanding examples of a particular period, style or building type. (Category A accounts for around 8% of the total number of listed buildings in Scotland.)

Category B buildings are:

- of regional or more than local importance;
- may have been altered; and
- are major examples of a particular period, style or building type. (Category B accounts for around 50% of the total number of listed buildings in Scotland.)

Category C buildings are simple traditional buildings which group well with others in categories A and B, or are:

- of local importance;
- lesser examples of a period, style, or building type; and
- as they were originally constructed or only moderately altered. (Category C accounts for around 42% of the total number of listed buildings in Scotland).¹⁶⁰

In addition, a building could be a part of a Conservation Area, or World Heritage Site. Conservation Areas are designated by a regional council, and in the case of Edinburgh, these areas have been deemed to be of particular historical or architectural significance, and have been given character appraisals, which “define the key elements, essential features and special qualities that contribute to each areas architectural and historic interest, and to reinforce the Council’s policy objectives of promoting, protecting and enhancing the environment”.¹⁶¹ World Heritage sites are deemed of international relevance, and are dictated by the United Nations Educational, Scientific and Cultural Organization (UNESCO).¹⁶²

Buildings at Risk Register for Scotland (BARR)

The Buildings at Risk Register for Scotland “highlights properties of architectural or historic merit throughout the country that are considered to be at risk or under threat. It was established in 1990 and is maintained by Historic Environment Scotland”.¹⁶³ This register also tracks of condition and risk of the building over time, making repeated reports on each structure. That being said, there are many organizations that keep track of underutilized buildings in Scotland as well. Among them being:

- SAVE Britain’s Heritage
- Society for the Protection of Ancient Buildings (SPAB)
- Architectural Heritage Society of Scotland (AHSS)

¹⁶⁰ *Scotland’s Listed Buildings 2016* (Historic Environment Scotland, 2016), 5.

¹⁶¹ “Conservation Area Character Appraisals” (The City of Edinburgh Council), accessed August 2, 2016, http://www.edinburgh.gov.uk/directory/140/conservation_area_character_appraisals.

¹⁶² “World Heritage List” (United Nations Educational, Scientific and Cultural Organization), accessed August 2, 2016, <http://whc.unesco.org/en/list/>.

¹⁶³ “Frequently Asked Questions” (Buildings at Risk Register for Scotland), accessed August 2, 2016, <http://www.buildingsatrisk.org.uk/faq#faq-2>.

- Historic Houses Association (HHS)
- The Church Commissioners, ChurchCare, Statutory Advisory Committee
- Scottish Canals (formerly British Waterways)
- Homes from Empty Homes

All of these records are helpful assets, which can be valuable tools for evaluating possible properties. The BARR itself, has 2,637 buildings on record, most all of which have received a site visit from a member of Historic Environment Scotland's staff, who have assessed and researched it.

ACQUISITION PRACTICES:

Partnerships

Since funding for residential properties has become so much more difficult to come by, many BPT's have gained access to projects by partnering with community groups that are seeking to preserve a building. In this arrangement, the BPT brings institutional knowledge, and an understanding of funding avenues, while the community group brings man power, as well as access to community funding, which the BPT would not be able to access directly.

Donations

Occasionally buildings that have been left to a community through an estate, will be donated to a BPT for sums as small as 1GBP. Though this is a very low up front cost for the trust, it does make the trust entirely liable for the success of the project, making it a risky proposition for a BPT acting alone.

Repairs Notices/Compulsory Purchase Orders/Back-to-Back Agreement

Local Authorities have the ability to serve the owner of a listed building with a Repair Notice, which gives the owner two months to make the requested repairs. If the owner does not comply, the authority can then issue the owner a Compulsory Purchase Order. (Section 42-45 Planning (Listed Buildings and Conservation Areas) Act 1997 (Scotland)) If this is then confirmed, the building can be seized (Acquisition of Land (Authorisation Procedure) Act 1947 (Scotland)). It is possible for the authority to then pass the property to a BPT. This technique is known as a Back-to-Back Agreement.¹⁶⁴

¹⁶⁴ "The Regulatory Framework" (APT, United Kingdom Association of Building Preservation Trusts), accessed August 2, 2016, <http://www.ukapt.org.uk/the-regulatory-framework>.

FINANCIAL PRACTICES:

Unlike in the United States, BPTs rely almost exclusively on grants and loans. However, three funding sources are by far the most influential. They are as follows:

Historic Environment Scotland (Historic Building Repair Grants Scheme)

This funding source only does partial funding, and has moved away from funding residential projects. Since 1999 it has given 11.4 million GBP to BPTs.¹⁶⁵

Necessary Qualifications for Application:

- the building must be of significant architectural or historic importance
- the repairs proposed must be urgently needed
- you must be able to demonstrate the need for grant support to enable the repairs to go ahead

Assessment Criteria:

Benefits from the project should include:

- enhanced public access
- benefits for communities
- social and economic regeneration
- promotion of quality
- development of knowledge and skills¹⁶⁶

Architectural Heritage Fund

AHF offers loans as well as a selection of different grants, which provide for the completion of certain tasks. They are only applicable to projects that involve a change of use or ownership. They offer grants of up to 5,000 GBP for feasibility studies, as part of their Project Viability Grant (PVG) program, and grants of up to 25,000 GBP as part of their Project Development Grant (PDG) program. In selecting projects, they rate the heritage need, financial need, and social impact, as well as how imminent the need of the project is.¹⁶⁷ In all cases, they look to find projects that personify four critical strategic objectives:

-Objective One: To support people, communities and organisations to take ownership, to repair and to adapt historic buildings and places for new sustainable uses.

-Objective Two: To attract more investment for the conservation and sustainable re-use of the UK's architectural heritage.

-Objective Three: To inspire the start up and growth of new community enterprises that utilise historic buildings and places for public benefit.

-Objective Four: To demonstrate the value of a well-managed historic built environment by championing and showcasing the impact of the projects we have supported.¹⁶⁸

¹⁶⁵ ECOTEC, "Study of Building Preservation Trusts in Scotland, Final Report," 16.

¹⁶⁶ "Building Repair Grants Scheme" (Historic Environment Scotland), accessed August 3, 2016, https://www.historicenvironment.scot/grants-and-funding/our-grants/building-repair-grants-scheme/#criteria-for-awarding-grants_tab.

¹⁶⁷ "Grants" (The Architectural Heritage Fund), accessed August 3, 2016, <http://ahfund.org.uk/grants/>.

¹⁶⁸ "AHF Grants Guidance" (The Architectural Heritage Fund), accessed August 3, 2016, http://static1.squarespace.com/static/554207b8e4b01b6210bbfd56/t/574c4325b09f953f297cd6fc/1464615719642/AHF_Grants_Guidance-2.pdf.

Since 1999, AHF has awarded 10.3million GBP to BPTs in the form of of grants and loans.¹⁶⁹

Heritage Lottery Fund

HLF offers a number of grants, which could be applicable to BPT projects. In deciding on what they want to fund, they look at the possible “difference it will make” in the realms of heritage, people and communities.¹⁷⁰ Since 1999, HLF has given 21.3 million GBP to BPTs.¹⁷¹

Other Grants and Loans

Other common sources of grant or loan funding for BPTs are as follows (This is not an exhaustive list):

- Community Shares
- Scottish Government Empty Homes Allowance
- Creative Scotland
- Local Authorities
- European Regional Development Fund
- Highlands and Islands Enterprises
- Conservation Area Regeneration Scheme

¹⁶⁹ ECOTEC, “Study of Building Preservation Trusts in Scotland, Final Report,” 16.

¹⁷⁰ “The Difference We Want Your Project to Make” (Heritage Lottery Fund), accessed August 3, 2016, <https://www.hlf.org.uk/looking-funding/difference-we-want-your-project-make>.

¹⁷¹ ECOTEC, “Study of Building Preservation Trusts in Scotland, Final Report,” 17.