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Guidelines for Establishing a Local Preservation Revolving Fund

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A revolving fund is a tool used by organized preservationists across the country to save individual landmarks, to initiate rehabilitation in deteriorated historic districts, and to demonstrate the economic, social, and aesthetic benefits of historic preservation. A revolving fund makes it possible to intervene directly to save an endangered landmark or to help stabilize or revitalize a historic neighborhood. As the fund is replenished by the resale of properties or the repayment of loans, the fund is used again and again for other properties. The purpose of the fund is to save buildings and neighborhoods, *not* money. Any losses that ensue are the sponsor's contribution to preservation.

The establishment of a revolving fund is a vital ingredient in an aggressive and practical preservation program. It is no panacea, however, and must be used in concert with other proven preservation techniques.

The purpose of this leaflet is to share the experience of the Landmark Society of Western New York in the hope that it will provide direction and encouragement to other organizations. The reading list has been selected to provide more specific assistance and information about other effective revolving funds.

Initial Planning for a Revolving Fund

The establishment of a revolving fund should be part of the long range planning for any serious preservation group, but the following steps must be taken before you attempt to raise the money.

1. You must be chartered as a nonprofit organization. You must have established credibility as a responsible and constructive force in your community.
2. There must be enough members in your organization to demonstrate a broad base of community support and

to provide enough workers to conduct a successful fund-raising drive.

3. Your governing board must contain influential and respected community leaders who are committed to the cause and will provide the leadership for such a major effort.
4. You must have assessed what needs to be saved in your community and established your priorities.

Beginning the Revolving Fund

If you believe that you have the ability to embark upon a major fund-raising campaign to establish a revolving fund, by all means get started at once. If such an effort is beyond your capability at this time, however, do not



Greenwood Street, Third Ward Historic District, Rochester. The two houses in the foreground were purchased and resold through the revolving fund as part of a Landmark Society demonstration project.

be dissuaded from your purpose, for you can begin on a small scale.

The Landmark Society began its revolving fund out of desperate necessity about 10 years ago, with a membership of 500, a deficit operating budget, and no capital funds. The board of trustees had decided that the organization lacked the resources to embark upon a major capital fund drive. Nevertheless, there was a great need for a demonstration project to prove that the blighted Third Ward Historic District in Rochester could be salvaged.

A gift of \$5,000 from a Landmark member established the revolving fund. Short term loans, mortgages, and additional gifts kept it going. Five years later, the Society had bought and resold nine properties in the demonstration area to serve as the needed catalyst for its rejuvenation. Meanwhile, a positive, practical preservation program and an aggressive public relations campaign had increased the membership to 2,300 and established a broad base of community support and interest. Serious planning for a major fund-raising drive could begin.

Raising the Money to Establish the Fund

The Landmark Society spent one year laying the groundwork and another year developing a full-scale fund-raising campaign. The campaign was kicked off in the fall of 1974 and completed a year later, but additional gifts continue to be received and pledges will be collected until 1979. The goal was \$500,000 -- half for capital improvements to the properties the Landmark Society owns and maintains, and half for the revolving fund. Gifts of historic properties were accepted, as well as cash and pledges. The campaign went over the top by \$100,000. Expenses were held to \$40,000, leaving net proceeds of \$560,000, with \$230,000 placed in the revolving fund. From this experience, I would offer these pointers about raising the money to establish a revolving fund:

1. Select a chairman who is well known in the community, who will work like a Trojan, and who is committed to the cause.
2. Determine your "dream" goal. Aim high and make it a wish list of what you could do if you had the money to do it. You will need to refer to your list of priorities to do this.
3. Retain a professional fund-raising consultant to assess your chances of reaching that goal. Later he will advise you on the campaign organization, accounting procedures, major gift solicitation, and promotional material.
4. Based on your wish list and the consultant's report, determine your real goal. It should be one that you can expect to achieve but one that will require diligent effort from your chairman, your board, your staff, and a large team of volunteer workers.
5. Actively solicit gifts of historic properties with the understanding that they will be sold with restrictive covenants, thus giving the donor a double incentive to give generously.

6. Investigate the National Preservation Revolving Fund operated by the National Trust for Historic Preservation, which offers low-interest loans to assist nonprofit organizations in establishing local revolving funds. For further information contact Financial Aid Assistant, Office of Preservation Services, National Trust for Historic Preservation, 740 Jackson Place, N.W., Washington, D. C. 20006, telephone 202-638-5200.



East Bloomfield Academy, East Bloomfield, New York. This important building was saved from demolition and adapted for use as a museum and community center by the local historical society. A four-year loan from the revolving fund helped pay for emergency repairs.

Administering the Revolving Fund

The Administrative Body

1. Your board of directors should decide, with the advice of an attorney, whether the fund should be administered by a revolving fund committee, or by a new, separate entity with its own board. Investigate the way other organizations administer their funds, to help you decide on the best method for your group.
2. Make certain the administrative body includes at least one each of the following experts: an architect, an attorney, a realtor, a mortgage broker, a banker, a developer, and a contractor.

General Guidelines for the Fund

1. Decide upon the geographic area in which the fund can be used, and establish priorities within that area.
2. Decide whether there will be a limit to the amount allocated for each project. The Landmark Society does not set such a limit; each case is judged on its own merit.
3. Decide whether the fund will be limited to your organization's own projects or whether you will lend funds to others as well. The Landmark Society does both.

4. If you have agreed to lend funds to others, decide upon the terms of the assistance. Obviously, you cannot make grants or gifts, or the fund will cease to revolve. Although you should be more flexible than a commercial lending institution, you should not be less professional in setting terms and conditions of loans. Loans should be repaid within a reasonable length of time, a fair rate of interest should be charged, and a schedule of payments established. The loan should be secured by a note, mortgage, or other security. Borrowers should pay any legal fees incurred in preparing loan agreements. All terms and conditions must be set forth clearly, in writing, for the borrower. Your attorney should make certain at the outset, and from time to time thereafter, that you are complying with the evolving laws controlling lenders.

Eligibility Criteria for Projects

Establish criteria to determine the merit and viability of projects that can qualify for revolving fund use.

1. For your own organization's use of the fund, all projects should be based on your established goals and priorities. If your program is sound and effective, you should not be caught unaware with a building in imminent jeopardy -- you should have identified such cases and developed your plan of action.

2. If you intend to lend funds to others, you should establish the criteria for applications to the fund. The criteria should address both the merit and viability of the application.

Merit. To establish the merit of an application, an adequate survey of the historic resources of the area in which the revolving fund is to be used is imperative. If a loan is requested for a project in an outlying area where a survey does not exist, at least a "windshield" survey must be undertaken to determine the structure's importance. The Landmark Society ranks buildings individually according to their architectural and historical significance, physical condition, and importance to the neighborhood or community. These ratings are critical factors in the evaluation of applications to the revolving fund. For example, in order to qualify for funds, an isolated landmark must have received the Landmark Society's highest rating. If funding is sought for a building which is located in a historic neighborhood, the neighborhood should be protected (or eligible to be protected) as a historic district under a local ordinance; where a local ordinance does not exist and cannot be developed, the neighborhood should be listed (or determined eligible for listing) on the National Register of Historic Places.

Viability. The project should be highly visible, so that it will serve as a catalyst to encourage others. If the building is to be adapted for a new use, the use should be compatible with the building and the neighborhood. Finally, the economics must make sense. Of course the revolving fund will incur some losses, but there must be reasonable assurance that the property can be resold or the loan repaid so that the revolving fund can be replenished.



The Leopold Street Shul, Rochester. The oldest Jewish synagogue in the city, this building has been saved from demolition by a small, black congregation which purchased it for continued religious and educational purposes. Urgent exterior repairs and restoration were made possible by two loans from the revolving fund: a short-term loan of \$21,000 to be repaid when a federal historic preservation grant-in-aid is received, and a \$12,500 loan secured by a five-year mortgage to help the congregation match the grant.

Reviewing Applications to the Fund

Establish procedures for reviewing applications to the fund. The Landmark Society uses the following procedures.

1. If it is a Landmark Society project, the chairman of the project presents the case to the revolving fund committee.
2. Other applicants must submit a brief letter describing the project and explaining why the loan is needed. The director then determines the eligibility of the project. If the project is determined ineligible, an explanatory letter is sent to the applicant, and technical assistance is offered to solve the problem. If the project is determined eligible for funding, the director presents the case to the revolving fund committee.
3. In either case, the revolving fund committee denies or recommends funding. In denied, the application dies there.
4. If recommended by the revolving fund committee, the application is then reviewed by the finance committee, and its recommendation, whether for or against, is included in the presentation to the board of trustees.
5. The board of trustees makes the final decision on the application. If the board approves, the staff then works out the details with the applicant. When the board rejects an application, the reasons are set forth and the application is bounced back to the revolving fund committee to do some more homework before making another presentation.

The revolving fund committee meets as needed. The review process usually can be accomplished within 30 days. In the case of a true emergency, a special board

meeting can be called. For complicated loan problems or for a complex Landmark project, the revolving fund committee meets regularly and frequently before making its decision, but the next steps in the review process can be accomplished within a 30-day period.

Restrictive Covenants

To ensure future preservation and to protect your investment of time and money, restrictive covenants should be placed on the deed of any property acquired and resold. Restrictions should be tailored to meet the needs of each building, but in every case they should provide for the preservation of architectural integrity, proper maintenance, and the right of first refusal on all future sales.

Some Final Suggestions

The guidelines offered here are sound and reasonable, but they should be prefaced always by the word "normally," for the fund should be as flexible as possible.

The revolving fund will be as weak or as strong a tool as its administering body wants it to be. You should be practical, but not so practical that you do not take any risks. If you are too conservative, your bank account will be healthy, but your program will suffer. Always weigh carefully where the use of the revolving fund will have the most impact and help accomplish your overall goals.

Never at any time let the hope, or even the existence, of a revolving fund prevent you from acting as a catalyst for others to buy, restore, rehabilitate, or recycle the buildings that should be saved. One organization cannot possibly do the job alone. You must continually involve as many people as possible -- government officials, corporations, developers, and private individuals.

Lastly, do not forget that you must continue to generate gifts for the fund. The most successful method is to solicit gifts and bequests of historical properties that can be resold. As the tangible results of your program become well known, you will find your selling job less difficult, and your gifts more generous.

Suggested Reading

Commercial Area Revolving Funds for Preservation. Washington, D. C.: National Trust for Historic Preservation, 1976. 15 pp. The story of the Galveston (Texas) Historical Foundation's revolving fund for The Strand. Single copies available free from Mid-Atlantic Field Office, National Trust for Historic Preservation, 740 Jackson Pl., N.W., Washington, D. C. 20006.

Economic Benefits of Preserving Old Buildings. Washington, D. C.: The Preservation Press, 1976. 168 pp., illus. Includes case studies of preservation projects illustrating economic feasibility. \$6.50, postpaid, soft cover. Available from Preservation Bookshop, National Trust.

Federal Tax Programs of Real Estate Activities of Preservation Organizations. Tersh Boasberg. Published in

Urban Lawyer, Vol. 8 (Winter, 1976). \$6.00, postpaid. Available from Finance Dept., American Bar Association, 1155 E. 60th St., Chicago, Ill. 60637.

Foundation Support for Historic Preservation Projects. Marion G. Phillips. Albany: Preservation League of New York State, 1977. 4 pp. \$.75, postpaid. Available from Preservation League, 13 Northern Blvd., Albany, N. Y. 12210.

A Preservationist's Guide. Billie Harrington. Reprinted from the *House and Garden Guide to American Tradition 1976*. 6 pp. The tools of the trade as forged by the Landmark Society of Western New York. \$.50 to cover postage and handling. Available from the Preservation League.

The Preservation Directory: A Guide to Programs, Organizations and Agencies in New York State. Albany: Preservation League of New York State, 1977. 125 pp. \$5.00, postpaid. Available from Preservation League.

The Revolving Fund Handbook. Boston: Architectural Heritage Foundation, forthcoming. Contact AHF, Old City Hall, 15 School St., Boston, Mass. 02108.

Revolving Funds for Historic Preservation. Arthur P. Zeigler, Leopold Adler, and Walter C. Kidney. Pittsburgh: Ober Park Associates, 1975. 111 pp., illus. \$5.45, postpaid. Available from Preservation Bookshop, National Trust.

Revolving Funds for Neighborhood Preservation: Lafayette Square, St. Louis. Washington, D. C.: National Trust for Historic Preservation, 1977. 20 pp. Single copies available free from Mid-Atlantic Field Office, National Trust.

This leaflet has been adapted from a speech delivered by Billie Harrington at the Preservation League's fourth annual conference, which was held in Saratoga Springs, New York, in April, 1977. Mrs. Harrington has been the executive director of the Landmark Society of Western New York since 1962. She is vice-chairman of the New York State Board for Historic Preservation and chairman of its Committee on the Registers. Mrs. Harrington was instrumental in establishing the Preservation League, served as its first president, and continues to serve on its Board of Trustees.

Photographs from the collection of the Landmark Society of Western New York; p. 1, Hans Padelt; p. 2, Gary Whelpley; p. 3, Dennis Connors.

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