

Eight Tips for a Successful Revolving Fund

[Preservation Leadership Forum](#)

This issue of *Historic Preservation Forum* is devoted to the topic of preservation revolving funds, dedicated pools of capital used for historic preservation real estate projects. All funds repaid to the revolving fund are reused for the same purpose--thus, the funds revolve. (Sometimes, as Drew Boggs of Historic Landmarks Foundation of Indiana (HLFI) reports in his article, they revolve downward.)

Revolving funds can be used to acquire and resell property and/or to lend funds to others who are undertaking acquisition or rehabilitation work. These funds can consist of grants, donations, and earned income raised by the parent organization. If the fund is willing to borrow, its capital and volume of activity can be expanded, as described by Vicki Gillette in her article on debt financing.

The National Trust's revolving funds have been expanded significantly with borrowed funds over the years with great success. Other funds also rely on borrowed money. Providence Preservation Society Revolving Fund, as Clark Schoettle indicates, is in part capitalized with a low-interest loan from the Rhode Island state historic preservation office. Pittsburgh History and Landmarks Foundation recently received its first program-related investment from the Fannie Mae Foundation.

Different funds rely on different strategies and organizational mechanisms to save properties. Preservation North Carolina (PNC), for example, routinely acquires properties for resale, while Historic Boston regards property ownership as a last resort. Reid Williamson, director of HLF, believes that preservation easements are critical to the long-term protection of revolving fund properties. PNC also requires easements when it resells properties, but some other funds normally do not impose this requirement. Providence Preservation Society Revolving Fund operates as an entity focused exclusively on real estate activity, separate from its parent, the Providence Preservation Society, which concentrates on education and advocacy. PNC's revolving fund, on the other hand, as well as those of other funds described in this issue, is operated as one function of a full-service preservation organization. Despite the differences in approach, several important themes emerge in the following articles.

1. Strong Track Records Open Doors.

By establishing a revolving fund, preservation organizations are able to influence the outcome of projects simply by virtue of their ability to be a financial player whether or not their funds actually are used. By developing a track record as an organization that has the financial and technical wherewithal to successfully complete real estate projects, preservation groups gain visibility and respect, opening doors to new opportunities. Preservation North Carolina negotiated the donation of an entire mill village in the northeastern part of the state--a gift that will yield more than \$2 million to the organization. This apparently effortless transaction was possible only because this statewide group has a highly successful and visible 20-year track record of handling real estate transactions. Providence Preservation Society Revolving Fund's solid reputation has afforded it opportunities to collaborate and consult with other nonprofit developers, thereby expanding its influence well beyond its target neighborhoods.

2. Flexibility, Entrepreneurship and a Willingness to Take Risks are the Hallmarks of Successful Funds.

Revolving funds revolve skills and knowledge as well as money. The National Trust has been in the lending and development business for more than 26 years, but each project brings new challenges and a new twist on old ideas. Preservation revolving funds must be operated professionally, but in nonprofit lending and development some situations require fund managers to make decisions when time is short or standard real estate tools such as appraisals, market studies, and cost estimates are not available.

Myrick Howard's piece on feasibility studies and Stanley Smith's article demonstrate this lesson well. Often a revolving fund's role is to demonstrate to the community that preservation makes sense, even when the numbers don't work. A determined corps of individuals with vision, optimism and great salesmanship can go a long way to turning a neighborhood around or saving a hopelessly blighted building.

Tampa Preservation's Harriet Plyler states that preservationists must believe they can do anything and build bridges with anyone. Bold real estate actions often are determinative, as Savannah's Lee Adler explains. Lessons learned from the corporate world are making funds more sophisticated. Sometimes funds working in inner-city communities must compete with suburban developers; hence, as Macon Heritage Foundation knows, the fund must "act and think like a developer." Drew Boggs talks about "customer service" and "customer loyalty."

3. The Personal Touch Reaps Many Benefits.

As explained by Karen Ansis of New York Landmarks Conservancy, nonprofit lending and real estate development work is an art as well as a business. Not only are gut decisions required, but nonprofits must be prepared for a sometimes interminable amount of "hand holding" to succeed in this specialized construction lending. This investment of time and often emotional commitment to a project and the people involved in it can reap rewards in the quality of the preservation work accomplished, the low default rate of most nonprofit lending programs, and the friendships developed with the creative and determined people involved in the preservation movement nationwide.

4. Patience is a Virtue... and Often a Requirement.

Sometimes, above all else, nonprofit preservation organizations can offer difficult projects the benefit of time. We are patient lenders and developers who are used to waiting until the community learns the importance of preserving rather than demolishing historic buildings. We are persistent in the face of adversity and don't give up easily. Stanley Smith notes that the very mission of a preservation revolving fund is "swimming against the tide to conserve things that conventional wisdom says is impossible." If these projects were easy, they would have been done by the private sector. Tampa Preservation, Inc. board members and staff have patiently infiltrated community activities and organizations to influence the future of Tampa.

5. Advance Planning Allows Quick Action.

With careful planning and advance work, quick action to save endangered properties is possible. Successful revolving fund projects often occur after years of tracking a property and waiting until the time is right to intervene. After 14 years of watching the Hayden Building in the city's former "Combat Zone," Historic Boston finally was able to purchase the site. This move is intended not only to save the endangered H.H. Richardson commercial building, but also to help turn around this embattled part of town. A thorough knowledge of real estate techniques and local resources allows a fund to package each project to maximize its chances of success.

6. Partnerships Build Success and Educate the Community.

Executive Director Maryel Battin and architect and revolving fund chairman Jordan Jelks describe Macon Heritage Foundation's work with the local housing authority, the city, private developers, a university, local building suppliers, foundations and the National Trust's Community Partners program to successfully market and rehabilitate moderate-income housing in a dilapidated in-town neighborhood. Providence has developed a successful relationship with the city and neighborhood organizations to use Community Development Block

Grant and private funds to turn around several parts of its historic community, and the organization has become an integral partner in the neighborhood planning process. Pittsburgh's success in using the Community Reinvestment Act to convince local banks to establish loan programs has shown other organizations how to leverage dollars to revitalize lower-income neighborhoods.

7. Targeting Resources Builds a Climate of Change.

In Macon, New York, Tampa, and Providence, traditional preservation organizations have used historic preservation as an organizing tool for neighborhood revitalization. The funds have, in Harriet Plyler's words, "slipped out into the community." These groups have been able to turn previously blighted neighborhoods into livable communities by targeting areas with supportive local organizations, good quality but abandoned or neglected housing stock, and opportunities for home ownership. Potential buyers and borrowers benefit from the revolving fund's long-term commitment to the neighborhood, its ability to tailor financing to local circumstances and a willingness to offer in-depth technical assistance and project oversight. Clark Schoettle explains how Providence Preservation Society Revolving Fund, which always has targeted lower income neighborhoods, builds relationships with community organizations and establishes neighborhood loan committees to build in local ownership of the product and avoid being viewed as an outside organization.

8. Lend close to home.

In 1994, after almost 20 years of operation, the Preservation North Carolina board adopted a goal of establishing three regional offices to have an office within two hours of every county in the state. Randall Shepard, former chairman of the board of Historic Landmarks Foundation of Indiana, has stated his preference of lending only to properties that "you can visit and be home in time for dinner." The National Trust is familiar with the difficulties of long-distance real estate transactions, and the preference always is to empower a local organization to deal directly with the property. The dedicated fund managers and preservation professionals who contributed the articles in this issue of Forum have a wealth of experience to share. The lessons they can teach will, it is hoped, encourage other individuals and organizations to initiate or expand their community preservation activities.

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